

Susan Ariel Aaronson. *Trade and the American Dream: A Social History of Postwar Trade Policy.* Lexington: University Press of Kentucky, 1996. xvii + 262 pp. \$45.00, cloth, ISBN 978-0-8131-1955-7.



Reviewed by Mira Wilkins

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Susan Aaronson's monograph is based on her Johns Hopkins University Ph.D. dissertation. For many years, she has been studying the International Trade Organization (ITO), and in the last few years her subject has become more topical than when she initially embarked on it. Research on what happened to the ITO had an almost antiquarian interest, that is, until January 1995, when the World Trade Organization (WTO) came into being; finally, the 1940s plans for an international trade organization came to fruition, although Aaronson insists the WTO is not a "reincarnation of the ITO" (p. 4). The subtitle of Aaronson's book, "a social history of postwar trade policy," misrepresents its contents; much more than half this volume is a blow-by-blow account of the deliberations on the ITO. The material on the WTO is an afterthought to make the book more current. Trade policy discussions, 1950-1990, are virtually ignored.

In the closing years of the Second World War, American policy makers envisaged three specialized international economic organizations: The International Monetary Fund, the International

Bank for Reconstruction and Development (now known as the World Bank), and the ITO. Congress approved U.S. membership in the IMF and the World Bank, but never voted on the third organization. Instead, the United States would participate in the General Agreement on Tariffs and Trade (GATT), originally established as an interim arrangement, pending approval of the ITO.

The original ITO "charter" was formulated by the planners at the U.S. State Department in 1944. The documents were redrafted three times before the final charter was signed by fifty-four nations in Havana in March 1948. By then, Congress had approved U.S. involvement in the IMF and World Bank (in 1945). Aaronson claims "ITO missed the flurry of support for internationalism that accompanied the end of the war" (p. 4). Worse still, in her view, unlike the advocates for the United Nations, the IMF, and the World Bank, proponents of the ITO never mounted an effective appeal for public support (p. 42). Secretary of State Cordell Hull (1933-1944), she suggests, lost his one-time enthusiasm for an international trade organization before he left office and none of his succes-

sors--Edward Stettinius, James Byrnes, and George Marshall--gave the idea priority. By the time Dean Acheson, who had been involved in the initial planning for the ITO, became Secretary of State in 1949, he had put the ITO on a back burner.

After a short introduction, Aaronson tells a chronological story, covering briefly pre-World War II U.S. trade policy and then turning to U.S. planning for peace and freer trade that began even before Pearl Harbor. I found of particular interest her discussion of the differences between John Maynard Keynes and U.S. State Department officials on trade policy. In a footnote, Aaronson quotes a lovely passage she found in a letter from Keynes to Dean Acheson (July 29, 1941): "Forgive my vehemence. This is my subject. I know, or partly know, what I want. I know, and clearly know, what I fear" (p. 190 n. 48). Regrettably, Aaronson does not link Keynes's role in relationship to the ITO with his role on the IMF, nor does she put this important quotation in the context of subsequent debates on the ITO.

Aaronson is excellent on commercial policy planning in the State Department during 1943-1945. Not until December 1945 did the U.S. public learn of its government's plans to support the formation of an international trade organization. She is also excellent on the delays and competing matters that arose during 1946. Finally, in October-November 1946, in London the first international negotiations on the ITO began. U.S. policy makers presented a "suggested charter," a code on international trade rules aimed at facilitating freer global commerce. The proposal was revised, based on the London discussions; the modifications covered issues related to domestic employment, restrictive business practices, intergovernmental commodity agreements, and economic development. The resulting "London draft" of the ITO charter was--in Aaronson's words--"riddled with exceptions and escape clauses," codifying the exceptions to the rules of trade rather than codifying the actual rules of trade that would open up

world markets (p. 68). In addition, the London Conference opened the way for a general agreement on trade, independent of the charter for the ITO. For the United States, this proved an "easy out": the United States could negotiate a general agreement on tariffs and trade under the authority of the existing U.S. Reciprocal Trade Agreements Act (in 1945, Congress had again extended the RTAA of 1934 for an added three years); policy makers did not have to go to Congress for new authorization.

Thus, in 1946, U.S. planners adopted a two-track approach to global cooperation in international commerce. One track was to develop the temporary general agreement on tariffs and trade (GATT), in line with the US RTAA; the ITO was now the second track (once it was approved, it was assumed it would replace GATT). The next step in the process occurred in Geneva in April 1947, where international negotiations were launched on both GATT and the ITO. The GATT arrangements were understood as provisional.

By the autumn of 1947, the first round of GATT discussions was successfully concluded in Geneva, where twenty-three nations engaged in bilateral bargaining--product by product--seeking reductions in duties. Concessions made were then generalized, through the endorsement of the most-favored nation principle (i.e. concessions made to one country would be extended to all most-favored nations). This conformed to the existing U.S. Reciprocal Trade Agreements Act (the RTAA). In all, 123 sets of negotiations were concluded and incorporated into the GATT, signed on October 30, 1947. The United States, under the RTAA authority, was a signatory.

