This paper examines the trade policy views of business elites in the United States from 1945 to 1967, drawing on a wide range of archival sources. I describe how the postwar free-trade consensus eroded during the 1950s, coinciding with a standstill in American trade policy. I then argue that there was a renewed but highly contested push towards further liberalisation beginning in 1957. My main argument is that the balance of payments was a key factor in the formation of trade policy preferences among business leaders. This has been overlooked in the existing literature on the political economy of US trade policy. I also argue that Soviet and Japanese economic competition were a more important consideration for business elites discussing foreign trade after 1957 than the European Common Market, contrary to what the existing literature suggests.
## Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACMA</td>
<td>American Cotton Manufacturers’ Association</td>
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<td>AISI</td>
<td>American Iron and Steel Institute</td>
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<td>ATMI</td>
<td>American Textile Manufacturers’ Institute</td>
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<td>ATHM</td>
<td>American Textile History Museum</td>
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<td>BHL</td>
<td>Bentley Historical Library</td>
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<td>CFAC</td>
<td>Citizens’ Foreign Aid Committee</td>
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<td>CTNP</td>
<td>Committee for a National Trade Policy</td>
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<td>ECA</td>
<td>European Cooperation Administration</td>
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<td>ECSC</td>
<td>European Coal and Steel Community</td>
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<td>EEC</td>
<td>European Economic Community</td>
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<td>FEE</td>
<td>Foundation for Economic Education</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>HML</td>
<td>Hagley Museum and Library</td>
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<td>ITO</td>
<td>International Trade Organisation</td>
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<td>MMA</td>
<td>Michigan Manufacturers Association</td>
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<td>NACM</td>
<td>National Association of Cotton Manufacturers</td>
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<td>NAM</td>
<td>National Association of Manufacturers</td>
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<td>NCAI</td>
<td>National Council of American Importers</td>
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<td>NFCI</td>
<td>National Foreign Trade Council</td>
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<td>NICB</td>
<td>National Industrial Conference Board</td>
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<td>NTA</td>
<td>Northern Textiles Association</td>
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<td>NYT</td>
<td>New York Times</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OTC</td>
<td>Organisation for Trade Cooperation</td>
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<td>RTAA</td>
<td>Reciprocal Trade Agreements Act</td>
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<td>TEA</td>
<td>Trade Expansion Act</td>
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<tr>
<td>TPC</td>
<td>Trade Policy Committee (later Council)</td>
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<td>USICC</td>
<td>United States Council for the International Chamber of Commerce</td>
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<td>WHS</td>
<td>Wisconsin Historical Society</td>
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<td>WCC</td>
<td>Wisconsin State Chamber of Commerce</td>
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<td>WMA</td>
<td>Wisconsin Manufacturers Association</td>
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<td>WMC</td>
<td>Wool Manufacturers’ Council</td>
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<td>WP</td>
<td>Washington Post</td>
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<td>TEA</td>
<td>Trade Expansion Act</td>
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I Introduction

To what extent did business leaders in the United States support trade liberalisation after World War II? In this paper I argue that the records of business associations, personal papers of prominent business leaders and government archives suggest that an unusually broad majority of business elites favoured trade liberalisation and the promotion of imports during the immediate postwar years. This was made possible primarily by international political and economic circumstances. Export opportunities for Western European countries devastated by World War II were seen as key to their recovery and security.\footnote{I describe this in more detail in a separate paper, which together with this paper forms the core of my PhD dissertation.}

During the mid-1950s, this consensus broke down because the security threat posed by the USSR and the economic imperative of Europe’s balance-of-payments crisis diminished. As a result, there was no clear majority for or against trade liberalisation among business elites, and this coincided with a standstill in US trade policy. After 1957, international economic and political developments galvanised pro-trade and anti-trade factions among business elites. Once again, the balance of payments was a key factor determining the trade policy preferences of business elites. The emerging US deficit, depicted in Figure 1, led pro-trade groups to argue that liberalisation would increase the trade surplus. Protectionists argued that cutting imports by imposing new trade barriers was the best way to reduce the payments deficit.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{The US Balance of Payments, 1955-1962}
\end{figure}

\textit{Source: Salant, The US Balance of Payments in 1958}

My research engages with three related strands of the academic literature. The first examines trade policy-making in Congress, by the President and by various executive agencies.\textsuperscript{2} The second analyses the trade-policy preferences of interest groups.\textsuperscript{3} The third strand deals with trade policy as an aspect of international relations during the Cold War.\textsuperscript{4} Several more recent works have touched upon the balance of payments as a key to understanding US trade and foreign economic policy after World War II.\textsuperscript{5} Yet the existing scholarship examines only public documents, governmental records and Congressional hearings transcripts. My paper introduces a new kind of evidence. The archival records of business interest groups provide an insight into what business elites wanted, and why. Archival records are categorically different because they show internal disagreements and consensus-finding processes within the interest groups, whereas public statements or official publications reflect compromises after deliberation has occurred. Moreover, not all interest groups were represented at Congressional hearings, and there is no reason to assume that invitations were issued in a way that created representative samples of interest groups.

I examine the records of national business interest groups, e.g. the United States Chamber of Commerce (US Chamber), the National Association of Manufacturers (NAM) and the National Foreign Trade Council (NFTC). Second, I draw on state and local chambers of commerce and industry associations (New York, Greater Boston, Delaware, Ohio, Kansas, Nebraska, Greater Des Moines, Michigan, Detroit, Wisconsin, Milwaukee and Green Bay). Moreover, I use the records of textile and steel industry groups. Finally, I use personal papers of key business leaders, e.g. Philip Reed (CEO of General Electric and International Chamber of Commerce) and of J. Howard Pew (NAM, American Petroleum Institute, President of Sunoco), as well as governmental records. The advantage of this research design is that the different entities and persons examined interacted with each other and observed each other. Figure 2 summarises the archives used in this paper.


