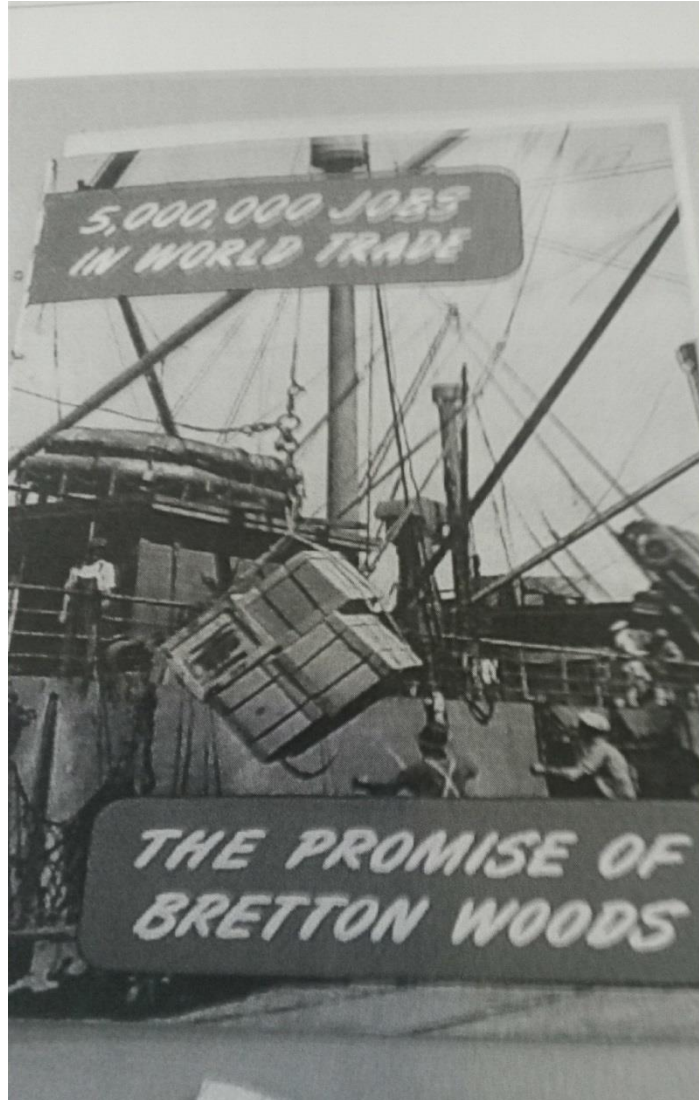


Leon Fink
Neoliberalism Before Its Time? Labor and the Free Trade Ideal in the Era of the
'Great Compression'



Abstract: This essay critically reassess the model of opposing post-war eras. Rather than a shift in political-economic assumptions from the Boom Era (Age of Compression) to Boom's End (Neoliberalism), it emphasizes *enduring tensions in ideology and practice* already apparent by the end of World War II at the very re-creation of the capitalist world economy. Both eras were fundamentally conditioned by national accommodations to a world-economic market always tilting ideologically towards free trade. Furthermore, it is argued here, labor movements and the West's non-Communist Left only slowly and inadequately ever addressed the contradictions built into the international postwar order in which they occupied a vital part.

Author Biography Leon Fink is Distinguished Emeritus Professor of History at the University of Illinois at Chicago. Editor of the academic journal, Labor: Studies in Working-Class History, he is the author or editor of a dozen books, including, most recently The Long Gilded Age: American Capitalism and the Lessons of a New World Order (University of Pennsylvania Press, 2015).

Thrill of the Boom

A moment in time captures organized labor at the height of the post-war boom. In 1972, a union-friendly minister of labor from one advanced industrialized country welcomed 450 representatives of labor, management, government and the universities from 21 other states to a wide-ranging International Conference on Trends in Industrial and Labor Relations (ICTILR).¹ The host minister spoke confidently of the superiority of the “free collective bargaining system” over either dictatorial (right-wing) or totalitarian (. communistic) forms of labor coercion and strike suppression or even well-intentioned but still “inefficient” and “unenforceable” forms of “permanent compulsory arbitration.” [That this last comment went unchallenged was likely due to the absence from the gathering of delegates from arbitration-friendly Australia or New Zealand.] Strong labor unions in “free” societies, concluded the minister, set the historical, as well as conference, agenda for two further questions: worker participation in decision-making and “incomes policy,” i.e. a recognition that “a more just and rational distribution of the national income depends not only on the level of salary but also on the standard of

¹ I received most valuable feedback from the participants in the “Ruptures, Consolidations, Continuities: Reconsidering Global Economic Processes after 1945 Conference” at Bern University, Switzerland, June 28-30, 2016, particularly coordinators Patrick Neveling and Robert Heinze.. I am also grateful to the members of the Newberry Labor History Seminar (especially Jonathan Levi and Jeffrey Slansky) for a discussion of an earlier draft on Feb. 26, 2016. Along the way, Adam Goodman, Susan Levine and the late Judith Stein also aided me with characteristically close, critical readings.

