How Cordell Hull and the Postwar Planners Designed a New Trade Policy

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Tennessee Congressman Cordell Hull was a "good ol' boy", a respected legislator, chairman of the national Democratic party. Like many of his Southern colleagues, Hull believed high tariffs were an abomination. He linked trade barriers and unfair economic competition with war, whereas "unhampered trade dovetailed with peace" [13, pp. 81-85]. This good ol' boy's disdain for high tariffs spurred him to action in his years as a congressman and later as secretary of state. He conceived a new approach to order world trade and determined to implement it. This paper discusses how Hull spearheaded the transformation of American trade policy; the nation of relatively high tariffs became the preeminent force encouraging multilateral trade liberalization. The roots of this metamorphosis can be found not only in Hull's deeply felt ideology, but in the impact of World War I and the Great Depression on the U.S. government's international economic policies [3, pp. 3-5; 30, pp. 41-45; 14; 16, pp. 8-15, 64-68].

As early as 1916, Hull called for an international economic conference to "promote fair and friendly trade relations" [13, pp. 81-85]. But his ideas gained little attention and even less support in the prosperous twenties. In 1929, he warned his congressional colleagues, "our neglect to develop foreign markets for surpluses is the one outstanding cause of unemployment" [13, p. 133]. His warnings fell on deaf ears. Eventually, world events and the lingering depression prodded more Americans to listen to the ideas of now Secretary of State Hull. His perseverance began to pay off. In 1934, Congress passed the Reciprocal Trade Agreements Act, ostensibly to increase exports [25, pp. 1-3]. Hidden in this pathbreaking legislation was a growing belief that American jobs and the American standard of living were linked to open world trade [13, p. 357; 7, pp. 15-16, 24]. In addition, implicit in the legislation was an understanding that the health of the U.S. economy could not be divorced from that of the world at large. With the Trade Agreements Program (TAP), the United States would take a leadership role in trade liberalization by

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linking tariff reduction and greater access to the world's largest market for commensurate actions by trading partners.[1]

The Trade Agreements Program did increase trade, but it did not dismantle the formidable structure of high tariffs, preferences, and other devices that many nations used to protect their markets [8, p. 36]. Yet as Europe became engulfed by war, Hull's internationalist ideas gained new credence. Many economists and government officials became convinced that the United States could not remain immune from violence unless greater economic stability could be attained in the rest of the world [13, pp. 1625-28]. In the chaos of 1939, Hull and his staff at the Department of State (the postwar planners) resolved to create a program of multilateral action to spur international cooperation. This vision would change how America related to the world [13, pp. 1625-28].[2]

Hull and his supporters would encounter many obstacles to making their vision a reality. First, they had to convince the American people that the United States should plan for the peace even as it strove to stay out of the war. Moreover, because they were devising a new approach to order America's international policies, these officials had to prove to the concerned public that multilateralism would improve on the foreign policies of the past. Because they were altering established policies, Hull and his supporters had to gain the backing of government officials, especially operational officials in the Department of State responsible for day-to-day foreign policy, and vested interests (such as protectionists) that might be affected by such change.[3]

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[1]President Roosevelt said TAP was necessary "because of the decline of world trade entailing far-reaching unemployment at home," thus subtly acknowledging a link between trade and employment [17, p. 67]. Also see Address by Francis B. Sayre, "Liberal Trade Policies The Basis for Peace," 5/14/37 [24, no. 37., pp. 1-9]. To Hull, the rationale for the bill was to "expand foreign markets...as a means of assisting in the present emergency in overcoming domestic unemployment" [13, pp. 358, 361, 364].

[2]I am defining the postwar planners as those individuals actively involved in U.S. government efforts to plan the peace. They included civil servants and political appointees, and were principally inside government, although some academics, consultants, business leaders, and labor officials also served this process from outside the government. The bulk of postwar planning was developed under the aegis of the Department of State. However, other agencies took the lead in certain areas. For example, the Treasury Department, under the direction of Harry Dexter White, planned postwar monetary policies and institutions. It is important to note that religious and business groups also tried to develop plans to improve global political and economic relations after the end of the war. In the Department of State, most of the economic postwar planners worked in the Trade Agreements Division and the Division of Special Research.