In November 1947, international negotiations started in Havana to finish the ITO charter--the second track in U.S. policy makers' plans. Yet, as the talks went forward and persisted into 1948, U.S. State Department officials vacillated over whether to push for Congressional support for the ITO, or alternatively, for the RTAA (due to expire

in June 1948), or for both. And, as they weighed the options, the European Recovery Program and the Cold War captured their attention. Early in 1948, the State Department resolved to concentrate its efforts on renewing the RTAA and to postpone temporarily submitting the ITO to Congress. The latter seemed to have little strong support and GATT became the "fall back" position (p. 94). In March 1948, the Havana Charter for the ITO--the final charter--was signed by fifty-four nations. In June 1948, Congress agreed to extend the RTAA, but only for a single year. There was a presidential election in 1948 and senior policy makers in the State Department deferred ITO considerations, and then in 1949, once more focused on the RTAA.

It came to pass that the State Department never pursued the "second track." While the 1949 Senate hearings on the RTAA extension did touch on the ITO, while President Harry Truman did submit the Havana Charter for the ITO to Congress in April 1949, and while in 1950, the House of Representatives did conduct hearings on the charter, for all practical purposes the ITO was "dead on arrival" at the Congress. America failed to join the ITO, and that organization (for which there had been so much preparation) never materialized. At the end of 1950, the United States officially abandoned all efforts to create the ITO. The United States did remain part of GATT, participating in the sequence of rounds of international trade negotiations.

I had always believed (based on earlier studies) that U.S. membership in the ITO had ultimately failed because large U.S. businesses lost interest in it, fearing it would be used not to open trade but to regulate cartels and cartels might be defined in terms of big business. This is an explanation Aaronson does not even note. Cartels are not in her index, although they are mentioned several times in passing. "Antitrust" is also not in her index and in documenting business responses, she never discusses the international concerns of

business on this issue. She does note that the most internationalist of business groups, the National Foreign Trade "Committee" (I think she means the National Foreign Trade Council) had by 1948 decided to oppose U.S. participation in the ITO; she never explains why.

Her argument is that Congress failed to vote for (or even on) the ITO because U.S. State Department policy makers had been secretive, been unable to prepare the ground, and neglected public relations. She documents hesitation, compromises, and confusion. Unlike the United Nations--where the support of the public was wooed--and unlike the Bretton Woods institutions (the IMF and the World Bank)--where the subject was remote and even so there was good public relations--tariffs were important domestically; tariffs on individual products had their strong advocates; and U.S. entry into an international organization was not acceptable given the absence of a strongly favorable public response. Her text demonstrates clearly that policy makers dealing with these trade issues lacked clear direction. There appears to have been a vacuum in effective leadership, such as Harry Dexter White and John Maynard Keynes provided for the IMF and World Bank arrangements. Moreover, Aaronson's argues that when America joined the UN, the IMF, and the World Bank, the Cold War had not yet begun. When the Havana Conference occurred in 1948, times had changed. European and Japanese recovery were top priority, as the early phases of the Cold War shaped policy makers' perceptions. Americans' outlook in 1949 and 1950 was entirely different from 1944 and 1945. I think Aaronson is on sound grounds in her stress on "timing" as critical to U.S. membership in the United Nations and the Bretton Woods institutions and its not joining the ITO. This makes good sense as does her narrative on what occurred. She is also right in her emphasis on how Congressmen had strong views on tariffs and trade and the State Department's policy makers--from 1945 onward--seemed unable to understand this. Her story-line makes apparent

that by 1950, while there remained many who supported U.S. involvement in the ITO (see p. 129), the opposition to ITO membership within the United States had become highly diverse--with a wide range of objections and most important, no vigorous senior-level U.S. endorsement.

Accordingly, the provisional GATT continued to serve as the forum for international trade negotiations--until the World Trade Organization came into being in January 1995. The United States--through GATT--endorsed trade liberalization. Aaronson does not seem to recognize the importance of the 1962 U.S. Trade Expansion Act. She does not document the history of the "fast-track" provision in American trade legislation. A chapter on U.S. public policies and public opinion on trade covering the years 1950 to 1994 has only ten pages, of which eight are devoted to 1992-1994. This chapter is followed by a short one on the U.S. approval of entry into the WTO.

Aaronson's book gives her reader a detailed study of a failed policy initiative (U.S. membership in the ITO) and how an unanticipated alternative (GATT) was established. GATT did achieve the national goal of more open world trade. When WTO came into existence, many Americans feared their country would be at the "mercy" of an international organization or international forces (an echo of earlier isolationism). Some of the concerns over WTO resembled those of past times; others were new, in particular the discussions of international labor and environmental standards. The U.S. participation in the WTO was, however, symbolic of a policy consistency during the entire post-war era, that of U.S. advocacy of freer trade and of keeping the frequently-surfacing and ever-present-calls for protectionism at bay.

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