

Burdens of a creditor nation: Business elites and the transformation of US trade policy, 1917-62

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Preface

This research is based on archival evidence from the records of a variety of different organisations. All archival material is cited as follows: Author, 'Document title', Date, Archive (Collection identifier, Collection name), Series, Box, Folder. To conserve space, some attributes may be omitted if the item can be easily retrieved without the information. Where an argument is based on several documents collectively, only a reference to the box is given. American spelling has been maintained in quotations, names of organisations and document titles. Abbreviations are spelled out on pages 7-9 and on first mention. A cast of characters with short biographies is provided in the Appendix.

This research began when, as an undergraduate student at Oxford, I became interested in the origins of the Cold War. I thank everybody who gave me feedback and encouragement along the way, especially Benn Steil at the Council on Foreign Relations; John Lewis Gaddis, Jenifer Van Vleck and Patrick Cohrs at Yale; Marc Palen at the University of Exeter; Frederico Romero at the European University Institute; Patricia Clavin, Noa Schonmann and Gareth Davies at Oxford University; the participants of the Business History Network; and Jackie McGlade and the participants of the 2016 Cold War Business History conference. I am also grateful to the many archivists who helped me with their invaluable knowledge, especially Kirsten Peim, Lynn Catanese, Lucas Clawson and Marsha Mills.

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List of abbreviations

ACMA	American Cotton Manufacturers Association
AFL	American Federation of Labor
AISI	American Iron and Steel Institute
ATL	American Tariff League
ATMI	American Textile Manufacturers Institute
BAC	Business Advisory Council
CED	Committee for Economic Development
CFAC	Citizens' Foreign Aid Committee
CFEP	Commission on Foreign Economic Policy (Randall Commission)
CIO	Congress of Industrial Organizations
CNTP	Committee for a National Trade Policy
DEC	Detroit Economic Club
ECA	Economic Cooperation Administration
EEC	European Economic Community
EPU	European Payments Union
ERP	European Recovery Program
FCDC	Foreign Commerce Department Committee (US Chamber committee)
FEE	Foundation for Economic Education
GATT	General Agreement on Tariffs and Trade
ICC	International Chamber of Commerce
IR	International Relations
IRC	International Relations Committee
ITO	International Trade Organisation
MFN	Most Favoured Nation
MMA	Michigan Manufacturers Association
MSA	Mutual Assistance Agency
NAM	National Association of Manufacturers
NCAI	National Council of American Importers
NICB	National Industrial Conference Board
NFTC	National Foreign Trade Council
NTA	Northern Textiles Association
NWC	Nation-wide Committee of Industry, Labor and Agriculture on Export-Import Policy
OECD	Organisation for Economic Cooperation and Development
OMGUS	Office of the Military Government of the United States
OTC	Organisation for Trade Cooperation
RTAA	Reciprocal Trade Agreements Act
TEA	Trade Expansion Act
TPC	Trade Policy Committee (later Council)
UK	United Kingdom
UN	United Nations
USCICC	United States Council of the International Chamber of Commerce
WMA	Wisconsin Manufacturers Association

Abbreviations used only in footnotes and references

AAPSS	American Academy of Political and Social Science
ABA	American Bankers Association
AER	American Economic Review (Journal)
AJPS	American Journal of Political Science (Journal)
AIN	Associated Industries of Nebraska
APS	Academy of Political Science
APSR	American Political Science Review (Journal)
ATHM	American Textile History Museum
BHL	Bentley Historical Library
BHR	Business History Review (Journal)
BL	Butler Library
BoD	Board of Directors
BoG	Board of Governors
BoP	Balance of payments
BoT	Board of Trustees
BoTr	Board of Trade
CFR	Council on Foreign Relations
DH	Diplomatic History (Journal)
DOC	Department of Commerce
EAC	Economic Advisory Committee
EL	Eisenhower Library
Ex Cmte	Executive Committee
FA	Foreign Affairs (Journal)
FEA	Foreign Economic Administration
FRUS	Foreign Relations of the United States
GWL	George Washington University Library
HBS	Harvard Business School, Baker Library
HML	Hagley Museum and Library
IEPC	International Economic Policy Committee
IO	International Organisation (Journal)
ISQ	International Studies Quarterly (Journal)
JEH	Journal of Economic History (Journal)
JEIA	Joint Export-Import Agency
KACI	Kansas Association of Commerce and Industry
KHS	Kansas Historical Society
KL	Kennedy Library
MMA	Michigan Manufacturers Association
MMAC	Metropolitan Milwaukee Association of Commerce
NACM	National Association of Cotton Manufacturers
NAWM	National Association of Wool Manufacturers
nd	no date given

NEC	New England Council
NHS	Nebraska Historical Society
NL	Nuffield Library, Oxford
NTA	National Textile Association
OHS	Oregon Historical Society
POF	Presidential Office Files
PSQ	Political Science Quarterly (Journal)
QJE	Quarterly Journal of Economics (Journal)
SD	State Department
TD	Treasury Department
UMA	Utah Manufacturers Association
USHS	Utah State Historical Society
WCC	Wisconsin State Chamber of Commerce
WH	White House
WHS	Wisconsin Historical Society
WP	Working Paper
TL	Truman Library

Long abstract

“The only thing that could have stopped it – and I was not for this, I don’t think you can stop world trade and I don’t think you should try – but the only thing that could have stopped it is if we put up trade barriers.”

– Lou Levov, Newark glove manufacturer, late 1960s,
in Philip Roth’s *American Pastoral* (2010)

My research seeks to explain the evolution of trade policy debates among American business leaders between World War I and the 1960s. The key finding is that a new framework for discussing trade policy was widely adopted after the United States became a creditor nation during World War I. This framework related tariffs and imports to exports, international lending and American foreign policy. High levels of imports ceased to be a threat and instead came to be seen as a pre-requisite for high levels of exports and a well-functioning global economy; raising the levels of imports, including through tariff cuts, became a strategy for providing American allies and debtors with dollar revenues. This new insight into the political economy of American foreign economic policy is based on new evidence from the archival records of business associations and a wide range of other primary and secondary sources. In addition to bringing to light new evidence, my research also addresses some of the gaps that still exist in the literature on the history of the foreign economic policy of the United States, the Cold War and transatlantic relations.

Unlike the existing literature on the history of American trade policy, the primary focus of my research lies not on institutional changes, like the Reciprocal Trade Agreements Act of 1934 that weakened a traditionally protectionist Congress, nor on structural shifts in the American economy that weakened protectionist industries. Instead, I argue that foreign policy and the balance of payments replaced industrial development and revenue generation as the primary

frames of reference for trade policy debates among business and political elites. There have to date been no scholarly works dedicated specifically to the trade policy views of business leaders based on business associations' internal records, which my research remedies by bringing to light evidence from the records of the National Association of Manufacturers, the US Chamber of Commerce, the Business Advisory Council, the Committee for Economic Development, the National Foreign Trade Council, numerous state and local chambers of commerce, and single-issue trade policy lobby groups.

At the end of the 20th century, most American business leaders, companies and business interest groups supported high levels of international trade. The US Chamber of Commerce and the National Association of Manufacturers were crucial supporters of trade liberalisation and trade agreements like NAFTA. A hundred years earlier, however, an entirely different consensus dominated among business elites in the United States. According to the protectionist orthodoxy of the 19th century, tariffs were needed both as a revenue source for the federal government and, more importantly, to protect American industry from foreign competition with its first-mover advantage. Yet these arguments became increasingly irrelevant during the 20th century, while the changing geopolitical and economic position of the United States created new incentives for business and political leaders to favour trade liberalisation over protectionism.

Chapter 2 analyses debates about trade policy during the interwar period and World War II. The transformation of the United States into a creditor nation at the end of the World War I precipitated demands from American investors and exporters that the United States should aim to run a trade deficit to transfer dollars to its debtors and trading partners. However, this

“creditor nation theory” was not adopted by domestically focused business associations during the interwar period, while disagreements between investors and exporters, as well as the Great Depression, hindered the emergence of effective business lobbying for trade liberalisation. Beginning in the late 1930s and accelerating during World War II, the idea that American foreign economic policy should aim to raise imports was revived and gained acceptance even at the leadership level of large, traditionally protectionist business groups that represented companies without a direct interest in international trade, most notably the US Chamber of Commerce and the National Association of Manufacturers. By showing how post-war planning popularised creditor nation theory, internationalism and the idea that trade was a “two-way process” among business elites, this chapter addresses the lack of a detailed analysis of American trade policy during World War II and contributes to a better understanding of why business associations that were hostile to the Reciprocal Trade Agreements Act in 1934 came to support the legislation by 1945.

In Chapter 3, I argue that trade concessions came to be seen as a useful substitute for ineffective and costly emergency aid between 1945 and 1947. Foreign aid in the form of grants and loans became highly unpopular soon after the end of World War II because it was seen as ineffective and too conducive to the growth of government power. This precipitated a re-thinking of foreign economic policy in 1946 and 1947, which built on the ideas of post-war planners and creditor nation theory. Rather than arguing that trade liberalisation would raise imports and thereby increase the flow of dollars to debtors, those who favoured liberalisation now argued that an increase in imports would fund a sustainable European recovery. Unlike aid, it was argued, an increase in imports would neither require government spending nor exacerbate inflation in the United States. This chapter shows how creditor nation theory was

adapted after 1945 and questions the views of revisionist scholars of the origins of the Cold War who have argued that the primary objective of American foreign economic policy after 1945 was the pursuit of export markets and trade liberalisation for the benefit of the United States. I argue that the major business interest groups neither demanded nor expected foreign aid as export promotion, but rather wanted trade liberalisation and higher net imports as an alternative to foreign aid.

Chapter 4 describes how the Truman administration and the leaders of the National Association of Manufacturers and the US Chamber of Commerce built a broad consensus among business elites around the goal of import promotion for the sake of a European economic recovery in 1948/49. This contributed to a historically unprecedented level of business support for trade liberalisation. The “dollar gap” – the idea that Western Europe’s balance of payments deficit made a sustainable recovery impossible – was a central motif in American foreign economic policy during the late 1940s; and the key remedy for the dollar gap was raising the level of imports into the United States. The foreign economic policy of the Marshall Plan years with its focus on the dollar gap had its roots in creditor nation theory, an aspect of the Marshall Plan that has largely been overlooked by the burgeoning literature on the topic, although there has been a recent surge of interest in the dollar gap.

Chapter 5 argues that there was a significant increase in business criticism of the Truman administration’s foreign economic policy over the course of 1950. Attempts to promote imports from Western Europe in order to close the dollar gap were now met with growing hostility due to fears over European competition and discrimination against American exporters. Then, the escalation of the Korean War at the end of 1950 reversed this trend, for

several reasons. First, rearmament spending in the United States contributed to new shortages and accelerating inflation, while alleviating nascent fears about European competition and discrimination. Second, rearmament spending in Europe and the interruption of East-West trade threatened to re-open the dollar gap, thus providing a new rationale for higher American imports from Western Europe. More generally, rising geopolitical tensions made it difficult to argue against American assistance for Western Europe. Because foreign aid was discredited, trade concessions were used as the principal means of providing such assistance to Western Europe. This culminated in the emergence of the slogan “trade not aid” as a guiding principle of American foreign economic policy in 1952, and set the stage for unprecedented levels of business support for the extension of the Reciprocal Trade Agreements Act in 1953.

Chapter 6 examines the trade policy views of business elites in the United States from 1953 until 1956, a period when the pro-liberalisation consensus of the early post-war years disintegrated. The decline in business support for trade liberalisation coincided with a protectionist backlash in Congress, forcing President Eisenhower to abandon ambitious plans for trade liberalisation during his first term of office. Beginning in 1953, many major business interest groups weakened in their commitment to further tariff cuts and expanding imports. Growing internal disagreement at these interest groups was fuelled by the disappearance of the factors that had underpinned the initial post-war free-trade consensus: Europe’s balance of payments deficit and the security threat emanating from the Soviet Union. At the same time, opposition to trade liberalisation came from an increasing number of industries, including chemicals, mining and steel. The existing literature on American trade policy largely neglects the mid-1950s and this chapter addresses this gap, brings to light new archival evidence and,

together with chapter 7, puts the 1950s and early 1960s into the context of earlier debates about America's creditor nation status, the dollar gap and "trade not aid".

Chapter 7 examines the trade policy views of business elites between 1957 and 1962. Following the weakening of the pro-trade business consensus between 1953 and 1956, there was a renewed push towards further liberalisation beginning in 1957. The balance of payments was again a key driver behind the evolution of business preferences on trade policy: As the American balance of payments deficit and foreign indebtedness grew, supporters of trade liberalisation argued that a growing trade surplus would counter-balance the capital account deficit. Protectionists argued the opposite, i.e. that liberalisation would lead to growing imports and therefore exacerbate the balance of payments position of the United States, thus adopting the balance of payments as their framework of reference for trade policy. Along with the balance of payments, European integration, Soviet economic growth and decolonialisation also polarised the debate on trade policy among business elites. In each case, pro-trade groups saw potential opportunities in new and growing overseas markets, whereas protectionists saw potential threats from low-wage labour in foreign and domestic markets, threatening American producers. This contributed to the US Chamber of Commerce and the National Foreign Trade Council's return to the pro-trade coalition. At the same time, the protectionist coalition's effectiveness was reduced by internal dissent and the continued neutrality of the National Association of Manufacturers.

After 1917, the balance of payments and foreign policy became crucial considerations for business elites debating American trade policy. Creditor nation theory, two-way trade, the replacement of emergency aid with trade concessions, the dollar gap and "trade not aid" were

all based on the premise that, as a creditor nation with a trade surplus, the United States had to raise imports to supply adequate amounts of dollar revenues to its debtors, the world economy, war-torn Europe and the free world. After the Korean War, when Europe's payments imbalance disappeared and the United States ceased to be a creditor, support for trade liberalisation gradually declined. Nevertheless, the balance of payments and foreign policy still played a crucial role in trade policy debates until well into the 1960s, contributing to the mobilisation of business support for the 1962 Trade Expansion Act.

1 Introduction

“The National Association of Manufacturers is unalterably opposed to free trade.”

– *National Association of Manufacturers, July 1908*

“Small and medium sized firms are huge beneficiaries of free trade agreements.”

– *National Association of Manufacturers, April 2009*

The core argument of this dissertation is that the trajectory of business opinion in the United States on international trade during the 20th century can only be understood if the growing link between trade policy, foreign policy and the balance of payments is taken into account. Support for a liberal trade policy regime became the default position for American business elites, even those not directly engaged in international trade, during the mid-20th century. In 1939, only 11% of corporate executives surveyed in a national poll demanded lower tariffs and protectionist business witnesses dominated congressional trade policy hearings during the 1930s. By 1955, however, a mere 5% of executives from a representative sample of small and large firms favoured raising tariffs, which at this point were significantly lower than they had been in 1939. Most witnesses appearing on behalf of companies or business interest groups during the late 1950s and 1960s supported tariff cuts. The US Chamber of Commerce moved from advocating high tariffs during the 1930s to endorsing trade liberalisation in the 1960s and the National Association of Manufacturers (NAM) temporarily abandoned protectionism between 1945 and 1953, and finally during the 1970s.¹

¹ For survey data, see ‘Roper Fortune #6 (USRFOR1939-006)’, July 1939, Roper Center for Public Opinion Research, and ‘The Shift in Business Opinion on the Tariff’, *Fortune*, Apr 1955. For business testimony at trade policy hearings, see e.g. Senate Finance Committee and House Ways and Means Committee hearings for

The existing literature, reviewed in section 1.2, emphasises the year 1934 as the great turning point in the history of American trade policy. By passing the Reciprocal Trade Agreements Act (RTAA), Congress delegated the authority to negotiate trade agreements to the president that year, and since then there has been a secular move towards liberalisation and away from tariffs (and later non-tariff barriers), driven by bilateral and later multilateral trade agreements. The United States was pivotal in the creation of the global framework for multilateral trade liberalisation under the General Agreement on Tariffs and Trade (GATT) after 1947. While these important aspects of American trade policy have been thoroughly discussed, much less attention has been paid to business opinion on trade policy, a gap that my research seeks to address. Moreover, the existing literature – much of which focuses on institutions and coalitions – has overlooked an important change in how ideas relating to trade and trade policy were debated during the 20th century, both among business elites and political leaders.

It is my contention that 1917 – the year when the United States became a net international creditor, or a “creditor nation” in the parlance of the day – is an overlooked turning point in the evolution of American trade policy. My research aims to show that there was a gradual increase in business support for a liberal trade policy regime beginning in 1917, which was a consequence of the emergence of the United States as the dominant global economic power and creditor nation, a development which changed the frame of reference for debates about trade policy and provided a compelling rationale for liberalisation. Foreign policy and the balance of payments became key frames of reference for trade policy debates. Without this

HR 8687/8430 (1934), HR 3240/2652 (1945), HR 12591 (1958) and HR 11970/9900 (1962), ProQuest (Congressional Hearings Digital Collection). In 1934, 27 witnesses – many of them government officials – spoke in favour of the RTAA, whereas 49 witnesses opposed the legislation. See also Gilligan, *Empowering Exporters* (1997), pp. 70-3.

transition, one cannot fully account for the evolution of trade policy debates among American business elites. This introduction outlines the historical context (section 1.1), reviews the existing literature (section 1.2) and discusses the sources and methodology used (section 1.3). Chapter 2 discusses trade policy debates during the interwar period that were precipitated by the new position of the United States in the global economy. The chapter also discusses trade policy debates among business elites during World War II, when balance of payments-related arguments became more widely used and the idea that trade was a “two-way process”, i.e. that export and import levels were closely related, became popular. Chapters 3 to 5 outline how arguments about the balance of payments and geopolitics led to increased business support for trade liberalisation during the post-war years. After 1953, the pro-trade business coalition fractured as balance of payments and foreign policy arguments for liberalisation weakened, as described in Chapter 6. By the early 1960s there was a new majority for the Trade Expansion Act (TEA), and Chapter 7 shows how the changing international environment, most notably the American balance of payments deficit, contributed to the formation of a new trade policy cleavage in the business community.

1.1 Historical context

The United States was a steadfastly protectionist nation until the beginning of the 20th century. From the days of the founding fathers, tariffs were popular for a number of reasons, chief among them raising revenue for the federal government and protecting domestic industry from more economically advanced foreign competition. In his 1791 *Report on Manufactures*, Alexander Hamilton advocated protectionist policies, at least in the short run, because of high American wages and European discrimination. Madison and Jefferson were even more

protectionist, attracting considerable business support.² At the constitutional convention, Southern delegates agreed to a simple-majority requirement for congressional action on tariff policy, as desired by Northern protectionists, to secure in return the promise of federal non-interference in the slave trade. Subsequently, the tariff level rose gradually as Congress passed a multitude of protectionist bills. Early American protectionism culminated in an almost complete cessation of trade during Jefferson's embargo of 1807-1809.³ During and after the War of 1812, the normally pro-trade Southern states agreed to new tariffs, which were justified with frequent references to national security and fiscal discipline. The 1816 Tariff Act, passed under Madison's guidance, committed the United States to maintaining the high tariffs that had developed during the crises of the early 19th century. These high tariffs not only raised revenue for the federal government, but also protected domestic industries that had developed during the embargo years.⁴

Exports grew strongly in the decades that followed, with cotton constituting over half of total merchandise exports during the first half of the 19th century. Southern and later also Midwestern states began to push for lower tariffs, hoping to gain greater access to foreign markets by offering concessions to other nations. New England merchants also joined this coalition and the shrinking protectionist bloc struggled to pass the Tariff of Abominations in 1828. So determined was the opposition that, after failing to stop the new law, South Carolina

² Pastor, *Congress and the Politics of US Foreign Economic Policy* (1982), p. 73; Irwin, 'Historical Aspects of US Trade Policy', *NBER Reporter* (2006), p. 1; Hamilton, *Report on Manufactures*, 1791, as cited by Irwin.

³ Baack et. al., 'Constitutional Agreement during the Drafting of the Constitution', *Journal of Legal Studies*, 38 (2009), pp. 534-5; O'Halloran, *Politics, Process and American Trade Policy* (1994), ch. 3; Mannix, 'Gallatin, Jefferson and the Embargo of 1808', *DH*, 3:2 (1979), pp. 151-3.

⁴ Nivola, 'The New Protectionism', *PSQ*, 101:4 (1986), p. 585; Chorev, *Remaking US Trade Policy* (2007), p. 42; Preyer, 'Southern Support of the Tariff of 1816', *Journal of Southern History*, 25:3 (1959).

threatened to secede over the issue of the tariff. The 1828 tariff is of further significance because anti-tariff groups for the first time argued that “import tariffs were de facto taxes on their exports”, thus linking exports to American tariffs.⁵ In an apparent concession to the South, the Adams Compromise Act of 1832 led to the first, albeit largely symbolic, lowering of tariffs and the middle of the 19th century then saw a move towards cautious liberalisation as the strength of pro-trade forces grew and the Democratic party successfully passed a tariff-cutting bill when it came to power in 1846. Average tariff levels thus fell from their 1830s peak until the Civil War. The disintegration of the Whigs, the party of high tariffs, during the 1840s also restrained the influence of protectionist forces. With the realignment of the party system, the Republicans eventually came to represent protectionism and the Democrats low tariffs, as the two parties’ constituencies were now neatly divided along sectional lines.⁶

Another long period of American protectionism began with the Morrill Tariff of 1861. After the Civil War, trade policy became one of the dominant issues in American politics, to the extent that one’s view on the tariff turned into a litmus test for party affiliation. With the Southern states less influential and the Republican Party dominant, protectionism ruled. The protection of domestic industry and the need to raise revenue for the federal government continued to be the main arguments of supporters of high tariffs.⁷ Then, a new argument entered debates about trade policy at the end of the 19th century: export promotion, particularly

⁵ Baack et. al, ‘Constitutional Agreement’, *Journal of Legal Studies*, 38 (2009), pp. 549–51 (quote from p. 551); Nivola, ‘The New Protectionism’, *PSQ*, 101:4 (1986), p. 585.

⁶ Irwin, ‘Historical Aspects’, *NBER Reporter* (2006), p. 2; O’Halloran, *Politics, Process and American Trade Policy* (1994), ch. 3; Chorev, *Remaking US Trade Policy* (2007), p. 43.

⁷ Whereas Republicans welcomed the additional revenue brought in by rising import volumes and high tariffs in order to finance costly policies, the Democrats – especially under Grover Cleveland – argued against high tariffs on the grounds that they created too many resources for the federal government. See Nivola, ‘The New Protectionism’, *PSQ*, 101:4 (1986), p. 587.

in Latin America. Republicans tried to encourage reciprocal tariff cuts as part of both the 1890 McKinley Tariff Act and the 1897 Dingley Tariff Act. However, all agreements negotiated under these provisions were later nullified by Congress. The overall tariff level increased under Republican presidents despite their support for reciprocal trade concessions, and it was the Democrats who overturned the reciprocity provisions of the 1890 and 1897 tariff bills while simultaneously cutting the average tariff level during their brief periods of power.⁸ The basic logic of American trade policy continued into the 20th century, despite the odd coalitions produced by the reciprocity debates: Republicans, supported by business elites, sought high tariffs while Democrats wanted a more liberal trade policy regime.

This basic logic shifted in 1913. Teddy Roosevelt abandoned the Republican high-tariff consensus and joined Democrats in calling for apolitical and competitive tariffs. On the Democratic side, Woodrow Wilson began to argue for trade liberalisation using the kind of rhetoric that would become increasingly commonplace over the course of subsequent decades. In Wilson's words, "trade is two-sided. You can't sell everything and buy nothing". Wilson pushed the 1913 Underwood Tariff Act through Congress, lowering tariffs on many competitive imports, abolishing the Tariff Board and empowering the president to negotiate trade agreements. Three years later, Wilson used the 1916 Revenue Act to build on the achievements of the Underwood Tariff Act with the establishment of a Tariff Commission to set tariffs in an apolitical and scientific way.⁹ In addition to these institutional changes, World War I marked several important economic milestones as well. With the advent of a permanent

⁸ Lake, *Power, Protection and Free Trade* (1988), ch. 1; Oatley, 'International Institutions and Domestic Legislatures', *International Studies Association* (1999), pp. 21-30.

⁹ Wilson as quoted in Lake, *Power, Protection and Free Trade* (1988), p. 157; O'Halloran, *Politics, Process, and American Trade Policy* (1994), ch. 4.

income tax and the growth of government spending, tariffs ceased to be the main source of revenue for the federal government, making the revenue argument for tariffs irrelevant. At the same time, the United States was now indisputably the largest and most advanced economy by the end of World War I, undermining the protectionist case that infant industries required tariff protection.¹⁰

Crucially for the further development of domestic debates about trade policy, the United States became a net creditor during World War I. Until 1917, the United States had been a net borrower, a position that was justified by the need to develop domestic industry and catch up with more advanced Western European economies. During World War I, America's erstwhile creditors first liquidated their assets and then began to borrow heavily from the United States to finance their involvement in World War I. This precipitated calls from American banks and multinationals with assets in Europe, as well as from economists and government officials, to liberalise trade and encourage imports in order to enable foreigners to finance purchases of American goods, the repayment of American loans, and the transfer of foreign profits to capital owners in the United States, as described in chapter 2.¹¹ This idea of relating the balance of payments, international lending and trade policy is what I call "creditor nation theory", a term also used by contemporaries.¹²

The 1920s saw creditor nation theory gain adherence among growing numbers of prominent figures in the United States, who voiced concerns about the impact of tariffs on American

¹⁰ See ch. 2, p. 84.

¹¹ See ch. 2, p. 68.

¹² See ch. 2, p. 73.

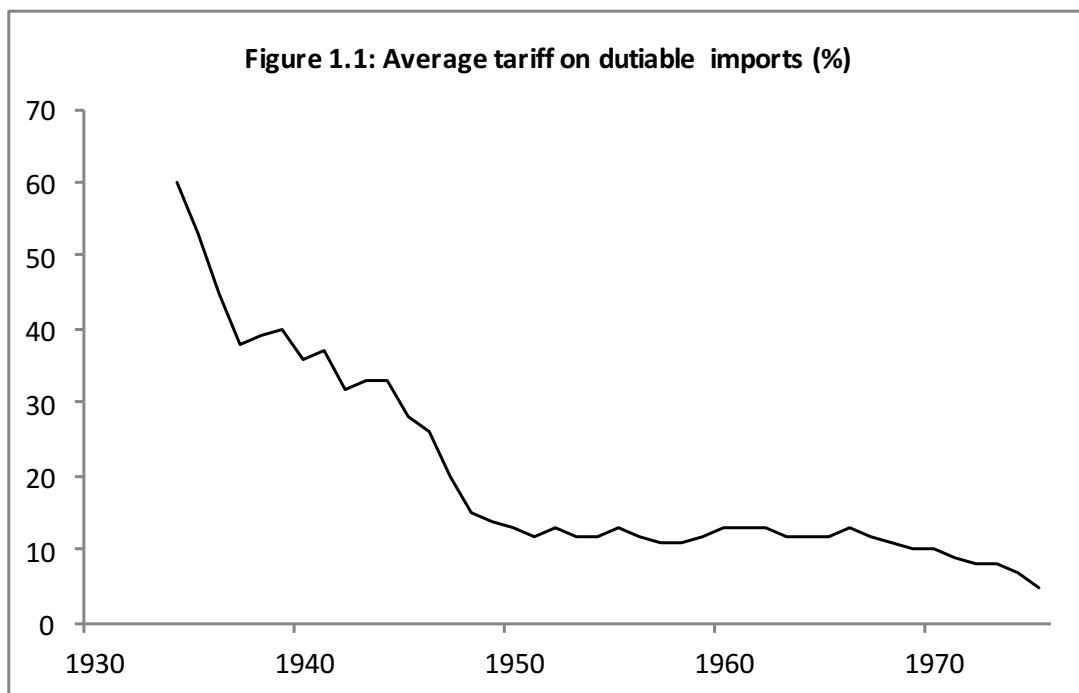
banks, multinationals and also exporters, as well as on the United States as a whole. In an increasingly popular phrase, international trade was described as a “two-way” street or process, i.e. high levels of imports were portrayed as a pre-requisite for high levels of exports. Together with the related view that creditor nations, be it Britain in the 19th century or the United States in the 20th, had to run an import surplus to enable foreign debtors to finance interest payments, this changed the way in which imports were viewed by many business leaders. Imports thus came to be seen by a small but section of the political and economic elite as something to be welcomed rather than feared.¹³

During the interwar period, this new, pro-import view of trade policy failed to gain adherents among domestically focused business groups. Moreover, creditors (most notably the major Wall Street banks) and multinationals determined to enable foreigners to finance debt repayment and the transfer of profits to the United States failed to ally themselves with exporters who were worried about their customers’ ability to finance imports from the United States. Creditors, multinationals and exporters did not yet fully recognise their mutual interest in high levels of imports, instead competing for foreigners’ dollar holdings. As a result of this division, internationally-minded business elites did not emerge as a unified pro-trade constituency during the 1920s and early 1930s. Tariffs were quickly restored to pre-1913 levels and protectionism reached its heyday in June 1930 with the now infamous Smoot-Hawley tariff that led to a doubling of tariffs on dutiable imports.¹⁴

¹³ See ch. 2, p. 65 for details.

¹⁴ Kaplan, *American Trade Policy* (1996), pp. 10–21; Baldwin and Krueger, eds., *The Structure and Evolution of Recent US Trade Policy* (1984), ch. 1.

During the Great Depression, President Roosevelt’s secretary of state, Cordell Hull, led a transformation of American trade policy. Congress passed the RTAA in 1934, which delegated the power to negotiate trade agreements from Congress to the President. The RTAA removed many of the ways in which protectionist lobby groups could push for industry-specific tariffs and empowered the president to negotiate treaties with foreign nations that reduced tariffs by up to 50%, for limited period of three years. The RTAA was extended eleven times and lasted until the 1960s. After 1935, the United States concluded bilateral trade agreements with nation after nation, setting in motion a downward trend in the tariff level that concluded during the late 1960s, when the average tariff level fell to the low single digits (see figure 1.1 below).¹⁵



Source: Bureau of the Census, 1975, as shown in Gilligan, *Empowering Exporters* (1997), p. 2, figure 1.1

¹⁵ Kaplan, *American Trade Policy* (1996), p. 52; Eckes, *Opening America’s Market* (1999), pp. 148–9.

World War II transformed the political economy of American trade policy. Extensive wartime and post-war planning institutions evolved, bringing government and business elites together to manage production, distribution and trade flows, and to draw up a plan for how the United States should position itself after the war ended. Most government departments, the Senate and the House of Representatives created post-war planning committees and many business groups set up internal post-war planning groups and committees.¹⁶ The post-war planning effort popularised internationalism; it helped creditors, multinationals and exporters align their interests; it spread creditor nation theory and the idea that exports depended on imports in domestically focused business associations; and it cemented the view that trade policy was part of, and subordinated to, foreign policy. Throughout World War II, business support for the RTAA and high levels of trade increased.

In June 1945, Congress extended the RTAA for three years and granted President Truman new tariff-cutting powers. Creditor nation theory, the notion that trade was a two-way process and foreign policy were key themes of the debate, not least in the testimony of the many business supporters of the legislation. The 1945 extension proved a crucial one, as the State Department used it to negotiate the GATT and the charter of the International Trade Organisation (ITO), thus moving the framework for trade policy from a bilateral to a multilateral one. Tariffs reached the pre-Smoot-Hawley level in 1946 and again dropped in 1948. However, a political backlash against trade liberalisation also gathered pace after 1948. Congress, now controlled

¹⁶ Post-war planning is an under-studied aspect of World War II. See, e.g., Aaronson, *Trade and the American Dream* (1996). See section 2.5 for more detail.

by Republicans, refused to ratify the Havana Charter of the ITO and the RTAA extensions after 1948 conferred only minimal tariff cutting power on the president.¹⁷

Congressional resistance to further trade liberalisation after 1948 has attracted considerable attention, overshadowing important developments elsewhere. As part of the effort to rebuild Western Europe and Japan, officials in the Truman administration began to argue that the United States had to foster trade within Europe and higher levels of European exports, especially to the United States. These officials created a broad consensus among business leaders for high levels of imports and a liberal trade policy as a substitute for costly foreign aid.¹⁸ A key concern was closing Europe's balance of payments deficit, the "dollar gap".¹⁹ Business support for high levels of imports and a liberal trade policy peaked in the early 1950s, despite growing political resistance against further trade liberalisation. The mid-1950s then saw weakening business support for trade liberalisation. Congress rejected the Organisation for Trade Cooperation, which the Eisenhower administration had strongly supported. Stalemate reigned until the second half of the 1950s, when trade liberalisation gathered steam again. The RTAA was easily extended for several years in 1955 and 1958. Finally, the Kennedy administration passed the milestone Trade Expansion Act of 1962; Congress formally accepted multilateral trade negotiations and gave Kennedy and Johnson the tariff-

¹⁷ Haggard, 'The Institutional Foundations of Hegemony: Explaining the Reciprocal Trade Agreements Act of 1934', *IO*, 42:1 (1988), pp. 92–3; Dür, *Protection for Exporters* (2010), ch. 2.

¹⁸ A point that Baldwin and Krueger, (eds.), *The Structure and Evolution of Recent US Trade Policy* (1984), p. 8, make in passing, but that is otherwise under-appreciated in the existing literature.

¹⁹ Amerian, "'Buying European': The Marshall Plan and American Department Stores", *DH*, 39:1 (2014); Cardwell, *NSC 68 and the Political Economy of the Early Cold War* (2011).

cutting power that made possible the GATT's most successful round, the Kennedy Round of 1967, which reduced average tariffs on imported goods below 10%.²⁰

1.2 Literature review

There is a large historical and political science literature describing and analysing the evolution of the trade policy of the United States. This literature examines the role of institutions (above all the RTAA), ideas and coalitions in making trade liberalisation possible after 1934. Moreover, scholars of international relations and American foreign policy have examined trade policy as part of broader issues such as American hegemony, the Cold War and liberal international relations theory. Finally, starting from Pareto's observation that protectionism "provides large benefits to a small number of people, and causes a very great number of consumers a slight loss" and Olson's theory of collective action, economists have produced a more theoretical literature that seeks to explain why protectionism exists at all given the benefits of free trade according to economic theory.²¹

This existing literature has only rarely used archival evidence to study the views of business elites on American trade policy, while a separate literature on business elites has focused on other policy areas, but not trade policy. This has given rise to significant misconceptions about business elites' views on trade policy, which appear to undermine some of the conclusions reached in the existing literature. My research seeks to remedy these misconceptions, connect

²⁰ Baldwin, *US Trade Policy since 1934* (2009); Choev, *Remaking US Trade Policy* (2007), p. 40.

²¹ Pareto as quoted in Alt and Gilligan, 'The Political Economy of Trading States', *Journal of Political Philosophy*, 2:2 (1994), p. 168; Olson, *The Logic of Collective Action* (1965).

the various bodies of literature and address some of the gaps in the existing scholarship by introducing new archival evidence from the collections of business interest groups and government archives (as discussed in detail in section 1.3) to document and analyse the trade policy of views of American business elites between World War I and the early 1960s.

Britain favoured low tariffs when it was the dominant global power and many economists argued that free trade would leave all countries better off. When American protectionism persisted even after the United States became the world's largest economy, historians and social scientists pointed to disorganised export interests and an institutional structure that favoured protectionist interests to explain the apparent puzzle. Writing during the years following the Smoot-Hawley Tariff, Schattschneider concluded that Congress, which then controlled trade policy, was institutionally biased in favour of protectionists, who also had a natural advantage because the costs of a low-tariff policy were concentrated while the benefits were dispersed. Thus, Schattschneider predicted that the United States would never have a liberal trade policy.²²

Since this seminal work, there have been many attempts to demonstrate that the evolution of institutions, coalitions and/or elite ideology can explain shifts in American trade policy. The key debate among institutionalists has been about what kind of institutional change enabled the switch from protectionism to a liberal trade policy. One group of scholars argues that the RTAA limited the influence of protectionist interest groups on the political process. Irwin and Kroszner studied the process by which Congress passed tariff bills until 1934, concluding that

²² Schattschneider, *Politics, Pressure and the Tariff* (1935). Not everyone agreed that protectionism benefited only a minority, see e.g. Fetter, 'Congressional Tariff Theory', *AER*, 23:3 (1933).

congressional control over tariffs encouraged congressmen to support each other's tariff requests in order to generate support for the tariffs demanded by their own constituents (a practice known as "log-rolling"). The president, whom the RTAA empowered, has a constituency that is more economically diverse than that of individual congressmen. Thus, some institutionalists argue that delegation reduced the power of localised protectionist pressure groups.²³ O'Halloran elaborates on this argument by treating delegation as endogenous and portraying Congress's decision to empower the president as a function of constituent pressure rather than as a safeguard against it.²⁴

This branch of the literature sheds little light on the importance of ideas and the behaviour of business elites, and the archival records of businesses and business associations are not used in detail. Schattschneider's study of the Tariff Act was based mainly on congressional hearings transcripts, and has been criticised for treating business interest groups too monolithically (see section 1.3 for a discussion of different types of evidence and the organisational complexity of business associations). Though recognising the importance of ideas, most notably economic nationalism, Schattschneider did not elaborate on their genealogy or impact.²⁵ The more recent institutionalist literature replicates Schattschneider's focus on politics and congressional sources. Some, like Irwin and Kroszner, infer "producer interests" from industry production data, potentially over-simplifying how business preferences on trade policy are determined.²⁶ O'Halloran discusses the importance of interest groups in abstract terms in the introduction to

²³ Irwin and Kroszner, 'Logrolling and Economic Interests', *NBER WP5510* (1996); Destler, *American Trade Politics* (1986); Ehrlich, 'The Tariff and the Lobbyist', *ISQ*, 52:2 (2008).

²⁴ O'Halloran, *Politics, Process, and American Trade Policy* (1994).

²⁵ See e.g. review by Herring, *APSR*, 30:2 (1936).

²⁶ Irwin and Kroszner, 'Logrolling and Economic Interests', *NBER WP5510* (1996), Appendix 1.

her book, and posits that her model “integrates [both] the interest group and presidential dominance schools [which] capture important aspects of the truth”. Yet the book does not mention any specific business interest groups, whose absence is particularly notable in the discussion of the history of the RTAA in chapter 5. Although O’Halloran’s core insight of endogenous delegation based on constituency interests would lend itself to an exploration of what those constituency interests are, there is only one brief section in which O’Halloran discusses business preferences, towards the end of the book. Here, O’Halloran argues that protectionist outcomes during the 1920s were a result of growing agricultural protectionism. The growth of pro-trade preferences among banks, multinationals and exporters (see section 2.2) – many of them manufacturers – is not discussed. O’Halloran also argues that the “constituency bases of the parties began to coalesce” after 1945, making Republicans less protectionist and Democrats more protectionist, without elaborating or recognising the complexity of business attitudes to trade policy after 1945.²⁷ Ehrlich, whose model reverses the direction of causality and argues that constituency pressures were endogenous to the institutional structure, finds that delegation led to less lobbying and lower tariff rates. His model fails to account, however, for the reinvigoration of protectionist lobbying during the 1950s, which happened absent any institutional changes because, I argue, protectionists changed their arguments at a time when international circumstances undermined the case made by pro-trade groups for lower tariffs (see section 6.2 and 7.2.1).²⁸

²⁷ O’Halloran, *Politics, Process, and American Trade Policy* (1994), p. 40 and p. 179. A related article with Lohmann, ‘Divided Government and US Trade Policy’, *IO*, 48:4 (1994) focuses even more exclusively on political dynamics.

²⁸ Ehrlich, ‘The Tariff and the Lobbyist’, *ISQ*, 52:2 (2008). Ehrlich’s model is based on data from congressional hearings statements.

Destler's core argument is that the institutional structure of the RTAA successfully insulated political elites from interest group pressure, allowing them to pursue the trade policy of their choice, while the public was apathetic about trade policy. He puts great emphasis on the emergence of an economically liberal, internationalist elite from the 1930s onwards and the idea that the communist threat created an incentive among elites to allow higher imports to strengthen American allies.²⁹ However, he does not clearly delineate business and political elites, speaking instead of a unified "emerging government and business elite". He wrongly dates the emergence of an internationalist consensus as a "postwar" development, ignoring the centrality of the planning effort during World War II (see section 2.5), and his discussion of the 1950s is superficial.³⁰ Destler's general view on business preferences is that business elites became less protectionist, which drove the Republican turn away from high tariffs, but this conclusion is reached without the use of archival evidence regarding business elites' preferences.

Therefore, the institutionalist literature that identifies delegation as a key innovation shows an interest in, and makes arguments pertaining to, the behaviour of the business elites and business interest groups with which my research engages, without studying them in sufficient detail. Constituency pressures and the ideologies of business and political elites are crucial elements of the narratives and theories presented by the institutionalist literature which have to date been treated only superficially. A careful study of the archival evidence to establish business views on trade policy should thus be of value to this branch of the literature.

²⁹ Destler, *American Trade Politics* (1986), pp. 7-8.

³⁰ Destler, *American Trade Politics* (1986), p. 14.

A second branch of institutionalism argues that the key innovation was not delegation but reciprocity, i.e. linking American trade concessions to tariff cuts by other countries. The core argument here is that exporters were enlisted into the anti-tariff coalition by linking foreign and domestic trade barriers through reciprocal bargaining. The RTAA, as Haggard puts it, created unprecedented “incentives for them [export-oriented industries] to organise” because it allowed the United States to “make credible commitments and thus exploit its market power.”³¹ However, Haggard only uses government archives and secondary sources, especially Jeff Frieden’s work (see p. 36). The result is that he rightly recognises that banks and exporters lobbied for trade liberalisation during the early 1930s, and that this was partly motivated by a recognition of “the declining capacity of their clients to service their debts through exports”, but incorrectly attributes this to the changing institutional setting. He also fails to see the divisions between banks and exporters that hampered the emergence of effective lobbying and were only overcome during World War II. The archival evidence I examined shows more clearly than government sources when and how the link between international lending, exports and tariffs was made. Based on this evidence, I argue in chapter 2 that creditor nation status and the idea of trade as a two-way street were more important than reciprocity in turning banks, multinationals and exporters into opponents of high American tariffs, a development that began long before the RTAA and exerted an important influence on trade policy preferences and debates throughout the RTAA’s existence.³²

³¹ Haggard, ‘The Institutional Foundations of Hegemony’, *IO*, 42:1 (1988), p. 116 and p. 91.

³² Haggard, ‘The Institutional Foundations of Hegemony’, *IO*, 42:1 (1988), quote from p. 93.

Gilligan similarly finds that the RTAA “concentrate[d] the benefits of liberalisation on particular export industries so that they have more incentive to lobby for liberalisation.”³³ Like Haggard, Gilligan overlooks the importance of creditor nation theory and two-way trade in changing incentives for exporters and lenders long before the RTAA. Unlike most of the authors discussed so far, Gilligan, does discuss the actions of specific business interest groups. However, he incorrectly characterises the US Chamber as a “familiar export group” and characterises the NAM’s opposition to the RTAA in 1934 as a surprise. Neither is accurate given the history of these two organisations. Gilligan also misinterprets the collaborative effort of political and business elites to manage inter-American trade after the outbreak of World War II as an exercise in export promotion (see section 2.4), again wrongly classifying the US Chamber as an export group. In his discussion of the ITO, Gilligan correctly recognises the position of the major business interest groups, but fails to identify their motivations: concerns about sovereignty, which motivated much of the opposition to the Havana charter (see section 4.1), are not mentioned. Like many others, Gilligan does not discuss the 1950s in detail.³⁴ Thus, the credibility of Gilligan’s argument is undermined by the limited understanding of the actions of the interest groups on which parts of his study are based.

Bailey et al offer a different model of how reciprocity affected trade policy outcomes. They examine the “optimal policy choices of elected officials” and contend that “the RTAA increased support for trade liberalization by ‘bundling’ foreign and domestic reductions into one package”. Secondly, they argue, the RTAA led to export growth, which led to higher

³³ Gilligan, *Empowering Exporters* (1997), pp. 10–2.

³⁴ Gilligan, *Empowering Exporters* (1997), pp. 69–73. On the paucity of detail about the 1950s in the existing literature, see also the introduction to chapter 6.

district-level dependence on exports, which in turn increased pressure on congressmen to support reciprocal tariff cuts.³⁵ The empirical evidence provided shows that representatives from more export-dependent district were more likely to support the RTAA extension in 1953 and the TEA in 1962. However, there is no evidence provided regarding the earlier period of the RTAA, when most tariff cuts occurred; nor is there any discussion of how constituency pressure is exerted or what motivated exporters' trade policy views.

The archival evidence presented here offers a way to re-assess the hypothesis that reciprocity motivated exporter lobbying. As argued above, the main finding is that exporters' (and banks') support for low tariffs predated the RTAA and was motivated by creditor nation theory and foreign policy considerations rather than reciprocity. Moreover, a careful study of trade policy debates shows that the focus on export promotion is misplaced. From World War II onwards, there was a recognition among business and political elites that imports had to rise and that the United States should work towards high levels of balanced trade and an integrated global (or at least western) economy. This contributed to support for the RTAA, a development which is ignored – and cannot be explained – by the existing models of the political economy of American trade policy, and offers a potential explanation for the growing constituency pressure for delegation that has been observed by the existing literature.

Another group of scholars moves the emphasis from institutions to interest groups, casting business associations and labour unions as the main actors. This literature offers two competing explanations for the dominance of pro-trade interests after 1934. The first is that

³⁵ Bailey et al., 'The Institutional Roots of American Trade Policy', *World Politics*, 49:3 (1997), pp. 336-7.

pro-trade lobbyists became better organised and more vocal, because the rewards of liberalisation became more tangible or because of the risks of losing access to foreign markets to European and Japanese discrimination.³⁶ Andreas Dür has recently argued that American exporters advocated liberalisation as a reaction to being excluded from foreign markets, most notably through imperial trade preferences agreed at Ottawa in 1932 and European integration in the late 1950s and early 1960s.³⁷ The competing explanation for liberalisation in this literature is that the structure of the economy changed in such a way as to create a larger pro-trade constituency. Hiscox stresses “exogenous effects of World War II on US export and import-competing industries as well as longer-term shifts in US comparative advantage”, while Ferguson emphasises the shift of banks and big business into the pro-trade coalition during the New Deal. Frieden argues that “the starting point for a political economy of international finance should be the relationship between international investment interests and the foreign economic policy preferences they imply”, and applies this to the transition of the United States to creditor nation status. He finds that the “international economic policy preferences that flow from [different sectors’] domestic and international asset positions [provide] an understanding of domestic debates” about American foreign economic policy, but remains at a high level of generality.³⁸

³⁶ Gadbow, ‘Reciprocity and Its Implications’, *Law & Policy International*, 14 (1982).

³⁷ Dür, ‘Foreign Discrimination, Protection for Exporters, and US Trade Liberalisation’, *ISQ*, 51:2 (2007); Dür, ‘Bargaining Power and Trade Liberalisation’, *European Journal of International Relations*, 14:4 (2008) and Dür, *Protection for Exporters* (2010).

³⁸ Hiscox, ‘The Magic Bullet? The RTAA, Institutional Reform, and Trade Liberalisation’, *IO*, 53:4 (1999), p. 670; Ferguson, ‘From Normalcy to New Deal’, *IO*, 38:1 (1984); Frieden, ‘Capital Politics: Creditors and the International Political Economy’, *Journal of Public Policy*, 8:3 (1988), p. 265.

Common to this literature is the omission of post-war planning and the Marshall Plan as the central moments at which the new pro-trade coalition was forged, both in the sense that its initially disparate strands (banks, multinationals and exporters) were unified and in the sense that the leaders and members of domestically oriented interest groups were brought into the pro-trade coalition. My research not only uncovers these crucial moments but also asserts that industry size and export-orientation alone do not determine the shape of trade policy coalitions. Room exists for strategic action and policy entrepreneurship. Moreover, Dür's work relies on limited archival evidence that is not well-suited to an examination of business interest groups, while Frieden's and Ferguson's work are limited to a relatively short part of the interwar period. My research introduces new evidence to broaden the base on which the debates in this strand of the literature can be conducted, and calls into question both Dür's periodisation and his account of exporter mobilisation.³⁹

A third strand of the literature puts ideology centre-stage, rejecting both the coalition-based and the institutional approach. Most notably, Goldstein argues that trade policy debates after 1934 became dominated by the belief that free trade was good for the United States and the world, and by the belief that trade should be fair. Independently of coalition sizes and institutional biases, these beliefs predisposed lawmakers against protectionism. Just as the Great Depression dealt a blow to the credibility of protectionism, the economic success of the postwar period reinforced the credibility of internationalism and foreign economic policy liberalism.⁴⁰ Pastor highlights the importance of the idea of fairness in international trade and Hody describes the impact that the twin ideas of rationalism in trade policy and the “scientific

³⁹ For further detail on Dür's arguments, see especially p. 167, p. 219 (on the ERP) and p. 253 (on the 1950s).

⁴⁰ Goldstein, 'Ideas, Institutions, and American Trade Policy', *IO*, 42:1 (1988).

tariff” had. Destler, as described above, makes much of the rise of internationalism and an economically liberal elite.⁴¹ However, this literature on the importance of ideas has overlooked several ideas that had a substantial impact on trade policy views among both business and political elites: creditor nation theory, the notion of trade as a “two-way” process and the idea that trade policy was constrained by broader foreign-policy goals. This dissertation both affirms the importance of ideas in shaping trade policy preferences and asserts that the balance of payments and foreign policy were crucial in this respect.

A different body of literature, which focuses on the international sphere rather than domestic politics, puts forward a different set of explanations for the willingness of the United States to sponsor what Geir Lundestad calls the “liberal world trading order.” Drawing parallels between the British Empire’s commitment to free trade and United States foreign economic policy during its period of hegemony, scholars such as Charles Kindleberger, Robert Gilpin and Stephen Krasner argue that hegemons sponsor liberal trade orders, overcoming the incentives for protectionism that each state faces in multipolar systems.⁴² Some scholars have reached a similar verdict based on historical research rather than international relations theory, arguing that a pro-trade consensus emerged during the 1930s because increased trade was seen as a precondition for peace and prosperity. This solidified during World War II, and when the war ended the United States used its hegemonic position to help its allies by opening its own markets and accepting discrimination against American goods. However, as the Soviet threat

⁴¹ Pastor, *Congress and the Politics of US Foreign Economic Policy* (1982), pp. 168, 184 and 204; Hody, *The Politics of Trade* (1995); Destler, *American Trade Politics* (1987), p. 7.

⁴² Lundestad, *The United States and Western Europe* (2003), p. 275; Kindleberger, ‘Dominance and Leadership in the International Economy’, *ISQ*, 25 (1981), p. 1; Gilpin, *US Power and the Multinational Corporation* (1975); Krasner, ‘State Power and the Structure of International Trade’, *World Politics*, 28:3 (1976), p. 318.

receded and Europe and Japan re-emerged as serious competitors the liberal trade policy consensus broke down during the 1950s.⁴³ Most of these findings, especially Frieden's (see p. 36), are based on a different methodology; they either use no archival material or only government archives. The evidence I introduce further corroborates many of the arguments made in this literature, uncovering the centrality of post-war planning and showing in detail the links between foreign policy and trade policy.

Revisionist Cold War historians who see American foreign economic policy as little more than an expression of the demands of American capitalism rarely discuss or document the behaviour of business elites in any detail.⁴⁴ Williams's *Tragedy of American Diplomacy* is commonly seen as the beginning of Cold War revisionism. A core part of the argument – that the Soviet Union was far less threatening than commonly thought during the early post-war years – is sustained by the archival evidence presented in chapters 3 and 4. Williams uses quotes from public statements made by business figures as evidence for his hypothesis that American foreign economic policy sought to open up markets, but due to the lack of detailed evidence he fails to put this in the appropriate context of the widely-held belief that high levels of exports required, first and foremost, raising the level of imports. His core theme, that Americans believed that the United States required “sustained, ever-increasing overseas economic expansion”, is misleading when applied to the Marshall Plan years, as chapters 3 to 5 show. The dominant desire, among business and political elites, was foreign recovery – even if it meant a retraction of American economic power in the form of trade concessions, off-

⁴³ Maddock, ‘The Politics of Trade’, *Int'l Relations*, 6:1 (1978); Baldwin, *US Trade Policy Since 1934* (2009).

⁴⁴ See Cox and Kennedy-Pipe, ‘The Tragedy of American Diplomacy? Rethinking the Marshall Plan’, *Journal of Cold War Studies*, 7:1 (2005). See also p. 110.

shore procurement and the temporary toleration of intra-European and intra-Empire trade. Finally, as Perkins puts it in his review of Williams, this type of revisionism over-simplifies the relationship between capitalist elites and politicians, and the scope for ideological change and disagreements within a capitalist political economy.⁴⁵ Many of the same criticisms apply to later revisionists who built on the work of Williams.⁴⁶

Modern revisionism still emphasises the contribution the United States made to escalating the Cold War, including through an expansive foreign economic policy. The work of modern revisionists like Melvyn Leffler avoids many of the shortcomings of the earlier revisionist scholarship, which was more radical and less grounded in archival research.⁴⁷ Most importantly, Leffler's work is based on meticulous and far-reaching archival research and has a better appreciation of the complexity of foreign economic policy than early revisionists.

However, I believe that there is a crucial misunderstanding at the heart of Leffler's assessment of key Truman administration officials' foreign economic policy philosophy. Leffler writes that businessmen-turned-officials like Forrestal, Nitze, Harriman and Acheson were aware of the "relationships between foreign markets, exports and business profitability", referencing

⁴⁵ Williams, *The Tragedy of American Diplomacy* (1988), pp. 269-73. Quote from p. 11. See also review by Perkins, 'The Tragedy of American Diplomacy: Twenty-Five Years After', *Reviews in American History*, 12:1 (1984), esp. p. 1 and p. 8.

⁴⁶ Kolko and Kolko, *The Limits of Power* (1972); McCormick and LaFeber, *Behind the Throne* (1993); Metzler, *Lever of Empire* (2006).

⁴⁷ In the following, I mainly discuss Leffler's work because of its scholarly pre-eminence, scope, and exhaustive and unrivalled use of archives. Other modern revisionist works include Paterson, *Meeting the Communist Threat* (1988), and Johnson, *Improbable Dangers* (1994), esp. pp. 51-68. Paterson, whose main argument is that American post-war politicians consistently overstated the danger of the Soviet Union, glosses over the complexity of trade policy, completely ignoring the importance of imports (pp. 23-5). Johnson, in my view correctly, emphasises concerns about European stability as the leitmotiv of American foreign economic policy, but his work is based on secondary sources rather than archival research (ch. 3). See also review by Macdonald, 'Communist Bloc Expansion in the Early Cold War', *International Security*, 20:3 (1995), pp. 155-6.

the work of early revisionist Gabriel Kolko.⁴⁸ As I argue (see p. 114), these men were early creditor nation adopters (Acheson being a probable exception), whose careers in banking and industry had impressed upon them the notion that trade was a two-way street. After 1945, with American exports abnormally high and the trade surplus at record levels, the creditor nation view demanded that American foreign economic policy should target import promotion – not export promotion. A major weakness in Leffler’s work is exemplified by his insistence that the Truman administration pursued trade liberalisation because its key officials

“feared that the United States would again sink into depression because they understood that wartime government demand had boosted production and they wondered what would replace it at the war’s end. They were convinced that they needed an open world trading environment to sustain demand.”⁴⁹

As I show in chapter 3 and 4, Leffler, Paterson and other modern revisionists not only overstate the extent of fears of a return to depression, but also fundamentally misinterpret the importance of export promotion relative to import promotion. The existing literature’s failure to appreciate how crucial import promotion became during the late 1940s is a direct result of its failure to appreciate how the frame of reference for trade policy debates changed between 1917 and 1953.

Moreover, Leffler and other modern revisionists focus exclusively on political elites, with almost no regard to interest groups or the public, although occasional vague references to “big

⁴⁸ See Leffler, *A Preponderance* (1992), p. 14 and endnote 49 on p. 526.

⁴⁹ Leffler, ‘The Emergence of an American Grand Strategy’, in *The Cambridge History of the Cold War*, Vol. I, ed. by Leffler and Westad (2010), p. 67-8. See also *A Preponderance* (1992), p. 24, and Paterson, *Meeting the Communist Threat* (1994), p. 21.

business interests” and “business periodicals”, as well as quotations from speeches of US Chamber leaders, seem to suggest that they do not believe political elites existed in a vacuum.⁵⁰ In a general sense, my research addresses a fundamental imbalance in a literature which marginalises business elites’ views on trade policy. I believe this is important in its own right, and when detailed research on business elites is juxtaposed to research like Leffler’s it also becomes possible to identify significant gaps between business and political elites that open up new research questions. The most notable difference found here is the relaxed attitude of most national business leaders towards the Soviet Union (see e.g. p. 187), compared to the Truman administration’s alarmism as identified by Leffler, Paterson and Johnson.

Finally, even Leffler’s otherwise exhaustive *Preponderance of Power* does not draw on the records of the ECA (the vast but under-appreciated Record Group 469 at the National Archives). Indeed, these records, which are at the core of my research on the Marshall Plan presented in chapters 4 and 5, have been under-utilised by historians in general. Much of the historical, social science and international relations literature on trade policy focuses on political elites and neglects business elites. Exceptions like Thomas Ferguson’s and Michael Collins’s work on the interwar period or Michael Hogan’s and Andreas Dür’s research on the post-war period have only used a small fraction of the available archival sources.⁵¹ As argued in this dissertation, the archival records of business interest groups and the ECA shed light on a key aspect of the Marshall Plan, i.e. the ECA’s successful effort to work with the leaders of major business associations to build support for high levels of imports. Leffler, Hogan and

⁵⁰ Leffler, *A Preponderance* (1992), p. 256 and p. 316; Paterson, *Meeting the Communist Threat* (1994), p. 23.

⁵¹ Ferguson, *Golden Rule* (1995); Collins, *The Business Response to Keynes* (1981); Hogan, *The Marshall Plan* (1987); Dür, *Protection for Exporters* (2010). See also Lusztig, *The Limits of Protectionism* (2004); Gordon, *New Deals: Business, Labor and Politics in America* (1994); Schlesinger, *The Coming of the New Deal* (2003).

other historians of 1940s foreign economic policy recognise that the ECA tried to raise imports, but they do neither fully explain why this was so nor show how successful the ECA's campaign to enlist business support was.

Since the 1980s, a more theoretical literature, sometimes referred to as endogenous tariff theory, has focused on creating a more generalisable model of the political economy of trade policy. Its aim is to explain why free trade has not been adopted, despite the advantages promised by economic theory. Inspired by Olson and Pareto, the starting point is that the costs and benefits of liberalisation can be distributed such that protectionist lobby groups win the political contest despite the social costs associated with tariff barriers.⁵² Brock and Magee formalised the Olsonian insight that protectionist groups succeed in lobbying for high tariffs if the benefit of the tariff accrues to a small and cohesive group while the benefits of free trade are spread among consumers who cannot overcome the free-rider problem. Mayer identified majority voting and the cost of voting as the key factor, arguing that a minority which stands to benefit from protection can prevail if the cost of voting is sufficiently high. Grossman and Helpman constructed a rational choice model of interest groups making donations to self-interest maximising politicians in order to affect trade policy. Goldberg and Maggi found that the patterns of campaign contributions in the 1982 and 1984 congressional elections and the relative degree of protection by industry in 1983 were in line with the Grossman-Helpman model. Dutt and Mitra found evidence in support of the theory put forward by Mayer.⁵³ With

⁵² A comprehensive survey of this literature can be found in Nelson, 'Endogenous Tariff Theory: A Critical Survey', *AJPS*, 32:3 (1988).

⁵³ Brock and Magee, 'The Economics of Special Interest Politics', *AER*, 68:2 (1978); Mayer, 'Endogenous Tariff Formation', *AER*, 74:5 (1984); Grossman and Helpman, 'Protection for Sale', *AER*, 84:4 (1994); Goldberg and Maggi, 'Protection for Sale: An Empirical Investigation', *AER*, 89:5 (1999); Dutt and Mitra, 'Endogenous Trade Policy through Majority Voting', *Journal of International Economics*, 58:1 (2002).

few exceptions, this literature does not address any specific instances of protectionism and it does not engage with the historical literature described above. Its conception of the trade policy preferences of business leaders and their interest groups is strictly materialist, whereas the archival evidence shows that ideas and organisational structures often played an important role both in forming and aggregating business preferences.

My research sits at the intersection of the sprawling literature on American trade policy with a smaller literature on business elites.⁵⁴ From the 1930s until the 1970s, business associations and business elites were studied in great depth.⁵⁵ More recently, there has been renewed attention from both business historians and political scientists, but trade policy before the 1970s has not featured prominently in this literature. Waterhouse's study of trade policy lobbying only begins with Nixon. Dreiling and Darves's quantitative examination focuses on the 1980s, as indeed many quantitative studies – including the endogenous tariff theory literature – do because of the better availability of evidence. My research provides useful historical context to this existing work. Charnock's detailed work on the link between business groups and the Republican party does not discuss trade policy, despite an acknowledgement that trade policy was a key political issue; Delton's study of the NAM, unprecedented in its

⁵⁴ Prominent contributions to the historical literature on business elites include Kindleberger, *American Business Abroad* (1969); Temin, 'The American Business Elite in Historical Perspective', *NBER HP104* (1997); Galambos, 'The Emerging Organisational Synthesis', *BHR*, 44:3 (1970); Lipson, 'The Development of Expropriation Insurance', *IO*, 32:2 (1978). There is also a large social science literature on business interest groups, see Baumgartner and Leech, *Basic Interests* (1998); Browne, *Groups, Interests and US Public Policy* (1998); Maisel and Berry, *The Oxford Handbook of American Political Parties and Interest Groups* (2010); Berry and Wilcox, *Interest Group Society* (2015).

⁵⁵ Diebold, *The United States and the Industrial World* (1972); Bunzel, *The American Small Businessman* (1962); Burch, 'The NAM as an Interest Group', *Politics & Society*, 4:1 (1973), 97–130; Gable, 'NAM: Influential Lobby or Kiss of Death?', *Journal of Politics*, 15:2 (1953); Steigerwalt, *The National Association of Manufacturers* (1964); Wiebe, *Businessmen and Reform* (1962); Zeigler, *Interest Groups in American Society* (1972);

depth, focuses on race relations.⁵⁶ Many of the books and journal articles written about business elites before the 1960s were completed before the archives were accessible.⁵⁷ The somewhat dated literature on business influence on foreign economic policy, like the endogenous tariff literature, is too broadly focused to fully explain specific instances of business elites becoming less protectionist.⁵⁸

This dissertation is the first detailed historical analysis of trade policy debates among business elites in the United States based on primary sources from the archives of business associations. It introduces a large amount of new archival evidence, and uses it to address the historical literature and show the extent to which business elites behaved in accordance with the predictions of international relations and political economy theories. My primary objective is to examine why business opinion on international trade changed so significantly, from instinctive protectionism to overwhelming support for high levels of trade, between World War I and the 1960s. The existing trade policy literature has exhaustively dealt with political elites and institutions. Archival records and data pertaining to this side of the political economy of trade policy have been uncovered and studied at great depth. However, much of the existing literature is also united by an explicit or implicit acknowledgement that business

⁵⁶ Waterhouse, *Lobbying America* (2013); Charnock, 'Business Groups, Political Action and Republican Party Development', *unpublished manuscript* (APSA Annual Meeting, 2011); McQuide, 'Interest Groups, Political Institutions and Strategic Choices', *unpublished manuscript* (APSA Annual Meeting, 2010); Dreiling and Darves, 'Corporate Unity in American Trade Policy', *American Journal of Sociology*, 116:5 (2011); Delton, *Racial Integration in Corporate America* (2009); Jacoby, *Modern Manors* (1997).

⁵⁷ Bauer, *American Business and Public Policy* (1972); Werking, 'Bureaucrats, Businessmen, and Foreign Trade', *BHR*, 52:3 (1978); Burdette, 'Influence of Noncongressional Pressures on Foreign Policy', *Annals of the AAPSS*, 289 (1953); Berman, *The Influence of the Carnegie, Ford, and Rockefeller Foundations on American Foreign Policy* (1983).

⁵⁸ See also De Figueiredo, 'Lobbying and Information in Politics', *Business and Politics*, 4:2 (2002); Katzenstein, 'Domestic Structures and Strategies of Foreign Economic Policy', *IO*, 31:4 (1977); Gilens and Page, 'Testing Theories of American Politics', *Perspectives on Politics*, 12:3 (2014); Grossmann, 'Interest Group Influence on US Policy Change', *Interest Groups & Advocacy*, 1:2 (2012).

elites and their interest groups matter, both in their own right and in terms of outcomes, which contrasts with a stark absence of detailed archival evidence. My research seeks to address this gap, not least because understanding business preferences is a necessary first step towards understanding business elites' influence on trade policy outcomes and their interactions with political elites. Further research would continue to explore business elites more broadly through further business archival research while also extending my efforts to revisit government archives in order to establish more precisely the impact of business lobbying and the role of political elites in shaping business preferences.

1.3 Sources and methodology

My research introduces new archival evidence from the records of business interest groups and personal papers of individual business leaders. The organisations I study represent a cross-section of business interest groups in the United States during the middle of the 20th century, and the ones I study at the greatest depth include the two most important business associations, the US Chamber of Commerce and the NAM.⁵⁹ I have collected records of national, state and local business associations; industry-specific, single-issue and general groups; and representatives of small business and large corporations. 20th-century business interest groups also differed in a variety of other respects, most importantly in whether their focus was international or domestic, whether their ideology was progressive or conservative (best

⁵⁹ This is both the consensus of the secondary literature and evident from the archival records, both of government agencies assessing the landscape of business opinion and lobbying and of other interest groups discussing their competitors and allies. For government sources, see e.g. NARA (RG40, BAC), Series UDE33, Box 1 and LOC (MSS61911, Harriman Papers), Box 239. For business sources, see HML (2345, NFTC), Box 160. See also 'Oral History Interview with Edwin G. Nourse', pp. 18–9, TL (Oral Histories Collection). The NAM even featured in mid-century fiction as the embodiment of business lobbying, e.g. Tevis, *The Man Who Fell to Earth* (2000 [1963]).

proxied by their attitude to the New Deal) and whether their outlook was internationalist or isolationist. Table 1.1 on the next page provides a taxonomy of the organisations I examine.

First, I examine groups representing predominantly large companies, including the National Foreign Trade Council (NFTC), the US Council to the International Chamber of Commerce (USCICC) and the National Industrial Conference Board (NICB), all founded during the early 20th century, and the Business Advisory Council (BAC) and the Committee for Economic Development (CED), founded during the Depression and World War II, respectively. Despite their common focus on large corporations, these organisations were very different in their outlook. Only the NICB was strongly conservative and steadfastly opposed to the New Deal, its representatives and their ideas, and steadfastly isolationist. The USCICC and the NFTC were sceptical of government, but willing to rely on state assistance when dealing with foreign nations and significantly more open to government involvement in demand management and the international economy than the NICB. The CED and the BAC were far closer to, and more positively disposed towards, the government and the Democratic party than other organisations. Multinational companies, exporters and creditors were over-represented at the NFTC, the CED and the USCICC, whereas the NICB and the BAC also represented domestically focused corporations.

Second, I examine the records of chambers of commerce and manufacturers associations, most importantly the US Chamber of Commerce and the NAM. These mixed-membership organisation tended to be sceptical of trade liberalisation and hostile to government and the New Deal. While Keynesian macroeconomic ideas began to gain acceptance in parts of the pro-New Deal big business elite, they remained anathema to most of the businessmen

Table 1.2: Taxonomy of business associations

Full name	Type	Business size	Primary focus	New Deal attitude	Foreign policy views	Trade policy pre-1945	Trade policy 1945-53	Trade policy 1953-59	Trade policy 1960-62
National Association of Manufacturers	National	Varied over time	Domestic	Against	Varied over time	Protectionist	Liberal	Divided	Divided
US Chamber of Commerce	National	Mixed	Domestic	Against	Varied over time	Protectionist	Liberal	Divided	Liberal
National Foreign Trade Council	National	Large	International	For	Internationalist	Liberal	Liberal	Divided	Liberal
American Iron and Steel Institute	Industry	Large	Both	no data	n/a	Liberal	Liberal	Divided	Divided
National Industrial Conference Board	National	Large	Domestic	Against	Isolationist	Protectionist	Protectionist	Protectionist	Protectionist
American Cotton Manufacturers Institute	Industry	Mixed	Both	no data	n/a	Protectionist	Protectionist	Protectionist	Protectionist
New York Chamber of Commerce	State	Large	Both	no data	Internationalist	Liberal	Protectionist	Divided	Protectionist
Delaware Chamber of Commerce	State	Mixed	Domestic	Against	Isolationist	Protectionist	Protectionist	Protectionist	Protectionist
Wisconsin Chamber of Commerce	State	Small	Domestic	Against	Isolationist	Protectionist	Divided	Protectionist	Protectionist
Wisconsin Manufacturers Association	State	Small	Domestic	Against	Isolationist	Protectionist	Divided	Protectionist	Protectionist
Nation-Wide Committee and related organisations	Single-issue	Mixed	International	not in existence	n/a	not in existence	not in existence	Protectionist	Protectionist
Committee for a National Trade Policy	Single-issue	Large	International	not in existence	Internationalist	not in existence	not in existence	Liberal	Liberal
American Tariff League/Trade Relations Council	Single-issue	Mixed	International	Against	Isolationist	Protectionist	Protectionist	Protectionist	Protectionist
Committee for Economic Development	National	Large	Both	For	Internationalist	not in existence	Liberal	Liberal	Liberal
US Council of the International Chamber of Commerce	National	Large	International	For	Internationalist	Liberal	Liberal	Liberal	Liberal
Business Advisory Council	National	Large	Both	For	Internationalist	Divided	no data	no data	no data
Trade Policy Committee/Congress	Single-issue	Mixed	International	not in existence	n/a	not in existence	not in existence	not in existence	Protectionist

represented by the chambers and manufacturers associations, though not the leaders of these organisations.⁶⁰ I also draw on the records of state and local business associations from different parts of the United States with varying degrees of exposure to international trade, different industrial structures and different ideological orientations. The most internationalist of these, the New York Chamber of Commerce, counted 1,500 members from the state of New York with a strong interest in exporting, importing and financing international trade. 250 of the member companies were ranked among the largest corporations in the United States. Its directors and presidents included J.P. Morgan and Nelson Rockefeller. The Delaware chamber, on the other hand, dominated by the DuPont chemical company that took a leading position in protectionist circles, was a strongly protectionist group.⁶¹ Boston's chamber also represented a part of the United States dominated by a protectionist industry (textiles). Midwestern groups in Michigan and especially Wisconsin were ideologically conservative and traditionally protectionist. State and local chambers in Iowa, Nebraska, Kansas and Utah were far removed from national debates and represented mostly agricultural and mining interests rather than manufacturing. Finally, the Portland (Oregon) chamber was outward-looking but far more focused on Asia than on Europe. Along with data on membership referenda, these records provide an insight into the membership of the national chamber of commerce.

Third, I examine the views of business associations representing two industries that were particularly important in trade policy debates: the iron and steel industry, represented by the

⁶⁰ Collins, *The Business Response to Keynes* (1981); Burch, 'The NAM as an Interest Group', *Politics & Society*, 4:1 (1973).

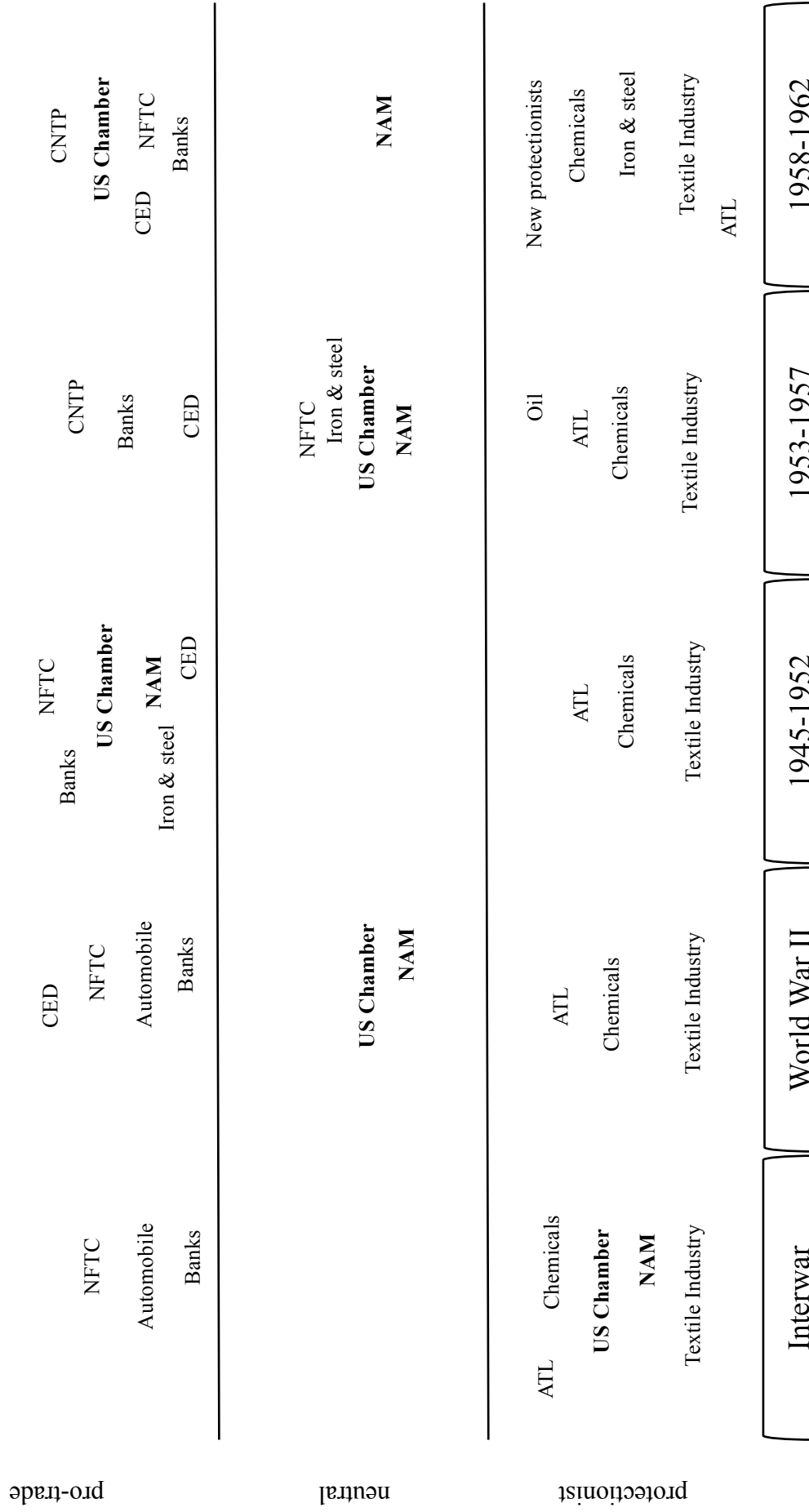
⁶¹ 'History of the New York Chamber of Commerce', [nd], BL (1440, NY Chamber), Series I, Box 374.

American Iron and Steel Institute, and the textile industry with its numerous associations and trade bodies. The iron and steel industry, like the oil industry and some car manufacturers, was strongly in favour of trade liberalisation until the mid-1950s. When doubts about liberalising trade emerged, steel industry figures were crucial players in the NFTC, and their defection from the pro-trade coalition had a major impact. The textile industry, like the chemical industry, was steadfastly protectionist throughout the period examined here and was at the centre of American protectionism throughout the 19th and 20th century.⁶² These industries are particularly interesting because trade in steel and textiles saw major changes in the 1950s and 1960s following the emergence of the European Coal and Steel Community and the re-emergence of Japan and Hong Kong as textile exporters.

