

IDEAS, AMERICAN HEGEMONY AND THE POST-WAR ECONOMIC ORDER: THE GENESIS OF THE TRADING REGIME

Serdar Altay
Istanbul Technical University
Department of Economics

Maçka 34367 Istanbul
Turkey
e-mail: sdrlyr@gmail.com
telephone: +90 534 073 35 46

Abstract

This paper intends to contribute to the literature on the post-war legal order and the international trade regime through a revisionist reading of the genesis of the pax Americana. It explores the ideational construction of the post-war order through an elucidation of the ideational content of the “negotiated” legal system and the “actual” trading regime. It argues that post-World War II economic order was constructed through two parallel compromise-building processes at the domestic (within the USA) and international levels. While the policy ideas building the post-war order were initially produced and clarified within the United States before and during the war, the promotion of these ideas in the international sphere was not easy and unproblematic as usually assumed. In other words, the USA as the hegemonic power did not (or could not) impose the rules of international economic order on other states of the capitalist world as shown by the International Trade Organization (ITO) negotiations. The failure of the ITO project, which had deviated from the U.S. demands, and the launch of the General Agreement on Tariffs and Trade (GATT) as an inevitable substitute of it was owing to the conflict of ideas between the domestic hegemonic planning and the unintended international outcome.

Keywords: *World Trade Organization, GATT, world order, legal economic order*

1. Introduction

The theories in International Relations (IR) are built on certain assumptions, which are sometimes not even questioned. A prominent example is the theory of *hegemonic stability* that emerged during the catastrophic atmosphere of the 1970s. The theory assumes that the United States was the hegemonic state that constructed the economic order in the capitalist world after the Second World War by setting the rules of international economic transaction. Charles Kindleberger and other leading scholars simply suggested the existence of a hegemonic state as the precondition for the stability in international states system. The lack of such a “willing” and “able” state to “stabilize” the international system was proposed to be a major cause of the Great Depression of the interwar

years¹. The hegemonic stability theory was applied to the analyses of the *pax Americana*, with two taken for granted assumptions, which are at the core of this paper:

- (1) The post-World War II hegemonic system was established by the USA, which dictated the rules of its order through multilateral regimes it created;
- (2) Both the hegemonic state (the USA) and the international order constructed around its dictated regimes are *liberal* in nature.

These assumptions of the IR orthodoxy were challenged by several critical scholars including Gerhard Ruggie, who proposed a distinct interpretation to the postwar history by elucidating the *normative content* of international money and trade regimes created in the late 1940s rather than the power configuration in international politics. He labelled the normative compromise that emerged as a consequence of negotiations between several states including the United States, European countries and others as “embedded liberalism.” Such ideational compromise indicated the post-war economic world order in the following terms:

“[U]nlike the economic nationalism of the thirties, it would be multilateral in character; unlike the liberalism of the gold standard and free trade, its multilateralism would be predicated upon domestic interventionism.”²

This challenging understanding of the nature of post-war regimes inspired critical scholars to question the taken for granted assumptions about the international order through new studies examining the genesis of postwar regimes and their association with the American power. Albeit not many, the studies using first-hand resources from American and British archives launched a revisionist reading of the 1940s to challenge well-established assumptions³. Yet studies have focused mostly on the Bretton Woods monetary regime, while the story of the genesis of the

¹ Kindleberger, C.P. (1973) *The World in Depression 1929-1939*, Penguin: London, esp. Chapter 14. Among others, two prominent scholars maintaining this tradition are Keohane and Krasner, whose prominent works are given in the reference list. For a more recent review of the works in this mainstream tradition with a critical account see Gale, F. (1998) “Cave ‘Cave! Hic dragones’: a neo-Gramscian deconstruction and reconstruction of international regime theory?”, *Review of International Political Economy*, 5:2, Summer, pp.252-283.

² Ruggie, J.G. (1982) “International Regimes, Transactions, and Change: embedded liberalism in the Postwar Economic Order”, *International Organization*, 36:2, Spring, p.393.