The argument

The history of U.S. trade policy is marked by long periods of protectionism. The period of liberalisation that has lasted to this day began with the Reciprocal Trade Agreements Act (RTAA) of 1934. After 1945 barriers to imports were further reduced through the General Agreement on Tariffs and Trade (GATT). The Marshall Plan years furthermore saw concerted efforts to promote foreign imports into the United States. A protectionist backlash did not take long to gather pace: the extensions of the RTAA during the first half of the 1950s conferred no additional tariff cutting power on Presidents Truman and Eisenhower. Yet in the second half of the 1950s, trade liberalisation gathered steam again. The RTAA was easily extended for several years in 1955 and 1958, and the Kennedy administration passed the milestone Trade Expansion Act of 1962. Congress formally accepted multilateral trade negotiations and gave Presidents Kennedy and Johnson the tariff-cutting power that made possible the GATT’s most successful round, the Kennedy Round of 1967, which brought tariffs down to below 5%.

Business elites can be divided into five main groups according to their trade policy preferences (see Figure 3 and Table 1 below). The first, exporters with a strong preference for free trade, had been demanding liberalisation since before World War II. Their representatives included the NFTC, the

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American chapter of the International Chamber of Commerce (USICC), state and local export promotion groups and single-issue lobby groups like the Committee for a National Trade Policy. New forces joined the pro-trade exporters after World War II, which I call cautious liberalisers. This group, which included the powerful NAM and US Chamber, along with chambers of commerce from export-oriented states, had been protectionist until World War II but came to endorse import promotion and trade liberalisation during the early postwar years. Some cautious liberalisers, notably the NAM, were forced to abandon their support for trade liberalisation after 1952 due to internal resistance. The bloc of the cautious liberalisers eventually fractured during the 1950s, with a neutral and a new protectionist group splitting off and becoming new players in the debate about trade policy. After 1957, the remaining cautious liberalisers, most notably the US Chamber, returned to a position of strongly advocating liberalisation. Finally, the old protectionists – dominated by the textile industry and protectionist state chambers of commerce – constituted the traditional anti-trade business constituency. Unlike the new protectionists, who advanced a variety of arguments against trade liberalisation, the old protectionists continued to rely on their tried-and-tested core issue: high American wages.

**Figure 3: Business elites and the political economy of US trade policy, 1945-1967**
The relatively simple structure of trade policy preferences among business leaders that held until 1957 disintegrated thereafter because the cautious liberalisers were unable to hold together divergent interests. As a consequence, there was no longer an overwhelming consensus for free trade. The objective
of this paper is to explain why this happened and thus contribute to a better understanding of how an indispensable constituency for economic policy-making – business elites – thought about international trade after the immediate geopolitical emergencies of the postwar years subsided.

II Business elites and trade policy between 1945 and 1957

The Marshall Plan and the pro-trade coalition: 1945-1952

Reviewing the Marshall Plan in 1952, the board of directors of the NAM called unanimously for more multilateral trade and US leadership in trade negotiations. In this document 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. In advocating trade liberalisation during the immediate postwar years, NAM was part of a coalition that also included the US Chamber and the NFTC. Textile industry groups, in stark contrast, had been warning of rebuilt foreign nations rising as new competitors since at least 1948. In conjunction with the liberalisation brought about by the RTAA, this was portrayed as a significant threat to the American textile industry. Such protectionist groups also condemned American efforts to promote German and Japanese textile exports after World War II, and later pressed the Eisenhower administration to reduce offshore purchases of textiles financed through foreign aid. Yet with the crucial swing votes of the US Chamber and NAM now behind liberalisation, the decimated protectionist camp was far outnumbered.

The most potent argument for trade liberalisation at this time was that Europe had to be stabilised, for its own sake and for the sake of US national security, and that this required increased intra-European trade and larger flows of goods from Europe to the United States. This in turn required the removal of both European and American trade barriers. Crucially, several highly influential and traditionally protectionist groups signed up to this new consensus. The changed geopolitical position of the United States – now the pre-eminent global superpower, faced with a (real or perceived) challenger – and the responsibilities that this new position brought thus upended the traditional trade policy calculus of the country’s economic elites after 1945.

The end of the postwar consensus: exporters and cautious liberalisers after 1952

Several developments made the years 1952/53 an important turning point: the Korean War and the division of Germany ossified, Stalin died and the Marshall Plan ended and a long economic upturn took

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hold in Europe. This coincided with a marked shift in the trade policy preferences of America’s business leaders. At the hearings for the extension of the RTAA in 1953, representatives of the NAM, NFTC, US Chamber and the National Council of American Importers (NCAI) still called in unison for the repeal of “excessive” and “needless” tariffs. Increasingly, however, these organisations found themselves unable to articulate a pro-trade position. Even the leadership of the most ardently pro-trade group, the NFTC, had difficulty maintaining a united position among the organisation’s members. The NFTC leadership’s internal correspondence shows that by 1955 these key supporters of trade liberalisation during the Marshall Plan years had resigned themselves to the fact that “the less we say about tariffs at this time the better”. An increasingly popular slogan in NFTC speeches and publications was now that government should take a back seat and “leave [international trade] to private enterprise”. In 1955, the NFTC did not send a representative to the hearings for the RTAA extension, having supported every single extension until then.