services offered to the citizens by the State and direct and indirect taxation, that is, the distribution of the tax burden and capital, in addition to social security benefits prevailing in the country.” And with perhaps only slight exaggeration, one of the host country’s labor law professors boasted that the labor federation in his state could “achieve almost any labour legislation it thought desirable.” In perfect harmony with the vision of the host, moreover, one of the visiting government representatives further signaled that the laws in his own country already aimed not only at the “social protection” of the individual worker but also “self-government” and “participation of workers in the decision-making process at plant level and partly also in management.” Granting that the level of shared authority over company decision-making could still be improved upon, the visiting minister insisted that the key question “during the forthcoming years will be not whether workers’ participation in the decision-making process of management on the basis of joint responsibility will be intensified, but how this will be done.”²

The positive tenor or perceptions about the state of industrial relations in 1972 is, in part, explained upon identification of the three participants in the 1972 forum mentioned described above. The host country was Israel. The concurring minister anticipating an ever-greater share of trade union participation in economic decision-making represented West Germany. And the conference itself was facilitated by a grant from Americans—in this case the New York State School of Industrial and Labor Relations of Cornell University, a beacon of mainstream, postwar industrial relations theory. Despite some cautions and misgivings among the delegates, these tribunes and governors of the postwar labor order reflected a confidence that bordered on

² Testimony of Itzhak Zamir, 245, and Otfried Wlotzke, 79, 81, “International Conference on Trends in Industrial and Labor Relations; Israel, Jan. 9-14, 1972” (Jerusalem Academic Press, 1974).

complacency about the basic functionalism and positive outcomes anticipated at least for organized worker in the economic systems in which they took part. Indeed, as if to underscore the optimism of a moment when trade union representation ranged from 30 percent to 80 percent across the developed, industrialized world, international labor relations expert Everett M. Kassolow mused about the hypothetical ‘problem’ of “what happens when everyone organizes?” He followed up by pointing to the (then quite imaginable) paradox that “when ‘everyone’ is organized...[the labor movement’s] very size calls for greater responsibility and control from the center, and limits on the unions’ traditional expression of power, the strike.”³ Surely, such a problem would have been welcomed by most trade unions across the globe.

Periodizing the Postwar Era

Unbeknownst to the participants, however, a new Mideast War and OPEC oil embargo, followed by runaway inflation, severe recession, and ultimately the dawn—or at least intensification--of a new, neoliberal world capitalist economy was just around the corner. As a result, the terms of 1972 exchange seem almost otherworldly when viewed from the present. Looking backwards, it seems clear that in rather short order, a ‘post-war order’ of extensive labor influence associated with the heyday of ‘social democracy’ in Europe and a fulsome welfare state elsewhere-- what French demographer Jean Fourastié called *les trentes glorieuses* and economists Claudia Goldin and Robert A. Margo labelled the Great Compression—became quickly frayed by forces inimical to labor-allied political programs.⁴ Indeed, it is now commonplace to speak of a

³ Everett M. Kassolow, “What Happens When Everyone Organizes?” ICTILR, 27.

⁴ Jean Fourastié, *Les Trente Glorieuses, ou la révolution invisible de 1946 à 1975* (Paris : Fayard, 1979); Claudia Goldin and Robert A. Margo, “The Great Compression: The Wage Structure in the United States at Mid-Century,” *Quarterly Journal of Economics*, 107 (Feb. 1992), 1-34; See also Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2010), 1.

transition in socio-economic policy from Social Democracy to Neoliberalism.⁵ The decline of the trade unions as an organized social bloc and vector of political influence is most commonly and obviously associated with 'de-industrialization' accompanying the liberalization of investment and opening of new manufacturing markets in the 'developing' world associated with 'globalization.' With the advantage of hindsight, therefore, two notable *absences* strike us about the international industrial relations discourse of the early seventies: the first is lack of perspective or participation from the developing world or Global South, the second, related, is the lack of attention to the international economy in general. In particular, the topic of world trade and its effect, actual or potential, on domestic labor systems simply did not enter discussion.

Precisely with a focus on the Trade Question, I mean in this essay to reassess the model of opposing post-war eras. Rather than a shift in political-economic assumptions from the Boom Era (Age of Compression) to Boom's End (Neoliberalism), I emphasize *enduring tensions in ideology and practice* already apparent by the end of World War II at the very re-creation of the capitalist world economy. Both eras, I argue, were fundamentally conditioned by national accommodations to a world-economic market always tilting ideologically towards free trade. Furthermore, I suggest that labor movements and the West's non-Communist Left only slowly and inadequately ever addressed the contradictions built into the international postwar order in which they occupied a vital part. Correction of the current drift and decline of labor-based social

⁵ I am using the term here in the sense commonly used by economists and other social scientists post-1970 to refer to policies that would extend liberal or deregulatory market reforms. The term itself has a longer history, adopted as early as the mid-1930s by commentators like Walter Lippman who turned to writing of Frederick Hayek and others for a brace against New Deal as well as more openly socialist state regulation of the economy. Angus Bergin, *The Great Persuasion: Reinventing Free Markets Since the Depression* (Cambridge, Mass.: Harvard U Press, 2012), 72.

movements, the article suggests, might begin, in part, with a historically grounded review of the fault lines of our current predicament.