Fourth, I examine single-issue lobby groups that focused exclusively on trade policy. I look at the evolution of the Committee for a National Trade Policy, founded in 1953 with the encouragement of the Eisenhower administration to galvanise business support for further trade liberalisation. The American Tariff League (later called the Trade Relations Council) and the Trade Policy Congress fought for the protectionist cause, along with the Nation-wide Committee of Industry Agriculture and Labor on Import-Export Policy, the American Wage-Earners Protective Council and the National Labor-Management Council of Foreign Trade Policy (collectively referred to as “new protectionists”). Figure 1.2 on the next page indicates the trajectories of the main factions among business elites in the free trade-protectionism issue space over time.

⁶² On the steel industry, see Lindert, ‘US Foreign Trade and Trade Policy’, in *The Cambridge Economic History of the United States, Volume 3*, ed. by Engerman and Gallman (2000). On textiles, see Minchin, *Empty Mills: The Fight against Imports* (2013).

Figure 1.2: Business views on trade policy



I opted to examine business associations' archives, rather than the records of individual businesses, for several reasons. First, the nature of the association records, especially when combined with personal papers, yields insights into what the representatives of member companies wanted, especially those who decided to play an active role and/or take an active interest. Second, the government sources and newspaper records I used suggest that, at the time, there was much greater interest in the trade policy views of the associations than in those of individual companies. These groups were a key interface through which business and political elites interacted. Third, the associations played an important role in aggregating and moulding the members' opinions, which would be lost if one only studied corporate archives. Finally, my main interest is in the evolution of trade policy views and ideas, and the associations were the principal locus of debate. This is not to say that corporate archives are not important, or that the individual companies had no relevance, and future research, including on trade policy, would benefit from an examination of corporate archives alongside the business association records and personal papers on which this dissertation is built.⁶³

Internal disagreement, among different factions and between leaders and members, was commonplace. Understanding the internal dynamics of each organisation is therefore essential for interpreting archival evidence which may reflect the vantage point or desired outcome of a specific faction, rather than a unanimous view. This is particularly important for diverse and large organisations like the NAM and US Chamber, which had thousands of members and whose internal politics were complex.⁶⁴ In the literature, both the NAM and the US Chamber

⁶³ See p. 333 for a further discussion of future research.

⁶⁴ Wiebe, *Businessmen and Reform* (1962); Soffer, 'The NAM and the Militarisation of American Conservatism', *BHR*, 75:4 (2001); Weinstein, *The Corporate Ideal in the Liberal State* (1971). The best of many dated works on the NAM is Burch, 'The NAM as an Interest Group', *Politics & Society*, 4:1 (1973).

have been described as “weak national organisations” because of their decentralised organisational structures. The NAM itself claimed to be a cohesive organisation that did not need “to take into account interests of other diverse groups, such as bankers, retailers, importers, exporters, etc.”, but internal tension and disagreement, particularly over trade policy, was often rife.⁶⁵ This affected the NAM’s actions and views on trade policy when the leadership was unable to manage disagreement. The US Chamber’s leaders, on the other hand, were increasingly able to rally the members around desired policies increased over time. Different organisational structures may account for this: While the NAM’s members were individual businesses, the US Chamber brought together industry-specific and geographically focused organisations, mostly state and local chambers. This meant that individual businesses were one step removed from the leadership of the US Chamber, having to work through the directors and staff of their local organisation in order to influence the national group. This strengthened the leadership of the US Chamber when there was disagreement, and shielded it when there was discontent.

Meeting minutes, which form the backbone of most of the archival collections, give an insight into the views of directors and committees.⁶⁶ Their advantages, compared to other types of evidence, are numerous. First, minutes are preserved in complete and uninterrupted series, making it possible to determine which issues were talked about how often and which issues never came up at all. Second, minutes give detailed insights into the internal dynamics of the various organisations. Most meeting minutes include lists of participants and even their

⁶⁵ Fowler, ‘How Interest Groups Select Issues’, *Legislative Issues Quarterly*, 7:3 (1982), pp. 403–4; NAM, ‘The National Association of Manufacturers’, 1931, HML (1411, NAM), Series I, Box 303.

⁶⁶ See References for details on primary sources used.

affiliation (i.e. the company they represented), making it possible to trace the evolving composition of the respective committee. Moreover, most organisations had a layered committee structure, which makes it possible to identify the views of different factions. The board of directors, comprised mostly of corporate executives, was typically the most powerful decision-making institution. Although a charismatic president or a group of influential, assertive directors could, at times, exercise considerable power, this was relatively rare. An executive committee and permanent staff members usually oversaw day-to-day activities, with considerable powers of their own. Issue-specific committees brought together members, directors and permanent research staff, and annual meetings or conventions typically provided an opportunity for all members to debate and vote on policy proposals. These proposals were drafted in committees, subject to consultations and a vote by the board of directors, often over the course of several months. Annual meeting votes and/or membership referenda were usually required to create, abolish or amend an official policy of the respective organisation. Testimony by directors at congressional hearings usually did not require formal membership approval; nor did pamphlets issued by the organisations, which could diverge dramatically from the consensus position among members or even directors. Meeting minutes are thus a much richer body of evidence than the public documents typically used in the existing literature.

Internal memoranda, used by the permanent staff to record important discussions or communicate confidential information, provide contextual information and offer an insight into the actions and ideas of staff members and directors. Research reports, usually available to all members but not open to the public, provide an insight into the prevailing opinions of subject experts within the organisations. Transcripts of speeches, sometimes with hand-written

changes by the speaker, show how directors and senior staff members sought to influence different constituencies (e.g. members, politicians or other organisations). Finally, correspondence of staff and directors with members and third parties provides a record of informal conversations. These different types of documents make it possible to trace the evolution of policy positions through different stages, typically from a special committee draft report to a consultation and preliminary vote among the directors, re-drafting based on formal and informal feedback, submission to the annual meeting and finally either the official rejection or endorsement of a new policy or policy amendment. Important policy statements were subjected to several rounds of re-drafting to incorporate feedback, and were discussed in a variety of different venues. The final outcome, which was the only version of the policy communicated to the public, was often only the tip of the iceberg. Together with the meeting minutes, these different types of evidence provide insights into the behaviour of business associations that were previously impossible given the limited range of evidence used in the existing literature.

Business association archives are thus a potentially rich new source of evidence for studying the history of the United States from the perspective of its business elites, including the history of trade policy. In five years of research, I examined 650 boxes of archival material. I collected a total of 7,117 documents comprising approximately 35,000 pages from nineteen locations across the United States and in Germany, as well as from online resources such as ProQuest databases and Google Ngrams (see References for detail). I also contacted several archives that I was unable to visit, some of which agreed to provide scans of additional documents. The period between 1917 and 1962 is the period that is most well-documented. Many older records no longer exist (or the important business associations were not founded until the early 20th

century), whereas more recent ones are yet to be released. After an initial survey of all documents, I created a database of approximately 4,000 relevant documents, using the software Zotero. The database contains the title, date, author and location of each document. A survey of the existing literature yielded the broad questions the dissertation seeks to address, i.e. the absence of effective business lobbying for trade liberalisation during the interwar period; the transformation wrought by post-war planning; the attitude of business to foreign aid and trade concessions during the Marshall Plan year; the collapse of business support for trade liberalisation during the 1950s and the realignment and polarisation in the run-up to the Trade Expansion Act in 1962. I then used Zotero's tagging function to identify themes, prioritise the documents, search for related newspaper articles and eventually build up the argument of each chapter in an iterative process.

Unlike the sources commonly used by the existing literature, the internal records of business associations show the evolution of ideas, internal disagreements and consensus-finding processes, not compromise positions reached after deliberation or the views of leaders insulated from membership pressure. The evidence used in the existing literature is unlikely to capture the evolution of ideas and intellectual frameworks and is thus likely to over-emphasise the role of economic change. At the same time, business association archives also pose several potential challenges. The first is that business associations, unlike government agencies, have no obligation to open any or all of their records to the public. Even if they do bequeath material to public archives, these are rarely catalogued as extensively and systematically as, for example, the documents held by the National Archives. Thus, business associations' records are more difficult to find and use. To the extent that the records of business associations are open to researchers at all, they tend to be spread across the United

States, often in small archives, state historical societies and university collections. This may explain why this type of evidence has so far been under-utilised by historians. Moreover, the archival collections may omit crucial documents related to controversial or unflattering events.⁶⁷ Even the documents that are available are likely to show various types of bias given that much of the material was recorded by the organisations' staff.⁶⁸ Like all archival collections, the records of business associations reflect the past through the lens of a particular set of observers and, therefore, an accurate interpretation of the archival documents is only possible if the institutional, social, intellectual and economic climate in which they were written is taken into account.⁶⁹ Most organisations I studied focused on Europe, especially between 1940 and 1952, with Latin America, Asia and Africa playing a more marginal role despite the global nature of American trading relations.

To compensate for the various potential sources of bias, I examine the personal papers of key individuals, related sources from government archives and contemporary sources like newspaper articles. Table 1.2 lists more information on the personal papers of prominent business leaders and lobbyists used alongside the records of the business associations. They

⁶⁷ Numerous conversations with archivists suggest that business associations mainly withhold material that could damage them financially through opening up lawsuits against them. Documents related to trade policy, especially if they are more than half a century old, are unlikely to fall into this category and it is therefore unlikely that they would have been systematically removed from the records.

⁶⁸ For instance, I have not encountered a single record of a female director on the board of a business interest group prior to 1962, though Vada Horsch was a powerful female NAM staff member, and many business associations were closed to black business owners and executives for much or all of the period studied here. When the Portland Chamber of Commerce began to accept African American members, it struggled to find a venue as several hotels declined to host integrated board meetings.

⁶⁹ International trade was a more marginal aspect of the global economy in the mid-20th century than during the two globalisations that preceded and followed the period studied here. The balance of payments was more present in the minds of business and political elites who inhabited a world of fixed exchange rates and capital controls than it is today. Ideas about how various macroeconomic phenomena, most notably inflation and economic growth, related to trade policy changed over time. Concerns about Soviet economic growth during the late 1950s may have been grotesquely overblown given what we now know, but that made them no less real at the time.

include directors of most of the large business associations studied here and key figures in the protectionist lobby groups of the 1950s. Their correspondence is one of the richest sources of evidence to provide context for official organisational records and meeting minutes. Moreover, the personal papers compensate for the absence of archival records for protectionist groups like the American Tariff League (ATL) and other single-issue lobby groups. In addition, I use governmental records, which provide an external view of the behaviour of business associations. The records of post-war planning officials; the records of the Economic Cooperation Administration, which ran the European Recovery Program; the records of the Fairless and Randall Commissions, which reviewed foreign economic policy for President Eisenhower; and the papers of President Kennedy’s trade policy advisors inform my analysis.

Table 1.2: List of personal papers used

Name	Group	Description of evidence
J Howard Pew	Sun Oil, NAM	Personal papers, correspondence
Paul G Hoffman	CED, ECA, Studebaker	Personal papers, correspondence, oral history interview
Philip Reed	NFTC	Personal papers, correspondence
William Grede	NAM	Personal papers, correspondence
George Sloan	USCICC	Correspondence
Charles Sligh	NAM	Personal papers, correspondence
Oscar Strackbein	Various protectionist groups	Personal papers, correspondence
Robert McCormick	ATL	Personal papers, correspondence
Gordon Gray	Truman Administration	Personal papers, correspondence
Clarence Randall	Eisenhower Administration	Diary

The transcripts of congressional trade policy hearings also provide valuable context. I use contemporary publications to establish the chronology of events and identify any omissions of trade policy debates in the archives of the business associations. These include newspapers and periodicals, the academic literature and specialist publications like *Bankers Magazine*, *The Protectionist* and *The Journal of Commerce*. The academic journals I survey include the *Economic Journal*, *American Economic Review*, *Quarterly Journal of Economics*, *Annals of the American Political Science Association*, *Foreign Affairs*, *Political Science Quarterly* and the *American Political Science Review*. Governmental records and newspapers are already widely used in the existing literature, but there has been no analysis of trade policy debates in 1920s and 1930s academic journals before.⁷⁰

This research design has several advantages. The different actors examined here interacted with, and observed, each other. Government agencies were in constant conversation with interest group leaders, participated in events organised by business interest groups and observed how faithfully interest group leaders represented the interests of their members. Individual businessmen aware of the internal dynamics of their organisations and the political and economic ideas of their colleagues recorded their observations in letters and diaries. In their personal papers and correspondence, and sometimes in confidential memoranda, they openly discussed disagreements which were never mentioned in the official records of business associations, let alone in their public statements. Lobbyists in single-issue interest

⁷⁰ During the decade following World War I, academics were among the first to articulate new ideas about international trade, especially in relation to the balance of payments (see sections 2.1-2.2). There is a literature on economists' views on international trade from the 1970s onwards, see e.g. Coughlin, 'The Controversy over Free Trade', *Federal Reserve Bank of St. Louis Review*, 84 (2002), but not on the interwar period.

groups, like Oscar Strackbein and Robert McCormick, began to conduct research into the trade policy views of their opponents during the late 1950s. The national media covered the activities of large interest groups in considerable detail.

My analysis spans the years from 1917 to 1962, a period when the trade policy views of American business elites and the general direction of American trade policy changed dramatically with the adoption of creditor nation theory and two-way trade; the transition to internationalism during World War II; the incorporation of trade policy into foreign policy; the connection of trade concessions to foreign assistance; the emergence of single-issue trade policy lobby groups; and the realignment of the US Chamber and, at least temporarily, the NAM. After the Trade Expansion Act of 1962, and the subsequent Kennedy Round of the GATT, non-tariff barriers replaced tariffs as the most important trade policy issue. If 1962 thus marks the historical juncture that serves as the end point for this research project, 1917 marks its beginning. It was during this year that the United States became the world's most important creditor nation, with momentous consequences for trade policy, as discussed in the next chapter.

2 Setting the stage: trade policy and the world wars, 1917-45

“It is a fine thing to be a creditor nation when debtors are paying up regularly, but to be a creditor nation facing a crew of insolvent debtors is a horse of another colour.”

– *The Freeman*, 13 July 1921

2.1 Becoming a creditor nation

Until World War I, protecting infant industries from more advanced foreign competition and funding the federal government through indirect taxation were the two main arguments for high tariffs in the United States.⁷¹ Business elites and the Republican party supported the reigning protectionist consensus, and proponents of trade liberalisation failed to challenge it. Even the NFTC, a group representing exporters, accepted “adequate protection” and a “flexible and bargaining tariff” during the first years of its existence in the early 20th century. However, World War I “rendered virtually obsolete all earlier discussions of the Tariff”, as the readers of F.W. Taussig’s seminal *Free Trade, the Tariff and Reciprocity* were told on the volume’s cover in 1920.⁷² Changes in the international economic position and the domestic economic structure of the United States, as well as the permanent introduction of direct taxation, undermined both main justifications for high tariffs. Moreover, the United States became a net international creditor in 1917, which led to the emergence of a new way of thinking about international trade, according to which high levels of imports were necessary

⁷¹ Section 1.1, pp. 19-22, provides the historical context on 19th century trade policy.

⁷² ‘Final Declaration of the 5th Convention’, 1918, HML (2345, NFTC), Box 78, p. 3; Higgs, ‘Free Trade, the Tariff and Reciprocity by F.W. Taussig’, *Economic Journal*, 30 (1920), p. 373.

and even beneficial for the receiving country and its economy. This came to be known as “creditor nation theory” and, together with foreign-policy considerations, would influence business debates about trade policy for almost half a century.

Adherents of creditor nation theory argued that there were three ways in which international loans, and the interest on them, could be repaid. Creditor countries could accept shipments of gold from debtor countries, but this was only possible until gold stocks ran out and would create inflationary pressures in the creditor country. Instead of accepting gold shipments, creditor countries could invest in the debtor countries, thereby ensuring that the debtor’s capital account (which includes new investment) compensated for the current account deficit caused by interest payment outflows. New investment, however, only made the problem worse in the long run by increasing the interest burden and thus the current account deficit. Thus, only the third option, the creditor nation running a trade deficit and thus helping the debtor country offset the flow of interest payments with a trade surplus to balance the current account, was truly viable. To the adherents of this creditor nation view, the United States being the pre-eminent creditor nation after 1917 thus meant that imports would have to rise until they exceeded exports, while exports could only continue to rise if imports increased dramatically.

A growing number of influential figures in government, academia, the banking industry, multinational firms and, with some delay, exporters adopted creditor nation theory and the positive view of imports that it entailed (see section 2.1.2). During the interwar period, however, these ideas did not spread among business elites more generally (see sections 2.2 to 2.4). Only during World War II, when business and political elites engaged in extensive planning efforts for the wartime economy and the post-war world, did creditor nation theory

gain traction among business elites more generally (see section 2.5). This helped generate support for trade liberalisation and contributed to high levels of imports being seen as beneficial for the economy and foreign policy of the United States, thus setting the stage for the liberalisation of American trade policy after World War II (see chapter 3). Until well into the 1960s, the balance of payments and foreign policy remained important considerations in trade policy debates. Creditor nation theory was continually adopted and used to justify a liberal foreign economic policy (see chapters 4-7). The development of American trade policy after World War I cannot be fully understood without reference to the balance of payments and geopolitics.

2.1.1 Infant industries and indirect taxation

Protectionists advocating tariffs during the 19th and early 20th century built their case on two arguments. Tariffs were, first, a convenient way to fund the federal government. Even Democratic legislators seeking to lower import barriers demanded a “strictly revenue tariff”, acknowledging the vital role that tariffs played in the absence of direct taxation.⁷³ Congress passed temporary income and inheritance taxes during the War of 1812 and during the Civil War, but these were repealed in peacetime. Only the ratification of the 16th Amendment in 1913 and the 1916 Revenue Act created the basis for a permanent income tax to fund rapidly rising government spending. Tariffs then quickly ceased to be the main source of revenue for

⁷³ As quoted in ‘This Creditor Nation’, *Washington Post*, 24 Oct 1900, p. 6. On the revenue and infant industry arguments more generally, see Rothgeb, *US Trade Policy* (2001), pp. 23–4 and Pastor, *Congress and the Politics of US Foreign Economic Policy* (1982), p. 73. On the origins of the revenue argument, see Irwin, ‘Revenue or Reciprocity?’, *NBER WP15144* (2009).

the federal government, and the changing nature of government finances undermined the revenue argument for tariffs, which quickly fell out of use.⁷⁴

Second, high tariffs were also portrayed as a pre-requisite for economic development until World War I, protecting infant industries and allowing the United States to catch up with Britain. Moreover, it was widely believed that the United States depended on an export surplus to be able to afford interest payments on the foreign loans that funded its industrialisation, and that this in turn required high tariffs.⁷⁵ This “infant industry” argument was undermined during the early 20th century. After becoming the world’s largest economy at the turn of the century, the United States doubled industrial production during World War I. The sectoral composition of the economy changed due to the rise of manufacturing, which affected export patterns: manufactured goods comprised more than 50% of exports by 1918, having accounted for only 20% in 1890. New York became a hub for settling international transactions as the banking industry grew and internationalised rapidly.⁷⁶ The rate of economic growth, American leadership in capital-intensive and mass-production industries and the destruction wrought in Europe by World War I made it impossible to argue that tariffs were necessary due to the economic backwardness of the United States.

⁷⁴ O’Halloran, *Politics, Process, and American Trade Policy* (1994), ch. 4. See Brand, *Fundamentals of International Business Transactions* (2000), pp. 267–8 for details on taxation. See Whittlesey, ‘Excise Taxes as a Substitute for Tariffs’, *AER*, 27:4 (1937), p. 668 on the declining use of the revenue argument.

⁷⁵ The notion that “If we purchase a ton of steel rails from England for twenty dollars, then we have the rails and England the money. But if we buy [...] from an American for twenty-five dollars, then America has the rails and the money both,” widely attributed to President Lincoln, was still popular at the turn of the century. See ‘The Lincoln Tariff Myth Finally Disposed of’, *QJE*, 35:3 (1921), p. 500.

⁷⁶ Rockoff, ‘US Economy in World War I’, *EH.Net Encyclopaedia*, 2008 <<http://eh.net/encyclopedia/u-s-economy-in-world-war-i/>>, [accessed 25 Aug 2015]; Irwin, ‘Historical Aspects of US Trade Policy’, *NBER Reporter* (2006).

2.1.2 The origins of creditor nation theory

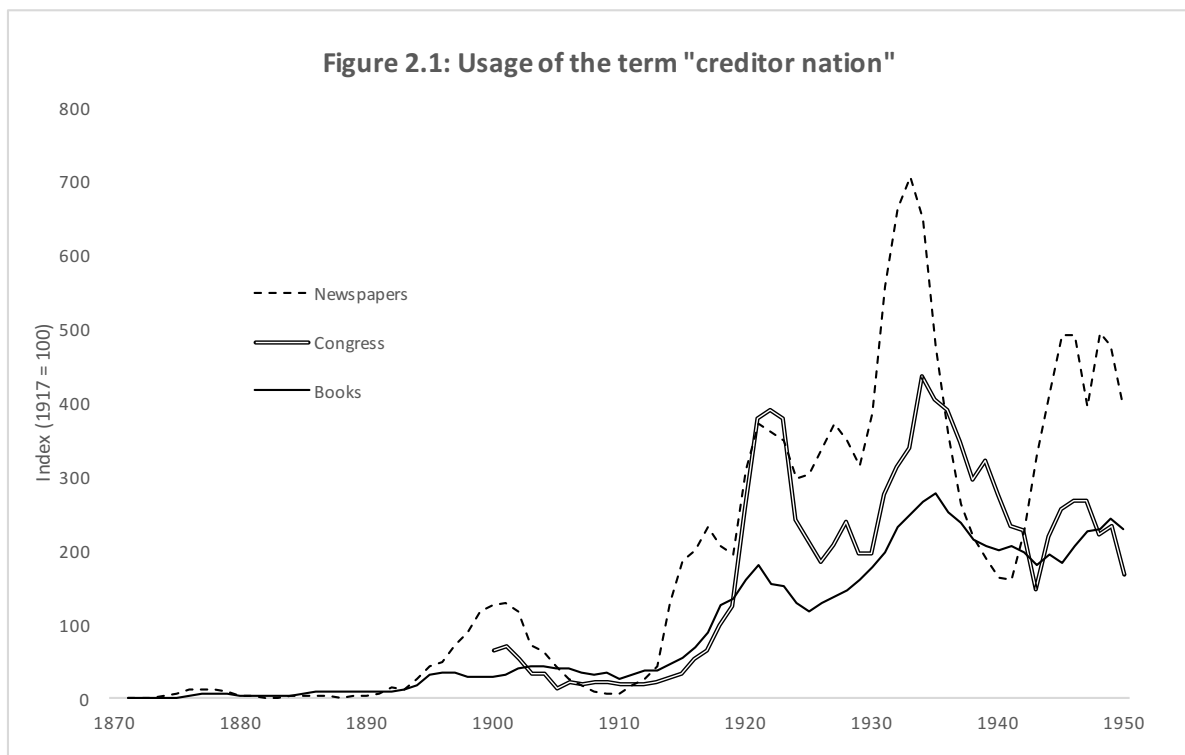
The United States turned from a net international debtor to a net creditor in 1917 because France and Britain, in order to finance the war effort, had to sell assets in the United States and were eventually forced to borrow money from American banks.⁷⁷ In addition to undermining the old justification for protectionism, the changes wrought by World War I thus also set the stage for the emergence of a powerful new argument for trade liberalisation. With foreign nations owing the United States vast sums of money, creditor nation theory, as outlined above, explicitly connected the interests of exporters, multinational companies and banks with overseas debtors to low tariffs at home and, more generally, portrayed high imports as conducive to the national interest. This has so far been overlooked by the scholarly literature on American trade policy.

The transformation of the United States from a debtor into a creditor nation was an important subject of public debate from World War I onwards. Figure 2.1 tracks how frequently the term “creditor nation” was used in books (solid line), in Congress (double line) and in newspapers (dotted line). During the 19th century, Britain was sometimes portrayed as “the creditor nation of the world” and there was an awareness that this was connected to the country’s ability to run a sustained trade deficit (see figure 2.2).⁷⁸ Commentators and public officials began to speak of the United States as a creditor nation around the turn of the century, spurred by high trade surpluses, American loans to Britain that helped finance the Boer War and the Venezuelan debt disputes. At this time, the United States was still a net international debtor,

⁷⁷ Rockoff, *ibid.*; Gilbert, *First World War* (1996).

⁷⁸ ‘Our Future Trade with England’, *New York Times*, 16 Nov 1862, p. 4.

but its debt burden was declining, which some protectionists linked to the Dingley tariff's successful reduction of American imports.⁷⁹ Some protectionist voices, including the *Washington Post* and the *Chicago Times-Herald*, already warned that “a nation cannot continue indefinitely to sell much and buy little” and that “an outflow in excess of inflow [...] would [...] destroy the buying capacity of our debtors.”⁸⁰



Source: ProQuest Historical Newspapers, Google Ngrams, ProQuest Congressional

⁷⁹ Kaufman and Macpherson, *Britain and the Americas* (2005); ‘Protective Tariff League’, *New York Times*, 20 Jan 1899; Chicago Inter-Ocean, as quoted in ‘Our Financial Solidity’, *Washington Post*, 8 Aug 1900; *Evening Sentinel*, 28 Dec 1898, p. 2; *St. Louis Globe-Democrat*, as quoted in ‘The Tariff Getting Out of Politics’, *Washington Post*, 24 Dec 1898.

⁸⁰ ‘A Question of Time’, *Washington Post*, 20 May 1898. *Chicago Times-Herald*, as quoted in ‘The Tariff Getting Out of Politics’, *Washington Post*, 24 Dec 1898.



Source: Bank of England

The United States becoming a net international creditor was, in the judgement of a group of economists who wrote the first scholarly assessment of the United States as a creditor nation, “abrupt but inevitable”.⁸¹ At the beginning of 1914, Europeans still owned an estimated \$4bn of American stocks and bonds. By the time the war ended, however, Britain, France and Italy owed American creditors, primarily the major Wall Street banks, over \$10bn at an average interest rate of 5%. The United States was a creditor nation, and this was widely covered in the national news, with the *New York Times* and the *Washington Post* proudly declaring that “the United States no longer owes the world money”.⁸² During World War I, the abrupt transition to net creditor status quickly led to discussions among academics and policy-makers

⁸¹ Quoted in Madden, *America's Experience as a Creditor Nation* (1937), ch. 3.

⁸² ‘America a Creditor Nation’, *New York Times*, 31 Dec 1916; ‘A Creditor Nation’, *Washington Post*, 11 Feb 1917; Iriye et al., (eds.), *New Cambridge History of American Foreign Relations* (2013), p. 90. Figures on international debts from the *Commercial and Financial Chronicle*, as quoted in Smith, ‘The American Trade Balance’, *Annals of the AAPSS*, 83 (1919), pp. 87-92.

about taking trade policy into a new, more liberal direction consonant with the new position of the United States in the global economy. Irving Fisher wrote in 1914 that the United States was becoming the “money lender” of the world, and that this lending activity would be “the dominant economic effect of the war on the United States”. In March 1915, the Chief of the Bureau of Foreign and Domestic Commerce declared that the United States was close to becoming a creditor country as other countries sought more and more loans from New York’s banks. This implied, it was argued, that the debtors had to be allowed to run export surpluses vis-à-vis the United States because the ability of foreigners to repay their loans was linked to their ability to export and thereby earn dollar balances.⁸³ The *Washington Post*, traditionally a protectionist newspaper, again hinted at this new constraint in a 1915 editorial, as the newspaper had already done in 1898 in the context of American lending to Britain during the Boer War, suggesting that creditor nation theory was convincing even to those who did not greet its implications with enthusiasm.⁸⁴

After World War I, economists continued to point out the trade policy implications of the transition from net debtor to net creditor status. In 1919, two economists writing in the *Annals of the American Academy of Political Science* argued that “[e]conomic forces will compel the United States to do as the investor nation does – import more than she exports, as England, investor nation, has done” and that “[t]o be a creditor nation means larger imports than exports”. Various articles published in the *American Economic Review* also dealt with the “problems which have arisen because of the fact that the United States has changed from a

⁸³ Fisher, ‘Some Probable Economic Effects of the War’, *New York Times*, 30 Aug 1914; Pratt, as quoted in ‘A Creditor Nation’, *Washington Post*, 11 Mar 1915.

⁸⁴ See footnote 82 above and ‘America’s Financial Power’, *Washington Post*, 26 Aug 1915.

debtor to a creditor nation”, declaring that the large export surplus of the early 1920s could not be sustained because it was financed by “long-term loans advanced by our government”, not imports. In the words of Thomas Lamont, the head of JP Morgan, these were “the economic and commercial laws that govern creditor nations”; ignoring them would “disarrange our own and the world’s markets”. A related innovation in debates about trade policy that developed at the same time was the idea of trade as a “two-way street” or “two-way process”. This referred to the proposition that proceeds from a country’s export sales ultimately paid for imports. While transfers of gold, lending and other capital flows could allow exports and imports to diverge in the short run, the conception of trade as a two-way street held that there had to be a correlation in the long run. In the long run, the United States would have to import more if it wanted to maintain high levels of exports because “a decline in imports [...] would gradually bring about a decline in exports”.⁸⁵

Government officials in the Bureau of Foreign and Domestic Commerce believed that “manufacturers and financiers, many of whom were formerly largely indifferent to foreign trade,” were now reconsidering their views in light of the changed circumstances.⁸⁶ These officials not only observed but actively promoted the new creditor nation view of trade policy. E.E. Pratt, the head of the new agency, organised the publication of a volume to educate

⁸⁵ Smith, ‘The American Trade Balance’, *Annals of the AAPSS*, 83 (1919), p. 104; Bogart, ‘The United States as a Creditor Nation’, *Annals of the AAPSS*, 94 (1921), p. 38; Litman, ‘The Past Decade of the Foreign Commerce of the United States’, *AER*, 10:2 (1920), pp. 328–9; Lamont, as quoted in ‘Free Trade Against Selfishness’, *The Nation*, 20 Apr 1921, p. 582; Feis, ‘What Determines the Volume of a Country’s International Trade’, *AER*, 12:2 (1922), p. 244.

⁸⁶ Palmer, ‘American Industries and Foreign Trade Following the War’, *Annals of the AAPSS*, 83 (1919), p. 119. The Academy of Political Science with its *Annals* and conferences was an important venue for bringing together academics, politicians and business leaders. See, for example, the May 1920 issue of the *Annals* and the 1920 Annual Meeting with the headline ‘American Foreign Trade Relations’ and JP Morgan’s Thomas Lamont as keynote speaker. See Meeting agenda, 1920, HML (473, Raskob Papers), Files 7-8.

businessmen on the relationship of imports and exports in 1916. Pratt believed that pre-war hopes of large future export surpluses had been naïve, and that “it must be counted as one of the lessons of the war that our economic life and the export trade itself are dependent, much more than had been realized, on our import trade.” Another Bureau official wrote in 1919 that “the great excess of value of exports over imports [...] has become so great as to threaten a temporary impairment of our foreign trade[.] Europe cannot continue to import in large volume”.⁸⁷ There was enough agreement on this line of reasoning even in Congress to secure the authorisation of a \$1bn fund for facilitating exports in cases where the trading partner could not obtain funding through normal channels.⁸⁸

Surveying the world after the Great War, the American banking industry was quick to adopt the new ideas presented by economists and government officials, realising that creditors had a new stake in trade policy because collecting loan repayments and running a trade surplus were irreconcilable in the long run.⁸⁹ Addressing the general public and business elites, Wall Street bankers argued that the United States would have to allow higher levels of imports if foreigners were ever to be able to repay their American creditors. Moreover, according to the banking industry, “buying in international commerce must approximately balance selling” in the long run. The “vast debts owed” by foreign countries, the Guaranty Trust Bank declared in 1921, implied that the “possibility of payment in gold is out of the question.” However, “payment might be made through [...] importation” instead. The Chairman of Chicago’s

⁸⁷ Pratt (ed.), *Course in Foreign Trade* (1916), as reviewed in the *Annals of the AAPSS*, 72 (1917), pp. 232-3; Pratt, ‘The Economic Factors in an Enduring Peace’, *Annals of the AAPSS*, 72 (1917), p. 138; Schmekebieier, ‘The Activities of the Government in Promoting Foreign Trade’, *Annals of the AAPSS*, 83 (1919), p. 272.

⁸⁸ ‘\$1bn Trade Plan’, *New York Times*, 19 Dec 1920, p. XX2.

⁸⁹ For critical accounts of the influence and power of the banking industry, see e.g. Prins, *All the Presidents’ Bankers* (2014); McCormick and LaFeber, *Behind the Throne* (1993).

Continental and Commercial National Bank, George M. Reynolds, put it more simply: “If European countries pay the interest due the United States an unfavourable trade balance must be expected.” Connecting the interests of creditors and exporters, the head of First National Bank, Henry Robinson, argued that having become a creditor nation, the United States could no longer afford isolationist withdrawal from world affairs and had to facilitate world trade through financing, investment and the reduction of import barriers. According to Robinson, this was the only way to maintain high levels of exports.⁹⁰

Beyond academia, government and the banking industry, creditor nation theory came to influence the thinking of exporters. As is evident in the archival records of the NFTC, the members of this organisation passed a motion at its convention in 1919, affirming that World War I had produced “a marked effect upon the course of American foreign trade. The United States has become a creditor instead of a debtor nation.” The NFTC further declared that America’s debtors “must meet their obligations by finding a market for their products [and] competition with us [...] naturally will be extended”. By 1921, the NFTC demanded that the United States increase its imports of raw materials and non-competing manufactured goods in order to enable its European trading partners to buy more American goods. Only with export levels thus stabilised could the United States, the “creditor nation”, escape unemployment and recession.⁹¹ At this early stage, exporters at the NFTC and the banking industry thus saw their

⁹⁰ *American Goods and Foreign Markets*, ed. by Guaranty Trust Company of New York (1921), p. 3; ‘The US as a Creditor Nation’, *Bankers Magazine*, Aug 1921, p. 261; Reynolds, ‘Capital Shall We Export It or Use It for American Business?’, *Annals of the AAPSS*, 97 (1921), p. 2.

⁹¹ ‘Declaration of the 6th Convention’, 1919, p. 5 and ‘Declaration of the 8th Convention’, 1921, HML (2345, NFTC), Box 78, p. 1.

interests as aligned, with both demanding higher imports to enable high exports and loan repayment simultaneously. However, this unity would prove short-lived.

At the domestically focused national business associations that represented the bulk of American business elites, the rhetoric of the creditor nation's obligations failed to generate much support for tariff cuts. There was some sympathy for the creditor nation view at the senior leadership level of these organisations. Joseph H. Defrees, president of the US Chamber, told the Merchants and Manufacturers Association that "if we sell, we must buy" and predicted growing support for tariff cuts, including at the US Chamber.⁹² Yet the rank and file of his own organisation remained protectionist. The debate Defrees sought in 1921 did not occur and a referendum held in 1922 about a largely protectionist trade policy statement passed easily, with anything resembling a concession to the low-tariff view attracting significant opposition. Throughout the 1920s, creditor nation theory remained a fringe idea at the US Chamber.⁹³

However, the text of the 1922 referendum did at least acknowledge that neither infant industry protection nor the need to raise government revenue were valid arguments for tariffs after World War I. Protectionists at the US Chamber and elsewhere admitted this and were forced to modify their arguments. The US Chamber trade policy statement cited concerns about "dumping" and disruption caused by unfair competition while the ATL argued that the "class of people" who espoused creditor nation theory were oblivious to "unfair competition" and

⁹² As quoted in 'Chamber of Commerce to Discuss the Tariff', *New York Times*, 8 Apr 1921, p. 28.

⁹³ 'Tariff Policy Referendum', 1922, HML (1960, US Chamber), Series I, Box 18; 'Business Men Urge Tariff Bill Delay', *New York Times*, 5 Dec 1921, p. 32.

the “dumping” of cheap foreign goods that were mere “imitations of our own goods”. Protectionists also addressed head-on the new creditor-nation argument for low tariffs. “The ‘creditor nation’ theory is invented by those [...] opposed to a protective tariff of any sort,” railed former Congressman Nelson Dingley, the father of the eponymous and punitive 1897 tariff bill. Contradicting the mantra of its opponents that the United States had to act like Britain had in the past, he argued that “the United States is radically different [...] from a commercial nation like England”. Moreover, the ATL argued that, in the long run, low tariffs would “go farther toward reducing imports than does a Protective Tariff” by making the United States poorer and less able to afford foreign goods.⁹⁴

Despite such attempts to create new arguments for tariffs, the emergence of creditor nation theory “divided [protectionists] among themselves”.⁹⁵ Even the *Chicago Tribune*, a staunchly protectionist and isolationist newspaper, wrote in 1922 that farmers “cannot have a foreign market unless foreigners sell enough goods here to pay for [American exports]”. Similarly, the Republican Party’s advisory committee concluded in 1920 that “as a creditor nation we must have an excess of imports over exports to pay the creditor nation its interest,” and the prominent protectionist senator, Walter Evans Edge, told the Industrial Club of Chicago that “I still adhere to the policy of protectionism, but [w]e must accept imports or our export trade must perish”.⁹⁶ In politics, business and the media, protectionists were aware that their

⁹⁴ ATL, ‘American Economist’, 3 Mar 1922, p. 68. Some economists also supported the protectionist case by adapting the infant industries argument, see e.g. Graham, ‘Some Aspects of Protection Further Considered’, *QJE*, 37:2 (1923), pp. 217–8; Cole, ‘The Domestic and Foreign Wool Manufactures and the Tariff Problem’, *QJE*, 36:1 (1921), p. 135; Dingley, ‘A Tariff Policy for a Creditor Nation Considered from a Protective Tariff Point of View’, *Proceedings of the APS*, 9:2 (1921), p. 159.

⁹⁵ Viner, ‘Must the United States as a Creditor Nation Modify Its Traditional Attitude toward a Protective Tariff?’, *Annals of the AAPSS*, 94 (1921), p. 51.

⁹⁶ *Chicago Tribune* and Edge as quoted in ‘Protectionists with a “But.”’, *New York Times*, 28 Jan 1922, p. 10. Republican advisory committee as quoted in ‘Tariff Always Live Issue’, *New York Times*, 18 July 1920, p. 51.

opponents in government, the banking industry and exporter interest groups were using a new kind of argument for trade liberalisation after 1917, grounded in the perceived link between American tariffs and foreigners' ability to repay American loans and purchase American goods that lay at the heart of creditor nation theory, and some protectionists began to reconsider their position in light of this new argument.

2.2 Creditor nation theory during the 1920s and 1930s

Despite the growing popularity of creditor nation theory, which protectionists struggled to address, the 1920s did not see significant trade liberalisation. Congress passed the Emergency Tariff Act in 1920, aiming to return tariffs to pre-1913 levels. Woodrow Wilson vetoed the law in his last year in office but the elections of 1920 brought Warren Harding, a Republican, into the White House. Having run on a pro-business platform, which in the early 1920s still meant endorsing high tariffs, Harding overturned Wilson's veto. Congress then passed the Fordney-McCumber Tariff in 1922, supported by industries that had flourished during World War I and farming interests confronting falling agricultural prices. Only on the international stage did the United States take steps to liberalise certain aspects of its trade policy during the 1920s, which included the unilateral adoption of the unconditional most-favoured nation (MFN) principle in 1923, a push for the international recognition of the MFN principle at the 1927 World Economic Conference and the successful negotiation of 22 trade agreements.⁹⁷

⁹⁷ Nivola, 'The New Protectionism', *PSQ*, 101:4 (1986), p. 579; Lake, *Power, Protection and Free Trade* (1988), ch. 5.

Its domestic political ineffectiveness notwithstanding, creditor nation theory continued to flourish in academia. F.W. Taussig's speech to the American Economic Association in 1919, in which he argued that Germany would run an export surplus equal to its reparations payments, the publication of *Germany's Capacity to Pay* in 1923 and the debate between Keynes and Ohlin about the German transfer problem spurred economists' interest in the connection between war debts, international trade and the balance of payments. This issue was discussed in the *AER* in 1925/6 and in the *Quarterly Journal of Economics* in 1928.⁹⁸ The *Annals of the American Academy of Political and Social Science* and *Foreign Affairs* continued to print articles from a diverse range of figures, ranging from experts on agriculture to the editor of the *New Republic*, on the related issues of trade and international lending.

The ideas discussed among academics were transmitted directly to business elites. In fact, the Department of Commerce deliberately sought to build support among business elites for high levels of imports, ensuring that the continuing debate about the implications of America's creditor nation status was not lost on the business world.⁹⁹ Moreover, senior banking figures, whose interest in lending to foreign countries only grew during the 1920s, continued to insist that the United States had to purchase the goods of its debtors. Norman Davies, a diplomat, banker and former Assistant Treasury Secretary, called this the "duty and obligation" imposed

⁹⁸ On the Keynes-Ohlin debate, see Keynes, 'The German Transfer Problem', *Economic Journal*, 56 (1929). For a review of the broader debate, see Feis, 'The Mechanism of Adjustment of International Trade Balances', *AER*, 16:4 (1926), p. 593. See also Moulton, *Germany's Capacity to Pay* (1923); Moulton, 'War Debts and International Trade Theory', *AER*, 15:4 (1925); Graham, 'Germany's Capacity to Pay and the Reparation Plan', *AER*, 15:2 (1925), pp. 209–10; Angell, 'Equilibrium in International Trade: The United States, 1919-26', *QJE*, 42:3 (1928), p. 395.

⁹⁹ 'America as a creditor nation' was the topic of the annual meeting of the Academy of Political Science, which was attended by business figures like John J Raskob. See APS, 'Annual Meeting Agenda', 1927, HML (473, Raskob Papers), Files 1-12. The Commerce Department set up a forum for business leaders supportive of raising the level of imports, see Assistant Secretary of Commerce, 'Imports Advancement Corporation', 1929, LOC (MSS61911, Harriman Papers), Box 61.

on the United States as a creditor nation.¹⁰⁰ Beyond the banking industry and exporters, creditor nation theory now also became popular at the new USCICC, which mainly represented multinational companies whose operations abroad required the transfer of profits and investment across borders. Many of the internationally-oriented businessmen represented by the USCICC came to accept by 1926 that “it is impossible to transfer large sums of money from one nation to another except by an interchange of goods” and that trade barriers presented an obstacle to the efficient allocation of capital. Aligning themselves with creditors, these multinational companies argued that United States could not simultaneously maintain high tariffs and receive financial transfers from abroad, whether these were returns on overseas investment or interest payments to American lenders. The president of the International Chamber of Commerce, Walter Leaf, even believed that this lesson was slowly spreading among “the ordinary man who has no knowledge of finance”.¹⁰¹

This optimism was warranted to a certain extent, as the leaders of several major national business associations also began to consider creditor nation theory during the 1920s. The US Chamber announced in 1921 that “the United States, now a creditor nation [...] must carefully adjust her tariff policies”. Thereafter, no US Chamber annual meeting took place without banking and government representatives trying to convince the delegates of the constraints that America’s creditor nation status brought. In 1923, a keynote speaker told the delegates that it was the “duty [...] of a creditor nation, such as [the United States] has become, to place a part of its available funds in foreign countries” and that the United States must increase the

¹⁰⁰ Prins, *All the Presidents Bankers* (2014), p. 72; Ferguson, *Golden Rule* (1995); ‘Predict Revival of World Trade’, *New York Times*, 20 May 1925.

¹⁰¹ Leaf, as quoted in ‘Says Creditor Nation Must Accept Imports’, *New York Times*, 18 Apr 1926, p. 18. See also USCICC, ‘Special Report No. 8’, 1927, LOC (MSS61911, Harriman Papers), Box 63.

purchasing power of its trading partners in order to continue exporting. When the NAM submitted its recommendation to both political parties ahead of the presidential election campaign in 1924, an initial draft of the document accepted the constraints imposed on trade policy by creditor nation status. There were, however, severe limits to the success of such efforts to make imports more popular among domestically focused business elites. The membership and most of the relevant committees remained wedded to protectionism and a high level of tariffs, and both the US Chamber and the NAM as a whole remained protectionist and wary of international lending and its consequences for the United States.¹⁰² Aside from some directors, there was little willingness to adopt creditor nation theory and accept its implications. Speaking to an audience of British manufacturers, the President of the Equitable Trust Company, Alvin W. Krech, voiced the hope that “every foreign bond [and] currency note that finds its way into the safe or the till of an American business man [...] brings us nearer to the complete discovery of Europe”.¹⁰³ As it turned out, banking figures like Krech were overly confident in the power of creditor nation theory.

In addition to resistance from domestically-focused business elites organised in the US Chamber and the NAM, creditors and multinational companies pushing the creditor nation argument for trade liberalisation suffered a second setback during the 1920s when exporters began to doubt whether their interests were truly aligned with those of creditors and multinationals. Exporters organised in the NFTC recognised that their business was affected

¹⁰² ‘Platform Drafted by Manufacturers’, *New York Times*, 16 May 1923, p. 4; New York Banker Otto H. Kahn, as quoted in ‘Says Bankers Make Chief Profits Here’, *New York Times*, 24 May 1923, p. 27. ‘German Competition’, 1922, HML (1960, US Chamber), Series II, Box 14; ‘Sees Allied Debts as Economic Issue’, *New York Times*, 8 June 1925, p. 26.

¹⁰³ ‘Krech on Foreign Loans’, *New York Times*, 20 Apr 1922.

by international lending, but their initial enthusiasm for creditor nation theory (see section 2.1.2) was not maintained during the 1920s. Many exporters instead considered themselves to be competing with creditors, as foreigners could either repay loans or purchase American goods. In 1926, the NFTC's members demanded that bankers should "always have regard to the furtherance of American trade". The 1927 declaration of the NFTC convention contains the clearest statement of this conflict: "It is important that the possibilities of promoting our export trade be not overlooked in [international] loan negotiations." Exporters at the NICB, though a minority within the more domestically focused organisation, produced a report in which the NICB warned that the repayment of international loans would "may not prove an entirely unmixed blessing to the receiving nation" and threatened to affect "manufacturers, business men, exporters and importers" alike. During the 1920s, there was still a divide between these groups, not just in terms of ideas and beliefs but also in organisational terms. The number of bankers on the NFTC's board was still small; until 1940 NFTC conventions were not usually held in New York City (every convention after 1940 was held there); and not until 1939 did the NFTC consider itself to represent creditors and exporters.¹⁰⁴ Only during the late 1930s would exporters, multinationals and creditors coalesce around the idea of higher imports, which reconciled their interests and united them against protectionists (see p. 84 and section 2.5.1). During the 1920s, the adherents of creditor nation theory failed to win over exporters and domestically-focused business elites to their cause, which weakened the pro-trade coalition.

¹⁰⁴ NICB, 'The Interally Debts', as quoted in 'Sees Allied Debts as Economic Issue', *New York Times*, 8 June 1925, p. 26; 'Declaration of the 12th Convention', 1925, p. 3, 'Declaration of the 12th Convention', 1926, p. 7, and 'Declaration of the 14th Convention', 1927, p. 6, all in HML (2345, NFTC), Box 78. Membership composition data from board meeting minutes, HML (2345, NFTC), Box 12-3.

2.3 The impact of the Great Depression on creditor nation theory

If the inability of exporters, creditors and multinationals to join forces and recognise their common foreign economic policy aims undermined proponents of trade liberalisation among business elites during the 1920s, the Great Depression only further weakened their hand. In general, the economic crisis emboldened protectionists, who celebrated a major victory in June 1930 with the now infamous Smoot-Hawley Tariff (formally known as the Tariff Act). Described by one historian as a “textbook case of pressure group politics run amok”, the Smoot-Hawley Tariff began as an attempt to stabilise farm prices. After the stock market crash and the onset of the Great Depression, lobby groups from other sectors demanded higher tariffs on many other products, too. Reacting to American tariff hikes and the global financial crisis of 1931, other countries raised their tariffs; Britain instituted imperial trade preferences in 1932.¹⁰⁵ The volume of world trade fell by 25% within two years, with trade in manufactures declining even more.¹⁰⁶

Amidst fears that international loans would not be repaid, the Senate Finance Committee, chaired by Senator Smoot, resolved to investigate the lending practices of American banks in 1931, creating a climate in which creditors found it hard to make their interests heard. Republicans on the committee summoned Thomas Lamont at a day’s notice in 1931. Lamont, complaining that “the public mind has been apparently almost inflamed with the idea of large

¹⁰⁵ Haggard, ‘The Institutional Foundations of Hegemony’, *IO*, 42:1 (1988), p. 91; Chorev, *Remaking US Trade Policy* (2007), p. 45; *The Structure and Evolution of Recent US Trade Policy*, ed. by Baldwin and Krueger (1984); Eichengreen and Irwin, ‘The Slide to Protectionism in the Great Depression’, *JEH*, 70:4 (2010).

¹⁰⁶ Almunia et al., ‘From Great Depression to Great Credit Crisis’, *NBER WPI15524* (2009), figure 4. Smoot-Hawley and its knock-on effects were not the only causal factor behind the fall in trade; nor was the Smoot-Hawley tariff caused directly by the Depression.

[international loans]” due to an unfortunate “misunderstanding”, struggled to explain how international lending had benefited the United States. In 1934, the Johnson Act severely curtailed foreign lending, which was widely seen as “America's retort to the defaults” of foreign debtors.¹⁰⁷

There had long been voices condemning foreign lending as creating competition for American producers and conducive to job creation abroad, but the controversy over the defaults and the general disdain for bankers further undermined their ability to argue for low tariffs and high imports during the early 1930s. Manufacturers were incensed, portraying the foreign operations of Wall Street banks as an “orgy of selling worthless foreign securities of bankrupt nations”. Even a decade later a director of the New York chamber complained that “the stench of an era in which these bonds of defaulting nations were freely marketed in the United States still reeks in the nostrils of all decent men.” Another director likened hostility to “Wall Street people” during the 1930s to racism.¹⁰⁸ There had been tentative signs of exporters and investors uniting around a shared goal of raising imports in 1929, but the acrimonious debate about the defaults brought this to a quick and unceremonious end in 1931.¹⁰⁹

When the Democrats swept to power in 1932, the Smoot-Hawley Tariff was beginning to attract significant criticism and President Roosevelt’s secretary of state, the ardent free trade

¹⁰⁷ See Lamont’s testimony in SRes 19, *Part I Sale of Foreign Bonds or Securities in the United States*, Dec 1931, ProQuest (Congressional Hearings Digital Collection), p. 32. See Madden, *America’s Experience as a Creditor Nation* (1937), ch. 11, on the investigation and its impact. On the Johnson Act, see Colby, ‘The Johnson Act and International Debts’, *American Bar Association Journal*, 20 (1934), p. 679.

¹⁰⁸ NY chamber directors Trevor and Cohen, as quoted in ‘Joint Report on Repeal of Johnson Act’, Mar 1945, BL (1440, NY Chamber), Series III, Box 172, Vol. 36, pp. 359 and 363.

¹⁰⁹ Both the NICB and the NFTC seemed to move towards aligning themselves with creditors before 1931. See, e.g., BoT (NICB), ‘Monthly Meeting Minutes’, Feb 1931, HML (1057, NICB), Series I, Box 3; ‘Declaration of the 16th Convention’, Apr 1929, HML (2345, NFTC), Box 78.

Cordell Hull, immediately began to push for significant trade liberalisation. Hull overcame initial resistance and subsequent indifference from Roosevelt and the “brains trust” of presidential advisors. Using the backlash against tariffs and new arguments linking world trade with peace and prosperity, Hull pushed the RTAA through a Congress that was now controlled by Democrats. Passed in 1934 on a strictly partisan vote, the RTAA gave the president the authority to negotiate treaties with foreign nations that reduced tariffs by up to 50%, for a limited period of three years. The RTAA was extended eleven times, until it was replaced in 1962 by the Trade Expansion Act. Republicans vowed to repeal it, but by the time a Republican became president again the party had shifted away from outright protectionism. Although technically an amendment of the Tariff Act of 1930, the RTAA was a major institutional innovation with immediate policy consequences. During the 1930s, the United States concluded bilateral trade agreements with dozens of countries, which cut tariffs by a significant amount.¹¹⁰

Almost all business witnesses who appeared at the congressional hearings for the RTAA in 1934 strongly opposed the law. In fact, the ATL was convinced the bill would fail in Congress due to the overwhelming hostility expressed by the witnesses. The main argument presented by the opponents of trade liberalisation, including the NAM, was the issue of foreign wages, which were deemed to be so low that American producers would not be able to stay in business without a protective tariff. Some also stressed that the RTAA would bring uncertainty and therefore damage the American economy in the short run. Finally, anti-New Deal business

¹¹⁰ Haggard, ‘The Institutional Foundations of Hegemony’, *IO*, 42:1 (1988), p. 96; Kaplan, *American Trade Policy* (1996), p. 52. See Irwin and Kroszner, ‘Interests, Institutions, and Ideology in Securing Policy Change’, *Journal of Law and Economics*, 42:2 (1999), p. 643, on the Republican realignment.

groups attacked the RTAA as unconstitutional. Both the ATL and the NAM used the same phrase, that the RTAA would “put into one man's hands the fate of scores of American industries”, indicating a degree of collaboration among major protectionist groups. Supporters of the RTAA included the National Council of American Importers (NCAI) and the World Trade League, which argued that the delegation of trade-policy making power to the president would make trade policy more efficient.¹¹¹ The US Chamber was one of the few large business groups that supported the RTAA at least cautiously, following a referendum in 1933. However, in 1936 the US Chamber and even the NAM experienced an internal backlash against what was perceived as a lacklustre opposition to trade liberalisation (see also p. 84).¹¹²

2.4 Creditor nation theory from the RTAA to World War II

Between 1934 and the entry of the United States into World War II, the debate about trade policy took two important turns. First, exporters, multinationals and creditors began to coalesce behind the idea of raising imports to guarantee loan repayments, capital mobility and high levels of exports. Second, trade policy came to be seen as intimately linked to foreign policy, further strengthening the hand of those who sought liberalisation. In 1934, the RTAA was justified by pointing to the damage done by the Smoot-Hawley Tariff and highlighting the link between trade, peace and prosperity. Extensions of the law in 1937 and 1940, however,

¹¹¹ ‘Prepare for Fight on Tariff Change’, *New York Times*, 2 Apr 1933. See also House Ways of Means Committee and Senate Finance Committee hearings on HR 8687/8430, ‘Reciprocal Trade Agreements’, 1934, and HJ Res 96, ‘Extending Reciprocal Foreign Trade Agreement Act’, 1937, ProQuest (Congressional Hearings Digital Collection). On the NAM’s views, see ‘Minutes of the Tariff Committee’, 1934, HML (1411, NAM), Series I Box 150.

¹¹² ‘Minutes of the Tariff Committee’, Apr 1936, HML (1411, NAM), Series IX, Box 150; Farrell (US Chamber), ‘Speech at Annual Meeting’, Apr 1936, HML (1960, US Chamber), Series I, Box 30. This has been overlooked by the existing literature, e.g. Irwin, ‘From Smoot-Hawley to Reciprocal Trade Agreements’, in *The Defining Moment*, ed. by Bordo et al. (1998).

were sold to the public and business in part through creditor nation theory and specific international threats, rather than relying only on the vague link from trade to peace which proved unconvincing in 1934.

After 1934, government officials used creditor nation theory in a way that sought to bring together exporters, multinationals and creditors. They told exporters that their interests were aligned with those of creditors and multinationals because the “limiting factor both on the return on our foreign investments and on any further development of exports, is the volume of our import trade.” On the other hand, the commerce secretary told the representatives of multinational companies at the USCICC, which had tended to prioritise the repayment of loans and flow of investment returns over exports during the 1920s, that “foreigners must not alone be able to buy our products, but [...] they must also be able to pay for them. We have seen the mistake and futility of continuous financing with American capital the purchase of American goods.”¹¹³ Raising imports was presented as the solution to everyone’s problems in what came to be known as a strategy of pursuing “two-way trade”. Government officials repeated this slogan time and time again, especially in the context of garnering support for the RTAA which, if extended, would create a “healthy two-way trade”.¹¹⁴ Two-way trade became so popular as a slogan that the *New York Times* editorial board exhorted Republicans to support the RTAA for the simple reason that it was a “fact that foreign trade is necessarily a two-way process”.¹¹⁵

¹¹³ ‘Open Market Needed, Trade Council Told’, *New York Times*, 16 Mar 1934, p. 40; ‘Reciprocal Tariff Vital, Says Roper’, *New York Times*, 2 May 1934, p. 6.

¹¹⁴ ‘Trade Is Two-Way’, *New York Times*, 27 May 1939, p. 8; ‘Trade Pacts Held Vital to Nation’, *New York Times*, 12 Jan 1940, p. 38.

¹¹⁵ ‘Does the Republican Party Stand for Isolation?’, *New York Times*, 25 Apr 1940, p. 44.

Exporters, multinationals and creditors, united behind the idea of two-way trade, began to make joint efforts to promote higher imports in venues like the Import Advancement Corporation, while the NFTC began to represent the interests of creditors, multinationals and exporters alike, side-lining anti-New Deal, conservative businessmen who objected to trade liberalisation in general and the RTAA in particular.¹¹⁶ Representatives of multinationals and banks, e.g. the CEO of Caterpillar and JP Morgan's Thomas Lamont, demanded that businessmen and Republicans support the 1940 extension of the RTAA because tariffs were for debtor nations and the United States as a net creditor had to "make trade more of a two-way street".¹¹⁷ Compared to the 1920s, business supporters of trade liberalisation, particularly creditors, were now more strategic and effective in building support for their views.¹¹⁸

Despite all this, the arguments of pro-trade business elites still failed to gain traction in many important business associations, particularly those representing domestically focused businesses and opposing the New Deal. At the US Chamber's 1936 annual meeting, protectionist members successfully reversed the chamber's tacit initial support for the RTAA.¹¹⁹ A 1936 NICB report concluded that

"the theory that a creditor country [...] must have a surplus of [...] imports arose at a time when balance-of-payments studies were non-existent and was based solely

¹¹⁶ Guaranty Trust Company of New York, 'To Harriman', 1 July 1937, LOC (MSS61911, Harriman Papers), Box 52; BoD (NFTC), 'Minutes', Feb 1939, HML (2345, NFTC), Box 8. On conflicts about the RTAA at the NFTC see HML (500, DuPont), Series II-2, Box 1052, F4.

¹¹⁷ 'Lamont Supports Hull Trade Pacts', *New York Times*, 1 Mar 1940; 'Trade Pacts Held Vital to Nation', *New York Times*, 12 Jan 1940.

¹¹⁸ See, e.g., Lamont's correspondence with influential protectionists NAM directors like Jasper Crane, e.g. Lamont, 'To Crane', Mar 1938, HML (500, DuPont), Series II-2, Box 1052, F5.

¹¹⁹ Farrell (US Chamber), 'Speech at Annual Meeting', Apr 1936, HML (1960, US Chamber), Series I, Box 30.

on the fact that the other great creditor nation, the UK, had had for many years a large excess of commodity imports.”¹²⁰

The NAM explicitly rejected “[t]ariff policies which increase imports”, arguing that import promotion amounted to “giving the benefits and getting nothing in return”, and its Tariff Committee spent much of the 1930s arguing that the RTAA had already led to a dramatic rise in imports, with the catastrophic consequence of hundreds of thousands of American jobs being lost to low-wage foreign competition, especially in Asia. Strongly opposed to the New Deal and fearful of low-wage foreign competition, business elites at the NAM argued that tariff cuts were particularly harmful at a time when the National Recovery Act was deliberately pushing up American wages.¹²¹ Thus, the archival evidence shows that major domestically-focused business associations like the US Chamber, the NAM and the NICB did not support two-way trade, creditor nation theory or high imports before the outbreak of World War II.

In 1939 and 1940, wartime disruption severed access from the United States to many important markets. In response, the Department of Commerce worked with business associations to compensate importers and exporters by increasing trade with Latin America. The promotion of inter-American trade marked the beginning of close cooperation between business and government in actively managing trade flows. It also gave a boost to those seeking to portray imports as beneficial rather than threatening. Creditors, multinationals, exporters and government officials could now argue that “American purchases from those countries [must

¹²⁰ NICB, ‘Findings of the Board’s Study of International Transactions of the United States’, Aug 1936, HML (1057, NICB), Series V, Box 6, pp. 6–7.

¹²¹ See NAM platform as reprinted in ‘Manufacturers Association Platform’, *New York Times*, 9 Dec 1937, p. 23; 1936-37 minutes of the NAM tariff committee and Tariff Committee (NAM), ‘Imports and Unemployment Study’, Mar 1936, HML (1411, NAM), Series IX, Box 150.

be] expanded” in order to make higher exports to Latin America possible and develop “hemispheric economic defense”, making two-way trade a much more specific and compelling argument. Government officials publically stressed the futility of a policy of self-sufficiency and implored business elites to consider trade a “two-way process”.¹²² Exporters, multinationals and creditors agreed that two-way trade with Latin America offered opportunities for all, unlike in earlier years when they often competed for the scarce funds of foreign debtors and trading partners. It was in the context of Latin American trade that the idea of trade being a “two-way” process finally appeared for the first time in NAM documents, when the Tariff Committee adopted a resolution recommending that the organisation “study carefully all possibilities of increasing two-way trade between the United States and Latin America”. The outbreak of World War II thus left a clear mark on debates about trade policy at the NAM, perhaps explaining why the organisation became sceptical about its traditionally close ties with the ATL at just this time.¹²³

In addition to the emergence of a unified coalition of creditors, multinationals and exporters, and the NAM’s adoption of the idea of two-way trade, a third important development took place during the 1930s. Cordell Hull had always linked free trade to peace and the State Department’s Committee on Trade Agreements openly advocated the use of trade agreements for wider foreign policy goals, including “economic appeasement”, during the 1930s. Such “trade and peace” foreign policy arguments for liberalisation failed to convince business

¹²² As quoted in ‘\$50m US Loan Granted to Argentina’, *New York Times*, 6 Dec 1940, p. 1; ‘Hits Trade Policy of Dictatorships’, *New York Times*, 3 July 1939, p. 3. On the role of Latin American imports, see also ‘Importers Looking to Latin America’, *New York Times*, 12 May 1940.

¹²³ ‘Minutes of the Tariff Committee’, June 1939, and ‘Minutes of the Sub-Committee’, Sep 1939, HML (1411, NAM), Series IX, Box 150.

elites.¹²⁴ Then, however, Italian aggression in Ethiopia, the Spanish civil war and Japan's attack on China radically changed the debate about trade and foreign policy. The wars shifted the focus from the grand but vague narrative of trade and peace to specific and highly salient conflicts. Isolationists were convinced that the United States should not trade with any nations at war to avoid being drawn into an overseas conflict. Trading with some belligerents but not others was portrayed as amounting to a declaration of economic war. Advocates of trade liberalisation and internationalism countered that embargoes should be used against aggressors and after initial victories for the isolationists, the internationalist argument prevailed after the German invasion of Poland. Trade with the axis powers was banned and the National Defense Act of 1940 empowered the president to use trade restrictions as a foreign policy tool by permitting the curtailment of exports "in the interest of national defense" following the defeat of France.¹²⁵

The integration of trade policy into foreign policy was one example of the spread of "geopolitical thinking" and internationalism among American elites at the end of the 1930s.¹²⁶ Dystopian visions of a fascist takeover of Eurasia undermined any notion that the United States was secure by virtue of its geographic position, and there are surprisingly ubiquitous documents describing plans for coping in a hypothetical world in which Nazi Germany and Japan had won World War II.¹²⁷ Averell Harriman, the former investment banker who had become secretary of commerce, recorded that he was losing sleep over the fear that a victorious

¹²⁴ Eckes, *Opening America's Market* (1999), pp. 148–9.

¹²⁵ Rothgeb, *US Trade Policy* (2001), pp. 54–60; Hull and Berding, *The Memoirs of Cordell Hull* (1948).

¹²⁶ Iriye, A., 'The Road to Pearl Harbor', in *Cambridge History of American Foreign Relations* (2013), ed. by Iriye et al., p. 175.

¹²⁷ Rothgeb, *US Trade Policy* (2001), p. 55; Interdepartmental Cmte of Postwar Foreign Economic Policy, 'Economic Implications for the United States of a German Victory', 1940, TL (Salant Papers), Box 23.

Germany and Japan would be able to “dictate [...] what we can sell and buy” and Wendell Willkie spoke of a “struggle for world trade” with Nazi Germany.¹²⁸

Against the backdrop of the war in Europe and Asia, the NFTC strongly opposed the idea that the United States should always stay neutral, which it called “dangerous”. US Chamber delegates, most of whom did not have a direct interest in international trade, condemned neutrality as well, on the ground that the United States be flexible in how it used its trade policy to respond to “war emergenc[ies].”¹²⁹ Business elites, the media and government officials, including the soon-to-be appointed secretary of war, Henry Stimson, the cotton trading magnate-turned-government official Will Clayton and Thomas Lamont met in such venues as the Committee to Defend America by Aiding the Allies, a group pushing for the export of arms to Britain and France and a strict embargo against the axis powers.¹³⁰ With chaos and violence spreading across the globe, the argument that trade policy should be used to keep the United States safe was much more compelling than the argument that trade liberalisation was conducive to world peace had ever been.¹³¹ This contributed to the willingness of Congress to empower the executive branch to wield trade policy as an offensive weapon against aggressive nations, in marked contrast to earlier times when trade policy was used only defensively, i.e. to protect American producers.

¹²⁸ Abramson, *Spanning the Century* (1992), p. 266; Willkie, as quoted in “Willkie Predicts Outarming Nazis”, *New York Times*, 5 May 1941.

¹²⁹ ‘Final Declaration of the 24th Convention’, Nov 1937, HML (2345, NFTC), Box 78, p. 9. US Chamber as quoted in ‘Union Regulation by Law Is Asked’, *New York Times*, 5 Feb 1937.

¹³⁰ ‘20,000 at Boston Ask Aid to Allies’, *New York Times*, 17 June 1940, p. 5; ‘White Organises Aid’, *New York Times*, 20 May 1940, p. 11.

¹³¹ Bidwell, ‘A Postwar Commercial Policy for the United States’, *AER*, 34 (1944).

Thus, two key developments during the late 1930s strengthened the pro-trade business coalition. First, divisions between creditors, multinationals and exporters were overcome, as the call for higher imports to finance both exports and loan repayment united these groups against protectionists seeking a termination of the RTAA. Second, trade policy increasingly came to be seen as subordinate to foreign policy and, after the outbreak of war in Europe, government and business elites came together to address the disruption caused to the world economy. Over the course of World War II, raising the level of imports, including through tariff cuts, would come to be seen as both an economic necessity and a geopolitical imperative by an ever-greater number of business leaders, which contributed to overwhelming business support for the RTAA by 1945, as discussed in the next section.

2.5 Two-way trade and post-war planning, 1940-45

The collaborative effort to promote imports from Latin America was only a precursor to significantly more expansive planning efforts after the United States entered World War II. Distinct from wartime planning (e.g. defense conversion, raw materials stockpiling, manpower allocation, etc.), “post-war planning” was the phrase used to describe efforts by government, business elites, unions and civil society groups to develop an economic and foreign policy for the United States after the end of World War II. Post-war planners prepared for the absorption of soldiers into the civilian workforce, for the conversion of defense to civilian production and for managing the national debt, shortages and inflation after the end of price control and rationing. Post-war planning, led by internationalists and adherents of creditor nation theory, popularised the notion that the United States required – and as the dominant global power had to work towards – a prosperous world economy underpinned by a

liberal economic order. Using new archival evidence, I argue that internationalist political and business elites were able to use post-war planning to expand business support for creditor nation theory, two-way trade and the subordination of trade policy to foreign policy, including at the leadership level of formerly protectionist organisations. Post-war planning is an understudied aspect of World War II; the involvement of business elites and the impact of post-war planning on trade policy have rarely been discussed in detail.¹³²

Cordell Hull appointed a special assistant to consider the potential problems of a future peace settlement on 16 September 1939. Over time, the view that “if we defer winning the peace until after we have won the war, we may lose the peace” steadily gained ground and post-war planning expanded both in government and beyond. A key argument used by advocates of post-war planning was that the lack of planning during World War I had led to the chaos of the interwar period.¹³³ The Treasury, State and Commerce Department set up committees or entire divisions devoted to post-war planning and President Roosevelt made his vice-president, the New Deal heavyweight Henry Wallace, the head of the Economic Defense Board, whose remit included post-war planning.¹³⁴ While the Roosevelt administration’s post-war planning efforts were clearly internationalist, the Republican Party was pre-occupied with the question of whether it should remain wedded to isolationism. Republican National Committee chairman Harrison Spangler put Arthur Vandenberg, advocate of a moderate

¹³² As outlined by Rothgeb, *US Trade Policy* (2001), pp. 54–62. Notable exceptions are Aaronson, *Trade and the American Dream* (1996) and, to a lesser extent, Baker, *Constructing a Post-war Order* (2011), chs. 3–4.

¹³³ Paul G. Hoffman, as quoted in ‘Monthly Bulletin’, Mar 1943, BL (1440, NY Chamber), Series III, Box 172, Vol. 34, p. 445. Conservative, anti-New Deal businessmen were reluctant to support post-war planning, especially during the early years of the war. See, e.g., Crane (DuPont), ‘Some Notes on the Postwar Outlook’, July 1943, HML (500, DuPont), Series II-2, Box 1050.

¹³⁴ SD, ‘Personnel Engaged in Post-War Work’, Jan 1944, LOC (MSS35568, Pasvolsky Papers), Box 7.

internationalism, in charge of bringing the warring factions within the party's Postwar Advisory Council to a consensus. In its Mackinac Declaration of 1943, the Council and the Republican Party officially proclaimed that the United States must "play its proper role in post-war international cooperation".¹³⁵

With both parties committed to post-war planning, both House and Senate set up post-war planning committees in 1943. Internationalist private institutions like the Rockefeller Foundation and the Council on Foreign Relations helped fund and staff these governmental post-war planning groups, cementing the internationalist orientation of the planning effort.¹³⁶ British officials, including Keynes, were also involved, and there is evidence that they were not only aware of creditor nation theory, but used it to further the interests of Britain by trying to convince the American planners of "the need for making financial arrangements that will ensure an adequate supply of foreign exchange" for Britain after the end of the war.¹³⁷

Many business groups offered their support in drawing up plans for the post-war era. At the NAM and the US Chamber, post-war planning began in 1942, initiated by the leadership of the organisations. By the end of 1942, a survey of existing post-war planning groups already counted a total of 105 organisations, 70 of which were non-governmental. By 1944, the number had reached over 200. Just as internationalists dominated post-war planning among political elites, proponents of creditor nation theory dominated in business planning

¹³⁵ As cited in Kaplan, *The Conversion of Senator Arthur H. Vandenberg* (2015). See also, Pasvolsky, 'To Vandenberg', 26 May 1944, LOC (MSS35568, Pasvolsky Papers), Box 7.

¹³⁶ Aaronson, *Trade and the American Dream* (1996) pp. 22–34.

¹³⁷ *FRUS*, 'Chargé in the United Kingdom to the Secretary of State', Vol I (840.50/388), April 1942, p. 163-4. See also the papers of Leo Pasvolsky, LOC (MSS35568, Pasvolsky Papers).

committees and organisations. The archival records of business associations from over a dozen different states show that post-war planning empowered those who advocated trade liberalisation and thus directly contributed to the rise in support for a liberal trade policy among American business elites. Powerful new groups such as the CED were founded specifically with the aim of post-war planning in mind and these new organisations, worried about post-war unemployment and the possibility of another depression, tended to have more favourable views of demand management, the government and international trade than many established business associations.¹³⁸ Post-war planning gave progressive business leaders influence in many of the domestically-focused, often conservative business associations that had defended protectionism until World War II, as shown in this section.

2.5.1 Creditors, foreign traders and internationalists

A coalition of creditors, multinationals and exporters first began to coalesce around the idea of raising imports during the late 1930s (see section 2.4). During World War II, this pro-trade alliance solidified for a number of reasons. The argument for high imports became more compelling because raising imports came to be seen as a way to support American allies. Moreover, post-war planning established an expansion of imports as a key part of any responsible post-war foreign economic policy; as *Bankers Magazine* put it in 1940, a consensus was developing that the United States “must be willing to receive goods and services in return for export markets [...] as a creditor nation, it must be willing soon to have

¹³⁸ Galloway, *Postwar Planning in the United States* (1942); ‘Study on the Post-War Industrial Outlook’, *Journal of Commerce*, Apr 1944.

a passive balance of trade [and] become import-minded.”¹³⁹ Post-war planning also further strengthened the institutional links between exporters, multinationals and creditors.

The first factor behind increasing support for high levels of imports was the immediate need to support friendly nations during World War II. Recurrent demands for solidarity with Britain and a fulfilment of obligations to “civilisation” can be found in many NFTC speeches and declarations, often alongside a call to liberalise American trade policy. “National defense” became the most obvious foreign policy justification for trade liberalisation, including the RTAA. In 1942, the NFTC demanded the “maximum flow of [...] increased imports [to] enable [our allies] to weather a dangerous crisis.” Raising imports was also seen as crucial for maintaining high levels of production of war material. The tendency to see trade and foreign policy as intimately related thus grew during World War II and, by 1944, the NFTC demanded explicitly that trade policy should be integrated into broader American foreign policy.¹⁴⁰

Moreover, there was a growing belief, shared by exporters, creditors, multinationals and government officials, that high imports were a contribution the United States inevitably had to make if there was to be any hope for stability and prosperity after World War II. This was a key lesson of the interwar period that was closely related to the spread of creditor nation theory and two-way trade. Looking ahead to the post-war world, the NFTC warned that “financing our foreign trade will be a major post-war problem, having regards to the creditor

¹³⁹ ‘Survey: US Must Become Import-Minded’, *Bankers’ Magazine*, May 1940.

¹⁴⁰ ‘Declaration of the 29th Convention’, Oct 1942, and ‘Declaration of the 27th Convention’, Oct 1940, p. 4, both in HML (2345, NFTC), Box 78, connect national defense and the RTAA. See also ‘Resolution on International Business Agreements’, 1944, HML (2345, NFTC), Box 8; and the speeches and declarations at the 1940 convention in this box.

position of the United States”.¹⁴¹ At one of the first CED meetings, the attendees heard a keynote speaker declare that “[t]here will be markets enough. The problem will be to fill, and of course to finance, orders, not to get them.” Throughout World War II, prominent business figures argued publically that trade was a “two-way street” and that the United States had to “open up our own markets and we shall build up the markets of others” when the war ended.¹⁴²

The CED, the NFTC and the USCICC increasingly saw themselves as representing the interests of anyone who sought to sell to foreigners, recover profits from abroad or collect debt service on international loans. At the NFTC, investor protection became a central issue during World War II and the formerly exporter-focused organisation now worked closely with the American Bankers’ Association and the USCICC to confront domestically oriented businessmen still advocating protectionism and a repeal of the RTAA.¹⁴³ This contrasted markedly with the 1920s, when exporters and creditors competed with one another. The government and internationalist organisations like the Council on Foreign Relations actively promoted the idea that exporters, creditors and multinationals all benefited from trade liberalisation, emphasising in particular the lessons to be drawn from the interwar period when the United States had insisted on being both a creditor and running a trade surplus at the same time. To avoid a repetition of the “badly bungled” 1919 settlement, the United States would have to dramatically raise imports to enable foreign countries to remain solvent.¹⁴⁴ Moreover,

¹⁴¹ ‘Declaration of the 29th Convention’, Oct 1942, HML (2345, NFTC), Box 78; ‘Foreign Trade Reconstruction Study’, 1943, HML (2345, NFTC), Box 162, F8.

¹⁴² ‘Speech by Joseph M. Jones’, 1943, TL (Hoffman Papers) Box 40. Thomas Lamont (JP Morgan), Thomas Watson (IBM) and Eric Johnston (US Chamber), as quoted in ‘World Trade Seen as Key to Peace’, *New York Times*, 27 June 1943.

¹⁴³ ‘Declaration of the 31st Convention’, Oct 1944, HML (2345, NFTC), Box 78; ‘International Conference of Businessmen’, 1944, HML (2345, NFTC), Box 8.