The leadership of US Chamber and the NAM – cautious supporters of liberalisation between 1945 and 1952 – ignored the signs of internal discontent at their own peril. In 1953, NAM President Charles Sligh waded into troubled waters when he called for tariff cuts to remedy Europe’s dollar gap. This precipitated several high-profile defections from the NAM. Undeterred, the NAM International Relations Committee attempted to consolidate the cautiously pro-trade direction that the organisation had begun to take during the early postwar years in a new official policy statement. This was vetoed by the NAM Board of Directors, which instead adopted a neutral position, viz. that the NAM would not “presume to speak […] for its members as to tariff matters” because it would be “impractical for [the NAM] to generalise … on a matter such as tariffs [given] divergent points of view of its more than 20,000 members”. This neutral position remained in place until the mid-1960s. Adding insult to injury, the head of the International Relations Committee, Henning Prentis, had to present the NAM’s new official policy of neutrality to Eisenhower’s Commission on Foreign Economic Policy (the Randall Commission) a few days later. Clarence Randall noted in his diary that he and others were astounded and angered by the NAM’s hasty departure from the pro-trade coalition.

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14 NFTC, ‘Memorandum X0106’, 1954, Box 163, HML (2345).
18 Eisenhower Presidential Library, Personal Papers of Clarence Randall. {xk}
Most NAM board members now thought that the organisation had alienated protectionist members and that only trade-policy neutrality would pre-empt further tensions. This, however, was wishful thinking. The pro-trade leaders of the International Relations Committee publically condemned the board’s supposedly neutral policy as a “high-tariff” policy.\(^{19}\) Philip Cortney, one of the committee’s leaders, resigned in acrimony. In a series of increasingly hostile letters to the NAM’s directors, he accused the NAM’s new trade policy position of “amount[ing] practically to joining the American Tariff League” and insinuated that the leadership was unduly afraid of losing protectionist members.\(^{20}\) NAM leaders faced similar attacks from protectionist members, who also complained that the NAM lacked “the internal fortitude to come out with a sound recommendation [on tariffs]”. NAM President Bill Grede was simultaneously writing to both sides, assuring each that he was doing what he could to rein in the other. Grede outlined his dilemma in a letter to Walter Harnischfeger, a protectionist member threatening to quit the NAM: The neutral policy position adopted by the board was “unfortunate[ly] interpreted by many as a free trades position. Whereas, in fact, it was more of protectionist position than it was free trade, but it was intended to be neither”.\(^{21}\) Both Cortney and Harnischfeger became crucial supporters of single-issue trade policy lobby groups in the years that followed (the Committee for a National Trade Policy and the Trade Policy Committee, respectively). The NAM thus abandoned its cautious support for trade liberalisation in 1953 in favour of uneasy neutrality.

Tensions also mounted within the US Chamber, and as at the NAM trade policy was the cause. In 1955, the US Chamber still officially supported “the reduction of unnecessary trade barriers” and multilateral trade. In November, protectionist board members rejected a motion aiming to make support of the GATT an official chamber policy, demanding that this be instead put to a formal referendum among all members. Their motion was defeated, in what became a short-lived victory for trade liberalisation.\(^{22}\) The policy position in favour of supporting the GATT was eventually rejected by the delegates of the 1956 Annual Meeting. Textile and chemical industry representatives played an important role in fanning the flames of the protectionist grassroots opposition. The members then voted down the leadership’s policy position again in a referendum. Following the failed referendum, the US Chamber’s pro-trade President, Philip Coleman, came under pressure from conservative groups and was replaced by Philip Talbott, whose campaign involved courting Southern protectionists in the textile industry.\(^{23}\)

\(^{19}\) WJ Grede Papers, ‘Correspondence of WJ Grede with P Cortney W104’.
\(^{20}\) WJ Grede Papers, ‘Correspondence of WJ Grede with P Cortney W104’.
\(^{21}\) WJ Grede Papers, ‘Correspondence of WJ Grede with W Harnischfeger 1953-73 W107’, 1953, Box 12, Folder 7, WHS (341).
As late as 1959, the Policy Committee saw itself obliged to revoke a policy statement rejecting import quotas for textiles, following effective lobbying by the Norwich (Conn.) Chamber of Commerce, which counted among its members the Northern Textile Association’s (NTA) President, Henry Truslow. At the Delaware Chamber, which included the DuPont chemical company whose president, Pierre S. DuPont III, had attacked the proponents of multilateral trade negotiations at the US Chamber’s 1956 Annual Meeting, the national chamber suffered a similar defeat in 1957. A local chapter successfully lobbied the state chamber to reject the key clauses in the US Chamber’s pro-trade policy position.24 Yet despite having the ostensibly more protectionist Philip Talbott in place as President and with continuing protectionist pressure from below, the US Chamber’s leadership nevertheless maintained a pro-trade course, announcing in December 1957 that it supported a further extension of the RTAA.25 While it therefore did not revert to official neutrality or overt protectionism, the US Chamber was nonetheless constrained in its ability to support trade liberalisation during much of the 1950s.