³ Most relevant examples of the revisionist writings are the works of Peter Burnham and G. John Ikenberry listed in the reference list. Their work and other relevant works are referred along the paper.

modern trading regime has largely been neglected. The contemporary trade regime organized around the World Trade Organization (WTO) emerged upon the General Agreement on Trade and Tariffs (GATT) which was signed in 1947 following years of negotiations. In fact, the GATT regime's restoration to the center of the commercial system was nothing more than an accidental outcome let it be a purposeful project of any actor or hegemonic power. The Agreement was signed among 23 nations in Geneva, as an *interim* commercial chapter of a larger legal package, which never came into force. This package was the Havana Charter for an International Trade Organization (ITO) which was finalized in 1948. Ironically, since the Havana Charter of 1948 was never ratified by the US Congress the ITO, which was supposed to be at the center of the trading regime, was stillborn. Paradoxically, the ITO Charter had an ideational *content* different from that the embedded compromise of the GATT regime and the Bretton Woods monetary regime.

This paper intends to contribute the existent literature on the post-war economic order and the international trade regime through another revisionist reading of the genesis of the *pax Americana*. It explores the ideational construction of the post-war order through an elucidation of the ideational content of the negotiated legal system and the actual trading regime. The paper argues that postwar economic order was constructed through two parallel compromise-building processes among various actors at the domestic and international levels. While the policy ideas building the order were initially produced and clarified within the United States before and during the war, the promotion of these ideas in the international sphere was not easy and unproblematic as usually assumed. In other words, the US as the hegemonic power did not (or could not) impose the rules of international economic order on other states of the capitalist world as shown by the ITO negotiations. It was the conflict of ideas between the domestic hegemonic planning and the unintended international outcome which caused the failure of ITO project and the launch of the GATT as an inevitable substitute of it. The paper is unfolded in three sections. While the following section examines the ideological compromise-building process at the domestic level in the United States⁴, the third section explores the compromise-building in the international realm. The forth section analyzes the ideological conflict between these two levels.

2. Domestic Ideational Construction of U.S. Post-War Hegemony

⁴ This short essay unavoidably deals only with the domestic consensus-building within the US.

Scholars exploring the domestic origins of American hegemony, which operated after the Second World War in material, ideological and cultural spheres, point out the fact that this hegemony could become possible after a certain domestic transformation in the production processes, in the class-based configuration of the American society, and state-society relations.⁵ At the core of the *pax Americana* laid a historically constructed domestic *hegemonic bloc* of social forces organically allied beyond daily interest calculations, in line with a collective world view and supportive set of ideas.⁶ The domestic social compromise around such a set of ideas made the American hegemony possible after the formation of this social bloc constitutive of certain fractions of American capitalists from finance (money capital) and industry (productive capital), organically connected ruling elites, and organized labor.⁷

The ideological glue sustaining the formation of this social bloc was a synthesis of two opposing ideological poles: the internationalist-universal liberalism, and protectionist-isolationist and industrial nationalism. Traditionally internationalist ideas were backed by the *financial capitalists* and organically related ruling elites, located particularly in the Department of State. With advent of the Great Depression, the ideas and doctrines backed by the money capital such as cosmopolitan liberalism, rentier ideology, a pacifist world-view, the belief in market and *laissez faire* philosophy all sank in the sea of competitive devaluations and beggar-thy-neighbor policies amplifying the effects of economic warfare.

Protectionist-isolationist ideology, on the other extreme, was conventionally adopted by large segments of the U.S. society, but particularly *nationalist industrialists* who profited from interventionist policies and state protectionism against foreign competition. However, industrialist class lost its monolithic structure in the 1930s and 1940s since a salient part of it came out as globally competitive sectors, which demanded export-oriented free trade policies and allied with financiers. At this point the hegemonic compromise ideologically synthesized these two opponent trends in the extremes, around three notions of ideas building what van der Pijl calls “corporate liberalism”. This synthesis can be deemed as similar to Ruggie’s concept of “embedded

⁵ Three most representative works focusing domestic origins of American hegemony are Cox, R.W. (1987) *Production, Power, and World Order: Social Forces in the Making of History*, Columbia University Press: New York, Rupert, M. (1995) *Producing Hegemony: The politics of mass production and American global power*, Cambridge University Press: New York, and van der Pijl, K. (1984) *The Making of An Atlantic Ruling Class*, Verso: London

⁶ Rupert, *ibid.* Chapter 3; Murphy, C.N. (1994) *International Organization and Industrial Change: Global Governance since 1850*, Oxford University Press: New York pp. 10-11; 168-71.