Labor and the Free-Trade Roller-Coaster

As a key ingredient of an integrated world-capitalist economy, 'free trade' has experienced a continuous roller-coaster of reactions, i.e. attraction and disaffection, especially in western labor circles. Today, and going back to the 1970s, most left-wing and labor commentators (not to mention new right-wing populist forces) have readily expressed suspicion, if not downright hostility, to free-trade linked policies that have served as essential carriers of ever-wider deregulatory currents. From NAFTA (1994) to the WTO's negotiating rounds (1995-date) to the even more controversial Trans-Pacific Partnership of Nations (TPP) –abandoned in January 2017 by President Donald Trump—and stalled T-TIP negotiations between U.S. and Europe , 'international free trade' has met determined albeit often futile opposition from organized labor forces alongside environmental activists as well as rather conservative business interests in individual developed-country settings.

And, to be sure, in the U.S., rather than a new voice, popular anti-free trade sentiment predominated across labor's ranks from the late nineteenth century well into the 1930s. Even as radical critics regularly ridiculed the tariff debate itself as a "capitalist" project diverting workers from their own class interests—and the AFL itself maintained official neutrality on the issue after 1882—much expressed sentiment from unions was decidedly and long in favor of protection. John Jarrett, early leader of the powerful iron and steel workers, thus lobbied hard for a high tariff, while cigar-workers' chief and future American Federation of Labor (AFL) president Samuel Gompers neatly conjoined restrictions on immigrants with those on foreign products. By the beginning of the Depression, a "Buy American" campaign sparked by publicist William Randolph

Hearst Jr. and especially directed at Japanese producers, again attracted an entire phalanx of trade union support, coordinated by AFL Vice President Matthew Woll. Even the notorious Smoot-Hawley Tariff of 1930, that placed a 59 percent surtax on most imported goods, arrived with Woll's endorsement.⁶

Yet, a more free trade-oriented political bloc had also been building since the late nineteenth century. Originally championed by merchant and agricultural interests supporting the Democratic Party of Grover Cleveland, a more expansive economic-growth-plus-social welfare-oriented political coalition first surfaced in the presidency of Woodrow Wilson. What economic historian Michael Huberman calls a programmatic "odd couple"—namely an alliance of "international trade" and "labor standards"—had, by the turn of the twentieth century, captured the imagination of leading liberals and social-democrats in both Europe and North America. Making tariff reduction (and thus an expanding market economy) "conditional on the adoption of a package of labor regulations and social entitlements" attracted labor as well as other adherents. As Huberman documents, Belgian Labor Party theorist, Emile Vandervelde, first spread the doctrine of free trade combined with domestic protections (or social insurance) from market risk. German socialists, for example, under Eduard Bernstein backed such a program in 1899, while New South Wales Premier Henry Parkes used land tax revenues to finance social programs to balance the negative effects of free trade on wages; similarly, Lloyd George's famous 1909 People's Budget for redistributive programs was also known as the Free Trade Budget.⁷ In the U.S., Wilsonian 'progressive' Democrats pushed the same agenda. Within a rhetorical framework of anti-monopoly and anti-privilege, Wilsonian internationalists in a Democratic

⁶ Dana Frank, Buy American: The Untold Story Of Economic Nationalism (Boston; Beacon Press, 1999), 33-55, 56-78, 1888; Adam Dean, From Conflict to Coalition: Profit-Sharing Institutions and the Political Economy of Trade (New York: Cambridge University Press, 2016), 109-10.

⁷ Michael Huberman, Odd Couple: International Trade and Labor Standards in History (New Haven: Yale University Press, 2012), 2-3, 11-12, 63.

Congress passed the biggest tariff reduction since the Civil War in the Underwood Simmons Act of 1913. As in Britain, the move towards free trade was also arguably balanced by the biggest pro-labor and social-democratic initiatives in the nation's history, including the Clayton anti-injunction act (1914), LaFollette Seamen's Act (1915), progressive income tax (1916), and disability insurance or workers' compensation for federal employees (1916). In World War I, Wilson idealized an image of a harmonious world commercial and social order knit together by "free and fair competition, prosperity, and peace for all."⁸ The image was institutionally burnished in both the League of Nations and the ILO—the latter at once social-democratic and anti-communist in intent--both projects that further sketched an 'odd couple' world of open international markets and rising international labor standards, but that arrived, effectively stillborn, amidst the clashing nationalisms of the 1920s.⁹

Lessons of the Great Depression and World War II

Despite continuing back-biting, the political calculus on the trade issue turned dramatically once again by the mid-twentieth century. Lessons learned during the rise of Nazism and WWII only further congealed Allied policy commitments to liberal internationalism, and nowhere more so than on the labor left. No mere brief (especially among labor partisans) for *laissez-faire*, commitment to a world trading order and to fending off any return to the economic 'retrenchment', protectionism, and autarchic nationalism characteristic of the Depression Era was broad and deep in American and Allied circles of post-war opinion. Indeed, especially before a reorientation of popular and historiographic focus on the racial ideologies of the Axis powers, it was precisely the 'controlled economies' of both Hitler's Germany and Emperor Hirohito's Japan that

⁸Joyce Kolko and Gabriel Kolko, The Limits Of Power: The World And United States Foreign Policy, 1945-1954 (New York: Harper & Row, 1972 29-30.