The records of state chambers show that there was also significant disagreement among their membership. The New York Chamber of Commerce had traditionally favoured free trade much more than many other state chambers. In October 1953, the Eisenhower administration asked its directors to submit recommendations on trade policy to the Randall Commission. The executive committee decided to avoid any internal consultations on this matter.26 This suggests that the leadership was more favourable towards liberalisation than a significant share of the members, and reduced consultation of the membership to a minimum. By the spring of 1954, Foreign Commerce committee chairman Charles Bingham warned the directors of “differences of opinion of the members of the Chamber” on the RTAA.27 In early 1955, Bingham’s pointed out that the RTAA was becoming “somewhat controversial in the business community” and predicted that it would be “the subject of attack on the floor of the Chamber”. For the first time, the New York Chamber’s Monthly Meeting saw a challenge to the motion to support the extension of the RTAA in March 1955. Protectionist defectors contended that the United States did not need any imports and had become a debtor nation as a result of the RTAA, foreshadowing the concerns about the balance of payments deficit that would motivate many protectionists in the 1960s.28 Perhaps as a result of this increasing internal tension, the New York Chamber no longer

26 NY Chamber, ‘Executive Committee Minutes NC92’, Vol. 8, Butler Library (1440); NY Chamber, ‘Executive Committee Minutes NC106’, Vol. 8, Butler Library (1440).
appeared at Congressional Hearings for the RTAA extensions of 1954, 1955 or 1958, returning only in 1962 to support the TEA. One more cautiously pro-trade voice thus remained silent during much of the 1950s. Similar developments can be observed in the records of the Michigan Manufacturers’ Association and other state chambers.29

The pro-trade coalition thus weakened as the NAM embraced neutrality and the US Chamber’s pro-trade lobbying became less effective. Moreover, strongly protectionist and – to a lesser extent – pro-trade business leaders in the US Chamber and especially in the NAM increasingly looked towards setting up their own single-issue trade policy pressure groups. This development would gain momentum after 1957.

**Traditional protectionists**

With the pro-trade coalition thus breaking apart after 1952, the protectionist opposition remained largely intact. The 1953 report of the American Cotton Manufacturers Association (ACMA) president bluntly stated that “the textile industry … is dependent on tariff protection”, citing low wages in Japan as the main justification (rather than “offset[ting] efficiency”).30 There is no evidence that Western European competition in world markets or discrimination against US exports to Europe were a salient concern for the textile industry. The major textile industry associations hardly ever mentioned Europe during the 1950s as their focus was firmly on low-wage Asian competition.

The textile industry’s second argument was more novel. Protectionists never reconciled themselves to the use of foreign aid funds for purchases of non-American cotton and textiles nor the promotion of imports for foreign-policy reasons, and after 1952 textile industry groups openly criticised such strategies.31 This matters because the textile industry’s protectionist political lobbying, which focused on New England and Southern politicians of both parties, was often highly effective. In 1959 Senator Pastore of Rhode Island established a Senate Subcommittee dedicated to textile imports, which brought together Congressmen from New England and the South, thus joining the two sides of textile industry protectionism into a cohesive and effective legislative bloc. This subcommittee successfully established in 1959 a Federal Interagency Committee “to scrutinise the government actions … affecting the [textile] industry”.32

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32 NTA, ‘NTA Bulletin #25 A019’.
Many state-level business associations also remained stalwartly protectionist. As only the US Chamber and the NAM appeared regularly at Congressional trade policy hearings and in national newspapers, this is easily forgotten, which demonstrates that the records of the state chambers are important sources that have not received enough attention.\(^{33}\) One striking example of state chamber protectionism was the Ohio Chamber of Commerce’s surprising refusal to support the national chamber’s endorsement of GATT and OTC in 1956. The Wisconsin Manufacturers Association (WMA) celebrated what it called “a substantial block in Congress [that] fears that low tariffs will inundate some industries and disperse skilled workers vital to the military economy”.\(^{34}\) Among the regional chambers’ other anti-trade arguments were the perceived unconstitutionality of the RTAA and a desire to return trade policy to Congressional control. But economic concerns also mattered, especially fears that high American wages, powerful American unions and other domestic factors made the United States uncompetitive. Indeed, criticism of US trade policy was generally intertwined with a feeling that the United States had deviated from the path of free enterprise and thereby brought economic malaise upon itself. This explains an apparent paradox: protectionism was popular among Midwestern business elites who otherwise prided themselves on being in favour of the free market.

Traditional protectionists with their long-standing focus on the low-foreign-wages argument did not introduce any significant new arguments for their position during the 1940s or 1950s, and they neither weakened nor strengthened. Real innovation on the protectionist side of the trade policy debate among business elites did not come about until the rise of new protectionist groups during the late 1950s. Instead, protectionists profited from a weakening of the pro-trade coalition after 1952. The ineffectiveness of the export groups and cautious liberalisers in maintaining support for trade liberalisation explains why business elites as a whole did not strongly support trade liberalisation during the 1950s. The fact that, if anything, the United States took a somewhat protectionist turn after 1952 may be due to this lack of effective support for liberalisation from business elites.

### III The 1957 watershed: Sputnik, Rome and the dollar

The year 1957 was a watershed in the debate about trade policy among business elites in the United States. A new balance-of-payments problem emerged with the exploding US deficit of 1957-1959. While some

\(^{33}\) The sole exception to this is a 1958 hearing to which the Greater Detroit and Buffalo Chambers were invited, and the New York Chamber of Commerce.

\(^{34}\) WMA, ‘Bulletin #2 W026’, 1955, Box 12, Folder 3, WHS (441); WMA, ‘Bulletin #3 W027’, 1955, Box 12, Folder 3, WHS (441); WMA, ‘Bulletin #5 W030’, 1959, Box 12, Folder 3, WHS (441).
business leaders suggested that this situation could be remedied by increasing exports, others demanded a clampdown on imports. Thus, there was common aim – the desire to see the trade surplus grow – resulting in sharply divergent policy demands.