[3]Alfred D. Chandler found two types of decision-making for business managers. Strategic decisions deal with the long-term health of the enterprise. Operational decisions deal more with the day-to-day activities [4, p. 11]. Building on Professor Chandler, I am defining day-to-day foreign policy decisions as operational decisions. After December 1941, because the United States was fighting a war, many day-to-day decisions were also strategic decisions with long-term

Finally, the postwar planners had to prove that the price of their plans for trade liberalization would not be massive unemployment. In short, Hull and his lieutenants had to act entrepreneurially.

Few of us would use the word "entrepreneurial" to characterize the efforts of public officials. Yet public officials can innovate by creating new strategies, policies, and/or institutions that *alter* government's relationship with society [9, p. 8]. In the years 1939-1943, Hull and his team of postwar commercial policy planners tried to order the future based on an innovative combination of old and new ideologies and mechanisms.

The postwar planners had a bifurcated vision: they focused on the past to forge a better future [12, p. 103]. Like Hull, many of the staff at the State Department were determined to learn from the failed peace at Versailles [24, no. 20, pp. 6-9; 25, no. 54, pp. 9-10; 25, no. 44, pp. 4-6, 13-15; 10, p. 4]. They believed that neutrality and isolation could not remove America from war and that prosperity and peace go hand-in-hand. Furthermore, they could not ignore the lessons of the Depression and the employment impact of "beggar thy neighbor" trade policies [25, no. 38, pp. 1-9; 22, p. 15].

In addition, their focus on the past affected their choice of tools to implement this strategy. Hull and much of his staff believed that the best (and only) mechanism to achieve their goals was America's reciprocal Trade Agreements Program (TAP) [25, no. 44, pp. 12, 14-16; 3, pp. 4-5; 16, pp. 8-12]. But TAP was a tool to improve bilateral trade relations; it was designed to reduce tariffs selectively in return for equivalent concessions by other nations. Although the trade agreements program extended benefits to all nations which trade with TAP signatories, it was not explicitly designed to implement freer trade on a multilateral basis [25, no. 55, pp. 1-3; 18, pp. 61-67].

Despite the limitations of their chief policy mechanism, Hull and his staff began to create their vision of a future peace. However, they were unable to jumpstart the planning process. In 1939, Hull appointed Dr. Leo Pasvolsky as his special assistant to work on the problems of peace [13, pp. 1626-28]. In December, Hull established a committee within the Department, The Advisory Committee on Problems of Foreign Relations, to focus on problems of peace and reconstruction. But given the crush of world events and the thin staff of the State Department, the advisory committee focused on current policy [27, pp. 1-122].

Hull then established the Interdepartmental Group to Consider Post-War International Economic Problems and Policies, an informal group with high-level staff from cabinet and other key agencies concerned with international economic issues. Yet these officials were also overburdened with work [21, pp. 29-31]. The interdepartmental approach also appeared likely to fail. Ironically, a worsening of the war enabled Hull and Pasvolsky to develop a new organizational approach to plan for the peace. They recognized that "the spirit of close international cooperation engendered by the war" would favor "reaching of an agreement on a broad international economic program" [15, p. 4]. They also knew they needed to garner domestic support for their

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consequences.

international objectives. The postwar planners began to think globally, but act locally, to build political support for their vision.

The signing of the tripartite pact between Germany, Italy, and Japan on September 27, 1940, gave Roosevelt and Hull an opportunity to dramatically alter America's overall foreign policy strategy. The two leaders had long desired to replace the official policy of neutrality with a policy of allied assistance. Building on the ideas of Roosevelt, the Treasury Department drafted a new mechanism, lend-lease. Lend-lease would provide needed materials to friendly nations in return for specific actions "in defense of freedom" [13, pp. 872-74; 21, pp. 36, 223-24].

World events helped bolster local public support for this new policy [20, pp. 160-61]. When much of Europe had fallen under German control, growing numbers of Americans grew concerned over the fate of Great Britain. Congress approved lend-lease legislation on March 11, 1941, at a time when an invasion of Britain appeared imminent [21, pp. 37-38, 43; 13, p. 925].