¹⁴⁴ See, e.g., CFR, ‘The Problem of Lend-Lease’, 1944, HML (2345, NFTC), Box 160. Quote from p. 2.

it became commonplace to argue that investors and exporters created mutually beneficial conditions for each other because American loans generated demand for American goods and locked foreign countries into relationships with American suppliers.¹⁴⁵

The disruption caused by World War II not only united internationally-oriented business elites but also gave them unprecedented influence over other business leaders by virtue of their position in the wartime and post-war planning effort. The archival records of the NAM and the chambers of commerce show clearly how this shift towards a more liberal view of international trade came about, and how closely it was connected to post-war planning. Internationalists came to occupy crucial positions at the NAM and US Chamber, and the CED in particular revolutionised the outlook of many state and local chambers of commerce. As a result, business associations which were largely protectionist until 1939 came to embrace trade liberalisation by 1945, at least at the leadership level. In marked contrast to the interwar years, creditor nation theory, two-way trade and the idea that trade policy was a foreign policy tool came to be more widely accepted, beyond the alliance of exporters, multinationals and creditors.

2.5.2 The National Association of Manufacturers

One place where there was a clear increase in the acceptance of creditor nation theory was the NAM, a powerful domestically-focused business association representing thousands of manufacturers of all sizes. Between 1940 and 1945, the NAM became a leading business voice

¹⁴⁵ See, e.g., Noble (DOC) 'Trade Plans for the Western Hemisphere', July 1940, HML (2345, NFTC), Box 78, p. 4; Roosevelt (CFR). 'Creative Dollars', 30 July 1940, HML (2345, NFTC), Box 78, p. 1.

in the post-war planning effort and adopted a set of distinctly internationalist and pro-trade policies to address the related issues of “exports and imports, including the question of unbalance”.¹⁴⁶ This marked a significant departure from the interwar period, when the NAM was still resolutely protectionist, held the RTAA responsible for a flood of imports and the loss of American jobs, decried low-wage Asian competition and spent a significant amount of resources studying what it called “the problem of the relationship between imports and unemployment into the United States”.¹⁴⁷ Over the course of World War II, the official NAM position on imports was reversed and new committees replaced the old, protectionist Tariff Committee. Thus, acceptance of the idea that trade was a two-way process is first evident in NAM committee minutes in the context of efforts manage wartime trade flows (see p. 85).

During World War II, the influence of post-war planning and post-war planners at the NAM increased dramatically. Founded in the summer of 1942, the Postwar Committee and its affiliated International Relations Subcommittee (which became the powerful stand-alone IR Committee) accelerated the adoption of pro-import views. In August 1942, the IR Subcommittee began a major review of the NAM’s positions on international matters, including the balance of payments and imports. At the next meeting, in September, the subcommittee already resolved that the United States should “provide a maximum market for foreign production”, and a first draft of the report declared that “Governments are not justified

¹⁴⁶ The NAM organised the most ambitious and largest business post-war planning conference to date in 1944. See, e.g., IRC (NAM), ‘Specific Problems Division Minutes’, 1943, HML (1411, NAM), Series IX, Box 152; ‘Joint Economic Plan Aim for Post-War Era’, *New York Times*, 14 Feb 1944; ‘Post-War “Plenty” for Nation Urged’, *New York Times*, 20 Feb 1944.

¹⁴⁷ NAM, ‘Final Report of Relationship between Imports and Unemployment’, 1936, HML (1411, NAM), Series IX, Box 150, p. 1.

[...] in permanently protecting industries [...] which can not effectively compete [...] with foreign industries.”¹⁴⁸

In March 1943, the IR Subcommittee successfully argued the case for supporting the extension of the RTAA, which the NAM had opposed since its inception. Highlighting the role that geopolitical thinking and internationalism now played at the NAM, the key argument was that eliminating the RTAA “would promote bad feeling against this country in other nations [...] It is good economics to favour more trade [and] regardless of whether it is good economics or not, it is good policy.” Isolationism was now deemed “fundamentally self-centred” by the NAM’s most powerful international policy committee. The old Tariff Committee played only a marginal role during World War II, and the new committees that determined the NAM’s trade policy position after 1942 were convinced that “the great international trade danger [comes] not from the import of foreign goods, but from discriminatory practices”.¹⁴⁹

The Postwar Committee, pursuing an agenda similar to that of the IR Subcommittee, used its first major report to move the NAM’s trade policy position significantly towards liberalisation. There were protectionists on these committees, but they were outnumbered. Thus, when the president of the American Cyanamid Company, a major player in the protectionist chemical industry, proposed to the Postwar Committee that the NAM adopt a neutral trade policy position, this was deemed unacceptable. Instead, the drafting session added the phrase that

¹⁴⁸ IRC (NAM), ‘Minutes of IR Subcommittee’, Apr 1942; IRC (NAM), ‘Minutes of IR Subcommittee, Sub-Division for Post-War Problems’, Sep 1942; IRC (NAM), ‘Imports and Exports’, Aug 1942, all in HML (1411, NAM), Series IX, Box 151.

¹⁴⁹ IRC (NAM), ‘Specific Problems Division Minutes’, Mar 1943; IRC (NAM), ‘IR Subcommittee Minutes’, 9 Sep 1943, HML (1411, NAM), Series IX, Box 152.

“Congress shall consider as a desirable objective the increase in two-way flows of exports and imports”, thus shifting the NAM’s position significantly towards liberalisation.¹⁵⁰ In addition to establishing a view of trade policy in which high levels of imports were necessary and beneficial, pro-trade business executives on the new committees popularised three ideas at the NAM: first, internationalism, epitomised by the quip that “Minneapolis, Marseilles and Melbourne are now only a few hours distant from each other”; second, creditor nation theory, demonstrated e.g. by the demand that “countries [must] adopt fiscal and trade policies [...] in harmony with their debtor or creditor position”; and finally, the desire that the “errors of the period after World War I [i.e. economic nationalism] should not be repeated”.¹⁵¹ Post-war planning thus contributed to a major change at the NAM that saw the organisation move away from its domestic focus and protectionist trade policy of the interwar period.

Similarly, the NAM’s permanent staff tried to move the organisation towards embracing high levels of imports. In January 1943, executive vice-president Walter Weisenburger commissioned a study examining the “formulation of a sound foreign trade policy in light of present and post-war conditions” from John Lee Coulter, a former chief economist of the Tariff Commission and head of an economic consulting firm, who had represented the NAM and other protectionist organisations at congressional hearings. Coulter’s report took an entirely different line compared to his protectionist hearings statements of only a few years earlier. He now blamed the American trade surplus of the 1920s for the Depression and the defaults of foreign debtors. American participation in international trade had lacked a clear

¹⁵⁰ ‘Minutes of the Drafting Committee of Postwar Committee’, Nov 1943, HML (1411, NAM), Series IX, Box 152; ‘William Bell, Head of Cyanamid Co.’, *New York Times*, 22 Dec 1950.

¹⁵¹ IRC (NAM), ‘IR Subcommittee Minutes’, 9 Sep 1943; ‘Proposals and Principles (Draft)’, Oct 1943, both in HML (1411, NAM), Series IX, Box 152.

strategy, Coulter wrote, pointing out that Americans had bought, among other things, “practically the world’s output of silk and used it extravagantly to suit the fancies of both rich and poor” with the proceeds of the excessive export surplus. Coulter argued that the primary problem to be addressed after World War II was “our capacity to absorb imports [and] the capacity of the world to pay for our exports”. Continuing opposition to the RTAA from the NAM would be “extremely unfortunate” because of its restrictive effect on imports and, more generally, because it would create the impression that the NAM supported “isolationism”.¹⁵²

By 1945, the pro-import views pushed by the post-war planning committees and the NAM’s staff were firmly established as official NAM policy. At the hearings to extend the RTAA, the NAM’s witness told the Senate Finance Committee that “as the world’s greatest creditor nation, we have a responsibility for leadership” and that the NAM supported the extension of the RTAA beyond World War II because America’s trade policy should be “one of gradual reduction of protective tariff[s]”.¹⁵³

Even more significantly than the support for the RTAA was the establishment of a new Foreign Trade Policy Committee to replace the old Tariff Committee. This new committee became the driving force for moving the NAM further into a liberal direction on trade after 1945. Several of its founding members had previously served on the Postwar Committee, whereas none of them came from the protectionist Tariff Committee that had determined the

¹⁵² As quoted in ‘Important Elements Involved in the Formulation of a Sound Foreign Trade Policy Following World War II’, 1943, HML (1411, NAM), Series I, Box 105; Coulter, ‘To Weisenburger (NAM)’, 1943, HML (1411, NAM), Series I, Box 105.

¹⁵³ ‘Chronological History of NAM Tariff Position since 1895’, Aug 1945, HML (1411, NAM), Series I, Box 105, F2, p. 14.

NAM's trade policy for decades until World War II. Most members of the Tariff Committee were from protectionist industries (e.g. textiles and chemicals), which was not true for the new Foreign Trade Policy Committee.¹⁵⁴ NAM support for the RTAA and the end of the Tariff Committee marked the climax of a major change. The NAM had since its foundation been a protectionist organisation. Yet within a few years the influx of new voices and ideas during World War II, facilitated by the growing post-war planning activities, turned the organisation's trade policy position around.

2.5.3 The chambers of commerce

Like the NAM, the US Chamber went through significant changes during World War II, which affected its trade policy position. Efforts to secure chamber backing for the RTAA during the 1930s had been abortive, creating a strong membership backlash (see section 2.4) and there was considerable internal opposition to any notion of trade liberalisation or an active foreign economic policy until 1942. Nevertheless, three membership referenda in 1944, 1945 and 1946 established a new, liberal trade policy position for the US Chamber. In each case, the outcome was almost unanimous.¹⁵⁵ It took a shake-up at the top of the chamber, followed by the new leadership's concerted effort, to transform the still sceptical wider membership into a pro-trade one between 1942 and 1944. Post-war planning was a key factor in the

¹⁵⁴ The founding vice-chairmen of the FTPC included, among others, George W. Ray (formerly Chairman, Drafting Committee of Postwar Committee); Millard D. Brown (formerly of the International Relations Subcommittee). None of the FTPC's founding members served on the Tariff Committee as of 1939. See NAM committee minutes, HML (1411, NAM), Series IX, Box 151-3.

¹⁵⁵ 'Referenda 79, 87 and 89', 1944-6, HML (1960, US Chamber), Series I, Box 19.

transformation of the US Chamber, bolstering the power and influence of a younger, more internationalist generation of leaders.

There is ample evidence of membership resistance to trade liberalisation until well into the 1940s. The Foreign Commerce Department Committee (FCDC) struggled to create wider acceptance of the RTAA, culminating in the resignation of James Farrell, a committed internationalist and supporter of Cordell Hull's approach trade policy. Farrell, who had tried to create support for the RTAA at the US Chamber for more than six years, stepped down as committee chairman in 1940 amidst surging criticism of his committee's continued pursuit of a US Chamber endorsement of the RTAA. The next three years saw three different committee chairmen (Wadsworth, Spangler and Minor), all of them, like Farrell, internationalists. Although the committee continued to advocate for the RTAA, the annual meeting in 1941 heard loud calls for a reaffirmation of the protectionist and anti-RTAA trade policy declaration of 1936. Afterwards, the committee increasingly focused on uncontroversial issues like reducing government control and interference.¹⁵⁶ In addition to the lack of membership support for trade liberalisation, internationalism was not a majority position among the members of the US Chamber when the United States entered World War II. US Chamber leaders acknowledged the reality that "the vast majority of people [want] to keep out of the war" in 1941. At the annual conferences of the early 1940s, the discussion leaders on trade policy and foreign policy issues were with few exceptions internationalists who elsewhere espoused liberal positions. In front of the chamber's members, however, they moderated their rhetoric, most notably on the issue of leveraging Lend-Lease to liberalise world trade after the

¹⁵⁶ See board meeting minutes, HML (1960, US Chamber), Series I, Box 3, esp. the meetings in March 1940, March 1941 and Mar 1943.

war. The policy positions actually adopted by the members at these conferences lagged far behind what the internationalist wing of the leadership wanted, particularly on the issues of import promotion, two-way trade and the RTAA.¹⁵⁷ In early 1942, the US Chamber was still largely protectionist, domestically focused and uninterested in post-war planning.

Tensions among different factions of the leadership erupted in the spring of 1942, turning into what an observer later called a “mild revolt” against the old guard, which in its strident opposition to the New Deal had made itself unpopular with many members and younger directors. The man who took over the chamber presidency, Eric Johnston, was so unlike his predecessors that President Roosevelt allegedly asked him during their first meeting: “My God, Eric, how did they ever elect you?” Johnston embodied internationalism and the pursuit of a liberal international order. Like many exporters and internationalists, Johnston had been passionate about promoting trade with the Soviet Union since the early 1930s. During his tenure as chamber president, he even travelled there and met with Stalin on several occasions.¹⁵⁸ Johnston – a CED board member and winner of the 1944 NFTC medal for the promotion of trade – immediately joined creditors, multinationals exporters and internationalists in calling for a liberal post-war trade policy to foster peace and prosperity in the United States and around the world.¹⁵⁹ He also opened the door to closer cooperation with government and made post-war planning a priority, which increased the exposure of US

¹⁵⁷ On widespread isolationism, see BoD (US Chamber), ‘Minutes of the 186th Meeting’, Jan 1941, HML (1960, US Chamber), Series I, Box 3. For the annual conference speakers’ rosters, see annual meeting minutes, HML (1960, US Chamber), Series I, Box 31-2. On the lag between members and leaders, compare committee publications and board meeting minutes to US Chamber, ‘Policies Advocated by the Chamber of Commerce of the United States’, 1942, <<https://catalog.hathitrust.org/Record/006829268>>, [accessed 3 Aug 2014].

¹⁵⁸ Quote from Johnston’s obituary, which also claims that Stalin called Johnston a communist during one of his trips to the Soviet Union; see ‘Eric Johnston Dies’, *New York Times*, 23 Aug 1963. On the Soviet Union, see e.g. ‘Johnston Urges Freeing of Trade’, *New York Times*, 9 May 1944.

¹⁵⁹ See, for example, ‘World Trade Seen as Key to Peace’, *New York Times*, 27 June 1943, p. 18.

Chamber members to new ideas about trade and foreign policy. Like the post-war planners who entered the NAM and revolutionised the way trade policy was debated there, Johnston used post-war planning to reform the US Chamber, turning it into an internationalist, pro-trade organisation by 1944.

A passionate advocate of American leadership, Johnston declared that “America after the war will have to take world leadership. No other nation will be physically or mentally capable of doing it.” In his very first radio address, he declared that “we of American business are planning for the future. [The] US Chamber [is] now working to find a solution to our post-war problems.”¹⁶⁰ These were not empty words. In July 1942, Johnston called a special session of the chamber to work on nothing less than a complete “reorientation of our whole policy”; in August, he expanded the National Defense Committee, bringing post-war planning into its remit; and in September, he met with Roosevelt to discuss “business proposals to improve the economic system, both during and after the war”.¹⁶¹ In September, the board of directors endorsed imports as a positive factor on Johnston’s personal initiative. In 1943, the US Chamber started major initiatives to educate the public and its own members about its vision for the post-war world, declaring wartime and post-war planning as its major objectives.¹⁶² On Johnston’s initiative, the US Chamber also created a Committee on International Postwar Problems and a Win-the-War Committee. The Committee on Economic Policy also dealt with post-war planning, including post-war foreign economic policy.

¹⁶⁰ ‘Head of Chamber Looks to New Era’, *New York Times*, 3 Jan 1943; Johnston, ‘Message to the Fighting Fronts’, 1942, HML (1960, US Chamber), Series I, Box 12, pp. 6-7.

¹⁶¹ ‘Johnston Sees President’, *New York Times*, 17 Sep 1942.

¹⁶² See US Chamber board meeting minutes, HML (1960, US Chamber), Series I, Box 3, esp. meetings in September and October 1942 and in June 1943.

The post-war planning infrastructure thus created, rather than the still paralysed FCDC, was ultimately responsible for creating wide-spread support for trade liberalisation within the US Chamber. The new leadership clearly favoured the planning committees over the FCDC, providing them with more resources and support to publicise their views. The International Postwar Problems Committee in particular began to deal with trade policy issues. In 1944, this committee brought a motion to the board of directors to enshrine the Chamber's new liberal trade policy views: "The United States Government should pursue a constructive, liberal and realistic trade policy [to] improve the level of world prosperity". This became the text of the landmark referendum presented to the Chamber's members in 1944, which officially committed the US Chamber to a liberal trade policy. In 1943 and 1944, the US Chamber also issued a series of *Postwar Readjustments Bulletins*, which contained radical views on international trade in the post-war world and argued the United States should restrict foreign aid and instead "see that our post-war international trade becomes a two-way affair so that we can receive substantially equivalent values in imports to our exports". These pamphlets clearly articulated creditor nation theory, arguing at one point that "if we are to get the full benefit of our 'creditor nation' position we will have to import more than we export". Even if domestic industries were displaced by foreign competition, this was deemed "in the national interest [because] foreign trade will, for perhaps the first time in our history, become a question of national defense and security policy".¹⁶³ The FCDC only submitted its own trade policy position to the board in late 1944, after the referendum was held, in which it joined the post-war planners' call for "liberal world trade relations and freedom from excessive and

¹⁶³ 'Postwar Readjustments Bulletins', 1943-4, HML (1960, US Chamber), Series IV, Box 82; quote from "Bulletin #3", 1943, p. 17.

unreasonable barriers to international trade” as well as the promotion of imports by the government.¹⁶⁴

The post-war planners who entered the US Chamber during Johnston’s presidency thus directly attacked the long-established trade policy position of the organisation, bringing in new ideas that had been articulated only by exporters, multinationals and creditors during the interwar period. Internationalists and post-war planners built support for ideas associated with creditor nation theory, i.e. that imports were useful, that the United States as the leading economic power should create a liberal international order and that international trade was a two-way process, among the leadership and members of the organisation, culminating in the referenda of 1944, 1945 and 1946 that enshrined trade liberalisation as the official goal of the US Chamber of Commerce. The US Chamber moved decisively towards a liberal trade policy only after its conservative leaders were marginalised; post-war planning committees, not the established trade policy committee, drove the realignment of the US Chamber’s trade and foreign policy preferences during World War II.

Post-war planning also played an important role in increasing support for trade liberalisation and internationalism at state and local chambers. These constituent chambers, not individual companies, constituted the bulk of the US Chamber’s membership. During World War II, many state and local chambers conducted planning operations in tandem with the CED, the NAM, the US Chamber and the government. The CED was particularly active, offering money, manpower and expertise to chambers of commerce from Washington DC, Minnesota,

¹⁶⁴ BoD (US Chamber), ‘Minutes of the 208th, 211th and 214th Meeting’, 1943-4, HML (1960, US Chamber), Series I, Box 3; quote from 211th meeting, May 1944, p. 12.

Indiana, Virginia, New Jersey and many other states.¹⁶⁵ New archival evidence from the collections of state and local chambers confirms this. The Portland (Oregon) chamber set up a post-war planning committee in 1942, with the objective of studying trade policy and “expanding markets”. This committee cooperated closely with the US Chamber, the CED and the government. In Utah, the state manufacturers association and the state government worked together to set up a “post war committee” in 1944. The NAM worked with the Associated Industries of Nebraska and the Midwest Manufacturers Associations to discuss issues such as expanding “foreign markets for Midwest industry”. In Iowa, the CED and the Greater Des Moines chamber set up a joint post-war planning committee in 1943, funded by local and national banks. One year later, post-war planning was listed as the primary activity of the Greater Des Moines chamber in its annual report. With the help of the US Chamber, several business associations in Wisconsin also began to prepare for the post-war world as “the victory steamroller [...] moving across Europe”. In Washington, DC, the regional Board of Trade set up a post-war planning committee with the CED.¹⁶⁶

The New York chamber has preserved the most complete archival record of any state chamber. The records show in great detail the changes brought about by post-war planning, illustrating

¹⁶⁵ See ‘America at War: Hoosier Postwar Plans’, *Washington Post*, 23 Nov 1944, p. 7; ‘Arlington’s Chamber Joins Postwar Survey’, *Washington Post*, 14 Sep 1944, p. 3; ‘Business Is Warned’, *New York Times*, 8 Dec 1943, p. 37; ‘Job Survey Is Completed’, *New York Times*, 15 June 1944, p. 28; ‘Farm Town Plans 100% Post-War Jobs’, *New York Times*, 7 Sep 1943, p. 21; Ex Cmte (NY Chamber), ‘Committee Minutes’, Jan 1944, BL (1440, NY Chamber), Series IV, Box 75, Vol. 30.

¹⁶⁶ Ex Cmte (PCC), ‘Minutes’, Aug 1942, OHS (Mss 686, Portland Chamber), Box 1; Ex Cmte (UMA), ‘Minutes’, Apr 1944, USHS (Mss B207, UMA), Box 6; ‘Organisation, Objectives, Policies’, 1944, NHS (RG3710.AM, AIN), Box 1, F3; Lanton (Houston chamber), ‘To Adams (Des Moines chamber)’, 25 Sep 1945, UIL (MSC0227, Greater Des Moines chamber), Box 10, F2; ‘Annual Report’, 1944, UIL (MSC0227, Greater Des Moines chamber), Box 1, F8; White (Des Moines chamber), ‘To Horton (Iowa-Des Moines National Bank)’, 1945, UIL (MSC0227, Greater Des Moines chamber), Box 10, F3; MMAC, ‘Committee Minutes’, Apr 1945, WHS (Milw Mss 14, MMAC), Box 2, F10; ‘Bulletin’, Apr 1945, WHS (GB Mss 116, Green Bay chamber), Box 98; Postwar Planning Cmte (Washington BoTr), ‘Postwar Plans of Metropolitan Washington Residents’, Mar 1945, GWL (MS2029, Washington BoTr), Box 111.

the spread of internationalism and creditor nation, fuelled by post-war planning, which contributed to the growing acceptance of trade liberalisation among American business elites during World War II, especially at the chambers of commerce. New York's chamber only cautiously supported the RTAA extensions in 1940 and 1943. After World War II, however, it became a strident and unambiguous voice for trade liberalisation. The archival evidence shows that internationalists, many of them representing creditors, multinationals and exporters, consolidated their influence at the organisation during World War II, and post-war planning helped them do so. This is particularly evident after Frederick Hasler, a UK-born banking executive, was elected chamber president in 1942. Hasler's presidency saw a steady stream of internationalist guest speakers attempting to convince the membership of the merits of high imports and low tariffs. Often, these guest speakers came from the banking industry, post-war planning groups or the government; American Bankers Association President W. L. Hemingway spoke to the chamber in 1943, declaring that the United States needed to finance post-war reconstruction abroad through higher imports, not aid. Hemingway warned that the United States "cannot be Santa Claus to the whole world [but] we can adopt a strictly business-like program [...] to enable our allies and our former enemies" to recover and rebuild.¹⁶⁷

Records dating back to 1941 document that a minority within the chamber's leadership was already concerned about the importance of international trade for post-war reconversion. The chamber's Committee on Foreign Commerce argued for further liberalisation and continued support for the RTAA because this would aid the "after-the-war position" of the United States

¹⁶⁷ 'Monthly Bulletin', May 1942, BL (1440, NY Chamber), Series III, Box 172, Vol. 34; Hemingway (ABA), 'Our National Debt', Jan 1943, BL (1440, NY Chamber), Series III, Box 172, Vol. 34, p. 359.

and avoid “what happened after the last war”.¹⁶⁸ After 1941, pro-trade New York chamber leaders benefited from the climate generated by post-war planning. Like other state and local chambers, the New York chamber undertook extensive post-war planning efforts in new committees, which created a tight connection with the CED. In March 1943, the chamber’s first report on “Postwar Conditions” asserted that it was necessary to plan for the post-war era, pointing to the mistakes made after World War I and declaring that “the great importance of the United States to the world economy and trade [means that] the responsibility for what has happened rests on us [...] all we can do to prevent history from repeating itself.” The post-war planning committee was generously funded and the chamber’s leadership took extraordinary steps to publicise its work both internally and externally.¹⁶⁹

Over time, the New York chamber’s resolutions and reports began to adopt the rhetoric of creditor nation theory. In 1944, a unanimous executive committee resolution stressed that the United States had failed to take into account the obligations of a creditor nation after World War I. In November 1944, the membership adopted a foreign trade resolution acknowledging it as “desirable for us to accept increased imports [...] to provide other countries with the dollars needed to pay for our exports.” American leadership in multilateral trade liberalisation and higher imports were deemed necessary for a high level of exports and sustainable two-way trade. In 1945, this was followed by a resolution, drafted jointly by several committees, declaring it “in the interest of the creditor nations to do their part toward providing for

¹⁶⁸ ‘Monthly Bulletin’, Dec 1941, BL (1440, NY Chamber), Series III, Box 172, Vol. 33; ‘Monthly Bulletin’, Mar 1943, BL (1440, NY Chamber), Series III, Box 172, Vol. 34, pp. 431–2.

¹⁶⁹ Ex Cmte (NY Chamber), ‘First Report on Postwar Conditions’, 1943, BL (1440, NY Chamber), Series III, Box 172, Vol. 34, p. 423; BoD (NY Chamber), ‘Minutes’, May 1943, BL (1440, NY Chamber), Series IV, Box 75, Vol. 29; ‘Monthly Bulletin’, Apr 1944, BL (1440, NY Chamber), Series III, Box 172, Vol. 35.

rehabilitation [and] the rebuilding of international trade on a sound basis". Some remaining protectionist and isolationist members tried to stop these resolutions but were defeated by the new internationalist majority.¹⁷⁰

2.6 Conclusion

This chapter adds to the existing literature by using new archival evidence to analyse business views on trade policy from the interwar period to the end of World War II. Creditor nation theory – the view that the United States as an international creditor had to run a trade deficit – spread only gradually during the interwar period. After initial divisions, banks and multinational companies united with exporters around the view that high levels of imports were required to enable foreigners to buy American goods and repay American loans. Trade had to be a two-way process, as it was commonly put by the end of the 1930s. During World War II, post-war planners in the government and in the business world incorporated creditor nation theory and two-way trade into their thinking. The idea was that the United States benefited from high levels of both imports and exports came to provide one of the principal arguments for further tariff cuts. The mushrooming of the post-war planning effort empowered principled internationalists, creditors, multinationals and exporters at organisations like the CED, as well as new leaders at the US Chamber and the NAM who were open to creditor nation theory and two-way trade. By 1945, creditor nation theory was widely accepted among American business elites, particularly at the leadership level of many national, state and local

¹⁷⁰ 'Report on Post-War Adjustment Policies', Apr 1944, BL (1440, NY Chamber), Series IV, Box 333, F3; 'Repeal of Johnson Act', Mar 1945, BL (1440, NY Chamber), Series III, Box 172, Vol. 36.

business associations.¹⁷¹ In addition to the organisations discussed here in detail, many more business groups for the promotion of international trade were set up and flourished during World War II. In New York alone, the Export Managers Club, the American Import-Export Board of Trade, the World Trade Foundation and the Economic Club were either newly founded or began to espouse the view that a creditor nation needed to have high levels of imports and that trade was a two-way process.¹⁷² When Congress resolved to extend the RTAA for a fourth time in June 1945, this now had the support of the NAM, the US Chamber and many other initially sceptical business groups. Without creditor nation theory and post-war planning, such broad support would have been unlikely.

I find no evidence of widespread business demands for maintaining or increasing the trade surplus. Indeed, this would have been contrary to creditor nation theory and two-way trade. As the NAM's president told business leaders in 1944, the idea that the United States could export more than it imported was "thoughtless" because "if we are to export goods, we must receive payment for them in [imports]". The US Chamber warned that "if we are to get the full benefit of our 'creditor nation' position we will have to import more than we export[.] This may require that some of our industries readjust themselves [in] the national interest."¹⁷³ Business and political elites alike wanted a return to a high and balanced level of trade after 1945. Far from seeing international economic affairs as a zero-sum game, they wanted to rebuild a prosperous world that both exported to and imported from the United States at high

¹⁷¹ A City Bank survey found "much comment as to our international obligations based on our assumed creditor position". 'City Bank Figures US Debtor Nation', *New York Times*, 4 Apr 1945, p. 27.

¹⁷² Sloan, 'To Currey', 15 June 1945, WHS (208, Sloan), Box 21, F5. See also Zeiler, *Free Trade, Free World* (1999), p. 77; 'Dr. Hopkins to Head Foundation', *New York Times*, 15 June 1946.

¹⁷³ 'Reciprocal Trade Backed', *New York Times*, 11 Nov 1944; 'Postwar Readjustments Bulletin #3', 1943, HML (1960, US Chamber), Series IV, Box 82.

levels. Notions such as “world prosperity”, “global prosperity” and “high levels of production everywhere” can be found in the records of nearly all business associations.¹⁷⁴ In the next chapter, I argue that these hopes were quickly disappointed by the realities of the post-war world, which resulted in rising demands for foreign aid and import promotion to cope with economic and humanitarian crises around the world and set Europe on a path to recovery.

¹⁷⁴ e.g. ‘Referendum 79’, 1944, HML (1960, US Chamber), Series I, Box 19; ‘Monthly Bulletin’, Nov 1944, BL (1440, NY Chamber), Series III, Box 172, Vol. 36; CED, ‘International Trade, Foreign Investment and Domestic Employment Including Bretton Woods Proposals’, NL (CED pamphlets). See also Pasvolsky, ‘Basis of Our Program’, 1943, LOC (MSS35568, Pasvolsky Papers), Box 1; Paul (FEA), ‘Speech to Be Delivered’, 1944, TL (Paul Papers), Box 3 for the views of post-war planners in the government. Ex Cmte (PCC), ‘Minutes’, 1942-3, OHS (Mss 686, Portland Chamber), Box 1, and Chicago Association of Commerce, ‘Foreign Commerce Bulletin’, Mar 1944, HML (2345, NFTC), Box 8, are examples of business associations arguing against targetting an export surplus and export promotion.

3 Trade policy and emergency aid, 1945-47

“We were in a state of euphoria [...] we had a monopoly on the world's supply of gold, we had the only large industrial system in the whole world that was intact. We did not have a balance of payments problem; we had a dollar gap problem. We were really at the pinnacle of power.”

– *Thomas C. Mann, State Department*

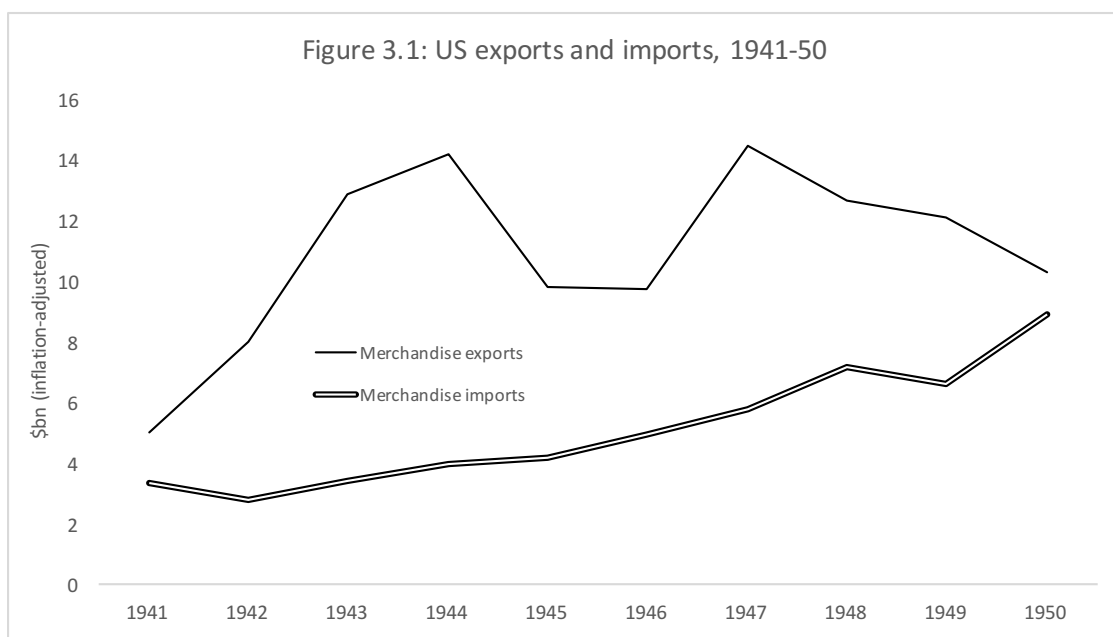
3.1 From post-war planning to post-war realities

Japan's surrender ended World War II on 2 September 1945, and the United States stood preponderant as the world's greatest economic and military power. From its position of dominance, the United States began to “furnish coherence to the world economy”, a quest that would dominate American foreign economic policy, and thus shape trade policy, for years to come. This occurred in the broader context of American foreign policy shifting from defeating the axis powers to confronting the power vacuum created by World War II and, eventually, dealing with the Soviet Union as a new adversary.¹⁷⁵ As discussed in the introduction, the existing literature on American trade policy during the post-war years focuses on the extensions of the bilateral RTAA in 1945 and 1948, on multilateral trade negotiations under the GATT and on the negotiations for an international trade organisation, which ultimately failed.¹⁷⁶ In the literature on American foreign policy, revisionist scholars have argued that the

¹⁷⁵ Kindleberger, ‘Dominance and Leadership in the International Economy’, *ISQ*, 25 (1981), p. 242; Powaski, *Toward an Entangling Alliance* (1991); Grosser, *The Western Alliance* (1980). For a recent contribution, see Baker, *Constructing a Post-war Order* (2011), esp. pp. 81-3.

¹⁷⁶ e.g. O'Halloran, *Politics, Process and American Trade Policy* (1994), ch. 5; Dür, *Protection for Exporters*, ch. 2. See p. 27 for detail.

trade policy of the United States was geared towards promoting exports, and claimed that the United States used foreign aid to shore up exports, force Europe to accept trade liberalisation, pre-empt foreign competition and/or capture export markets.¹⁷⁷ However, a more recent literature has pointed out that the United States recognised that export promotion was not a viable strategy given the economic state of most trading partners. The historical literature on post-war American foreign economic policy also paints a more complex picture than what revisionists assert. The actual pattern of American trade – a decline in exports and a steep rise in imports after 1945 (see figure 3.1 below) – is difficult to reconcile with the revisionist view that American trade policy was geared towards export promotion.¹⁷⁸



Source: Statistical Abstract of the United States (1951), p. 828

¹⁷⁷ Williams, *The Tragedy of American Diplomacy* (1988); Kolko and Kolko, *The Limits of Power* (1972); Leffler, *A Preponderance of Power* (1992). See p. 38 for detail.

¹⁷⁸ See Cardwell, *NSC 68 and the Political Economy of the Early Cold War* (2011) and Amerian, “Buying European”: The Marshall Plan and American Department Stores’, *DH*, 39:1 (2014) on the dollar gap. On the Marshall Plan, see Hogan, *The Marshall Plan* (1987); Milward, *The Reconstruction of Western Europe* (1984); McGlade, ‘A Single Path for European Recovery?’, in *The Marshall Plan Fifty Years After*, ed. by Schain (2001).

This chapter examines post-war trade policy in the context of interwar debates and post-war planning. It addresses the absence of detailed primary source evidence from business association archives in the existing literature on post-war American foreign economic policy and calls into question the revisionist view of post-war American foreign economic policy, while broadening the focus beyond domestic and international trade policy institutions. My main finding is that, having gained ground during World War II, the creditor nation view of international trade exerted a continuing influence on political and business elites after 1945. Internationalist business leaders, who had been empowered by post-war planning, continued to exert significant influence in many business interest groups. Many of the most important figures in the formulation of foreign economic policy for the Truman administration came from business and, more frequently than not, banking backgrounds where creditor nation theory had long been influential, e.g. Paul Nitze (Dillon, Read & Co), Averell Harriman (Brown Brothers Harriman & Co), Paul Hoffman (Studebaker Corporation and Committee for Economic Development) and Will Clayton (Anderson, Clayton and Company).¹⁷⁹ These men continued to articulate the view that high imports were beneficial rather than threatening; that export promotion was impossible given the circumstances; and that trade, being a two-way street, had to be balanced in the long run. They also ensured that trade liberalisation as part of a wider effort to revitalise international trade and create an “international economic order based on liberalism and multilateralism”, an idea developed by the post-war planners, guided post-war trade policy.¹⁸⁰ However, trade policy had to be adjusted to the over-arching foreign policy goals of rebuilding Western Europe and preventing communism from spreading in the

¹⁷⁹ Charles Kindleberger described this as the prevalence of a “bankerish view” in the administration. See ‘Oral History Interview with Charles P. Kindleberger’, TL (Oral History Collection).

¹⁸⁰ Gilligan, *Empowering Exporters* (1997), p. 73; ‘Our Economic Strength Shifts to Winning Peace’, *New York Times*, 2 Sep 1945.

power vacuum created by World War II, a development which the post-war planners had not foreseen. Thus, trade policy was initially side-lined by the more urgent need to extend emergency grants and loans to many countries in 1945 and early 1946.

The rapidly declining popularity of emergency grants and loans to foreign countries in 1946 convinced many domestically focused business leaders who had rejected trade liberalisation before and during World War II that trade concessions were in the national interest because they offered a cheaper alternative to foreign aid. Over the course of 1946 and 1947, political and business elites coalesced around the idea of making trade concessions and raising imports in order to strengthen foreign countries, especially those allied with the United States. The idea that imports into the United States would enable trading partners to finance the purchase of American exports and reconstruction goods, was in line with earlier ideas of “two-way trade”. Moreover, creditor nation theory was modified to the new circumstances, with the emphasis shifting to Europe’s balance of payments deficit (the “dollar gap”), portrayed as a principal obstacle to recovery which had to be removed through an increase in European exports. With trade, the balance of payments and European recovery thus related, trade liberalisation and even unilateral concessions became more and more acceptable to business elites after 1945. By 1947, most of the directors and staff of the US Chamber and the NAM, both traditionally protectionist business associations, supported the idea that the United States needed to significantly increase imports by cutting tariffs and promoting the importation of foreign goods for the sake of helping Western Europe recover. This view was not just held by the internationalists brought to power by post-war planning (see section 2.5) but by the entire leadership of these organisations. Post-war trade policy debates among business elites thus

differed markedly from the protectionist consensus of the past, which had emphasised the threat posed by imports rather than their benefits.

The chapter proceeds chronologically. Section 3.2 discusses the unsettled period of September 1945 to June 1946, when the United States extended emergency aid in the form of grants and loans, as well as directly financing shipments of relief goods to many countries. Despite the extensive planning effort before 1945, the United States was unprepared for the challenges of the post-war world and consequently scrambled to confront a seemingly unending series of crises in a haphazard way. Multilateral trade liberalisation was put on hold to address more pressing problems first. In 1946 and early 1947, attempts were made to design a more comprehensive and strategic foreign economic policy that combined loans, multilateral trade negotiations and unilateral American trade concessions to create a lasting economic recovery abroad, as discussed in section 3.3. This culminated in the preparatory work for the Marshall Plan in 1947, described in section 3.4, during which trade concessions, including tariff cuts and active import promotion, became an integral part of the American effort to assist the rehabilitation of Western Europe.

3.2 Brave new world: emergency aid and global trade, 1945-46

3.2.1 Towards a post-war foreign economic policy

With the RTAA extension of June 1945, President Truman gained substantial leeway to cut American tariffs by up to 50% until 1948. The post-war planners had formulated a detailed trade policy strategy that envisaged using the authority granted under the RTAA to create a

multilateral framework for trade liberalisation. This had been discussed with Britain during World War II and set out as a common ambition in documents like the Lend-Lease treaties and the Atlantic Charter.¹⁸¹ However, if this suggested a clear and relatively smooth path ahead for foreign economic policy, the years that followed were anything but comfortable. Three developments unforeseen or underestimated by the post-war planners combined to make a quick implementation of their vision of high levels of international trade on a liberal and multilateral basis impossible. First, Britain struggled to adapt to peacetime. The prevailing view, going back to the Monetary and Economic Conference of 1933 and its Preparatory Commission, was that there existed a hierarchy of currencies, with the dollar at the top and followed by sterling. Still prevalent in 1945 and shared by business elites, this assumption led to the conclusion that Britain was key to economic cooperation and recovery in Europe. However, Britain in the autumn of 1945 was in a much more precarious state than anticipated. In particular, the British balance of payments deficit, coupled with a shortage of dollar reserves, resulted in an inability to finance adequate levels of imports and adversely affected the foreign trade of colonies and Commonwealth countries alike.¹⁸² Second, recurring humanitarian and economic crises abroad, including in occupied Germany and Japan, introduced a new level of complexity into American foreign economic policy. Averting

¹⁸¹ Gilligan, *Empowering Exporters* (1997), p. 73 provides quantitative evidence of the broad support that the 1945 extension enjoyed, including among business elites. See also the NAM's and the US Chamber's testimony at the RTAA hearings in May/June 1945, e.g. Hearings on HR2652, 'Extension of RTAA', June 1945, ProQuest (Congressional Hearings Digital Collection), p. 1311, for the US Chamber's warning that higher tariffs would lead to twenty million unemployed Americans. See Aaronson, *Trade and the American Dream* (1996), pp. 23-9, and Rothgeb, *US Trade Policy* (2001), pp. 65 and 71 on preparations during World War II.

¹⁸² On the 1933 Conference and its legacy, see e.g. Clavin, *The Failure of Economic Diplomacy* (1995), pp. 38-40 and Kindleberger, *A Financial History* (2005). See Johnston, 'Statement before Senate Committee on Banking and Currency', 1946, HML (1960, US Chamber), Series I, Box 13 and 'Aid to Britain: What Sequel to Lend-Lease?', *Washington Post*, 10 Sep 1945 for contemporary views on Britain. On the effect on the Commonwealth, see Balasubramanian, 'India, World War II, and the Bretton Woods System, 1939-71', presented at *INET conference on The Nation-State and the World Economy* (2015).

outright collapse and starvation required substantial immediate American assistance, the sheer magnitude of which had been under-estimated by the planners.¹⁸³ Finally, growing hostility with the Soviet Union, a country which many post-war planners had assumed would remain a partner for the United States, further complicated the picture.¹⁸⁴ This limited the set of feasible trade policy strategies available to the United States. Maintaining export levels (not to mention the trade surplus) and multilateral trade liberalisation were unlikely given the economic state of most trading partners. Thus, foreign aid dominated the agenda, while trade policy was less important and less ambitious than the post-war planners had foreseen, during the first year after World War II.

Britain played a central role in these developments, its weakness dispelling any notions that the United States could quickly move towards multilateral trade liberalisation. This was a great disappointment to the post-war planners. The United States financed a significant share of British imports during World War II through the Lend-Lease programme, after Britain's gold and currency reserves dwindled to dangerously low levels in 1941. In return, Britain and other Lend-Lease recipients committed to supporting multilateral trade liberalisation after the war. As Michael Hogan puts it in his history of the Marshall Plan, "the Lend-Lease Agreement [envisioned] a post-war world economy based on multilateral trade and full convertibility".¹⁸⁵ With the war drawing to a close in August 1945, pressure mounted quickly to terminate Lend-Lease immediately and use the obligations, both moral and financial, accrued during the war

¹⁸³ Gimbel, *The American Occupation of Germany* (1968); Iriye, *Power and Culture: The Japanese-American War* (1981).

¹⁸⁴ Scholars disagree on when and why Soviet-American tensions began to rise. For two contrasting views, see Resis, *Stalin, the Politburo and the Onset of the Cold War* (1988) and Anderson, *The United States, Great Britain and the Cold War, 1944-47* (1981).

¹⁸⁵ Hogan, *The Marshall Plan* (1987), p. 17; Gardner, *Sterling-Dollar Diplomacy* (1980). Article VII of the Lend-Lease agreement committed Britain to trade liberalisation, see Diebold, *The End of the ITO* (1952), p. 3.

to coax Britain and other countries into agreeing to far-reaching multilateral trade liberalisation. The US Chamber asked for a settlement of the Lend-Lease obligations “under terms and conditions that will promote world trade” and NFTC president William Swingle demanded that the United States should look to end the programme in a way that “contributes to our strategic security and to the promotion of our foreign trade”.¹⁸⁶

This, however, was unduly optimistic. The Truman administration feared that a sudden termination of Lend-Lease would plunge Britain, and thus Western Europe, into chaos by cutting off its financial lifeline. Treasury Secretary Fred Vinson and Undersecretary of State Dean Acheson argued that a premature termination would precipitate the collapse of Western Europe and the spread of communism.¹⁸⁷ Truman warned that Britain would react to the loss of American financing by employing “desperate measures” to reduce its trade deficit, which would lead to “almost insuperable barriers” for American exporters. The economies of the United States and Britain alike would face “disastrous” consequences if the United States cancelled Lend-Lease and insisted upon repayment. Secretary of State James Byrnes warned those who insisted that Britain repay that “paper contracts to pay dollars which will not be available to our debtors” were futile.¹⁸⁸ Keenly aware of its own position, Britain signalled

¹⁸⁶ See Kindleberger, *A Financial History* (2005), p. 429. For press coverage of the debate, see ‘Aid to Britain’, *Washington Post*, 10 Sep 1945; ‘US-British Trade at Stake’, *New York Times*, 10 Sep 1945, p. 1; ‘British Will Stress Free World Trade’, *New York Times*, 13 Sep 1945. On business opinion, see BoD (US Chamber), ‘Minutes of the 220th Meeting’, Nov 1945, HML (1960, US Chamber), Series I, Box 3; ‘Press Release’, 20 Sep 1945, HML (2345, NFTC), Box 160. The US Chamber also held two referenda on the matter, ‘Referendum 79’, May 1944, and ‘Referendum 87’, May 1945, HML (1960, US Chamber), Series I, Box 19.

¹⁸⁷ Leffler, *A Preponderance* (1992), p. 62.

¹⁸⁸ ‘Some Settlement Due on Lend-Lease’, *New York Times*, 1 Sep 1945; ‘Our Economic Strength Shifts to Winning Peace’, *New York Times*, 2 Sep 1945.

that “they would have to have a very large dollar loan” if the United States wanted British support for its vision of post-war economic cooperation.¹⁸⁹

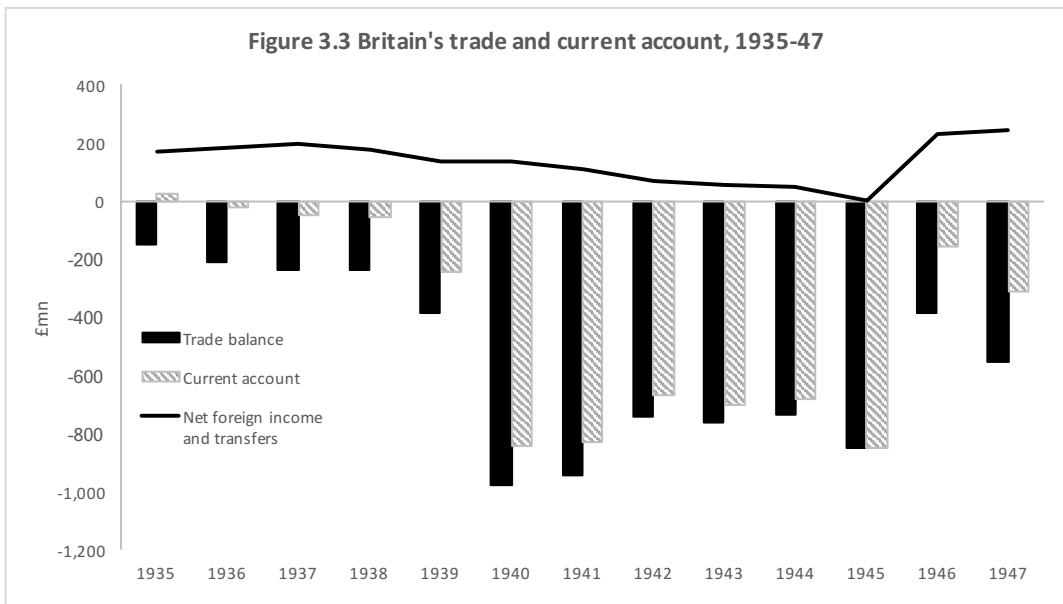
Despite such concerns, the Truman administration suddenly terminated Lend-Lease on 2 September 1945, surprising observers and financial markets.¹⁹⁰ This was a psychological shock for Britain, raising alarm bells that the United States would once again abandon Europe. But more than that, Britain was now left liable to repay Lend-Lease debts and facing a balance of payments crisis. Without American financing, it was impossible to pay for the imports that the country so desperately needed, while the total value of obligations for Lend-Lease aid amounted to \$42bn, a figure that circulated widely through the British and American press in early September. Given Britain’s inability to even cover its import bill, few believed the debts to the United States could be repaid in the foreseeable future, if ever. As one Treasury official later recalled, it was “apparent to all that during the war the British had really blown their resources.” (See also figure 3.4.) Export markets were lost during the early years of the war and imports were dramatically higher during the 1940s than they had been during the 1930s, resulting a large trade deficit (see the emerging gap in figure 3.2). At the same time, revenue from foreign investments decreased as foreign assets were lost or sold. The disappearance of foreign income further exacerbated the current account deficit already under pressure from the rising trade deficit (see figure 3.3; the line shows declining net foreign income and transfers until 1945, which are equivalent to the gap between the trade balance and the current account).

¹⁸⁹ ‘Oral History Interview with Roman L. Horne’, TL (Oral History Collection).

¹⁹⁰ ‘British Will Stress Free World Trade’, *New York Times*, 13 Sep 1945. Exactly why Lend-Lease was terminated is unclear. See Kindleberger, *A Financial History* (2005), p. 426 and Truman, *The Autobiography* (2002).

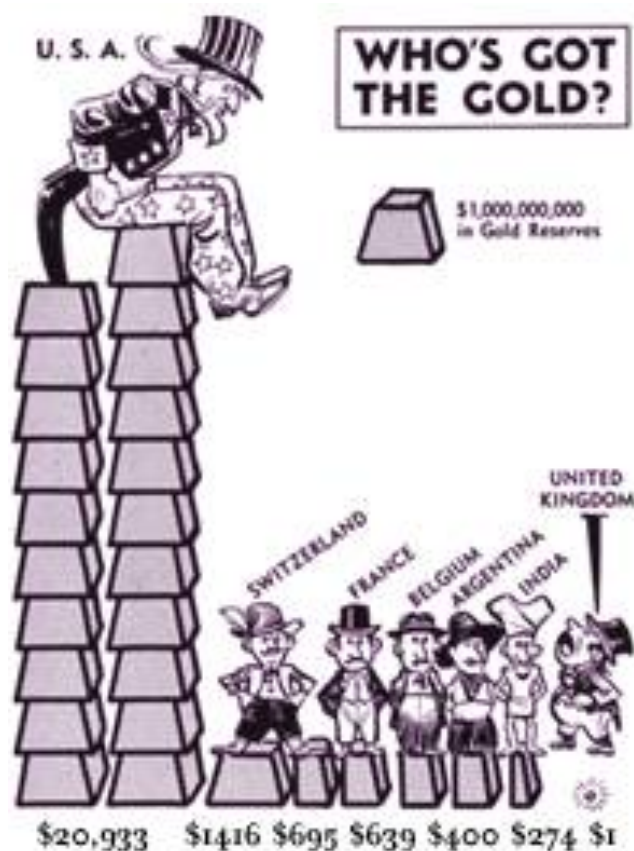


Source: Bank of England



Source: Bank of England

Figure 3.4: World gold reserves, 1947



Source: IMF/Corbis-UPI: 4 Sep 1947

Transferring assets like military bases and technological secrets to the United States was considered but rejected as unfeasible. As the *Economist* put it, the United States faced a choice: continue Lend-Lease, provide financial aid to Britain in some other form or allow her to discriminate against American exporters in order to preserve dwindling dollar reserves.¹⁹¹ That the principal trading partner and ally of the United States would lack the ability to finance a viable level of imports was a problem that the post-war planners had vastly under-estimated.

¹⁹¹ 'Oral History Interview with Roman L. Horne', TL (Oral History Collection); Kindleberger, *A Financial History* (2005), p. 429; Gardner, *Sterling-Dollar Diplomacy* (1980); *The Economist*, as quoted in 'Choice Put on US on Trade', *New York Times*, 1 Sep 1945.

Britain's weakness limited the options available to the United States: it could not simultaneously continue to trade at current levels, cut lending and prevent a collapse of the British economy. Moreover, simply averting an economic crisis in Britain was the immediate objective, relegating multilateral trade liberalisation to second place.

Despite initial American resistance, due in large part to what several scholars have called an "underestimation of Britain's post-war financial requirements", Britain eventually secured generous terms during negotiations from September until November 1945.¹⁹² Most Lend-Lease debts were written off either outright or against British contributions to the war effort. What remained was financed by a low-interest loan, as agreed in the UK Financial Agreement of November 1945. On 30 January 1946, President Truman transmitted the legislation for the Financial Agreement to Congress. Protracted political conflict followed and almost saw the proposal defeated but, in part because of mounting tensions with the Soviet Union in the Middle East, Congress eventually accepted the Financial Agreement. Britain thus received a total of \$3.75bn at an interest rate of 2%, to be repaid over the course of 50 years.¹⁹³

As Britain struggled through the first year of peace, the economic situation in the liberated and occupied areas grew worse with every passing month. France was unable to afford the required imports of food and relief materials and, in December 1945, had to devalue the franc despite loans from Britain and Switzerland. France was living on credit, it was argued in the United States, because it failed to export. Without exports, "only one-way trade" was possible, as the

¹⁹² Leffler, *A Preponderance*, p. 62, referring to the work of George Herring and Randall Woods.

¹⁹³ 'Aid to Britain', *Washington Post*, 10 Sep 1945; Kindleberger, *A Financial History*; Truman, 'Special Message to the Congress Transmitting Financial Agreement', 1946, TL (Truman Papers, Online).

New York Times recounted the situation to Americans back home.¹⁹⁴ The occupation zones in Germany and Japan were unable to purchase sufficient amounts of imports, leading the State Department and the occupation authorities to consider the possibility of extending American loans, cutting reparations and reducing dismantling. Denying charges that the axis powers were being granted a soft peace, levied by the Soviet Union and some within the United States, the State Department pressed ahead with a plan to purchase American cotton for manufacturing in Japan and Germany, promising that the proceeds from exporting finished textile goods would pay for imports and supply the liberated areas. The American military government in Germany (OMGUS) also pushed plans to create sources of dollar income other than American aid; General Clay, the head of OMGUS, wanted to create an export programme to pay for imports. One component of these plans involved the export of chemical intermediates to the United States, which – as OMGUS recommended – ought to be processed in Germany to maximise their dollar value, subject to the constraint that competition with American producers and hostility from the American public had to be avoided. The Germans should thus concentrate on the production for export of the highest form of intermediates which could be sold in the United States without resistance.¹⁹⁵ This idea, maximising European exports to finance reconstruction, would later become central to the Marshall Plan (see sections 3.4.2 and 4.3).

¹⁹⁴ ‘Advantages Seen in Devalued Franc’, *New York Times*, 31 Dec 1945.

¹⁹⁵ ‘US Reparations Plan for Germany’, *Wall Street Journal*, 12 Dec 1945; ‘US Considers Aiding Reich to Buy Some of Our Surplus Cotton’, *Wall Street Journal*, 15 Dec 1945; ‘US Exports Urge Reich Export Rise’, *New York Times*, 8 Oct 1945; ‘Cotton May Start to Japan’, *New York Times*, 14 Jan 1946, ‘State Department Confirms Plans to Ship Cotton’, *New York Times*, 22 Jan 1946. On the OMGUS plan, see Newman, ‘To Clay’, 1946, IfZ (OMGUS AG), Series 47, Box 39. See also Backer, *Winds of History* (1983).

Only when the immediate crises, especially that of Britain, were addressed could American trade-policy makers turn their attention to the matter of multilateral trade liberalisation. For this purpose, the State Department drafted a series of proposals for international trade in November 1945; their publication coincided with the publication of the terms of the Financial Agreement and they became the blueprint for an international conference held in London at the end of 1946 to discuss international economic policy. The UK Financial Agreement required the establishment of full convertibility within one year (see p. 154), as well as the elimination of imperial preferences and other discrimination against American exporters within ten years; loans to other countries were also linked to similar concessions.¹⁹⁶ These attempts to use aid as leverage for trade liberalisation notwithstanding, emergency aid to avert economic collapse and starvation abroad was the main focus of foreign economic policy during the twelve months after the end of World War II. With American foreign economic policy almost entirely focused on crisis aversion, even multilateral trade liberalisation was largely put on hold in a development unforeseen by the post-war planners who had underestimated the fragility of the world economy.¹⁹⁷ Emergency aid stabilised the international economic system and financed the delicate web of international trade, which had suffered so much during World War II, and thus benefited American exporters, but that was an ancillary benefit rather than the aim of foreign economic policy.¹⁹⁸ Business elites did not demand export promotion.

¹⁹⁶ Mavroidis, *The Regulation of International Trade* (2015), p. 502; Baldwin, *US Trade Policy since 1934* (2009), p. 6; Tariff Commission, *Post-War Imports and Domestic Production* (1945).

¹⁹⁷ Emergency aid took precedence, by almost any means necessary, including the slaughtering of “surplus” horses in Montana and their shipment as food rations. See ‘UNRRA Steps Up Relief for Europe’, *New York Times*, 1 Sep 1945.

¹⁹⁸ See e.g. Kindleberger, *A Financial History* (2005), p. 430, who argues that emergency lending was used deliberately instead of the IMF for this purpose.

3.2.2 Business elites and foreign economic policy

The prospect of large government-funded aid packages did not immediately appeal to business elites in the autumn of 1945. After several years of close cooperation with the government to manage the war economy, most business leaders now urgently wanted a return of international trade to “private channels”, and more generally a reduction of the government’s role in the economy to levels more closely resembling the pre-war world. The US Chamber opposed a continuation of Lend-Lease for this reason; at the NAM, two proposals to endorse the Truman administration’s foreign economic policy, both drafted by internationalist-leaning committees created during the post-war planning effort (see section 2.5.2), were tabled by the board due to opposition from protectionist and isolationist members. Government agencies to manage trade, a necessary evil in wartime, were now deemed “incompatible with free enterprise in peacetime” and should therefore be discontinued immediately. Even the NFTC, whose members might have gained from an active government role in championing American export interests, was vociferous about this. Pushing back against new government proposals in this area became one of the NFTC leadership’s main preoccupations and the Truman administration was inundated with business complaints whenever new measures to manage exports were floated.¹⁹⁹

¹⁹⁹ ‘US Chamber Asks Lend-Lease Limit’, *New York Times*, 20 Nov 1944; ‘Minutes of the 34th Annual Meeting’, 1946, HML (1960, US Chamber), Series I, Box 32; ‘Special Committee Report on NAM’s Participation in International Matters’, 17 Aug, HML (1411, NAM), Series I, Box 76; ‘Minutes of Joint Meeting of International Economic Relations Committee’, 1946, HML (1411, NAM), Series XII, Box 237; ‘Declarations Digest’, 1945, HML (2345, NFTC), Box 78; ‘Return of Foreign Trade to Private Channels’, 1946, HML (2345, NFTC), Box 26; ‘Foreign Purchasing Missions’, 1946, HML (2345, NFTC), Box 26; BoD (NFTC), ‘Meeting Minutes’, Jan 1946, HML (2345, NFTC), Box 9.

This overwhelming desire to curtail the role of government notwithstanding, business elites came to support shipments of relief goods, direct grants and emergency lending by late 1945. The UK Financial Agreement was praised and business elites supported the Truman administration in getting the legislation passed in Congress.²⁰⁰ The NAM and many state and local chambers, even those with otherwise isolationist predispositions, supported (or at least did not oppose) foreign aid because the consequences of not acting were unacceptable and there was no good alternative to government action. This was true for, amongst others, chambers in Wisconsin, Iowa, Kansas and Massachusetts. The New York chamber and other traditionally internationalist groups saw many potential benefits in emergency aid, e.g. that the loan agreement would allow Britain to import and reconstruct its exports, benefit global trade and conserve scarce hard currency reserves in Europe.²⁰¹

This left the textile industry as the principal opponent of loans and grants by early 1946, its interest groups seizing in particular upon schemes to rehabilitate the cotton and textile industry in the occupied areas. “Japanese and German textile industries are far from knocked out and can again spread textile tentacles throughout the world,” warned the president of the Textile Export Association.²⁰² The only national business interest group that followed this line of reasoning at least in part was the conservative NICB, whose chairman warned that “competition is not, by any means, dead”. The textile industry was one place where demands

²⁰⁰ ‘The American Credit to Great Britain’, Aug 1947, HML (2345, NFTC), Box 26; BoD (US Chamber), ‘Minutes of the 220th, 221st & 223rd Meeting’, Nov 1945-Apr 1946, HML (1960, US Chamber), Series I, Box 3; Cmte on Policy (US Chamber), ‘Preliminary Report’, Apr 1946, HML (1960, US Chamber), Series I, Box 21.

²⁰¹ This wording, suggested by the Foreign Commerce Committee, was adopted by the members in unanimity. See Ex Cmte (NY Chamber), ‘Minutes’, Mar 1946, BL (1440, NY Chamber), Series VI, Box 425 and ‘Loan to Britain’, 6 June 1946, BL (1440, NY Chamber), Series VI, Box 280.

²⁰² Wool Manufacturers Association, ‘Secretary’s Report’, 1947, ATHM (2000.178.1, NTA), Vol 77, pp. 39-44; ‘Japanese and German Textile Industries’, *Associated Press*, 29 Nov 1945.

for export promotion through conditional grants and loans, as well as government purchasing of surplus stocks for destitute foreign populations, could be heard, but none of the major business associations articulated or shared this view – not even the NICB.²⁰³

Why did business elites support a foreign economic policy that focused on emergency grants and loans, neglected multilateral trade liberalisation and disavowed export promotion? Widespread hostility to government action notwithstanding, most business leaders acknowledged that the government had to play some role in a small number of areas, i.e. when there was a crisis and private actors alone could not prevail. The private sector could not create an international environment conducive to high levels of trade; nor could it finance European relief, reconstruction and imports all by itself (though private sector involvement was always demanded as a hedge). The US Chamber and its New York affiliate argued that, while they were “wary that [government interference] might become part of the fabric of international economic life”, such interference was justified as a “temporary stopgap while world conditions are being restored” and “for the sake of starving people”. Internationalists agreed that government action in the pursuit of narrowly defined aims was acceptable where it was absolutely necessary.²⁰⁴

Humanitarian considerations, reinforced by the spread of internationalism, cemented the belief that the United States was indispensable in international affairs. The development of a

²⁰³ ‘Organising for Foreign Sales’, 1946, HML (1057, NICB), Series I, Box 28; ‘Cotton May Start to Japan’, *New York Times*, 14 Jan 1946.

²⁰⁴ Ex Cmte (NY Chamber), ‘Minutes’, Mar 1946, BL (1440, NY Chamber), Series VI, Box 425; ‘Correspondence’, 1946, HML (2345, NFTC), Box 166, Folder ‘Export Control Act 1946’; Cmte on Policy (US Chamber), ‘Preliminary Report’, Apr 1946, HML (1960, US Chamber), Series I, Box 21.

distinctly internationalist outlook among American business elites, which had begun during wartime, continued after 1945. The Birmingham Chamber of Commerce pointedly noted that “world events affect the economy of Main Street with the force of [an] atomic bomb”.²⁰⁵ Noel Sargent implored the NAM’s membership that “business cannot afford to act as if the United States were isolated from [...] the rest of the world” and even the NICB supported the United Nations (UN).²⁰⁶ Assistance for Europe was difficult to criticise given the intensity of suffering, the power and wealth of the United States, and the palpable sense that large-scale starvation was a real prospect without immediate American aid. At the Metropolitan Milwaukee Association of Commerce, Walter Harnischfeger, who would later become one of the most important protectionist and isolationist business figures, led calls for “enabling both liberated and occupied countries in Europe to commence the manufacture and exchange of goods needed to support their own populations and to prevent the starving”. Various Midwestern chambers contributed to so-called “Friendship Fleets” carrying privately funded relief goods to Northern and Central Europe.²⁰⁷ Indeed, the language used to describe conditions in Europe by businessmen who, like Harnischfeger, travelled there in 1945 and 1946 was nothing less than apocalyptic. This contrasted with a sense that Americans were living in the midst of abundance and perhaps also gained some of its effectiveness from the American foundational myth of the city on the hill.²⁰⁸

²⁰⁵ Birmingham Chamber of Commerce, ‘We Can’t Stay Home Anymore’, 1946, HML (1960, US Chamber), Series IV, Box 83.

²⁰⁶ Sargent (NAM), ‘Untitled’, 12 Dec 1946, HML (1411, NAM), Series I, Box 42.

²⁰⁷ BoD (MMAC), ‘Minutes WH407’, 1946, WHS (Milw Mss 14, MMAC), Box 2, F11.

²⁰⁸ BoD (US Chamber), ‘Minutes of the 223rd Meeting’, Apr 1946, HML (1960, US Chamber), Series I, Box 3; ‘Wheat Rushed to Hungry’, Press Clipping, Apr 1946, OHS (Mss 686, Portland Chamber), Box 4.

Government officials, especially Dean Acheson, later stressed other motives behind American foreign economic policy, among them spreading free enterprise, maintaining high levels of exports and containing the Soviet Union.²⁰⁹ There were certainly business leaders, e.g. in the textile industry, who hoped grants and loans would finance the purchase of goods produced by their companies. Others shared a messianic belief in free enterprise and a hatred of the Soviet Union. In general, however, the archival evidence does not show that this played an important role in generating business support for the Truman administration's foreign economic policy in 1945-47.

Anti-communism, was not a major source of business support for emergency grants and loans in 1945/46. Fears of communist expansion in Europe were close to non-existent and positive (or at least business-minded) views of the Soviet Union, developed during World War II, lingered in many places. At the US Chamber, Eric Johnston still stressed the need to follow a "civilised approach to international understanding" and "hear Russia's side of the story". In the minutes of the NAM's committees there is almost no trace of anti-communism during this time period. The same is true for many other business groups on the national, state and local level. Representatives of exporters and multinationals at the NFTC and similar organisations were furious with the Truman administration for attempting to impose controls and restrictions on trade with the Soviet Union. In later years, there is abundant evidence of anti-communist and anti-Soviet sentiment in these organisations, so the absence of such rhetoric in 1945/46 is striking.²¹⁰

²⁰⁹ Leffler, *A Preponderance* (1992), p. 63.

²¹⁰ See Johnston's speeches in 1945-6, HML (1960, US Chamber), Series I, Box 13, esp. speeches on 21 Dec 1945 and 21 Mar 1946. See HML (1411, NAM), Series XII, Box 152 for the NAM committee minutes. See HML (2345, NFTC), Box 9 for NFTC board meeting minutes, esp. meeting on 19 Jan 1946.

Nor was there much pressure on the government to open export markets or stimulate demand. This had two reasons. On the one hand, the creditor nation view and the two-way conception of international trade were by now too widespread; given the large export surplus, few believed that net exports could be maintained, let alone expanded. Thus, if business wanted the government to promote anything, then it was imports not exports. The US Chamber demanded explicitly that the government should “investigate the possibilities of increased importation [...] as a means of payment for our exports”. The New York chamber resolved to support “a balance [sic] system of exports and imports [...] in the post-war era.”²¹¹ The goal for trade policy was not export promotion, but a high level of international trade, an idea inherited from post-war planning. Even the NICB’s Chairman told the 1946 Annual Meeting that the “limit [of exporting] is the amount of dollars our foreign customers have” and that “any deficit in such dollars is represented by an uncollectible receivable, either on the books of the exporter or in the portfolio of the investor,” though there were many within the NICB who did not accept this view of international trade and finance. The textile industry also opposed the view that higher imports were needed, condemning “the Administration's point of view that increased imports are desirable” and “the Administration's policy of shaping our economy for the sole benefit of other nations”.²¹²

On the other hand, concerns among business elites about a collapse in demand, which existed before the end of World War II, disappeared quickly in the autumn of 1945.²¹³ After the end

²¹¹ Committee on Policy (US Chamber), ‘Preliminary Report’, Apr 1946, HML (1960, US Chamber), Series I, Box 21, p. 30; ‘Executive Committee minutes’, Nov 1945, BL (1440, NY Chamber), Series VI, Box 425.

²¹² NICB, ‘Annual Meeting Minutes’, May 1946, HML (1057, NICB), Series I, Box 28. See section on ‘Organising for Foreign Sales’; WMA, ‘Secretary’s Report’, 1946, ATHM (2000.178.1, NTA), Vol. 77, p. 43.

²¹³ See, e.g., Export Advisory Cmte (FEA), ‘Committee Minutes’, 28 June 1945, TL (Paul Papers), Box 3 and other documents in the same folder.

of the 1945 recession, which the NBER dates as October 1945, the only case of a major business association justifying emergency loans on the grounds that they stabilised demand came in a US Chamber report published much later, which was an outlier in both tone and content compared to other Chamber reports.²¹⁴ Instead, the great fear among business elites during the immediate post-war years was that that the United States was in danger of experiencing shortages and inflation. These would only be worsened by increased demand from abroad. A State Department economist noted the prevalence of “deep concerns” about the inflationary impact of loans, aid and trade surpluses in general in October 1945; the CED and the NFTC repeatedly noted the dangers of inflation in 1946, particularly after the end of price control.²¹⁵ At the US Chamber, both the outgoing president Eric Johnston and his successor shared such concerns, arguing that American producers were “besieged by foreign customers” as well as a rush of domestic customers whose demand had been pent up by wartime controls and was now unleashed. Many businesses complained of being unable to fill all the orders they were receiving and the US Chamber demanded that exports of scarce goods should not be financed with money from American grants or loans because this would only “jeopardise American economic recovery”.²¹⁶ The NICB, which had vehemently opposed the

²¹⁴ ‘United States in World Economy’, 1949, HML (1960, US Chamber), Series IV, Box 84. Similar concerns also existed in the Truman administration. See, e.g., Fleming, ‘Anomaly – Depression in a Seller’s Market’, Mar 1946, HML (1411, NAM), Series I, Box 272.

²¹⁵ Coppock (WH), ‘Will the Foreign Lending Program Contribute to Inflation’, 1945, TL (Coppock Papers), Box 1; CED, ‘The End of Price Control’ and ‘Jobs and Markets’, 1946, NL (CED pamphlets); ‘Analysis of Proposals’, 1945, HML (2345, NFTC), Box 161, Folder ‘TPC: Org. Opinion: NFTC’.

²¹⁶ Committee on Policy (US Chamber), ‘Preliminary Report’, Apr 1946, HML (1960, US Chamber), Series I, Box 21; Jackson (US Chamber), ‘For American Export and Import Bulletin’, 1946, HML (1960, US Chamber), Series I, Box 12; Johnston (US Chamber), untitled speech, 1 Nov 1945, HML (1960, US Chamber), Series I, Box 13.

New Deal and regarded government spending and inflation as intricately linked dangers, noted that “goods are in demand everywhere [...] you can sell practically everything”.²¹⁷

Those businessmen who demanded government assistance for themselves were viewed with disdain and overwhelming hostility greeted any suggestion that the government might assist surplus producers. Even export organisations reminded their members that “business should not look to government to set the plan nor provide the leadership” while the US Chamber membership warned that government should “refrain from any arbitrary allocation to export of goods” to help domestic producers.²¹⁸ Emergency relief and lending was a different story; only the government could prevent humanitarian and economic collapse around the world.

Even where – purely hypothetical – situations of deficient demand were, higher foreign demand as a result of trade liberalisation or foreign aid was rarely listed among the potential remedies, e.g. in the CED’s high-profile report *Jobs and Markets* and discussions at the NAM with government economists.²¹⁹ This was in part because the lesson of the interwar period was that loan-financed exports were self-defeating. Even in the autumn of 1945, with emergency aid still very much in its infancy, many business figures already warned that lending and investment would help finance Europe’s immediate import needs but make its problems worse in the long run by increasing indebtedness and, consequently, interest payments and debt

²¹⁷ NICB, ‘Annual Meeting Minutes’, May 1946, HML (1057, NICB), Series I, Box 28. Quote from ‘Organising for Foreign Sales, p. 3. See also ‘General Session’, pp. 3-4 and 10.

²¹⁸ ‘Lend-Lease Settlements to Aid’, 20 Sep 1945, HML (2345, NFTC), Box 160; ‘Minutes of the 34th Annual Meeting: Motion on Production for Export’, Apr 1946, HML (1960, US Chamber), Series I, Box 32, p. 49.

²¹⁹ CED, ‘Jobs and Markets’, 1946, NL (CED pamphlets); Nourse, ‘Causes of Booms and Depressions and Means of Stabilising Prosperity’, 1946, HML (1411, NAM), Series I, Box 274.

service.²²⁰ In the long run, European exports had to rise, which would require increased imports into the United States and thus falling net exports. In general, the US Chamber now wanted a “constructive and realistic tariff policy which will encourage the maximum flow of international trade.” Foreign economic policy should target “an expansion of an unfettered world trade on a multilateral, non-discriminatory basis”. The NAM reiterated its demand from 1943 to “reduce trade barriers as far as possible”.²²¹ Internationalists agreed, with the NFTC demanding that the government push for “development of international trade on a liberal basis”, using both the RTAA and emergency aid to this effect.²²² Such a liberal economic order was supposed to guarantee high levels of trade and help bring about a recovery in all major economies. While this benefited American exporters, both in the short run by enabling Europeans to continue to import and in the long run by envisaging a high level of international trade, the promotion of American exports was not an explicit aim pursued by the Truman administration’s foreign economic policy, and business did not demand aid as export promotion, demand management, unemployment prevention or for the disposal of American surpluses.

In conclusion, the Truman administration pursued a foreign economic policy that emphasised emergency aid over trade liberalisation between September 1945 and the spring of 1946. Business elites came to broadly support this approach because they accepted that there was no alternative to emergency grants and loans financed by the government. However, business

²²⁰ ‘Declaration of the 32nd Convention’, Nov 1945, HML (2345, NFTC), Box 78.

²²¹ Cmte on Policy (US Chamber), ‘Preliminary Report’, Apr 1946, HML (1960, US Chamber), Series I, Box 21; ‘Proposals for Expansion of World Trade and Employment’, Apr 1946, HML (1411, NAM), Series XIII, Box 237.

²²² ‘Resolution with Respect to the Use of Bargaining Power Made Available in the Reciprocal Trade Agreements Act’, 1946, HML (2345, NFTC), Box 8; ‘Declarations Digest’, HML (2345, NFTC), Box 78.

elites supported these emergency grants and loans despite significant concerns about the additional impact they would have on already high domestic demand and despite their aversion to the government's already large role in the economy. Distrust of the government and concerns about excessive demand, as well as the legacy of creditor nation theory and two-way trade, explain why, to the extent that trade policy was discussed, business elites sought a high level of balanced trade, not the promotion of American exports.

3.3 Rethinking American foreign economic policy, 1946-47

3.3.1 Expensive and futile: The crisis of emergency aid

On 28 May 1946, the United States and France concluded a final settlement of their war accounts, marking the dissolution of the once stable consensus around emergency lending as the main focus of post-war foreign economic policy. The agreement with France included \$1.3bn in American loans, the cancellation of \$1.8bn in Lend-Lease debts and the sale to France of \$1.4bn of American surplus goods, at a discount of almost 80%. In return, France officially “accepted the world trade proposals of the United States”. A few days later, Ethiopia received a \$3m credit, becoming the last country to benefit from what the official record of American foreign policy later called “the US government’s policy to assist [foreign] countries directly in acquiring dollar exchange”.²²³ Emergency grants and loans were now increasingly attracting criticism as expensive, futile and overly reliant on the government. This had two principal reasons. First, humanitarian and economic conditions around the world improved in

²²³ *FRUS*, ‘General; The UN: Foreign Financial Program’, Vol. I, 1946, pp. 1430-6.

1946, especially in Europe; second, there was an ever-growing desire to see a reduction in the government's role, both domestic and foreign. Congressional resistance, public hostility and proliferating doubts about the effectiveness of the government's emergency loans and grants forced a fundamental rethink of the approach that had guided the Truman administration since September 1945. The effect of this was an increasing realisation that other forms of assistance should replace emergency grants and loans, as well as a re-focusing on the goal of multilateral trade liberalisation, both among political leaders and business elites.