⁹ Jill Jensen, "The United States, the ILO, and the Global Humanitarian Project, 1919-1954," [Unpublished ms. copy courtesy of the author, 2017] Chapter 1.

were taken by many early postwar analysts as the leading source of the war-time catastrophe itself.

Regarding Germany, initial American Occupation policy thus emphasized twin themes of “deconcentration and decartelization” as a means of extirpating the “authoritarian conservatism” of Germany’s industrial elites.¹⁰ Although U.S. Treasury Secretary Thurman Arnold’s radical de-concentration plans would ultimately be turned back by both Cold War security interests and desire for economic recovery, the initial policy thrust clearly challenged the legitimacy of Germany’s reigning business interests. As American Attorney General Francis Biddle assayed the problem at the end of the war: “The German Government and the German people as a whole have never accepted the doctrines of economic liberalism which run through American history....I propose that we break the power of the German monopolistic firms...to put its industries into a form where they will no longer constitute a menace to the civilized world.”¹¹ From Arnold’s 1942 Board of Economic Warfare emerged a succinct diagnosis, authored by staff member James Stewart Martin, of the roots of German military aggression: a “Rhineland group” of industrialists, freed from normal market restraints by cartel manipulations, had effectively over-produced, creating an economic crisis whereby Germany “must export or die.” Big business and the Nazis then “combined to carry out a program of heavy industrial expansion, regardless of economic consequences, and then try [sic] to counteract those consequences by looking for a man on horseback.” After the Battle of the Bulge, as Arnold would later explain, an American counter-vision took invigorated shape:

¹⁰ Volker R. Berghahn, The Americanisation of West German Industry, 1945-1973 (Leamington Spa, UK: Berg, 1986), 15.

¹¹ James Stewart Martin, All Honorable Men (Boston: Little, Brown, 1950), 17. quotation from Biddle, 16

We [i.e. in the US] were tired of trade barriers, restrictions, nations playing their cards close to the chest. We were becoming a little ashamed of having farm 'surpluses' and industrial 'over-production' in one part of the world while people starved and died without things in other parts. The tremendous wartime production in our own country, outstripping all estimates, had itself been an eye opener. Why not have full production and full employment in peacetime too? We were beginning to have some feeling for the idea that economic restrictions, depression, and war are not unrelated."¹²

Modern-day scholars, it is worth noting, have also invoked (if not always agreeing with) the analytic framework adopted by Allied analysts towards the fascist powers during the war. Japan's New Order, historian Andrew Gordon thus notes, "shared with the two European cases [i.e. Germany and Italy] the objective of funneling the energies of a glorified national body (whether the Volk or the Yamato race) into a quest for military hegemony, autarchic economic empire, and an anti-democratic, hierarchical political and economic order at home."¹³ Similarly, Volker Berghahn highlights the competing logics of the Anglo-American liberal marketplace and a German system of tightly-woven cartels that ultimately collaborated with Hitler's expansionist aspirations. From an economic perspective, asserts Berghahn, the war itself was fought over "which of ...two 'models' of capitalist organization would apply to Europe and elsewhere."¹⁴ To be sure, Manichean distinctions between "free" vs. "controlled" economies were likely overdrawn from the beginning. At least until world war broke out, as economic historian Tony Freyer points out, not only German but British economists had accepted the need for anticompetitive business regulation, rejecting the U.S. anti-trust tradition,

¹² Martin 17

¹³ Andrew Gordon , Labor and Imperial Democracy in Prewar Japan (Berkeley: U Cal Press, 1991), 237.

¹⁴ Berghahn, *Americanization*, quotation 5; see also 28-30; for a contrasting view of German economic interests and the war effort, see J. Adam Tooze, *The Wages Of Destruction: The Making And Breaking Of The Nazi Economy* (London: Allen Lane, 2006).

which, while declaring “cartels per se illegal” comfortably accommodated “ubiquitous U.S. multinational firms.”¹⁵

Although voiced with different inflections, basic commitment to an expansive free-trade order was also a staple of “free trade unionism” (i.e. the main bodies of the Euro-American-Australasian labor movement) worldwide. If inevitably something of a junior policy partner, the labor movement eagerly embraced America’s postwar liberal internationalism. Suggestive, in this regard, is the memoir of Toni Sender, a prominent feminist and left-wing German-Jewish journalist and legislator from Frankfurt who had fled to the United States in 1935, where she would ultimately play an important war-time coordinating role for OSS’s Labor Desk. In her 1939 autobiography, Sender re-traces the SPD’s general critique of Weimar Germany’s general drift towards ‘autarchic’ high tariffs on agriculture and steel imports as the work of “small but powerful groups of economic royalists.” “Our goal must be,” Sender quotes herself writing as early as 1925, “the lowering of tariffs until the final disappearance of all customs’ duties.”¹⁶

As Sender’s writing suggests, the ‘free’/‘unfree’ geo-political dichotomy received sustained attention among trade union advocates and nowhere more so than among American labor and allied political representatives. The generally conservative craft union coalition of the American Federation of Labor (AFL) had long identified ‘free labor’ with its own self-reliant and anti-state welfarist, or “voluntarist” principles. To be sure, on the domestic side, the AFL tradition had ultimately yielded somewhat to the exigencies of the Great Depression, as manifest in the modified welfare state (including the crucial enabling legislation of the National Labor Relations Act) enacted by President