European integration, Soviet economic growth and decolonialisation also played a role in trade policy debates. While there was considerable optimism in many quarters that the common market and economic growth in Europe would benefit US exporters, there were also concerns about discrimination against American goods and intensified competition. At the same time, some business leaders saw postcolonial states as potential export markets, while others worried about the prospect of a vast new pool of low-wage labour being introduced into the international economy. When many communist countries saw significant GDP growth during much of the 1950s, even the Soviet Union came to be seen variously as a competitive threat or a potential export market.

Compared to the mid-1950s, exporters and some cautious liberalisers now moved once again towards a position of strongly advocating trade liberalisation, as illustrated by Figure 4. Effective business lobbying for removing trade barriers thus re-emerged after 1957. However, protectionists within organisations like the US Chamber and the NAM were no longer willing to condone this, as they had done until 1952. Consequently, the increasing tensions within these organisations described in Section II culminated in the emergence of a plethora of new protectionist organisations and networks, which changed dramatically the size and nature of the protectionist opposition after 1957.

**Figure 4: Business elites and the political economy of US trade policy, 1945-1967**

![Diagram showing the political economy of US trade policy from 1945 to 1967.](image)
A new protectionism: US Chamber liberalism, NAM neutrality and its discontents

Business leaders who felt that large associations like NAM and US Chamber no longer represented their trade policy views created a new and potent protectionist network after 1957. Perhaps unsurprisingly, there is little evidence of this in the public documents of the national business associations, who had no incentive to disclose such developments. However, the extensive personal correspondence of NAM directors provides a wealth of evidence of what happened during the late 1950s. In this section, I draw mainly on the personal correspondence of individuals such as J Howard Pew, Walter Harnischfeger, William Grede, Phil Cortney, Leonard Read and Charles Sligh, who occupied positions of considerable importance in the NAM and/or gave significant financial contributions to new protectionist lobby groups.

Pew, the President of the Sun Oil Company and honorary Vice-President of the NAM, and Walter Harnischfeger, a Wisconsin industrialist and early critic of NAM’s support for trade liberalisation during the 1950s, both grew increasingly disillusioned with the organisation. Pew first publically criticised the NAM in 1957 for taking positions which he regarded as too internationalist or insufficiently conservative. There is some indirect evidence of Pew disagreeing with the organisation on its tariff policy in particular, and NAM’s views on this issue clearly evolved in a direction that Pew could not accept. Having threatened to quit the NAM on several occasions over the issue of trade policy, Harnischfeger was now funding advocates of protectionism and expressed his hope to Pew that the Republican party could be persuaded to return to a more protectionist position. In 1958 Pew also began to fund the establishment of such protectionist organisations as the Trade Policy Committee (later Trade Policy Congress, TPC) and the transformation of the American Tariff League into the much more effective Trade Relations Council. Among these groups the dominant concerns were low-wage foreign competition, including from the Soviet Union but not Western Europe, and the balance of payments.

By March 1960, Pew was looking to establish a permanent protectionist lobby group with a large donation. The election of President Kennedy signalled the formation of an effective infrastructure among new protectionist groups. On the day that Kennedy announced his plans for the Trade Expansion Act, 25 January 1962, a large number of protectionist business leaders met in New York to establish a new protectionist organisation. Pew wrote that “the desire of the President to have full authority to

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35 JH Pew, ‘Correspondence with JF Oates, Pew to Oates P02’, 1957, Box 54, HML (1634); JH Pew, ‘Correspondence Re: NAM, with P Love P62’, 1962, Box 226, Folder N NAM, HML (1634).
36 JH Pew, ‘TPC Correspondence Jan-Jul, Carto to Pew P15’, 1960, Box 71, HML (1634).
37 JH Pew, ‘Correspondence with W Harnischfeger P56’, 1958, Box 225, HML (1634).
38 JH Pew, ‘TPC Correspondence Jan-Jul P15’, 1960, Box 71, HML (1634).
eliminate tariffs entirely … has wakened up a number of people”.39 Indeed, new protectionist efforts to counter the TEA were flourishing across the United States after a rocky start in the late 1950s (their eventual defeat in 1962 notwithstanding), e.g. at the Citizens’ Foreign Aid Committee, the American Institute of Foreign Affairs and the Southern States Industrial Council.40 O. Glenn Saxon, a Yale economics professor, succeeded in building up a group of protectionist economists who played a prominent role at the Ways and Means Committee hearings for the Trade Expansion Act in May 1962, providing much of the intellectual groundwork for new protectionist lobbying. Saxon was in regular contact with J Howard Pew, the Trade Relations Council and many other anti-trade industrialists over the course of 1962, who funded his campaign. These economists all described themselves as libertarian, but argued that “tariffs were necessary where currencies are manipulated [and] productivities diverge”.41

New protectionist groups were of considerable importance. Taking attendance at Congressional hearings as a measure of a lobby group’s influence, the Trade Policy Congress – which would not have survived its infancy without Pew’s donations – emerges as a crucial player. In 1962, at the Senate hearings for the TEA, its representative was the fifth witness (and the first protectionist) to speak on the first day of hearings that would last almost an entire month. At the House hearings, the president of the Trade Relations Council was the second witness (excluding government officials). Another indicator of new protectionist success was the sheer magnitude of financial support that the movement received. Between 1958 and 1965, new right-wing political pressure groups tripled their income from donations. Three former NAM presidents were among the major donors.42 Many, though not all, of these were protectionist in their outlook on international trade, and even those who were primarily focused on domestic politics, and social and cultural politics especially, nevertheless tended to share the new protectionists’ apprehension at the growing balance of payment deficit and the Soviet Union. On an intellectual level, the new protectionists introduced new arguments against liberalisation that existing protectionists such as the textile industry and the state chambers of commerce had not used before.