⁷ Rupert, *ibid.* pp. 55-8

liberalism,” but more as a product of domestic hegemonic formation based on three ideological components: (1) Fordism based on productivity, (2) Wilsonian universalism, and (3) Keynesian economic understanding regarding the role of the state in economy.⁸

Fordism as a compromise between organized labor and internationalist industrialists was based on productivity and mass production but also fair wages and collective bargaining. While Wilsonian democratic universalism rendered political expression of this Fordist deal, Keynesian economics constituted the legitimizing doctrine emphasizing employment and the role of the regulatory state in harmony with the capitalist system and a liberal international framework inseparable from Americanism. What is more, the US hegemony built upon “corporate liberalism” domestically also meant the emergence of a new form of state, transformed “welfare nationalist” model of the interwar period.⁹ The American state structure became a new model reflecting the corporate liberal compromise with its peculiar state-society relations, growth orientation and internationalism.¹⁰ Hence, the American vision of international order envisaged productivity, growth, peace and prosperity in a multilateral system to be led by the United States.

Such new vision was originally launched with the 1934 Reciprocal Trade Agreements Act designed by Cordell Hull who revolutionarily ended the long protectionist era in the US. This vision was revised and promoted internationally by President Roosevelt (especially to Britain and later other allies). Therefore, the American post-war hegemony can be regarded as the promotion of the American vision of state-society structure, production modes and ideas to the world. Three ideological pillars were set as standards to be promoted internationally as the elements of the American world order:

(1) *Fordism* as a mode of production, a social model bringing labor and industrialists along a common goal of productivity,

(2) *Multilateralism* aiming at achieving peace and stability through international cooperation under US leadership, sustaining non-discriminatory liberalization and currency convertibility,

⁸ Van der Pijl, *The Making of...*, Introduction, pp. 8-20; for details on Fordism see Rupert *ibid.* Chapter 4. Also for the relation of Keynesian ideas with economic order see the recent discussion of Levitt. Levitt, K.P. (2006) “Keynes and Polanyi: the 1920s and the 1990s”, *Review of International Political Economy*, 13:1, February, pp. 152-177

⁹ Cox, R.W. (1987) *Production...* pp. 211-267

¹⁰ Cox calls this new form of state “neo-liberal form”, *ibid.*

(3) a *Keynesian* framework building necessary international mechanisms recognizing the role of the states in domestic economies for sustaining welfare.

The reflection of this hegemonic ideological configuration for the trading regime was the U.S. plan to build a single and stable multilateral trading system by eliminating all obstacles and discriminations to American exports, whilst locating the US to the core of the capitalist system. More concretely the US proposals were built around three key priorities:

(1) *Non-discrimination* regulated by the Most Favored Nation (MFN) principle, eliminating all regional trading blocks (particularly British Imperial Preferences built in 1932),

(2) Abolition of all trade distorting measures such as quantitative restrictions (except for temporary but non-discriminatory use for balance of payments problems),

(3) Liberalization of trade through reciprocal tariff negotiations.

The following section discusses the international consensus-building process that necessitated revisions to the original American proposals regarding the shape of the post-war economic world.

3. International Compromise Under the American Hegemony: The ITO Charter

The first international agreement (between the U.S. and Britain) regarding the post-war economic system was the Atlantic Charter which was drafted in August 1941.¹¹ The Anglo-American cooperation took a more solid form with the Mutual Aid Agreement of February 1942 which set the conditions of the Lend-Lease arrangement. The British, dealing with wartime problems, were not yet ready for any clear commitments to the elimination of its discriminatory Imperial Preference system, launched by Ottawa agreements in 1932. However, the 1942 deal could become possible after the British accomplishment to make the American desire of non-discrimination a *quid pro quo* to the British expectation of the substantial reduction in American protective tariffs. After such a compromise leaving details to the postwar negotiations, the official war-time agenda turned to the settlement of international monetary system. As John Ikenberry underlines the shift in the negotiation topic to money, and the switch of U.S. and British negotiators facilitated the two

¹¹ For Anglo-American wartime dialogue and further negotiations among others see Gardner, R.N. (1956) *Sterling-Dollar Diplomacy: Anglo-American Collaboration in the Reconstruction of Multilateral Trade*, Oxford University Press: London; Sayers, R.S. (1956) *Financial Policy 1939-45*, Her Majesty's Stationary Office: London.