¹⁵ Tony A. Freyer, Antitrust and Global Capitalism, 1930-2004 (New York: Cambridge University Press, 2009), 62

¹⁶ Anette Hild-Berg, Toni Sender (1888-1964): Ein Leben in Namen der Freiheit und der sozialen Gerechtigkeit (Köln: Bund-Verlag, 1994), 148

Franklin Roosevelt's New Deal as well as the rise of a significant, new industrial-union federation, the Congress of Industrial Organizations (CIO), the latter of which threw itself from the beginning into enthusiastic alliance with political initiatives. Forsaking out-and-out anti-statism, then, by the outbreak of WWII, both arms of the U.S. labor movement moved into close relationship with the federal government, including signing a no-strike pledge in exchange for unprecedented government support for trade union certification across major industries. As a result, by the war's end, organized labor membership had jumped nearly five-fold from 1935.¹⁷ Notwithstanding de-facto reliance on governmental influence, trade union roles were still seen to be solidly balanced within the equilibrium of offsetting civil-society interests, as articulated in the influential industrial relations theories of Otto Kahn-Freund in Britain and John Dunlop in the United States. Kahn-Freund, for example, a German Jew who escaped to London in 1933 after a distinguished career as scholar and Social-Democratic judge in the Weimar Labour Court, soon celebrated the British industrial relations system precisely "because [it is] so little regulated by law." Applying pluralist theory to the study of workplace relations, Kahn-Freund would coin the term "collective laissez-faire" in 1959 for what, at least until the 1970s, he maintained, was a superior system to state-based models. In words that Samuel Gompers himself would have warmly endorsed, Kahn-Freund observed, "What the State has not given, the State cannot take away."¹⁸ Kahn-

¹⁷ U.S. Labor Union Membership. <http://www.heritage.org/research/reports/2013/01/labor-unions-declining-membership-shows-labor-laws-need-modernizing>. As historian Nelson Lichtenstein summarized American labor's war-time experience, "Economic power wielded by American trade unions was by its very nature political, for the New Deal had thoroughly politicized all relations among the union movement, the business community, and the state." Nelson Lichtenstein, *Labor's War at Home: The CIO in World War II* (Philadelphia: Temple University Press, 2003 [1982]), xi.

¹⁸ Lord Wedderburn, "Otto Kahn-Freund and British Labour Law" in Lord Wedderburn of Charlton, Roy Lewis, and Jon Clark, eds., *Labour Law and Industrial Relations: Building on Kahn-Freund* (Oxford, UK: Clarendon Press, 1983), quotations 34, 41.

Freund's version of workplace freedom would no doubt have provided music to the old AFL's (not to mention its latter-day inheritors') ears.

By the time of the Cold War, the 'free labor' concept was further honed as a political tool in international discourse. Even as the modern concepts of the 'free world' and 'free countries' may have originated in the propaganda of the Allies vs. the fascist Axis Powers in World War II (as exemplified in Frank Capra's *Why We Fight* film series), they took on more common and sustained use as a chief, self-designated synonym of Western non-communist powers arrayed against the Soviet Bloc and its allies—and nowhere more so than in the realm of labor relations.¹⁹ A clear expression of 'western' versus 'communist' values emerged, for example, in the International Confederation of Free Trade Unions' (ICFTU) campaign of the early 1950s, as led by the aforementioned Toni Sender, now acting as ICFTU United Nations liaison, to expose the network of Soviet labor camps, an effort that would ultimately lead to prohibitions on forced labor in both ILO conventions and a UN covenant.²⁰

Yet, as already noted with regard to the Allied critique of 'closed' Axis Power economic systems, the free-labor model was also applied to inter-state relations in the form of a commitment to the 'open' flow of commerce. As Joyce and Gabriel Kolko first argued, free trade became the *sine qua non* of post-war American international policy: as they put it, the "conjunction between an American-sponsored internationalist ideology—what U. S. Secretary of State James Byrnes called 'the establishment of a liberal trading system and the attainment of an expanding world economy'-- and objective national

¹⁹ "Free World,"

<http://www.oed.com/view/Entry/74375?redirectedFrom=free+world#eid125418674>; free world http://en.wikipedia.org/wiki/Free_World.

²⁰ Anthony Carew, "Towards a Free Trade Union Centre: The International Confederation of Free Trade Unions," in Carew, Michel Dreyfus, et. al., eds., The International Confederation of Free Trade Unions (Berlin: Peter Lang, 202 -203)