The return of the free traders

By the time the Trade Expansion Act reached Congress and was passed into law at the end of 1962, there were thus potent new forces against trade liberalisation. However, proponents of trade liberalisation had also been gaining strength. On the one hand, export groups such as the NFTC returned to their previous position of strongly advocating trade liberalisation. Moreover, groups such as the US Council to the
International Chamber of Commerce stepped up their lobbying efforts, and a number of single-issue lobby groups advocating for free trade came into existence.

The most prominent such group, the Committee for a National Trade Policy (CTNP), was co-founded by the head of the Detroit Board of Commerce, which at one point called for the abolition of all tariffs, and included Phil Cortney who had resigned from the NAM’s International Relations Committee over what he saw as that organisation’s insufficient support for trade liberalisation. The CTNP was set up by prominent business executives in 1953 in response to the formation of the Randall Commission, and it featured prominently in hearings for the extensions of the RTAA after 1955 and in the 1962 hearings for the Trade Expansion Act. In 1961, President Kennedy met with representatives of the group at the White House; among them were the Chairman of IBM, a representative of the Chairman of Standard Oil, Ford’s Director of Governmental Affairs, and the Executive VP of Caterpillar.43

Though this group was highly influential, an even more important development was that the US Chamber eventually made a decisive shift towards endorsing trade liberalisation and supporting both the RTAA and the TEA after 1957.44 This occurred first on the leadership level, where there had been efforts to move the organisation into a more pro-trade direction since the late 1940s. The US Chamber and other cautious liberalisers, together with exporters who had long favoured liberalisation, were thus pitted against the protectionist coalition described above. By 1962, they had decisively overcome internal resistance to trade liberalisation and were fully embracing the Trade Expansion Act. The significant exception to this was the NAM, which had supported trade liberalisation until 1952 but remained locked into a neutral position thereafter.

In the anti-trade coalition, traditional protectionists argued primarily on the basis of low foreign wages whereas new protectionists were motivated by a much wider set of issues, among them the perceived unconstitutionality of the RTAA and TEA, the Soviet Union and the balance of payments. Despite being sizeable and well funded, this coalition proved weaker than the newly invigorated coalition in favour of trade liberalisation. The key question is thus why the US Chamber chose to embrace liberalisation despite internal disagreements, and why the NFTC overcame the tensions that apparently plagued it in the mid-1950s. A crucial part of the answer is that changing global political and economic landscape provided powerful arguments for trade liberalisation. These were articulated by the leaders of both NFTC and US Chamber, and played a key role in galvanising support for trade liberalisation. The

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final section will discuss these developments: European integration, decolonialisation, Soviet economic growth and above all the US balance-of-payments deficit.

**IV The new trade policy coalition in the run-up to the 1962 Trade Expansion Act**

The evolution of business elites’ trade policy preferences after 1957 is best described as a process of polarisation. Proponents of trade liberalisation became more liberal; protectionists became more protectionist. The group of the cautious liberalisers disintegrated as the NAM opted for neutrality, the US Chamber turned pro-trade and many smaller groups split off to join either the protectionist or the pro-trade camp. Four factors fuelled this polarisation: European integration, Soviet economic success, decolonialisation and the deterioration of the US balance of payments. In this section, I show how each of these provided arguments for both sides of the trade policy debate to move further away from the middle ground.

The evidence I have assembled provides several important insights. First, European competition or discrimination was one issue among many, rather than the dominant force shaping trade-policy preferences. Second, economic competition from the Soviet Union was a more important factor than has been recognised. Finally, and most importantly, the balance of payments was key in polarising the debate. There was almost universal apprehension at the sizeable US balance of payments deficit among business elites from 1958, just as there was within government. Protectionists – old and new – saw tariffs as a remedy. Exporters and cautious liberalisers took the opposite view, demanding export promotion and increased multilateral trade, which they believed would lead to a larger trade surplus and thus enable the United States to continue running a substantial capital account deficit.

**The EEC and the threat that never was**

European economic integration is identified as a key driver behind US exporters asserting their preferences for reciprocal trade liberalisation by the existing literature.\(^45\) To a surprising extent, however, the business elites examined in this paper were largely unaware of, or at least did not discuss, the events taking place in Western Europe. When they did discuss Western Europe and the EEC, integration was often framed as an opportunity for the United States. This casts doubts on narratives that characterise exporters as key agents pushing liberalisation, driven by fears of being shut out of European markets.

The steel industry, which should have felt the discriminatory impact of European integration earlier than most industries, was so confident in its own superior productive capacity that the AISI even invited European steel industrialists to visit American steel plants and learn more about advanced management methods, presumably in order to improve the productivity of their own firms. No mention was made at AISI board meeting of any sense of significant competitive threat. Similarly, the main concern at the NFTC after 1957 was that integration did not move fast enough. Far from warning of the competitive dangers stemming from European exports or European discrimination, the US Chamber argued that two thirds of imports were products that the United States could not produce, and that advanced goods produced for export “find no competitive counterpart abroad”. Given the size and influence of the US Chamber, it is highly significant that his group pursued a line of endorsing European integration for its expected beneficial impact on US foreign trade.