sides to compromise on a mutual Keynesian understanding regarding the monetary relations. Following the end of the World War II, the two sides easily reached an agreement on the Bretton Woods package including the International Monetary Fund, the World Bank, and the stipulation of the convertibility of major currencies at fixed exchange rates. The monetary regime rendered the US dollar the key currency, but it also left sufficient space for the states to control international capital movements for adjustment purposes, as suggested by Ruggie's embedded liberalism synthesis.¹²

John Ikenberry considers the post-war order as an outcome of the expert consensus among negotiators from the two sides of the Atlantic sharing the new Keynesian thinking.¹³ He is right as to the monetary regime. However, the trading regime did not come into being solely after a technical Anglo-American consensus led by John Maynard Keynes and Harry Dexter White. The compromise on trade came after laborious negotiations that took place among several countries with the participation of a wide range of actors from around the world including farmers, importers, and politicians. The negotiations took place in an environment shaped by domestic concerns regarding postwar economic reconstruction and job creation far from the wartime optimism.¹⁴ The final Havana text of March 1948 reflected an agreement which bridged gaps among numerous countries from the industrialized, developing, and planned economies. The negotiations officially started in London in late 1946 taking the American proposals as basis were redrafted it several times in the follow-up talks in London, New York, Geneva and Havana. The Havana negotiations accomplished a global consensus among 54 countries which represented then the majority of the United Nations membership.¹⁵ In brief, the final draft was a compromise substantially deviated from the original American plan, which was prepared by the Department of State between 1943-45, and simply unacceptable to the Congress.

President Harry Truman took the presidency in 1945 and preserved the Democrats' domination in the White House until 1953, in contrast to the Capitol Hill, where the Republicans took the

¹² Ikenberry, G.J. (1992) "A World Economy Restored: Expert Consensus and the Anglo-American postwar settlement", *International Organization*, 46:1, pp. 291-2

¹³ *Ibid.*

¹⁴ Killheffer, E.H. (1949) "ITO-Illusion or Reality?", *The Annals of the American Academy*, 264, July, pp.75-86; and Capling, A. (2000) "The Enfant Terrible: Australia and the Reconstruction of the Multilateral Trade System, 1946-8", *Australian Economic History Review*, 40, 1, pp. 1-21.

¹⁵ The detailed discussions about the US proposals and the negotiations can be found in Wilcox, C. (1949) *A Charter for World Trade*, New York: Macmillan Co., Wilcox, C. (1947) "International Trade Organization: The London Draft of a Charter for an International Trade Organization", *The American Economic Review*, 37:2, May, pp. 529-541.

majority in the 1946 elections. From 1947 on, President Truman had to face a complicated agenda with the unexpected inauguration of the Cold War. His administration had to deal not only with the creation of a stable trading system but also the launch of the Marshall Plan in 1948 and the establishment of the NATO in 1949. On the conduct of the ITO talks and the initiation of the liberalization of international trade, the new cadres adopted a two-track approach considering the changing balance of power between the Legislative and the Executive. In 1945, the President took the three-year executive authority to negotiate tariff reductions up to 50%.¹⁶ During the Geneva Conference, parallel to the official discussions on the ITO Charter, 23 nations led by the USA separately conducted and concluded bilateral negotiations for tariff reductions giving birth to the GATT, as the interim commercial chapter to be later incorporated into the overall ITO package. An early reduction in tariffs was thus assured from 1948 on, with the early harvest of GATT, while the ITO Charter had to wait for Congressional ratification. The administration took the Havana Charter to the Congressional agenda one year after it was signed in March 1948. However, with a brief press notice it was withdrawn following the Senate hearings in late 1950 without any discussion or voting.

As contended by a contemporary analyst, although it was still-born, “[t]he Havana Charter remains to this day the most comprehensive international economic agreement in history.”¹⁷ The final charter was consisted of eight more chapters similar to the GATT including provisions about a broad range of issues from restrictive business practices (cartels), to state monopolies in trade, intergovernmental commodity arrangements, domestic subsidies, and the organization of the ITO. By setting up a binding international mechanism with a dispute settlement system, the ITO Charter recognized and codified a large set of rights and duties beyond an “embedded liberal” order for the states vis-à-vis each other and their citizens. These rights and obligations aimed to achieve trade liberalization but also intended to accomplish “full employment” and economic development, whereas economic development was about to become a new and strong ideological pillar of the post-war compromise.¹⁸ In other words, the ideological structure of the Charter

¹⁶ This authority was renewed subsequently in 1937, 1940, 1943.