necessity was made, and it was to grow with time.” Only unencumbered access to markets and raw materials, American officials believed, could assure the continuing growth of the American—and, in American eyes—the worldwide democratic, industrial order.²¹ The drastic, 25 percent decline in overall world trade between 1929 and 1932 first precipitated a U.S. policy turnaround away from tariff wars and trade barriers.²² Critical institutional building blocks to this end began with the U.S. Reciprocal Trade Agreements Act (RTAA) of 1934, brainchild of Roosevelt’s Secretary of State Cordell Hull, which allowed for unprecedented presidential discretion in the reduction of tariffs.²³ Following in the same direction, in February 1942, Article VII of the Anglo-American Mutual Aid Agreement, fortified the previous year’s Lend-Lease Agreement, specifically committing Britain to relax its Imperial Preference trade restrictions. Of greater, and better-known consequence, of course, the July 1944 Bretton Woods Conference led to formation of both the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (or foundation of the World Bank), both of which sought the elimination of trade impediments and expansion of foreign investment. By 1947 the first General Agreement on Tariffs and Trade (GATT) produced multilateral cuts in trade barriers. Across the 1940s and 1950s, the U.S. continually dropped its own tariff rates, while pressing its allies to do the same. The Trade Expansion Act of 1962 accelerated change by acceding to a GATT-based request for across-the-board (vs. an earlier commodity-by-commodity) tariff cuts, a process catalyzed further by creation of the office of a U.S. trade representative. Following the now-dominant doctrine of “trade liberalization,” the Kennedy Round of GATT (1964-

²¹ Kolko and Kolko, 11-16, quotations, 12, 16

²² A. Canto, “U.S. Trade Policy; History and Evidence,” *Cato Journal*, 3 (winter 1983/84), 680.

²³ RTAA, it is worth noting, overcame strenuous AFL opposition, not only in its initial passage but at subsequent renewals in 1940 and 1945. Dean, 110, 118-19.

1967) “cut the average tariff on manufactured goods worldwide by 35 percent,” while “the percentage of U.S. trade, excluding oil and agriculture, on which tariffs were more than 15 percent plummeted from 63 percent to 15 percent.”²⁴

The Labor-Liberal Embrace of Free Trade

American organized labor readily incorporated “free trade” into a larger commitment to a prosperous “free world order” as well as “free trade unionism.” The CIO, in particular, took the lead in connecting to a cross-class bloc, including commercial and investment bankers, retailers, and capital-intensive firms promulgating what political scientist Thomas Ferguson calls “multinational liberalism.”²⁵ As early as 1943, for example, the CIO offered full-throated endorsement for RTAA renewal; as industrial relations scholar Peter Donohue summarized, “Increased domestic and foreign consumption appeared to [Sidney] Hillman and other CIO leaders the key to maintaining full employment, and prevention of postwar economic depression and union destruction.”²⁶ Anticipating the Marshall Plan’s focus on growth as the solution to the world’s economic problems, the CIO’s Committee on Latin American Affairs in 1944 openly opposed tariffs as well as free immigration across national borders.²⁷ It was no accident, therefore, that Secretary of State George Marshall addressed the CIO

²⁴ Frank, 90, quotation 107.

²⁵ Thomas Ferguson, “Industrial Conflict and the Coming of the New Deal: The Triumph of Multinational Liberalism in America,” in Steve Fraser and Gary Gerstle, eds., The Rise and Fall of the New Deal Order, 1930-1980 (Princeton, N.J.: Princeton University Press, 1989).

²⁶ Peter Donohue, “‘Free Trade’ Unions and the State: Trade Liberalization’s Endorsement by the AFL-CIO, 1943-1962,” in Research in Political Economy, 13 (1992), 9, quotation 22, 334-35; United Auto Workers’ leader, Walter Reuther, according to his biographer Nelson Lichtenstein, offered the quintessential combination of “the language of American productivity” with “the values of European social democracy.” The Most Dangerous Man in Detroit: Walter Reuther and the Fate of American Labor (New York: Basic Books, 1995), 327-45, quotation 336.

²⁷ Victor Silverman, Imagining Internationalism in American and British Labor, 1939-49, (Urbana; University of Illinois Press, 2000), 175.

convention in 1947 only months after the unveiling of the European Recovery Program.²⁸ With equally fervent support, the AFL hierarchy climbed aboard the Marshall Plan in 1947, joining with its CIO counterpart in appointing Labor Advisors Clinton S. Golden and Bert M. Jewell to the Economic Cooperation Administration. Quickly, a slick pamphlet designed for mass distribution would herald “The Promise of Bretton Woods—5,000,000 Jobs in World Trade.”²⁹ Through the 1950s, AFL and subsequent joint AFL-CIO conventions backed world trade liberalization, endorsing expansion of IMF and World Bank loans abroad.³⁰ And, despite rising concerns among lagging export sectors, especially steel and textiles, the AFL-CIO backed the Trade Expansion Act of 1962, once “trade adjustment assistance”-- offering government-financed retraining, relocation, and extended employment insurance—was added to the mix.³¹

Aside from the trade unions themselves, it is worth emphasizing that at least among its U.S. partisans, it was not conservatives but rather liberals and even leftists who most eagerly championed the new internationalist economic order. Contemporary foreign policy advice, according to a recent account by historian Landon Storrs, was not confined to a clash between “liberal international capitalists and conservative nationalist ones.” Rather the ‘liberal’ position was reinforced by a bevy of New Deal-era ‘leftists’ who believed that postwar planning, as initially exemplified in Europe under

²⁸ Denis MacShane, International Labour and the Origins of the Cold War (London, Clarendon House, 1992), 135.