When the Truman administration tested the waters in Congress to see if an extension of the Export-Import-Bank's lending authority was possible after the French and Ethiopian loans – for nothing less than a billion-dollar loan to the Soviet Union – congressional leaders roundly rejected the idea. Subsequently, it became ever more difficult to extend large government loans and grants, even if this served to prevent a breakdown in international trade.²²⁴ During the spring of 1946, the feeling of crisis had eased, and foreign aid by the government began to attract considerable criticism as expensive and ineffective. Consequently, President Truman announced the formation of “a committee of industrialists and bankers to [report] on the financing of international reconstruction” in June 1946. Over the course of the summer, this evolved into the Committee for Financing Foreign Trade, headed by Chase National Bank chairman Winthrop W. Aldrich and dominated by banking executives and representatives of multinational companies. The goal of foreign economic policy was to shift from emergency aid to “secur[ing] the return of our foreign commerce [...] to private channels as soon as

²²⁴ *FRUS*, ‘General; The UN: Foreign Financial Program’, Vol. I, 1946, p. 1435; Zeiler, *Free Trade, Free World* (1999), ch. 4; Coulter, *Public opinion in the United States on foreign trade* (1946), Wilcox, *Fundamentals of US Trade Policy* (1946).

possible [and] developing and maintaining foreign trade, both export and import, on a high and expanding level”. The members of the committee considered it their primary aim to “raise imports to a level where foreign countries could service their debts” and their work popularised the notion, especially among business elites, that import promotion could complement and eventually replace emergency grants and loans, replacing an earlier tendency to use aid as leverage for multilateral trade liberalisation. Creditor nation theory advocates thus played an important role in the Truman administration’s adoption of import promotion as a new foreign assistance tool in 1946.²²⁵

The Aldrich committee’s effort to rethink foreign economic policy in 1946 coincided with a surge in business criticism of what was seen as excessive spending on foreign relief and recovery by the Truman administration, and was thus met with great interest by domestically focused business interest groups. There were three reasons for the declining popularity of grants and loans in organisations like the NAM and many chambers of commerce. First, the view that excessive demand, both foreign and domestic, was pushing the American economy to the limit of its productive capacity grew increasingly prevalent in 1946. Household spending on consumer goods, including newly available and expensive durables, created the impression that civilian demand had been suppressed during wartime to a much greater extent than previously realised. The NAM’s Economic Advisory Committee warned that the United States had an “unparalleled backlog of need for goods on the part of the public” while the leaders of the US Chamber and the CED admitted that the “demand of 1942-45, pent up during the war

²²⁵ Knapp (Fed), ‘Meeting with Aldrich Committee’, 27 Sep 1946, <https://fraser.stlouisfed.org/docs/historical/eccles/037_04_0009.pdf>, [accessed 16 Aug 2015]; Casey, *Saving International Capitalism During the Early Truman Presidency* (2001), pp. 3-4; Lipson, ‘The Development of Expropriation Insurance’, *IO*, 32:2 (1978), p. 354.

[and the demand from] consumers of every nation of the world” were so destabilising that “the Government [should] explore with foreign borrowers the possibility that both their interest and ours would be better served by some postponement of their purchases here.” This vindicated the NICB, which had denounced earlier warnings by groups like the CED that demand would collapse after the end of the war, and the NICB did not miss the chance to point out that those who had predicted a post-war recession had “completely overestimated probable unemployment”.²²⁶ In addition to fears about inflation, the NFTC noted in December 1946 that shortages had spread so far as to cause substantial public discontent. Significantly for foreign economic policy, both shortages and inflation were increasingly blamed on foreign demand stimulated by American grants and loans to other countries. The NFTC believed that the general public thought that “scarce products are caused by vast exports” and even the governments of surplus countries like the United States and Australia conceded that foreign demand added to already severe economic pressures. Many business leaders agreed that the strain on the American economy was reaching “grave proportions”. The US Chamber’s president was far out of line with business and public opinion when he lauded American industry for achieving an “impressively” painless reconversion.²²⁷

Besides the growing tendency to blame foreign demand for domestic economic strains, there was a second reason why the Aldrich committee’s proposal to shift from government aid to

²²⁶ ‘Draft Statement on the Present Economic Situation’, 20 Sep 1946, HML (1411, NAM), Series I, Box 272; Shreve (US Chamber), ‘Export Trade and Shipping’, 15 May 1947, HML (1960, US Chamber), Series I, Box 14; CED, ‘Fiscal Policy to Fight Inflation’, Sep 1946, NL (CED pamphlets), p. 12; ‘General Session’, May 1946, HML (1057, NICB), Series I, Box 28, pp. 3-4. See also Higgs, ‘Wartime Prosperity? A Reassessment of the US Economy in the 1940s’, *JEH*, 52:1 (1992).

²²⁷ ‘Trade Forum’, 1946, HML (2345, NFTC), Box 26; Bank of New South Wales, ‘The Problems of Scarcity’, 1946, HML (2345, NFTC), Box 160; CED, ‘Fiscal Policy to Fight Inflation’, Sep 1946, NL. Jackson (US Chamber), ‘The Most Encouraging Aspect’, June 1946, HML (1960, US Chamber), Series I, Box 12 was an outlier even compared to other speeches by US Chamber presidents in 1946/7.

private sector trade and investment was welcomed by business elites. By 1946, there was unprecedented unease about the expansive role of the government in administering grants, loans and other forms of emergency aid to foreign nations. Many of those who had accepted planning and controls during World War II wanted government to play a smaller role in the post-war world. Attempts by the CED to boost the image of government planning by stressing, e.g. at local and state chamber of commerce, that the agencies set up in wartime had “met their assignments magnificently” were merely a rear-guard battle with little chance of success. The longer government controls persisted into peacetime, the more the desire to return to less government control grew. Too great was the yearning for normalcy, which was also reinforced by growing notions of ideological competition with the Soviet Union. Hostility to the perceived decade-long growth of governmental power, especially prevalent but not confined to conservative, anti-New Deal members of the NAM and the NICB, only increased as the Soviet Union began to accuse the United States of trying to stave off an inevitable and lethal crisis of capitalism through government spending abroad. Consequently, business leaders began to express fears that the growing power of the federal government was a disconcerting sign of the United States sliding towards state control, socialism and totalitarianism.²²⁸

Demand management was highly unpopular among business elites, especially at the US Chamber, the NICB and the NAM, since the days of the New Deal.²²⁹ The NAM was particularly vocal in its attacks on those who proposed that the government should attempt to

²²⁸ See, e.g., ‘Private Trade Future Feared’, News Clipping, 4 Apr 1946, OHS (Mss 686, Portland Chamber), Box 4.

²²⁹ Birmingham Chamber, ‘We Can’t Stay Home Anymore’, 1946, HML (1960, US Chamber), Series IV, Box 83. See also Gordon, *New Deals* (1994), p. 149; Ferguson, *Golden Rule* (1995); Collins, *The Business Response to Keynes* (1981).

stabilise demand, with the CED finding itself at the receiving end of vitriolic NAM protests against the “unbusinesslike” heresy of “the approach of the CED [with] its reliance on government measures for maintaining ‘aggregate demand’”. Even the NAM’s Economic Stability Committee, one of the less conservative committees, argued that “purchasing power artificially created by government and poured into the system has a general inflationary effect [that] wears off quickly and has to be repeated”.²³⁰ The president of the NICB was at the forefront of the argument that continued emergency aid was unacceptable because it gave the government too much power. He railed against “absolute government in one form or another reigns supreme over the wreckage it wrought in the war” and complained that emergency loans and aid, though intended as a bulwark against collectivism, had become “an expression of the collectivist trend of thought”. Whether it was “an act of God, or Roosevelt or Keynes”, the idea that government could control aggregate demand had to be defeated. Keen to draw a line between itself and rival organisations seen as too close to the Truman administration, the conservative NICB saw a “battle between the advocates of a planned economy and those who believe [in] the freedom of the individual and of economic activity”.²³¹

The third reason why trade concessions were increasingly seen as superior to grants and loans was that they were deemed to be a more sustainable solution to Europe’s balance of payments problem. There was now a growing realisation that emergency grants and loans could never achieve a self-sustaining European recovery because they would not break the cycle of

²³⁰ Economic Policy Committee (NAM), ‘Bretton Woods’, Sep 1946, HML (1411, NAM), Series XIII, Box 237; ‘How to Provide Purchasing Power’, Apr 1946, HML (1411, NAM), Series I, Box 274; Econ Stab Cmte (NAM), ‘How to Create and Maintain Prosperity’, May 1946, HML (1411, NAM), Series I, Box 274.

²³¹ Tariff Subcommittee (NAM). ‘Committee Minutes’, May 1946, HML (1411, NAM), Series XII, Box 197; BoT (NICB), ‘Meeting Notes’, 26 Sep 1946, HML (1057, NICB), Series VI, Box 16; Jordan (NICB), ‘Aid and Fiscal Policy’, 1947, WHS (441, WMA), Box 8.

dependency that, in the minds of business and political elites alike, contributed to excessive strains on the United States. Instead, a holistic approach was required that restored international trade and increased output in other countries. The NAM, complaining that foreign demand for American goods was too high, warned that “this country [cannot] support the world. Foreign trade [...] has to be a two-way street.”²³² The US Chamber in its publications and NAM at its 1946 Congress of American Industry demanded the creation of self-supporting economies in Western Europe and elsewhere, with output at or near pre-war levels and high levels of international trade. This, it was argued, would be in the national self-interest of the United States; unconditional loans propping up unsustainable client economies, on the other hand, were not.²³³

Raising imports into the United States to eliminate the need for lending thus became a more widely accepted idea. Imports came to be seen as a foreign economic policy tool and Europe’s balance of payments deficit took centre stage. At the 1946 NFTC convention, for example, members’ questions at the trade forum revolved around the issue of what government was doing to “amend restrictive customs practices” and promote imports. The guest speaker, Harry Radcliffe of the NCAI then complained that the Truman administration was doing “nothing visible” and urgently needed to change the existing tariff laws. This was widely circulated among the NFTC membership after the convention through the organisation’s bulletins, which indicates that the leadership of the organisation did not expect that this idea would be unpopular among the members.²³⁴ Cutting tariffs as a form of foreign assistance was

²³² EAC (NAM), ‘Draft Statement on the Present Economic Situation’, Sep 1946, HML (1411, NAM), Series I, Box 272.

²³³ ‘Aid to Europe’, Nov 1947, HML (1960, US Chamber), Series IV, Box 83.

²³⁴ ‘Council Brief on RTAA’, 17 Dec 1946, HML (2345, NFTC), Box 26.

increasingly supported even by the domestically focused national business associations. As the US Chamber put it in a November 1946 publication: “A natural question asked by all interested parties is: Will a cut in the tariff rate [...] result in increased imports?” The NAM now argued that the United States needed to help “European countries [...] rebuild their exporting power”, including through a reduction of the barriers to imports into the United States. However, the NAM also warned that “even the adoption of free trade by the US might fail to raise imports to anything like the level required to finance the exports which other countries would like to in the American market”.²³⁵ Though there were doubts about the efficacy of trade concessions, the leaders of the major domestically focused business were now open to raising imports and cutting tariffs to end the balance of payments deficit of major trading partners and for the sake of broader foreign policy goals, just as creditors, multinationals and exporters during the interwar period and post-war planners during World War II had demanded.

This left the NICB and industry-specific business associations as the main defenders of traditionalism in foreign economic policy. The NICB president pulled no punches, publicly denouncing those concerned with the balance of payments as “globalists” plotting the inevitable descent of the United States into a planned economy. According to Virgil Jordan, “something much more fundamental [is] involved in the globallyhoo of our time than our international balance of payments or even the international balance of power[:] the free economy internally in this country”. Advocates of planning, wanting to retain their wartime powers, had already successfully “transferred from Congress to the President every power

²³⁵ FCDC (US Chamber), ‘Making a Free Trade Agreement Presentation’, 1946, HML (1960, US Chamber), Series IV, Box 83; Know, ‘The American Trade Proposals’, 1946, HML (1411, NAM), Series I, Box 272.

necessary to [regulate] both imports and exports”. One of the top priorities of the NICB, however, was an end to all governmental interference in international trade.²³⁶ Some farmers and textile interests concurred. The chairman of the Senate Agriculture Committee, Arthur Capper, received plenty of mail from agricultural interests including the powerful National Grange, who were alarmed about increasing imports and the continued success and extension of the RTAA. Illustrating that such concerns did not fall on deaf ears, Capper wrote “American farmer must have the home market” on a National Republican Congressional Committee press release related to trade policy. Tobacco and textile producers also rejected import promotion. The Wool Manufacturers Association was only one organisation taking direct aim at pro-trade groups, its chairman arguing that

“the Foreign Trade council [...] says that we should ‘admit imports in quantities sufficient to balance the larger volume of exports required to maintain the American production machine’. But these larger imports would mean that we would have to stop that part of the production machine now working on the items he would have us import.”²³⁷

The narrow and at times vitriolic backlash against the creditor nation-inspired idea of promoting imports into the United States only illustrates how dominant this new idea had become among business elites in 1946. The economic boom of 1946, coupled with growing hostility to government action, was highly conducive to the growth of the idea that the United States should change its foreign economic policy strategy away from grants and loans, towards

²³⁶ BoT (NICB), ‘Meeting Notes’, 26 Sep 1946, HML (1057, NICB), Series VI, Box 16; Jordan (NICB), ‘Aid and Fiscal Policy’, 1947, WHS (441, WMA), Box 8.

²³⁷ ‘Strong Protests and Demands’, Oct 1946, KHS (Man Coll 12, Capper Papers), Box 37, Folder ‘Reciprocal Trade’; Besse (NAWM), ‘Brief Presented to Committee for Reciprocity Information’, 30 Jan 1947, ATHM (2000.178.1, NTA), Vol. 76, pp. 436-7.

trade concessions and private sector initiatives. Linking trade concessions to European recovery isolated protectionists and helped create business support for trade liberalisation.

At the same time, there was a resurging demand that the United States should lead in the creation of a “system of cooperation in international economic affairs [to] meet effectively the world-wide economic problems confronting the United States”, now that foreign economic policy was no longer dictated by crisis management. This emanated in particular from banks, exporters and multinationals, with groups like the USCICC, the United States Council of International Economic Policy and the World Trade Foundation stepping up the pace of their operations.²³⁸ The Council of International Economic Policy, which acted as an umbrella group for multinationals, the financial industry and individuals interested in international economic policy, completed an internal report in the autumn of 1946 that argued that the “multiplicity of [...] appeals from trade, economic and related organisations in the international field is [...] a cause of wasted money, [...] misdirected energy [and] increasing embarrassment”. Internationalist business opinion consolidated around demands that the United States accelerate plans to restore the international economic order. Domestically focused business groups such as the US Chamber joined into this, with the US Chamber president in 1946 demanding that the United States push forward with plans for an international trade organisation because, like import promotion, this would do more to strengthen Europe than emergency grants and loans.²³⁹

²³⁸ Rockefeller, ‘To Reed’, 4 June 1946, HML (1984, Reed Papers), Box 20.

²³⁹ See correspondence of Philip Reed, HML (1984, Reed Papers), Box 20; Jackson (US Chamber), ‘America’s role in world recovery’, Speech at the NFTC, HML (1960, US Chamber), Series I, Box 12.

Policy-makers found that the diminished need for emergency aid gave them room to finally pursue multilateral trade liberalisation. The International Conference on Trade and Employment took place in November 1946 in London. American tariffs had already reached pre-Smoot-Hawley levels and, following the conclusion of the GATT, there would be a further steep drop in 1948. The State Department drew up a suggested *Charter for an International Trade Organization of the United Nations* with the telling subtitle “An Elaboration of the Proposals for the Expansion of World Trade and Employment”, referencing a document created one year earlier as part of the British loan negotiations, which itself was based on the Atlantic Charter and the Lend-Lease agreements (see p. 154). This proposal was contentious, privately criticised by the British and later called a bad compromise, but it nevertheless proved influential and marked the biggest step towards multilateral trade negotiations in many years. The main outcome of the conference was an agreement to pursue negotiations towards an international trade organisation and the GATT at a series of conferences in 1947.²⁴⁰

Much of the business community welcomed the outcome of the London conference as a step towards more liberal trading arrangements between the participant nations and higher imports into the United States. The NCAI hailed it as a significant step “forward in the direction of international economic collaboration”. Exporters, multinationals and banks agreed.²⁴¹ But business support ran much deeper; it was not just confined to the old coalition of internationalists and importers: in 1946, no major business association opposed the proposed

²⁴⁰ Haggard, ‘The Institutional Foundations of Hegemony’, *IO*, 42:1 (1988), p. 92; Mavroidis, *The Regulation of International Trade* (2015), p. 502, DS, *Suggested Charter for an International Trade Organization of the United Nations* (1946); Aaronson, *Trade and the American Dream* (1996), pp. 50-5.

²⁴¹ NCAI, ‘Statement on ITO’, 1947, HML (2345, NFTC), Box 161; ‘Bulletin B1311’, 1947, HML (2345, NFTC), Box 161.

ITO. The NAM declared itself “wholly in accord [with] establishing an ‘ITO’”; its influential secretary even called the upcoming 1947 economic conference to push forward with work on the ITO “one of the most important conferences of recent years”. Even the NICB quietly avoided “problems of tariff and trade policy” in the aftermath of the London conference, leaving farmers, textile groups and some state chambers fighting a losing battle against a pro-trade coalition that now included US Chamber, NAM, CED and NFTC.²⁴² In April 1946, the Wool Manufacturers Association alerted its members to the “obvious intention of the Department [of State] to provide for an indefinite extension of the power to cut tariffs by forming an ITO.” In January 1947, a representative of the organisation appeared before the Tariff Commission to protest against the outcome of the London conference. The Wool Manufacturers Association issued a statement attacking the ITO in March 1947 and its president was recorded as telling the membership that studying the “ITO has left me depressed and discouraged.”²⁴³ However, at large organisations like the NAM and the US Chamber, formerly integral to the protectionist coalition, only small minorities in specialist committees advocated against the ITO and trade liberalisation.

Thus, two key developments took place over the course of 1946. First, multilateral trade liberalisation once again became an important topic as emergency aid became both less popular and less immediately necessary. Promoting multilateral trade was the kind of activity that business elites wanted the government to focus on while reducing its active role in the

²⁴² ‘Proposals for Expansion of World Trade and Employment’, Apr 1946, HML (1411, NAM), Series XIII, Box 237, pp. 1-2; Sargent (NAM), ‘Untitled’, 12 Dec 1946, HML (1411, NAM), Series I, Box 42, p. 2; Jordan (NICB), ‘Memorandum to Trustees’, 1947, HML (1057, NICB), Series II, Book 11; BoT (NICB), ‘Meeting Minutes’, Oct 1947, HML (1057, NICB), Series II, Book 11.

²⁴³ ‘Statement on the ITO’, 4 Mar 1947, ATHM (2000.178.1, NTA), Vol. 23.

economy. Multilateral trade was also expected to be conducive to a European recovery without the need for further American aid. Second, the year 1946 saw the rise of the idea that American aid could be phased out only if the European balance of payments deficit was addressed, which in turn required higher European exports. This idea, developed by advocates of creditor nation theory, was accepted by the leaders of domestically focused business associations like the NAM and the US Chamber who had been exposed to creditor nation theory and the idea of trade as a two-way process during World War II.

3.3.2 The winter of 1946/47 and its effect on American policy

Following the relaxation of the economic and humanitarian situation in many countries during the spring and summer of 1946, which allowed the Truman administration to finally focus on multilateral trade liberalisation, conditions deteriorated again in the autumn, making any gains made in 1946 seem ephemeral. The Army asked Congress for \$500m to pay for emergency supplies required in the occupied territories of Germany and Japan during the coming winter and the escalating bill for bare necessities to keep destitute populations alive once again loomed large for the Truman administration. Threatening to once again plunge Europe into economic and humanitarian crisis, the winter of 1946/47 shifted the focus away again from multilateral trade negotiations. The new crisis further exacerbated disillusionment with foreign aid in the form of grants and loans, which was now seen not only as expensive but also as ineffective in the long run. This contributed to the further spread of the idea that high American imports and trade concessions were a better way of helping Europe than American grants and loans. Importing more did not require much government expenditure and it relied on the private sector to increase the flow of dollars to Europe. By addressing the root causes of

Europe's balance of payments troubles, trade concessions also promised to be a more sustainable strategy than grants and loans.

The occupation authorities in Germany pioneered the use of trade policy for foreign assistance by promoting exports from the territories under their control, especially to the United States (see also p. 124). On 7 November 1946, OMGUS announced that it would promote German exports, extending a formal invitation to American buyers interested in purchasing goods from German exporters, in the hope that dollars thus flowing into West Germany would reduce the cost of the occupation, especially that of importing food, which was borne largely by American taxpayers.²⁴⁴ A trade fair was organised to encourage German exports to the United States, under the slogan "Export means bread". Then, American and British officials went one step further, setting up an ambitious scheme for reducing the long-term cost of the occupation by increasing the export capacity of the occupation zones. In December, it was announced that the British and American occupation zones were to be made jointly "self-sustaining" within three years. The plan to use increased German exports to reduce the cost of the occupation was in part developed by American business figures, who recommended to the military government "an enormous expansion of German exports to pay for imports".²⁴⁵ Back in the United States, the Commerce Department and the Business Advisory Council also discussed this strategy, while Averell Harriman declared in the *Washington Post* that "'Buy American' is a Dead Slogan", calling instead on his compatriots "Buy Abroad".²⁴⁶

²⁴⁴ 'US, Britain Plan Vast German Aid', *New York Times*, 1 Jan 1947. See also Gimbel, *Origins of the Marshall Plan* (1976), p. 5.

²⁴⁵ 'How to Get German Industry Eventually off the Backs of the American Taxpayer', July 1947, IfZ (OMGUS AG), Series 47, Box 115.

²⁴⁶ Harriman, "'Buy American' is a Dead Slogan", *Washington Post*, 13 Apr 1947, p. B1; BAC, 'Committee Minutes', Jan 1947, LOC (MSS61911, Harriman Papers), Box 230, p. 7.

A second major innovation in the American attitude towards Europe during the winter of 1946/47 was the realisation that German recovery was essential for a sustainable European recovery. There was broad business support for both the promotion of European exports and German rehabilitation, especially among internationally oriented business leaders. The National Planning Association published a report in November 1946 supporting these policies, while the NFTC strongly supported plans to raise German production and exports.²⁴⁷ A USCICC draft report on Germany and the recovery of western Europe cited Lenin's dictum that "Who controls Germany, controls Europe" to argue that "the economic recovery of Germany will determine more than any other single factor the economic health and vigour of the rest of Europe." The United States could not continue to "cripple [a] great part of the productive and marketing areas of humanity" if it wanted to achieve a sustainable economic recovery elsewhere in Europe. Shortly thereafter, the International Chamber of Commerce published a report stating that a revival of German foreign trade "sufficient to enable her to pay for her essential imports and to satisfy the requirements of other countries" was essential for European recovery.²⁴⁸

The winter of 1946/47 thus increased the salience and acceptability of the idea of promoting European exports and aiming for a "sustainable" – a key term that would come to define

²⁴⁷ 'Trading with Germany and Japan', Mar 1947, HML (2345, NFTC), Box 26; 'Prolonged US Aid Held Europe's Need', *New York Times*, 3 Dec 1946. On German rehabilitation, see e.g. Hoffmann and Maier, eds. *The Marshall Plan: A Retrospective* (1984), pp. 2-3.

²⁴⁸ USCICC, 'Draft Report on Germany and the Recovery of Western Europe', Feb 1947, IfZ (OMGUS POLAD), Box 460; ICC, 'The International Economic Repercussions of the German Situation', 30 Apr 1947, IfZ (OMGUS POLAD), Box 460; Harriman, 'To German-American Chamber', 3 June 1947, IfZ (OMGUS, JEIA), Series S1, Box 193.

debates about foreign assistance programmes from 1947 onwards – European recovery by increasing world trade and rehabilitating Germany. By this stage, business opinion held that any “gift, loan, or credit” should be kept to a minimum of what was absolutely necessary, and be subject to strict rules. Instead, business demanded multilateral trade liberalisation, import promotion and new forms of assistance that would make Europe “self-supporting”, another term that was by now widely used in foreign economic policy debates.²⁴⁹ Before the Marshall Plan was even conceived of, business elites were debating what the United States could do to help Europe. Growing scepticism about emergency grants or loans, whether for emergency relief or long-term recovery, meant that trade policy was increasingly viewed as a more attractive alternative for transferring dollars to Western Europe and addressing the problem of the European balance of payments deficit. This set the stage for the Marshall Plan, which relied to a considerable and under-appreciated extent on the promotion of imports into the United States as a means to finance European recovery, a strategy that was widely accepted and indeed demanded by business elites in the United States (see chapter 4). Addressing the European balance of payments deficit was regarded as a key pre-condition for such a sustainable recovery, and this in turn required a change in international trade flows. Any new round of assistance would still have to include government grants and loans, especially in the short run, but it would also have to use trade policy, including the promotion of imports and tariff cuts.

²⁴⁹ See e.g. ‘NAM Recommendations on International Financial Policy’, Apr 1947, HML (1411, NAM), Series XIII, Box 237; Shreve (US Chamber), ‘The International Situation’, June 1947, HML (1960, US Chamber), Series I, Box 14.

3.4 A bigger push: the development of the Marshall Plan in 1947

In early 1947, Soviet-American relations went from bad to worse, culminating in the decision to grant military aid to Greece and Turkey and the establishment of the Truman Doctrine. The failure of the fourth Council of Foreign Ministers in Moscow removed any residual desire to proceed cautiously in Europe in order to maintain reasonable relations with the Soviet Union.²⁵⁰ On 5 June 1947, Secretary of Defense George Marshall gave the celebrated speech outlining the most famous of all post-war foreign assistance programmes, which came to be known formally as the European Recovery Program (ERP) and, more informally, as the Marshall Plan. Drawing heavily on a memo written by Will Clayton during a trip to Europe in the spring of 1947, Marshall argued in his speech that “the dislocation of the entire fabric of European economy” had destroyed Europe’s “ability to pay”, and that unlike aid programmes of the past any “assistance that this Government may render in the future should provide a cure rather than a mere palliative.”²⁵¹ From its very inception, the Marshall Plan aimed deliberately to avoid the mistakes of emergency grants and loans by relying more on the private sector and aiming for a long-term improvement in Europe’s balance of payments that would eventually make American loans and grants for the financing of European imports unnecessary.

Among the immediate critics of the Marshall Plan were former President Herbert Hoover, who warned of its likely cost and inflationary impact, and the Soviet Union. *Pravda*, casting the

²⁵⁰ Leffler, *A Preponderance* (1992), ch. 4; Trachtenberg, ‘American Policy towards Europe’, *Journal of American History*, 68:2 (1981).

²⁵¹ Clayton, ‘The European Crisis’, in *FRUS*, 1947, Vol. III, *The British Commonwealth; Europe, 1947*, pp. 230-40; Marshall, ‘Commencement Address’, 5 June 1947, <<http://marshallfoundation.org/marshall/the-marshall-plan/marshall-plan-speech/>>, [accessed 2 Mar 2016].

first revisionist stone, almost immediately called the Marshall Plan a desperate measure to prolong the economic boom in the United States by generating European demand for American exports.²⁵² Even many supporters of Marshall's proposals shared Hoover's concerns about inflationary pressures and the impact of foreign aid on government finances. Indeed, as outlined above, such concerns had been growing for years, escalating with every new emergency grant or loan. Many businessmen were also sensitive to charges that foreign aid was self-serving, with the NAM insisting that it had "lowered standards of living for our people [and we have] completely lost patience with such appellations as 'Uncle Shylock' being attached to [our] generosity" and the NFTC warning that the United States must avoid becoming the "fall guy".²⁵³

The countries willing to accept American assistance met in Paris from 27 June to 12 July 1947 to discuss how Marshall's ideas could be implemented. The Soviet Union initially attended but soon dropped out, followed by the Eastern European countries. Afterwards, Britain and France led the European contribution to formulating the Marshall Plan which eventually led to the Committee of European Economic Cooperation issuing its preliminary report in the autumn. This stressed both the importance of intra-European trade and the promotion of European exports, especially in the United States.²⁵⁴ In the United States, the State Department, Truman's Council of Economic Advisors and several specially convened committees began to work on high-level reports on the purpose and effects of large-scale

²⁵² As outlined in 'Introduction and Chronology of the Marshall Plan', <<http://marshallfoundation.org/library/documents/introduction-chronology-marshall-plan-june-5-november-5-1947/>>, [accessed 2 Mar 2016].

²⁵³ 'Considerations Involved in Proposals for US Aid', 29 Oct 1947, HML (1411, NAM), Series I, Box 76. NFTC spokesman, 23 Oct 1947, as quoted in 'Introduction and Chronology of the Marshall Plan' (see citation above).

²⁵⁴ Hogan, *The Marshall Plan* (1987), pp. 60-1.

foreign aid. The Krug Report, compiled by the Labor Secretary, examined the impact of large-scale foreign assistance on domestic productive capabilities given “current high levels of production and consumption in the United States”. The Harriman Report, led by the commerce secretary and a committee of industrialists, bankers and academics, also looked at the challenges that would arise for the United States as a result the new commitments envisaged by the Marshall Plan, with a particular focus on inflationary pressures and Europe’s balance of payments deficit. Finally, the Herter Committee of the House Select Committee on Foreign Aid provided Republican sceptics in Congress with an opportunity to give their views on further foreign assistance.²⁵⁵

Concerns about cost, inflation, excessive demand and harmful government interference dominated the work of all three committees, the White House and the State Department. There was a shared awareness that Europe’s balance of payments deficit made assistance based on grants and loans alone ultimately futile. The lesson learnt from earlier emergency aid and the creditor nation theory mantra that exports paid for imports and vice versa both pointed to Europe’s inability to pay for imports as a root cause of the continent’s continued economic struggles. Thus, from early on, Truman administration officials involved in the Marshall Plan – many of whom were early adherents of creditor nation theory – stressed the importance of trade concessions, raising European exports and minimising European purchases of goods from the dollar area to conserve scarce dollar resources. Milton Katz, a senior Marshall Plan

²⁵⁵ As outlined in ‘Studies Undertaken Prior to and in Preparation for the Marshall Plan’, *Marshall Foundation*, <<http://marshallfoundation.org/library/documents/studies-undertaken-prior-preparation-marshall-plan/>>, [accessed 2 Mar 2016]. On the Harriman Committees influence on business opinion, see Carny ‘Memo to Harriman’, Oct/Nov 1947, LOC (MSS61911, Harriman Papers), Box 239, Folder ‘President’s Committee on Foreign Aid’. See also Machado, *In Search of a Usable Past* (2007), ch. 2.

administrator, later recalled that from “very early [by] buying for Marshall plan purposes [...] from European sources, we would be putting dollars into Europe [and] when the dollar gap was enormous, when Europe was prostrate and our economy was stretched out tight, that was a plausible and agreeable idea to everybody.” Similarly, a senior British official described how the UK “tried to reduce the claims for assistance under the Marshall plan [by] switching import requirements from North and South American sources to European sources [so as] not to aggravate the balance of payments.”²⁵⁶

The ideal – and politically palatable – foreign assistance programme outlined by these committees contained a minimal grant and loan component and maximum reliance on trade concessions and the private sector, thus minimising cost and inflationary pressures. Further assistance should also target directly Europe’s balance of payments deficit as the key obstacle to sustainable recovery by promoting trade within Europe and European exports. Business elites’ preferences exactly mirrored those of political elites. Here too, the focus was on cost minimisation, reliance on the private sector and using trade policy as a cheaper alternative to grants and loans, as discussed in the next section. Business leaders, like many politicians, drew the lessons of the past and were willing to consider import promotion as an alternative to grants and loans – especially those at the leadership level who had already been exposed to the creditor nation view of trade policy.

The sterling crisis of July 1947 dramatically reinforced the need for further assistance and a lasting solution to Europe’s balance of payments troubles. According to the British loan

²⁵⁶ ‘Oral History Interview with Milton Katz’ and ‘Oral History Interview with Eric Roll’, TL (Oral History Collection).

agreement from 1945, sterling had to be made fully convertible in within two years. Britain complied on 15 July 1947 but market turbulence forced an end to the convertibility experiment only weeks after it began.²⁵⁷ Britain was still seen as the key economy in Europe, without which no true economic recovery could be achieved (see also section 3.2.1). The convertibility crisis – which shocked American business elites – and other events in 1947, including the French decision to suspend food imports from the United States and Britain’s ban on tobacco imports, both triggered by “the dollar starvation all over the world”, helped build a consensus view among political and business elites that European economic viability required something more than just American money. The sterling crisis exposed the fragile state of Europe, and its Achilles heel: the balance of payments deficit coupled with a lack of dollar reserves.²⁵⁸

3.4.1 Business reactions to Marshall’s speech

After Marshall’s speech hit the front pages on 6 June 1947, groups representing exporters, multinationals and other internationally oriented businesses were quick to endorse the proposals for further American assistance, including trade concessions, as well as Marshall’s emphasis on Europe’s “ability to pay” and the importance of sustainability. NFTC staff recorded that it was widely expected that large parts of the business community would favour further assistance almost regardless of the details of its implementation. The NFTC, for one, planned a publicity campaign similar to that pursued for the British loan in 1946 and the RTAA. Following extensive internal consultation, the board called for assistance based on

²⁵⁷ Kindleberger, *A Financial History* (2005); Gardner, *Sterling-Dollar Diplomacy* (1980); Attlee, ‘Speech to House of Commons’, Aug 1947, HML (2345, NFTC), Box 8; Harris, ‘Dollar Scarcity’, *Economic Journal*, 57 (1947).

²⁵⁸ Clement Attlee, as quoted by NFTC staff in ‘Second Progress Report’, HML (2345, NFTC), Aug 1947, Box 8; Zeiler, *Free Trade, Free World* (1999), ch. 7.

private-sector trade, demanding that the European recipients should supply strategic raw materials in return for any reconstruction goods financed or delivered in kind by the United States. This was approved by the 34th Convention, with an insistence on keeping any grants or loans to a minimum and avoiding a “weakening [of] the foundations” of the American economy. This concern about the negative effect of higher foreign demand, fuelled by American aid, was an important one, and not just at the NFTC. When the CED’s directors took up the issue in October, the discussion revolved around “the inflationary forces now present in the economy [...] pushed up by forces such as extra exports”.²⁵⁹ The NAM was similarly vocal in insisting that foreign assistance must not be overambitious or carelessly administered. The organisation, which at this point tended to support an assertive foreign policy, was so concerned about government spending that it even called for military expenditure to be reduced, lest the demand it created damage the economy. The US Chamber did not start its opinion-finding process for the Marshall Plan until November 1947; when it did issue its first statement, it was critical of the “confusion” that surrounded the “Marshall plans”. Like the NAM and NFTC, the US Chamber warned the government not to go too far, suggesting that the private sector should administer foreign assistance instead.²⁶⁰

Many state chambers of commerce and the NICB were openly hostile to the Marshall Plan. The NICB’s president disparaged the Truman administration, writing in *Modern Industry* that “a few comments made by the Secretary of State have been [...] propagandised as being some

²⁵⁹ ‘ERP Memo’, Aug 1947, HML (2345, NFTC), Box 8; BoD (NFTC), ‘Proposed Position on ERP’, Nov 1947, HML (2345, NFTC), Box 2; BoD (NFTC), ‘Position on ERP’, Dec 1947, HML (2345, NFTC), Box 8.

²⁶⁰ ‘Principles, Conditions and Administration of Economic Aid to Europe’, Oct 1947, HML (1411, NAM), Series XII, Box 193; ‘Aid to Europe’, Nov 1947, HML (1960, US Chamber), Series IV, Box 83; BoD (US Chamber), ‘Minutes of the 234th Meeting’, 1947, HML (1960, US Chamber), Series I, Box 3

kind of a well-planned programme”. To Virgil Jordan, continued grants or loans were merely “another ‘government spending’ device [...] undermining basis of our economy” and pushing the United States towards state control and, ultimately, communism.²⁶¹ Several state chambers also saw the flaws of grants and loans as sufficiently severe that they suggested alternative means of helping Europe. These included morally dubious fringe demands for resettlement of surplus populations and obvious pipe dreams like the promotion of tourism.²⁶²

Despite business hostility to new grants and loans from the government to foreign countries, few disagreed that the United States had to “assure the survival of stricken people” in Europe. An important, and often neglected, reason why a termination of assistance was unthinkable was the moral force of the argument for helping Europe. Doing nothing would be “unfair and unjust to the peoples of Europe”.²⁶³ Further American aid was often explicitly called for with reference to what was perceived as common ancestry, race, “civilization” and religion.²⁶⁴ Ignoring genuine and deeply felt, emotional justifications for the Marshall Plan in favour of rational foreign policy and economic considerations is misleading. This is not just true for supporters but also for opponents of aid for Europe. Many sceptics were appalled by what they saw as morally objectionable experiments with “socialisation” and “nationalisation” in

²⁶¹ Jordan (NICB), ‘Memorandum to Trustees’, Dec 1947, HML (1057, NICB), Series II, Book 11.

²⁶² Harnischfeger, ‘Report on Germany’, June 1947, KHS (Man Coll 12, Capper Papers), Box 10, Folder ‘For Rel’; American Express Co., ‘The Quickest Way to Help Foreign Nations Earn American Dollars’, Nov 1947, KHS (Man Coll 12, Capper Papers), Box 10, Folder ‘For Rel’.

²⁶³ ‘Considerations Involved in Proposals for US Aid’, Oct 1947, HML (1411, NAM), Series I, Box 76; ‘Aid to Europe’, Nov 1947, HML (1960, US Chamber), Series IV, Box 83; NEC, ‘Report to the President’, 7 Sep 1947, HBS (Boston Chamber), Box 79, p. 13.

²⁶⁴ NFTC staff, ‘Notes on Board meeting’, 27 Mar 1949, HML (2345, NFTC), Box 9; BoD (US Chamber), ‘Minutes of the 230th Meeting’, Apr 1947, HML (1960, US Chamber), Series I, Box 3.

Europe, especially in Britain.²⁶⁵ One of the most extreme opponents of the Marshall Plan, Virgil Jordan of the NICB, argued that no aid should be given because Europe was merely “morally bankrupt”, not economically destitute, and should be expected to help itself.²⁶⁶

There is little archival evidence to suggest that fear of the Soviet Union motivated business support for the Marshall Plan. Unlike moral arguments revolving around notions of desert and obligation, the Soviet Union was not especially salient in discussions among business elites in 1947. Agitation against communists in the United States was mild compared to later years particularly at the US Chamber.²⁶⁷ There was some discussion about the dangers of domestic European “Communism feeding on misery” in some of the internationalist groups. On occasion, senior business figures warned of “Red aggression”, but there is also evidence that this was seen as a useful rhetorical device rather than reflecting genuine fear.²⁶⁸ There was, after all, still significant interest in doing business with the Soviet Union and its satellite states, whose participation in the Marshall Plan was by no means anathema to all business leaders in the United States.²⁶⁹ Overall, then, business elites saw further American assistance for Europe as inevitable primarily based on moral, rather than domestic economic or national security, grounds. This was how the Truman administration sold business elites on the Marshall Plan, as a necessary sacrifice.²⁷⁰

²⁶⁵ BoD (Illinois Manufacturers Association), ‘Distribution of American Resources Abroad’, Sep 1947, EL (CFEP Records, A-71-8), Box 23; BoD (US Chamber), ‘Statement’, 1 Feb 1946, HML (1960, US Chamber), Series I, Box 13.

²⁶⁶ Jordan (NICB), ‘Memorandum to Trustees’, Dec 1947, HML (1057, NICB), Series II, Book 11.

²⁶⁷ ‘Communists in the US Government’, 1947, HML (1960, US Chamber), Series IV, Box 83; BoD (US Chamber), ‘Minutes of the 229th Meeting’, Mar 1947, HML (1960, US Chamber), Series I, Box 3.

²⁶⁸ BoT (CED), ‘Minutes of Meeting of Board of Trustees’, Oct 1947, TL (Hoffman Papers), Box 40; Shreve (US Chamber), ‘Export Trade and Shipping’, 1947, HML (1960, US Chamber), Series I, Box 14.

²⁶⁹ BoD (US Chamber), ‘Minutes of the 234th Meeting’, Nov 1947, HML (1960, US Chamber), Series I, Box 3; Congr of Amer Industry, ‘International Relations’, 1946, HML (1411, NAM), Series I, Box 104, Folder ‘IR’.

²⁷⁰ ‘Bulletin’, Nov 1947, WHS (GB Mss 116, Green Bay chamber), Box 98.

There was an economic rationale for the Marshall Plan as well, but it was not export promotion as is often claimed. The economic benefit that the Marshall Plan was supposed to bring was a closing of the European dollar gap and a return to global prosperity and high levels of trade in the long run, which would eliminate any need for government interference with international trade. This, however, would require raising net imports into the United States and therefore preclude any possibility of export promotion. Moreover, emergency aid seemed like an economic sacrifice from the point of view of the United States to many business leaders, who saw grants and loans as expensive, government-run and conducive to inflation. Far from being seen as beneficial to the American economy, government spending abroad was seen as wasteful and undesirable. Export promotion through conditional foreign aid did not fit into the broader agenda of business elites, for several reasons.

First, the archival evidence does not bear out the view that concerns about an impending deep recession in the United States in 1947 led to demands for government action to increase foreign demand for American goods or open up new markets for American producers. Most business leaders remained convinced that the economy was performing well and that the long upturn of 1945-47 was proving wrong the “prophets of doom” who had predicted a post-war collapse in demand. Exporters in many business associations even voiced concerns that they could not produce enough to satisfy their domestic customers, which was taken seriously by the leaders of these organisations.²⁷¹

²⁷¹ Quote from Shreve (US Chamber), ‘The International Situation’, 20 June 1947, HML (1960, US Chamber), Series I, Box 14, p. 2. See also BoD (NFTC), ‘Position on ERP’, Dec 1947, HML (2345, NFTC), Box 8; ‘Policies’, June 1947, HML (1960, US Chamber), Series IV, Box 83; ‘Disparity in US Export-Import Balance’, Sep 1947, HML (2345, NFTC), Box 8.

Second, there were severe concerns about excessive government spending, domestic shortages and inflation. These were the “fundamental fact about the business situation today” according to the NICB and many other groups, particularly on the state level. These problematic macro-economic developments were often attributed directly to excessive government commitments abroad. Throughout 1947, there were calls for caution in extending any new grants or loans, lest the American economy be damaged by additional demand and more government spending created. The NFTC warned the government to “give consideration to productive capacity of this country” and be mindful of “inflationary pressures”. Like many business groups, the NFTC wanted the government to rely on the private sector as much as possible, avoid purchases in the United States and aim to foster the production of exportable goods in the recipient countries to reduce their dependence on American gift of recovery goods and financing of European imports.²⁷²

Third, principled opposition to any notion of giving the government more power and control over the economy was, if anything, even stronger now than it had been in 1945/46. On the surface, a government-led drive to secure export markets for domestic producers appears to be a policy without obvious losers, given that it stimulates demand for domestically produced goods without any great immediate cost. However, businessmen in 1947 were overwhelmingly of a small-government persuasion. Export promotion and demand

²⁷² Quotes from BoD (NFTC), ‘Position on ERP’, 17 Dec 1947, HML (2345, NFTC), Box 8. See also BoD (Illinois Manufacturers Association), ‘Distribution of American Resources Abroad’, Sep 1947, EL (CFEP Records, A-71-8), Box 23; Jordan, ‘Political Inflation and the Business Outlook’, 1947, HML (1057, NICB), Series IV, Box 17; Shreve, ‘American Enterprise’, 19 Nov 1947, and ‘The International Situation’, 20 June 1947, HML (1960, US Chamber), Series I, Box 14.

stabilisation by the government were correspondingly unpopular ideas. Both the NAM and the US Chamber argued against government interference with the economy, which grants, loans and export promotion entailed, on the basis that “our ability to aid is based on the productivity of a free economy”. Earl Shreve, the new president of the US Chamber, was an outspoken critic of government interference and “controls”, arguing that Europe’s ills stemmed precisely from the “super-governmentalism” that over-zealous proponents of continued emergency and recovery aid were bringing upon the United States itself.²⁷³

The idea that government should fine-tune aggregate demand to avoid recessions was still anathema to most business groups, who therefore regarded the idea that government-financed grants and loans to foreign countries could bolster aggregate demand at home with suspicion. This was even more pronounced among conservative businessmen. The NICB’s president railed against the Marshall Plan precisely because he saw it as an attempt to continue the New Deal, charging that “political inflation [is] an instrument of [...] foreign policy” and calling this “totalitarian [...] like those [policies] of National Socialism in Germany”, though he dropped the comparisons to Nazi Germany in public. Even among internationalists, who tended to be more supportive of the New Deal and Keynesian economics, there was still an obsession with returning trade to “private channels”.²⁷⁴

Lastly, export promotion was unappealing for two further reasons. On the one hand, there was a widespread belief that American exports could not possibly be maintained at current high

²⁷³ Shreve (US Chamber), ‘American Enterprise’, 19 Nov 1947, and ‘Statement’, 17 Nov 1947, HML (1960, US Chamber), Series I, Box 14.

²⁷⁴ BoT (NICB), ‘Meeting Minutes’, Oct 1947, HML (1057, NICB), Series II, Book 11; BoD (NFTC), ‘Position on ERP’, Dec 1947, HML (2345, NFTC), Box 8.

levels. Often heard was the phrase that there would have to be a return to the “sound” and “realistic” export patterns of the 1930s, implying higher imports and lower exports than in 1945-47.²⁷⁵ On the other hand, there was a realisation that loans were financing current high levels of exports, and that American exports could not “continue to be supported indefinitely on a credit basis [because] debt service [...] will place a heavy burden” on foreign customers.²⁷⁶ In classic creditor nation fashion, export promotion was widely seen as ultimately self-defeating.

Over time, concerns about the downsides and limitations of grants and loans only grew, even among internationalists. “We might give away one half of the wealth of the United States without helping these countries to help themselves,” complained George Sloan to a senator in June 1947, insisting that “the US needs to be smarter”.²⁷⁷ As the number and cost of emergency loans and aid programmes – the British loan, UN-administered aid (UNRRA), military aid for Greece and Turkey, interim aid for France and Italy, and the cost of keeping the populations in the occupied territories of Germany and Austria alive – mounted without sustainable improvement in sight, business leaders got nervous about the long-term cost and efficacy of the Truman administration’s foreign economic policy. “This country can[not] support the world”, warned the NAM, while the US Chamber predicted that “even a country as rich as the United States cannot [...] spend its substance at the rate of billions” and called “relief through

²⁷⁵ BoD (US Chamber), ‘Minutes of the 222nd Meeting’, Mar 1946, HML (1960, US Chamber), Series I, Box 3; ‘United States in World Economy’, Apr 1949, (1960, US Chamber), Series IV, Box 84; Swingle (NFTC), ‘ECA and the Export Trade’, Dec 1949, HML (2345, NFTC), Box 33; Swingle (NFTC), ‘ECA and Other Factors in World Trade’, Feb 1949, HML (2345, NFTC), Box 33; ‘Press Release’, 24 Feb 1947, HML (1960, US Chamber), Series I, Box 12.

²⁷⁶ FCDC (US Chamber), ‘Postwar Trends in the Foreign Trade of the United States’, Mar 1947, HML (1960, US Chamber), Series IV, Box 83.

²⁷⁷ Sloan, ‘To Senator George’, 23 June 1947, WHS (208, Sloan), Box 21.

dollar hand-outs [a] one-way street to the poorhouse for all". The Illinois Manufacturers Association's directors declared that "gifts and grants [...] have been largely ineffective".²⁷⁸

3.4.2 The dollar gap, the Marshall Plan and international trade

The notion that the grants and loans of 1945 and 1946 had addressed the symptoms but not the causes of Europe's economic malaise, while wreaking havoc on the economy of the United States and contributing to the dangerous hubris of its political leaders, thus became pervasive among business elites. Consequently, by 1947, business leaders demanded a "substantial European recovery, based on self-sustaining trade" because "throwing in billions of dollars" was not, by itself, going to solve any problems.²⁷⁹ Explicit demands for tariff cuts as an alternative to direct government financing of foreign reconstruction and imports were thus increasingly articulated as the world was "becoming progressively less able to pay by exports to us for our exports to it".²⁸⁰ Closing Europe's dollar gap, not the promotion of American exports or aversion of a recession at home, became the top priority for American foreign economic policy over the course of 1947. Import promotion and trade liberalisation as a substitute for emergency grants and loans thus became key trade policy goals, alongside the negotiation of the GATT, the drafting of the ITO charter and the extension of the RTAA. The prominence of these goals and the role of foreign policy and the balance of payments in

²⁷⁸ EAC (NAM), 'Draft Statement on the Present Economic Situation', Sep 1946, HML (1411, NAM), Series I, Box 272; Shreve (US Chamber), 'The International Situation', June 1947, HML (1960, US Chamber), Series I, Box 14; BoD (Illinois Manufacturers Association), 'Distribution of American Resources Abroad', Sep 1947, EL (CFEP Records, A-71-8), Box 23.

²⁷⁹ Shreve (US Chamber), 'American Enterprise', Nov 1947, and 'The International Situation', June 1947, HML (1960, US Chamber), Series I, Box 14.

²⁸⁰ 'Bulletin', Nov 1947, BL (1440, NY Chamber), Series III, Box 173.

generating business support for liberalisation has been overlooked in the existing literature. In this final section, I explore in more detail this under-studied relationship between aid and trade, which would become crucial after 1947 (see chapters 4 and 5).

Government and academic economists had for years been outspoken about the importance of Europe's dollar shortage and the need for American trade concessions to solve the European balance of payments problem in a lasting way.²⁸¹ This line of thought then played a crucial role in 1947, when Western Europe's collective current account showed a deficit of 5% of GDP and the dollar gap was a highly salient part of the context for preparing the Marshall Plan and the trade negotiations that established the GATT. As one official later noted in an oral history interview, "at that time one absolutely fixed element in the world trade situation was the shortage of dollars in countries and all around the world" and all aspects of foreign economic policy "were designed to cope with that problem."²⁸²

A trade policy focused on raising net imports would finally bring about a real recovery in Europe without placing an unbearable burden on the United States thus became one of the most discussed policy proposals among business elites in 1947, especially at the leadership level of the national business associations. A number of organisations, including the NFTC and the US Chamber, conducted extensive studies into ways to raise American imports in order to replace aid with trade as the primary means of assistance for Europe, and tariff cuts

²⁸¹ Know, 'American Trade Proposals', Aug 1946, HML (1411, NAM), Series I, Box 272; Coppock (SD), 'Overcoming Balance of Payments Difficulties', May 1947, TL (Coppock Papers), Box 1, F1; Clayton, 'To Salant', Mar 1946, TL (Salant Papers), Box 57; Coppock (SD), 'Untitled', Sep 1945, TL (Coppock Papers), Box 1, F2.

²⁸² 'Oral History Interview with Winthrop G. Brown', TL (Oral Histories Collection). Current account data from Eichengreen, *The European Economy Since 1945* (2007), p. 60.

were explicitly recommended as the best, and indeed only realistic way of bringing about the required increase in imports. The NFTC's research department concluded that only the promotion of European goods in the United States through lower tariffs, trade fairs, marketing and administrative assistance to European producers could achieve a sustained increase in dollar outflows. The board of directors later approved these conclusions and added its own affirmation that the United States should import more from Europe, including goods that were "competitive with our own", even if this were to create problems for some American producers.²⁸³

To many bankers, multinationals and exporters, this was welcome news. The NFTC's first post-war convention had already called for "greatly increased importation" and explicitly argued that tariff cuts under the RTAA complemented the loan to Britain because both were designed to "help Great Britain provide for her import needs during the transition period". The NFTC had for some time linked higher imports to America's "status as international creditor since the First World War [which] has demanded [...] an excess of imports over exports." The banking industry, one of the first adopters of the creditor nation view, was similarly quick to portray trade concessions as a complement to and even replacement of further grants and loans.²⁸⁴

Unlike in 1945, however, these creditor-nation inspired notions of two-way trade and using imports as a foreign policy tool were now also articulated by the leadership of the major

²⁸³ Research Division (NFTC), 'Disparity in US Export-Import Balance', Sep 1947, HML (2345, NFTC), Box 8; BoD (NFTC), 'Corporate Records – Minutes', 1946, HML (2345, NFTC), Box 24, F6.

²⁸⁴ 'Declaration of the 32nd Convention', Nov 1945, HML (2345, NFTC), Box 78; 'Expanding Imports Proposed by Chase', *New York Times*, 12 Nov 1945.

domestically focused business groups. The US Chamber supplemented its repeated public warnings about the cost of foreign aid with the statement that foreign trade “must be a two-way exchange” and the NAM “welcome[d] the elimination of trade barriers” in its high-profile report on *Considerations Involved in Proposals for US Aid*.²⁸⁵ The New York chamber’s Committee on Finance recommended “reduced tariffs as means of making additional dollars available to foreign countries”, with one committee representative elaborating during a members’ meeting that a complete elimination of tariffs on ten percent of dutiable American imports during the Marshall Plan would materially reduce the financial cost of further assistance. Demands on Europeans to devalue their currencies, also widely articulated in 1947, were another way in which American business elites called for making European imports more attractive (and American exports less attractive to foreigners) in order to help Western Europe. The result of devaluation – a stronger dollar – would make imported goods cheaper in the United States while discouraging Europeans from buying American goods.²⁸⁶

Even at the NICB, one of the organisations most hostile to the Truman administration and internationalism in general, the chairman wrote to the trustees in late 1947 that the world was out of balance, with America’s principal trading partners unable to pay for the imports they required. His argument against the view that tariff cuts should be part of the Marshall Plan was not a rejection of trade liberalisation per se; rather, Virgil Jordan – one of the few prominent figures to reject assistance for Europe outright – argued that not even a large tariff

²⁸⁵ Shreve (US Chamber), ‘The Responsibility of Management’, ‘The Responsibility of Management’ and ‘The International Situation’, 1947, HML (1960, US Chamber), Series I, Box 14; ‘Considerations Involved in Proposals for US Aid’, Oct 1947, HML (1411, NAM), Series I, Box 76.

²⁸⁶ ‘Bulletin’, Nov 1947, BL (1440, NY Chamber), Series III, Box 173; ‘Advantages Seen in Devalued Franc’, *New York Times*, 31 Dec 1945.

cut would bring about a sufficiently high level of imports given the dire state of most European economies.²⁸⁷

The NICB's doubts notwithstanding, a far-reaching consensus had emerged at the leadership level of the major business associations by the end of 1947, which held that any further grants or loans should be accompanied with or even replaced by trade concessions, including tariff cuts. This represented an important shift compared to 1945, when high levels of imports were only seen positively by the internationalist factions within the leadership of the major domestically oriented business associations, not to mention the 1920s and 1930s, when only multinationals, exporters and the banking industry had taken the creditor nation position and accepted that trade was a two-way process. Nevertheless, import promotion was not immediately accepted at the membership level of the national business associations. In fact, even the members of the NFTC remained sceptical of the merits of raising imports, rejecting a draft declaration at the 1947 Convention that called for promoting imports into the United States to help Europe recover. At other organisations, there was also significant membership apprehension at the prospect of rising imports.²⁸⁸ Despite the groundwork laid by the decades-long spread of creditor nation theory in making imports seem desirable and less threatening to American business elites, it would require a sustained effort to convince the rank-and-file of American business elites that high imports were indeed a price worth paying for reducing the cost and burdensomeness of assisting Europe's recovery. Over the course of 1948 and 1949,

²⁸⁷ Jordan (NICB), 'Memorandum to Trustees', Dec 1947, HML (1057, NICB).

²⁸⁸ 'America's Stake in the World Economy', Dec 1947, HML (2345, NFTC), Box 8; 'A Program for Action', 1947, HML (2345, NFTC), Box 8; BoD (NFTC), 'Final Declarations Draft', Sep 1947, HML (2345, NFTC), Box 8; 'Declaration of the 34th Convention', Nov 1947, HML (2345, NFTC), Box 78; 'Bulletin', Nov 1947, BL (1440, NY Chamber), Series III, Box 173.

government officials and the leaders of the major business associations succeeded in creating such support among the members of these organisations, as discussed in the next chapter.

3.5 Conclusion

Between September 1945 and December 1947, the United States sent emergency relief goods and extended emergency grants and loans to many countries in order to prevent economic and humanitarian disaster. Although grants and loans were sometimes tied to recipients' willingness to participate in American-led multilateral trade liberalisation, this had little practical relevance until the end of 1946. Furthermore, the promotion of American exports was a marginal aspect of foreign economic policy. Instead, business and political elites in the United States largely agreed that net exports had to fall and that even total exports could not be maintained at 1945 levels. This view was based on three beliefs: (a) that the United States as a creditor nation could not indefinitely run large surpluses; (b) that high levels of exports required high levels of imports because trade was a "two-way street"; and (c) that the American economy was operating at peak capacity and that additional foreign demand was thus not desirable. The revisionist view of the origins of the Cold War is not compatible with the archival evidence presented here. While it is true that there were some concerns about a return to depression, as well as demands from individual businesses and congressmen to purchase American goods with emergency aid and Marshall Plan funds, these were vastly outnumbered by business voices warning that additional foreign demand would destabilise the American economy, create inflation and exacerbate shortages.

Instead, import promotion was increasingly seen as a useful foreign economic policy strategy given the need to strengthen allies and trading partners. Emergency grants and loans, initially the preferred form of foreign assistance, became increasingly unpopular because of their cost and seeming ineffectiveness. However, Americans were unwilling to let Europe fail, particularly after the disastrous winter of 1946/47. Trade concessions – including tariff cuts and high levels of imports – thus became an increasingly popular policy option because they promised to be a sustainable, low-cost and private-sector alternative to government grants and loans. Import promotion became more widely accepted among business elites, notably by the leadership of domestically focused business associations like the NAM and US Chamber of Commerce. The emerging consensus around closing Europe’s dollar gap by lowering tariffs and encouraging imports represented a continuation of creditor nation theory, as articulated during the interwar period and post-war planning, portraying imports as an economic necessity and useful foreign policy tool.

Table 3: The business consensus on foreign economic policy, 1947

	In favour of trade concessions	Opposed to trade concessions
In favour of foreign aid	Banks, multinationals, exporters, US Chamber, NAM, most state and local chambers	
Opposed to foreign aid		Some Midwestern chambers of commerce, NICB, textile industry

Table 3 above illustrates this consensus. The overwhelming majority of business interest groups supported trade concessions as part of American assistance for Western Europe. Some in traditionally protectionist and isolationist groups supported aid, but wanted it to rely only on private charitable donations and investment. Only the NICB and the textile industry opposed trade concessions and rejected foreign assistance altogether because they feared foreign competition, detested government action and/or doubted the efficacy of import promotion. Protectionists did not recognise the emerging connection between foreign assistance and trade policy, and failed to demand a strategy of more grants and loans in order to make trade concessions unnecessary.

4 The dollar gap and the Marshall Plan, 1948-49

“More than ever before in our history the problem of exports and imports [and] our balance of payments has become a grave concern to the American people. [As] suggested by Secretary Harriman ‘we must import to live’.”

– *National Association of Manufacturers, 1948*

The 80th Congress, controlled by Republicans, ensured that the first post-war extension of the RTAA in 1948 gave President Truman only minimal power to cut tariffs and added protectionist provisions to the original legislation. Congress also refused to ratify the Havana Charter of the ITO, thus preventing the creation of an organisational framework for the GATT, and refused to explicitly endorse multilateral trade negotiations. Meanwhile, the escalation of the Cold War led to calls for restricting trade with the Soviet Union and its allies, foreshadowing the shift from global trade to trade within the so-called “free world” during the Korean War (see section 5.2). The contested extension of the RTAA, the failure of the ITO charter and congressional hostility against the GATT are the main topics discussed in the existing literature on American trade policy during the late 1940s. The congressional backlash against trade liberalisation has led some to call this a period of resurgent protectionism.²⁸⁹

New archival evidence, presented in this chapter, suggests that focusing on the fraught debates about the institutional framework for trade policy risks obscuring a major transformation of debates about American foreign economic policy that took place during the late 1940s. Policy-

²⁸⁹ See, for example, the periodisation used by Dür, *Protection for Exporters* (2010). Dür argues that “deadlock” began in 1948. See ch. 3, especially p. 84.

makers and business elites alike were primarily pre-occupied with the impoverishment of much of the rest of the world, including the main trading partners of the United States in Europe and Asia. Without a recovery in Europe in particular, there could be no high levels of trade, as most European countries faced the destruction of their productive capacity and were unable to finance even the most basic imports required for reconstruction, let alone American-made consumer and capital goods. Multilateral trade liberalisation was meaningless if there was no recovery, which was also necessary to contain the spread of communism. A sustainable recovery, however, required closing what became widely known as the “dollar gap”, i.e. Europe’s balance of payments deficit, which amounted to an average of \$9bn each year between 1945 and 1949.²⁹⁰ American grants and loans to finance European trade were discredited, as argued in chapter 3, so raising the level of imports into the United States became a key foreign economic policy ambition and part of the ERP. The perception that high levels of imports into the United States were linked to the security and prosperity of the country, and the use of the balance of payments as a framework for trade policy debates, two innovations of the interwar period, continued to spread during the Marshall Plan years, which benefited advocates of trade liberalisation.

As discussed in section 3.4, the Truman administration and the leaders of most major business interest groups, including the NFTC, the CED, the US Chamber of Commerce and the NAM, accepted trade concessions – including tariff cuts – as the most important tool for closing the dollar gap by late 1947. Closing the dollar gap remained the main objective of American foreign economic policy from 1947 until the early 1950s, and in this chapter I discuss the

²⁹⁰ Eichengreen, *The European Economy Since 1945* (2007), p. 78.

important role played by trade policy, in addition to extensive but unpopular ERP grants, as the key to improving Western Europe's balance of payments.²⁹¹ Supported by the leaders of most major national business associations, the Truman administration argued that the United States could buy more goods from its allies to provide the dollars that Western Europe was so desperately short of as the vague idea of the Marshall Plan was turned into the specifics of the ERP. In administering the ERP, the Economic Cooperation Administration (ECA) increasingly emphasised the promotion of imports from Western Europe and intra-European trade to deflect criticism, especially from anti-New Deal business elites, of the cost of the ERP. Working with the leaders of organisations such as the NAM and the US Chamber, the ECA succeeded in convincing many members of these major business associations to support not only the centrality of the dollar gap, but also the specific remedies of tariff cuts and deliberately raising the level of imports. This created a broad consensus among American business elites in 1948/49, including at traditionally protectionist business groups, for a more liberal trade policy as a form of foreign assistance that could replace direct government aid (e.g. grants, loans and donations of relief goods).²⁹² The emphasis on the trade-policy component of the ERP is not to deny the magnitude of grants disbursed to the recipient countries in Western Europe, which is already well-documented elsewhere in the literature (see also section 4.2.1).

²⁹¹ The dollar gap has been widely discussed, including in several recent works, but without a recognition of the broader context of the balance of payments and foreign policy informing trade policy. See McGlade, 'Americanisation: Ideology or Process', in *Americanisation and Its Limits*, ed. by Zeitlin and Herrigel (2004); Cardwell, *NSC 68 and the Political Economy of the Early Cold War* (2011); Salter, *Foreign Investment* (1951); Schmieding, *How to Fill a Dollar Gap?* (1987); Simon, 'Birth of an Organization: The ECA', *Public Administration Review*, 13:4 (1953); Frieden, 'Capital Politics: Creditors and the International Political Economy', *Journal of Public Policy*, 8:3 (1988); Leffler, *A Preponderance* (1992), ch. 4; Romero, *United States Policy for Postwar European Reconstruction*, *EUI Working Paper 87/311* (1987); Amerian, "'Buying European": The Marshall Plan and American Department Stores', *DH*, 39:1 (2014).

²⁹² A point often made in passing, e.g. by Lovett, *US Trade Policy* (1999), ch. 1; Baldwin, *US Trade Policy Since 1934* (2009) and Nivola, 'The New Protectionism', *PSQ*, 101:4 (1986), p. 595, but not given due weight in the existing literature.

Promoting imports and cutting tariffs for the benefit of other countries and geopolitical ambitions was impossible for much of the 20th century, not least because of widespread protectionism among business elites. Using trade policy in this way was not an option in the aftermath of World War I, when there was a similar global imbalance, and foreign policy arguments did little to help pass the RTAA during the 1930s. During the late 1940s, the Cold War and the changing conception of international trade among business elites finally made it possible to use trade policy strategically. Among business elites, the spread of the creditor nation view of trade policy with its emphasis on the balance of payments and foreign policy – from the banking industry, exporters and multinationals (interwar period, see sections 2.2-2.4) to internationalist leaders of the domestically focused business associations (World War II, see section 2.5) to the entire leadership of these organisations by 1947 (see chapter 3) – thus reached a new quality in 1948 and 1949. Significant parts of the membership of the major national business associations for the first time adopted the balance of payments and foreign policy framework for discussing trade policy.

Business support for high levels of imports thus continued to increase, contrasting with the resurgent protectionism in Congress that the existing literature emphasises. The adoption of import promotion by a large majority of both internationally operating and domestically focused business elites also explains why there is little evidence of demands for export promotion under the Marshall Plan in the archives of business associations: Export promotion would have widened the dollar gap and thus been counter-productive. Moreover, most business critics (and even supporters) of the ERP were strongly opposed to government interference in the economy and wanted to keep the cost of the ERP minimal (see section 4.2.2). This chapter examines business attitudes to the ERP, puts American trade policy during

the late 1940s into the broader context of foreign economic policy and the rise of the creditor nation theory of international trade since 1917, and brings to light new archival evidence.

4.1 Trade and aid: foreign economic policy in 1948

The ERP and multilateral trade liberalisation dominated foreign economic policy debates in 1948. Of these two issues, trade liberalisation – especially the ITO – has received much attention, while the ERP’s relationship to trade policy has been largely over-looked in the existing literature on trade policy. The story of the failure of the ITO is well-known. At the UN Conference on Trade and Employment in November 1947, which built on the work begun at Bretton Woods, the UK loan negotiations in 1945, the London Conference in 1946 and the GATT negotiations in Geneva, a draft charter was agreed for an international organisation that was to act as a framework for multilateral trade liberalisation. Despite initially high levels of business and political support in the United States, Congress blocked the Truman administration’s push for a ratification of the ITO charter (named the Havana Charter because of the location of the conference). This was in part due to a landslide Republican victory in the legislative elections of November 1946, but Congress still stonewalled the Havana Charter even after the Democrats regained control in 1949. The failure of the ITO was not simply a function of party politics or congressional parochialism. The ITO’s popularity declined over time among business elites and even within the Truman administration itself because the Havana Charter was seen as taking too much power away from the United States and failing to protect private companies against the actions of foreign governments. As I.M. Destler puts it, “pro-trade perfectionists” did as much to end the ITO as protectionists. Although the ITO has been studied at great length, no use has been made of business association archives to

examine why business opinion changed.²⁹³ This section addresses this gap to show that business hostility against the Havana Charter should not be interpreted as a sign of resurgent of protectionism.

The Havana Charter was so unpopular with business elites that one interest group after another dropped its support for the ITO in 1948. By March 1949, only importers, represented by the NCAI, and multinational corporations at the USCICC still supported the charter. Even the CED's support was severely diminished at this point due to concerns that the ITO did not protect international investors against expropriation, a particular concern in Latin America and, increasingly, in Europe, while imposing too many unilateral obligations on creditor countries like the United States. The USCICC dropped its support later on in 1949, with only one director voting to continue supporting the ITO.²⁹⁴ Many of the exporters, multinationals and banks represented by the NFTC came to oppose both ITO and GATT after initial hopes in 1948 that a Republican president could undo the deleterious effects of the Truman administration's "muddling" at Havana and negotiate a better deal for the United States. The NFTC remained without an official position on the ITO until three days after the presidential election; on 5 November, its hopes for a Republican president crushed by Truman's surprise victory, the NFTC took a stand against the ITO in its *Definitive Report on Havana Charter*, following a recommendation of its ITO special committee. The NCAI, normally closely

²⁹³ Destler, *American Trade Politics* (1986), p. 34. On the ITO, see e.g. Diebold, *The End of the ITO* (1952); Aaronson, *Trade and the American Dream* (1996); Zeiler, *Free Trade, Free World* (1999); Lovett, *US Trade Policy* (1999).

²⁹⁴ NFTC, 'NCAI Supports ITO', Dec 1948, HML (2345, NFTC), Box 161; CED, 'The ITO and the Reconstruction of World Trade', 1949, NL (CED pamphlets); USCICC, 'Committee Minutes', May 1950, HML (2345, NFTC), Box 161, Folder 'TPC: Org. Opinion: Other'. The odd man out was Paul Hoffman, at this point former CED president and former head of the ECA.

aligned with the NFTC on all trade policy issues, continued to lobby for a reversal of this decision. Yet despite support from several members and key advisors within the NFTC, this was to no avail.²⁹⁵

At the US Chamber, the collapse of support for the ITO was much more swift. In February 1948, chamber president Earl Shreve still argued that the ITO was needed to restore high levels of foreign trade and support reconstruction in Europe. Reservations at the leadership level of the organisation emerged in April, making the US Chamber the “first major national business organisation to take a stand opposing the Havana Charter” at the annual meeting that same month. Detractors of the ITO argued that the United States should make “no concessions” on free, private and competitive trade and reject any attempts by international organisations to interfere with domestic affairs.²⁹⁶ Even the New York chamber, one of most internationalist ones, was reticent about endorsing the Havana Charter in December 1948.²⁹⁷ By contrast, the erosion of NAM support for the ITO was much slower. In May 1948, the internationalist IR Committee recommended that the board affirm the NAM’s support for the ITO, having invested significant resources into working with the government to drive forward the negotiations in Havana. By September, a new committee on the dollar gap urged the board to

²⁹⁵ The disagreement can be seen in the correspondence among the leaders of the organisation. See Abbink (NFTC), ‘To Carroll (NFTC)’, 8 Apr 1948, HML (2345, NFTC), Box 161 and correspondence between the NFTC research director and General Motors from 1948, in the folder ‘TPC: Org. Opinion: Correspondence’ of this box. On the election and Truman, see BoD (NFTC), ‘Meeting Minutes’, Sep 1948, HML (2345, NFTC), Box 2 and ‘Definitive Report on Havana Charter’, 5 Nov 1948, HML (2345, NFTC), Box 161. On disagreements with the NCAI, see NCAI, ‘Advantages of ITO to US Business’, June 1949, HML (2345, NFTC), Box 161 and NFTC, ‘NCAI Support for ITO Testimony’, May 1950, HML (2345, NFTC), Box 161.

²⁹⁶ ‘Press Release B-10-11-8’, 16 Feb 1948, HML (1960, US Chamber), Series I, Box 14; BoD (US Chamber), ‘Minutes of the 237th Meeting’, Apr 1948, HML (1960, US Chamber), Series I, Box 3; ‘The Chamber and the Charter’, 1949, HML (1960, US Chamber), Series IV, Box 84; ‘Minutes of the 36th Annual Meeting’, Apr 1948, HML (1960, US Chamber), Series I, Box 33; ‘Policy Declarations 1946-9’, HML (1960, US Chamber), Series IV, Box 64.

²⁹⁷ Ex Cmte (NY Chamber), ‘Committee Minutes’, Oct 1948, BL (1440, NY Chamber), Series VI, Box 425.

recognise there was now no prospect of the charter's ratification, and that the ITO's popularity at the NAM itself had declined. In March 1949, the board, now also under pressure from the IR Committee, publically denounced the Havana Charter, declaring the "belief of the NAM that the [initial] objectives have been so compromised [by the Havana negotiations] as to render [the ITO] an ineffective instrument".²⁹⁸

Business hostility to the Havana Charter cannot be interpreted as a sign of growing doubts about multilateral trade liberalisation or a concern about rising imports. Rather, business elites opposed the Havana Charter because of concerns over sovereignty. Even for the protectionist, conservative NICB, the main objection was that "American international trade [is] passing into control of an international body" and this was echoed by all other groups that came to oppose the ITO. The NAM called the charter "in conflict with American principles of free enterprise", the US Chamber argued it violated the constitution and the NFTC warned that the sovereignty of the United States would be violated. Business elites in the United States – exporters, multinationals and domestically focused groups – opposed the ITO not because of its potential trade liberalising impact but because it was seen as empowering a supranational body to control trade and restrict private economic activity.²⁹⁹ Only a small minority of protectionist business leaders, most notably in the textile industry, complained against the ITO because they saw it as "an indefinite extension of the power to cut tariffs".³⁰⁰

²⁹⁸ BoD (NAM), 'Recommendation as to an Interim Position on the Havana Charter', May 1948, HML (1411, NAM), Series I, Box 104; 'Minutes of Joint Meeting of IR Committee and Advisory Group', Sep 1948, HML (1411, NAM), Series IX, Box 153; 'Statement on the ITO Charter', Mar 1949, HML (1411, NAM), Series I, Box 104.

²⁹⁹ BoT (NICB), 'Meeting Minutes', Oct 1947, HML (1057, NICB), Series II, Book 11; BoD (NAM), 'Resolution on the Havana Charter', Mar 1949, HML (1411, NAM), Series I, Box 104, Folder 'Int'l Monetary Problems'; 'The Chamber and the Charter', 1949, HML (1960, US Chamber), Series IV, Box 84, pp. 1-2; 'Press Release', 26 Jan 1949, HML (2345, NFTC), Box 161.

³⁰⁰ WMA, 'Secretary's Report', 1946, ATHM (2000.178.1, NTA), Vol. 77, p. 49.

The role of sovereignty concerns explains why, despite their opposition to the Havana Charter, many important business associations continued to support the RTAA against Republican attempts to end or curtail it. The NFTC, aghast that the Republican chair of the House Ways and Means Committee planned to hold no open hearings on the issue, unequivocally supported a three-year extension in 1948 “without substantial amendment” and launched an “energetic” publicity campaign to foster support for this proposal. The convention declarations of this period show that the members agreed with the leadership on the broad outlines of a liberal trade policy.³⁰¹

The US Chamber also endorsed this extension of the RTAA, with even traditionally protectionist state chambers in Kansas and Wisconsin publically supporting this stance because of the growth of new, more outward-looking industries in these states.³⁰² The NAM did not appear at the hearings in 1948, following support for the 1943 and 1945 extensions and staunch opposition in 1934, 1937 and 1940. The leadership and internationalist directors in the IR Committee, who had been pushing for endorsing the RTAA since at least 1943, were still doing so in 1947 in anticipation of the upcoming extension. Yet multiple attempts to work towards an official endorsement of the RTAA were deflected by the executive committee that year, citing concerns about membership division, and the NAM thus remained neutral, a

³⁰¹ See NFTC testimony at RTAA hearings, HML (2345, NFTC), Box 78; BoD (NFTC), ‘Meeting Minutes’, May 1948, HML (2345, NFTC), Box 2; ‘Renewal of RTAA’, May 1948, HML (2345, NFTC), Box 2; ‘Bulletin B1460’, Apr 1948, and ‘Bulletin B1444’, May 1948, HML (2345, NFTC), Box 27.