Yet lend-lease would do more than assist the security of our friends overseas. It would also facilitate the entrepreneurial objectives of the postwar economic planners. Article VII of lend-lease would commit the United States and its lend-lease partners to begin conversations on strategies and mechanisms to establish "a sound economic order in the postwar world" [26, p. 3].[4] Thus, lend-lease would couple immediate strategic objectives (winning the war) with long-term economic goals (winning the peace).

Hull established a small staff of eight under Pasvolsky to develop America's long-term goals for the peace [21, p. 53]. But these employees, like everyone else working in the U.S. government during the war years, were overwhelmed with operational responsibilities. Pasvolsky and his staff devised an innovative approach to facilitate the committee's background work. Under a grant from the Rockefeller Foundation, the Council on Foreign Relations worked with the division to prepare a wide range of studies in international issues [6; 21, pp. 53-56]. This approach enabled the postwar planners to broaden their perspective without adding to the department's budget.

The efforts of Roosevelt and Hull to foster support for the postwar planning was supplemented by the work of senior postwar planners such as Assistant Secretary of State Dean Acheson, Leo Pasvolsky, and Director of Trade Agreements Harry Hawkins [11, pp. 1-4, 13-15; 21, pp. 42-43, 45-57; 13, pp. 1630-32]. These men toured the heartland, lecturing at "chicken and peas" dinners, where they discussed America's plans for the peace. They were able to build on a growing internationalist sentiment as well as burgeoning public support for governmental responsibility for the nation's economic growth and stability [7, p. 144; 18, p. 119; 22, p. 15]. Surveys by the State Department revealed that Americans understood that there was a close relationship between expanding world trade and high U.S. income and employment.[5] In

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[4]I am grateful to Kathy NiCastro, Archivist, for her help with these and the ITO papers.

[5]Although the following two reports discuss 1944, they illustrate trends in public attitudes in the years 1941-1944 [29, pp. 1-2; 23, p.7]. Also see [18, pp. 121-23; 2, pp. 8-9, 34-35].

1941, although he had not built a constituency for the postwar plans, Hull appeared to be succeeding at communicating the relationship between jobs and freer trade.

Building on this success, President Roosevelt and Secretary Hull took their first steps to make the planning process a collaborative international effort. They knew the concurrence of the United Kingdom would be essential to the success of any multilateral agreement, and they began bilateral consultations with the British in the summer of 1941. Roosevelt and Prime Minister Churchill (and their staffs) believed that a declaration of common principles (beyond lend-lease) would facilitate cooperation in postwar planning by other nations [26, p. 4; 21, p. 49]. However, these negotiations would reveal broad differences in how the United States and the United Kingdom viewed governmental responsibility for trade, employment, and multilateral relations.

The British negotiators were reluctant to delineate future trade policies [10, pp. 43-47; 22, pp. 20-23]. They feared that the adoption of a nondiscriminatory approach to trade would disable or force Britain to abandon her system of imperial preference. This system allowed Britain to discriminate in favor of her former colonies and dominions and thus maintain strong ties between the United Kingdom and the Commonwealth [10, pp. 18-19; 22, pp. 19-20]. President Roosevelt was not sympathetic with the preference system, although he understood the domestic pulls and tugs upon Prime Minister Churchill. Ever the politician, Roosevelt accepted a broad statement that stated that nondiscriminatory trade relations would be a vital principle, but existing obligations such as preferences would be respected in efforts to move toward this goal [10, pp. 43-47; 22, pp. 20-23]. In addition, Roosevelt assured the prime minister that the article as written would commit the British only to talk about preferences in the upcoming Article VII discussions [26, p. 4]. With this understanding, the first public expression of the new multilateralism, the Atlantic Charter, was declared on August 14, 1941 [11, pp. 10-12]. Yet the entrepreneurial objectives of the U.S. commercial policy planners, which was to forge long-term commitments to reduce trade barriers, had not been clearly achieved [21, pp. 49-52; 10, pp. 42-53].