²⁹ “American Labor and ERP,” “The Promise of Bretton Woods” [1948] bound pamphlets, 1935-195, Record Group 34-002 Box 36/42 George Meany Memorial AFL-CIO Archives; See also Peter Donohue, “‘Free Trade’ Unions and the State: Trade Liberalization’s Endorsement by the AFL-CIO, 1943-1962,” in Research in Political Economy, 13 (1992), 9, quotation 22, passim 1-73.

³⁰ Statement of AFL-CIO Statement of Bert Seidman, Economist, AFL-CIO Dept. of Research before the Senate Foreign Relations Committee on S. 1094, March 17, 1959. RG 98-002, Box 27/5 Meany Archives

³¹ Donohue, 56.

the explicitly anti-communist Marshall Plan, might not only serve European security interests but ultimately “to improve the outlook for socialism in the United States.” As Socialist Party member and associate solicitor for the Department of the Interior, Felix Cohen, wrote privately in 1943, “we shall have to justify beneficent works in Europe by applying bad names [i.e. nationalistic self-interest] to the work we shall be doing.” At the forefront of early plans for the Marshall Plan as well as the United Nations, Storrs notes, were a “cluster of progressive economists” --including Lewis Lorwin, Thomas Blaisdell, and Paul R. Porter—all with a background in New Deal or wartime planning agencies, and all “serious intellectuals,” “socialists,” and “feminists.”³² Moreover, even a celebrated left-wing critic of the final version of the Marshall Plan like former Vice President Henry A. Wallace—who challenged Truman’s program on grounds that it would “divide Europe into two warring camps”—subscribed to its underlying ‘open door’ philosophy. Instead of an anti-Soviet military alliance as envisioned for NATO, Wallace, as Progressive Party candidate for president in 1948, proposed a U.S.-Soviet agreement defined by a mutual reduction of armaments and unrestricted trade.³³

Across the Boom Era, leading U.S. liberal politicians and economists would continually make the case for the free-trade order. While anticipating opposition to tariff reduction from Southern textile interests and “some people of old American stock and of moderate means whose sense of economic and social security has been challenged by the rise of vigorous newcomers whose families came more recently from Europe,” progressive advocate Chester Bowles took heart in 1956 from the fact that “such internationally-minded Southerners as Walter George, Lyndon Johnson, William Fulbright, Lester Hill, John

³² Landon R. Y. Storrs, The Second Red Scare And The Unmaking Of The New Deal Left. (Princeton: Princeton University Press, 2013), 207-209.

³³ Ronald Radosh and Leonard P. Liggio, “Henry A. Wallace and the Open Door,” in Thomas G. Paterson, ed., Cold War Critics: Alternatives to American Foreign Policy in the Truman Years (Chicago: Quadrangle Books, 1971), 76-114, quotation 98.

Sparkman, and John Sherman Cooper...will almost certainly support a consensus which more squarely faces up to the new, hard, emerging realities in world affairs.”³⁴ Similarly, by the late sixties, economist and liberal presidential adviser, John Kenneth Galbraith, would declare that for the U.S. as well as Europe, “within limits market access is now the thing.” However “inconvenient” the contemporary low-wage competition from Japan or Hong Kong, Galbraith was confident that, “social security and modern fiscal policy provide the cushioning effect on national economies which were once provided much more imperfectly by tariffs.”³⁵

Nor should accommodation to the world marketplace be interpreted as the ‘conquest’ of the West by an exclusively American political hegemony. Outside the regimented economies of the Communist bloc and Communist-linked trade union federations, both European Labor and the Left found much to like in the world order hatched through the rules of Bretton Woods and the subsequent Marshall Plan. For decades to come, economic growth combined with redistributive politics would serve as *the* point of departure for progressive domestic policy. As Labour Deputy Prime Minister Herbert Morrison explained in 1947, “the battle for socialism is the battle for production”; few on the Left would have disagreed.³⁶ Equipped with a ‘peace dividend,’ largely devolving defense expenditures onto the U.S., Western Europe across 1948-1973 experienced what economist Barry Eichengreen calls a “veritable golden age of economic growth.”³⁷ No wonder that the British Trades Union Congress (TUC) quickly

³⁴ Chester Bowles, American Politics in a Revolutionary World (Cambridge: Harvard University Press, 1956), 111.

³⁵ John Kenneth Galbraith, Ambassador’s Journal: A Personal Account of the Kennedy Years (Boston: Houghton Mifflin, 1969), 149-50.

³⁶ Anthony Carew, Labour Under the Marshall Plan: The Politics of Productivity and the Marketing of Management Science (Detroit: Wayne State Univ. Press, 1987), 22.