Four reasons can be identified for these groups’ relaxed attitude towards European integration. First, there was hope that economic integration would boost economic growth in Western Europe. Second, the NFTC’s leadership maintained its conviction that changing patterns of trade could only damage some US industries in the short run, but not the US export trade as a whole in the long run. Third, the 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. Fourth, and most importantly, the possibility of investing in Europe provided an attractive way around the EEC’s external tariffs for multinational companies.

Among the groups more wary of foreign competition there was also relatively little concern. The NAM focused high American wages and the balance of payments above any other issues. The EEC did not feature as a challenge in international trade anywhere in the organisation’s internal records of the late 1950s and early 1960s. For the old protectionist interest Japan, China and other low-wage countries were the primary cause for concern. Some within this faction even went as far as advertising the Common Market as an attractive export opportunity in the early 1960s. Likewise, the new protectionists were largely unconcerned about European competition.

46 AISI, ‘Board Meeting Minutes A11’, 1957, Box 159, Vols. 8-9, HML (1631).
48 US Chamber, Foreign Commerce Department Newsletter, October 1962.
An economically integrated Western Europe thus did not cause a great deal of concern among American exporters fearing for their overseas markets, or among import-competing industries wary of foreign competition coming to the United States. Optimism about the impact of a well-designed Common Market dominated the debate among business elites by the end of the 1950s. Contrary to what the existing literature finds, the evidence I collected suggests that Western European competition was at best a minor consideration.

The Soviet economic offensive and East Asian competition

Among exporters and cautious liberalisers, economic growth in communist countries during the 1950s was seen as another reason to liberalise trade. At the New York Chamber, a group of influential members concerned with international trade argued that it was “timely for the [RTAA] to be extended due to the increased Soviet international aid programme and the formation of the EEC.” The next year, the same group presented another report, and now argued that Soviet economic competition was in fact the main problem facing the United States, suggesting again that the EEC was less important than has previously been thought. Different voices at the US Chamber argued that the Soviet Union was out to undermine free private enterprise around the world. These business leaders feared a disruption of trade flows based on private enterprise free from governmental intervention as a consequence of increasing Soviet power and thus advocated a renewed effort by the United States to re-invigorate multilateral trade.

Yet there was another side to this. Throughout the 1950s, and especially during the 1960s, low-wage foreign competition in the American market was much more salient than competition or discrimination as a result of European integration. In trade policy discussions among business leaders in the United States the major source of such low-wage competition was, perhaps surprisingly, the Soviet Union. After several years of seemingly impressive Soviet economic growth and technological achievements like the Sputnik satellite launch the “communist economic offensive” became a dominant slogan in the media and in politics in the United States after 1957. Warnings that Soviet economic growth and assertiveness would lead to severe competition were commonplace and significantly more pronounced than similar warnings about European competition. Exporters responded with demands for more liberalisation and export promotion. Traditional protectionists warned of “a degree and kind of

52 NY Chamber, ‘Board of Directors Minutes NC218’, 1958, Series VIII, Box 205, Butler Library (1440).
55 Detroit Economic Club; US Chamber, ‘September Board Meeting Minutes CC115’; NFTC, ‘Speech M471’.
competition … never before experienced” and demanded a new foreign trade strategy. New protectionists were also concerned about the Soviet Union. JH Pew wrote that “free trade … will … destroy our economy and open the door for the communists … one industry after another has already been destroyed” and in 1961, the TPC argued that unemployment was the natural result of free trade and the harbinger of big government and socialism in the United States.

The contrast to the two earlier periods is clear. Between 1945 and 1952, the military and political challenge of Stalin’s Soviet Union facing an economically despondent Western Europe created a coalition of actors that advocated trade policy concessions towards Western Europe. This explains in part why there was such wide support for import promotion. After 1952, this threat subsided: Stalin’s death, stalemate in Korea and early détente made the Soviet threat less acute, and in any case Western Europe became more stable. The consensus for trade policy concessions disintegrated. By 1957, the Soviet Union was an economic threat to some, apparently pursuing a strategy of flooding world markets with the fruits of artificially cheap labour, and an economic opportunity to others, offering a large market for a variety of products. This contributed to polarising the business community into a strongly protectionist faction on the one side, and a pro-trade coalition seeking new export markets and willing to make further concessions on American tariffs.

The balance of payments

The dire balance of payments situation faced by Western Europe after World War II contributed to keeping together the broad postwar coalition in favour of liberalisation and import promotion in the United States. During the 1950s the disappearance of balance-of-payments concerns coincided with a disintegration of the pro-trade coalition. The year 1958 then saw a sharp rise in dollar outflows and a concomitant rise in foreigners’ holdings of dollar assets (short-term liabilities from the U.S. point of view; see Figure 5). The loss of gold, declining confidence in the dollar and the rising stock of liabilities attracted significant attention from business elites, academics and policy-makers.

Figure 5: The US balance of payments crisis

Where there had once been talk of a dollar gap, there was now a growing chorus warning of a dollar glut. Figures 6 and 7 below illustrate this pattern by comparing the relative frequency with which terms relating to the dollar gap (i.e. Europe’s payments deficit of the later 1940s and early 1950s) and the dollar glut or surplus (i.e. the US deficit of the late 1950s and early 1960s) occurred in the media and in books published in American English. In the coverage of the New York Times, one can see a disappearance of dollar-gap rhetoric by 1954 and a marked rise in dollar glut rhetoric in 1959. The language used in books reflects the same pattern, though naturally more gradually and with a slight time-lag. These differences are most likely due to the slower reaction of published books to current events.