¹⁷ Capling, A. (2000) “The Enfant Terrible, p. 19.

¹⁸ For a similar categorical summary see Urquhart, M.C. (1948) “Post-War International Trade Arrangement”, *The Canadian Journal of Economics and Political Science*, 14:3, August, pp. 373-385. For other analyses from different perspectives see Brown, W.A. (1950) *The United States and the Restoration of World Trade*, The Brookings Institution, Washington; Drache, D. (2000) “The Short but Significant Life of the International Trade Organization: Lessons for Our Time”, *Centre for the Study of Globalisation and Regionalisation (CSGR) Working Paper*, No. 62/00, November.

intended to set a balance between three ideational pillars: market opening, state intervention, and economic development (or free trade, full employment and industrialization):

(1) Market opening (Liberalization-Free Trade): The backbone of the multilateral commercial system became the general rule of non-discriminatory trade liberalization as originally proposed by the US. However, almost each provision for non-discriminatory free trade was followed by a list of exceptions for economic development, balance of payments problems, and protection of domestic industries and the defense of full employment. Quantitative restrictions, opposed by the US, were allowed for a list of excuses. Moreover, since the British made the abolition of its preferential system a *quid pro quo* for considerable reductions in tariffs, neither objectives became possible. While the charter grandfathered the existing preferential arrangements of members, it also allowed future customs unions or free trade areas among members (for European integration), and other preferential arrangements for development purposes. The basic structure of this pillar was injected into the text of the GATT.

(2) State Intervention (Keynesianism): The Charter allowed the use of instruments by member states to sustain domestic economic and social stability, and to keep aggregate demand high domestically either through the use of exceptions from free trade, or through creating positive commitments vis-à-vis other states. The most important Keynesian policy objective was “full employment.” A “positive approach” from developing countries led by Australia highlighted full employment objectives as a prerequisite to trade liberalization.¹⁹ This was also backed by Britain, since “full employment” was on the top of the agenda in all Western Europe. Shortly, the Charter was legally linking the continuation of high rates of employment and aggregate demand in industrialized countries (targeting the USA), as a prerequisite for the commitment of developing countries to liberalize their markets, while also recognizing domestic full employment purposes of poor countries as legitimate exceptions from free trade.

(3) Economic Development: For developing countries actively participated in the negotiations, the Charter was expanded to include a special Chapter on Economic Development, which recognized specific needs of those countries.²⁰ Apart from the related

¹⁹ Capling, A. (2000) “The Infant Terrible, pp. 5-7

²⁰ *Ibid.*

provisions mentioned above, the Charter carved certain responsibilities for more developed members with regard to “the countries on early stages of industrial development.” For instance, members were invited to cooperate in providing developing countries with facilities they have such as technology, technical and managerial skills and equipment, capital funds and materials. While the US negotiators tried to get some concessions in exchange for the rights of investors, each new draft went in contrary. The final version limited the rights of investors vis-à-vis the states, by recognizing full sovereignty of host countries including their right of permission or refusal of foreign investment, and of expropriation and nationalization.

Since the Charter never came into effect, the trade regime and new economic order was solely built only upon the first pillar, with a flexible “embedded liberal” compromise, while it omitted other two ideological pillars.

4. The Clash of Ideas and the End of the ITO Project

The transformation of the international system into the bipolar structure with the emergence of the Cold War unavoidably influenced the material and ideological context for the decision-making by the post-war planners in late 1940s. The USA initiated new economic initiatives such as the European Recovery Program and the Marshall Plan, and the OEEC (Organization for European Economic Cooperation). However, such a policy shift *per se* does not explain the preference of the Truman administration to kill the ITO project. There is no reason to think the invalidity of the following argument by William Clayton, Assistant Secretary of State for Economic Affairs made in November 1947:

“The Marshall Plan, or the European Recovery Program, has to do with the short-term emergency needs of one part of the world. The International Trade Organization has to do with long-range trade policies and trade of all the world. They are highly *complementary* and *interrelated*.”²¹

²¹ Quoted in Beloff, M. (1963) *The United States and the Unity of Europe*, Brookings Institution: Washington, D.C. p.28 cited by Ikenberry, G.J. (1989) “Rethinking the Origins of American Hegemony”, *Political Science Quarterly*, 104:3, p.395 *emphasis added*

As Graz argues such a long-run economic project for the establishment of a multilateral order cannot be proposed as a *substitute* to the short-term military objectives and emergency economic initiatives of the USA.²² Then, there must be a more viable reason for the US administration to shelve the ITO project.