America would soon join Britain as a belligerent. On December 7, 1941, Japan attacked Pearl Harbor; Congress moved to declare war on December 8. Now the nation had to mobilize and plan for the war as well as the peace. Hull hoped that these two efforts would complement rather than compete with each other. His plans for the peace were bolstered when on January 1, 1942, twenty-six nations signed the declaration of the United Nations. They pledged to fight against the Axis and subscribed to the goals of the Atlantic Charter [21, p. 62; 11, p. 203]. America's entry into the war marked the end of the first phase of the postwar planning process. As Roosevelt and Hull successfully linked American economic security to that of the world at large, America's postwar planning strategy also was transformed.

Hull wrote to the president on December 22, 1941, suggesting a new advisory committee (the third) to include prominent persons outside the government as well as government officials. The president approved this plan, and on February 12, 1942, these advisors held their first meeting [21, pp. 58-59, 63-65].

This widening of the advisory committee structure should have facilitated the development of politically acceptable economic plans for the peace. The new committee included ten individuals outside the government as well as five senators and three representatives. "Loose lips" might "sink ships," but these individuals were encouraged to talk openly about new and creative mechanisms to foster freer trade [5, p. 3]. However, as the war dragged on, U.S. government concerns about secrecy increased. Consequently, the full advisory committee met only four times, and the opportunity for a broad exchange between government officials and concerned citizens was lost [21, pp. 72, 93].

During these four meetings, the advisory committee did make two key decisions that would influence the planning process thereafter. The advisory committee decided that it could not assume responsibility for day-to-day foreign policy, the traditional aegis of the State Department. It also decided to divide itself into subcommittees to facilitate in-depth analysis of policy problems and alternatives. These subcommittees were dominated by State Department officials.

The Subcommittee on Economic Policy, chaired by Assistant Secretary of State Dean Acheson, focused on commercial policy and relations.[6] The subcommittee's members included five senior officials from the Department of State and four prominent officials from other agencies. Acheson and Pasvolsky hoped that these members would speak as experts, rather than agency representatives, and think creatively about longstanding problems [5, p. 3]. Outside members were also selected for their expertise on trade policy. In July 1942, the president of the Council on Foreign Relations, the director of the Council of Foreign Relations, the director of the Council of Foreign Affairs of Cleveland, Ohio, and the international representative of the American Federation of Labor joined the committee [21, pp. 73-81, 136-37]. It appears that Hull, Acheson, and their colleagues aimed to develop grassroots, labor, and business support for their proposals. In contrast with the larger committee, this subcommittee did not include members of Congress or representatives of protectionist interests that might be threatened by efforts to liberalize trade [21, pp. 73-81, 136-37; 19, p. 1]. As a result, although the subcommittee now had several outside members, State Department officials with planning and operational responsibilities dominated.

The structure to support the postwar planning process compromised Hull and Pasvolsky's efforts to mount a successful entrepreneurial approach to planning. The Division of Special Research, which staffed the Acheson subcommittee, could not meet its growing responsibilities [21, pp. 79-80, 154-55]. In May 1942, Harry Hawkins' staff (the Commercial Policy and Agreements Division of State) moved on the problems of implementing Article VII [26, pp. 6-7]. As noted previously, under Article VII of lend-lease, the signatories were committed to consult each other about their long-term

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[6]The Subcommittee on Economic Reconstruction (headed by Assistant Secretary of State Berle) was formed to address the more immediate problems that would confront the United States after the war, including problems of relief, restoration, and reconstruction[21, p. 136].

economic objectives for the peace [21, pp. 83-84, 135; 26, p. 3]. But these discussions would also cover issues of day-to-day foreign policy. By the end of 1942, Hawkins' staff was providing "the initiative and planning" for the commercial policy planning process. Operational officials were now performing the work of entrepreneurial officials. This may have made it harder for the planners to innovate. It may also explain why they turned to the Trade Agreements Program (which they perceived as successful policy) to guide their approach to developing trade policy plans.