Figure 6: number of NYT articles mentioning $x$ (per year)

Source: ProQuest
Proponents of trade liberalisation responded to the changing balance-of-payments situation by arguing that the key to a sustainable financial position for the United States was an expansion in exports. The NFTC’s new Balance of Payments Committee welcomed the government’s export promotion schemes in its reports during the early 1960s.\textsuperscript{57} The US Chamber moved to endorse the TEA in part because of the balance of payments deficit, issuing a report on the balance of payments in 1960 that argued for trade liberalisation. The US Chamber believed the argument put forward by the Kennedy administration and accepted by the exporters that increased trade openness would lead to an increased trade surplus, and was therefore a solution to the balance of payments problem.\textsuperscript{58} At the end of 1960, the New York Chamber’s Committee on Finance and Currency issued a report entitled \textit{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.\textsuperscript{59}

Rejecting the arguments for the Trade Expansion Act, the NAM stated that those who portrayed liberalisation as a way to address the balance of payments deficit were mistaken. In its overall tone this statement must be regarded as protectionist, though the NAM maintained an official position of neutrality: its key argument against the TEA was on constitutional grounds, not trade policy ones.\textsuperscript{60} Precisely the opposite view prevailed among the new protectionists. Walter Harnischfeger asked J Howard Pew to join

\textsuperscript{58} References to this report can be found in JH Pew and Walter Harnischfeger’s correspondence. Both were strongly opposed to the Chamber’s position. JH Pew, ‘Correspondence between JH Pew and Walter Harnischfeger P64’, 1962, Box 77, Folder CFAC, HML (1634).
\textsuperscript{59} NY Chamber, ‘Executive Committee Minutes NC135’, 1960, Vol. 9, Butler Library (1440).
\textsuperscript{60} NAM Testimony at the House of Representatives, Ways and Means Committee, Hearings for the Trade Expansion Act (ProQuest Congressionalional, 1954).
him in donating to the Citizens’ Foreign Aid Committee’s (CFAC) campaign for reducing imports and foreign aid. Harnischfeger predicted that the U.S. “with reference to the balance of trade and flight of gold [is] headed for international monetary crisis”. The CFAC, like the NAM, rejected the view that liberalisation could solve the payments deficit, writing in its newsletter that “tariff bargaining could lead to a new source of deficits in our … balance of payments”. The TPC in turn pursued the exact same argument. The old protectionists also discovered the balance of payments as a weapon to be utilised in the fight for higher tariffs. Thus, the NTA informed its members in a 1960 bulletin that “rumblings about ‘balance of payments’ deficits could help the textile industry achieve … low wage imports … by focusing public attention on import[s]”, given that the U.S. now imported significantly more textiles than it exported.

Kennedy’s pivotal trade policy speech, held on the 6th January 1961, was based on the very same premise: the U.S. had certain foreign policy goals and global responsibilities that required a capital account deficit which had to be balanced by a trade surplus. Moreover, the balance-of-payments argument was one of the main arguments with which the administration tried to recruit support for the TEA after Kennedy’s speech. An examination of late 1950s and early 1960s academic writing suggests that Kennedy got this idea from a group of Harvard economists who advised him on trade and balance of payments policy. The key piece of evidence here is a 1961 collection of articles by Harvard economists titled “The dollar in crisis”, edited by Seymour E. Harris. Four of the contributors were Kennedy advisors, and the argument outlined by the book was that there were only three ways to address the balance of payments deficit. One of them, increasing the gold stock by mining more gold, was hardly feasible. The second, reducing the capital account deficit by cutting aid and/or investment was seen as undesirable. This left the third, much more attractive option: export promotion. This option was advertised to Kennedy by his economic advisors, and ultimately accepted by a majority of business leaders.

V Conclusion

In this paper I argue that the free-trade consensus of the early postwar years was replaced by a fractious standstill in trade policy that lasted during for much of the 1950s, followed by a return to trade liberalisation at the end of that decade. Traditional protectionist forces in the textile industry and elsewhere reiterated their long-standing arguments about low-wage foreign labour. New protectionist

61 JH Pew, ‘Citizens’ Foreign Aid Committee Newsletters P64’; JH Pew, ‘Correspondence between JH Pew and Walter Harnischfeger P64’.
62 JH Pew, ‘Citizens’ Foreign Aid Committee Newsletters P64’.
63 JH Pew, ‘Correspondence with T Toon P36’.
64 NTA, ‘Annual Meeting Minutes A012’.
65 JH Pew, ‘Citizens’ Foreign Aid Committee Newsletters P64’, 1962, Box 77, Folder CFAC, HML (1634).
66 The Dollar in Crisis, ed. by S.E. Harris, 1961.
forces joined traditional ones after 1957, pushing a further argument for protection: the reduction of the balance-of-payments deficit through restrictions on imports. There was little or no concern about European competition among protectionists.

Exporters, the US Chamber of Commerce and some state chambers also did not regard European competition or discrimination as particularly worrying. Their rallying cry was export promotion, which they justified this by arguing that only an expanded trade surplus could compensate for the capital account deficit that was required for the pursuit of geopolitical aims. In this respect, the free traders were clearly in line with the Kennedy administration’s rhetoric. The US Chamber swung decisively towards supporting liberalisation, and new single-issue lobby groups emerged. In 1962, the pro-trade business elites achieved their aims with the passage of the Trade Expansion Act. However, trade liberalisation was no longer supported by a broad consensus among business leaders, as it had been until 1952. Throughout the first two postwar decades, the balance of payments was a crucial determinant of trade-policy preferences.

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