Apart from the changing systemic context²³ and domestic material reasons listed in the literature,²⁴ this paper's argument regarding the underlying cause of the removal of the ITO project is the ideological contradiction between the domestic hegemonic compromise and the one unwillingly reached in the international realm. From a counterfactual point of view, the ratification of the ITO Charter would have launched a different world order, recognizing US hegemony but at the same time binding the USA with new commitments for the industrial development and domestic economic stability of secondary states. To reiterate, American hegemony, founded upon a peculiar ideological configuration between Fordism, Wilsonian universalism and Keynesianism, was exerted to promote internationally the standards for (1) a new social model and state-society relations, (2) a liberal world order under multilateral mechanisms; and (3) a single world economy legally recognizing the role of the states to defend domestic Keynesian policy goals. However, the ITO Charter would lead to an order inconsistent with the American goals. Regarding the imposition of the three standards set by the domestic hegemonic compromise, (1) to achieve the first one, short-term initiatives such as Marshall Offensive were *more practical*,²⁵ (2) the GATT was not *less convenient* than the ITO for obtaining the second one, i.e. trade liberalization.²⁶ (3) Finally the establishment of the ITO would mean *too much Keynesianism* than envisaged by the U.S.. An international accord recognizing the duty of the states to "full employment" (beyond Fordist compromise in the US) and further taking this right of citizens under international

²² Graz, J.C. (1999) "The Political Economy of International Trade: The Relevance of the International Trade Organisation Project", *Journal of International Relations and Development*, 2:3 September. Furthermore, as Burnham concludes, at least until the beginning of the 1950s the USA still aspired currency convertibility and non-discrimination as its long-run policy objectives. Burnham, P. (2003) *Remaking the Postwar World Economy: Robot and British Policy in the 1950s*, Palgrave Macmillan: New York, p.9.

²³ Goldstein, J. and Gowa, J. (2002), "US national power and the post-war trading regime", *World Trade Review*; and Ikenberry, G.J. (1989) "Rethinking the Origins of American Hegemony", *Political Science Quarterly*, 104:3, pp. 375-400.

²⁴ For a brief summary of those reasons see Odell, J. and Eichengreen, B. (1998) "The United States, the ITO, the WTO: Exit Options, Agent Slack, and Presidential Leadership" in Krueger, A.O. and Aturupane, C. eds. *The WTO as an International Organization*, The University of Chicago Press: Chicago and London, pp.181-209.

²⁵ For the effective use of the Marshall Plan for the hegemonic purposes see Rupert, M. (1995) *Producing...* pp.46-51 and Van der Pijl, K. (1984) *The Making of...* Chapter 6.

²⁶ For Odell and Eichengreen the GATT was creating an "exit option" for the US. Odell, J. and Eichengreen, B. (1998) "The United States..."

commitment was contradictory to the delicately established domestic balance between three domestic pillars of the hegemonic ideology.

Not only traditionally protectionist actors or isolationists, but also the major constituents of the *hegemonic bloc* in the USA took a clear political position against its ratification. Among the constituents of the hegemonic bloc, neither money capital, nor industry, or organized labor was in favor of the ratification of the ITO Charter but solely the negotiators of the Charter in the State Department.²⁷ The New York bankers were lone in their opposition campaign against the Bretton Woods deals.²⁸ However, this time they were accompanied by major industrialists who gradually took a clear position against the ratification of the ITO Charter. The business organizations including US Chamber of Commerce, the National Association of Manufactures, and the New York Board of Trade declared their opposition by criticizing different provisions of the final deal.²⁹ William Diebold, who worked in the post-war planning during the 1940s and in the Department of State's Division of Commercial Policy in 1945-47, attributes a particular importance to the anti-investor provisions added in Havana, which transmuted the Charter into a fully intolerable mechanism for the business groups.³⁰