³⁰² BoD (MMAC), ‘Minutes’, Mar-May 1948, WHS (Milw Mss 14, MMAC), Box 2, F13; Wichita chamber, ‘To Capper’, 20 May 1948, KHS (Man Coll 12, Capper Papers), Box 37, Folder ‘Reciprocal Trade Gen Cor’; BoD (US Chamber), ‘Minutes of the 236th Meeting’, Mar 1948, HML (1960, US Chamber), Series I, Box 3.

strategy also adopted by the NICB.³⁰³ This left the textile industry and farmers as the principal business opposition to the RTAA in 1948.³⁰⁴

Irrespective of their views on the ITO, even domestically focused and formerly protectionist business associations like the NAM and the US Chamber now increasingly portrayed low tariffs and high levels of trade as an unqualified blessing, adopting a tone that had long been confined to exporters, banks and multinationals. The US Chamber now publically demanded “judicious tariff cuts”, its trade committee noting that tariffs were unnecessary given the dominant economic position of the United States, and argued that foreign competition would increase domestic efficiency. The new Association to Promote International Trade, established to limit reductions in tariffs in order to protect the American economy, sought US Chamber support but failed to obtain it because the formerly protectionist US Chamber now positioned itself as “favorable to [an] expansion of world trade”.³⁰⁵ A similar development occurred at the NAM, which in its trade policy proposals to the candidates for the 1948 election argued that the United States “should recognise its own economic strength and overcome its ‘inferiority complex’ [to] provide the maximum of encouragement to the flow of goods and services as between nations on an honest competitive basis”. At the forefront of this was the IR Committee, which conducted a major review of NAM’s positions and activities relating to

³⁰³ ‘Specific Problems Division Minutes’, Mar 1943, HML (1411, NAM), Series IX, Box 152; Correspondence and memos exchanged by Coulter, Weisenburger and Sargent, 29-31 Jan and 25 Feb 1947, HML (1411, NAM), Series I, Box 105, Folder ‘Tariffs’; ‘Special Committee Report on NAM’s Participation in International Matters’, 17 Aug 1948, HML (1411, NAM), Series I, Box 76.

³⁰⁴ On the textile industry’s objections, see e.g. BoD (NACM), ‘Meeting Minutes’, Apr 1948, ATHM (2000.178.1, NTA), Vol. 23. On the farmers, see e.g. correspondence of Arthur Capper with the National Live Stock Association and the National Grange, KHS (Man Coll 12, Capper Papers), Box 37, Folder ‘Reciprocal Trade Gen Cor’.

³⁰⁵ BoD (US Chamber), ‘Minutes of the 247th Meeting’, Sep 1949, HML (1960, US Chamber), Series I, Box 3. See also ‘The Importance of Imports’, 1948, and ‘United States in World Economy’, 1949, HML (1960, US Chamber), Series IV, Box 83-4.

international economic policy, concluding that tariffs had “shrunk to almost relative insignificance” compared to other foreign economic policy issues. The major national business associations retained the internationalist outlook acquired during World War II, according to which support for a liberal economic order was part of the global responsibilities of the United States. The NAM’s internationalists, for example, argued that “regardless of whether a particular firm is directly involved in foreign trade, its welfare may be appreciably affected by the volume of [trade]” and that “all broad economic policies in the domestic field today are being materially affected by international developments and financial commitments”.³⁰⁶ Many state chambers of commerce also retained at least some of the internationalism that the CED had brought to them during post-war planning (see section 2.5.3).

All this had an important consequence, explored in the next section: When the Truman administration built on the preparatory work for the Marshall Plan (see section 3.4) and sought to promote imports into the United States in order to strengthen Western Europe, the internationalist and pro-trade consensus among business elites contributed to business support for the ERP (see sections 4.2 and 4.3). The consensus among the leaders of most major national business associations around creditor nation theory and two-way trade was especially important (see pp. 196-199). At the same time the prevailing hostility to state control over international trade in non-emergency situations and concerns about an over-heating of the American economy led to strong business scepticism when it came to ERP grants and loans.

³⁰⁶ Political Platform Cmte (NAM), ‘Proposed NAM Recommendations’, 1948, HML (1411, NAM), Series IX, Box 153, p. 11; IRC (NAM), ‘Suggested Scope of Activity in the International Field’, 1948, HML (1411, NAM), Series I, Box 76, esp. pp. 5-6 on trade policy and pp. 2-3 on internationalism.

The notion that ERP funds be used to stimulate American exports was rejected by business elites (see section 4.4).

4.2 Building business support for the European Recovery Program

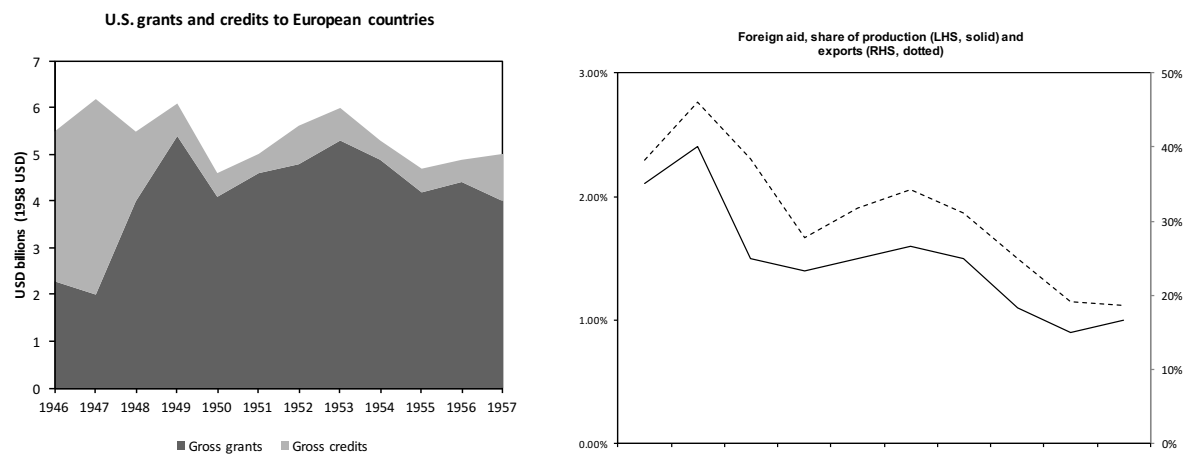
The Truman administration's failure to gain business support for the ITO contrasted sharply with strong business support for the ERP, particularly in late 1948 and 1949, which extended to the idea of raising imports into the United States as a complementary policy to ERP grants. The leaders of most major business associations continued to agree with the Truman administration that imports into the United States had to rise if Western Europe was to be stabilised. Indeed, staff and directors at the NFTC, the NAM and the US Chamber successfully worked with the government to create broad support among their members for making this policy part of the ERP, and they succeeded. Far from abandoning trade liberalisation or advocating export promotion, business elites increasingly supported high levels of imports, as trade policy remained subordinate to foreign policy and the basic insight of creditor nation theory – that the balance of payments constrained trade policy – continued to spread in business circles.

4.2.1 The European Recovery Act of 1948

During the winter and spring of 1948, the Marshall Plan was discussed in Congress, with the general public and business elites paying great attention. On 3 April, Congress approved the European Recovery Act, thus creating the ECA as the agency in charge of the Marshall Plan (now formally known as the ERP), along with its semi-autonomous missions in the recipient

countries. At the top of the ECA, which reported directly to President Truman, stood the CED veteran and former Studebaker president, Paul G. Hoffman – a staunch internationalist. Averell Harriman, like Hoffman an early advocate of creditor nation theory, became the head of the ECA missions, giving up his position as commerce secretary. Through the ERP, the United States provided significant amounts of aid, mostly in the form of grants, to Western Europe and above all to Britain. The \$13bn distributed under the ERP amounted to 1.5% of the annual GDP of the United States, even though Congress cut the ECA appropriations several times (see figure 4.1 for detail). The ERP lasted until 1951, when it was merged with other programmes under the control of the new Mutual Assistance Agency (MSA), and later the Foreign Operations Administration and USAID, and put under the direct control of the State Department.³⁰⁷

Figure 4.1: US foreign aid to Europe, 1945-57



Source: National Planning Association

³⁰⁷ National Planning Association, *US Foreign Aid Programs and the US Economy* (1958); Hogan, *The Marshall Plan* (1987), ch. 3.

Although the politics of the European Recovery Act's fraught passage through the legislature in the winter and spring of 1948 have been extensively researched, the existing literature does not use business archival records to establish what happened behind the scenes among business elites during these crucial months.³⁰⁸ Most major business associations publically supported the ERP. Exporters, multinationals and banks, e.g. at the NFTC, the CED and the USCICC, strongly supported the Truman administration, as did many American chambers of commerce abroad who eagerly offered their assistance to the ECA.³⁰⁹ Both the NAM and the US Chamber also backed the Truman administration at the ERP hearings and claimed to have been among the ERP's first supporters later. Today, the US Chamber's official history still portrays the organisation as a steadfast and early backer of the Truman administration's foreign assistance proposals and the same is true for other major companies.³¹⁰ Labour unions, including AFL and CIO, and civil society groups, especially women's groups, also lent their support at the hearings and in the public debate about the ERP in early 1948.³¹¹

Yet behind the façade of official business support, matters were complicated. Within the US Chamber, there was significant conflict over the organisation's stance. Some state chambers, notably those for New York and New England, emphatically supported the ERP. At the New York chamber, this support was close to unanimous while in Boston, textile groups fearing

³⁰⁸ e.g. one of the main histories of the ERP, Hogan's *The Marshall Plan* (1987) only briefly discusses business elites, see p. 97. In the existing literature, the main debates about the Marshall Plan instead centre on the programme's efficacy and the motivations of political elites.

³⁰⁹ See e.g. correspondence in NARA (RG 469), Series UD 189, Box 2.

³¹⁰ 'Special Committee Report on NAM's Participation in International Matters', Aug 1948, HML (1411, NAM), Series I, Box 76; US Chamber, 'Timeline', <<https://www.uschamber.com/timeline/>>, [accessed 10 Mar 2013]; Citibank timeline, <<http://citigroup.com/citi/press/mobile/ir/html/timeline/index-com.html>>, [accessed 10 Mar 2013].

³¹¹ 'Report on the International Trade Union Conference on the ERP', 1948, WHS (107A, AFL), Series 5C, Box 18.

negative implications disagreed vocally only to be overruled or ignored.³¹² Traditionally more protectionist and isolationist business associations in Wisconsin, however, rejected the ERP. On the state level, the Wisconsin Manufacturers Association's annual meeting voted to oppose any further foreign aid, and the organisation's leadership complained about business and political leaders who supported the Marshall Plan, while the Wisconsin chamber called for "drastically" reducing appropriations for foreign aid.³¹³ Underlining the importance of the issue to business elites in Wisconsin, opposition to the Marshall Plan was articulated even by city chambers in Green Bay and Milwaukee, who normally did not concern themselves with foreign policy issues at all.³¹⁴ Such membership discontent was not confined to Wisconsin in the spring of 1948. A number of state chambers, predominantly from the Midwest, set up a National Association of State Chambers of Commerce to circumvent the US Chamber and focus on the issues they considered important: unions, fiscal policy, taxation and social security – not foreign policy, and certainly not lavish spending on foreign aid. This organisation issued a stern rebuke to the ERP in April 1948.³¹⁵

Membership discontent complicated the US Chamber leadership's desire to provide strong support for the Truman administration in Congress. Due to internal conflict over the ERP, the board of directors found itself with "no official policy on European aid" in January 1948. Through the – highly unusual – use of an emergency measure, the board then adopted an

³¹² 'Resolution on the Marshall Plan', Mar 1948, BL (1440, NY Chamber), Series IV, Box 333; New England Council, 'Directors Opposed to Cuts in ECA Appropriation', June 1948, HBS (Boston chamber), Box 79.

³¹³ 'Annual Meeting Programme', 1948, WHS (441, WMA), Box 1; 'Bulletin', June 1948, WHS (441, WMA), Box 12; 'President's Report', Nov 1948, WHS (786, Wisconsin chamber), Box 9.

³¹⁴ BoD (MMAC), 'Minutes', May 1948, WHS (Milw Mss 14, MMAC), Box 2, F13; 'Bulletin', Mar 1948, WHS (GB Mss 116, Green Bay chamber), Box 98.

³¹⁵ 'Minutes of Special Meeting of State Chamber Executives with US Chamber', June 1948, HML (1960, US Chamber), Series I, Box 9; Council of State Chambers, 'A Program for Federal Finances', Apr 1948, HML (1016, Delaware chamber), Vol 17.

official position in favour of the Marshall Plan without the full consent of all members, circumventing the “usual procedure” for establishing the Chamber’s policies. The directors argued that the US Chamber had been in favour of all previous aid proposals and drafted a supportive statement for the organisation’s president to present at the Senate hearings in February. These hearings were not scheduled on short notice; the NFTC for example already had a clear policy on the issue in December 1947. The Chamber itself discussed economic assistance for Europe in late 1947 and a Committee on the European Recovery Program was established in November 1947. What prevented the Chamber from adopting a position on the ERP in the usual manner was disagreement among the members, not time pressure.³¹⁶

Although the NAM’s support of the ERP was not as fraught as the US Chamber’s, there were still significant reservations. A document comparing the draft of the European Recovery Act to the NAM’s wishes identified several substantial shortcomings. In particular, the NAM wanted stricter limits on grants and loans, and more attention on potential negative effects on the American economy resulting from increased foreign demand.³¹⁷ By June, the board of directors warned that the ERP was doomed to fail because too much was being spent on relief and not enough done for sustainable reconstruction.³¹⁸ Unlike at the US Chamber, resistance at the NAM was not only due to tension between internationalist leaders and sceptical members, but also conflict within the leadership itself. The internationalists brought in by post-

³¹⁶ BoD (US Chamber), ‘Minutes of the 235th Meeting’, Jan 1948, HML (1960, US Chamber), Series I, Box 3. When the membership met for the annual conference in April, no resolution on the ERP was passed. See ‘Resolutions’, 1948, HML (1960, US Chamber), Series I, Box 35.

³¹⁷ ‘Comparison of NAM Position and Provisions of Administration Bill’, Apr 1948, HML (1411, NAM), Series I, Box 104, Folder ‘IR’.

³¹⁸ BoD (NAM), ‘Resolution on ECA Funds’, June 1948, HML (1411, NAM), Series I, Box 103, Folder ‘ECA’.

war planning (see section 2.5.2) strongly supported the ERP, while older directors and significant parts of the membership resisted. The conservative Political Platform Committee, for example, demanded that the ERP “must be constantly watched and immediate corrective steps taken if inefficiency and unsound policies make their appearance”. At the same time, the more internationalist International Economic Policy Committee issued pamphlets advocating the renewal of the RTAA and linking this directly to the ERP because, it was argued, growing American imports would send much-needed dollars to Western Europe. The similarly internationalist IR Committee, which also viewed the ERP and Europe’s economic malaise in the broader context of stagnant international trade, even demanded increased trade with the Soviet Union because the ERP could not “bring balance to world trade” if the United States discriminated against some parts of the world.³¹⁹ This occurred despite rising anti-communism in the wider organisation (see section 4.2.2).

Even at the NFTC, there were concerns about weaknesses in the proposals put forward by the Truman administration.³²⁰ In March, the NFTC proposed several changes to the draft bill, the two most significant of which stressed that the ERP should rely on private channels of trade and private enterprise as much as possible, and avoid exacerbating shortages in the United States. Although not all of these suggestions were incorporated, the executive reported to the members in April that the final bill contained most of what the NFTC wanted. Indeed, the demand for reliance on private channels of trade was incorporated into the bill, a success which

³¹⁹ Political Platform Cmte (NAM); IRC (NAM), ‘Minutes of Advisory Group to IR Committee’, Mar 1948, HML (1411, NAM), Series IV, Box 153; IEPC (NAM), ‘Report on Recent Activities’, Apr 1948, HML (1411, NAM), Series I, Box 104, Folder ‘IR’.

³²⁰ Loree (NFTC), ‘Statement on ERP’, Senate Foreign Relations Cmte, 1948, HML (2345, NFTC), Box 2.

the NFTC leadership highlighted again in May.³²¹ Despite this success, there is clear evidence that the leadership of the organisation worried about internal dissent. The research director bluntly predicted that there would be “a lot of wailing” among short-sighted American businessmen if the ERP succeeded and Western European exports increased as a result of economic recovery and American trade liberalisation.³²²

These troubles at the NFTC notwithstanding, internationalist organisations were among the strongest supporters of the ERP. Conservative and anti-New Deal business leaders, on the other hand, joined protectionists, such as textile producer groups, in strongly opposing the ERP, declaring the Truman administration’s proposals futile or unnecessary. The American Cotton Manufacturers Association (ACMA) cautioned the State Department in April 1948 against any foreign economic policy decision that would harm American producers, especially the “rehabilitation and expansion” of the textile industry in other countries at the expense of American producers and voiced fears that recovery abroad – including in Germany and Japan – would jeopardise American manufacturers. The Cotton-Textile Institute warned that the main impact of foreign assistance would be a return of Japan as a serious competitor, which in conjunction with trade liberalisation posed a lethal threat to the American textile industry.³²³ The ACMA, the Cotton-Textile Institute, the Association of Cotton Textile Merchants of New York and the Textile Export Association of the United States later formed a joint Textile

³²¹ ‘Trade Groups Ask’, Newspaper Clipping, 8 Mar 1948, HML (2345, NFTC), Box 9; ‘Amendments to Original Senate European Recovery Bill’, Mar 1948, HML (2345, NFTC), Box 9; ‘Bulletin B1437’, Apr 1948, and ‘Bulletin B1449’, May 1948, HML (2345, NFTC), Box 27.

³²² Abbink (NFTC), ‘To Carroll (NFTC)’, 8 Apr 1948, HML (2345, NFTC), Box 161.

³²³ Cotton-Textile Institute, ‘Tariffs Changes on Cotton Textiles’, 1948, ATHM (1995.178.4, ATMI), Box 1.

Industry Committee on Foreign Trade to keep “a close watch over the foreign situation”, clearly worried by what the Truman administration was doing.³²⁴

Why was there so much business scepticism about the ERP in 1948? The existing literature does not answer this question, due to the absence of primary evidence and a tendency to treat business elites monolithically. My argument, set out in the next section, is that there were significant concerns early on about the predicted financial and economic cost of the ERP, as well as the programme’s reliance on government action rather than the private sector. This was only tolerated because security and humanitarian considerations made not assisting Western Europe an unacceptable alternative (see section 4.2.2). Because of the implacable opposition to foreign assistance based on grants and loans – initially the main focus of the ERP – the ECA and its supporters increasingly emphasised efforts to promote imports from Western Europe and trade within Europe as an alternative to expensive and unsustainable grants and loans in late 1948 and 1949, which led to growing business support (see section 4.3). Using the ERP to promote American exports, on the other hand, was not a strategy used to shore up business support (see section 4.4).

4.2.2 Business divided: creditor nation vs. small government

One argument nearly everyone could agree on was that further assistance was needed to protect Europe from economic collapse, starvation and strife. Indeed, as figure 4.1 above shows, the ERP ensured a continuity of aid, rather than a massive ramping up of it. Moral

³²⁴ FEE correspondence and pamphlets in HML (1416, Crane Papers), Box 34-5; ACMA, ‘Annual Meeting Minutes’, 1948, p. 363, and ACMA, ‘Proceedings of 53rd Annual Meeting’, 1949, ATHM (1995.178.1, ATMI), Box 1.

language remained a noticeable element of the discourse among business elites (and the wider public), evidence of which survives in the publications of many organisations. There was still a feeling of moral obligation towards Europe.³²⁵ To dismiss this as merely empty rhetoric would ignore the pervasiveness of the image of Europe as a continent “mired in poverty and ravaged by war”, kept alive in business circles not least by the travels of business association staff members and directors to Europe, and the stark contrast in tone to discussions about aid for Asia and Africa.³²⁶ The Wisconsin business associations that voiced strong criticism of the ERP were also organising private aid convoys in 1948, as they had since 1945, aimed particularly at countries to which influential members could trace their own heritage. They also advocated resettling Western Europeans in the United States and to “underdeveloped areas” on other continents.³²⁷ Motives for helping Western Europe recover clearly went beyond merely economic and national security considerations.

Compared to the immediate post-war years (see section 3.2.2), business supporters of the ERP also argued much more frequently and explicitly that the Soviet Union was harbouring dangerous, expansionist desires that had to be contained. After all, the ERP began almost simultaneously with the Soviet blockade of West Berlin in June 1948. Anti-communism was not a new attitude, but until late 1947 business elites, with the exception of strongly conservative, often religiously motivated figures in organisations like the NICB and the Foundation for Economic Education (FEE), mostly took objection to domestic communism in

³²⁵ ‘Declaration of the 36th Convention’, Nov 1949, HML (2345, NFTC), Box 78; ‘Review of the 80th Congress’, 1948, HML (1960, US Chamber), Series IV, Box 83. See also p. 143.

³²⁶ ‘A Programme for Anti-Communist Action’, 1948, HML (1960, US Chamber), Series IV, Box 83; FDF (NFTC), ‘Notes on Board Meeting’, 1949, HML (2345, NFTC), Box 9.

³²⁷ ‘Friendship Fleet Correspondence’, June 1948, WHS (441, WMA), Box 3.

the United States and Europe.³²⁸ In 1948, the old idea of a grand ideological struggle with communism was re-conceptualised, militarised and re-focused on the Soviet Union. Language about Soviet aggression and threatening behaviour proliferated in business circles. In marked contrast to his predecessors as president of the US Chamber, who had been strongly in favour of good relations with the Soviet Union, Earl Shreve spoke frequently of Moscow's "tyranny" and under his leadership the US Chamber eventually advocated shutting the Soviet Union out from any further aid, as well as restricting trade with communist countries.³²⁹ Such rhetoric also ramped up at the NAM – particularly in committees dominated by conservative directors – and the NFTC.³³⁰ Anti-communism and hostility to the Soviet Union were still below the levels they would reach during the Korean War (see section 5.2); internationalists still advocated good economic relations with communist countries (see p. 187). Nevertheless, the ERP was justified with reference to the danger of communism in Europe.

The key argument for helping Western Europe thus went that Europe's weakness was dangerous and that the moral duties of the United States remained unfulfilled as long as Europeans were suffering. Thus, both aid in the short run and trade concessions in the longer term were seen as inevitable sacrifices.³³¹ The only major business association that took

³²⁸ The FEE was founded in 1946 by current and former NAM and NICB members. It was initially conservative, and later became libertarian; see section 7.2.1.

³²⁹ See Earl Shreve's speeches in HML (1960, US Chamber), Series I, Box 14 and 'Review of the 80th Congress', HML (1960, US Chamber), Series IV, Box 83, pp. 2-3. Eric Johnston, on the other hand, had often spoken of the promise that lay in trading with the Soviet Union; see HML (1960, US Chamber), Series I, Box 12 and section 2.5.3.

³³⁰ Sargent (NAM), 'Observations on European Trip', Sep 1948, HML (1411, NAM), Series XIII, Box 238; 'Minutes of Advisory Group to Committee on International Relations', Mar 1948, HML (1411, NAM), Series IV, Box 153. 'America's Answer to Communism', 1948, HML (1057, NICB), Series VI, Box 17; 'President's Report', Mar 1948, HML (1057, NICB), Series II, Book 11.

³³¹ For business groups explicitly articulating this argument, see 'Resolution on the Marshall Plan', Mar 1948, Butler Library (1440, NY Chamber), Series IV, Box 333; New England Council, 'Council Directors Opposed to Cuts in ECA Appropriation', June 1948, HBS (Boston Chamber), Box 79; Loree (NFTC), 'Statement on ERP', Jan 1948, HML (2345, NFTC), Box 2.

exception to this was the NICB. Its president, Virgil Jordan, declared the ERP “the most insidious and dangerous development of the deliberate Soviet Communist conspiracy to undermine and cripple the economic power of the United States” in January 1948. Jordan argued that assistance “as a means of outbidding Communism [is] an infantile illusion or fraud” and that “the dollar shortage of which they complain is merely a semantic [trick]”. Though perhaps unusually extreme even within the NICB, these sentiments did mirror the board’s views and – clad in somewhat gentler rhetoric – became the group’s official position a few months later. The “Asiatic magic of Soviet Russia”, according to a significant faction of conservative businessmen in 1948, was leading Americans into confusion about the proper role of government.³³² Conservative businessmen organised in the FEE, which included senior figures from the textile and chemical industries, protested against the possibility of any new grants or loans, or indeed any action by the American government to help bring about recovery in Europe, for similar reasons.³³³

Wide agreement on the inevitability of another attempt to achieve a European recovery did not mean that there was not a vast amount of apprehension even among those who supported the ERP. There was certainly a shared concern among supporters and opponents of the ERP that it was entirely inappropriate for the government to attempt to stimulate demand by funding foreign reconstruction with American taxes. The soft version of this argument, articulated by critics within the NAM, was that foreign aid was just not necessary to “avoid extreme

³³² Jordan (NICB), ‘The Marshall Plan’, 1948, HML (1057, NICB), Series VI, Box 17; Jordan (NICB), ‘Board Meeting Notes’, Mar-May 1948, HML (1057, NICB), Series VI, Box 17.

³³³ Hazlitt (FEE), ‘Suggestions for Foreign Aid’, Feb 1948, HML (1416, Crane Papers), Box 34. See also, Hazlitt, *Will Dollars Save the World?* (1948). The FEE’s answer to the question in the report’s title was a resounding no; “not American loans, but a complete change in the internal economic policies of Europe” was required for recovery.

economic depression”. Any short-run economic effects on the American economy were indeed expected to be negative rather than positive, with conservative voices at the NAM warning that excessive demand from foreigners was destabilising.³³⁴ These men were not alone in their belief that the American economy did not need, and could not adequately satisfy, any additional demand. One of the changes to the European Recovery Act demanded by the NFTC focused on the need to protect the American economy from shortages induced by more foreign aid. The organisation’s board also seriously discussed a proposal to restrict Latin American purchases in the United States, if it could be shown that these countries were using dollars obtained by selling goods to the ECA.³³⁵ Wisconsin’s manufacturers argued that the situation had worsened to the point that they and others were “today [...] unable to even supply the domestic market” and the state chamber of commerce demanded export controls to conserve scarce goods in early 1948.³³⁶ Union leaders agreed with this view: the head of the CIO argued in a speech about foreign aid that there were “no general surpluses to export”. Rather, the United States would have to make costly economic sacrifices for the sake of foreign aid. The AFL explicitly pushed this line of argument with the help of lobbying firms in Washington.³³⁷

Fears of inflation were still much more wide-spread than fears of a new recession in early 1948, and inflationary pressures were widely linked to the government’s fiscal policy, including the most prominent items: spending on the military and foreign aid. The prevailing

³³⁴ ‘Comparison of NAM Position and Provisions of Administration Bill’, Apr 1948, HML (1411, NAM), Series I, Box 104, Folder ‘IR’; BoD (NAM), ‘Gold Standard’, Apr 1948, HML (1411, NAM), Series I, Box 103.

³³⁵ BoD (NFTC), ‘Meeting Minutes’, Apr 1948, HML (2345, NFTC), Box 2; ‘Amendments to Original Senate European Recovery Bill’, Mar 1948, HML (2345, NFTC), Box 9.

³³⁶ ‘Bulletin’, Jan 1948, WHS (441, WMA), Box 12; BoD (WCC), ‘Meeting Minutes’, Mar 1948, WHS (786, Wisconsin chamber), Box 2, F7.

³³⁷ ‘Reprint on Marshall Plan Procedure’, 1948, WHS (107A, AFL), Series 5C, Box 18.

belief at the NAM was that wartime programmes like Lend-Lease had stimulated demand without creating inflation only because these were essentially “production for destruction”. The ERP, however, would operate without price controls and in peacetime, so the NAM’s economists argued that ERP grants and loans would add “to the current volume of effective demand [which] must (*ceteris paribus*) increase prices in this country”. The NAM Committee on Economic Policy thus pressured the board into releasing a statement that “the enlarging [sic] of the defense program and [the] ERP” added to already existing inflationary pressures, and the NAM would throughout the duration of the ERP push for keeping the cost of the programme as low as possible.³³⁸ Such concerns were even more pronounced at conservative business associations. Inflation, taxation and rearmament spending were “the painful problems America faces today” according to the NICB and, as viewed from Wisconsin, foreign aid appropriations contributed directly to the dangerously high level of the national debt and unsustainable fiscal deficits.³³⁹

Even the Truman administration was worried about the inflationary impact of the ERP. Averell Harriman, then secretary of commerce and soon to be head of the ECA’s European operations, wrote to the ECA administrator to emphasise that “the control of all exports to Europe was determined to be Administration policy” in order to limit the impact of foreign aid on the American economy. For this reason, the Truman administration also encouraged Western

³³⁸ ‘Minutes of Meeting of NAM Committee on Economic Controls’, May 1948, HML (1411, NAM), Series IX, Box 153; Research Department (NAM), ‘Statistical and Economic Background to the Marshall Plan’, 1948, HML (1411, NAM), Series I, Box 77.

³³⁹ Jordan (NICB), ‘Board Meeting Notes’, Mar-May 1948, HML (1057, NICB), Series VI, Box 17; BoD (WCC), ‘Meeting Minutes’, Apr 1948, WHS (786, Wisconsin chamber), Box 2, F7; WMA, ‘Annual Meeting Program’, 1948, WHS (441, WMA), Box 1; ‘Committee Minutes’, 1948, WHS (786, Wisconsin chamber), Box 10, F4.

European countries to once again accept high levels of German exports instead of buying American goods, and to import more from their respective colonies with whom they shared a common currency. Concerns about shortages caused by aid-induced foreign demand were sufficiently severe that the Senate asked the ECA to explain how it would “protect” American businesses and accused the Department of Commerce of neglecting its duty in this respect. The ECA attempted to calm such fears by pointing out that its aim, codified into law by the European Recovery Act, was to satisfy European import requirements using whichever sources were cheapest, i.e. for the most part not in the United States.³⁴⁰

Moreover, there was still a strong, and indeed growing, desire to see a “return to private enterprise” among all types of business leaders. Government interference was by nature “problematic” and only acceptable if it served an essential geopolitical purpose and no less intrusive alternative existed.³⁴¹ The NICB articulated an extreme variant of this critique. Here, the Marshall Plan was seen as a triumph of evil, namely the New Deal and economic planning. “New Dealers” and “planners” were frequently vilified when conservative businessmen discussed politics, whether domestic or foreign. Virgil Jordan bitterly conceded that the ERP would be perfect “compensatory fiscal policy”, an idea anathema to him because it amounted to “compulsory collectivism here at home” and a continuation of the hated New Deal. The board of the organisation similarly linked foreign aid and the New Deal, and declared that the

³⁴⁰ Harriman, ‘To Loree’, 20 Feb 1948, HML (2345, NFTC), Box 9; ‘Curb on Germany Sought in Europe’, *New York Times*, 21 May 1948; ECA, ‘Draft of Statement before Senate Small Business Committee’, 9 June 1948, NARA (RG 469), Series UD20, Box 9; Wherry (Sen), ‘To Hoffman’, 4 June 1948, NARA (RG 469), Series UD20, Box 9.

³⁴¹ ‘Letter to Vandenberg’, 5 Mar 1948, HML (2345, NFTC), Box 160, Folder ‘ECA’; ‘Resolutions’, Apr 1948, HML (1960, US Chamber), Series I, Box 35; Research Department (NAM), ‘Statistical and Economic Background to the Marshall Plan’, 1948, HML (1411, NAM), Series I, Box 77.

“State socialism” of foreign aid was a direct consequence of the “universal delusion that more American money is the cure for everything that ails the world” combined with the “fallacy of [...] underwriting markets by distributing fake money”.³⁴² The link between New Deal and foreign aid was also drawn in the publications of many state chambers of commerce.³⁴³

Initial business support for the ERP was thus fragile until and throughout the summer of 1948. Given the political and economic climate at the time, in which grants and loans to foreign countries were at best seen as a necessary evil, it is unsurprising that there were few who supported the ERP because they hoped it would become an export promotion programme funded by the American government. In fact, the opposite was true. At the end of 1947, a series of high-profile foreign economic policy reports, commissioned as part of the formulation of the Marshall Plan, stressed the importance of raising imports into the United States and exportable surpluses in Western Europe (see section 3.4). This strategy, developed in part by internationalist business figures, resonated with the leaders of the major American business interest groups who were disillusioned by the grants, gifts and loans of 1945 and 1946 because of the high cost and limited effectiveness of this type of foreign assistance. Relying on growing imports from Western Europe as a way of increasing the flow of dollars abroad and closing the dollar gap was a strategy impervious to many of the objections that ERP critics raised in 1948: it was cheap, relied on the private sector and promised a sustainable solution. Building on the 1947 reports and by now decades-old ideas of creditor nation theory

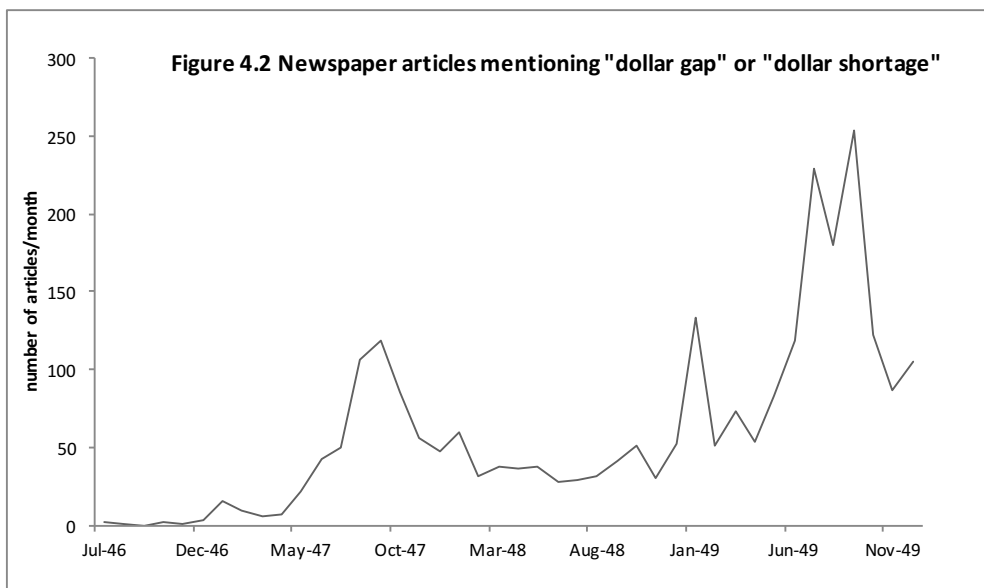
³⁴² Jordan (NICB), ‘The Marshall Plan’, Jan 1948, HML (1057, NICB), Series VI, Box 17; Jordan (NICB), ‘Board Meeting Notes’, Mar and May 1948, HML (1057, NICB), Series VI, Box 17.

³⁴³ ‘Bulletin’, June 1947, (441, WMA), Box 12; Thomson, ‘To Dennison’, 21 May 1947, HBS (Dennison Papers), Box 5. See also BoD (Delaware chamber), ‘To Our Members’, 1946, HML (1016, Delaware chamber), Vol. 15.

and trade as a two-way process, the supporters of the ERP tried to increase business support by arguing that, unlike previous aid programmes that relied only on grants and loans, the ERP would to a significant extent rely on trade policy as a means to address what was widely regarded as the fundamental obstacle to European recovery: the balance of payments deficit, also known as the “dollar gap”. Where there was early support for the ERP – among internationalists and at the leadership level of the US Chamber and the NAM – it rested to a significant extent on the idea that trade concessions and import promotion could help close the dollar gap and avert a collapse of Western Europe more cheaply than grants or loans, as discussed in the remainder of this section. Moreover, by late 1948, with ECA spending on grants proving controversial, many business supporters of the ERP advocated that the United States should make trade concessions and that the ECA should promote imports from Europe, thus increasing the flow of dollars by private-sector means, which contributed to higher levels of business support for the ERP in 1949 (see section 4.3).

The European Recovery Act foresaw that the ERP, unlike previous aid programmes, would include both government aid and import promotion. Both of these policies addressed the crucial problem of Western Europe’s insolvency and there was a clear and increasing preference among business elites for the latter to replace the former. The development of this line of thought among American political and business elites harked back to debates at the end of World War I and during the interwar period about the necessity of trade deficits for the repayment of foreign loans (see section 2.1.2); it built on the ideas of post-war planners that prosperity and high levels of international trade required high levels of American imports (see section 2.5); and it followed seamlessly from the effort to develop a coherent foreign economic policy in 1946 and 1947 (see section 3.3.1) and the discourse about foreign economic policy

in 1947, which the dollar gap already played a major role (see also section 3.4). As figure 4.2 below illustrates by tracking the frequency with which the term “dollar gap” was used in the media, there was again a dramatic increase in the use of the term, particularly visible in 1949, reflecting the growing salience of the dollar gap and the balance of payments in the public discourse. Most major business associations studied the problems posed by Europe’s balance of payments deficit and its implication for American foreign and foreign economic policy.³⁴⁴ Making import promotion and trade concessions part of American assistance for Western Europe was an application of creditor nation theory to darker times: times in which American allies and trading partners lay not only economically prostrate but also vulnerable to both domestic and Soviet communism, and had to be restored both economically and politically through help from the creditor nation.



Source: ProQuest Historical Newspapers

³⁴⁴ The NAM, for instance, created a committee solely dedicated to this issue. Such single-issue committees were highly unusual. See ‘Minutes of Joint Meeting of IR Committee and Advisory Group’, Sep 1948, HML (1411, NAM), Series IX, Box 153.

In a widely publicised speech, the US Chamber’s president laid out the argument for import promotion as part of the ERP in February 1948. Stressing Europe’s “shortage of US dollars” caused by the excessive American export surplus, Earl Shreve argued that the United States “must act as a creditor”. This meant extending “Marshall Plan dollars [to] serve as a stopgap measure to tide over temporarily” the dollar gap and enable Europe to import in the immediate future. However, Shreve then went on to warn that the “United States cannot continue [...] to extend large credits. A day of reckoning will come.” His conclusion was that European exports had to increase to wean it off American aid, and in this context he emphasised the “great importance of the fact that trade is two-way”. Shreve thus drew a direct link from the dollar gap and creditor nation theory to trade liberalisation, stating clearly that the ERP, a well-designed ITO and the RTAA were all required to raise European exports.³⁴⁵ Other business groups that supported the ERP made essentially the same argument: direct aid was merely a stopgap to solve the immediate problem while higher European exports, encouraged by trade liberalisation led by the United States, were the only acceptable long-run solution to the problem of the dollar gap.³⁴⁶ This proved crucial not only for securing business support for the European Recovery Act in 1948 but, even more importantly, for maintaining business support for the ERP over the course of the first eighteen months of the programme, as outlined in section 4.3. Export promotion, on the other hand, was never an important aspect of the ERP (see section 4.4).

³⁴⁵ ‘Press Release B-10-11-8’, 16 Feb 1948, HML (1960, US Chamber), Series I, Box 14. See also CED, ‘The ITO’, NL (CED pamphlets); Loree (NFTC), ‘To Chairman of Committee for Reciprocity Information’, 1950, HML (2345, NFTC), Box 34; USCICC, ‘Committee Minutes’, 9 May 1950, HML (2345, NFTC), Box 161.

³⁴⁶ Abbink (NFTC), ‘To Carroll (NFTC)’, 8 Apr 1948, HML (2345, NFTC), Box 161; Beech, ‘To Rep Rees’, 7 May 1948, KHS (Man Coll 12, Capper Papers), Box 37, Folder ‘Reciprocal Trade Gen Cor’.

4.3 The ERP and import promotion, 1948-49

Almost as soon as the European Recovery Act was passed into law, Republicans in Congress cut the ECA's funding far below the Truman administration's desired level.³⁴⁷ Business elites, however, continued to support the ERP throughout 1948 and 1949. In fact, the level of support the ECA received from business elites actually increased over time, and this was to a significant extent due to attempts by the ECA to de-emphasise grants and replace them with the promotion of imports from Western Europe and trade within Western Europe, both measures designed to close the dollar gap and wean Europe off its dependence on American financing (see p. 204 for detail). Providing dollar revenues to Western Europe by raising imports into the United States required comparatively little government intervention and almost no government spending. When the ERP began, there was already a consensus on the superiority of import promotion over grants and loans as a long-term solution for the dollar gap at the leadership level of business interest groups and in the Truman administration, as argued in the section above. Over the course of 1948 and 1949, an ever greater share of the members of many business associations embraced raising the level of imports as well, allowing these groups to give import promotion, the ERP and trade liberalisation their full backing.

The NFTC leadership's internal lobbying for import promotion showed quick success. Whereas the members had rejected import promotion in November 1947, they adopted a resolution only one year earlier that quicker trade liberalisation and more European exports

³⁴⁷ Behrman, *The Most Noble Adventure* (2007), pp. 236-7.

were desirable, because without them “the present strain on the American economy will continue, and the entire recovery program will remain in jeopardy”. The transcripts of the discussion sessions on international trade show unambiguously that there was now overwhelming support for import promotion, a key theme of the convention. A Department of Commerce official who explained what the government did to promote imports, including tariff reductions, was met with no opposition from the delegates and concluded his talk with the observation that the “import curve has gone up nicely”, which was now regarded by the NFTC membership as a positive outcome.³⁴⁸ Thus, the members of the NFTC, representing a combination of exporters, multinationals and banks, came to accept import promotion as a remedy for the dollar gap by the end of 1948.

Import promotion was more difficult to sell to the members of domestically-focused business groups like the NAM and the US Chamber. Although the Chamber’s publications and its president were already touting the importance of imports in early 1948 (see p. 199), this should not be regarded as evidence that there was a consensus among the members in favour of this policy at that point. Rather, the leaders of the national business associations, which represented a full cross-section of the American economy, had to work persistently with the ECA to sway their members’ opinions and choose maximum trade including high levels of imports over minimum trade, as the ECA put it to the organisations’ leaders.³⁴⁹ NAM and US Chamber leaders were candid in conversations with ECA officials about their attempts to shift the balance of opinion among their members, as well as their willingness to ignore the will of the

³⁴⁸ ‘Declaration of the 35th Convention’, Nov 1948, HML (2345, NFTC), Box 9, p. 8; ‘Current Trade Questions’, Nov 1948, HML (2345, NFTC), Box 27, p. 20; ‘Bulletin’, 8 Dec 1948, HML (2345, NFTC), Box 27.

³⁴⁹ ECA, ‘To NAM and US Chamber (draft)’, 22 Apr 1949, NARA (RG 469), Series UD5, Box 1.

majority of their members and keep quiet about unpopular ECA policies when internal lobbying failed. A NAM staff member confided that the directors had “railroaded through” a resolution to support the continuation of the ERP against “considerable opposition”, while the Chamber’s general manager recommended that ECA should not ask the organisation for an official statement on import promotion to avoid opposition from the members, but continue to promote imports anyway.³⁵⁰

Internal ECA documents show that the balance of opinion within the NAM was beginning to shift in 1949, as ECA representatives and the NAM’s leaders worked together to address the rank-and-file’s concerns. When a series of joint ECA-NAM seminars addressed concerns about import promotion and explained its necessity, membership hostility was expected (examples for the kind of questions that were expected from members are, e.g. “This is our market, why should we give it up to the foreigners?”; “If we greatly increase imports competitive with our production, how can we take care of the industries hurt?”) but over time the pro-import view prevailed.³⁵¹ A draft resolution at a sub-committee suggesting that the dollar gap should be addressed through “measures other than the importation of competitive goods which will injure domestic producers” was defeated by 5-2 votes.³⁵² This was much to the chagrin of conservative NAM directors like DuPont’s Jasper Crane.³⁵³ The NAM’s embrace of import promotion under the ERP was the end result of a long process that began

³⁵⁰ Friendly (ECA), ‘Memo to Nielsen’, 28 Apr 1949, NARA (RG 469), Series UD189, Box 43; Harwood (ECA), ‘Stimulation of Exports from ECA Countries’, Apr 1949, NARA (RG 469), Series UD5, Box 1.

³⁵¹ Foster (ECA), ‘Memo to Bennett’, 16 Aug 1949, NARA (RG 469), Series UD189, Box 43; ECA, ‘Suggested Audience Questions’, 1950, NARA (RG 469), Series UD189, Box 52.

³⁵² ‘Minutes of Foreign Trade Gap Sub-Committee’, May 1950, HML (1411, NAM), Series IX, Box 154.

³⁵³ See Crane’s correspondence with the FEE and fellow NAM director Ralph Robey in December 1948, HML (1416, Crane Papers), Box 58.

in 1917, as demonstrated when the NAM declared that it endorsed the ECA's "enlightened attitude [...] on this whole problem of America's new responsibilities as the world's largest creditor nation."³⁵⁴ At the US Chamber, membership opinion also shifted towards import promotion. In 1945, a US Chamber committee compiled a publication that linked the balance of payments issues of other countries to the fact that they had "long [been] denied complete access to our export market", but this publication was not issued until 1947. By 1949, the president of the US Chamber publically argued that the "reduction of tariff barriers [...] will help dollar short countries".³⁵⁵ In early 1950, the Chamber officially called for "improved marketing methods [for European exports] directed to the dollar areas"; in April 1951, the members called for

"both imports and exports. Imports will raise the standard of living [...] strengthen national security [and] help the United States maintain its export trade by providing foreign nations with a means of paying for our exports."³⁵⁶

The records of the most protectionist local chambers of commerce are even more illustrative of how far creditor nation theory spread as a result of the efforts of the ECA to convince business leaders to support import promotion for the sake of Western European recovery. In 1948, the Wisconsin Manufacturers Association sent a delegation, headed by the organisation's president L. D. Harkrider, on a trade mission to Europe. This mission was widely publicised, including by Harkrider giving interviews on the issue of trade. In itself, this

³⁵⁴ See Hoffman (ECA), 'To Bunting (NAM)', 29 Sep 1949, NARA (RG 469), Series UD189, Box 43.

³⁵⁵ FCDC (US Chamber), 'Postwar Trends in the Foreign Trade of the United States', 1947, HML (1960, US Chamber), Series IV, Box 83; BoD (US Chamber), 'Minutes of the 220th Meeting', Nov 1945, HML (1960, US Chamber), Series I, Box 3; 'Press Release B-10-11-8', Feb 1948, HML (1960, US Chamber), Series I, Box 14.

³⁵⁶ FCDC (US Chamber), 'European Economic Development', Mar 1950, HML (1960, US Chamber), Series IV, Box 84; 'Policy Declarations', Apr 1950, HML (1960, US Chamber), Series IV, Box 64, p. 116.

was already unusual because the Association only concerned itself with international issues in exceptional cases. More remarkably still, the briefing papers for Harkrider insist that “it should be stressed that manufacturers are aware that the need exists for two-way trade”. Harkrider’s annotations confirm that he considered this point important, and the document goes on to state a hope that the trade mission and subsequent publicity efforts by the Association would “create a receptive atmosphere for businessmen in Europe seeking trade connections in the United States”.³⁵⁷ The document was probably drafted by the semi-autonomous foreign trade committee of the organisation, and it is thus possible that it does not reflect consensus opinion among the members. Yet the members did elect a leader willing to act upon the committee’s recommendations, indicating that a shift towards accepting higher levels of imports was taking place. Similar developments also occurred at other state and local chambers, where there had initially been significant opposition to the ERP (see 4.2.2).³⁵⁸

The archival evidence suggests that the ECA successfully created support for raising imports as part of the ERP across all different types of business associations. A full understanding of the Marshall Plan, and indeed the foreign economic policy of the Truman administration, is impossible without a full understanding of the centrality of import promotion to the ECA’s aims and its importance in maintaining business support. The ECA made a conscious decision to focus on a “balance of payments approach” to European recovery in November 1948 because this was expected to minimise resistance to the ERP. As the initial reliance of the ERP on grants came under attack, and appropriations were cut, the ECA shifted scarce resources to

³⁵⁷ ‘Data for Press Interviews’, 1948, WHS (441, WMA), Box 7.

³⁵⁸ ‘Portland Stresses Appeal as Port for Marshall Plan’, 11 Jan 1948, OHS (Mss 686, Portland Chamber), Box 4; ‘Bulletin No. 9’, May 1948, USHS (Mss B207, UMA), Box 2.

import promotion, which was much more economical. In early 1949, a “working party” of ECA officials and business leaders travelled to Europe to assess the best ways to increase European exports to the United States. Upon their return, they suggested a number of different strategies, including trade fairs, marketing assistance, stockpiling critical materials and raising European productivity.³⁵⁹ Over the course of 1949, the “Import Program” became a central component of the ECA’s work.³⁶⁰ In addition, the ECA also engaged in offshore procurement, i.e. ECA grants had to be spent as far as possible outside of the United States and the dollar area to minimise European dollar expenditures.³⁶¹ There was a clear link between the acceptance of high levels of imports as part of the ERP and declining opposition to tariff cuts among business elites in the United States. This was true among internationalist business elites and their interest groups, like the USCICC, but also among domestically focused, formerly protectionist groups like the NAM and US Chamber, where even the members came to accept “further reductions in tariffs under the [RTAA]” as the primary way to raise imports in order to close the dollar gap.³⁶²

Even exporters supported this goal, as the NFTC’s records show. The NFTC often praised the ECA for spending grant money outside of the United States through its offshore procurement

³⁵⁹ Taylor to Bruce (ECA), ‘Memo: Promotion of Imports’, 10 May 1949, NARA (RG 469), Series UD20, Box 10; Stone to Bruce (ECA), ‘Trade Study’, 1 Mar 1949, NARA (RG 469), Series UD20, Box 10; ‘ECA Strategy Discussion for Senate Appropriations’, 15 Nov 1948, NARA (RG 469), Series UD20, Box 9. Planning and running the Import Program involved some of the most senior ECA officials. All major business associations were acutely aware of it; raising the level of imports was not a marginal aspect of the ECA’s work.

³⁶⁰ On the Import Program, see NARA (RG 469, ECA), Series UD12, Box 1-2; on the Strategic Materials Program, see NARA (RG 469, ECA), Series UD56, Box 8-9. Import promotion and similar activities further accelerated in 1950/51 (see section 5.1).

³⁶¹ On offshore procurement, see Hoffman (ECA), ‘To Marcus (Institute of Foreign Trade)’, 29 Nov 1949, NARA (RG 469), Series UD13, Box 1 and various documents in folder ‘Dollar Gap’, late 1949, NARA (RG 469, ECA), Series UD9, Box 2.

³⁶² USCICC, ‘Better Money’, Dec 1949, HML (1411, NAM), Series I, Box 16, F5; Randall (NAM), ‘The ECA as I See It’, 23 Sep 1948, HML (1411, NAM), Series I, Box 76.

programme, arguing that “offshore dollars have contributed materially to the continuation of traditional trade through private channels” between the United States and non-European countries.³⁶³ As the executives of the banks, exporters and multinational companies represented by the NFTC had long known, the United States must be “willing to supply the dollars” by importing, if indebted foreigners were to be able to buy American goods.³⁶⁴ Even the members of groups like the NAM were by now “active participants in international trade [...] through foreign investment in the processes of industrial production throughout the world”, which may have contributed to the spread of creditor nation theory in the formerly more domestically-focused national business associations.³⁶⁵

The key reason why the ECA was successful in creating support for import promotion and trade concessions – even tariff cuts – was that Western Europe’s dependency on the United States did not diminish in 1948 and 1949 whereas the alternatives to import promotion disappeared; humanitarian and geopolitical considerations made abandoning Europe unthinkable, but ERP grants and loans became ever more unpopular. Thus, raising imports became a principal American strategy for assisting European recovery; grants and loans were thus deliberately replaced with more sustainable and private-sector dollar revenues for Western Europe: proceeds from exports to the United States. This was designed to defuse criticism of the ERP as too expensive and government-focused.

³⁶³ ‘Bulletin B1544’, Sep 1948, HML (2345, NFTC), Box 9; ‘Press Release’, 13 Oct 1948, HML (2345, NFTC), Box 33.

³⁶⁴ BoD (NFTC), ‘36th Convention Declaration Draft’, Nov 1949, HML (2345, NFTC), Box 2, p. 7.

³⁶⁵ BoD (NAM), ‘Statement on International Monetary Problems’, Sep 1949, HML (1411, NAM), Series I, Box 104, Folder ‘Int’l Monetary Problems’, p. 1.

By 1949, the majority of the members of the major national business associations, most notably the NAM and the US Chamber, accepted import promotion even if it meant increased competition and lower tariffs. The ever-increasing popularity of import promotion until the end of 1949 is significant for assessing the ERP, and also from the point of view of intellectual history. As outlined in chapter 2, import promotion had been accepted among academics, politicians and a narrow circle of business leaders since 1917, but not among business elites more generally. During World War II the popularity of the concept of “two-way trade” grew; after 1945, import promotion was central to building a consensus around the Marshall Plan and a foreign economic policy geared towards closing the dollar gap and thus securing Western Europe.

4.4 Why no export promotion under the ERP?

How can one reconcile this with the evidence presented by Cold War revisionists, which stresses the existence of voices within business groups such as the CED, the NFTC and the US Chamber who demanded export promotion and/or thought additional export markets were essential to the United States? Such demands could indeed be heard during World War II, as discussed in chapter 2. There are documents in the records of most business associations that contain sometimes desperate demands for new export markets to avoid recession and even depression in the United States, both during and after World War II.³⁶⁶ Small businesses in

³⁶⁶ See, e.g., FCDC (US Chamber), ‘Postwar Trends in the Foreign Trade of the United States’, Mar 1947, HML (1960, US Chamber), Series IV, Box 83, p. 5; BoT (CED), ‘Minutes of Meeting’, Oct 1947, TL (Hoffman Papers), Box 40; ‘Newsletter 471’, Apr 1947, HML (1960, US Chamber), Series IV, Box 74.

particular asked for orders, prompting the head of the ECA to complain in an internal memo written soon after his appointment that too many small business owners had wrongly

“come to be consider [the ERP] a bonanza in which everyone can share as an exporter who has anything to sell. It seems not to have been widely understood that the full recovery program [...] contemplates a lower rate of exports from this country”.

In a classified letter to the new secretary of commerce, Charles Sawyer, Hoffman further complained about “the pressures to which this organization is sometimes subjected by exporting interests in the United States [when] it should be our policy to save every dollar that we possibly could”.³⁶⁷ Nor was such lobbying confined to Washington: Officials in the American military government in Germany complained about similar pressures.³⁶⁸ During the three years of its existence, the ECA received thousands of letters from business executives asking for their goods to be bought with ERP funds. Equally plentiful are letters from congressmen making such demands on their constituents’ behalf.³⁶⁹

Yet it is clear even from government archives that lobbying for export promotion, where it occurred, was rejected by ECA officials and influential congressmen, both as a matter of principle and because additional exports were seen as inexpedient.³⁷⁰ The view among ECA officials, summed up in the minutes of staff meetings, was that “such groups [lobbying for export promotion] are in effect asking for privileges for themselves as against other

³⁶⁷ Hoffman (ECA), ‘Note on the Role of Small Business in the ERP’, June 1948, NARA (RG 469), Series UD20, Box 9; Hoffman (ECA), ‘To Sawyer (DOC)’, July 1948, NARA (RG 469), Series UD2, Box 1.

³⁶⁸ Among the most vocal industries were machine tool producers. For examples of lobbying at OMGUS, see ‘German Cotton Exports’, 29 Jan 1948, IfZ (OMGUS ED Dir Off), Series S3, Box 141, F1; McCloy (OMGUS), ‘To Bolton’, July 1949, IfZ (OMGUS ED). Series S3, Box 143, F2.

³⁶⁹ See e.g. several boxes of complaints forwarded to ECA in 1949, NARA (RG 469), Series UD19, Box 1-3.

³⁷⁰ e.g. the ECA initially took pains to respond to each request for export promotion, but moved to sending out rather terse and prefabricated letters as time went on. See NARA (RG 469), Series MLR 182A, Box 1.

Americans”.³⁷¹ Similar attitudes can be found in the archives of OMGUS and in the papers of its director, General Lucius Clay.³⁷² Congressmen approaching the ECA with requests to buy goods from their constituents were politely but firmly lectured on the importance of closing the dollar gap – even if they occupied positions of considerable political importance.³⁷³ The answer to requests for export promotion was always the same: foreign assistance was not extended to indirectly promote the particular interests of American companies; the whole point of it was to raise Europe’s net exports, not those of the United States.

There is little evidence that pressures to use ERP funds to stimulate American exports came from major business associations, which in fact tended to denounce such lobbying by individual businessmen and industries (see below). Even in industries that struggled or anticipated to struggle in the post-war economic climate, export promotion was not discussed as a solution (e.g. the steel industry); the textile industry anticipated growing competition, not more export markets, as a result of the ERP. Based on the business archival evidence, the claim that business elites supported the ERP as export promotion cannot be substantiated. Although such voices existed, the archival evidence shows that demands for promoting American exports, e.g. through conditional loans or using the ERP to force Europeans to open their markets and those of their colonies, reflected a minority opinion within the major business associations. Individual businesses and isolated senior figures in business associations wanted the ECA to engage in export promotion, but they found no way of

³⁷¹ Curtain (ECA), ‘Staff Meeting Minutes’, 1 Aug 1949, NARA (RG 469), Series UD56, Box 5.

³⁷² Chemical Industries Branch (OMGUS), ‘Chemicals Export Program’, 12 Sep 1947, IfZ (OMGUS AG), Series S1, Box 177-3, F9.

³⁷³ Hoffman (ECA) ‘To Sen Capper’, 26 Apr 1948, KHS (Man Coll 12, Capper Papers), Box 7, Folder ‘ECA’. Capper was chair of the Senate’s agricultural committee.

aggregating their demands in any effective way. Even groups with a relatively high affinity to economic nationalism rejected the idea of the ERP as a deliberate export programme. The Wisconsin Manufacturers Association, for example, informed its members that the “ECA will not buy anything” and the state chamber condemned those who tried to get the ECA to buy their surpluses.³⁷⁴ At groups like the NFTC, where exporters and multinationals dominated, there were no illusions about the ECA’s intentions, indicating that even those who tended to be more open to government action and would have benefited directly from export promotion rejected the idea.³⁷⁵ The major national business associations also did not support export promotion. Averell Harriman and an ECA official with ties to the NAM even asked the NAM board for support against pressures “to use [ECA funds] as a vehicle for buying American surpluses” from “certain manufacturing and agricultural interests [with] disposable surpluses”. As Harriman put it, and most within the NAM agreed, “the purpose of ECA is to stimulate these countries to help themselves, [so] American industry can make no better contribution than by avoiding the use of ECA funds to buy surpluses.”³⁷⁶ The NAM’s directors reiterated “that manufacturers would not be well advised to request maintenance of foreign markets financed by taxes”. In a report approved by the board, the NAM’s research department vehemently opposed any notion that aid should be used to channel American surpluses abroad:

“ECA funds contributed by American taxpayers must not be regarded [as] subsidies for disposal of American surpluses whether industrial or agricultural in whatever degree, and efforts to direct the funds to such purposes should be firmly resisted.”³⁷⁷

³⁷⁴ ‘Bulletin’, Aug 1948, WHS (441, WMA), Box 12; ‘Misc. Correspondence’, 1948, WHS (786, Wisconsin chamber), Box 2, F8.

³⁷⁵ ‘Bulletin B1569’, Dec 1948, HML (2345, NFTC), Box 27.

³⁷⁶ Sargent (NAM), ‘Observations on European Trip’, Sep 1948, HML (1411, NAM), Series XIII, Box 238.

³⁷⁷ IRC (NAM), ‘Minutes, Advisory Group to IR Committee Minutes, Incl. Statement on ERP and ITO’, Feb 1949, HML (1411, NAM), Series IX, Box 153; BoD (NAM), ‘Report on ERP’, Oct 1949, HML (1411, NAM), Series I, Box 103, Folder ‘ECA’, p. 1.

Amidst reports of individual business leaders demanding that the ECA give preferential treatment to American suppliers, the new and vociferously free-market president of the US Chamber, Herman Steinkraus, exhorted chambers of commerce across the United States that businessmen were the “architects of our destiny”.³⁷⁸

Viewed in the context of 1945 to 1947, this opposition to export promotion is no surprise. Government grants and loans for Western Europe had been under sustained attack for years because most business leaders found them myopic and expensive. Export promotion would have required more spending but government was already seen as too profligate and intrusive. Import promotion was acceptable because it was cheap and necessary for national security (see section 4.3), but no such case could be made for export promotion. Furthermore, there simply was not a fear of another depression during the Marshall Plan years; rather, business leaders feared inflation and shortages, which export promotion would only have exacerbated. All these arguments against grants and loans, which were arguments against export promotion, only became more relevant in 1949.

First, even during the 1949 recession, foreign demand enabled by the ECA was seen as a “drain” or “strain” on domestic production; inflation remained a threat and shortages of crucial materials like steel forced the Department of Commerce to institute export controls. Several business associations, including the NAM, even called for restricting exports.³⁷⁹ During the

³⁷⁸ Steinkraus (US Chamber), ‘Speeches’, 1949-50, HML (1960, US Chamber), Series I, Box 15. See especially the speech ‘Reserve of the Nation’, p. 1.

³⁷⁹ IRC (NAM), ‘Suggested Scope of Activity in the International Field’, Aug 1948, HML (1411, NAM), Series I, Box 76, p. 17; ‘Declaration of the 35th Convention’, Nov 1948, HML (2345, NFTC), Box 9, p. 8; Swingle (NFTC), ‘As We Survey Our Position’, Jan 1950, HML (2345, NFTC), Box 34; Office of International Trade (DOC), ‘Report to Chairman’, Sep 1948, NARA (RG 40), Series P13, Box 6.

depth of the recession, played down as a mere transition “from postwar scarcity to era of plenty”, a US Chamber pamphlet warned that “commodities which the ECA countries need are scarce in the United States”. When the recession ended, the US Chamber president went on a speaking tour to state chambers to renew stern warnings about inflation.³⁸⁰

Second, as the Cold War intensified, the fiscal position of the United States worsened and the ERP failed to produce immediate results, old complaints resurfaced that the government was doing too much. “While dormant, these schemes are far from dead”, warned the NAM, with no apparent desire to see demand management come back to life even during the recession.³⁸¹ Another NAM publication went as far as proclaiming a conflict “waged today throughout the world [...] between the forces of collectivism and [...] the free enterprise system.” As the NAM put it to both political parties during the 1948 election, more “grandiose financial programs” were the last thing business elites wanted. Almost any action taken by the government was portrayed as an indication that “the United States today is being maneuvered so close to a socialistic economy” or – in the more modest rhetoric of the NFTC, a “drift away from private enterprise”. These were charges that could not be taken lightly at a time when Joseph McCarthy was about to become a household name.³⁸²

³⁸⁰ Shreve (US Chamber), ‘Annual Meeting Address’, May 1949, HML (1960, US Chamber), Series I, Box 14; ‘Annual Meeting Resolutions’, Apr 1949, HML (1960, US Chamber), Series I, Box 35; ‘United States in World Economy’, Apr 1949, HML (1960, US Chamber), Series IV, Box 84, p. 36; Steinkraus (US Chamber), ‘Speeches’, 1949-50, HML (1960, US Chamber), Series I, Box 15.

³⁸¹ IRC (NAM), ‘Suggested Scope of Activity in the International Field’, Aug 1948, HML (1411, NAM), Series I, Box 76, p. 18.

³⁸² ‘Press Release’, 24 Mar 1949, HML (1411, NAM), Series I, Box 6, F2; Political Platform Cmte (NAM). ‘Proposed NAM Recommendations’, Apr 1948, HML (1411, NAM), Series IX, Box 153, p. 10; ‘Declaration of the 36th Convention’, Nov 1949, HML (2345, NFTC), Box 78, p. 5; Booth (US Chamber), ‘Perform Something Worthy’, 13 May 1949, HML (1960, US Chamber), Series I, Box 9. McCarthy became famous after he gave a speech in February 1950 claiming to have in his possession a list of communists working in the State Department.

Many business leaders were furthermore disturbed by Soviet and European rhetoric that portrayed the Marshall Plan as a self-serving and desperate attempt to avert a crisis of capitalism in the United States.³⁸³ The US Chamber president denounced Soviet warnings that any nation depending on the American government would inevitably land in a depression along with the United States, while the NAM leadership recorded that “members have returned from abroad with stories of a strange new economic theory being advanced by a group of European economists” that the United States was dependent on European purchases funded by the ECA. In the view of the NAM’s Committee on International Economic Relations and the board of directors, “the alleged necessity, stressed recently by the Russians and many other foreign observers, of a program of foreign aid in order to avoid or mitigate extreme economic depression” was a myth. The NFTC reacted similarly to such accusations. Though it cannot be inferred from these denials that the accusations were untrue, the tone of these documents suggests that export promotion through the ERP was seen as a totally implausible strategy.³⁸⁴

By 1949, with the cost of the ERP mounting, Europe was still “sick [while] Britain seems to be slowly weakening”. At the same time, the American national debt was rising. Consequently, there was a proliferation of voices warning that “the American taxpayer is rapidly reaching the limit of his desire and ability to finance foreign reconstruction and development by grants” that left “the long-term problems” unsolved and helped other countries live beyond their means. In the long run, it was argued in classic creditor nation

³⁸³ See ‘Soviet Held Aiming for West’s Trade’, *New York Times*, 8 Aug 1949.

³⁸⁴ ‘Considerations Involved in Proposals for US Aid’, 1947, HML (1411, NAM), Series I, Box 76, p. 3; ‘Statement for ECA Appropriations Hearing’, Feb 1949, HML (1411, NAM), Series I, Box 76, p. 4; Steinkraus (US Chamber), ‘American Industry and the World Crisis’, Dec 1948, HML (1960, US Chamber), Series I, Box 15; Carroll (NFTC), ‘Representatives of Western Countries Withstand “Cold War”’, Jan 1949, HML (2345, NFTC), Box 33.

fashion, Europeans could not afford to import more than they could finance by means of their own exports. While it had been acceptable to finance European imports of emergency goods through loans and grants for a limited period of time, this had to be temporary.³⁸⁵ The NAM argued that “relief is almost necessarily of an emergency character” while loans only built up foreign indebtedness and thus made a crisis in the long run more likely. Similarly, the NFTC warned that a sustained programme of spending abroad, whether in the form of grants, loans or even private investment, would only lead to more problems in the long run as foreign indebtedness grew:

“When no new loans will be forthcoming and the old loans and interest will have to be paid by means of net exports from the borrowing countries, the problem [...] will be aggravated. In that period the lending countries will have to [limit net imports] by domestic measures.”³⁸⁶

Again and again, business interest groups stressed that the ultimate aim had to be a “self-supporting” or “self-sustaining” Europe, which only trade concessions could achieve because lending widened, rather than narrowed, the dollar gap in the long run.

Moreover, business demands for high levels of international trade and American exports during and after World War II must be interpreted in the context of the creditor nation view that was by then widely adopted and the large American trade surplus. There was of course a

³⁸⁵ Steinkraus (US Chamber), ‘American Industry and the World Crisis’, Dec 1948, HML (1960, US Chamber), Series I, Box 15; ‘Western Europe: Problems and Prospects’, Dec 1949, HML (1411, NAM), Series I, Box 121; Congr of Amer Industry, ‘Various Drafts of 1948 Resolution; 1948 Memo’, Nov 1948, HML (1411, NAM), Series I, Box 104, Folder ‘IR’.

³⁸⁶ ‘Background Paper on National Measures Concerning Full Employment’, 1949, HML (2345, NFTC), Box 33, pp. 1 and 4; ‘Western Europe: Problems and Prospects’, Dec 1949, HML (1411, NAM), Series I, Box 121. This was an early concern of the NFTC as the ERP moved through Congress, see e.g. ‘To Senator Vandenberg’, Mar 1948, HML (2345, NFTC), Box 160, Folder ‘TPC: C. ECA’.

desire to see high levels of American exports persist into the future, but the long-term aim was a “high level of balanced trade” rather than a continuation or growth of the trade surplus, which was seen as unsustainable because, under the creditor nation view, exports and imports had to be balanced in the long run (and imports had to exceed exports for creditor countries wanting to get repaid). The NAM openly professed “full recognition of the fact that exports of goods and services and return on foreign investment can only be paid for in kind” given its view that the United States was “the world’s principal creditor nation”.³⁸⁷

The US Chamber stressed that it envisioned the United States as going back to the export patterns of the 1930s, which meant significantly lower exports and much higher imports, because only such balanced trade was “sound”. The normally “stable relationship between [...] exports and imports [which] tend to rise and fall together [...] has been seriously distorted”, the US Chamber warned as early as March 1948, leaving foreigners unable to pay for what they needed.³⁸⁸ The mantra that trade had to be balanced in the medium or long run was reiterated time and again, including by banks, multinationals and exporters themselves, who deemed the export surpluses of the mid-1940s unsustainable and expected future net exports to remain far below “the unrealistic trade” of the war years.³⁸⁹ “US exports in the long run have to be consistent with the ability of our customers abroad to pay for them by their own

³⁸⁷ BoD (NAM), ‘Report on ERP’, Oct 1949, HML (1411, NAM), Series I, Box 103; IRC (NAM), ‘Suggested Scope of Activity in the International Field’, 1948, HML (1411, NAM), Series I, Box 76.

³⁸⁸ ‘Press Release’, Feb 1947, HML (1960, US Chamber), Series I, Box 12; BoD (US Chamber), ‘Minutes of the 222nd Meeting’, Mar 1946, HML (1960, US Chamber), Series I, Box 3; ‘The Importance of Imports to the United States Economy’, Mar 1948, HML (1960, US Chamber), Series IV, Box 83.

³⁸⁹ Swingle (NFTC), ‘ECA and Other Factors in World Trade’, Feb 1949, HML (2345, NFTC), Box 33, p. 4; Swingle (NFTC), ‘ECA and the Export Trade’, Dec 1949, HML (2345, NFTC), Box 33, pp. 10-11.

exports,” as the US Chamber put it in April 1949.³⁹⁰ Given the state of the trade balance, this meant that import promotion – not export promotion – was called for (see p. 113).

Business elites were aware, not least because of the ECA’s work, that higher imports were required to maintain even the current level of exports (see section 4.3). Promoting exports would have meant targeting an increase in net exports, an unattainable goal for a creditor nation running a vast trade surplus according to the new creditor logic of American trade policy. After all, as the NFTC liked to point out, American savings had paid for the grants and loans that sustained the export surplus during World War II and any emergency-aid funded American exports thereafter. In the end, the taxpayer always footed the bill for the surplus exports of a creditor nation. While this was acceptable in wartime, it was not so in peacetime. Those who had hoped that the ERP could be used to help American exporters were thus sorely disappointed throughout the first eighteen months of the ERP, with no signs of the ECA or the major business associations giving in to demands for export promotion.

4.5 Conclusion

A close reading of the evidence in business association archives suggests that it is a mischaracterisation to argue that demands for export promotion represented business opinion more widely or that they impacted upon the Truman administration’s foreign economic policy. The ECA sought to encourage imports from Europe and even accepted temporary discrimination against American exporters. The evidence from business association archives

³⁹⁰ ‘United States in World Economy’, Apr 1949, HML (1960, US Chamber), Series IV, Box 84, p. 68.

suggests that business elites were informed about this radical departure from centuries-old principles of American trade policy and that it was widely known and accepted that the ERP aimed to address the problem of Europe's trade and payments deficit by raising net imports into the United States. Far from mounting a vigorous challenge against import promotion, both internationalist and domestically focused business associations, including ones that had advocated high tariffs prior to World War II, supported the ECA's policy, even if this occurred at the expense of American producers. The members of many of these organisations had to be cajoled into this by the ECA and their own leadership, but in the end import promotion was accepted. This was only possible because the majority of business leaders in 1948 no longer believed in the idea that the United States could maintain its trade surplus indefinitely; because trade concessions became part of a foreign policy designed to counter the Soviet Union; and because foreign aid was discredited by its cost and apparent failure to induce a sustainable recovery in Europe. The creditor nation view thus became the dominant framework for discussing trade policy in the United States during the post-war years.

5 Trade not aid: The impact of the Korean War

“Economic historians may well consider Korea as a dividing line.”

– *W. Randolph Burgess, National City Bank,
speaking at the New York Chamber of Commerce, November 1950*

During the initial phase of the ERP, the Truman administration successfully created business support for raising imports to provide dollar revenue for Western Europe. In late 1949 and 1950, however, business support for all aspects of the ERP – including import promotion – declined dramatically. ECA staff meeting minutes, once secret but now accessible, show that the organisation recognised substantial “‘grass roots’ pressure against the program”, much of it “from our earlier supporters among business”; by January 1950, Paul Hoffman threatened to resign as ECA administrator. Declining support for the ERP had several reasons. European trade discrimination and competition, in part created by the ECA’s efforts to promote the production of exportable goods in Europe, imports into the United States and intra-European trade, increasingly rankled American business elites. Moreover, the notion that the dollar gap was “rapidly closing” (Britain’s current account surplus peaked at 2.5% of GDP in 1950, a level it would never reach again) undermined the creditor nation theory-inspired balance of payments argument for further trade concessions and higher imports on the part of the United States.³⁹¹ Only China’s intervention in the Korean War in the autumn of 1950, which triggered

³⁹¹ Curtain (ECA), ‘Staff Meeting Minutes’, Aug 1949 and Jan 1950, NARA (RG 469, ECA), Series UD56, Box 5. ECA concerns intensified in early 1950, when staff filed numerous news clippings about protests from businesses and unions against the ERP; see e.g. ‘Labor, Capital Marshall Plan Protest Fails’, *Chicago Tribune*, 19 Jan 1950, in NARA (RG 469, ECA), Series UD50, Box 1, F1. The NFTC argued that the dollar gap was closing at this time, see e.g. ‘Declaration of the 37th Convention’, Nov 1950, HML (2345, NFTC), Box 78 and

major fears over the security of Western Europe and a widening of the dollar gap, restored high levels of business support for efforts to assist Western Europe in achieving a full and lasting economic recovery, rearm itself and finally close the dollar gap for good. Under the emerging slogan “trade not aid”, foreign economic policy shifted further towards import promotion, aiming to replace grants and loans with trade concessions to the maximum extent, even more so than in 1949. The decline in business support for the ERP in 1950 and the connection between the Korean War and American trade policy have been under-appreciated by the existing literature, a gap which this chapter seeks to fill with new archival evidence.

5.1 Marshall Plan discontents:

Scarcity, competition and discrimination in 1949 and 1950

In 1950, the ECA made another concerted effort to shift towards forms of assistance that were inexpensive, relied on the private sector and promised a sustainable solution for the dollar gap. This included, most prominently, setting up the European Payments Union (EPU), described in more detail in this section, and plans to rely more on private-sector initiatives to raise imports.³⁹² Yet even this shift, which was in line with long-standing business demands that the ERP’s reliance on costly loans and grants be reduced, did not prevent a decline in support for the ERP. Critics now increasingly argued that the ECA had created unfavourable conditions for American producers and exporters by encouraging European trade discrimination and competition. The evidence presented in this section shows that these new

‘International Finance Session’, Oct 1950, HML (2345, NFTC), Box 34, and it was not alone. Data from Office of National Statistics.

³⁹² On the later, see e.g. the documents on the Imports Study conducted with the 20th Century Fund in NARA (RG 469), Series UD13, Box 2.

complaints caused great damage to the ECA's relationship with business elites, especially those who had so far supported the ERP.

Beginning at the end of 1949, business and congressional criticism that the ERP was too expensive and government-focused increased even beyond earlier levels. Many organisations called for curtailing or ending foreign assistance altogether. In December 1949, the NAM issued a statement warning that the "generosity" of the American people was exhausted even as "the long-term problems have not been solved". The following March, the US Chamber's leadership publically demanded that the ERP be terminated unless its faults, i.e. its high cost, limited long-run effectiveness and restrictive impact on private enterprise, could be rectified immediately. The Chamber chastised in particular the "nationalistic economic planning [and] philosophy of restriction, self-sufficiency and even economic autarchy [sic]" adopted by the Europeans and the Truman administration. Even the most reliable business supporters of the ECA, e.g. the leaders of the internationalist NFTC, demanded that "economic aid should be curtailed".³⁹³ ERP critics at isolationist Midwestern state and local chambers, the FEE and the NICB were emboldened by such rhetoric from the national level.³⁹⁴

³⁹³ BoD (NAM), 'Statement on International Monetary Problems', Sep 1949, HML (1411, NAM), Series I, Box 104, Folder 'Int'l Monetary Problems'; FCDC (US Chamber), 'European Economic Development', Mar 1950, HML (1960, US Chamber), Series IV, Box 84; BoD (NFTC), 'Draft Outline of Theme of 27th NFTC Convention', Sep 1950, HML (2345, NFTC), Box 10, F5. The word "aid" acquired a double negative connotation during the Truman administration. Domestically, "aid" meant federal government assistance, often for minority and disadvantaged communities, in areas such as housing, health and unemployment insurance. Many business leaders deplored this for a variety of reasons. In the international context, "aid" meant grants and loans, funded by borrowing or taxation, to foreign nations by the federal government.