In 1941-1943, British officials wanted the Article VII consultations to succeed in forging a consensual approach to future trade policies. But as the Atlantic Charter discussions revealed, the British did not see eye-to-eye with the State Department on the benefits of non-discriminatory trade. The bulk of the British public opposed any attempts to modify the system of preferences [29, p. 3; 28, pp. 11-13]. Consequently, the negotiations stalled. American and British negotiators created a consensual approach to future trade policies by establishing two broad linkages [28, p. 21]. The first linkage would couple British actions on preferences to American reduction of tariffs. The second would link action on trade policy to actions promoting economic expansion [28, pp. 11-15; 1, pp. 29-33]. However, while these linkages were being devised, other U.S. government officials were undermining the long-term goals of the postwar planners. These officials were insisting that the British buy wheat in fixed proportions from the United States, Canada, Australia, and Argentina rather than from the cheapest source [28, pp. 49-50; 22, pp. 66-67; 11, pp. 713-18]. Thus, the Americans had delivered two messages on trade: first, that there was division within the U.S. government on appropriate trade policies and second, that the United States was willing to abandon its vision of freer trade in certain instances.

Hull recognized that these divergent strategies were jeopardizing America's immediate and long-term objectives. He called on the president to discuss these issues directly with Prime Minister Churchill. But the president placed strategic goals first. Roosevelt reassured Churchill that, "we were no more committed to the abolition of imperial preference than the American government were committed to the abolition of their high protective tariffs" [28, pp. 36-53; 11, pp. 235-37]. So what had been accomplished? By explicitly linking elimination of preferences to an American reduction of tariffs and lend-lease aid, Roosevelt had created potential opposition to the postwar plans [10, p. 68; 22, p. 27]. Under the authority of the Trade Agreements Program, tariff cuts were selective; flat cuts across the board were never made [31, p. 63]. Congress was unlikely to approve any broad horizontal reduction unless new legislation was passed. Yet the Roosevelt administration had consistently encountered strong opposition to renewal of TAP; it was unlikely that Congress would enlarge it. Thus, the lend-lease approach communicated by the president seemed to undercut the long-term objectives of the planners.

The political viability of the postwar plans was also unclear in 1942-1943. As a former congressman, Hull recognized how lobbyists and special interests could sabotage new policies. Yet the postwar planners were not able to build a constituency in support of trade liberalization as the foundation of the postwar plans for peace. Hull repeatedly tried to create public opinion in

support of the postwar plans, recognizing that such planning was "a task of . . . broad vision and leadership, not for government alone, but for parents and teachers" [13, pp. 1178-79]. However, neither Hull nor his advisors knew how to make the issue of freer trade a real and personal one. With the exception of vested interests, few Americans thought about trade liberalization. Given America's isolationist tradition, it is not surprising that the postwar planners had problems convincing the public that vital issues were at stake.

The triumph of operational control over the planning process came at the close of 1942. First, the Acheson subcommittee decided that there was no valid division between short and long-range economic and social problems [26, pp. 8-9]. Second, on January 1, 1943, Hull announced a reorganization of the postwar planning staff, in the belief that planning would soon be subordinated to performing advisory and secretariat functions at international conferences [21, p. 159]. Finally, on April 9, 1943, he replaced the economic subcommittees of the advisory committee with a fourth group: the Committee on Postwar Foreign Economic Policy [21, pp. 73, 138-40]. It was clear that long-term planning had become the concern of operational staff.

Many Americans perceive the U.S. government as immobile and inflexible, the "mother of behemoths." But in the years 1939-1941, Cordell Hull was able to make this behemoth move to plan the peace even before the U.S. government had entered the war. The efforts of Hull and his supporters transformed America's foreign policy. However, once the United States joined the war, Roosevelt and Hull had to subordinate postwar planning to further the alliance and win the war. These same public officials pushed aside their vision of a better future to meet the nation's urgent strategic objectives.

After 1941, the organizational structure designed to facilitate their trade policy strategy actually jeopardized their ability to achieve their objectives. The postwar planning committees were broadened by frequent changes in membership, which also strengthened the influence of the Department of State in the planning process. The operational voice of management, the diplomats and appointed officials with a stake in the continuity and success of current, rather than new, policies began to dominate the planning process. Thus, the planners based their plans on the Trade Agreements Program. But TAP could not be utilized to cut tariffs across the board. Thus, the promise of linking tariff cuts to preferences would require Congressional support of changes to TAP.

Mark Twain said, "you can't depend on your eyes when your imagination is out of focus." Secretary Hull and the commercial policy planners foresaw an integrated world economy where peace would be built on trade liberalization. But most Americans could not yet picture that world.

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