Such clear opposition was not simply because of certain interest calculations but rather because of the ideological philosophy underlying the Charter.³¹ The Chairman of the American Tariff League likened the establishment of the ITO to the establishment of an "international planned economy."³² Similarly, a critical book was titled *The Economic Munich*, because the Charter was considered as one of the most serious threats to human freedom and the system of private enterprise, particularly owing to its provisions for full employment which disregarded the economic consequences of such policies. Although his liberal doctrine had still to wait for some more decades, the famous book of Hayek *the Road to Serfdom*, the ideological critique of the Keynesian doctrine was already published in 1944, and became a best-seller in the US. The hot debate among economists was revolving around the possibility, ways and consequences of Keynesian full employment. This was

²⁷ The chief negotiator Clair Wilcox had to write a book to respond all those criticisms. See Wilcox, C. (1949) *A Charter for World Trade*

²⁸ Ikenberry, G.J. (1992) "A World Economy... p.304, 317.

²⁹ Killheffer, E.H. (1949) "ITO-Illusion... 85-6;

³⁰ Diebold, W. (1952) "The End of the ITO," *Essays in International Finance*, no.16, October (Princeton: Princeton University International Finance Section)

³¹ Aaronson, S. (1996) *Trade and the American Dream: A Social History of Postwar Trade Policy*, University Press of Kentucky: Lexington. See also Gerhart, P.M. (2004), "The World Trade Organization and Participatory Democracy: The Historical Evidence", *Vanderbilt Journal of Transnational Law*, 37:4, October, pp. 897-934.

³² Killheffer, E.H. (1949) "ITO-Illusion p.80.

in tandem with the Congressional opposition leading the omission of the “full” in 1945 draft of “Full Employment Act” conducting “Employment Act” in 1946.

The Bretton Woods system, both instrumentally and ideologically, was more representative of the domestic compromise of the American *hegemonic bloc* than that of the ITO and the GATT. Therefore, it would not be wrong to suggest that the monetary regime launched in 1944 and the trade regime unintentionally launched in 1947, represent differing configurations of compromises. The ITO Charter was a bad deal for the US, and no deal was better than a bad one.³³ Even the GATT, the side-product of American attempts, continued to be the symbol of the *inability* of the US to impose its vision of world order on others. Perhaps that is why the GATT was never adopted, even ignored by US Congress. Labelling it an Executive initiative, the Congress never voted on the GATT, thus leaving its legal status controversial regarding US domestic law.³⁴ Moreover, the Congress added in 1951 the following forgotten sentence into the law during the extension of the 1934 Act:

“The enactment of this Act shall not be construed to determine or indicate the approval or disapproval of the *Executive Agreement* known as the General Agreement on Tariffs and Trade.”³⁵

In the beginning of the 1950s, even the future of the GATT, then the only instrument of trade liberalization, was uncertain, though it could maintain this role until the establishment of the World Trade Organization in 1995. However, regarding the attitude of Congress the GATT had to live “on sufferance”, as Wilcox puts, “as welcome as a bastard child.”³⁶

5. Conclusion

If the ITO project had succeeded, the post-war economic order would rise upon a different political compromise vis-à-vis the one established at the end of the 1940s. Since the USA could not be able to determine the outcome of the ITO negotiations, the outcome reflected a deal in deviation from

³³ *Ibid.* p.84.

³⁴ For an interesting discussion about the legal status of the GATT see Jackson, J.H. (1967) “The General Agreement on Tariffs and Trade in United States Domestic Law”, *Michigan Law Review*, 66:2, December, pp. 249-332

³⁵ Quoted in Wilcox, C. (1953) “A Stock-taking... p.65 Emphasis is mine.

³⁶ Wilcox, C. (1953) “A Stock-taking... p.65

what was initially proposed by the United States. The final ITO deal was built upon three ideational pillars of free trade, development and Keynesian full employment, which sat in odds with the Fordist ideational compromise within the United States. More than any other reason, it was this ideological conflict between the domestic hegemonic planning and the unintended international outcome that caused the failure of ITO project and led to the launch of the GATT as an inevitable substitute of it. The still-born ITO project has been the best illustration of the *inabilities* of the US hegemony as well as the complicated nature of post-war regime-building, which cannot be understood through power-based explanations.

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