³⁹⁴ e.g. BoD (KACI), 'Board Minutes', Oct 1951, KHS (Ms. Coll 242, KACI), Box 3; BoD (MMAC), 'Minutes', Jan 1950, WHS (Milw Mss 14, MMAC), Box 3.

At the same time, the ECA increasingly felt that Western Europe was now more stable, presenting an opportunity to further cut direct financing and place more of the burden on the recipients and the private sector, a strategy that had attracted business support in the past. The most important step taken by the ECA in this context was the creation of the EPU in the summer of 1950. Set up with a significant one-off loan from the ECA, the EPU was to serve as a clearing house for Western European trade conducted in local currencies. This step, it was hoped, would finally address the issue of limited currency convertibility and prevent bilateral imbalances within Western Europe from reducing the overall volume of trade.³⁹⁵ Like offshore procurement in 1948/49 (see section 4.3, p. 205), the EPU was supposed to reduce European dollar imports and thus help close the dollar gap. The ECA hoped that this would be cheaper than continued direct American financing of European imports and reconstruction, require less government interference, put more pressure on the Europeans and thus be less controversial than grants, loans and offshore procurement. Indeed, facilitating trade within Europe had long been an uncontroversial goal of foreign assistance, but as the ECA put it, the European economies had been too “fragile” to pursue this forcefully in 1948/49.³⁹⁶

However, the EPU and attempts to reform the ERP in 1950 did not achieve the ECA’s aim of making the ERP less controversial.³⁹⁷ Supporters of the EPU, e.g. at the USCICC, were

³⁹⁵ Steil, *A World Upended: The Making and Meaning of the Marshall Plan* (forthcoming), emphasises in particular the focus of the EPU on West German trade as part of the general re-assessment of the role of West Germany in the European recovery.

³⁹⁶ ‘European Payments Union’, June 1950, NARA (RG 469, ECA), Series UD56, Box 1, pp. 3-5; Curtain (ECA). ‘Staff Meeting Minutes’, 8 Jan 1951, NARA (RG 469, ECA), Series UD56, Box 5. On the ineffectiveness of these reforms in raising support, see e.g. ‘Newsletter’, July 1950, HML (1960, US Chamber), Series IV, Box 72, p.1. This has been covered in detail e.g. by Hogan, *The Marshall Plan* (1987), p. 309-11.

³⁹⁷ On other reforms, see Quirk (NFTC), ‘Status of ECA Legislation’, Apr 1950, HML (2345, NFTC), Box 10 and HR7378, ‘Hearings to Amend the Economic Cooperation Act’, Feb-Mar 1950, ProQuest (Congressional Hearings Digital Collection).

enthusiastic, congratulating the ECA that its idea would lead to an “expansion of inter-European [sic] trade [which] would make an important contribution to the closing of Europe's dollar gap”.³⁹⁸ This positive assessment, however, was very much a minority position among business elites in 1950. Even the NFTC was sceptical, while the NAM was openly critical. Notably, this criticism came from internationalists in the organisation who had initially supported the ERP.³⁹⁹ The collapse of political support for the ERP in 1950 has been noted in the existing literature, but the sources of business discontent with the Truman administration's foreign economic policy at this time are still not well understood. The popularity of grants and loans had been declining for some time, as described in chapters 3 and 4, due to a combination of attributes (cost, ineffectiveness, government control) that made such government action unattractive in the climate of the late 1940s and early 1950s.⁴⁰⁰ However, new concerns over the downsides of trade concessions emerged in 1950, which were especially damaging to business support for the ERP.

One reason for escalating business criticism in 1950 was growing apprehension at European discrimination against American exporters. In 1948, discrimination had been an acceptable sacrifice, even to many exporters threatened by such discrimination; the NFTC's members declared “a temporary diversion of international trade from normal channels to stimulate the greater use of productive facilities abroad” as entirely legitimate. In 1949, there were already

³⁹⁸ Heinz (USCICC), ‘To Redmond’, 1950, WHS (208, Sloan), Box 21, F6.

³⁹⁹ ‘Bulletin B1800’, 6 June 1950, HML (2345, NFTC), Box 27; ‘The European Payments Union’, Aug 1950, HML (2345, NFTC), Box 34; ‘Minutes of Joint Meeting of IR Committee and Advisory Group’, May 1950, HML (1411, NAM), Series IX, Box 154; ‘Statement on Proposed EPU’, Mar 1950, HML (1411, NAM), Series I, Box 76.

⁴⁰⁰ The NAM, for example, was adamant in its resolutions and publications on international economic relations that state planning was futile and more reliance on the private sector was needed. See e.g. BoD (NAM). ‘Statement on the Middle and Far East’, June 1952, HML (1411, NAM), Series XIII, Box 240.

much less sanguine views about American producers being “shut out” of European markets.⁴⁰¹ By Oct 1950, the NFTC’s leaders admitted that the narrowing of the dollar gap over the previous year had only been achieved through the creation of “barriers against [...] American goods”. Amidst mounting concerns that the push to increase intra-European trade and economise on European imports from the dollar area through offshore procurement (see p. 205) risked disrupting the American export trade, the NFTC’s board of directors protested against discrimination disguised as recovery assistance. At the very least, the NFTC demanded, a minimum level of access to European markets should be preserved. The EPU only heightened these concerns, causing speculation that it was a precursor to a common external tariff wall. Even the research division of the organisation, hitherto least concerned about such issues as discrimination, warned that the EPU might allow Europeans to permanently discriminate against American exporters.⁴⁰² Thus, growing scepticism about the long-run impact of raising imports and facilitating intra-European trade was one of the reasons why the course correction of the ECA in 1950, away from aid and towards trade facilitation, did not succeed in shoring up flagging business support for foreign assistance and trade concessions, especially among exporters.⁴⁰³

This development was not confined to exporters at the NFTC. The internationalist figures dominating the foreign economic policy committees at the NAM shared these concerns about

⁴⁰¹ ‘Recommendation VI’, Nov 1948, HML (2345, NFTC), Box 9; ‘ECA Memo’, 21 Jan 1949, HML (2345, NFTC), Box 2.

⁴⁰² BoD (NFTC), ‘Declaration of the 37th Convention - Confidential Draft’, Oct 1950, HML (2345, NFTC), Box 10; ‘Memorandum to Members of the Board’, 13 Jan 1950, HML (2345, NFTC), Box 2; Research Division (NFTC), ‘European Economic Trends’, Apr 1950, HML (2345, NFTC), Box 2; ‘The EPU’, Aug 1950, HML (2345, NFTC), Box 34.

⁴⁰³ A point to which Dür devotes significant attention without reference to the context of the ERP. See Dür, *Protection for Exporters* (2010), ch. 4.

discrimination, arguing that “bilateral trade must be recognised as being contrary to the stated objectives of ECA”. When the ECA first suggested the creation of the EPU in early 1950, the NAM warned that efforts to increase trade within Europe might come at the expense of trade between European and non-European countries. At this early stage, the NAM feared that the EPU as conceived by ECA “may lead to [...] the building of still worse economic barriers between Western Europe and the rest of the world” and stressed that Europe as a whole – much less Western Europe – had never come anywhere close to being a self-contained economic unit. Although the sub-committee dealing with the EPU gave up its opposition in May 1950, its members still worried about European discrimination throughout the year and continued to express personal doubts about the EPU.⁴⁰⁴

Augmenting complaints about discrimination, there was also now a growing chorus of business voices cautioning against the threat of growing European competition, whether in the United States or in global markets, which could not have re-emerged without foreign assistance and the ECA’s focus on import promotion. Not surprisingly, European competition angered business leaders who represented internationally operating companies. Such companies were represented by the NFTC, where a staff report on the economic situation in Western Europe from April 1950 warned that “Western European countries are developing aggressive plans to expand exports”.⁴⁰⁵ Crucially, however, even domestically focused business interest groups whose members mostly did not operate outside of the United States complained about European competition. At the NAM, the head of the ERP Sub-Committee,

⁴⁰⁴ IRC (NAM), ‘Statement on Proposed EPU’, Mar 1950, HML (1411, NAM), Series I, Box 76; ‘Minutes of Joint Meeting of IR Committee and Advisory Group’, May 1950, HML (1411, NAM), Series IX, Box 154.

⁴⁰⁵ Research Division (NFTC), ‘European Economic Trends’, Apr 1950, HML (2345, NFTC), Box 2.

S. Bayard Colgate, warned in an internal memo in April 1950 that “competition has built up in Europe”.⁴⁰⁶ Colgate occupied a crucial position within the NAM. As the head of the IR Committee, he was a leading internationalist voice in the organisation, who drove the transformation of the NAM’s trade policy position during the 1940s. As a member of the CED’s board of trustees, he also provided a link between the traditionally conservative NAM with its many small business members and progressive big business circles typically represented by the CED.

Concerns about competition induced by American assistance for Europe and Japan were not news to the textile industry. At the National Association of Cotton Manufacturers’ 1950 annual conference, the members were reminded that “the textile industry is one of the largest industries” in “practically every one” of the ERP’s recipient countries, and that American assistance had led to a re-emergence of strong international competition.⁴⁰⁷ Union leaders – once among the strongest supporters of the ECA – also began to voice concerns in 1950, arguing that the United States should not encourage foreign producers “if American manufacturers are to meet and defeat foreign competition”. With complaints about import promotion and the facilitation of intra-European trade now coming not just from the textile industry but also from mainstream business groups, internationalist business leaders and unions, the ECA recognised that resurgent European competition and discrimination were serious issues that had to be addressed to avoid a collapse in business and union support, but throughout much of 1950, efforts to do so showed little effect.⁴⁰⁸

⁴⁰⁶ Colgate (ERP Sub-Committee), ‘Untitled Memo’, 19 Apr 1950, HML (1411, NAM), Series IX, Box 154.

⁴⁰⁷ ‘Annual Meeting’, 28 Sep 1950, ATHM (2000.178.1, NTA), Vol. 13.

⁴⁰⁸ As quoted in EG Hoover (ECA), ‘To United Mine Workers Journal’, Mar 1950, NARA (RG 469), Series UD50, Box 1. Internal ECA documents show a desire to counter the narrative that the Marshall Plan was

Thus, a period of wide-spread scepticism followed initial business support, first cautious and then steadfast, for the ERP and its import promotion component. Many of the major business associations came close to calling for an early termination or scaling back of the ERP in 1950, as the balance-of-payments and foreign-policy justification for trade concessions became less relevant in early 1950 while concerns over trade discrimination and competition increased. The end of 1950, however, saw a dramatic reversal of business opinion, with trade concessions and even military aid becoming once again widely accepted, because the Korean War firmly re-established a balance of payments and foreign policy environment that called for trade liberalisation, as discussed in sections 5.2 and 5.3.⁴⁰⁹ In a rare unanimous vote, the NFTC even awarded its annual medal for the promotion of world trade to Paul Hoffman in November 1950. A NAM resolution from the same month stated that the ERP had “achieved a high degree of success [and] deserves the highest praise”.⁴¹⁰

5.2 From global economic order to rearming the free world

North Korean forces invaded South Korea in June 1950. Although the ensuing conflict in East Asia did not cause excessive concern among business elites in the United States at first, this changed rapidly as South Korea suffered heavy losses despite support from British and American troops, and faced imminent defeat after only two months of fighting. Only

“giving money to competitors” in 1950. See Curtain (ECA), ‘Staff Meeting Minutes’, Aug 1949, NARA (RG 469, ECA), Series UD56, Box 5.

⁴⁰⁹ On the distinction between ‘military’ and ‘economic’ aid, see e.g. Cabot, ‘To Sloan (USCICC)’, 12 Mar 1952, WHS (208, Sloan), Box 21, F9. See also ‘Military Spending in Europe Is Needed’, *New York Times*, 8 Nov 1951. Military aid, like the ERP grants and loans, was a major aspect of American foreign assistance; it is a marginal aspect of my research only because the existing literature already covers it in great detail.

⁴¹⁰ ERP Sub-Committee (NAM), ‘Statement on ERP’, Nov 1950, HML (1411, NAM), Series IX, Box 154. Voting records for Hoffman’s award can be found in HML (2345, NFTC), Box 113.

additional UN forces halted the North Korean advance and then pushed forward until they nearly reached the border with China in the autumn. A Chinese counter-offensive threw the UN forces back into South Korea, prompting American military leaders to discuss the use of nuclear weapons. The front eventually stabilised, but the Chinese advances in late 1950 and early 1951 caused a palpable sense of panic and fears of a global war involving the United States, its allies in Europe and Asia, the Soviet Union and China. The existing literature recognises that the escalation of the Korean War generated extreme fears of a Soviet attack on Western Europe, for years considered militarily vulnerable to the point of indefensibility due to the Soviet Union's superiority in conventional forces. As one contemporary observer noted, "[t]rouble, violence and discontent marked the close of 1950. New fears swept the United States and its allies as MacArthur's troops retreated before the Chinese forces pouring across the Yalu [river]".⁴¹¹ In addition to such fears, vitriolic attacks from anti-communist politicians like Senator Joseph McCarthy against the alleged softness of the Truman administration contributed to plummeting approval ratings for the president.⁴¹² This affected the "internal struggle for the American state between nationalists and internationalists", tilting the balance in favour of the internationalists, and increased the willingness for direct government spending on military aid.⁴¹³ The existing literature does not show clearly how this affected trade policy preferences, a gap which the remainder of this chapter seeks to address with new archival evidence.

⁴¹¹ See, e.g., Leffler, *A Preponderance* (1992), p. 401.

⁴¹² Diebold, *The End of the ITO* (1952), p. 1; Weathersby, "'Should We Fear This?' Stalin and the Danger of War with America", *CWIHP WP39* (2002); Stueck, 'The Korean War', in *The Cambridge History of the Cold War*, Vol. I, ed. by Leffler and Westad (2010).

⁴¹³ Cumings, as quoted by Foot, 'Making Known the Unknown War', p. 274, in *America in the World*, ed. by Hogan (1995); Halliday, *Korea: The Unknown War* (1990); Kaufman, *The Korean War* (1986); Foot, 'Making Known the Unknown War', *DH*, 15:3 (1991), pp. 411-5.

The escalation of the conflict in Korea was a crucial moment in American foreign policy in general, and in foreign economic policy in particular. Michael Hogan begins the last chapter of his book on the Marshall Plan, which covers 1951 and 1952, by stating that “the Chinese intervention had the most far-reaching impact on the [...] foreign economic policy of the Truman administration”.⁴¹⁴ Before discussing in detail the impact of the Korean War on the balance of payments and the dollar gap in section 5.3, it is worth considering first how much the conflict changed the general climate of business opinion by providing a clear foreign policy argument for further trade concessions. More than any other event of the post-war years, the Korean War created a Cold War mind-set, the central tenet of which was a conviction that the United States and its allies were engaged in a conflict with the communist countries led by the Soviet Union.

In the most general sense, the Korean War re-invigorated the conviction that the United States needed to play a proactive role in world affairs, an idea that had atrophied among provincial business elites since its heyday in 1945, and established the Soviet Union and China as clear enemies. The dramatic events in Korea roused even the most isolationist state and local chambers, whose leaders and members were shocked out of their complacency. Reflecting on the last months of 1950, which saw the most dramatic fighting between Chinese and UN troops, the Wisconsin chamber called the Korean War a “major break”. The Wisconsin Manufacturers Association demanded a new American intervention in Korea in November 1950 and the organisation’s 1951 annual programme was the first in several years to mention

⁴¹⁴ van der Beugel, *From Marshall Aid to Atlantic Partnership* (1966); Jervis, ‘The Impact of the Korean War’, *Journal of Conflict Resolution*, 24:4 (1980); Kaufman, *The Korean War* (1986); Hogan, *The Marshall Plan* (1987), ch. 9.

foreign affairs at all, focusing exclusively on Korea and the Soviet Union. Milwaukee's business leaders spoke of a coming World War III in Asia and Europe and a survey conducted among business executives in Kansas showed overwhelming support even for the bombing of mainland China. A senior banking executive summed up the impact of the Korean War in late 1950 with the conclusion that the conflict "persuaded the American people that communism is seeking world domination".⁴¹⁵

Banks, multinationals and exporters, aghast at Soviet aggression, abandoned their decade-long quest to open up the Soviet market for American exports (see p. 187). The communist countries now became enemies to be contained and deterred through measures including foreign economic policy, as the economic strength of the United States and its allies, not global prosperity or trade, became the aim of American foreign economic policy. Soviet aggression – not mentioned at all before the autumn of 1950 – quickly became a central part of the NFTC's worldview so that, by the end of 1950, the organisation's publications and declarations spoke of a "life-and-death struggle against forces of military aggression and communist subversion" and "Russian imperialism [creating] a great national emergency". Likewise, the CED, normally a voice of moderation on such issues, warned in November 1950 that "[w]hat began with Korea will not end with Korea. The attack [...] was shocking evidence of the menace of Communist aggression."⁴¹⁶ At the NAM, the war in Korea turned the

⁴¹⁵ 'Annual Meeting Records', 1951, WHS (786, Wisconsin chamber), Box 9; 'Press Clippings File', 1951-2, WHS (441, WMA), Box 1, F5; 'Legislative Bulletin', Nov 1950, WHS (441, WMA), Box 12; 'Program', 1951, WHS (441, WMA), Box 1, F6; BoD (MMAC), 'Minutes', June 1952, WHS (Milw Mss 14, MMAC), Box 3; 'Survey', Jan 1951, KHS (Ms. Coll 242, KCAI), Box 2, F1. The banker was W.A. Burgess, see 'Bulletin', Nov 1950, BL (1440, NY Chamber), Series III, Box 175, Vol. 42, p. 172.

⁴¹⁶ 'Declaration of the 37th Convention', HML (2345, NFTC), Box 78; BoD (NFTC), 'Statement on Foreign Economic Policy', Sep 1951, HML (2345, NFTC), Box 2; CED, 'Paying for Defense', 1950, NL (CED pamphlets), p. 1.

attention away from domestic communists and focused it on the Soviet Union and China. In December 1950, the NAM's statement on the ERP for the first time highlighted the "threat of Communism and Soviet imperialism". Its president, Earl Bunting, explicitly stressed that this document was "formulated against the background" of the Korean War, which remained the focus of the NAM's aggressive anti-communist rhetoric until 1953. Indeed, the expansion of the NAM's anti-communist campaigns was so ambitious that the staff asked the members to increase their financial contributions in December 1950. Correspondence among NAM directors confirms that the organisation deliberately ramped up its anti-communist rhetoric as a result of the Korean War.⁴¹⁷

Anti-Soviet rhetoric and fears of an imminent global war were less pronounced at the US Chamber than at the NAM. Several chamber presidents during the mid-1940s, most notably Eric Johnston, had shown great sympathy to the idea of doing business with the Soviets (see p. 102); even in 1950 and 1951, not a single pamphlet issued by the chamber was anti-Soviet, though a few did warn of the alleged dangers of domestic communism and socialism in the United States. The Chamber recommendations to the Democratic and Republican party conventions in 1952 still did not mention the Soviet Union at all. Only in September 1952 did the Chamber reactivate its committee on communism, following strikes that affected defence production, and condemn "militant Russian communism" in one of its first direct rhetorical attack on the Soviet Union.⁴¹⁸ Nevertheless, staff members of the US Chamber, recounting

⁴¹⁷ 'Statement on ERP', Dec 1950, HML (1411, NAM), Series I, Box 103; Foster (ECA), 'To Bunting (NAM)', Dec 1950, NARA (RG 469), Series UD189, Box 86; BoD (NAM), 'Policy Recommendations on Europe', Oct 1952, HML (1411, NAM), Series I, Box 104, Folder 'IR', p. 2; Bunting (NAM), 'Letter Template', 2 Oct 1950, HML (1411, NAM), Series I, Box 6, F1; Grede, 'To NAM Directors', 1951, WHS (341, Grede Papers), Box 23, F5.

⁴¹⁸ On domestic communism, see 'Socialism in America', 1950, HML (1960, US Chamber), Series IV, Box 84; See 'Party Recommendations', 1951, HML (1960, US Chamber), Series III, Box 6 for recommendations. See

their impressions gathered during a trip to Europe in late 1950, confessed their surprise over “the lack of fear of the Soviet Union invading”.⁴¹⁹ In contrast to the relaxed attitude of most Europeans, the US Chamber agreed with the Truman administration’s view that “peace cannot be maintained through the UN, and we will have to do it through military potential”. The chamber thus demanded an “adequate national security programme [...] as an essential bulwark to world peace” and professed its agreement with plans “to build up our military stance to a very high level [which] will mean some cutbacks in the standard of living”, though it did this without explicit reference to the Soviet Union or China.⁴²⁰ Even though anti-communism was less pronounced at the US Chamber than elsewhere, there was a transition in 1951. Using foreign economic policy to strengthen the United States and its allies became more important than the creation of a global network of multilateral trade among prosperous nations regardless of their ideology.

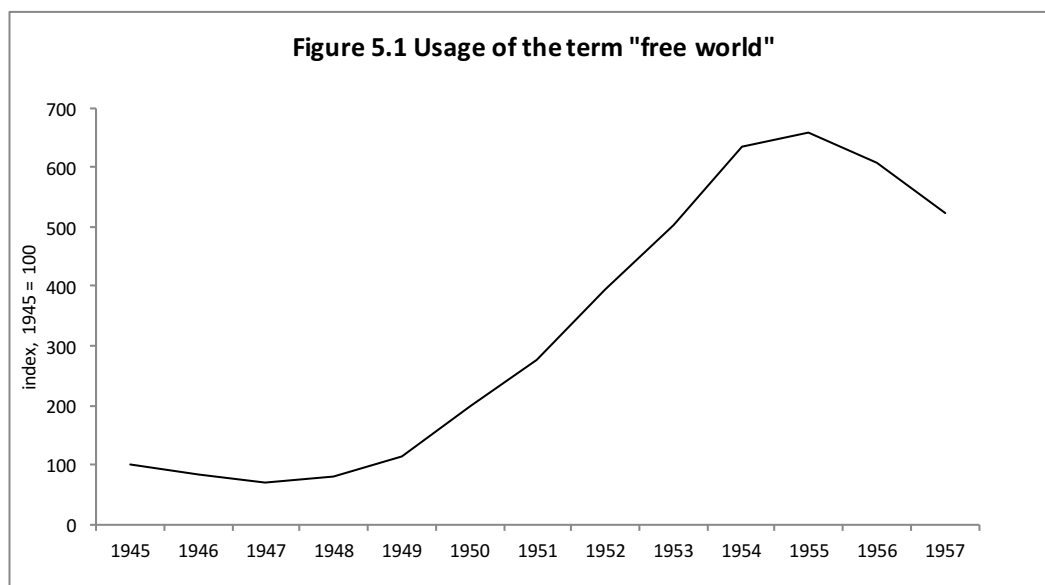
The escalation of the Korean War fundamentally affected business elites, just as it did political elites and the general public, by creating the perception that the United States and its allies, i.e. the “free world”, needed to be strengthened to prepare for a protracted geopolitical struggle against communism (see figure 5.1 below for an illustration of the growing popularity of the term “free world”). The Korean War and its aftermath shifted the emphasis away from the creation of an open global economic order and towards the management of economic relations within the “free world” for the Cold War, thus increasing the weight of foreign policy

BoD (US Chamber), ‘Minutes of the 268th Meeting’, Sep 1952, HML (1960, US Chamber), Series I, Box 3 for the committee’s reactivation. Quote from ‘Basic Viewpoints and Objectives’, Dec 1952, HML (1960, US Chamber), Series I, Box 21, p. 4.

⁴¹⁹ ‘Newsletter’, Nov 1951, HML (1960, US Chamber), Series IV, Box 72.

⁴²⁰ Schmidt (US Chamber), ‘Economic Outlook’, 1951, HML (1960, US Chamber), Series III, Box 44; ‘Civil Defense in Your Community’, late 1950, HML (1960, US Chamber), Series IV, Box 84.

considerations in foreign economic policy. Korea also made it imperative that the United States play an expansive role. The geographic scope of American foreign economic policy shrank while the policy aim became more specific (strengthening the alliance vs. creating global prosperity). Open opposition to the ambition of making the “free world” strong for the fight against communism was confined to the most inward-looking of state and local chambers, and such opposition to the new internationalist business consensus was ultimately ineffectual as no major business interest group adopted it.⁴²¹ The Korean War thus saw a culmination of the decades-old trend towards seeing trade policy through a foreign policy lens.



Source: Google Ngrams

Like other foreign-policy prisms before it, the creation of the Cold War mind-set benefited those who called for trade liberalisation, both in government and among business elites. On 12 November 1950, President Truman gave a speech in which he called foreign economic policy “one of the central instruments with which we can meet the present world crisis and

⁴²¹ See, e.g., BoD (MMAC), ‘Minutes’, Jan 1951, WHS (Milw Mss 14, MMAC), Box 3.

[...] promote the security of the United States as part of a free world.” The IMF issued a report in late 1950, in which it argued that surplus countries should reduce trade discrimination and tariffs both “in their interest, and in that of the international community”.⁴²² As a result of the experiences of the Korean War, many business interest groups also called for further trade liberalisation to shore up the fragile economies of American allies on the front-line of the Cold War. The American Farm Bureau Federation, for instance, resolved on 14 December 1950 that “the free peoples of the world are threatened” and the United States had to “provide leadership in the world-wide defense of freedom”, including through pushing for trade liberalisation.⁴²³

The major national business associations drew clear links between the Korean War and trade liberalisation. The US Chamber re-considered its position on every aspect of foreign economic policy, from international trade to foreign assistance, at the end of 1950. Amidst the worst of the fighting in Korea, the directors resolved that the “economic strength essential to military preparedness is dependent [on] unrestricted multilateral trade among free nations”. In an unusual step, this statement was repeated verbatim at the January 1951 board meeting. By 1952, the US Chamber declared that “a high balanced level of international trade [is] essential to world peace and prosperity”, demanded “the elimination of restrictive and discriminatory trade practices between all nations” and promised its support for a “foreign policy designed to develop greater production, increased productivity and wider distribution of goods in free

⁴²² Truman, ‘Statement in Response to Gray Report’, 12 Nov 1950, TL (Truman Papers, Online). IMF report as quoted by NFTC staff, ‘Notice to Members’, June 1951, HML (2345, NFTC), Box 35. See also ‘Bank Voices Hope for Stabilisation’, *New York Times*, 12 June 1952.

⁴²³ AFBF, ‘Resolutions of the 32nd Annual Convention’, Dec 1950, NARA (RG 469), Series UD189, Box 76, pp. 5 and 12.

markets”.⁴²⁴ The connection between fearing a replay of the Korean war in Europe and supporting trade liberalisation among the United States and its allies was even more straightforward elsewhere. In 1952, a seminal NAM report declared that the Korean War demonstrated that European, and by extension American security required that “multilateral trade [be] re-established throughout the non-Soviet world”, drawing an explicit link from Western Europe’s rehabilitation to the “prosperity and security of the United States”.⁴²⁵ Exporters, multinationals and banks also shared this view. In a 1952 review of foreign economic policy, the CED noted that “the problem of giving economic content to the Atlantic Community concept” and “the creation of a system of multilateral settlements for the free world under present conditions” had been made central issues by the Korean War. Thus, “international economic policy [...] has been subject to increasing strain under the impact of [...] the inter-relationship between political and economic policies toward the rest of the world”. Other internationalist groups like the NFTC and the USCICC concurred.⁴²⁶ The need to strengthen the “free world” in its struggle against communism proved a potent catalyst for business support for trade liberalisation and other measures to bring about economic integration and cooperation between the United States and Western Europe.⁴²⁷

Perceived as an act of communist aggression against the “free world”, the Korean War reinforced the perceived necessity of a European recovery and cohesion among the United

⁴²⁴ BoD (US Chamber), ‘Minutes of the 255th and 256th Meeting’, Dec 1950 and Jan 1951, HML (1960, US Chamber), Series I, Box 3; ‘Basic Viewpoints and Objectives’, 1952, HML (1960, US Chamber), Series I, Box 21.

⁴²⁵ BoD (NAM), ‘Policy Recommendations on Europe’, Oct 1952, HML (1411, NAM), Series I, Box 104, Folder ‘IR’.

⁴²⁶ CED, ‘Report to Trustees’, May 1952, HML (1984, Reed Papers), Box 20; Rockefeller, ‘To Reed’, 4 June 1946, HML (1984, Reed Papers), Box 20.

⁴²⁷ Although multilateralism was key in a rhetorical sense, the Cold War context meant that deviations from the ideal were commonplace and widely accepted (e.g. the exclusion of the Soviet Union and its allies, European discrimination against dollar-area producers and the deliberate promotion of imports into the United States).

States and its allies, turning economic integration into a national security imperative. It thus provided a clear and specific foreign policy argument for further trade liberalisation and concessions to American allies. At the same time, the Korean War also returned the balance of payments and the dollar gap to the forefront of debates about trade policy, which further contributed to a shift in business opinion towards embracing trade liberalisation and import promotion. The crucial developments in this context were the rearmament drive and the interruption of East-West trade, both consequences of the Korean War, as discussed in the next section.

5.3 The Korean War, rearmament and the dollar gap

This section describes how the Korean War led to growing demands for further trade concessions and a higher level of imports into the United States by changing the economic climate through rearmament and the interruption of East-West trade. As a consequence of these macroeconomic changes, the balance of payments once again provided the framework for trade policy debates in 1951/52, favouring those who advocated trade liberalisation as it had done on so many occasions since 1917. There was wide agreement that a military build-up, widely termed “rearmament”, was necessary after the scarring experience of the Korean War. Such a build-up would put new constraints on domestic and foreign economic policy by raising government spending, creating inflationary pressures and exacerbating shortages in the United States (see section 5.3.1).⁴²⁸ In Europe, increased defense spending was expected to lead to increased imports, thus endangering the tentative success in closing the dollar gap, and

⁴²⁸ Cardwell, *NSC 68 and the Political Economy of the Early Cold War* (2011), ch. 7.

put pressure on government finances and scarce resources, thus requiring additional American assistance to keep European citizens content enough to resist the lure of domestic communism (see section 5.3.2). Finally, rising geopolitical tensions interrupted trade between Western and Eastern Europe, closing off export markets and thus posing another risk to Western Europe's balance of payments (see section 5.3.3). Like the creation of the Cold War mind-set (see section 5.2), this resulted in increased support for American trade concessions, alongside military aid, to offset the economic effects of the Korean War across the "free world".

5.3.1 Rearmament and increasing economic pressures in the United States

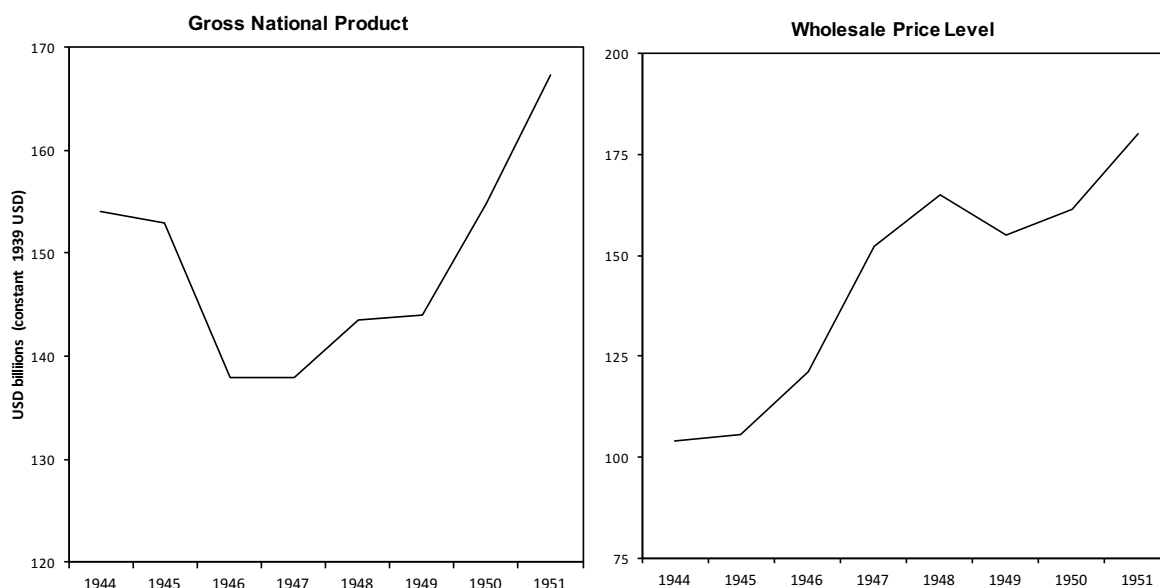
When President Truman warned the nation of "communist aggression [that has] demonstrated to the free world the urgency of a more rapid increase in its military power" in November 1950, he also cautioned that rearmament would have substantial negative impacts on the economies of the "free world".⁴²⁹ Truman's language was picked up verbatim by the NAM's staff in a memo informing the members about the effect of the Korean War on the economy.⁴³⁰ Indeed, business leaders across different types of organisations were concerned about rearmament, which ultimately drove many towards endorsing trade liberalisation and higher imports to offset pressures on the domestic economy. The impact of rearmament on American trade policy is not yet well understood. As a result of the rearmament effort, the United States experienced an economic boom and inflation began to seem like a more serious threat (see Figure 5.2). Shortages of raw material inputs and goods for civilian use revived debates that had been subdued by the more modest economic growth of 1949 and 1950. This silenced in

⁴²⁹ Truman, 'Statement in Response to Gray Report', 12 Nov 1950, TL (Truman Papers, Online).

⁴³⁰ 'NAM Staff Summary of the Gray Report', Nov 1950, HML (1411, NAM), Series I, Box 104, Folder 'IR'.

particular the concerns about competition and discrimination, so prominent in 1950 (see section 5.1), as it led to renewed warnings against the destabilising impact of foreign demand.

Figure 5.2: The Korean War boom in the United States



Source: Bureau of the Census, County and City Data Book

In 1951/52, inflationary pressures and shortages became two of the most pressing issues for the major national business associations, which had a long record of being highly sensitive to inflationary dangers. Two statements approved by the NAM’s board of directors demonstrate how such concerns about inflation resulting from the Korean War moved the organisation further towards accepting trade liberalisation. Both these statements were drafted by the IR Committee, which at this point was still dominated by internationalists, as it had been since its inception during World War II (see section 2.5.2). The first statement, passed in April 1952, warned that “cancerous inflation [is] destroying [American] economic and political security”

and specifically stated that rearmament was a major contributing factor to current economic woes. Furthermore, the statement contained two proposed solutions: promoting “the freest flow of private international trade on a multilateral basis”, and higher levels of raw material imports from Latin America. Two months later, the board passed the second statement, this time asking the government to “curtail non-military spending [and] overspending at all levels of government, and to promote the expansion of international trade” in order to ease inflationary pressures. Trade liberalisation thus became as orthodox a remedy for inflation to the once protectionist NAM as balanced budgets, which created a direct link between the boom triggered by rearmament during the Korean War and the NAM’s renewed, vigorous support for trade liberalisation.⁴³¹

There were also concerns about the impact of the Korean War boom on inflation at many chambers of commerce. Throughout 1951/52, the US Chamber’s economists warned of the potential danger of a return to high inflation rates and the board called on Truman to “mobilise the defense of the country without jeopardising our economic stability”. As at the NAM, trade liberalisation was seen as a way to fend off shortages and the scourge of inflation, e.g. when the FCDC demanded that “every effort be made to fill requirements from abroad”.⁴³² Such concerns about inflation and concomitant demands for more imports could also be heard from state and local chambers. Members of the board of the New York chamber and external speakers again and again warned that “the dollar is today threatened” by inflation. The

⁴³¹ BoD (NAM), ‘Statement on Latin America’, Apr 1952, and ‘International Policy Statement’, June 1952, HML (1411, NAM), Series XIII, Box 240.

⁴³² Schmidt (US Chamber), ‘Economic Outlook’, June 1952, HML (1960, US Chamber), Series III, Box 44. BoD (US Chamber), ‘Minutes of the 255th and 257th Meeting’, Jan and Mar 1951, HML (1960, US Chamber), Series I, Box 3. The FCDC is quoted in Jan 1951 board meeting minutes.

chairman of the Armco Steel Corporation, Charles R. Hook, warned at a members' meeting in November 1950 that "the American economy is entering a new phase of [its] existence [...]. You could say it started with Korea." Likening the dangers of inflation to those of military aggression, Hook pointed to increased imports as the solution.⁴³³ Conservative businessmen at other state chambers were even more concerned about inflation than their counterparts in New York.⁴³⁴

Among the internationally-oriented firms represented by the NFTC, the impact of growing rearmament demand on the American economy also caused severe concerns. Throughout 1951, there was "a great deal of discussion at all gatherings of export men" about how to allocate scarce goods, as a prominent member of the NFTC recalled. Exporters were torn between the desire to serve domestic customers first, and the need to maintain links with foreign customers and supply vital goods to the economies of American allies. In March 1951, NFTC chairman Chuck Loree wrote to the ECA administrator warning that a growing number of exporters were "unable to provide goods for shipment abroad" because of growing domestic demand as a result of the economic boom precipitated by the Korean War.⁴³⁵

Amidst such discussions about excessive demand, European discrimination and competition – which had been so problematic in early 1950 – quickly became moot points. Instead, the

⁴³³ See 'Monthly Bulletin', BL (1440, NY Chamber), Series III, Box 175, Vol. 42. Hook's speech reprinted on pp. 129-41, quote from p. 129. See also Vol. 43, minutes of the meetings in January and May 1952, for concerns about inflation.

⁴³⁴ See, e.g., 'Proposals and Objectives of the Utah Anti-Inflation Committee', June 1951, USHS (Mss B207, UMA), Box 3. See also 'Roundtable: The Lull of Inflation', Nov 1951, HML (1057, NICB), Series I, Box 38.

⁴³⁵ Harris (Westinghouse), 'Protecting the Export Investment', Oct 1951, and NFTC staff, 'Notice to Members', 29 June 1951, HML (2345, NFTC), Box 35; Loree (NFTC), 'To Foster', 28 Mar 1951, HML (2345, NFTC), Box 2.

view that trade liberalisation and high levels of imports were a remedy for inflationary pressures gained ground especially on the membership level of formerly protectionist, domestically-focused business associations such as at the US Chamber and the NAM. Moreover, internationally-oriented groups like the NFTC ceased to decry foreign discrimination amidst concerns over shortages and an inability to export due to excessive domestic demands. The Korean War, by precipitating a rearmament-led economic boom in the United States, thus contributed to the renewed attractiveness of high levels of imports and trade concessions to American business elites.

5.3.2 European rearmament and the dollar gap

Meanwhile, in Western Europe, rearmament-related diversions of production away from exportable goods, as well as increased imports from the United States and raw material producing countries in the dollar area, threatened to re-open the dollar gap and put pressure on European governments to curtail domestic spending, thus endangering political stability.⁴³⁶ As the NAM put it to the ECA, a “delicate balance must be struck” in Europe between rearmament, exports and reconstruction to achieve a “twin objective [of] defense and maintaining maximum possible living standards”.⁴³⁷ In the United States, this was used to justify renewed calls, including from business, for American military aid and trade

⁴³⁶ Most notably, West Germany suffered a balance of payments crisis in 1951; the French government re-introduced import quotas in 1952 due to reserve losses. See Eichengreen, *The European Economy Since 1945* (2007), pp. 75 and 81-3 on Germany and p. 101 on France. British military spending amounted to 8% of GDP during the 1950s and even West Germany's reached an average of 4%. See Eichengreen, p. 126.

⁴³⁷ See Foster (ECA), ‘To Bunting’, Dec 1950, NARA (RG 469), Series UD189, Box 86 and Europe Subcommittee (NAM), ‘Committee minutes’, May 1951, HML (1411, NAM), Series II, Box 389. Bunting's letter has not survived, but Foster quotes from it liberally. For almost identical rhetoric from other groups, see e.g. AFBF, ‘Resolutions of the 32nd Annual Convention’, Dec 1950, NARA (RG 469), Series UD189, Box 76, p. 12.

concessions. Higher imports into the United States, it was hoped, could permanently close the dollar gap while immediate military aid would alleviate pressure on European governments in the short run. As one State Department official put it to the NFTC, Western “Europe must use precious dollars to buy [defense goods], and it can get dollars only by selling to the dollar market”. This fell on open ears at internationalist groups like the CED and NFTC. The NFTC’s European Division, for example, had long warned that “defense finance is intimately related to the broader problem of the dollar gap”.⁴³⁸ America’s European allies needed exports “to support healthy and sound economies [...] in order that they may adequately assume their responsibilities in the free world”, but rearmament would reduce European exports as production was shifted away from exportable goods. The NFTC’s members thus demanded “a greatly increased importation of goods and services into the United States [...] in order to provide the dollar exchange needed abroad”.⁴³⁹ The argument that Western Europe needed more assistance for rearmament to ward off the growing Soviet threat, and that trade concessions were the best way to deliver this, thus proved an easy sell among business elites after the Korean War reignited fears about the destructive potential of the dollar gap.

The United States could have directly financed European imports as the dollar gap reopened in 1951. However, direct government-to-government aid for civilian purposes was an unacceptable policy option for business leaders at this stage; as described in previous chapters, grants and loans for financing the European balance of payments deficit or the purchase of

⁴³⁸ Cabot (SD), ‘The Mutual Security Program’, Oct 1951, HML (2345, NFTC), Box 35; NFTC staff, ‘Memorandum for the Board by European Division’, Sep 1950, HML (2345, NFTC), Box 2.

⁴³⁹ ‘Priorities for Export’, June 1951, HML (2345, NFTC), Box 35. The members had their voice at the convention, which passed a statement demanding higher imports in 1952, see ‘Recommendation on Imports’, Nov 1952, HML (2345, NFTC), Box 35. See also the work of the Balance of Payments Group at the NFTC, e.g. ‘Balance of Payments Outlook’, Jan 1952, HML (2345, NFTC), Box 35.

reconstruction goods acquired an increasingly negative reputation between 1945 and 1950. By the time the Korean War escalated, business elites no longer showed any support for filling the dollar gap in this way. Isolationist state chambers of commerce were the loudest opponents, petitioning the US Chamber to take a public stand opposing further appropriations for foreign aid and criticising even military aid while ignoring almost all other foreign issues.⁴⁴⁰ The US Chamber was open to such demands from its constituent members, not least because the “huge defense outlays make it all the more essential that every tax dollar buy a dollar’s worth of good government”. Grants and loans to Europe for non-military purposes were no longer good government because they had proven ineffective, expensive and unnecessarily government-focused. Whether as a result of bottom-up pressure or for other reasons, the US Chamber in 1951/52 called repeatedly for spending reductions, and appropriations for the ECA were a key target. Lower spending would not only combat surging inflation and end rising government indebtedness in the United States, but also stop what the Chamber now saw as a “reactionary trend towards socialism”.⁴⁴¹

Criticism from business and Congress spiked after an ill-fated attempt to put the ECA under State Department control in early 1951, putting the Truman administration under severe pressure to revamp the entire foreign economic policy apparatus. Pressure thus built to move towards cheaper, less government-focused forms of assistance for Europe that would have a lasting positive effect, especially now that rearmament brought with it both ramped-up military aid and a return of the dreaded dollar gap.⁴⁴² Trade concessions and import promotion,

⁴⁴⁰ BoD (KACI), ‘Meeting Materials’, Jan 1951, KHS (Ms. Coll 242, KACI), Box 2, F1.

⁴⁴¹ ‘Basic Viewpoints and Objectives’, 1952, HML (1960, US Chamber), Series I, Box 21, pp. 1-2.

⁴⁴² Hogan, *The Marshall Plan* (1987), ch. 8-9.

one of the more popular aspects of the ERP in 1948/49, promised a long-term solution to the dollar gap, relied on private enterprise and did not require much government spending. The main objections to using trade policy against the dollar gap – i.e. European competition and discrimination – proved to be obstacles no longer, given the rearmament boom in the United States (see previous section).

Thus, business elites supported further trade concessions in 1951/52. The NFTC explicitly argued this point, declaring that private enterprise, i.e. trade concessions, was the way forward for American foreign economic policy, whereas government-administrated aid should be reduced to a minimum, focused on emergencies and even then distributed only under strict conditionality.⁴⁴³ Accepting the argument that the American trade surplus meant that Western Europe spent too much on American goods, the NFTC, the NAM and the US Chamber demanded the “creation of wider markets for European industries”.⁴⁴⁴ At the CED, “the economic problems of the UK and Western Europe under rearmament conditions” were a major concern, as an internal 1952 report and the organisation’s publications show. The CED argued that rearmament would create additional economic strains, forcing Western Europe to either cut civilian production for domestic consumption, thus risking political turmoil, or production for exports, thus imperilling dollar revenues. As the CED argued in a 1951 pamphlet, the latter option threatened the “loss of the export markets [for European goods] which were so painfully regained from 1946 to 1950”. A reduction of European exports

“would cancel out a good part of the progress which Western Europe has made under the Marshall Plan. It is by now a commonplace that exports are a life-or-death matter

⁴⁴³ BoD (NFTC), ‘Statement on Foreign Economic Policy’, Sep 1951, HML (2345, NFTC), Box 2.

⁴⁴⁴ ‘Statement on European Recovery Program’, Dec 1950, HML (1411, NAM), Series I, Box 103.

to Western Europe[.] The prospect of a Western Europe able to support itself by two-way trade in the world economy might again become as remote as it seemed in 1946.”

Western Europe thus needed British, Commonwealth and American help to increase production and keep export reductions to an absolute minimum.⁴⁴⁵

In a similar vein, priorities for Europe shifted at the US Chamber, which in defiance of its usual stance on taxation endorsed the introduction of heavy taxes on non-essential goods in Europe to dampen domestic demand and encourage the exports that were required to pay for essential imports.⁴⁴⁶ The NAM, worried that rearmament at the expense of export goods would lead to a decline in net European exports to the dollar area, feared that a widening of the dollar gap would erode the standard of living and thus strengthen domestic communists in Western Europe. This led to renewed calls for higher levels of imports into the United States and, in 1951, the NAM explicitly called for tariff cuts and stopped demanding that the ERP be terminated. “The primary question today is one [of] organising the economies of the Western World for the maximum defense effort”, according to the NAM, and it was this realisation that led the organisation to finally endorse the EPU as a temporary measure contributing to an increase in intra-European trade. In marked contrast to 1950, the NAM now explicitly rejected the idea that there had been discrimination against American goods.⁴⁴⁷ Both the NAM and the

⁴⁴⁵ CED, ‘Report to Trustees’, May 1952, HML (1984, Reed Papers), Box 20; CED, ‘Economic Aspects of North Atlantic Security’, 1951, NL (CED pamphlets), p. 15.

⁴⁴⁶ BoD (US Chamber), ‘Minutes of the 256th Meeting’, Jan 1951, HML (1960, US Chamber), Series I, Box 3; ‘Newsletter’, Nov 1950, HML (1960, US Chamber), Series IV, Box 72.

⁴⁴⁷ Quote from ‘The EPU’, Apr 1951, HML (1411, NAM), Series II, Box 388, p. 3. See also ‘Economic and Military Assistance to Europe’, 1951, HML (1411, NAM), Series II, Box 388; IRC (NAM), ‘Report on Western Europe’, 1951, HML (1411, NAM), Series IX, Box 154.

US Chamber now enthusiastically supported ECA initiatives to raise productivity in Europe, as earlier concerns about competition no longer held sway.⁴⁴⁸

In a sign of the dominance of the view that import promotion was an appropriate response to the challenges created by rearmament in Europe, even protectionists accepted the basic tenets of the dollar gap argument for trade concessions. Arthur Besse, head of the National Association of Wool Manufacturers wrote in a March 1951 letter to an internationalist NAM director that “cuts in US tariffs can help foreign countries only if they result in greater imports of competitive products”, conceding at least that the basic aim and strategy adopted by the Truman administration was valid and providing a stark contrast to textile industry rhetoric in earlier years (see p. 127).⁴⁴⁹ Even the NICB – long a staunch critic of the Truman administration’s foreign economic policy – feared a Soviet invasion of Western Europe and consequently regarded the “maintenance of output under wartime conditions” as of sufficiently high importance that it sent a delegation to Europe to examine ways to cope with rearmament in cooperation with the ECA and State Department. Abandoning Virgil Jordan’s vitriolic anti-ERP rhetoric, the NICB now praised the “fine” work that the ECA and the State Department were doing to close the dollar gap.⁴⁵⁰

⁴⁴⁸ ‘Press Release’, 29 Aug 1951, HML (1411, NAM), Series I, Box 71. For more on the productivity drives, see ‘Priorities for Export’, June 1951, HML (2345, NFTA), Box 35. See also Boel, *The European Productivity Agency* (2003), pp. 9-10.

⁴⁴⁹ Besse as quoted in Sloan, ‘To Besse (NAWM)’, 28 Mar 1951, WHS (208, Sloan), Box 21, F7; NACM, ‘Report to the President’, 25 Sep 1952, ATHM (2000.178.1, NTA), Vol. 15.

⁴⁵⁰ BoT (NICB), ‘Meeting Minutes’, Jan 1951, HML (1057, NICB), Series II, Book 12.

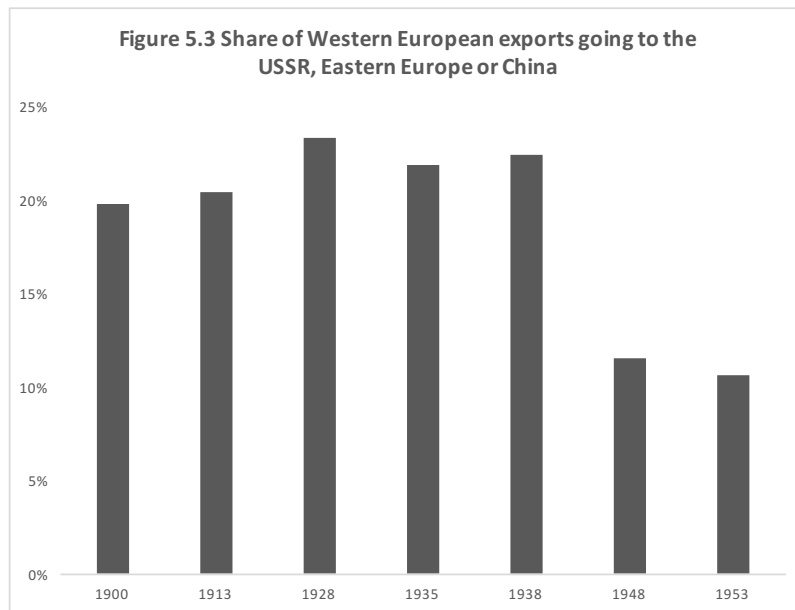
5.3.3 The interruption of East-West trade and the dollar gap

Besides threatening to reopen the dollar gap by inflating Western European defense spending, the Korean War had a second effect on Western Europe's position in the world economy: Deteriorating East-West relations threatened to cut off traditional export markets for Western European goods, thus exacerbating the payments deficit (see figure 5.3 on the next page). This led to calls in the United States that European exports to other parts of the world be raised in compensation. The existing literature covers one aspect of this, the creation of the Coordinating Committee for Multilateral Export Controls, but has overlooked the impact this development had on American trade policy more broadly.⁴⁵¹

Strong anti-communism co-existed with a desire to do business with the Soviet Union and its satellites for a remarkably long time. As late as in May 1950, an internal NFTC document stated that the "expansion of East-West trade [is] a vital element in post-1952 planning". In other words, once the ERP was over, the NFTC envisioned lively trade between Western Europe and the Soviet bloc, which would provide America's allies with export markets and imports that they could not afford to buy from the United States given their shortage of dollars. The Korean War turned this early vision of economic détente into a pipe-dream. Trade with the Soviet Union and Eastern Europe became more difficult, and as Western Europe found its export markets closed (while imports grew due to the rearmament drive, see section 5.3.2) the dollar gap once again widened. Half a year after its optimistic assessment of the likely impact of East-West trade, the NFTC was told by the Undersecretary of State to concede that, as a

⁴⁵¹ See e.g. Mastanduno, *Economic Containment* (1992) and, for more recent work, the proceedings of the 2016 Cold War Business History Conference.

result of the Korean War, the “sale of many goods has been progressively restricted in the markets of many European countries.”⁴⁵²



Source: World Trade Patterns, Statistical Office of the UN

Few business leaders clung to the hope that East-West trade would revive quickly after the cessation of hostilities on the Korean peninsula. In general, the realisation that an interruption of East-West trade created a need for further American trade concessions quickly took hold. The industrialist George Sloan, a senior member of the USCICC, complained in a letter to the Business Advisory Council: “How in hell can we strengthen the economy of countries who traditionally have depended upon foreign trade when they can no longer trade with countries behind the iron curtain ...?” Sloan answered his own question: The United States would have

⁴⁵² ‘European Economic Trends and Developments’, May 1950, HML (2345, NFTC), Box 2; USec State, ‘Building Economic Strength’, Nov 1950, HML (2345, NFTC), Box 34, p. 2.

to compensate for Western Europe's lost export markets by importing more. Sloan also wrote to a close associate of Will Clayton's that Western Europe would "have to trade with us from now on" if "the countries behind the Iron Curtain" remained closed off; otherwise, there would be no "lasting benefits" from the ERP.⁴⁵³ Similar concerns were recorded at the New York Chamber of Commerce. Here, a May 1952 report concluded that "the loss of previously existing trade areas such as China" was one of the key challenges for European exporters.⁴⁵⁴ Reviewing the Marshall Plan in 1952, the board of directors of the NAM went as far as explicitly demanding "improve[d] access of foreign producers to American markets" because income thus generated by European nations would render American aid unnecessary. The report also argued that "Western Europe [...] cannot become a self-contained economic unit [...] and it cannot be fully recovered until multilateral trade has been re-established throughout the non-Soviet world" and concluded that "[i]f we are to terminate aid [...] the free world must adopt a consistent policy and continuing program to replace aid by trade".⁴⁵⁵

In advocating trade liberalisation following the Korean War and the interruption of East-West trade in 1951/52, the NAM was part of a coalition that also included the US Chamber, as well as the old pro-trade coalition of banks, exporters and multinationals. The three factors underlying renewed business support for trade concessions after the outbreak of the Korean war were: (a) renewed support for American overseas engagement, (b) new concerns about

⁴⁵³ The ICC continued to organise trade fairs in Eastern Europe in 1952, hoping that trade would resume. Sloan, 'To White (BAC)', 16 Dec 1952 and Sloan, 'To McAshan', 1 July 1952, WHS (208, Sloan), Box 21, F9.

⁴⁵⁴ 'Postwar Trend of New York's Foreign Commerce', May 1952, BL (1440, NY Chamber), Series III, Box 175, Vol. 44, p. 64. See also 'Current Trade Questions', Nov 1952, HML (2345, NFTC), Box 36, pp. 25-6, for a debate among government officials and business men on the future of East-West trade.

⁴⁵⁵ BoD (NAM), 'Policy Recommendations on Europe', Oct 1952, HML (1411, NAM), Series I, Box 104, Folder 'IR'.

shortages and inflation in the United States, and (c) the widening of the dollar gap as a result of rearmament in Europe and the interruption of East-West trade. These factors were interconnected and reinforced each other; cumulatively, they pointed towards the need for further trade liberalisation on the part of the United States.

5.4 The autumn of discontent and the emergence of “trade not aid” in 1952

In the summer of 1952, Britain’s Chancellor of the Exchequer, R. A. Butler, coined a phrase that encapsulated the American foreign economic policy priorities that emerged from the Korean War: “trade not aid”. This slogan was quickly picked up by European businessmen who, in the words of the head of the British Board of Trade, did “not want American citizens to tax themselves into poverty in order that their country might become the soup kitchen of the western world.” European politicians and business leaders demanded “trade with the United States rather than our charity”, as George Sloan put it when he reflected on the events of 1952. “Trade not aid” quickly gained popularity in the United States as well, encapsulating what the Truman administration had been doing for years.⁴⁵⁶ As Milton Katz, American special representative to Europe during the early 1950s, later recalled, “to the extent that we [...] could buy from European sources, we would be putting dollars into Europe over and above the Marshall plan dollars. [This was] in the words of Senator [Robert A.] Taft, ‘trade, not aid.’”⁴⁵⁷ “Trade not aid” later also became an important slogan for the Eisenhower administration’s foreign economic policy (see chapter 6).

⁴⁵⁶ Thorneycroft as quoted in ‘Trade, Not Aid’, *New York Times*, 29 Aug 1952; ‘Trade Not Aid’, *The Spectator*, 2 Jan 1953; Sloan, ‘To White (BAC)’, 16 Dec 1952, WHS (208, Sloan), Box 21, F9.

⁴⁵⁷ ‘Oral History Interview with Milton Katz’, TL (Oral Histories Collection); Bowie, *Waging Peace* (1998). Taft himself, when asked what he thought of “trade not aid”, famously said that he liked the second part.

The Truman administration continued to support the strategy of substituting trade concessions for unpopular foreign aid throughout 1952, and indeed doubled down on it even as rearmament spending levelled off and the Korean War ground to a halt. In August, William Draper reported to the president with a survey of the European situation. Draper outlined that the dollar gap still persisted, posing a critical danger to the American economy and undermining national security. However, the United States as a creditor nation and net exporter could help Western Europe finance the required level of imports by buying a greater amount of Western Europe's exports. As soon as Draper's findings, which justified import promotion independently of the Korean emergency, were made public, Truman designated Daniel W. Bell as the head of Public Advisory Board for the MSA, the ECA successor organisation, to conduct a study of the trade policy options available to the United States. Bell, who admitted privately that he was conducting the study for Truman's successor, soon wrote to business leaders, asking their views on the "significance of a change in trade and tariff policy to encourage an expansion of imports."⁴⁵⁸ Like Draper's report, Bell's investigation looked beyond the Korean War towards a longer-term solution for the dollar gap; in doing so, he once again stressed creditor nation theory and the proposition that imports and exports depended on each other because trade was a two-way process.

This was met with a high level of support, especially from internationalist business groups like the USCICC and the NFTC. According to these groups, there were to be no further American government grants or loans to Europe at all, except for military aid essential to the common defense effort. Instead, the United States government would focus on making trade

⁴⁵⁸ 'Trade, Not Aid', *New York Times*, 29 Aug 1952; Bell (WH), 'To Swingle', 24 Oct 1952, HML (2345, NFTC), Box 162; NFTC staff, 'Meeting with Daniel W. Bell', 1952, HML (2345, NFTC), Box 162.

concessions to provide the dollars needed for rearmament and reconstruction abroad. The new chairman of the USCICC, Warren Lee Pierson, told President Truman in December 1952 that the United States should “take measures to increase imports so that friendly nations can sustain their economies through trade rather than aid.” Among the internationalist segment of the business community represented by these groups, there were high hopes that General Eisenhower would be able to curb protectionism and increase imports even more effectively than Truman had done.⁴⁵⁹

The US Chamber and the NAM now also argued publically that “the free world must adopt a consistent policy and continuing program to replace aid by trade” and the United States in particular should “improve the access of foreign producers to American markets”. This, according to the NAM, was the only way to furnish foreigners with the kind of reliable dollar income required to maintain an adequate level of demand for American exports in the long run, buttressed by the ability to finance these imports without financial transfers from the creditor nation.⁴⁶⁰ “Trade not aid” was also accepted by state and local chambers of commerce; indeed, the end of 1952 saw the broadest ever business consensus for further trade concessions as part of a foreign economic policy geared towards strengthening the “free world” for the Cold War through “trade not aid”, a development of which both pro-trade and protectionist business leaders were acutely aware.⁴⁶¹

⁴⁵⁹ Pierson’s conversation with Truman, as reported in ‘Unit to Advise US on Trade Is Sought’, *New York Times*, 18 Dec 1952, p. 47. On Eisenhower, see ‘Speculation Rife Over Eisenhower’, *New York Times*, 13 July 1952.

⁴⁶⁰ BoD (NAM), ‘Policy Recommendations on Europe’, Oct 1952, HML (1411, NAM), Series I, Box 104, Folder ‘IR’. The NAM actively promoted this view among business leaders from across the “free world” at its International Conference of Manufacturers, the first one of which took place on 9 November 1952.

⁴⁶¹ See, e.g. Sloan, ‘To Edie’, nd, WHS (208, Sloan), Box 21, F7. Sloan wrote that Midwestern industrialists had joined East Coast in being pro-trade because trade was now widely seen as “two-way”. The letters are not dated, but were probably written in late 1951/early 1952. See also BoD (Washington BoTr) ‘Minutes’, Sep 1952, GWL (MS2029, Washington BoTr), Box 26; ‘Bulletin: Postwar Trend of New York’s Foreign

5.5 The seeds of a new protectionism

The popularity of “trade not aid” among the vast majority of business leaders coincided with the first signs of a backlash forming among the protectionist minority, which foreshadowed the growth of protectionism and the strong polarisation that would develop among business elites during the 1950s and early 1960s (see chapters 6 and 7). Protectionist business interest groups like the ATL became more active. The textile industry, long a stalwart of protectionism, significantly ramped up its unrelenting message that high American wages and foreign imports were putting textile producers and workers under severe and dangerous pressure. Other industries, under pressure again from the European competition that the ECA and the MSA had been encouraging, joined the call for sector-specific protective tariffs until, by late 1952, the textile industry’s fight no longer seemed an entirely lost cause. Industry-level lobbying was, at times, successful: new tariffs were introduced, e.g. on imported cheese in 1951.⁴⁶² The Buy American Act, although loathed by the major business associations, set procurement rules that favoured American producers and delighted protectionists.⁴⁶³

Even some investors and exporters voiced concerns over foreign competition in late 1952. Officially, the NFTC demanded “a greatly increased importation of goods and services” to assist Western Europe and reduce inflation in the United States throughout 1952, supported

Commerce’, May 1952, BL (1440, NY Chamber), Series III, Box 175, p. 64-7; BoD (KCAI), ‘Minutes’, Oct 1951, KHS (Ms. Coll 242, KCAI), Box 3; Int’l Affairs Committee (DEC), ‘Correspondence: MacDonald’, Jan 1952, DPL (DEC), Box 44.

⁴⁶² NACM, ‘Report to the President’, 25 Sep 1952, ATHM (2000.178.1, NTA), Vol. 15, p. 5; ‘Tariff League Dinner’, *New York Times*, 15 Oct 1951, p. 34; Read (FEE), ‘To Crane’, 5 Nov 1951, HML (1416, Crane Papers), Box 35, F1.

⁴⁶³ See a later review by the USCICC, ‘Buy American Act’, Feb 1959, HML (1411, NAM), Series I, Box 16, F1; CED, ‘The Economic Situation in Western Europe’, 1952, NL (CED pamphlets).

by a vast majority of the members.⁴⁶⁴ However, the Balance of Payments Committee, usually one of the strongest supporters of trade liberalisation to combat the dollar gap, heard car manufacturers warning that trade concessions had “aided and encouraged foreign manufacturers, thereby intensifying competition and working against the interests of American exporters”. Archival records documenting informal conversations between NFTC leaders and government officials suggest that such concerns were now articulated by more than just a few members. At the NFTC convention in November 1952, several members again raised questions about European discrimination against American exporters and the potentially harmful effects of European integration. The European Coal and Steel Community worried some American producers. In response, the NFTC modified its rhetoric, though not the substance of its positions. According to NFTC president Ted Swingle, the organisation now sought a “reasonable” level of foreign competition that neither ruined entire American industries nor reduced imports of any particular good to zero. Swingle also suggested to government officials that import promotion had developed too much of a focus on encouraging Americans to buy, rather than helping foreigners to sell. The leadership could not ignore the concerns of the minority suffering the effects of increased competition. Seeking to address these concerns, the NFTC argued that trade concessions could be designed so as not to increase unemployment or harm American producers.⁴⁶⁵ Discontent with “trade not aid”, limited though it was, was taken seriously.

⁴⁶⁴ ‘Recommendation on Imports’, Nov 1952, HML (2345, NFTC), Box 35.

⁴⁶⁵ BoP Group (NFTC), ‘Meeting Minutes’, Oct 1952, HML (2345, NFTC), Box 35; ‘Meeting with D.W. Bell’, Oct 1952, HML (2345, NFTC), Box 162; ‘Current Trade Questions’, Nov 1952, HML (2345, NFTC), Box 36.

Discontent with the Truman administration's foreign economic policy was also growing in some chambers of commerce, despite the appeal of "trade not aid" in many organisations (see p. 251). By 1951, the Wisconsin Manufacturers Association warned its members in a bulletin that the "nation's envoys[,] prepared to jeopardise the wellbeing of our industry for a starry eyed vision [are] planning dangerous new cuts to our import duties", threatening great damage.⁴⁶⁶ At the NAM, internationalist directors were concerned about "serious and bitter debates" caused by the issue of trade liberalisation, despite the overwhelming support for "trade not aid" at the organisation. Indeed, the remaining protectionist minority at the NAM finally began to formulate an answer to "trade not aid" and creditor nation theory that addressed directly the justifications for low tariffs that had developed since 1917.⁴⁶⁷

All this must be seen as an exception to the larger picture of strong business support for trade liberalisation in 1952. Most national business associations supported a continuation of trade liberalisation, in the form of another extension of the RTAA, and condemned both Buy American legislation and the cheese tariff, arguing that such actions would induce a protectionist backlash from other countries and were, in any case, counter-productive in the larger picture of the Cold War.⁴⁶⁸ Yet, despite representing a niche phenomenon, the new protectionism of 1952 is noteworthy because it sowed the seeds of what was to come during the mid-1950s (see chapter 6, esp. section 6.2 on protectionist innovation).

⁴⁶⁶ 'Bulletin', Dec 1950 and Apr 1951, WHS (441, WMA), Box 12.

⁴⁶⁷ Cortney, 'To NAM Members', 25 Aug 1952, WHS (341, Grede Papers), Box 4, F6; Mises (NAM), 'Confidential Memo', 1951, HML (1411, NAM), Series I, Box 105, Folder 'Tariff'.

⁴⁶⁸ NFTC staff, 'Meeting with D.W. Bell', Oct 1952, HML (2345, NFTC), Box 162; Sloan, 'To McAshan', 1 July 1952, WHS (208, Sloan), Box 21, F9; 'Current Trade Questions', Nov 1952. HML (2345, NFTC), Box 36.

5.6 Conclusion

The spread of the creditor nation view of international trade since 1917, internationalism since the early 1940s, and import promotion as foreign assistance since 1946 culminated in a foreign economic policy that pursued “trade not aid”, the slogan that captured the foreign economic policy consensus of the Korean War. This war, through its economic effects and the anti-communism it engendered, ensured that Western European recovery remained at the top of the agenda. While further help for Western Europe was a political necessity, foreign aid in the form of grants and/or loans was thoroughly discredited. Trade concessions thus became the preferred foreign economic policy tool for providing dollar balances to Western Europe and closing the dollar gap once and for all. Acting like a creditor nation, the United States continued to pursue the ambition of a high level of imports to enable foreign countries to finance purchases of American goods and lubricate the system of multilateral trade in the “free world”. Moreover, trade concessions became a foreign policy tool in the arsenal of the geopolitical hegemon, used to further the United States’ geopolitical interests.

The Korean War thus saw the completion of a transformation in the business discourse about American trade policy that had begun during World War I. In the next chapter, I show how this consensus fell apart during the mid-1950s as geopolitics and the balance of payments situation changed, while protectionists finally learned to counter the creditor nation argument for trade liberalisation.

6 Trade policy and business discontent, 1953-56

“If we fail in our foreign trade policy, we may fail in all. Our domestic employment, our standard of living, our security and the solidarity of the free world—all are involved.”

– *President Dwight D. Eisenhower, March 1954*

The years from 1953 to 1956 saw significant opposition to further trade liberalisation and thus marked a major break with the initial post-war foreign economic policy consensus. “Trade not aid”, though adopted by President Eisenhower, ceased to be a guiding and unifying principle. Eisenhower only secured meaningful extensions of the RTAA towards the end of his term of office.⁴⁶⁹ One striking feature of the mid-1950s was the greater degree of business opposition to trade liberalisation compared to the Marshall Plan years (see chapters 4-5) and the early 1960s (see chapter 7). The mid-1950s also saw other significant changes in the political economy of American trade policy, such as rising protectionism in Congress (including among Democrats) and at labour unions.⁴⁷⁰ Yet the existing literature on American trade policy largely omits any detailed discussions of the 1950s.⁴⁷¹ Only two major works discuss the

⁴⁶⁹ Kaufman, *Trade and Aid* (1982).

⁴⁷⁰ To some extent, the shift in party control of the Senate accounts for the interruption of trade liberalisation during the 1950s. From 1951 until 1957, no party had a clear majority, in stark contrast to Democratic dominance during much of the 1940s. Yet the story was more complex than a simple surge in the number of protectionist Republican senators. Protectionism among Democrats grew while an important group of pro-trade Republicans emerged. Analyses of voting patterns show that party identification ceased to be a statistically significant determinant of voting on trade policy during the 1950s. See Hiscox, ‘Commerce, Coalitions and Factor Mobility’, *APSR*, 96:3 (2002). Contemporary observers also noted, with some surprise, the emergence of protectionist Democrats in the 1955 midterms which complicated congressional trade policy dynamics. See e.g. ‘Tariff Fight Emerging’, *Toledo Blade*, 1 Jan 1955.

⁴⁷¹ e.g. Lovett, *US Trade Policy* (1999); Kaplan, *American Trade Policy* (1996); Destler, *American Trade Politics* (1986); Chorev, *Remaking US Trade Policy* (2007); Tsoukalis, (ed.), *Europe, America and the World Economy* (1986); Nivola, ‘The New Protectionism’, *PSQ*, 101:4 (1986) hardly discuss the 1950s at all. Baldwin, *Trade Policy in a Changing World Economy* (1989) only briefly mentions an increase in support for

Eisenhower administration's trade policy in any detail, and they do not draw on business or business association archives.⁴⁷² Apart from these two dated books, what little attention has been given to trade policy during this time period focuses on the RTAA extensions (see Table 6) or attempts to fit the 1950s into larger narratives of American trade liberalisation since 1934, without using detailed primary source research.⁴⁷³

Table 6: Extensions of the RTAA during the mid-1950s

Year	Duration	Tariff-cutting authority
1953	1 year	no
1954	1 year	no
1955	3 years	yes

The archival evidence presented in this chapter sheds light on why national business associations such as the NFTC, the NAM and the US Chamber backed away from supporting further trade liberalisation and additional tariff cuts after 1953, much to the frustration of the Eisenhower administration's trade policy experts. The first key reason was that the number and visibility of protectionists increased in most major business associations. At the NAM, where this was most pronounced, the internationalist directors whose power had grown during

liberalisation among big business, without offering evidence from primary sources. Business archival evidence is entirely absent from this literature.

⁴⁷² Bauer, *American Business and Public Policy* (1972); Kaufman, *Trade and Aid* (1982).

⁴⁷³ e.g. Dür focuses on exporter mobilisation; Stiles on hegemony. Dür's only evidence for the claim that exporter mobilisation faded comes from counting the number of boxes of testimony and a single secondary source, Bauer's book from 1972 (see footnote above). Dür, *Protection for Exporters* (2010); Stiles, 'The Ambivalent Hegemon', *Review of International Political Economy*, 2:1 (1995).

World War II (see chapter 2) were marginalised. As a result, the NAM became officially neutral on most aspects of trade policy and, in practice, gradually turned into a protectionist force. The leadership of the US Chamber experienced membership revolts against attempts to institutionalise support for trade liberalisation, which constrained their ability to support Eisenhower. The NFTC, as a result of the steel, oil and chemical industries' growing hostility to a liberal trade policy, de-emphasised trade and focused on issues like investment and taxation instead, seeking to avoid disunity among directors and members. The growing strength of protectionist factions at these organisations, and the resulting internal conflicts, undermined business support for Eisenhower's foreign economic policy.

A second key reason for the weakening of the pro-trade coalition can be found in increasing doubts about the balance of payments and foreign policy arguments for trade concessions that had proved so compelling during the 1940s and early 1950s. The dollar gap was closing and Western European security improving, making it harder to argue that geopolitical imperatives required "trade not aid". Moreover, protectionist groups successfully addressed the argument that the United States needed to further raise imports head-on, arguing that travellers' spending abroad and outward foreign investment were enough to enable the rest of the world to finance reconstruction, rearmament and imports. This represented a clear break with the recent past. With the dollar-gap and creditor-nation arguments for trade liberalisation thus increasingly called into question, there was no longer a clear, simple and convincing rationale for American leadership in international trade liberalisation. This shift may also explain why there was increasing resistance to liberalisation from Congress and labour unions, and this chapter thus speaks to changes in the political economy of American trade policy more generally. It may

therefore be relevant beyond the world of business elites, even if a direct causal link between business elites' opinion, congressional action and trade policy outcomes cannot be proven.

6.1 Eisenhower's foreign economic policy

Several developments made the year 1953 an important turning point. First, fears that American allies faced an imminent communist attack receded and a period of superpower détente began.⁴⁷⁴ The Korean War and the division of Germany stabilised. Stalin died, and his successors offered gestures of moderation. Superpower tensions further decreased as high-profile international conferences defused some of the most volatile issues.⁴⁷⁵ Moreover, technological and military changes altered the nature of superpower relations, as nuclear arsenals approached the point where “the illusion of a winnable war” disappeared. The growth of American military power during the Korean War also reduced the perceived superiority of Soviet conventional forces.⁴⁷⁶ Second, a long economic upturn took hold in Western Europe and the dollar gap became a less urgent problem as the regional balance of payments deficit narrowed. Figure 6 shows how public attention turned away from the dollar gap.⁴⁷⁷ The geopolitical and balance-of-payments rationale for “trade not aid” thus disappeared. As one of the most prominent critics of American assistance for Europe put it in 1953, what remained of

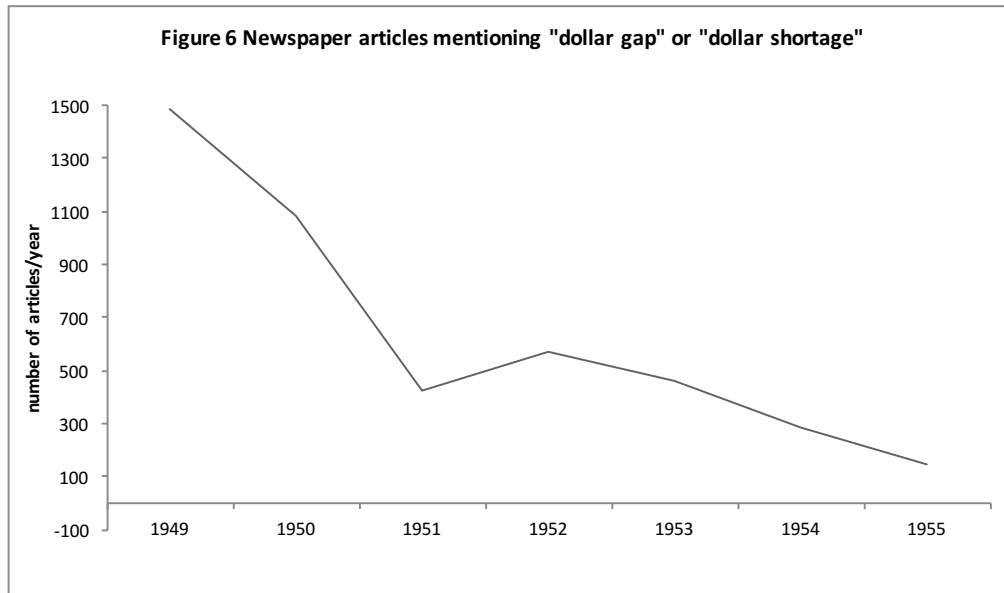
⁴⁷⁴ Stevenson, *The Rise and Fall of Detente* (1985); Bowker and Williams, *Superpower Detente* (1988); van Oudenaren, *Détente in Europe* (1991).

⁴⁷⁵ Hanhimäki et al., *Transatlantic Relations since 1945* (2012).

⁴⁷⁶ Cohen, ‘New Leaders and New Arenas in the Cold War’, in *New Cambridge History of American Foreign Relations*, ed. by Iriye et. al (2013), pp. 84–5; Westad, *The Global Cold War* (2005) points out that, far from implying global stability, this merely shifted the locus of superpower conflict from Europe and East Asia to Latin America, Africa, the Middle East and South-East Asia.

⁴⁷⁷ Eichengreen, *The European Economy Since 1945* (2007), section IV. Western European balance of payments data for the early 1950s is difficult to come by. West German data, for example, does not begin until 1956. In the absence of data on the size of the dollar gap, its salience in the American media is used as a proxy.

Western Europe's problems could now "be worked out among themselves with a minimum of interference by the United States. We [...] cannot run Europe."⁴⁷⁸



Source: ProQuest Historical Newspapers (New York Times and Washington Post)

In the context of "trade not aid" losing its urgency, Dwight D. Eisenhower assumed the presidency in January 1953, having prevailed over his Democratic opponent Adlai Stevenson and the isolationist wing of his own party. Eisenhower, the first Republican in office since Herbert Hoover, immediately broke with past Republican principles of economic and foreign policy.⁴⁷⁹ One example of this was a determination to retain the Truman administration's policy goal of "making the [...] Western economy work" by providing assistance to American allies in the form of trade concessions. Eisenhower, who decried protectionists as

⁴⁷⁸ Harnischfeger, 'Observations on Europe', 1953, WHS (GB Mss 92, Byrnes Papers), Box 91; 'Trade Dollar Gap in US Levels off', *New York Times*, 21 June 1953.

⁴⁷⁹ Morgan, *Eisenhower versus the Spenders* (1990).

“shortsighted bordering on tragic stupidity”, noted in his diary that it was not “in the interest of America to keep imports down and exports up”. In his first State of the Union address, the new president asked Congress for an ambitious three-year extension of the RTAA and laid out a foreign economic policy vision that championed trade concessions, outward foreign direct investment, offshore procurement (see p. 205 for details) and higher raw material imports as ways to furnish allies with dollar balances. A few days later, the Public Advisory Board on Mutual Security published its review of how trade policy fit into the wider context of American foreign policy, recommending a simplification, consolidation and reduction of American tariffs to achieve higher levels of imports (the Bell Report, see also p. 250).⁴⁸⁰

In the months that followed, congressional resistance forced Eisenhower to back down and settle for a largely symbolic one-year extension of the RTAA, which passed in March 1953 and only narrowly pre-empted a strongly protectionist bill put forward by a Republican congressman (HR4294). Congressional resistance, in part motivated by a growing feeling that trade concessions were an unnecessary “give-away”, would continue to hamper Eisenhower’s ambitions and made the mid-1950s the most protectionist period since 1934.⁴⁸¹ In fact, congressional protectionism was pronounced enough to prompt one of the most prominent Democratic senators, J. William Fulbright of Arkansas, to complain that the Republicans had ended “trade not aid”.⁴⁸² Business opinion, however, was still strongly in favour of liberalisation. At the trade policy hearings in early 1953, representatives of the NAM, the

⁴⁸⁰ Kaufman, *Trade and Aid* (1982); Cohen, ‘New Leaders’, in *New Cambridge History of American Foreign Relations*, ed. by Iriye et al. (2013), p. 83; Reichard, *The Reaffirmation of Republicanism* (1975); Greenstein, *The Hidden-Hand Presidency* (1982).

⁴⁸¹ Reichard, *The Reaffirmation of Republicanism* (1975).

⁴⁸² Kaufman, *Trade and Aid* (1982), p. 26.

NFTC, the US Chamber and the NCAI called in unison for the repeal of “excessive” and “needless” tariffs.⁴⁸³ At this stage, in early 1953, the business consensus for “trade not aid” was as strong as ever, although Republican control over the hearings ensured that small protectionist groups and individual protectionist business executives dominated trade policy hearings by their numbers (see also p. 270).

The 1953 extension of the RTAA also contained a provision for setting up a commission to study the broad outlines of American foreign economic policy. The Randall Commission, named after its chairman, the head of Inland Steel, Clarence Randall, began its work in the summer of 1953.⁴⁸⁴ Following months of hearings, its report embraced further trade concessions and emphasised the importance of the dollar gap, but the 1954 extension of the RTAA was nevertheless again a largely perfunctory one that did not give the president additional tariff-cutting power.⁴⁸⁵ New protectionist clauses were added to the RTAA at several points, including the peril-point provision and escape clauses, which enabled specific industries to obtain industry-specific exemptions from tariff reductions if they could show particularly damaging foreign competition. On the international level, no new tariff cuts were agreed upon among the existing members of the GATT, although new signatories joined, thus creating a larger low-tariff area. In 1955 the United States obtained a waiver for tariff reductions on agricultural goods and Congress refused to ratify the charter of the Organisation for Trade Cooperation, which collapsed as a result. That year, the RTAA was extended for three years, but only the 1958 extension gave Eisenhower additional tariff-cutting authority,

⁴⁸³ ‘Four Groups Ask Repeal of Import Barriers’, *New York Times*, 2 Apr 1953. The existing literature suggests, incorrectly, that there was little business support for the extension of the RTAA in 1953.

⁴⁸⁴ See Knorr and Patterson, *A Critique of the Randall Commission Report* (1954).

⁴⁸⁵ ‘US Trade Report Faces Long Fight’, *New York Times*, 25 Jan 1954.

beyond the level agreed to during the 1940s.⁴⁸⁶ Further substantial trade liberalisation did not occur until the 1960s.⁴⁸⁷

For much of his term in office, therefore, Eisenhower was prevented from implementing plans for further trade liberalisation. In the remainder of this chapter, I show first how and why protectionist business lobbying increased during this period of trade policy standstill. Then, I discuss why the business groups that supported trade liberalisation under Truman weakened in their commitment to “trade not aid” under Eisenhower. While it is difficult to show a direct causal link between business opinion and trade policy outcomes, the lack of business support likely had at least some impact on Eisenhower’s ability to get Congress to agree to his trade policy proposals and was keenly felt by senior trade policy officials.⁴⁸⁸

6.2 Protectionist innovation

As described in section 5.5, there was a protectionist backlash against “trade not aid” in late 1952, both within organisations that officially supported trade concessions and in groups with a long history of opposing the Truman administration’s foreign economic policy. This reached a new intensity in 1953. On the one hand, more industries became protectionist. On the other, protectionists became more effective, for two reasons. First, the Nation-wide Committee of Industry, Labor and Agriculture on Export-Import Policy (NWC), a single-issue protectionist lobby group, became a focal point for protectionist lobbying. Second, and related to the rise

⁴⁸⁶ Kaplan, *American Trade Policy* (1996), pp. 52–60; Kaufman, *Trade and Aid* (1982), pp. 74–6.

⁴⁸⁷ Irwin, ‘Historical Aspects of US Trade Policy’, *NBER Reporter* (2006); Baldwin, *US Trade Policy since 1934* (2009).

⁴⁸⁸ See, for example, Clarence Randall's diary, EL (Randall Journals, A85-10), Box 1.

of the NWC, protectionists now addressed head-on the core argument of the pro-trade coalition: that “trade not aid” was necessary for European prosperity and American security. This marked a major difference to the early post-war years, when there was no coherent argument to counter demands for trade concessions based on balance of payments and foreign policy arguments.

In 1953, the textile industry was still the most vocally protectionist industry, as it had been for many years, and low foreign wages remained at the heart of this industry’s campaign for tariffs. In 1953, the annual report of the president of the ACMA bluntly stated that “the textile industry [...] is dependent on tariff protection”, citing low wages, especially in Asia, as the main justification for tariffs. In the run-up to the RTAA extension, the National Association of Cotton Manufacturers, spurred into action by what was seen as a dangerous campaign for “trade not aid”, launched a protectionist counter-campaign based on the argument that low foreign wages created unfair competition. Other big textile industry groups, e.g. the Northern Textile Association and the Textile Industry Committee on Foreign Trade, made similar arguments.⁴⁸⁹ However, the textile industry’s lobbying remained as ineffective as it had been for years. At the Randall Commission, for example, small groups representing the minority interests of cotton and textile exporters outnumbered witnesses speaking for domestic producers, although these were far more numerous. The commission was mostly interested in the opinions of textile figures who argued that tariffs increased the prices of their inputs and thus made them uncompetitive, rather than the complaints of the vast majority of cotton and

⁴⁸⁹ NACM and NTA, ‘Annual Meeting Minutes’, 24 Sep 1953, ATHM (2000.178.1, NTA), Vol. 25, p. 10; Ex Cmtte (NACM), ‘Meeting Minutes’, 2 Jan 1953, ATHM (2000.178.1, NTA), Vol 24; BoG (NACM and NTA), ‘Meeting Minutes’, 17 Apr 1953, ATHM (2000.178.1, NTA), Vol 24.

textile groups who condemned tariff cuts because they threatened to open the floodgates to cheap imports.⁴⁹⁰

However, other major industries then joined the previously isolated cotton and textile producers. The chemical industry, in particular, became a powerful voice against further liberalisation. Though this industry had a long history of protectionism, major companies like DuPont, Monsanto and Dow Chemical only now argued publically against “trade not aid”, whereas they had been more restrained during the Truman administration.⁴⁹¹ This change amplified the voice of protectionist business elites and increased their influence. In particular, the chemical industry influenced the trade policy positions of the NFTC, the NAM and the US Chamber by stoking protectionist sentiment among their members and voicing protectionist concerns among their directors, as discussed in detail in sections 6.3 to 6.5. Likewise, the mining and oil industry began to voice protectionist sentiments at the Randall Commission, which intensified over the course of the 1950s and affected the trade policy views of national business associations.

Moreover, protectionist lobbying became better organised in 1953, as coordination increased among industry groups and the influence of single-issue protectionist groups grew. The ATL was re-organised, increased its membership and became the Trade Relations Council. The Liberty Lobby, founded in 1955, and the Committee for Constitutional Government were set

⁴⁹⁰ Bentley, ‘Speech before Boston Wool Trade Association’, 17 Nov 1953, EL (CFEP Records, A-71-8), Box 19.

⁴⁹¹ Manufacturing Chemists’ Association, ‘Statement to CFEP’, Oct 1953, EL (CFEP Records, A-71-8), Box 24; ‘Family Fights over Our Foreign Trade’, *New Republic*, 9 Jan 1956.

up to attack the RTAA and tariff cuts on constitutional grounds.⁴⁹² Most importantly, the NWC, a new and highly effective single-issue protectionist lobby group was founded in 1953. Its leader, Oscar Strackbein, became one of the most influential lobbyists in Washington during the 1950s. Strackbein quickly became a prominent protectionist voice and played a crucial role in a development that further strengthened protectionist business groups: the direct refutation of balance of payments arguments for trade concessions.⁴⁹³

The existing literature disagrees about Strackbein's influence.⁴⁹⁴ One of Strackbein's overlooked achievements, however, was an early recognition that protectionists needed to confront head-on the strongest argument of their opponents: that trade concessions were necessary for American security because they were the best tool available to address the European dollar gap. In his own lobbying activities, Strackbein consistently emphasised the flaws in this argument for trade liberalisation, i.e. that the dollar gap was already closing rapidly and that the remaining imbalances could be addressed through means less harmful than tariff cuts. For instance, one of the solutions proposed by Strackbein was that, instead of opening the American market to European exporters, their "old" export markets should be returned to them instead.⁴⁹⁵

⁴⁹² Pastor, *Congress and the Politics of US Foreign Economic Policy* (1982), p. 111; King (Cmte for Const Gov), 'To Randall', 24 Nov 1953, EL (CFEP Records, A-71-8), Box 21.

⁴⁹³ Cincinnati Post, 'To Strackbein', 27 Jan 1956, EL (95-2, Strackbein Papers), Box 1, F1.

⁴⁹⁴ Pastor, *Congress and the Politics of US Foreign Economic Policy* (1982), p. 44; Yeager, *Foreign Trade and US Policy* (1976), pp. 91-102.

⁴⁹⁵ Strackbein, 'Conference with Mr Dulles', 14 Jan 1953, EL (95-2, Strackbein Papers), Box 1, F1; Strackbein (NWC), 'CFEP Statement', Oct 1953, EL (CFEP Records, A-71-8), Box 11; 'Hot Fight Impends over Tariff Issue', *New York Times*, 29 Mar 1953; 'Trade Dollar Gap in US Levels off', *New York Times*, 21 June 1953.

Between 1953 and 1956, more and more protectionist groups adopted Strackbein's strategy. Frederick Singer, a DuPont executive representing the ATL, argued in 1953 that the United States had made enough trade concessions and that what remained of Europe's problems had to be solved through domestic reforms. Other chemical industry representatives argued that, instead of making trade concessions to strengthen its allies, the United States needed to protect domestic producers of defense-related goods (i.e. the chemical industry) in order to ensure "collective security".⁴⁹⁶ Even the textile industry, which for many years had based its lobbying solely – and unsuccessfully – on the low-wage argument while conceding the balance of payments and foreign policy arguments of pro-trade groups (see p. 245), eventually picked up Strackbein's strategy of attacking directly the balance of payments and foreign policy rationale for trade liberalisation.⁴⁹⁷

This was far more effective in garnering the attention of policy-makers than the textile industry's old low-wage competition argument. Protectionists' ability to refute the core argument for trade concessions was also a key reason why support for further trade liberalisation weakened in organisations like the NFTC, the NAM and the US Chamber, as argued below. Both the change in strategy and the growing number of protectionist industries led to a growth in protectionist influence among business elites during the 1950s. This has been entirely overlooked in the existing literature because of the lack of attention given to business and business association archives. Moreover, contrary to the claims of the existing

⁴⁹⁶ 'Institute Experts Differ on Tariffs', *New York Times*, 9 July 1953; Manufacturing Chemists' Association, 'Statement to CFEP', Oct 1953, EL (CFEP Records, A-71-8), Box 24.

⁴⁹⁷ Murchinson (American Cotton Manufacturers Institute), 'World Trade and the United States', 1953, HML (Pamphlet Collection); Neal (CFEP), 'To Murchinson (ACMI)', June 1953, EL (CFEP Records, A-71-8), Box 18; NACM, 'Memorandum on the Tariff Situation', 12 Mar 1953, ATHM (2000.178.1, NTA), Vol 24.

literature, there is little evidence that Western European competition in world markets or discrimination against American exports to Europe were the dominant concern within protectionist circles. Protectionists hardly ever mentioned European competition during the 1950s. Their focus was firmly on low-wage Asian competition and refuting “trade not aid”.

6.3 Trouble at the top: the NFTC’s retreat to neutrality, 1954-55

Many business figures greeted the Eisenhower presidency with considerable enthusiasm, not least because of the prospect of further tariff cuts. On Wall Street, at the CED and at the International Chamber of Commerce, internationalists hoped that the new Republican president would conform to the business-friendly traditions of his party, while breaking with its past protectionist and isolationist impulses.⁴⁹⁸ Eisenhower’s rhetoric during the first half of 1953, as described in section 6.1, did not disappoint. However, internationalist business elites were increasingly ineffective at marshalling business support for high levels of imports and trade liberalisation, a development which trade policy officials lamented and which may explain in part Eisenhower’s failure to coax Congress into supporting his vision. One of the main internationalist groups, the NFTC, stopped supporting trade liberalisation as the number of protectionist directors on its board increased, leading the organisation to emphasise foreign investment, not trade concessions, as a remedy for current account imbalances. The remaining internationalist groups failed to recognise that the balance of payments and foreign policy arguments that had been successful for over a decade were losing their effectiveness as the dollar gap narrowed and protectionists deliberately undermined demands for “trade not aid”.

⁴⁹⁸ See, for example, the correspondence among USCICC leaders preserved in the personal papers of George Sloan, WHS (208, Sloan), Box 21.

Throughout 1953, the CED and the USCICC pushed the same message honed during the Korean War – “trade not aid” for the “free world”. In widely publicised speeches and newspaper editorials, the new head of the USCICC, Warren Lee Pierson, called for import promotion and tariff cuts to strengthen allies whose economies were threatened by the removal of American aid. Pierson stressed that trade policy had to follow foreign policy and that aid-financed export surpluses amounted to “giving the country away”.⁴⁹⁹ Speaking at the New York chamber in 1954, he condemned business leaders who “say ‘goods touched by cheap foreign labour must not enter our shores’” as economically illiberal and implored the audience that “we must buy if we are to sell”. Similarly, the CED charged that American tariffs undermined “the ability of other countries to earn the dollars they need to pay for American exports”, recommending the level of imports be raised by cutting tariffs in order to compensate for the phasing out of foreign aid. The reasoning was simple and unchanged, and its creditor nation theory origins were plain to see: Without a sustainable remedy for the dollar gap – which only trade concessions offered – there could be no stability in Europe, and without a stable Europe no security for the United States.⁵⁰⁰

As the dollar gap narrowed, the CED tried to adapt its argument by pointing out that excessive American agricultural exports and insufficient European exports predated World War II and were a result of an adverse shift in the transatlantic terms of trade during the early 20th century. Only tariff cuts combined with assistance designed to increase European productivity could reverse this. Apart from this innovation at the CED, which resembled the creditor nation

⁴⁹⁹ ‘Firm and Strong US Urged to Block Reds’, *New York Times*, 25 Jan 1953; ‘US Held Likely to Spur Imports’, *New York Times*, 12 Feb 1953; ‘Monthly Bulletin’, Apr 1954, BL (1440, NY Chamber), Series III, Box 176, Vol. 45.

⁵⁰⁰ CED, ‘Britain’s Economic Problem and Its Meaning for America’, 1953, NL (CED pamphlets).

rhetoric of the interwar period, internationalist business leaders failed to adapt their strategy to the new and growing scepticism about trade liberalisation, the easing of East-West tensions, the narrowing of the dollar gap or any of the other new challenges facing those arguing for further trade liberalisation on the basis of balance of payments and foreign policy arguments.

At the same time, new domestic and geopolitical realities favoured protectionists. Protectionist witnesses dominated the hearings for the RTAA extension in May 1953 by sheer numbers. The first few days of testimony belonged entirely to those opposing Eisenhower's proposals. Only later did administration officials appear, supported by the major national business associations (see also p. 262). The USCICC and the NFTC did not appear at all at the main hearings, restricting their activities to opposing HR4294, the protectionist alternative to Eisenhower's preferred bill. Moreover, the protectionists were able to field new arguments whereas witnesses advocating liberalisation failed to innovate. The low visibility and stale arguments of pro-trade business witnesses marked an exact reversal of the recent past. It is not clear that this caused the Eisenhower administration's failure to prevent the protectionist assault on the RTAA; given the new congressional majority, even vigorous business lobbying might not have prevented the re-establishment of peril points and escape clauses. But the weak performance of pro-trade business groups at the hearings does demonstrate that the business coalition for trade liberalisation was not adapting to the changing circumstances of 1953.

Perhaps in reaction to this, a group of business executives close to the Eisenhower administration established the Committee for a National Trade Policy (CNTP) two days before the Randall Commission took up its mandate to study America's foreign economic policy in August 1953. Headed by John S. Coleman of the Detroit Board of Commerce, this group was

to promote the ideals of a liberal trade policy: high levels of imports and exports, low tariffs and American leadership in trade negotiations. Tariff cuts and import promotion were the immediate goals.⁵⁰¹ Throughout the 1950s, the CNTP, along with the USCICC and the CED, continued to argue for further trade liberalisation, defending “trade not aid” against a growing number of critics. Creditor nation theory, the dollar gap and American leadership of the “free world” continued to form the bedrock of their argument for trade liberalisation as the only alternative to unacceptably high spending on foreign aid.⁵⁰² Although the CNTP was envisioned to have broader appeal than the CED and the USCICC, including to agricultural interests and labour unions, it remained an organisation dominated by, and representing the interests of, large multinational corporations, which limited its effectiveness.

Unlike during the 1940s, there was no longer a hopelessly out-numbered protectionist opposition to a broad pro-trade consensus, based on industry-level interest groups representing uncompetitive producers. Rather, internationalists were now increasingly isolated and outmanoeuvred by an effective protectionist campaign against trade liberalisation, or in the words of the CNTP’s president “a determined campaign to destroy the whole trade agreements idea [and] stop any consideration [...] of the over-all national interest” in the formulation of American trade policy. Clarence Randall noted, with evident disappointment, that the CNTP was the “only national business organisation” that still supported Eisenhower’s trade policy in 1956, and that even this group was “nearly dead” because it lacked a charismatic leader after the departure of John S. Coleman, who became president of the US Chamber in 1956 (see

⁵⁰¹ ‘What’s Blocking Freer Trade?’, *New Republic*, 31 May 1954; ‘New Group to Lead Freer Trade Drive’, *New York Times*, 6 Aug 1953.

⁵⁰² Sloan, ‘To Pierson’, 24 May 1954, WHS (208, Sloan), Box 21, F12; ‘58 Top Executives Appeal for OTC’, *New York Times*, 28 Mar 1956.

section 6.5.1). Failing to respond to protectionist arguments that trade concessions were simply no longer necessary to address the problems created by payments imbalances, the CNTP focused on attacking protectionists as unconcerned about “the strength and unity of the free world”. Contrary to its initial ambition to be inclusive and attract broad support for its vision of a liberal foreign economic policy, the CNTP’s rhetoric became increasingly condescending and venomous, as its leaders called the concerns of anyone who disagreed with them “irrational”, “specious” and selfish.⁵⁰³ Although the trio of CNTP, CED and USCICC brought together many of the largest American companies and most influential businessmen of the time (e.g. Henry Ford II, Thomas J. Watson, Harvey Firestone, to name but a few), they never succeeded in replacing the dollar gap and “trade not aid” with an equally compelling message more fit for the mid-1950s. As a result, they failed to garner support among business elites for trade liberalisation during much of Eisenhower’s presidency.

Moreover, pro-trade business elites failed to adapt their argument to the changing climate. As the dollar gap closed and the security situation in Europe improved, they argued that the narrowing of the dollar gap was temporary and unsustainable, without providing compelling evidence for why this was so. The CED’s idea of focusing on pre-World War II shifts in the terms of trade was quickly abandoned. Mounting concerns over foreign competition were met with the feeble promise that exports would generate more jobs than imports could ever destroy or the high-handed dismissal of tariffs as fundamentally “selfish”.⁵⁰⁴ Absent a clear

⁵⁰³ Taft, as quoted in ‘Dockage Charges Split Port Group’, *New York Times*, 10 June 1954; Randall, ‘Journal Entry’, 16 Nov 1956, EL (Randall Journals, A85-10), Box 3; Batt (CNTP), ‘Speech before Cincinnati World Trade Club’, 1955, WHS (Milw Mss 112, Reuss Papers), Box 42; CNTP, ‘Trade Cooperation or Trade Warfare’, 1955, WHS (Milw Mss 112, Reuss Papers), Box 42.

⁵⁰⁴ USCICC, ‘Questions Which May Be Asked’, 1955, WHS (208, Sloan), Box 21, F12; Cortney (USCICC), ‘Statement on HR1’, Mar 1955, HML (1411, NAM), Series XII, Box 197.

geopolitical rationale, trade concessions proved an impossible sell beyond a narrow elite. Thus, the internationalist business groups did not succeed in fostering wider business support for trade liberalisation despite their high media visibility in 1953/54. Attempts to reach out to traditionally protectionist industries and convince them of the merits of creditor nation theory and American leadership were unsuccessful.⁵⁰⁵ The CNTP never achieved its inclusive goals and remained a group with a narrow membership. Indeed, there was increasing hostility from business leaders who thought that CED and USCICC were over-stepping the mark and advocating a trade policy that benefited only a small minority of businesses. Among more conservative, anti-New Deal businessmen, the CED in particular was met with outright hostility because of its perceived closeness to the government.⁵⁰⁶

If this failure to adapt their message and reach out to a broader section of the business community weakened pro-liberalisation forces, the departure of the NFTC from the pro-trade coalition was perhaps an even greater blow. Unlike the other major internationalist business organisations, the NFTC was broadly focused and had in the past created broad business support for trade liberalisation, perhaps because it had a larger staff with greater campaigning and organisational skills and a diverse membership that made the organisation influential beyond a small group of multinational corporations. While the CED and the USCICC, joined by the newly formed CNTP, fought for further trade liberalisation throughout the 1950s, the NFTC's voice fell silent. In 1955, the organisation sent no representative to the hearings for

⁵⁰⁵ 'Textile "on Road to New Stability"', *New York Times*, 19 Sep 1953.

⁵⁰⁶ Cortney, 'To Tucker', 18 Mar 1954, WHS (341, Grede Papers), Box 4, F6; Taft (CNTP), 'Remarks', 26 Apr 1956, Yale (MSS433, McCormick Papers), Series III, Box 77, F1277; Grede (NAM), 'To Dayton Malleable Iron Comp', 4 May 1955, WHS (341, Grede Papers), Box 4, F4; Grede (NAM), 'To Kellar (CED)', 27 Mar 1962, WHS (341, Grede Papers), Box 4, F4.

the extension of the RTAA, having supported every single extension until then. By late 1954, NFTC president William S. Swingle recognised that trade policy – especially tariffs – were a toxic subject. Asked by a staff member whether the membership should be informed of a number of tariff-related changes resulting from a revision of GATT Article XVIII, Swingle recommended that the organisation avoid the subject, telling the staff that “the less we say about tariffs at this time the better”.⁵⁰⁷ The temporary departure of the NFTC from the pro-trade coalition removed an important voice for trade liberalisation and it also sheds light on the increasingly pronounced disagreement over trade policy among big business during the mid-1950s.

One reason why the NFTC wavered in its support for trade liberalisation was the growing number of protectionists on the organisation’s board of directors. With protectionism rising in the chemical, mining and oil industries, the NFTC suddenly found itself with a plurality of directors from protectionist industries in 1954, a situation that was only reversed again in early 1962.⁵⁰⁸ This marked a significant break with the past. Traditionally, the NFTC’s directorship had been united behind the organisation’s founding principle of liberal international trade. As a result of the anomalous composition of the board during the mid-1950s, the NFTC’s leadership faced unprecedented difficulties in maintaining a united position among the directors, and the wider membership was equally divided. Without internal unity, however, official NFTC support for further liberalisation was often unavailable.

⁵⁰⁷ NFTC staff, ‘Note Regarding Attached News’, Sep 1954, HML (2345, NFTC), Box 163.

⁵⁰⁸ The composition of the board can be traced in the meeting minutes, see HML (2345, NFTC), Box 8-14.

In addition to the growing number of protectionist directors, a second development undermined the pro-trade consensus at the NFTC. A detailed analysis of the archival evidence - over 350 trade policy-related documents dating from 1953 to 1957 - shows that internal disagreements escalated dramatically because the premises of “trade not aid” were no longer widely accepted. There were now growing doubts over whether cutting tariffs to help Western Europe was as inevitable as the advocates of this strategy insisted. In 1953, the NFTC’s staff, directors and committees still articulated the position that trade concessions had to replace aid. In an official statement on American foreign economic policy, the NFTC stressed the need for strong allies, which implied a need to “provide other free nations with the dollar exchange required” for rearmament, reconstruction and imports. The board endorsed the Bell Report’s conclusion (see section 6.1) that the United States must “take measures to facilitate an increase in imports” if export levels were to be maintained, with the directors recommending “widespread” tariff cuts to achieve this aim. The board minutes show no significant dissent at this point.⁵⁰⁹ From the wider membership, there was little or no resistance to the policies advocated by staff and directors. At the end of the 1953 convention, the leadership’s proposed declarations were approved without significant amendments. Weeks before, they had passed the board of directors without changes. Transcripts of the trade and international finance forums at the convention show that the members’ main concern during this year was a drop in imports from Europe. Even the powerful steel industry contingent among the member was still in agreement with “trade not aid” in 1953.⁵¹⁰

⁵⁰⁹ ‘Foreign Economic Policy Digest’, July 1953, HML (2345, NFTC), Box 162; Swingle (NFTC), ‘Statement on Overall Foreign Economic Policy’, Apr 1953, HML (2345, NFTC), Box 162, pp. 5-6; Balgooyen (NFTC), ‘Comments Regarding Bell Committee Report’, Mar 1953, HML (2345, NFTC), Box 162, F8; ‘Summary of Bell Report’, Mar 1953, HML (2345, NFTC), Box 162, pp. 1-2.

⁵¹⁰ BoD (NFTC), ‘Draft Declaration’, Oct 1953, HML (2345, NFTC), Box 2; ‘Declaration of the 40th Convention’, Nov 1953, HML (2345, NFTC), Box 78; ‘Current Trade Questions Forum’, Nov 1953, HML

Several reasons can be identified why support for liberalisation was still solid even though the Korean War was over by late 1953. The Cold War and continuing rearmament drive still led many within the NFTC to stress that trade policy had to follow foreign policy. This meant a foreign economic policy directed at strengthening American allies. Given an acute awareness that foreign aid was being cut, which was seen as inevitable, trade concessions seemed more rather than less urgent. The perception that imports were falling, in part because of increasingly effective protectionist lobbying, contributed further to this.⁵¹¹ Moreover, in 1953, moderate competition was still welcomed as beneficial. Dangerous competition was beyond the realm of the NFTC's imagination because, as the convention declaration stated, the logic of creditor nation theory determined that imports could not conceivably rise beyond the level of exports in the long run. In any case, American economic dominance was far too pronounced to allow for serious fears about foreign competition.⁵¹² Thus, the idea that exports and imports had to balance and the idea that "trade not aid" was required to stabilise Europe remained instrumental in maintaining NFTC support for trade liberalisation in 1953.

After 1953, however, trade policy gradually became a less important topic at the NFTC as internal disagreement made trade a fraught topic of debate. For the last time, the 1954 convention discussed the "need for imports". In the years that followed, the conventions paid scant attention to tariffs, imports and trade policy, as directors sceptical about further

(2345, NFTC), Box 36; 'International Finance Session', Nov 1953, HML (2345, NFTC), Box 36. Lindert, 'US Foreign Trade and Trade Policy', in *The Cambridge Economic History of the United States*, ed. by Engerman and Gallman (2000).

⁵¹¹ Hitchens (NFTC), 'Report on Mid-Century Conference', Dec 1953, HML (2345, NFTC), Box 2;

'International Finance Session', Nov 1953, HML (2345, NFTC), Box 36.

⁵¹² 'Declaration of the 40th Convention', Nov 1953, HML (2345, NFTC), Box 78; 'Current Trade Questions Forum', Nov 1953, HML (2345, NFTC), Box 36.

liberalisation struck anything that seemed to encourage higher imports from the agenda. As a result, less contentious topics like investment, customs simplification and double taxation came to dominate the NFTC's activities.⁵¹³ In what became a popular slogan in NFTC speeches and publications, demands could be heard that government should be less active in international trade, take a back seat and "leave it to private enterprise".⁵¹⁴ The idea that the American government should actively promote imports, still acceptable a year early, was rapidly becoming anathema at the organisation that had played a key role in selling import promotion to American business elites during the Marshall Plan years.⁵¹⁵

The declining importance of trade policy at the NFTC was due to increasing disagreement over the direction that the United States should take. Attempts by some within the NFTC to throw the organisation's weight behind proposals to further liberalise trade continued to be frustrated by what the staff described as a "lack of substantial unanimity". By late 1955, discontent reached such a severe level that the directors had to express their views "as individuals" because the board was paralysed. As a result, many important figures within the NFTC stopped attending meetings and conventions, leading the staff to accuse several directors of failing to show their support for the NFTC. Resignations from the board peaked in 1955.⁵¹⁶ As trade policy slipped down the NFTC's agenda, priorities changed. Instead of demanding to know how imports could be raised, the members now increasingly wanted the

⁵¹³ BoD (NFTC), 'List of Suggested Subjects for Final Declaration', Sep 1954, HML (2345, NFTC), Box 12; BoD (NFTC), 'Meeting Minutes', Feb 1955, HML (2345, NFTC), Box 12.

⁵¹⁴ 'Free Trade Called Boon to Business', *Washington Post*, 19 Nov 1954.

⁵¹⁵ 'Declaration of the 41st Convention', Nov 1954, HML (2345, NFTC), Box 79; 'Lowered Trade Restrictions, Rising Volume, Aid Exporters', *Washington Post*, 21 Nov 1954.

⁵¹⁶ BoD (NFTC), 'Meeting Minutes', May 1955, HML (2345, NFTC), Box 12; BoP Group (NFTC), 'Meeting Minutes', Dec 1955, HML (2345, NFTC), Box 38.

government to promote American exports, a development in which directors from the oil industry were instrumental. Moreover, unlike in 1953, foreign competition was now increasingly being seen as a real threat.⁵¹⁷

Why was there such a drastic reversal in many NFTC members' attitude to imports? The archival evidence points to a growing realisation that Western Europe's economic and geopolitical position was no longer precarious as one driver. In his 1954 convention keynote, Standard Oil's Leo Welch pointed out that the European crisis was over, with the last sterling crisis now three years in the past and Europe's balance of payments steadily improving. "I do not mean to imply that the Western World is so far out of the economic woods that we can relax," Welch told the crowd. But it was time to listen to concerns brought forward by industries endangered by foreign competition, discrimination, or both, because European weakness was no longer the primary issue American foreign economic policy needed to address. This argument gained currency beyond just the representatives of one industry: the Balance of Payments Committee – which had long been vocal about the dollar gap – argued by 1955 that Europe's balance of payments was back to normal.⁵¹⁸ Moreover, foreign investment was increasingly seen as superior to trade concessions for addressing any remaining or future imbalances, an idea that had been rejected as recently as in 1953. Instead of "trade not aid", internationalists and large corporations now warmed to "investment not trade" as the most efficient and effective remedy to balance of payments problems.⁵¹⁹

⁵¹⁷ Welch (Standard Oil), 'What Is New in International Finance?', Nov 1954, HML (2345, NFTC), Box 37; White (Imperial Oil), 'A New Look at Freer Trade', Nov 1954, HML (2345, NFTC), Box 37.

⁵¹⁸ Quotes from Welch's speech cited above. See BoP Group (NFTC), 'Meeting Minutes', esp. meeting in Apr 1955, HML (2345, NFTC), Box 37.

⁵¹⁹ 'Foreign Economic Policy and Taxes', Mar 1955, HML (2345, NFTC), Box 37; 'Statement Concerning IFC (draft)', May 1955, HML (2345, NFTC), Box 37.

6.4 Too far too fast: revolt at the NAM

During Truman's second term, the traditionally protectionist NAM became an important part of the pro-trade business coalition, supporting both tariff cuts and active import promotion. After the escalation of the Korean War in particular, the NAM generated support among medium-sized and small businesses for high levels of imports and trade liberalisation. This was the culmination of a development that started when, during post-war planning efforts, the number and influence of internationalist directors sympathetic to the creditor nation view began to grow (see chapter 2). Then, during the Marshall Plan, there was a growing awareness of the dollar gap and the need for trade concessions as a remedy for European weakness among the NAM's staff, directors and members (see chapter 4). Finally, the NAM endorsed "trade not aid" in 1952 due to fears over European instability creating a danger to the United States (see chapter 5).

In April 1953, the NAM still took a vocal pro-trade position by supporting the extension of the RTAA.⁵²⁰ Then, however, protectionists began to quickly reassert their power. Consequently, disagreements over trade policy among directors and members became so severe as to almost paralyse the organisation. Eventually, a coalition of protectionists and risk-averse directors attempting to avoid a break-up of the NAM marginalised the remaining pro-trade internationalists. Thus, in the autumn of 1953, the NAM reverted to official neutrality on trade policy matters, refusing to speak on tariffs and related issues on behalf of its members. In the years that followed, the organisation became de facto protectionist, while maintaining

⁵²⁰ 'Four Groups Ask Repeal of Import Barriers', *New York Times*, 2 Apr 1953.

this neutral official position. By the early 1960s, it was part of the coalition against the Kennedy administration's Trade Expansion Act (see chapter 7).⁵²¹

Archival evidence from the NAM's records and the personal papers of its key leaders shows that growing opposition to balance of payments arguments for trade liberalisation played an important role in the NAM's protectionist shift. Like the new protectionists led by Oscar Strackbein (see 6.2), protectionist NAM directors up-ended the "trade not aid" consensus by arguing either that the dollar gap was no longer a problem or that current account imbalances needed to be addressed through means other than tariff cuts. Growing protectionist pressure within the NAM was also driven by increasingly vocal opposition from representatives of protectionist industries, most notably the chemical industry, which had been muted during the 1940s and the Korean War.

Until well into the summer of 1953, internationalist NAM directors maintained and even strengthened the organisation's commitment to tariff cuts and a high levels of imports. The IR Committee still worked to raise membership awareness of creditor nation theory and further shift official NAM policy towards endorsing trade liberalisation, frequently pointing to the British experience during the 19th century as the example the United States ought to emulate (see p. 65). The dollar gap, it was argued, was far from closed and the inevitable drawdown of foreign aid even threatened to widen it, making a re-thinking of American trade policy, including even a repeal of the 1930 Tariff Act, inevitable.⁵²² In September, the IR Committee

⁵²¹ 'Tariff Matters', Oct 1953, HML (1411, NAM), Series I, Box 105; NAM, 'An Analysis of the Operations of the NAM', Aug 1953, WHS (341, Grede Papers), Box 69. The NAM's opposition for the TEA was only half-hearted; see section 7.2.2.

⁵²² IRC (NAM), 'Meeting Minutes', Mar 1953, HML (1411, NAM), Series I, Box 284.

decided, with fifty-eight votes against two, to submit a policy proposal to the board that embraced a foreign policy built on low tariffs and high levels of imports. Following board approval, the internationalists hoped that the NAM could forcefully support Eisenhower during the Randall Commission hearings based on this policy statement.⁵²³

The NAM's leadership initially backed this effort, including the influential director William Grede who would dominate the organisation during much of the 1950s, and the new president, the Michigan furniture executive Charles Sligh. Sligh called for tariff cuts to stimulate European exports and thus provide allies with markets and dollar revenues in June 1953 and, despite growing internal criticism, again backed tariff cuts to close the dollar gap in a series of widely reported speeches at state and local business associations in September and October 1953.⁵²⁴ Under his direction, the NAM's staff advertised support for "trade not aid" as the NAM's official position, suggesting to Clarence Randall that the organisation would support a liberal vision for American foreign economic policy at the commission's hearings.⁵²⁵

However, Sligh's public speeches and the IR Committee's work drew criticism from more conservative directors, who feared for the NAM's unity, and from increasingly vocal protectionists.⁵²⁶ Some major NAM members went as far as publically threatening to resign because they disagreed with the IR Committee's and Sligh's position.⁵²⁷ The backlash against

⁵²³ Cortney, 'To NAM Directors', Dec 1953, WHS (341, Grede Papers), Box 4, F6.

⁵²⁴ Grede (NAM), 'To Frank (NAM)', 10 July 1953, WHS (341, Grede Papers), Box 23, F6; 'NAM Head Urges Cut in Trade Bars', *New York Times*, 25 June 1953; 'NAM Urges Lower Tariffs', *Washington Post*, 9 Oct 1953. See also Charles Sligh's speeches, BHL (Sligh Papers), Box 11.

⁵²⁵ Bunting (NAM), 'To Fleming (CFEP)', 8 Oct 1953, EL (CFEP Records, A-71-8), Box 25.

⁵²⁶ See the correspondence of Jasper Crane, a conservative member of the IR Committee, for detail, in HML (1416, Crane Papers), Box 58.

⁵²⁷ 'Monsanto Quits NAM over Tariff', *New York Times*, 15 Nov 1953; Westinghouse, 'To New Jersey State Chamber', 24 Oct 1953, EL (CFEP Records, A-71-8), Box 20, F2.

Sligh and the IR Committee illustrates two trends. This first was that protectionist directors were no longer content to let internationalists represent the NAM in trade policy debates. Unlike in previous years, protectionist directors now spoke about trade policy in public forums as representatives of the NAM, thus lending a powerful institutional voice to protectionists. Most notably, Cola Parker, who would become NAM president in 1955, served in the Randall Commission to fill one of the places reserved for business leaders. In his frequent public appearances, he was unafraid to challenge a fundamental premise of “trade not aid”, i.e. the need for some form of American assistance for Europe.⁵²⁸ The second development was that the internationalists came under increasing pressure and eventually lost the power struggle within the NAM. Some resigned to work with like-minded people at the CNTP and USCICC instead of building majorities at broad organisations like the NAM, thus limiting their own effectiveness (see p. 271).⁵²⁹ Sligh was pushed out as president and replaced by Grede, who reversed his position by suggesting publically that tariff cuts were not an effective tool to stabilise Western Europe and close the dollar gap.⁵³⁰ The two most influential figures at the NAM during the 1950s, Grede and Parker, questioned the fundamental premises of “trade not aid”: that assistance for Europe was necessary and that tariff cuts were the best form of such assistance.

Growing protectionist pressure and doubts about “trade not aid” among the directors of the NAM in late 1953 meant that the organisation could no longer support trade liberalisation. This first became apparent in October 1953, when the NAM was unexpectedly unable to

⁵²⁸ Randall, ‘Journal Entry’, Aug 1953, EL (Randall Journals, A85-10), Box 1.

⁵²⁹ Cortney, ‘To NAM Directors’, Dec 1953, WHS (341, Grede Papers), Box 4, F6; BoD (NAM), ‘Meeting Minutes’, Dec 1953, HML (1411, NAM), Series XIII, Box 240.

⁵³⁰ Lawson (NAM), ‘To Grede’, 2 Sep 1953, WHS (341, Grede Papers), Box 23, F6.

provide supportive testimony to the Randall Commission. On the day that the commission hearing was scheduled, the board found itself unable to agree on a trade policy statement. Unable to adopt the IR Committee's proposed policy position, the board instead instructed the designated witness – IR Committee chairman Henning Prentis – to state that the NAM no longer had any official opinion on trade policy.⁵³¹ Prentis was left to read a poorly edited statement declaring the NAM's neutrality to a furious Randall, who later wrote in his diary that he was so “disgusted with the whole thing” that he adjourned the hearings, effectively throwing Prentis out before he could finish reading his statement.⁵³² In the months that followed, Grede replaced Sligh as NAM president and clung to official neutrality, desperate to reconcile internationalists and protectionists.

The neutral position was reviewed and confirmed again in 1955; indeed, it prevailed as the NAM's official position for more than a decade.⁵³³ Yet trade policy continued to cause tension at the NAM throughout the mid-1950s, as confidential staff memoranda show. At first, the leadership of the NAM tried to deny the seriousness of the dispute over trade policy among its directors. In November, the long-serving managing director, Earl Bunting, told the members that neutrality had always been the NAM's position and that the Randall Commission had “cordially received” the NAM's testimony, a statement diametrically opposed to the commission chair's personal recollections as described above.⁵³⁴ NAM president William Grede and the senior staff member who organised the activities of the IR Committee, Arvind

⁵³¹ The media portrayed the board's decision as a rebuke to the NAM's president, Charles Sligh, who had been campaigning for trade liberalisation. See ‘NAM Directors Vote “No Position” on Tariffs Overruling Sligh’, *Washington Post*, 20 Nov 1953.

⁵³² Randall, ‘Journal Entry’, 28 Oct 1953, EL (Randall Journals, A85-10), Box 1.

⁵³³ BoD (NAM), ‘Board Resolution’, Feb 1955, HML (1411, NAM), Series I, Box 105.

⁵³⁴ Bunting (NAM), ‘To Membership’, Nov 1953, HML (1411, NAM), Series XII, Box 197.

Frank, tried to calm the incensed but undefeated committee. They pleaded with the prominent internationalist director, Phil Courtney, that the neutrality statement represented “neither a high nor a low tariff position”, but an inevitable compromise to avoid conflict in a divided NAM. Unimpressed with this, Courtney railed that the board had “practically [joined] the American Tariff League” and offered to personally pay for a membership referendum on trade policy. By the end of November, his proposed referendum idea rejected, he threatened that the NAM would lose “one million dollars in dues” and “a certain number of members” because of the dispute.⁵³⁵

On the other side of the debate, protectionists were far from satisfied either. The protectionist director, Walter Harnischfeger, complained that the NAM had lacked “the internal fortitude to come out with a sound recommendation [on tariffs]”. Threatening to quit over the tariff issue, Harnischfeger demanded a referendum and submitted a strongly worded protectionist policy statement to the board, which was quickly rejected. Grede summed up his dilemma as follows: neutrality was “unfortunate[ly] interpreted by many as a free trades position. Whereas, in fact, it was more of a protectionist position than it was free trade, but it was intended to be neither”. Grede resolved that there was only one solution to the dilemma that threatened to tear the NAM apart, arguing that “it [is] necessary for us to remain silent” on trade policy.⁵³⁶ Thus, the NAM experienced a power-struggle between over-confident internationalists and resurgent protectionists from the summer of 1953 until the spring of 1954, which prevented the organisation from supporting trade liberalisation as the NAM had done since the late 1940s.

⁵³⁵ See Grede’s correspondence with Courtney, WHS (341, Grede Papers), Box 4, F6.

⁵³⁶ See Grede’s correspondence with Harnischfeger, WHS (341, Grede Papers), Box 12, F7.

Then, however, matters got worse for the NAM's internationalist directors. Their protectionist opponents, and even some more neutral figures who wanted to take trade policy off the NAM's agenda to ensure the integrity of the organisation, began to actively undermine the key argument that internationalists had used to generate support for trade liberalisation: that Europe's balance of payments deficit made trade concessions unavoidable. Some, like Cola Parker, who later became NAM president, simply denied any notion that the United States should take a leadership role in international economic affairs.⁵³⁷ More important, however, were proposals to solve the dollar gap through measures other than trade concessions, which appealed even to those who were neutral on trade policy but cared about national security and European recovery. While the internationalists protested and resubmitted their anti-tariff policy proposal to the board, forcing another unsuccessful vote in January 1954, their strongest argument – that the dollar gap, and therefore American national security, required high imports and thus tariff cuts – thus came under attack.

William Grede, now NAM president, had previously shown interest in this idea as a possible compromise position that would allow the NAM to reconcile opposition to tariff cuts with strong support for American allies struggling to afford imports and rearmament. A new subcommittee of the IR Committee declared that foreign travel, not American imports, was the “greatest single means of earning dollars”, in November 1953. Over the course of 1954, those opposed to endorsing further tariff cuts continued to propose dollar gap remedies that were, they argued, superior to tariff cuts. These included currency convertibility, a return to

⁵³⁷ Much of this seemed to stem from his involvement as an observer in international trade negotiations. His blunt accounts of these talks show great hostility towards foreign countries expecting unilateral American concessions, rooted in isolationist instincts. NAM, ‘Press Conference with Cola Parker (NAM)’, 9 Dec 1955, WHS (341, Grede Papers), Box 32.

the gold standard, denationalisation, the break-up of cartels and market-friendly reforms which, it was hoped, would lead to higher volumes of trade in Europe. Together with an increase in East-West trade, this would address the dollar gap without American trade concessions.⁵³⁸

Internationalists within the NAM, similar to groups like the CNTP, failed to adapt to the declining persuasiveness of their core argument for trade liberalisation. Instead, their campaign, led by Cortney, focused on the procedural argument that it was inappropriate for the NAM to be neutral on an issue as important as trade policy. Not only did they lose the procedural argument, but by focusing on this issue the internationalists neglected to counter the argument, far more dangerous to them, that tariff cuts were the wrong way to address the dollar gap.⁵³⁹

Through the compromise of closing the dollar gap through measures other than tariff cuts, as well as a series of institutional changes to committees and procedures, the NAM's leadership was gradually able to reduce internal tensions. On the one hand, the IR Committee's activities were confined to uncontroversial issues. The committee was already weakened by the departure of key internationalist figures like Cortney, and the leadership's push to pacify the NAM by taking trade policy off the agenda dealt it a fatal blow. On the other hand, steps taken to commit the NAM to supporting a liberal foreign economic policy during the early post-war

⁵³⁸ IRC-Europe Subcommittee (NAM), 'Draft Statement on Foreign Travel', Nov 1953, HML (1416, Crane Papers), Box 58; BoD (NAM), 'Recommendation on Gold', Sep 1956, HML (1411, NAM), Series I, Box 103; IRC-Europe Subcommittee (NAM), 'Draft Statement on US Tariff Policy', Apr 1954, HML (1416, Crane Papers), Box 58.

⁵³⁹ BoD (NAM), 'Meeting Minutes', Oct 1953, HML (1411, NAM), Series XIII, Box 240. See also the correspondence of NAM directors in WHS (341, Grede Papers), Box 4, F6.

period were rolled back during the mid-1950s, as policy statements that stressed American leadership, trade liberalisation and a liberal investment regime were gradually replaced by more neutral ones. Frequently, the rationale for this was avoiding controversy. The rejection of “trade not aid” went so far that eventually aid – not trade – was credited with having closed the dollar gap and brought about European reconstruction.⁵⁴⁰

While the NAM became officially neutral on trade policy, some of its most prominent leaders continued to speak out against trade liberalisation. Cola Parker became president in 1955, which meant that one of the most prominent and steadfast protectionist businessmen in the United States was now leading the organisation that, a mere four years earlier, had called for “trade not aid” and made Clarence Randall its man of the year. Observers of the NAM noted that little was left of the internationalist spirit of the 1940s.⁵⁴¹ Thus, the NAM’s support for trade liberalisation ended because “trade not aid” ceased to function as a unifying rationale for trade concessions and representatives of newly protectionist industries successfully confronted the internationalist proponents of trade liberalisation among the organisation’s directorship. The leadership, unable to contain protectionist opposition, reacted by taking trade policy off the agenda and advocating other strategies for dealing with payments imbalances, thus removing the NAM from the pro-trade coalition. As at the NFTC, the combination of growing protectionist numbers and a weakening of balance of payments justifications for trade

⁵⁴⁰ Winans (NAM), ‘To Bunting’, 11 Feb 1954, HML (1411, NAM), Series XIII, Box 240; Grede, ‘To Douthat (NAM)’, 3 Nov 1955, WHS (341, Grede Papers), Box 23; EAC (NAM), ‘NAM Policy Committees for 1957’, Sep 1956, HML (1411, NAM), Series XIII, Box 241; ‘International Policy Statement’, 3 Feb 1955, HML (1411, NAM), Series I, Box 104, Folder ‘Tariffs’; BoD (NAM), ‘Statement on Foreign Aid’, 10 Feb 1956, HML (1411, NAM), Series XIII, Box 241.

⁵⁴¹ ‘Siobhan McKenna at the NAM’, *The Nation*, 22 Dec 1956.

liberalisation pushed the NAM away from supporting Eisenhower's vision of a liberal foreign economic policy.

6.5 Tensions at the chambers of commerce, 1953-56

US Chamber leaders, like their counterparts at the NAM, found it increasingly difficult to maintain a stable consensus on foreign economic policy after 1953. As elsewhere, the key drivers of this were (a) the decline of the business consensus around creditor nation theory, the dollar gap and "trade not aid"; and (b) increasingly vocal internal opposition from protectionist chambers and industries, most notably the chemical industry. In marked contrast to the NAM, however, protectionist opposition was better contained at national, state and local chambers of commerce. The archival evidence suggests that this was in part due to institutional differences. The US Chamber was more hierarchical, which benefited internationalists at the top of the organisation. As a result, the US Chamber and important state chambers continued to support many, though not all, aspects of the Eisenhower administration's foreign economic policy and later backed the Kennedy administration's Trade Expansion Act (see chapter 7).

Archival evidence from the records of the national, state and local chambers, much of which has not been used before, suggests that the way in which the membership of the US Chamber was organised shielded national chamber leaders from criticism and gave them resources to build support for liberalisation. Individual companies constituted a tiny fraction of the direct membership of the US Chamber (less than 2% in 1955), as 98% of the companies affiliated with the US Chamber were members of a state, local or industry association, which in turn was a member of the US Chamber. The small number of companies whose direct affiliation

with the US Chamber allowed them unmediated input tended to be large companies.⁵⁴² As described in section 2.5.4, the post-war planning effort led to close contacts between local chamber leaders and internationalist business figures from groups like the CED. Even many years later, state and local chamber leaders remained largely sympathetic towards the ideas transmitted to them during World War II, including creditor nation theory, two-way trade and internationalism. The boards and committees of the member organisations thus provided an additional institutional layer that insulated the national leadership from protectionist grass-roots pressure and produced a greater institutional capacity for influencing membership opinion compared to the NAM. Aided by this institutional advantage, US Chamber internationalists contained and eventually triumphed over internal protectionist dissent.

6.5.1 Fighting protectionism at home: the US Chamber of Commerce

Following its support for the Truman administration's foreign economic policy, the US Chamber threw its weight behind Eisenhower's initial demand for a three-year extension of the RTAA. Later, the organisation supported the Randall Commission, whose chairman considered the US Chamber to be one of the most important backers of continued trade liberalisation. In his journal, Randall noted that the chamber's representative had given a "magnificent" testimony, in marked contrast to the NAM (see 6.4).⁵⁴³ Subsequently, the US Chamber publically supported the extension of the RTAA in 1954, and again 1955.⁵⁴⁴ Official

⁵⁴² US Chamber, 'What the National Chamber Stands for in World Affairs', June 1954, Yale (MSS433, McCormick Papers), Series III, Box 74.

⁵⁴³ BoD (US Chamber), 'Minutes of the 270th Meeting', Jan 1953, HML (1960, US Chamber), Series I, Box 3; Randall, 'Journal Entry', 28 Oct 1953, EL (Randall Journals, A85-10), Box 1, Folder 'Nov-Dec 1953'.

⁵⁴⁴ US Chamber, 'Press Release', Mar 1955, Yale (MSS433, McCormick Papers), Series III, Box 74.

statements issued from 1953 until 1955 remained in line with the Eisenhower administration's approach to most foreign economic policy issues, from overseas investment to the role of government in promoting trade.⁵⁴⁵ At each annual meeting from 1953 until 1957, the members affirmed a resolution that made a clear creditor-nation argument for high imports and tariff cuts, arguing that "government should encourage increased imports" in order to enable foreign countries to finance the purchase of American-made goods. The members also retained an older policy, according to which the United States should pursue "the reduction of unnecessary trade barriers and encourag[e] multilateral trade".⁵⁴⁶

However, as the business consensus for trade liberalisation came under increasing strain, internationalist US Chamber leaders, who were committed to further tariff cuts and trade agreements, began to face internal resistance. Aware that membership opinion was turning against them, the directors advocated that the board tread more carefully in advocating further trade liberalisation and import promotion; by 1955, a significant number of directors no longer stood behind the Eisenhower administration. In the most significant departure from Eisenhower's foreign economic policy, protectionist directors rejected a motion aiming to make support of the GATT an official chamber policy, insisting that this could not be done without a formal referendum among all members.⁵⁴⁷

⁵⁴⁵ For a summary of the US Chamber's positions, see US Chamber, 'What the National Chamber Stands for in World Affairs', June 1954, Yale (MSS433, McCormick Papers), Series III, Box 74. On investment, see e.g. BoD (US Chamber), 'Minutes of the 276th Meeting', Nov 1953, HML (1960, US Chamber), Series I, Box 3.

⁵⁴⁶ 'Policy Declarations', 1953-7, HML (1960, US Chamber), Series IV, Box 64.

⁵⁴⁷ BoD (US Chamber), 'Minutes of the 285th-290th Meeting', Mar-Nov 1955, HML (1960, US Chamber), Series I, Box 3.

Despite growing unease about further trade liberalisation, John S. Coleman, the co-founder of the CNTP, was elected president of the US Chamber in March 1956. He agreed to step down as CNTP chairman in a concession to protectionists within the US Chamber, but largely ignored growing internal resistance to trade liberalisation during his short time in office.⁵⁴⁸ In one of his most significant actions, Coleman supported a renewed effort to secure official US Chamber support for the GATT at the 1956 annual meeting. Both the pro-trade US Chamber leaders and the FCDC, who pushed this policy position, and those who opposed them insisted that the vote was about the general direction of American trade policy.⁵⁴⁹ The cataclysmic conflict that unfolded over this policy declaration is therefore best regarded as a fight over the broad direction of trade policy, rather than the specific issue of the GATT.

The chamber's Policy Committee worked until the eve of the annual meeting to finish the proposal for the GATT policy, adopting last-minute concessions to protectionists, and President Eisenhower issued a statement urging the chamber members to adopt this policy. Nevertheless, the delegates rejected it with a 20% margin of victory for the protectionist opposition. Textile and chemical industry representatives played an important role in fanning the flames of protectionist grassroots opposition. As a result, the leaders of the US Chamber were forced to put the policy proposal to a formal referendum among the entire membership and abandon a paragraph in support of increased trade with Japan. Two months later, the result of the referendum was announced: The members voted for the leadership's policy position, by

⁵⁴⁸ BoD (US Chamber), 'Minutes of the 292nd Meeting', Mar 1956, HML (1960, US Chamber), Series I, Box 3; 'Coleman Heads US Chamber', *Washington Post*, 17 Mar 1956.

⁵⁴⁹ US Chamber, 'The Foreign Trade Debate', Jan 1956, Yale (MSS433, McCormick Papers), Series III, Box 75; McCormick, 'Why American Business Should Vote "No"', June 1956, Yale (MSS433, McCormick Papers), Series III, Box 75.

1,376 to 1,200 votes, thus failing to reach the required majority of 60% of votes – a rare occurrence for a chamber referendum.⁵⁵⁰ Following this failure, Coleman came under pressure from conservative groups and was replaced by Philip Talbott, whose campaign for the US Chamber presidency involved courting Southern protectionists in the textile industry.⁵⁵¹

The referendum and Coleman's hasty resignation show that a wide gulf had opened between the US Chamber leadership and parts of the membership. Yet despite having the ostensibly more protectionist Philip Talbott in place as president, and with continuing protectionist pressure from below, the US Chamber after the referendum nevertheless maintained a much greater level of support for Eisenhower's trade policy than the NAM, announcing in December 1957 that it backed a further extension of the RTAA. Chamber publications continued to make the case for raising imports on the basis of creditor nation theory. Though they were able to obstruct the leadership at certain points, protectionist members were unable to repeal existing policies in favour of trade liberalisation and import promotion, which allowed the leadership to argue in public for a liberal foreign economic policy.⁵⁵²

6.5.2 State and local chambers and the causes of Referendum 95's failure

There is no detailed voting record of the referendum in the US Chamber's archives. However, the lobbyist Robert McCormick compiled a list of who voted against the US Chamber's

⁵⁵⁰ The Referendum was Referendum 95, see HML (1960, US Chamber), Series I, Box 19; 'Row Over Trade Policy', *Washington Post*, 29 Apr 1956; 'Chamber Delays on World Trade', *New York Times*, 3 May 1956.

⁵⁵¹ 'Business as Usual', *National Review*, 22 Dec 1956; 'PM Talbott New Head of US Chamber', *Washington Post*, 16 Mar 1957.

⁵⁵² 'News Release', 11 Dec 1957, HML (1960, US Chamber), Series I, Box 15; 'An Introduction to Doing Import and Export Business (re-Issue)', Jan 1956, HML (1960, US Chamber), Series IV, Box 86; 'Policy Declarations', HML (1960, US Chamber), Series IV, Box 64.

proposal and his papers provide a wealth of detail on protectionist opposition within the US Chamber. Furthermore, records from the archives of local and state chambers of commerce show that protectionist sentiment was frequently contained by internationalist local leaders, often directors organised in trade policy committees created during post-war planning (see 2.5.3 and 2.5.4). The greater degree of institutionalisation at the chambers of commerce gave the internationalist leaders of the US Chamber two advantages vis-à-vis their counterparts at the NAM: insulation from grass-roots protectionist pressure and greater resources for managing membership discontent. As a result, bottom-up pressure against further liberalisation only reached the leadership if an entire local or state chamber was taken over by protectionists, which happened relatively rarely.⁵⁵³ In most cases, the member organisations resisted internal protectionist pressures, giving the national leadership space to pursue liberalisation.

Perhaps the most significant advantage enjoyed by US Chamber leaders was the presence of trade committees in many local chambers. These continued to push for liberalisation and import promotion, including in regions like the Midwest and New England that were traditionally isolationist and/or protectionist. It was often these committees which determined state and local chambers' trade policy positions, and which spoke for the local chambers in public, giving internationalists a powerful voice. The Randall Commission's contact with state and local chambers was almost exclusively through such committees and when local chambers appeared at trade policy hearings it was usually their trade committee chairmen who

⁵⁵³ A rare counter-example is the Delaware chamber, where the DuPont chemical company and local chambers dominated by textile companies created strong protectionist opposition throughout the second half of the 1950s. See esp. 'Annual report on Cmte on National Legislation', 1956, HML (1016, Delaware chamber), Vol 57.

testified.⁵⁵⁴ In one particularly clear instance, the Portland (Oregon) chamber's archival records show how surging protectionism driven by the chamber's agriculture committee was neutralised by the trade policy committee.⁵⁵⁵ This stands in marked contrast to state chambers without trade policy committees, e.g. in Utah and Kansas, where support for liberalisation vanished almost as soon as the Korean War ended.⁵⁵⁶ Various Wisconsin chambers show that even business associations in the same state diverged in their level of support for trade liberalisation, and those with trade policy committees inherited from post-war planning were more supportive.⁵⁵⁷

A second advantage for the US Chamber's internationalist leaders was that local chamber leaders often dealt with division by abstaining from voicing an official position on trade liberalisation, regardless of whether they were personally in favour of liberalisation. In most instances, this effectively allowed the US Chamber's leaders free reign and muted ferocious grassroots protectionist pressure, e.g. in New England and in the Midwest. One striking example of this was the Ohio chamber's abstaining from the 1956 referendum. Correspondence between US Chamber directors and Herschel Atkinson, an executive vice-president of the Ohio chamber, shows Atkinson lamenting that not a single member had been willing to speak in favour of the proposed policy to support the GATT. This had greatly

⁵⁵⁴ Andrews (Newark Chamber), 'To Randall', 27 Nov 1953, EL (CFEP Records, A-71-8), Box 20, F2; BoD (DEC), 'Meeting Minutes', 16 June 1954, DPL (DEC), Box 42; Indianapolis Chamber, 'World Trade Policy', Oct 1953, EL (CFEP Records, A-71-8), Box 20, F2; Houston Chamber, 'To Randall', Dec 1953, EL (CFEP Records, A-71-8), Box 20, F2.

⁵⁵⁵ BoD (PCC), 'Minutes', June 1956, OHS (Mss 686, Portland Chamber), Box 8.

⁵⁵⁶ BoD (KSCC), 'Minutes', Feb 1955, KHS (Ms. Coll 242, KACI), Box 2, F4. See also the minutes of the Utah Manufacturers Association, USHS (Mss B207, UMA), Box 7.

⁵⁵⁷ FTD (MMAC), 'Foreign Trade Week', 27 May 1954, WHS (Milw Mss 14, MMAC), Box 3; Manger (WCC), 'Administrative Report', 1955, WHS (786, Wisconsin chamber), Box 4; WMA, 'Bulletin', Mar 1955, WHS (441, WMA), Box 12; WMA, 'Bulletin', Nov 1955, WHS (441, WMA), Box 12; BoD (GB Chamber), 'Minutes', Apr 1956, WHS (GB Mss 116, Green Bay chamber), Box 2.

surprised the leadership of the Ohio chamber, who had expected an inconclusive vote. Yet, to everyone's dismay, the Ohio chamber voted unanimously to reject the policy. Even then, its pro-trade leaders still found a way not to participate in the referendum.⁵⁵⁸

Similar developments took place at the New York chamber. The internationalist directors were increasingly concerned about membership resistance to their preferred policy of supporting Eisenhower. They reacted to this by giving some concessions while at the same time reducing the extent to which ordinary members were involved in discussions about the organisation's foreign economic policy positions.⁵⁵⁹ Other state and local chambers, deadlocked by conflict over trade policy, found that their leaders, who had adopted creditor nation theory and accepted the principle of "trade not aid", privately voiced support for further liberalisation, the Randall Commission and the US Chamber leadership.⁵⁶⁰

Only the US Chamber appeared regularly at congressional trade policy hearings and in national newspapers, so local and state chambers are easily forgotten. However, the internal dynamics of these groups offer a possible explanation for the diverging trajectories of NAM and US Chamber, demonstrating that the records of the state chambers are important sources that have not received enough attention. The institutional structure of the US Chamber meant

⁵⁵⁸ BoD (US Chamber), 'Minutes of the 295th Meeting', June 1956, HML (1960, US Chamber), Series I, Box 3.

⁵⁵⁹ Ex Cmte (NY Chamber), 'Minutes', Oct 1953 and Mar 1955, BL (1440, NY Chamber), Series VI, Box 425; 'Monthly Bulletin', Apr 1954, Butler Library (1440, NY Chamber), Series III, Box 176, Vol. 45.

⁵⁶⁰ MMA, 'Curtain Rings Down', July 1955, BHL (0786, MMA), Box 3; Des Moines Chamber, 'Des Moines Business Digest', Oct 1953, UIL (MSC0227, Greater Des Moines chamber), Box 5; Associated Industries of Vermont, 'To Randall', 9 Nov 1953, EL (CFEP Records, A-71-8), Box 23; Associated Industries of Maine, 'To Randall', 29 Dec 1953, EL (CFEP Records, A-71-8), Box 19.

that internationalism and creditor nation theory could take much greater hold between 1940 and 1952, both at the national and at the local level than at the NAM.

This proved crucial for the internationalist leadership's ability to manage, contain and eventually overcome protectionist factions, thereby retaining the chambers' internationalist orientation throughout the fractious years after the Korean War. Other factors, such as difference in the composition of the membership, might account for some of the differences between the NAM and the chambers of commerce. However, the make-up of the membership of the US Chamber was stable, both in terms of member chamber size and sectoral composition, so it is unlikely that it drove changes in internal trade policy debates.⁵⁶¹

6.6 Conclusion

President Eisenhower's first term of office saw no progress on further trade liberalisation, despite the new president's commitment to continuing the foreign economic policy of his predecessor. One crucial change that occurred during this period, and may in part explain greater congressional resistance to trade liberalisation, was a weakening of business support for trade concessions. Influential business associations like the US Chamber, the NAM and the NFTC suffered increased internal tensions with respect to their trade policy position after 1953, limiting their ability to support Eisenhower's foreign economic policy. New archival evidence, presented in this chapter, helps to better understand trade policy debates among business elites and the evolution of American trade policy during the mid-1950s.

⁵⁶¹ 'Surveys of Local Chambers', 1944-56, HML (1960, US Chamber), Series IV, Box 82-7.

This evidence suggests that a key reason for the decline in business support for trade liberalisation was that there was no longer a consensus around the idea that a weak Europe needed American assistance in the form of tariff concessions. This was in part because Western European was recovering, but there was also a deliberate push to discredit the dollar gap argument and “trade not aid”. Protectionists, better organised and more numerous than during earlier years, finally realised that trade policy had a new logic, and that the path to victory for them lay not in their old argument that low foreign wages meant unfair and harmful competition, but in eliminating the main justification for tariff cuts that had gained such support during post-war planning, the Marshall Plan and the Korean War. Protectionists thus argued that the dollar gap had been largely closed, and that it could be permanently kept shut through means other than – and superior to – tariff cuts. This ensured their victory at the NAM and their success at the NFTC, and thus contributed to the weakening of business support for further trade liberalisation.

7 The dollar glut and the Trade Expansion Act, 1957-62

“Our balance of payments [...] has become one of the key factors in our national economic life. [...] The surplus of our exports over our imports, while substantial, has not been large enough to cover our expenditures for United States military establishments abroad, for capital invested abroad by private American businesses and for government economic assistance and loan programs. All of these outlays are essential. [...] In seeking over-all equilibrium we must place maximum emphasis on expanding our exports. [...] A return to protectionism is not a solution. Such a course would provoke retaliation; and the balance of trade, which is now substantially in our favor, could be turned against us with disastrous effects to the dollar.”

– *President John F. Kennedy, 6 Feb 1961*

Congress extended the RTAA for three years in 1955. Aided by Democratic majorities, Eisenhower became more active on foreign economic policy issues during his second term in office, establishing a Department of Commerce division dedicated to the promotion of exports and appointing another major foreign economic policy commission. Like the Randall Commission in 1953 (see p. 262), the Citizen Advisers on the Mutual Security Program (the Fairless Committee) strongly recommended further trade liberalisation. The RTAA extension of 1958 finally gave the president new tariff-cutting authority, for the first time in a decade. Trade liberalisation was also high on the Kennedy administration’s agenda and the Trade Expansion Act (TEA) of 1962 secured far-reaching powers for the president to negotiate trade

agreements, providing the basis of the 1967 Kennedy Round of the GATT. American tariffs fell to historic lows at the end of the decade.⁵⁶²

In this final chapter, I discuss trade policy debates among business elites in the run-up to the TEA. This marks the end point of this research project, for several reasons. On the one hand, the TEA was itself a major turning point in the history of American trade policy. It was the last major congressional trade policy battle about tariff barriers. Congress also officially confirmed the president's authority to engage in multilateral trade negotiations in 1962, thus completing the delegation of trade policy begun by the RTAA in 1934. Many unions abandoned their support for trade liberalisation after 1962, setting the stage for the political economy of the later 20th century that saw most unions oppose trade liberalisation. Most importantly for the main argument of my research, the net foreign assets of the United States began to decline and, by 1969, the country was no longer a creditor nation.⁵⁶³ On the other hand, the quality of the business archival evidence diminishes from the mid-1960s onwards, making it increasingly difficult to use the methodology which this research project is built on, because many organisations examined here have not yet released their more recent records.

The chapter begins where the previous one ended, with business support for trade liberalisation at a low point in 1956 after the failure of the US Chamber referendum on trade policy, the NAM reaffirmation of neutrality and the NFTC's continued silence on trade policy. The first part of my argument is that, after 1956, the pro-trade factions gained in strength relative to

⁵⁶² On trade policy from Eisenhower to Kennedy, see Kaufman, *Trade and Aid* (1982), ch. 8; Kaplan, *American Trade Policy* (1996), ch. 4.

⁵⁶³ See World Bank, Net Foreign Assets (LCU), Indicator FM.AST.NFRG.CN, available online, <http://data.worldbank.org/indicator/FM.AST.NFRG.CN>.

their protectionist opponents because of strategic mistakes made by protectionists, who failed to enlist the support of the NAM and were hamstrung by the rise of libertarianism among conservative business elites. Secondly, I argue that, from 1957 onwards, American business elites grew increasingly polarised because changing geopolitical and economic circumstances made neutrality ever more difficult to justify. Important formerly neutral organisations returned to the pro-trade coalition while new, strongly partisan single-issue groups came to life on the protectionist side.

European economic integration was one issue contributing to this development, but it was not the dominant force shaping trade-policy preferences among American business elites. Rather, economic competition from the Soviet Union and low-income countries was a more important factor than has been recognised and there was almost universal apprehension at the sizeable American balance of payments deficit that developed at the end of the 1950s, which led protectionists to see tariffs as a remedy while internationalists and the US Chamber took the opposite view, demanding export promotion and increased multilateral trade for a larger trade surplus to balance the capital account deficit. Thus, the balance of payments and foreign policy once again took centre stage in trade policy debates. The archival evidence suggests that the existing literature over-emphasises the importance of European integration and neglects other factors that motivated renewed business support for trade liberalisation and the TEA.⁵⁶⁴ The

⁵⁶⁴ Dür, 'Foreign Discrimination, Protection for Exporters, and US Trade Liberalisation', *ISQ*, 51:2 (2007); Coppolaro, *The Making of a World Trading Power* (2013); Ludlow, 'The Emergence of a Commercial Heavy-Weight', *Diplomacy & Statecraft*, 18:2 (2007); Fulton, 'The Political Economy of United States and European Community Agricultural Trade', *Australian National University* (1992); Wallich, 'The United States and the EEC', *IO*, 22:4 (1968).

evidence presented here also speaks to the literature on the rise of libertarianism among American business elites.⁵⁶⁵

7.1 The 1957 watershed: Sputnik, Rome and the dollar

Beginning in 1957, the perceived economic and political position of the United States changed rapidly, with dramatic consequences for American trade policy. American economic dominance came into question, as Western Europe and Japan, their reconstruction complete, emerged as highly competitive trading partners. A new balance of payments problem arose due to an exploding American capital account deficit, giving rise to fears over the “dollar glut”, the integrity of the currency and foreign ownership of short-term dollar assets.⁵⁶⁶ This was at the core of the debate about the TEA in 1961/62, with supporters and opponents of the legislation demanding that trade policy be used to address the balance of payments and foreign policy problems facing the United States. A shared concern over the dollar glut and declining American economic leadership thus resulted in sharply divergent policy preferences among business elites. Pro-trade groups demanded access to new markets and an export drive, based on trade concessions, and leadership in international trade negotiations to counter the perceived decline of American power. Protectionists demanded lower imports and new trade barriers to protect the currency and domestic producers from the vagaries of a newly post-hegemonic world.

⁵⁶⁵ Doherty, *Radicals for Capitalism* (2009); Soffer, ‘The NAM and the Militarisation of American Conservatism’, *BHR*, 75:4 (2001); ‘Atlantic Partners’, *New Republic*, 8 June 1963.

⁵⁶⁶ For a contemporary account, see *The Dollar in Crisis*, ed. by Harris (1961). For more references, see section 7.3.1.

European economic integration was the second factor contributing to this polarisation among business elites over trade policy. The Treaty of Rome, which came into effect on 1 January 1958, created the foundations of a common market and supranational political institutions. The new European Economic Community (EEC) soon developed a common agricultural policy, cut internal tariffs and raised import quotas. Seven other European countries, including Britain, set up the European Free Trade Area in 1960 and likewise reduced both internal and external tariffs.⁵⁶⁷ While there was considerable optimism in many quarters that the common market and economic growth in Europe would benefit American exporters, there were also concerns about discrimination against American goods and intensified competition. Third, many of the remaining colonies of former European empires finally attained independence, giving them the option of freeing themselves from trade barriers controlled by the respective imperial power. Some American business leaders were optimistic about the economic potential of these newly independent states, not least as export markets. Among others, apprehension at the prospect of a vast new pool of low-wage labour being introduced into the international economy dominated.

Finally, the transformation in superpower relations, with the Soviet Union increasingly seen as an economic competitor, had an impact on trade policy debates. The Soviet Union and other communist countries experienced higher rates of economic growth than the United States for much of the 1950s. At the end of the decade, the Sputnik satellite launch called into question American technological leadership.⁵⁶⁸ At the same time, both the Soviet Union and China

⁵⁶⁷ Dedman, *The Origins and Development of the European Union 1945-2008* (2010), pp. 83–90.

⁵⁶⁸ For a contemporary account, see Grace (NFTC), 'American Trade in the 1960s - The New Challenge', Nov 1959, HML (2345, NFTC), Box 41. See also 'Who Killed the Soviet Economy?', *The Economist*, 2010; Ofer, *Soviet Economic Growth: 1928-85* (1987). During the period 1950-60, GDP grew at an annual average of 3.6%

intensified efforts to increase trade with other countries, including with the United States and Western Europe.⁵⁶⁹ In the United States, this came to be known as the “communist economic offensive”, an phrase that was widely used in the media and discussed in politics.⁵⁷⁰ President Eisenhower, though concerned about growing Soviet power, resisted calls to respond with hostility, which had important implications for trade policy. There was talk of repealing the Johnson Act, which would have provided the Soviet Union with foreign currency loans needed to purchase American goods. The White House Council on Foreign Economic Policy, chaired by Clarence Randall (see section 6.1), was eager to use Soviet economic competition as an argument for a further ambitious extension of the RTAA.⁵⁷¹ Like the dollar glut and European integration, Soviet economic growth and efforts to participate in international trade polarised business elites, with protectionists seeing a threat while those who wanted liberalisation agreed with Eisenhower that there was an opportunity in trading more with the Soviet Union.

7.2 Polarisation and the end of trade policy neutrality

The changing landscape of the late 1950s thus provided new arguments to protectionists and to those seeking further trade liberalisation. This helped the pro-trade leaders of the US

in the United States vs. 5.7% in the Soviet Union (St. Louis Fed, Series GDPMCA1, and Ofer, p. 16, respectively). Though this may be an imperfect comparison due to methodological difficulties inherent in trying to estimate Soviet economic growth rates, the important point is that there was a wide-spread belief that the Soviet Union was experiencing an economic boom during the 1950s, which Grace’s speech exemplifies.

⁵⁶⁹ ‘Soviet Trade Talks Move to Istanbul’, *New York Times*, 1 Sep 1957, p. 7.

⁵⁷⁰ See e.g. Thorp, ‘American Policy and the Soviet Economic Offensive’, *FA*, 35:1 (1956); SD, *The Sino-Soviet Economic Offensive* (1958); Kaufman, ‘The United States Response to the Soviet Economic Offensive of the 1950s’, *DH*, 2:2 (1978). NATO’s Committee of Soviet Economic Policy published several memoranda in 1957 on the theme of “the economic offensive of the Soviet-Sino bloc”.

⁵⁷¹ The Soviet economic offensive was a major concern for the Eisenhower administration. See, e.g., Kaufman, *Trade and Aid* (1982), p. 49; Dockrill, *Eisenhower’s New-Look National Security Policy, 1953-61* (1996); Roman, *Eisenhower and the Missile Gap* (1995).

Chamber and the NFTC restore an internal consensus in favour of trade liberalisation and overcome the divisions of the mid-1950s (see section 6.3). On the protectionist side, by contrast, single-issue lobby groups grew and flourished in the febrile climate of the late 1950s. However, the protectionist coalition suffered two crucial set-backs. First, the NAM did not fully embrace protectionism, as it had before World War II, and only weakly opposed the TEA. This was in part because conservative, protectionist businessmen failed to work within the NAM to end the organisation's official neutrality on trade policy, instead focusing on setting up less effective new organisations. Second, a group of conservative businessmen left the protectionist coalition in 1960, having become convinced that tariffs were irreconcilable with what they called their libertarian principles. In this section, I describe in more detail the trajectories of the different business interest groups. In section 7.3, I then show how disagreements about the balance of payments, the EEC, decolonisation and Soviet economic growth fuelled these trajectories.

7.2.1 The rise of the new protectionists

By many measures, protectionist lobbying intensified during the late 1950s. Oscar Strackbein's NWC was joined by more single-issue groups such as the Trade Policy Congress (later Trade Policy Congress, TPC), the re-invigorated ATL (renamed as the Trade Relations Council, TRC), the Citizens' Foreign Aid Committee (CFAC), the American Institute of Foreign Affairs, the Southern States Industrial Council and a group of economists around Yale economics professor O. Glenn Saxon who played a prominent role at the Ways and Means

Committee hearings for the TEA.⁵⁷² If measured by their prominence at trade policy hearings, these new protectionist groups were highly successful. TPC president Ted Toon was the fifth witness (and the first protectionist) to speak on the first day of the hearings for the TEA, which went on for almost an entire month. At the House hearings, the president of the TRC was the second witness (excluding government officials), after the AFL-CIO, and Strackbein was the seventh.

Moreover, congressmen from regions particularly hit by foreign competition, like New England and the Midwest, eagerly allied themselves with these groups, giving them direct influence on legislation.⁵⁷³ The new protectionist movement also received large amounts of financial support, not least from senior NAM figures, and introduced new arguments against trade liberalisation.⁵⁷⁴ They were able to modernise protectionist rhetoric, both in the media and among business elites, and they were embedded in a network of conservative and/or protectionist business groups which they influenced.⁵⁷⁵ Despite all this, the protectionist business coalition was unable to defeat the TEA.

The first factor that reduced the effectiveness of protectionist business lobbying was the continued official neutrality of the NAM. This was directly related to the growth of new

⁵⁷² Pew, 'To Saxon', 27 Mar 1962, HML/1634/Pew, Box 77, Folder 'F'; Pew, 'To Ashley', 14 May 1962, HML (1634, Pew Papers), Box 77, Folder 'F'; Pew, 'Correspondence with Herman', 1962, HML (1634, Pew Papers), Box 77, Folder 'F'. The economists described themselves as libertarian, but argued, as Ashley put it, that "tariffs were necessary where currencies are manipulated [and] productivities diverge".

⁵⁷³ Toon (TPC), 'To Pew', 14 Oct 1960, HML (1634, Pew Papers), Box 71; 'OECD Letter to 86 Senators', 1961, EL (95-2, Strackbein Papers), Box 1, F1.

⁵⁷⁴ 'Income of Right-Wing Groups Reportedly Tripled', *Washington Post*, 14 Sep 1964. Many, though not all, of these groups were protectionist in their outlook on international trade, especially during the late 1950s.

⁵⁷⁵ Toon (TPC), 'To Pew', Oct-Dec 1960, HML (1634, Pew Papers), Box 71; NAM, 'To Pew', 31 Dec 1959, HML (1634, Pew Papers), Box 69; NICB, 'Participants in the YAMA Conference', 1960, HML (1634, Pew Papers), Box 69.

protectionist groups. During the late 1950s and early 1960s, several influential NAM directors and member companies began to fund their own organisations, despite a clear desire on the part of the NAM leadership to move the organisation towards protectionism. While the single-issue interest groups were visible and influential in Congress, abandoning the NAM – which remained officially neutral – was likely a missed opportunity from the point of view of protectionists. The Kennedy administration regarded the NAM as perhaps the most important business association; it was the first business interest group approached by the White House when plans for trade liberalisation were drawn up and the Kennedy administration was keenly aware of the weakness that resulted from the reliance of protectionists on the new single-issue protectionist groups when it assessed the “opposition landscape” in 1961 after learning that the NAM would remain neutral.⁵⁷⁶ Like the pro-trade coalition of the mid-1950s (see section 6.3), the protectionist coalition against the TEA mainly comprised single-issue lobby groups and lacked support from major national business associations. Understanding continued NAM neutrality is thus crucial for any account of why protectionist business lobbying did not prevent the TEA.

In the following, I discuss in particular the activities of J Howard Pew and Walter Harnischfeger, two protectionist NAM directors who exemplify the decision of protectionist directors not to use the organisation’s considerable power to their own advantage and instead fund single-issue protectionist groups. Senior NAM leaders (e.g. Cola Parker, see p. 287) supported the protectionist cause, but the organisation was officially neutral from 1953 until the late 1960s. This was unacceptable to protectionists like Pew and Harnischfeger, who

⁵⁷⁶ On the importance of the NAM to Kennedy, see Wilson (WH), ‘Memorandum’, 21 Dec 1961, KL (Feldman Papers), Box 24, F6; Swigert (NAM), ‘To Directors’, 25 Jan 1962, WHS (341, Grede Papers), Box 24, F3.

decided to leave the organisation or reduce their commitments. There is little evidence of this development in the publications or official records of the NAM, as there was no incentive to disclose internal disagreement. However, the extensive personal correspondence of directors documents the extent of protectionist discontent and its consequences.⁵⁷⁷

Pew, the conservative president of Sun Oil and honorary NAM vice-president, first publically criticised the NAM in 1957 for taking positions which he regarded as too internationalist or insufficiently conservative, and this continued well into the 1960s. Pew disagreed with the organisation on its tariff policy in particular. Drawing on his considerable private wealth, he thus began to fund the efforts of individuals who worked outside of the NAM to build a protectionist business coalition.⁵⁷⁸ This attracted the attention of Walter Harnischfeger, who was another key critic of the NAM's reluctance to fully embrace tariffs during much of the 1950s. In Harnischfeger's view, the NAM and the Republican party had become too supportive of trade liberalisation and, by 1958, he too was funding new advocates of protectionism. In April 1958, Harnischfeger wrote to Pew that he was "mainly supporting individuals" but was beginning to doubt whether this was indeed the most effective strategy.⁵⁷⁹

In 1959, Harnischfeger co-founded the high-profile CFAC, described at the time as "ultra-conservative", where he remained president until 1962. Although the CFAC was set up to

⁵⁷⁷ Most notably in the personal papers of individual business leaders such as J Howard Pew, Walter Harnischfeger, William Grede, Phil Cortney, Leonard Read and Charles Sligh.

⁵⁷⁸ Pew, 'To Oates', 27 June 1957, HML (1634), Box 54; Pew, 'Correspondence Re: NAM, with Love', 1962, HML (1634), Box 226, Folder 'N'.

⁵⁷⁹ Carto, 'To Pew', 14 Apr 1960, HML (1634, Pew Papers), Box 71; Pew, 'Correspondence with Harnischfeger', 1958, HML (1634, Pew Papers), Box 225.

lobby against foreign aid, Harnischfeger used it to advance his protectionist agenda.⁵⁸⁰ Similarly, Pew looked to fund the establishment of a protectionist organisation in 1960. When one such group, the TPC, approached him, Pew began to make large donations and correspond at great length with the group's leaders, Willis Carto and Ted Toon. In 1960, the TPC was perpetually short of money. It lacked the funds to send representatives to the Republican convention and Willis Carto resigned. Only the donations from Pew kept it afloat.⁵⁸¹ After Kennedy's election, however, the TPC announced a major expansion of its operations and Pew suggested to Ted Toon that "we must make another effort to get the sober-thinking men in industry together for a discussion of the whole subject" of protectionism. By 1962, the TEA proposals galvanised protectionist businessmen. When an economist asked Pew for money to lobby against the TEA only days after Kennedy announced plans for the legislation, Pew responded with notable enthusiasm that "the desire of the president to have full authority to eliminate tariffs entirely [...] has wakened up a number of people". He added that "at long last there is going to be built up some opposition."⁵⁸²

While Pew and Harnischfeger helped build single-issue protectionist lobby groups, they took a back seat at the NAM. Other protectionist NAM directors implored them to spend more time and energy there to help end NAM neutrality, but to no avail. With key protectionists absent from the NAM, the organisation did not adopt all of the new protectionist arguments that gained currency elsewhere after 1957, i.e. declining American power, the balance of payments

⁵⁸⁰ Harnischfeger's preoccupation with the balance of payments and the integrity of the dollar led him to see aid and trade as closely related issues. See CFAC, 'Statement by Harnischfeger', 13 Jan 1960, HML (1634, Pew Papers), Box 67; 'Lobbies Pressing Heaviest Attack', *New York Times*, 11 June 1961, p. 1.

⁵⁸¹ Carto, 'To Pew', 12 June 1960, HML (1634, Pew Papers), Box 71; Pew, 'Correspondence with Malone', July 1960, HML (1634), Box 71.

⁵⁸² Pew, 'Correspondence with Jones', Jan 1962, HML (1634, Pew Papers), Box 226, Folder 'N'.

crisis (see 7.3.1) and a new quality of foreign competition (7.3.2 and 7.3.3). These new problems contributed to the urgency with which many protectionists now saw trade policy, and therefore to their unwillingness to work with the NAM which was regarded as too slow in reacting to the crisis the United States found itself in.

A second factor limiting the effectiveness of protectionist business lobbying was a rift among conservative business elites. Some formerly protectionist figures embraced free trade as part of a strong commitment to free markets. This is best illustrated by the conversion of the libertarian FEE from protectionism to free trade. The FEE was initially part of the network of protectionist interest groups. Pew and other conservative NAM directors were crucial supporters of the FEE until 1959, and the FEE in turn supported conservative groups like the CFAC.⁵⁸³ Then, the FEE and other free-market groups embraced free trade in a controversial move. In 1960, the FEE's publication, *The Freeman*, began to publish articles condemning tariffs as a form of government interference with free markets and thus incompatible with the FEE's "libertarian principles". Both the TRC and Pew reacted with immediate protests and pleas for the FEE to reconsider this position. Eventually, Pew saw himself forced to break with his close friend, FEE president Leonard Read, complaining in a letter that he refused his "name to be used in support of a practice which I believe will destroy this country [...] free trade [will] destroy our economy and open the door for the communists". Pew, like many other conservative businessmen, argued that tariffs were required to enable private American

⁵⁸³ FEE, 'FEE: The Growth of an Idea', Nov 1953, HML (1416, Crane Papers), Box 35; Pew, 'To Read', 27 Nov 1957, HML (1634, Pew Papers), Box 54; Pew, 'Correspondence with Harnischfeger', 1958, HML (1634, Pew Papers), Box 225.

companies to compete with state-owned or state-controlled foreign producers. The FEE and others influenced by libertarian ideas rejected this argument.⁵⁸⁴

7.2.2 The consolidation of the pro-trade coalition

While the protectionist business coalition struggled, the pro-trade coalition grew stronger after 1956. Importantly, the NFTC returned to its previous position of strongly advocating trade liberalisation after years of silence on many aspects of trade policy.⁵⁸⁵ There was a growing number of pro-trade directors on the board, outnumbering protectionist ones by 1962. This was driven by the emergence of a new group within the board who directly represented exporter interests, i.e. who were trade policy lobbyists rather than company directors.⁵⁸⁶ The internationalist leadership and staff of the NFTC also introduced a wealth of new arguments for trade liberalisation after 1957 that they could not have made before: the dollar glut, the Soviet economic offensive, decolonialisation and, to a limited extent, European integration. This contrasted markedly with the inability of internationalists to replace the fading dollar gap and “trade not aid” arguments with a more compelling case for liberalisation during the mid-1950s (see section 6.3) and with the limited adoption of new protectionist arguments by the NAM (see 7.2.1). The USCICC, the CNTP and the CED also used these new arguments and,

⁵⁸⁴ McCormick (TRC), ‘To Poirot (FEE)’, 28 July 1960, Yale (MSS433, McCormick Papers), Series II, Box 58, F950; Pew, ‘To Peters’, 27 Apr 1961, HML (1634, Pew Papers), Box 73; Carto (TPC), ‘To Read (FEE)’, 19 Feb 1960, HML (1634, Pew Papers), Box 71.

⁵⁸⁵ Confidential internal memoranda show that the staff were aware of these shifts NFTC staff, ‘Confidential Memo’, 11 Oct 1961, HML (2345, NFTC), Box 163. Member surveys show that there was a corresponding shift in membership attitudes, e.g. as reported in BoP Group (NFTC), ‘Committee Minutes’, July 1958, HML (2345, NFTC), Box 40, p. 2.

⁵⁸⁶ See board member lists in HML (2345, NFTC), Box 8-14.

along with the NFTC, worked closely with the Kennedy administration to push the TEA through Congress.⁵⁸⁷

Perhaps an even more important development was that the US Chamber made a decisive shift towards endorsing trade liberalisation and supporting both the RTAA and the TEA after 1957. The board publically endorsed the RTAA as the “cornerstone of US foreign economic policy” in 1958, and signalled the Chamber’s support for the TEA at the beginning of 1962.⁵⁸⁸ There was no clear change in the composition of the membership at the US Chamber, but pro-trade directors were able to use new arguments for trade liberalisation to marshal internal support for their preferred policies and overcome the membership opposition that had restrained them during the 1950s (see section 6.5). Some internal dissent remained, but not enough to prevent full US Chamber support for the Kennedy administration’s trade policy.⁵⁸⁹

The late 1950s thus saw both a polarisation among business elites, as global economic and political developments made neutrality more difficult to justify, and a relative strengthening of the pro-trade business coalition vis-à-vis its protectionist counterpart, driven by the US Chamber’s and the NFTC’s embrace of trade liberalisation, the NAM’s absence from the protectionist coalition and the rift among conservative business elites between protectionists and libertarians, with the latter joining the pro-trade coalition.

⁵⁸⁷ WH, ‘CNTF Member List’, Nov 1961, KL (Online), JFKPOF-098-004.

⁵⁸⁸ BoD (US Chamber), ‘Minutes of the 305th Meeting’, Jan 1958, HML (1960, US Chamber), Series I, Box 3, p. 9.

⁵⁸⁹ Only the most protectionist member chambers continued to resist. See, e.g., BoD (Delaware chamber), ‘Minutes’, Apr 1959, HML (1016, Delaware chamber), Box 60.

7.3 The end of the creditor nation

Chapter 6 outlined the declining relevance of balance of payments and foreign policy arguments for trade liberalisation during the mid-1950s and the simultaneous collapse in business support for trade liberalisation. Renewed polarisation after 1956, as described in the section above, coincided with the rise of compelling new arguments both for and against trade liberalisation, the most important of which was once again a balance of payments argument. In this section, I show in greater detail how the deterioration of the American balance of payments, European integration and Soviet economic growth were related to the polarisation of business elites and to the relative strengthening of the pro-trade coalition.

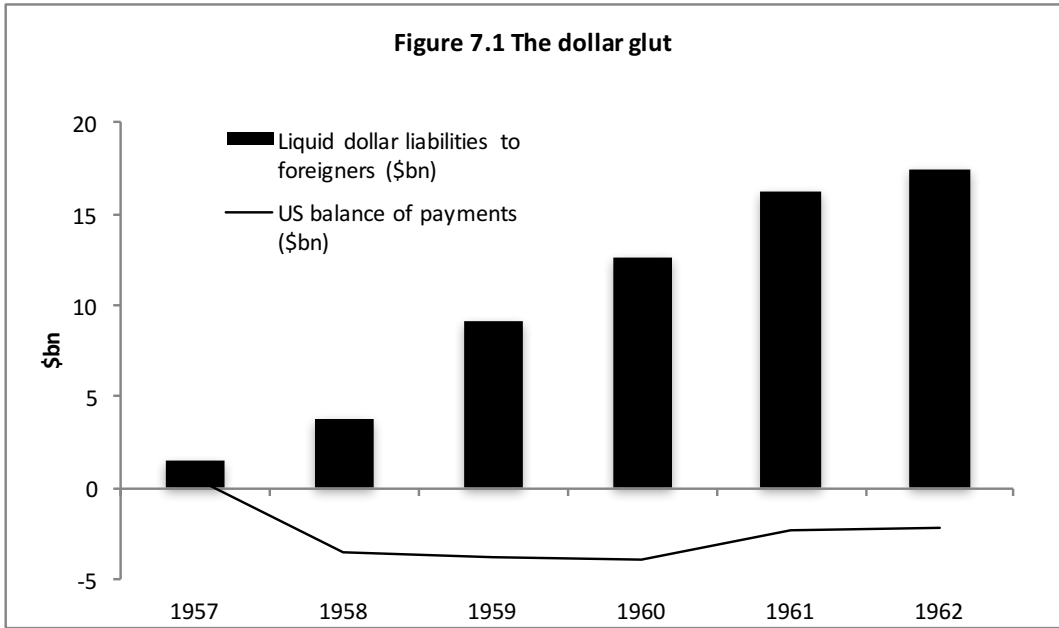
7.3.1 Dollar outflows and the balance of payments

Dollar outflows rose suddenly and sharply in 1958. There was also a rise in foreigners' holdings of short-term dollar assets (liabilities from the American point of view; see Figure 7.1). This attracted significant attention from business elites, academics and policy-makers. Where there had once been talk of a dollar gap, there was now a growing chorus warning of a "dollar glut" and crisis of confidence in the currency.⁵⁹⁰ In the words of one senior Wall Street banker, "we owe other countries vast amounts [...] This is the number one problem for the United States. We risk our whole future if we do not keep faith with our creditors".⁵⁹¹ Figure 7.2 illustrates this pattern by comparing the relative frequency with which terms relating to

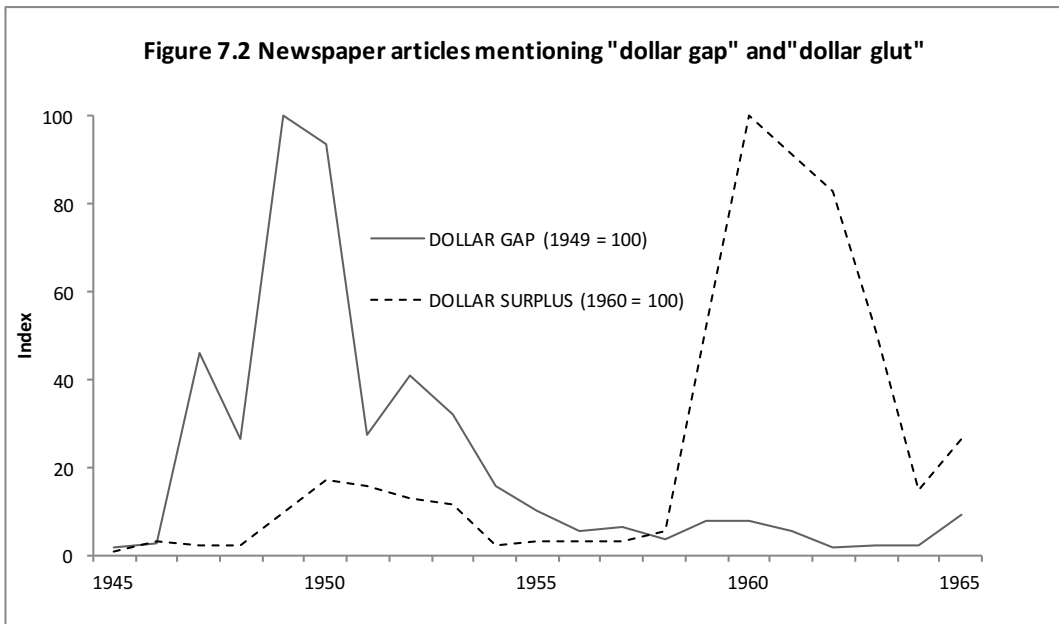
⁵⁹⁰ BoP Group (NFTC), 'BoP Outlook', Jan 1957, HML (2345, NFTC), Box 13; CED, 'Common Market', 1959, NL (CED pamphlets).

⁵⁹¹ Quoted from speech reprinted in 'Monthly Bulletin', May 1961, BL (1440, NY Chamber), Series III, Box 178, p. 5.

the dollar gap and the dollar glut or surplus occurred in the New York Times. Data from Google Ngrams on the language used in books reflects a similar pattern.



Source: Salant, *The US Balance of Payments in 1968* (1963)



Source: Source: ProQuest Historical Newspapers (New York Times)

In a high-profile speech on 6 February 1961, just two weeks after his inaugural address, President Kennedy argued that the United States' foreign policy required a capital account deficit, which had to be balanced by a trade surplus. This became one of the main arguments with which the administration tried to build support for trade liberalisation.⁵⁹² An examination of late 1950s and early 1960s academic writing suggests that Kennedy was presented with this idea by a group of Harvard economists who advised him on trade and balance of payments policy. A 1961 collection of articles by Harvard economists titled *The Dollar in Crisis*, edited by Seymour E. Harris, included four chapters by contributors who were Kennedy advisors. The argument outlined by the book was that there were only two feasible ways to address the balance of payments crisis. One of them, reducing the capital account deficit by cutting aid and/or investment was seen as undesirable. This left the second, much more attractive option: export promotion to increase the current account surplus.⁵⁹³

In response to the balance of payments crisis, export promotion also became a major demand of business elites, which it had not been before 1957. Internal records of the NFTC leadership's position on the proposed TEA show that there was significant "concern at the [...] excessively large [balance of payments] deficits and [we] have called for their early elimination", most importantly through export promotion.⁵⁹⁴ The NFTC's Balance of Payments Committee, whose activities were reinvigorated after the committee was almost

⁵⁹² Kennedy, 'Special Message to the Congress on Gold and the Balance of Payments Deficit', 6 Feb 1961, <http://www.jfklink.com/speeches/jfk/publicpapers/1961/jfk23_61.html>, [accessed 30 June 2016].

⁵⁹³ *The Dollar in Crisis*, ed. by Harris (1961). On the influence of this argument among intellectuals, see *The Dollar in World Affairs*, ed. by Aubrey (1964). On the Kennedy administration's views, see Interdepartmental Cmte on Foreign Economic Policy, 'Minutes', 4 Oct 1961, KL (Behrman Papers), Box 8. On the reaction of protectionists, see CFAC, 'Newsletter', Feb 1962, HML (1634, Pew Papers), Box 77.

⁵⁹⁴ 'Working Memorandum Re: Kennedy Proposals', 24 Feb 1961, HML (2345, NFTC), Box 42.

abandoned during the mid-1950s (see 6.3), welcomed the government's export promotion schemes in several reports during the early 1960s.⁵⁹⁵ More publically, the organisation's research director argued in April 1962 that the "expansion of exports [is] a vital imperative" and one of "only two ways in which the [balance of payments] deficit can be eradicated".⁵⁹⁶

Balance-of-payments arguments were also crucial in convincing business leaders at the chambers of commerce to endorse the TEA. When the US Chamber publically announced its support for Kennedy, the key justification was the importance of export promotion given the balance of payments deficit, as well as Soviet economic growth, decolonialisation and (mentioned last) the EEC.⁵⁹⁷ Pro-trade US Chamber leaders made it clear that they supported trade liberalisation because they expected it to induce a growth in net exports and thus a reduced outflow of dollars, thus averting a critical danger.⁵⁹⁸ Internally, this balance of payments argument was used to convince member chambers in the Midwest and New England to support the national chamber's newly vigorous lobbying for liberalisation.⁵⁹⁹ Moreover, the "integrity of the dollar" was a recurring theme at the board meetings in 1962, and dollar glut rhetoric was the most visible tool used to build support for the TEA among the directors. It was in this context that, in February 1962, the board pledged "Chamber support of the [...] TEA", making the US Chamber one of the most important business voices in support of the

⁵⁹⁵ BoP Cmte (NFTC), 'BoP Outlook Revised', July 1962, HML (2345, NFTC), Box 44; 'Bulletin B2904', July 1962, HML (2345, NFTC), Box 14; 'Balance of Payments Outlook', Jan 1962, HML (2345, NFTC), Box 43.

⁵⁹⁶ Hetherington (NFTC), 'The US Balance of Payments', Apr 1962, HML (2345, NFTC), Box 43.

⁵⁹⁷ 'Press Release', 24 Feb 1962, HML (1960, US Chamber), Series I, Box 15.

⁵⁹⁸ BoD (US Chamber), 'Minutes of the 333rd Meeting', Apr 1962, HML (1960, US Chamber), Series I, Box 3; References to this can be found in Pew, 'Correspondence with Harnischfeger', 1962, HML (1634), Box 77, Folder 'CFAC'. Both men condemned the US Chamber's leaders for their position.

⁵⁹⁹ Wagner (US Chamber), 'Keynote Address', July 1962, pp. 1–2, and 'Challenges to American Business', July 1961, p. 11, HML (1960, US Chamber), Series I, Box 15; McDonnell (US Chamber), 'Sound Dollars and Economic Growth', May 1958, HML (1960, US Chamber), Series I, Box 21.

legislation.⁶⁰⁰ During the early 1960s, the leadership of the organisation argued that public opinion backed trade liberalisation and castigated protectionists as merely “a few producers who face serious competition from imports are well aware of their personal interest in this trade issue”, statements that would have been unthinkable before World War II and unlikely during the mid-1950s.⁶⁰¹

At the member chambers, a similar development is apparent. In April 1960, influential voices within the New York chamber began to warn of a balance of payments crisis.⁶⁰² At the end of 1960, the Committee on Finance and Currency issued a report entitled *The Problem of the Balance of Payments*, which argued that “the balance of payments [is] the most urgent matter facing the country”. 5,000 copies were sent to individual business leaders, the Treasury Department, all members of Congress and officials at the Federal Reserve. Export expansion, including through reciprocal trade liberalisation, was outlined as the primary solution to the balance of payments problem. When the TEA was discussed in 1962, the consensus was that the balance of payments “problem is far more serious” than ever before.⁶⁰³ Even at isolationist chambers in the Midwest, which had resisted trade liberalisation during the 1950s, the balance of payments crisis convinced some to re-consider their position.⁶⁰⁴

⁶⁰⁰ BoD (US Chamber), ‘Minutes of the 331st Meeting’, Feb 1962, HML (1960, US Chamber), Series I, Box 3.

⁶⁰¹ ‘Policy on MSA’, 1963, HML (1960, US Chamber), Series I, Box 21.

⁶⁰² Hauge (Finance committee), ‘Use and Abuse of the Currency’, Apr 1960, BL (1440, NY Chamber), Series III, Box 177, Vol. 51, p. 446-7; ‘Finance Committee Report on the Problem of the Balance of Payments’, Jan 1961, BL (1440, NY Chamber), Series III, Box 178, Vol. 52, pp. 327-33.

⁶⁰³ Ex Cmte (NY Chamber), ‘Minutes’, Dec 1960 and Mar 1962, BL (1440, NY Chamber), Series VI, Box 426, Vol. 9.

⁶⁰⁴ See, for example, WHS (786, Wisconsin chamber), Box 15, F9-10.

Precisely the opposite view prevailed among protectionists, particularly at the ever more numerous single-issue protectionist lobby groups, who campaigned for reducing imports and foreign aid to save the imperilled dollar and a country that was heading towards “monetary crisis” because of the “balance of trade and flight of gold”. The CFAC and the TPC warned their members that “tariff bargaining could lead to a new source of deficits in our [...] balance of payments”.⁶⁰⁵ The textile industry also joined this line of reasoning, with the NTA informing its members that “rumblings about ‘balance of payments’ deficits could help the textile industry achieve [new tariffs] by focusing public attention on import[s]”, given that the United States now imported significantly more textiles than it exported.⁶⁰⁶ Like these protectionist groups, the NAM rejected the argument that liberalisation would encourage greater net exports and thus defuse the crisis caused by the balance of payments deficit. Internally, the NAM’s balance of payments group attacked the view that trade liberalisation could solve the payments problem. At the hearings for the TEA the NAM did not present a witness, but submitted only an unofficial statement (i.e. not an officially agreed upon NAM policy) in which it attacked the legislation and its supporters, particularly from the ranks of business. Explicitly rejecting any tariff cuts, the statement said that those who portrayed liberalisation as a way to address the balance of payments deficit were mistaken.⁶⁰⁷

Unlike during the mid-1950s, the pro-trade coalition now countered directly protectionists’ attacks on the balance of payments arguments for trade liberalisation. A clear illustration of

⁶⁰⁵ CFAC, ‘Newsletter’, Feb 1962, HML (1634, Pew Papers), Box 77; Pew, ‘Correspondence with Toon (TPC)’, Apr 1962, HML (1634, Pew Papers), Box 76.

⁶⁰⁶ NACM and NTA, ‘Annual Meeting Minutes’, Sep 1953, ATHM (2000.178.1, NTA), Vol. 25.

⁶⁰⁷ See NAM testimony at the House Ways and Means Committee hearings for HR9900, ‘Trade Expansion Act’, July-Aug 1962, ProQuest (Congressional Hearings Digital Collection), pp. 3924-40.

this can be found in the New York chamber's records. The chamber's leaders had invited the economist Marcus Nadler to give a speech to the membership on the topic of "The Role of Gold". Nadler first described how the balance of payments had become "a topic of discussion at almost every table". He then stated that raising tariffs

"is not the way to solve the problem. If the balance of payments deficit were to be solved in this way, it could create much more serious problems than it would solve. It would destroy the fine fabric of international finance and trade [...] It could lead to tariff wars, and the result of such unilateral measures would be a clear victory for the Soviet Union."⁶⁰⁸

To achieve an improvement in the balance of payments, an increase in net exports would have been required. Those who favoured trade liberalisation as a remedy for the payments deficit never showed why liberalisation, let alone unilateral action by the United States, should lead to such a net increase. Indeed, the NFTC and other pro-trade groups continued to call for and welcome growing imports because they still adhered to the creditor nation theory idea that exports cannot rise without an increase in imports. This logical flaw in their argument notwithstanding, the proposition that trade liberalisation was required to solve the dollar crisis proved a compelling argument with which pro-trade business leaders and the Kennedy administration marshalled business support for the TEA and reinvigorated business support for trade liberalisation after the difficult period of the mid-1950s. On the protectionist side, the NAM never fully adopted the balance of payments argument against liberalisation and did not oppose the TEA as strongly as it could have.

⁶⁰⁸ 'Monthly Bulletin', Jan 1961, BL (1440, NY Chamber), Series III, Box 178, Vol. 52.

7.3.2 The European Economic Community and the threat that never was

To American exporters, European integration should have seemed like a major threat. Several large economies joining a free trade area made higher levels of internal trade and competitiveness more likely, while a common external tariff wall meant a greater likelihood of increased discrimination against American exporters. The existing literature identifies European integration as a key driver behind American exporters asserting their preferences for reciprocal trade liberalisation.⁶⁰⁹ However, the archival evidence suggests that American business elites largely regarded European integration as a minor threat or even as an opportunity. Foreign investment played a major role in this. Exporters and multinational companies clearly anticipated the possibility of relocating production behind any future tariff walls. Protectionists did not counter this argument effectively, failing to exploit the possibility of using European integration as an argument for new American trade barriers.

Had there been fears about European integration, the NFTC, the CED and the USCICC would have been the natural place for them to manifest. After all, these organisations counted among their members most large internationally operating companies based in the United States. Given the completeness of the NFTC's archival records for this period, it is highly unlikely that such fears, had they existed, would not have been recorded. Donald Hetherington, the research director, gave a series of cautious speeches in early 1957 in which he argued that "one of the more remarkable features has been the calmly favourable reception given to it [the common market]". Hetherington even warned that "the position of many American exporters

⁶⁰⁹ For a recent statement of this view, see Dür, *Protection for Exporters* (2010).

will be seriously endangered”, both in Western Europe and in world markets.⁶¹⁰ However, his pessimism was not representative. It did not resonate with the board, the Europe Committee or the membership. At the NFTC convention in November 1957, the common market dominated the trade forum, but the tone was positive. Some months before the convention took place, the NFTC leadership circulated a draft for a convention declaration, urging the Eisenhower administration to “be alert to [the] effects of common markets and free-trade areas and to guard against discrimination”. This language was deleted and replaced by a broader statement on regional economic integration that made no mention of discrimination despite recognising that “rearrangements of the patterns of trade must inevitably accompany integration”. It is not clear whether the cautious language of the draft was rejected by the delegates, or withdrawn by the directors. However, it is clear that the NFTC was, on balance, optimistic about the likely impact of European integration.⁶¹¹

This remained the case until 1962 and the salience of the EEC as a foreign trade issue faded over time. To a considerable extent, the NFTC’s lack of concern was due to the possibility of opening subsidiaries within the EEC, which became an increasingly attractive option for large corporations, not least because banking figures within the NFTC encouraged this view. Oil and car industry representatives at the NFTC, who had contributed to the pressure for neutrality during the mid-1950s, were especially receptive to this message.⁶¹² Besides

⁶¹⁰ See Hetherington (NFTC), ‘An Interim View of the Common Market’, 1957, HML (2345, NFTC), Box 13, pp. 1 and 4, and other speeches given by Hetherington.

⁶¹¹ NFTC staff, ‘Memo on Current Trade Questions Forum’, Nov 1957, HML (2345, NFTC), Box 39; BoD (NFTC), ‘Draft Declaration of the 44th Convention’, Oct 1957, HML (2345, NFTC), Box 39; ‘Declaration of the 44th Convention’, Nov 1957, HML (2345, NFTC), Box 79.

⁶¹² ‘Foreign Investment Session’, Nov 1958, HML (2345, NFTC), Box 40; SD, ‘Investment and US Foreign Policy’, 1958, HML (2345, NFTC), Box 162, F4; Overby (First Boston Co), ‘Investment Banking and International Finance’, Nov 1960, HML (2345, NFTC), Box 42; Lilley (Texaco), ‘Essentials for Capital Flow Abroad’, Nov 1957, HML (2345, NFTC), Box 39.

investment, two additional reasons can be identified for the NFTC's relaxed attitude. First, there was hope that integration would boost economic growth and thus European demand for American goods. The NFTC's leadership was convinced that high levels of trade, though they might damage some American industries in the short run, would create net benefits in the long run. Second, the Organisation for Economic Cooperation and Development (OECD) was seen as a reliable channel for the United States to influence the EEC in such a way as to prevent it from turning into a protectionist scheme.⁶¹³ Even the initially sceptical Donald Hetherington became a vocal proponent of the EEC, reassured that any damage to American exporters would be limited and that there were geopolitical reasons to support European integration.

Optimism about European integration was not confined to the NFTC. The CED viewed European integration positively, mainly because the geopolitical benefits, i.e. stability, prosperity and security, were deemed to outweigh economic downsides, even if the worst-case scenario of substantial discrimination came true. Neither the CNTP nor the USCICC voiced concerns about the EEC until late in 1961. Then, in the immediate run-up to the TEA, both the CNTP and the NFTC made official statements in which they portrayed European integration as a reason for the United States to liberalise its trade policy, both to pre-empt discrimination and counter a united Europe's power in world markets. However, judging by the NFTC's records, this was not due to membership pressure but rather a consequence of the Kennedy administration's insistence on this argument. Government, not business, saw an economic threat in the EEC tariff and trade policy.⁶¹⁴

⁶¹³ On the OECD, see e.g. 'Current Trade Questions Forum', Nov 1960, HML (2345, NFTC), Box 42, p. 23.

⁶¹⁴ CED, 'Common Market', 1959, NL (CED pamphlets). On the campaign for the TEA, see CNTP, 'Policy Resolution', Nov 1961, KL (Feldman Papers), Box 24, F5 and the attached files for evidence on the Kennedy administration's influence. See also 'Statement on TEA', Mar 1962, HML (2345, NFTC), Box 43.

European integration did not even cause concerns in particularly exposed industries. With world steel output rising dramatically in the 1950s, a significant share of American steel production going abroad and the early integration of Western European iron and steel markets in 1953, one might expect this industry to exemplify business concern about the EEC.⁶¹⁵ Yet the major American iron and steel producers were unconcerned about European economic integration. Benjamin Fairless, the chairman of US Steel and Eisenhower's Citizens Committee on Foreign Assistance Programs, presided over the 1957 commission that strongly endorsed trade liberalisation (see p. 298).⁶¹⁶ A 1958 AISI/US Steel report eschewed any criticism of American trade policy or demands for tariffs. No mention was made at AISI board meetings of a significant competitive threat. On the contrary, the AISI invited European steel industrialists to visit plants in the United States to study advanced management methods, presumably in order to improve European productivity.⁶¹⁷ The media began to report about European steel exporters entering the American market in 1959, but the industry body remained silent. The reasons for this silence may lie in steel shortages, but also in the fact that American firms invested heavily in Europe, which ECSC officials encouraged, and in an unbroken confidence in American technological superiority.⁶¹⁸

The US Chamber was similarly sanguine about the EEC. As early as March 1958, US Chamber president Philip Talbott publically dismissed any concerns about the common

⁶¹⁵ On the European Coal and Steel Community, see Grin, *Battle of the Single European Market* (2003), pp. 34–5.

⁶¹⁶ 'Fairless Extols US Aid Program', *New York Times*, 13 Feb 1957.

⁶¹⁷ 'Imports of Steel at 5-Year High', *New York Times*, 2 Nov 1958, p. S17; BoD (AISI), 'Meeting Minutes', Apr 1957, HML (1631, AISI), Series I, Box 159.

⁶¹⁸ 'US, Europe Discuss Investment Plans', *New York Times*, 27 Aug 1952.

market as limited to “some of our interests” and purely “temporary”, promising that “Europe will be a better customer [because] more prosperous [Europeans] are going to buy more from us”. In 1962, the FCDC pointed out that the Europeans had cut their common external tariff faster than expected and that Americans “reaped benefits as more trade opportunities have been created than have been withdrawn”. On balance, the “[e]vidence so far does not show that the Common Market intends to be unduly protectionist”. There is no evidence that the members disagreed.⁶¹⁹ Several factors might explain the US Chamber’s optimism. Europeans were seen as lacking many of the goods that American consumers already owned, such as cars, radios, refrigerators and washing machines. As Talbott’s successor, Richard Wagner, put it in the terms of creditor nation theory, “international trade is a two-way thoroughfare”, which meant that American producers of such goods could only hope to sell to Europe if the United States imported European goods.⁶²⁰

In general, by the early 1960s, imports were no longer seen as a threat at the US Chamber. The members were told that two thirds of American imports were products that the United States could not produce and US Chamber leaders argued that

“Americans will have the upper hand in some products, while other countries have the edge in others [...] the greater national interest lies in moving men and resources out of uneconomic production into efficient production and competitive positions.”⁶²¹

⁶¹⁹ Talbott (US Chamber), ‘Address before Businessmen’s Conference on International Affairs’, Mar 1958, HML (1960, US Chamber), Series I, Box 15; FCDC (US Chamber), ‘Challenge of the Common Market’, Oct 1962, HML (1960, US Chamber), Series I, Box 21, p. 1; ‘EEC Fact Sheet’, 1962, HML (1960, US Chamber), Series I, Box 21, p. 4.

⁶²⁰ Wagner (US Chamber), ‘Keynote’, July 1962, HML (1960, US Chamber), Series I, Box 15, pp. 2–3.

⁶²¹ FCDC (US Chamber), ‘Challenge of the Common Market’, HML (1960, US Chamber), Series I, Box 21, p. 4.

In addition, the possibility of foreign investment assuaged concerns about European discrimination, with the US Chamber – like the NFTC – becoming ever more interested in this option, which is remarkable given that most of the companies represented through state and local chambers were not large corporations with a long history of international operations. Both the opportunity to invest in Europe and the lingering perception that North America and Western Europe formed a united “free world”, newly institutionalised by the OECD, contributed to the US Chamber’s positive view of European integration. Business leaders in Kansas, for example, argued that the “emergence of a powerful Common Market Europe with US participation in it is geared to destroy the Communist myth.”⁶²² Thus, European economic integration was not seen as an effort to create a separate entity from the United States.

While the TEA’s supporters thus largely welcomed European integration, protectionists did not rally around the potentially convincing message that the United States had to reciprocate against the common external tariff with trade barriers of its own. The NAM’s initial concerns about European integration subsided long before the TEA was discussed. The NICB and many single-issue protectionist interest groups did not see European integration as a threat either.⁶²³ Rather, opponents of the TEA were pre-occupied with Japan, the Soviet Union, China and other low-wage countries and failed to recognise that the EEC could have been exploited as an argument against the TEA.⁶²⁴ Moreover, the OECD provided sufficient reassurance to the NAM that the evolution of the EEC could be guided in such a way as to avoid undue injury to

⁶²² BoD (US Chamber), ‘Minutes of the 328th Meeting’, June 1961, HML (1960, US Chamber), Series I, Box 3, p. 3; ‘The OECD’, Oct 1962, HML (1960, US Chamber), Series I, Box 21, p. 2. See Ex Cmte (KCAI).

‘Guidelines for Victory in the Cold War’, 1961, KHS (Ms. Coll 242, KCAI), Box 3, p. 2.

⁶²³ See meeting minutes. For the NICB, see HML (1057, NICB), Series III, Vol. 25. For the NAM, see HML (1411, NAM), Series IX, Box 156.

⁶²⁴ ‘Foreign Competition Report’, Sep 1960, HML (1411, NAM), Series I, Box 306.

domestic economic interests.⁶²⁵ Finally, protectionists were weakened by the possibility of investing in Europe. As foreign investment came to be seen as a way around foreign tariffs, protectionist lobby groups found that a substantial share of their members were more interested in access than they were in protection. Even organisations like the ATL had to “tread a fine line” to balance the conflicting interests of their members, which limited their ability to oppose the TEA.⁶²⁶

Thus, protectionists – distracted by low-wage competition and divided by the lure of foreign investment to circumvent tariffs – failed to make the case that the United States should respond to the EEC with new trade barriers. The evidence from the archives of business associations thus calls into question the view that Western European integration and competition motivated fearful American exporters to lobby for liberalisation because most business leaders did not see the EEC as a threat but as an opportunity and, in general, the EEC played a much smaller role in trade policy debates than competition from an entirely different economic power: the Soviet Union.

7.3.3 The Soviet economic offensive, East Asian competition and decolonialisation

Beginning in the late 1950s, the Soviet Union featured far more prominently in trade policy debates than Western Europe, threatening to undercut the United States in world markets with cheap state-subsidised export goods.⁶²⁷ Internationalist business leaders, who saw trade and

⁶²⁵ BoD (NAM), ‘Proposed OECD Position’, Sep 1961, HML (1411, NAM), Series I, Box 104.

⁶²⁶ Wilson (ATL), ‘Views on ATL Testimony’, Nov 1958, Yale (MSS433, McCormick Papers), Series II, Box 47, F742, p. 1.

⁶²⁷ At the NFTC’s annual conferences, European discrimination paled in comparison to the importance of expanding trade with the Soviets, which the leaders of the organisation recognised. See Hetherington (NFTC),

foreign policy as linked, also argued that the Soviet Union was trying to build influence by giving aid to and expanding trade relations with developing countries, which the United States had to counter, including through trade liberalisation. Moreover, if American exporters were to have any hope of finally penetrating the lucrative Soviet market (see also p. 187), liberalisation was required both to induce reciprocity and to allow the Soviet Union to export and thereby earn the dollars required to finance imports.⁶²⁸ Exporter organisations like the Chicago Export Managers Club and the NFTC devoted significant time to promoting trade with the Soviet Union.⁶²⁹ The government exploited this to further increase business support for trade liberalisation.⁶³⁰ Soviet economic growth thus increased demands for trade liberalisation among export-oriented and internationalist business elites in the United States, both by threatening American influence and through the promise of a new market.

Nowhere is the link between the Soviet economic offensive and renewed demands for trade liberalisation clearer than at the US Chamber and its affiliates, whose leadership skilfully used the Soviet threat to build support for the RTAA and overcome the gridlock of 1956 (see section 6.5). In a series of speeches, national chamber president Philip Talbott cited Soviet “boast[s] to whip the USA into a standstill in a foreign trade war” and warned that growing Soviet

‘The Dimensions of the European Market’, 1959, pp. 3-4, HML (2345, NFTC), Box 41; Hetherington (NFTC), ‘America Looks Abroad’, Jan 1960, HML (2345, NFTC), Box 41, p. 3. The Soviet issue was also far more important than European integration at the US Chamber. See e.g. Talbott (US Chamber), p. 5.

⁶²⁸ BoD (US Chamber), ‘Proposed Policy Declarations for the 50th Annual Meeting’, Apr 1962, HML (1960, US Chamber), Series I, Box 21, p. 18; CED, ‘The New Role of the Soviets in the World Economy’, 1958, TL (Keyserling Papers), Box 7; ‘Interview with Phil Cortney’, *AIER Research Reports*, Jan 1960, pp. 5-7, <<https://www.aier.org/sites/default/files/Files/Documents/Research/2358/RR19600111.pdf>>, [accessed 26 Apr 2015]; BoD (DEC), ‘Meeting Minutes’, May 1960, DPL (DEC), Box 42.

⁶²⁹ BoD (AIS), ‘Meeting Minutes’, July 1958, HML (1631, AIS), Series I, Box 159; ‘Trade Forum Minutes’, Nov 1958, HML (2345, NFTC), Box 40.

⁶³⁰ See, e.g., CFEP, ‘Soviet Economic Penetration’, 1958, EL (A77-23, CFEP Papers), Box 4, F564; McCormick (ATL), ‘Research Bulletin’, Apr 1958, Yale (MSS433, McCormick Papers), Series II, Box 48, F764.

exports were endangering “vital markets for American goods” in the Middle East and Africa. Talbott freely admitted that his intention in giving these speeches was to “alter public opinion as to the need of the Trade Agreements programme”.⁶³¹ At the New York chamber, a group of influential members concerned with international trade argued in a high-profile report that it was “timely for the [RTAA] to be extended due to the increased Soviet international aid programme”. The same group later argued that Soviet economic competition was the main problem facing the United States, while the EEC was less important than previously thought. Even the president of the usually protectionist Wisconsin chamber warned of “a degree and kind of competition [...] never before experienced” and demanded a new foreign trade strategy.⁶³²

Not everyone shared the optimistic view of Soviet economic growth. Protectionists had long cited low foreign wages as a principal reason why the United States needed tariffs, usually to little effect (see chapter 6.2). Soviet economic growth, however, greatly increased the persuasiveness of the low-wage argument. Low-wage competition could now be framed as a national security risk. Textile producers, for instance, pointed to what they called the textile industry’s critical role in supplying defence goods, while the TPC listed low-wage communist competition as a principal cause of unemployment, linking free trade, dependence on government and socialism in the United States.⁶³³ Like the pro-trade coalition, protectionists

⁶³¹ See collected speeches by chamber presidents Wagner and Talbott, esp. Talbott (US Chamber), BoD (US Chamber), pp. 5–6; BoD (US Chamber), ‘Minutes of the 318th and 323rd Meeting’, Nov 1959 and Sep 1960, HML (1960, US Chamber), Series I, Box 3.

⁶³² Ex Cmte (NY Chamber), ‘Committee Minutes’, Jan 1958 and May 1959, BL (1440, NY Chamber), Series VI, Box 426, Vol. 8, p. 476, and Vol. 9, pp. 536–7; WCC, ‘Annual Report of the Chamber President’, 1958, WHS (786, Wisconsin chamber), Box 15, F6, p. 5.

⁶³³ NTA, ‘Press Release’, 2 June 1961, ATHM (2000.178.1, NTA), Vol. 37; Toon (TPC), ‘To Pew’, 25 Apr 1961, HML (1634, Pew Papers), Box 76.

used the Soviet economic offensive to build support for their position, arguing that trade liberalisation would “hinder rather than help our efforts to counter the Soviet economic offensive”.⁶³⁴ This contrasts with the failure of protectionist lobby groups to fully exploit European integration as an argument against the TEA (see section 7.3.2).

However, protectionists failed to make this case at the NAM, where the Soviet Union as an economic threat is noticeably absent from the archival records. Of 180 trade-related documents from the years 1957 to 1962, only two make direct reference to communist economic competition and the issue never made it past specialist committees to the board of directors. Moreover, protectionists tried but failed to prevent libertarians from defecting to the pro-trade coalition by using the threat of the Soviet Union. Protectionist groups like the TPC tried to make the case that tariffs were required to save free enterprise in the face of communist competition, arguing that communist countries with centrally planned economies and totalitarian political systems were able to unfairly undercut private American firms. According to the TPC, there could be no meaningful competition between such state-owned firms and privately owned companies, particularly if those private companies were barred from forming cartels. However, this was rejected by libertarian groups like the FEE (see 7.2.1).⁶³⁵ Soviet economic growth and competition did not have the same unifying effect among protectionists that it had among pro-trade groups, thus contributing to the growth in business support for trade liberalisation after 1956.

⁶³⁴ See McCormick (ATL), ‘ATL Research Bulletins’, 1958, Yale (MSS433, McCormick Papers), Series II, Box 48, esp. bulletin dated June 1958.

⁶³⁵ See correspondence of Pew with TPC, 1960-1, HML (1634, Pew Papers), Box 71, and FEE, 1958-61, HML (1634, Pew Papers), Box 54.

Low-wage competition from communist countries was not the only competitive threat during the early 1960s. Japanese exports were also regarded as a danger, especially by the textile industry. Moreover, there was remarkable enthusiasm among investors and exporters (and fear among protectionists) that decolonialisation would usher in an era of economic growth in newly independent countries no longer tied to imperial tariff regimes.⁶³⁶ While there has been considerable attention to the impact of Japanese economic growth and export prowess, the impact of decolonialisation on trade policy debates in the United States remains under-studied. The archival records I studied suggest that, like Japanese economic growth, decolonialisation significantly contributed to polarisation among American business elites, but further research is required into these aspects of international trade after 1957.

7.4 Conclusion

In this final chapter, I have argued that the late 1950s and early 1960s saw the emergence of new and increasingly polarised business coalitions for and against further trade liberalisation. Despite being sizeable and well-funded, the protectionist coalition proved weaker than the newly invigorated coalition in favour of trade liberalisation because of the continued neutrality of the NAM and disagreements among conservative business elites. Meanwhile, the changing global political and economic landscape played a key role in galvanising support for trade liberalisation at the NFTC and the US Chamber. The pro-trade coalition demanded export promotion, assisted by the government, and they justified this by arguing that only an expanded trade surplus could effectively remedy the problems caused by a disproportionate

⁶³⁶ See, for example, talk about the “African possibility” in ‘Foreign Investment Session’, Nov 1958, HML (2345, NFTC), Box 39.

capital account deficit. European integration and competition played a much smaller role than the existing literature suggests. Pro-trade business groups were clearly in line with the Kennedy administration's pre-occupation with the balance of payments. Until well into the 1960s, when the United States was rapidly losing its creditor nation status, the balance of payments thus continued to exert a crucial influence on business debates about American trade policy, as it had done since the United States became the world's creditor nation in 1917.

8 Conclusion

After World War I, business opinion on trade policy shifted away from protectionism and towards trade liberalisation. Business elites gradually adopted a new frame of reference for trade policy debates, with the balance of payments and foreign policy as key elements. The core argument of my research is that the adoption and spread of these new ideas influenced the trajectory of business opinion on international trade. The new framework replaced infant industry protection and revenue generation, making it easier for advocates of low tariffs and high levels of imports to construct a compelling case for trade liberalisation. During the 1940s and early 1960s, pro-trade business and political elites used arguments related to foreign policy and the balance of payments to build support for trade liberalisation and import promotion in business associations across the United States. A large majority of internationally and domestically focused business elites in the United States came to see high levels of trade and imports as desirable by 1953, when most major business associations lobbied for the RTAA to be extended, tariffs to be cut and imports to be raised. This was followed by a breakdown of the pro-trade business consensus and then a realignment at the end of the 1950s. The Trade Expansion Act of 1962 again enjoyed high levels of business support.

My research uses new archival evidence to add to the existing literature on the foreign economic policy of the United States. It broadens the debate beyond political elites, emphasises the role of ideas and puts post-war trade policy into the context of largely overlooked interwar and wartime debates. It engages with the institutionalist literature on American trade policy by questioning narratives of exporter mobilisation through reciprocity.

My findings contribute to the literature on the role of delegation by uncovering reasons why constituents wanted delegation and correctly dating the origins of rising constituency pressure.

My findings in chapter 2 add to the literature on wartime and post-war planning in the United States. Domestic political, social and economic developments during World War II are one of the most under-studied aspects of the 20th century's most-researched decade. Moreover, my research addresses key unresolved debates about the Cold War and the Marshall Plan in chapters 3 to 5, calling into question the revisionist argument that post-war foreign economic policy was about the promotion of exports. I also offer findings pertaining to American attitudes to European integration and Soviet economic growth, the rise of libertarianism and the TEA in chapters 6 and 7. My research thus bridges the gap between different bodies of literature, i.e. the historical literature on business associations, the literature on the history of American trade policy and elements of the literature on international relations and the Cold War. Finally, at a time when international trade is increasingly conceptualised as a zero-sum game, I hope that my research serves as a reminder that it is possible to resist the temptations of economic nationalism.

Chapter 2 identifies, for the first time, the rise of the creditor nation view of international trade and the related idea that trade is a “two-way” process, correcting the incomplete narrative that portrays exporter mobilisation as a result of reciprocity (see p. 35). Drawing on new archival records and using contemporary academic publications as primary source material, I show how these new ideas gradually spread among business and political elites, beginning after World War I. More primary source material, particularly from banking archives, multinational corporations and exporter organisations, would make it possible to verify whether

disagreements between these groups over the relative priority of debt repayment and export financing did indeed contribute to the inability of pro-trade forces to avert the 1930 Tariff Act, as the evidence assembled here suggests (see p. 78, p. 84 and section 2.5.1). If the early archival records of the ATL or other protectionist groups were accessible, it would be equally worthwhile examining in more detail the shift of protectionists away from infant-industry and revenue arguments and towards the low foreign-wage justification of tariffs (see p. 58 and p. 73 on the available evidence). The chapter examines business views on the RTAA during the 1930s, the period on which the existing literature focuses, and shows that arguments related to creditor nation theory were an important part of the debate by the end of the decade. The chapter then discusses the contribution of business elites to post-war planning during World War II. A key innovation in this context is the use of committee minutes and papers from the NAM and US Chamber archives to trace the rise of internationalist business executives among the leadership of these organisations. A second key innovation is the use of a large number of local and state chamber records to trace how post-war planning empowered internationalist organisations and individuals. Based on this evidence, the chapter seeks to establish the importance of post-war planning, both in general and in terms of its impact on trade policy debates and preferences among business elites and beyond.

Chapter 3 shows the contribution made by business elites to the reconfiguration of American foreign economic policy after 1945, especially in the neglected Committee for Financing Foreign Trade (see p. 136), and the rise of the idea of using trade concessions as a means of providing the rest of the world with sustainable dollar revenues in 1946 and 1947. The chapter also highlights the legacy of post-war planning, which empowered internationalists on the leadership-level of many business associations (see p. 126). The evidence presented

furthermore shows that import promotion, not export promotion, was the key link between foreign aid and trade policy in the run-up to the Marshall Plan. High levels of balanced trade were seen as more realistic than high trade surpluses by the leaders of the most powerful business associations, who largely agreed that a return to depression was not imminent, fearing instead inflation and governmental control of the economy (see section 3.4.1, especially p. 159). At least among business elites, feelings of moral obligation, based on conceptions of shared ethnic heritage, religion and civilisation, towards an impoverished Europe were more important than hostility towards the Soviet Union in motivating support for foreign aid and trade concessions (see p. 157 and p. 187). This challenges revisionist narratives of foreign aid as demand stimulus, export promotion or containment (see p. 39).

Chapter 4 continues along the same lines, exploring how the ERP was sold to business elites in 1948 and 1949. Using the records of business associations and the ECA, the chapter shows how political elites and business leaders used the concept of the “dollar gap”, which was based on creditor nation theory and two-way trade, to increase the reliance of the ERP on trade concessions and import promotion, in order to replace increasingly unpopular grants and loans. The evidence shows that demands for export promotion under the ERP were ineffective and marginal (see p. 208), and that the main trade-policy objective of the ECA was the promotion of imports, including through tariff cuts. The archival evidence shows, for the first time, fault lines and power dynamics within the US Chamber and the NAM, where the internationalist leadership worked with the ECA to build membership support for high levels of imports (see section 4.3). The chapter also addresses the literature on the ITO, using business associations’ archives to show that opposition to the trade organisation was based mainly on concerns about sovereignty rather than a growth of protectionism among business elites (see p. 178).

Chapter 5 explores why the ERP attracted criticism in 1950. The evidence from business association archives and the ECA again shows that export promotion was not the goal of foreign aid. The chapter also adds to the existing literature on foreign economic policy during the Korean War which has correctly been identified as a turning point. The archival evidence presented in the chapter shows in detail why the Korean War empowered internationalists, a question which the existing literature has not answered, stressing the effects of rearmament and the interruption of East-West trade (section 5.3). Finally, this chapter outlines the centrality of the slogan “trade not aid” in 1952 (section 5.4), thus establishing that the slogan commonly associated with the Eisenhower presidency – as well as the origins of a protectionist resurgence among business elites (section 5.5) – can be traced back to the late stages of Truman’s presidency.

Chapter 6 addresses the lack of detailed studies of why there was a backlash against trade liberalisation during the mid-1950s. Using detailed archival evidence, I show how and why protectionist lobbying was rejuvenated, both organisationally and ideologically (section 6.2). A critical element identified here is the ability of new protectionist figures to adapt to the creditor nation and foreign policy arguments brought forward by the pro-trade coalition, which protectionists had failed to do before 1953. I also show how and why some of the major business associations, including the NFTC, the NAM and the US Chamber, moved away from advocating low tariffs and import promotion, due to a combination of industry-level protectionist lobbying, a weakening of the formerly effective balance of payments and foreign policy rationale for trade concessions, and the marginalisation – particularly at the NAM – of the internationalists who had dominated the leadership level and foreign economic policy committees during the 1940s and until 1953. These insights are based on unprecedented

insights into the organisational structures of the associations, based on personal papers of their directors and key political figures, as well as a detailed analysis of committee minutes.

Chapter 7 challenges the focus of the existing literature on the EEC as the main competitor to the United States (section 7.3.2), instead highlighting widespread fears about Soviet economic growth, both among business and political elites (section 7.3.3). The chapter discusses an under-appreciated aspect of the Kennedy administration's effort to garner support for the TEA: the argument that the United States was facing a balance of payments crisis and thus had to raise net exports by liberalising its trade policy regime (7.3.1). In marked contrast, warnings about European competition were a late addition to the administration's rhetorical arsenal. This chapter also uses new archival evidence to explore how protectionist lobbying changed after 1957 with the rise of new single-issue groups. Despite their prominence at congressional hearings, the existing literature has overlooked these groups and failed to provide an account of their rise. I argue that the emergence of these groups cannot be understood without reference to the ideas that motivated them: a fear of economic and geopolitical decline, which manifested itself particularly in concerns about the Soviet Union's ability to produce cheap goods and, more importantly, visceral fears about an impending dollar crisis, triggered by the build-up of short-term debts to foreign countries. Likewise, the key weakness of the new protectionist coalition cannot be understood without an appreciation of the effect of the rise of libertarianism among American business elites. The spread of libertarian ideas split conservative business leaders into a pro-tariff and an anti-tariff faction, and limited the ability of the NAM – which Kennedy's advisor saw as a key threat to their agenda – to lobby against the TEA (see p. 306).

My research thus adds to the literature on American trade policy, by introducing new archival evidence, exploring new research questions and testing some of the key claims of the existing literature. In the same way, the records of the business associations examined here could be used to study other policy areas, which makes the evidence presented here a useful starting point for potential future research into different directions. Among the most discussed topics in these records are race relations, domestic economic policy, urban development, environmental policy, international finance and investment, and labour relations. As outlined in the introduction, there has been renewed interest in business associations, business lobbying and business elites in recent years. On the national level, the NICB and the NFTC have received far less attention than the NAM and the US Chamber because much of their material has only relatively recently been released. The NFTC, with its international focus and big-business membership, should be of relevance to students of American foreign and foreign economic policy, globalisation and international business, while the NICB's records promise potential new insights into the political economy of the New Deal.

Moreover, I have identified dozens of collections of personal papers, state chambers of commerce and manufacturers' associations from archives across the United States which have yet to be examined by historians and would be of use to scholars interested in business interest groups and their impact on political debates and outcomes. Future research would incorporate more business associations from Southern states and from the major manufacturing centres in the cities around the Great Lakes. Most of the smaller collections have remained unused, but my dissertation shows that they can usefully inform arguments about major national and international issues and help scholars understand the internal dynamics of the national organisations that have so far attracted the most attention, especially the US Chamber. Board

meeting minutes, which are often the core of state and local chamber collections, could even be analysed using quantitative methods if they can be collected and digitised at scale, while the correspondence of business leaders could be of interest to scholars conducting network analysis.

Further research on the trade policy views of business elites in the United States would delve deeper into how political elites perceived, influenced and were influenced by the evolution of business opinion. I have attempted to show the links between business and political elites at key historical junctures in this dissertation: in interwar debates about creditor nation theory; during post-war planning; in the run-up to and during the Marshall Plan; and during the debates about the TEA in 1961/62. This shows that Presidential Libraries, the personal papers of key trade policy officials and organisational records of foreign economic policy agencies like the ECA and the Randall Commission are a rich source of evidence for assessing the interaction of business and political elites. This would be particularly interesting for examining the role that political elites played in the post-war planning efforts conducted by business groups. As outlined in section 2.5, post-war planning gave internationalist business leaders unprecedented influence in domestically focused business associations. The personal papers of Leo Pasvolsky, the key bureaucratic figure in post-war planning, are unfortunately limited in scope, but the Roosevelt Presidential Library's records contain several collections that would almost certainly provide further insight into government-business relations during World War II. The papers of Vice-President Wallace, economists, trade policy advisors, and Commerce Department officials are particularly promising.

Future research would also look in more depth at key sectors of the American economy, such as farming and the banking industry, which have received relatively little attention in this dissertation due to time, space and resource constraints. The banking industry in many ways pioneered creditor nation theory. Chapter 2 uses bank publications to trace this development, but internal records and personal papers of key banking figures promise to hold a wealth of further evidence on the intellectual genealogy of creditor nation theory. Agriculture remained an important sector of the American economy throughout the period studied here, with its own complex set of interest groups and a keen interest in trade policy. The National Farmers Union and the American Farm Bureau Federation, which represented mainly large agricultural enterprises, tended to favour liberalisation; the National Grange and other groups representing smaller farmers tended to support protectionism and oppose the RTAA. Different product-specific and regional interest groups, from the California Walnut Growers Association to the National Cattlemen's Association, which often spoke at the RTAA hearings, further complicated the picture, and detailed further research would be required before a final verdict can be reached on the trade policy preferences of American agricultural interests, which the existing literature tends to treat too monolithically.

Further research would also explore in more detail how developments outside of the United States and Europe influenced business elites, and remedy the existing literature's narrow geographical focus. The records pertaining to specialist committees dealing with Latin America, Asia and Africa, particularly at the NFTC, promise to be a fruitful source for future research on American trade policy that broadens the focus beyond Europe. My research has begun to do this – managing trade during World War II focused in large part on Latin America (see section 2.4); during the 1950s, Japan, China and the Soviet Union played a crucial role in

trade policy debates (chapters 5-7); newly independent African countries featured prominently as potential export markets after 1957 (see chapter 7) – but much more remains to be done and the archival evidence used in this dissertation, though voluminous, only represents a small fraction of a rich and under-utilised body of historical evidence.

The literature on the history of foreign aid could benefit from an examination into how the Marshall Plan and subsequent aid for Europe and Japan were linked to the emergence of development aid during the 1950s and 1960s. In particular, a study of the pivotal figure of Paul G. Hoffman, who after his time at the ECA became an advisor to Eisenhower and later a key figure in the UN Development Program, could shed light on how recovery aid differed from development aid. As noted in the literature review (see p. 42), the Records of the US Foreign Assistance Agencies (Record Group 469 at the National Archives) have barely been used and, together with Hoffman's equally under-appreciated and expansive personal papers at the Truman Library, would be an ideal starting point for such research.

There exists no detailed quantitative examination yet of the congressional hearings to pass and extend the RTAA from 1934 to 1962. Recent advances in optical character recognition and quantitative textual analysis software make it possible to analyse large quantities of text. This would make it possible to test whether creditor nation rhetoric and foreign policy arguments became increasingly dominant, and among which types of witnesses. The hearings transcripts are ideal material for such a quantitative analysis because of the clearly defined objective of the witness statements, the structure of the hearings and the availability of several iterations (eleven extensions of the RTAA, plus a failed attempt in 1947). Judith Goldstein has recently completed a similar effort for speeches in Congress, so there is already an established

methodology. Such quantitative work would also make available detailed descriptive statistics on the proponents and opponents of each extension, which are curiously absent from the existing literature, probably because of the effort involved in reading and classifying 2,148 witness statements.⁶³⁷ Previous research suggests that quantitative textual analysis software should be able to detect automatically whether a statement is in favour of or opposition to the RTAA, based on a small sample of manually coded statements.⁶³⁸ To this one could add a quantitative study of the trade policy views of American business owners and executives based on survey data. The Roper Center at the University of Connecticut holds data collected through opinion surveys since the 1930s, and there are over eighty surveys with questions about trade policy. Most of these contain information on the respondents' occupation, so it is possible to isolate business executives and examine trends and patterns in their trade policy views.

In summary, there is both a need for further research into American business elites and an abundance of potential archival evidence and data to answer a variety of research questions. This dissertation has been concerned with trade policy debates among business elites from World War I until the 1960s, but it is hoped that the sources used, and the results obtained, are of relevance to a wide variety of historians and political scientists.

⁶³⁷ There were 2,148 statement at the 1934 hearings and the hearings for the subsequent extensions. This excludes the unsuccessful extension in 1947, the 1953 House hearings and the 1954 hearings, the transcripts of which are of such low quality that current OCR technology cannot process them.

⁶³⁸ See, for example, the structurally similar Party Manifesto Project (<https://manifestoproject.wzb.eu/>).

Appendix: Cast of characters

Biographical information derived from finding aids and correspondence. Date ranges marked with an asterisk () indicate the earliest and latest date at which the person is mentioned in the archival documents. Biographical information is limited to data relevant for this dissertation and may not be comprehensive.*

Abbink, John, director, National Foreign Trade Council; chairman of the board, Business Publishers International.

Aldrich, Winthrop W., chairman, Committee for Financing Foreign Trade (1946-7); chairman of the board, Chase National Bank (1934-53); US ambassador to Britain (1953-7); director, New York chamber.

Balگوoyen, Henry, director, National Foreign Trade Council; president, American & Foreign Power Company.

Behrman, Jack N., professor of economics; Assistant Secretary of Commerce for International Affairs (1961-2).

Bell, Daniel W., acting director of the Bureau of the Budget (1934-9); head of the Public Advisory Board for the MSA at the White House (1952-3).

Besse, Arthur, president, National Association of Wool Manufacturers (1943-51*).

Bunting, Earl, president, National Association of Manufacturers (1947-8); chief administrative officer (1949-53*); honorary vice president, (1947-81).

Capper, Arthur, US Senator for Kansas (1919-49).

Carroll, Charles R., counsel to the board, National Foreign Trade Council (1948-53*); director, General Motors Corporation.

Carto, Willis, treasurer, Trade Policy Congress (1960).

Clayton, Will, Assistant Secretary of State for Economic Affairs (1945); Under Secretary of State for Economic Affairs (1946-7); president, Anderson, Clayton & Co.

Colgate, Bayard, trustee, Committee for Economic Development; director, National Association of Manufacturers; leading member of the Foreign Trade Committee and ERP Sub-Committee (1943-50*).

Cortney, Phil, director, National Association of Manufacturers; leading member of the Foreign Trade Committee and ERP Sub-Committee (1948-54*).

Crane, Jasper, director, National Association of Manufacturers (1938-53*); director, Foundation for Economic Education (1951); vice-president, DuPont Co. (1943-51*).

Curtain, Enos, assistant to the administrator, Economic Cooperation Administration, in charge of the import program (1949-50*).

Dingley, Nelson Jr., US Representative from Maine (R, 1881-1898).

Farrell, James A., chairman, US Chamber Foreign Commerce Department Committee (1934-40); president, National Foreign Trade Council (1914-31); chairman, National Foreign Trade Council (1914-36).

Feldman, Myer, deputy special counsel to the US president (1961-4).

Foster, William, administrator, Economic Cooperation Administration (1950-1).

Frank, Arvind, National Association of Manufacturers staff, IR Committee (1950-7*).

Gray, Gordon, Special Assistant to the President (1950).

Grede, William J., president, National Association of Manufacturers (1952); chairman of the board of directors (1953-55); president of Grede Foundries, Inc.

Harnischfeger, Walter, director, National Association of Manufacturers (1954-8*); director, Metropolitan Milwaukee Association of Commerce (1945-50*); chairman, Citizens Foreign Aid Committee (1960*).

Harriman, W. Averell, US ambassador to the Soviet Union (1943-6); US ambassador to Britain (1946); Secretary of Commerce (1946-8); US coordinator, ECA (1948-50); Special Assistant to the President (1950-2).

Hetherington, Donald, research director, National Foreign Trade Council (1952-62*).

Hoffman, Paul G., chairman, Committee for Economic Development (1943-7); administrator, Economic Cooperation Administration (1948-50).

Horsch, Vada, staff member, National Association of Manufacturers; Horsch's subject files are a major part of the NAM collection and she likely oversaw NAM record-keeping.

Jackson, William K., president, US Chamber (1946-7).

Johnston, Eric, president, US Chamber (1942-6).

Jordan, Virgil, president, National Industrial Conference Board (1947-8*).

Katz, Milton, US special representative in Europe (1950-1); chief of US delegation, Economic Commission for Europe (1950-1).

Loree, Robert (Chuck), president, National Foreign Trade Council (1948-57).

McCormick, Robert L.L., vice president, Coates & McCormick, Inc. (1952-56); president, McCormick Associates, Inc. (1957-65); advisor, American Tariff League/Trade Relations Council (1955-63).

Parker, Cola, president, National Association of Manufacturers (1955-57).

Pasvolsky, Leo, post-war planner, State Department, (1939-45).

Pew, J Howard, director and honorary vice-president, NAM (1945-60*); chairman, Sunoco.

Pierson, Warren Lee, chairman, US Council of the International Chamber of Commerce (1953-4).

Randall, Clarence, chair, Randall Commission (1953-4); advisor to President Eisenhower (1954-7).

Radcliffe, Harry, president, National Council of American Importers (1947-53*).

Raskob, John J., vice president, General Motors (1918-28), chairman, Democratic National Committee (1928-32).

Read, Leonard E., president, Foundation for Economic Education (1947-58*).

Reed, Philip D., chairman of the board, General Electric (1940-2, 1945-58); member, Council on Foreign Relations (1945-68); director, National Foreign Trade Council; director, US Council of the International Chamber of Commerce.

Rockefeller, Nelson, director, NY Chamber; Vice-President of the United States (1974-7).

Sawyer, Charles W., Secretary of Commerce (1948-53).

Schmidt, Eric, US Chamber of Commerce economist (1951-4*).

Shreve, Earl O., president, US Chamber (1947-9).

Sloan, George A., president, US Council of the International Chamber of Commerce (1952, 1954-5); member, Business Advisory Council (1935-42); director, US Steel; director; Goodyear; director, Bankers Trust Co. (1944-50).

Smoot, Reed, senator for Utah (R, 1903-33).

Steinkraus, Herbert, president, US Chamber (1942, 1949-50).

Strackbein, Oscar, protectionist lobbyist; economist, Tariff Commission; founder, Nationwide Committee (1953-60*).

Swingle, William, president, National Foreign Trade Council (1951-62).

Taft, Charles, president, Committee for a National Trade Policy (1956*).

Taft, Robert A., senator for Ohio (R, 1939-53).

Talbott, Philip. US Chamber president (1957-60).

Toon, Ted O., chairman, Trade Policy Congress (1959-62).

Vandenberg, Arthur, senator for Michigan (R, 1928-51); chairman of the Senate Foreign Relations Committee (1947-8).

Wagner, Richard, president, US Chamber (1961-2).

Welch, Leo D., director, National Foreign Trade Council; director, Standard Oil (1954-6*).

Wherry, Kenneth, senator for Nebraska (R, 1943-51).

White, Walter, executive director, Business Advisory Council (1935).

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Note on sources used

Archival material is cited as follows:

Author, 'Title', Date, ARCHIVE (Accession, Organisation), Series (if applicable), Box, Folder (if required to locate document), pages (if required to locate a quotation in a long document). The author is omitted if the document is an official document of the organisation without a named author, e.g. a US Chamber pamphlet or an NFTC declaration.

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Association of Cotton Textile Merchants of New York, Accession 1995.181.8

Records of the Financial Group

Cotton-Textile Institute, Accession 1995.181.4

Reports and publications

National Association of Finishers of Cotton Fabrics, Accession 1995.181.7

Committee meeting minutes, 1954-58

Northern Textile Association (NTA), Accession 2000.178.1

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Bulletins of the Wool Manufacturers Association, 1946-52

Bulletins of the NTA, 1957-62

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Records of the NTA, 1953-65

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Maritime Committee minutes, 1931-47

New England Council minutes, 1945-48

Papers of Henry Dennison, Accession Mss 49

Correspondence

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Administrative records: Board of Directors meeting minutes, 1953-65

Bulletins of the MMA, 1955-62

John C. McCurry (General Manager): Correspondence and speeches

Papers of Gardner Ackley, Accession 85576 Aa 2; Ac

President's Council of Economic Advisors: Speeches and Presentations

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Papers of Charles R. Sligh Jr., Accession 85481 AC UAl Aa 2

Correspondence

Notes and articles

Speeches and public appearances

Butler Library at Columbia University (BL)

New York Chamber of Commerce and Industry, Accession 1440

Series I: Administration

Series III: Bulletins, 1918-12

Series IV: Board of Directors meeting minutes, 1917-18 and 1943-62

Series IV.1: Executive Committee meeting minutes, 1944-53

Series VI.1: Executive Committee meeting minutes, 1945-62

Series VI.2: Foreign Commerce Committee meeting minutes, 1944-48

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Eisenhower Presidential Library (EL)

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Journals of Clarence Randall, Accession A85-10

Papers of Oscar Strackbein, Accession 95-2

Series I: Subject File

Series II: Writings

Papers of Raymond Saulnier, Accession 87-13

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Series III: Subject Files

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Papers of John J. Raskob, Accession 0473

Alphabetical Files

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Provenienz BICO Com & Ind Group

Provenienz ED Dir Off

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Miscellaneous records

Gordon Gray Files, Record Group 286
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Papers of George Epstein, Accession Mss 32

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Henry S. Reuss, Accession Milw Mss 112

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Series III: Trade files

Series IV: Publications

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