³⁷ Barry Eichengreen, The European Economy Since 1945: Coordinated Capitalism and Beyond (Princeton: Princeton U Pr, 2007), 2.

joined the AFL and CIO in coordinating a positive labor response to the Marshall Plan.³⁸ If this came at the expense of a previous commitment to workers' control and/or industrial democracy within socialist doctrine, the mass constituencies appeared well-disposed to make the sacrifice. Amidst steadily rising living standards, both European Social Democratic (or Labour) and Christian-Democratic (or Conservative) parties opted at most for planning, expanded welfarism, and, in the British case, selective nationalizations, along with a "stable niche" for trade unionism (often via coordinated, industry-wide bargaining as in France and Scandinavia) in national industrial relations policy.³⁹

Stifled Critique of the Free Trade Order

Overall, the only serious counter-planning among labor partisans to a world commercial order defined by free-trade orthodoxy arose in the building-block months leading up to and through Bretton Woods, when, perhaps for the first and last time until the present, a vigorous debate briefly erupted among Allied policy makers in the U.S. and elsewhere about the *terms* of a post-war economic integration. In the first place, it is interesting to note that the initial terms of settlement demarcated a triumph of a coordinated 'Keynesian' approach to global monetary policy and trade over laissez-faire alternatives. Roosevelt's move away from the gold standard in 1933 and the subsequent "Keynes Fund" origins of the IMF (as sculpted by U.S. Treasury Department Brain Trusters Henry Morgenthau Jr. and Harry Dexter White) proved an at least initially effective attempt to balance war-damaged economies, stabilize exchange rates, and maximize international trade. As historian Eric Rauchway summarizes the first thirty postwar years: "War-damaged nations recovered, as did their export levels. Poorer

³⁸ "Important Declarations of Policy," Labour News from Britain, Dec. 14, 1947. RG 98-002, Box 67, Meany Archives.

³⁹ Carew, 224-25.

countries began to develop. Business downturns in one country—even if that country was the United States—did not translate into worldwide recessions. The International Monetary Fund began actively to lend money to aid nations through their individual crises.” In this initial period of global re-integration, moreover, Keynesian-influenced experts behind the IMF assumed that explicit goals of the organization for “high employment and income levels” would necessarily be advanced by the “expansion and balanced growth of international free trade.” Or, as Egyptian representative to the Bretton Woods conference summed up, so long as trade was liberalized and richer countries bought increasingly from poorer ones, there need be “no conflict” between the developed and developing world.⁴⁰

In the corridors of postwar global planning, wishful thinking largely carried the day when it came to labor markets, even as it was reigned in by tangible reality checks in capital markets. From the beginning, as Australian historian Stuart MacIntyre’s recent examination of the period makes clear, IMF and World Bank funds were authorized to deal with national deficits but not trade deficits, which effectively also left the problem of unemployment solely in national hands.⁴¹ Notably, even as the post-war framers authorized institutional interventions to protect countries from the free fall of national currencies, they did little—despite their lofty rhetoric-- to monitor (let alone regulate) employment or wages.

While all the key players dedicated their efforts to what one contemporary Australian economic advisor called the “systematic upward movement of world prosperity,” a few experts also foresaw the need for more extensive coordination of world economies in order to prevent radical polarization of wealth, poverty, and debt. Likely the most radical and imaginative of such proposals was the Australian Labor

⁴⁰ Eric Rauchway, The Money Makers: How Roosevelt and Keynes Ended the Depression, Defeated Fascism, and Secured a Prosperous Peace (NY: Basic Books, 2015), quotations, xxvii, 196, and *passim* 169-202.

⁴¹ Stuart Macintyre, Australia’s Boldest Experiment: War and Reconstruction in the 1940s (Melbourne: University of New South Wales Press, 2015), 237-70.

Party's so-called 'positive approach' that would have attached an 'unemployment agreement' to trade agreements, i.e. committing western trading partners to limit their unemployment rates at 5 percent, and thus maintain high-wage, high demand national economic policies. Needless to say, neither the Australian idea nor the equally ambitious "clearing union" for adjusting international currencies of Lord Maynard Keynes, survived an American veto.⁴²

Interestingly, a more sustained if also ultimately dismissed challenge to the rising neoliberal orthodoxy in international economics occurred with regard to food and agricultural policy. Once again, Australian advocates pushed hardest for intervention in international markets. Frank Lidgett McDougall, key adviser to Australian High Commissioner to London (and former Australian Prime Minister) S. M. Bruce, by 1938 had already begun discussions with U.S. Secretary of Agriculture Henry Wallace about the need for wider world nutrition coordination; as propelled by growing fears about war-time and likely postwar food crises, such concerns would ultimately take tangible form with the establishment of the U.N.'s Food and Agricultural Organization (FAO) in 1945. Beyond a mere consulting body, however, advocates like McDougall, Bruce, and missionizing British food scientist John Boyd Orr imagined an activist role for the FAO in simultaneously staving off world hunger and advancing world peace. Plans for a "World Food Board" theoretically authorized the FAO, as historian Wendy Way summarizes, to "provide long-term credit to food-deficient countries,... buy and hold stocks of surplus food from exporters, for distribution in time of need and also to help stabilise [sic] prices, thereby encouraging greater production in advanced countries [and increasing] world trade." Despite support from USDA economists and some sectors of Australia's Labor Government, such far-

⁴² Macintyre, 243-46, quotation 243.

reaching 'statism' ran directly against the principles of U.S. trade policy, and the WFB proposal soon devolved into more toothless proceduralism.⁴³

Within the U.S. labor movement, the 'last hurrah' for systemic critique of Bretton Woods principles came and went very quickly. From early on, textile workers had sounded the largest alarm within the (initially dual) American labor federations about the effects of untrammelled free trade. While refusing to renege on RTAA renewal, both CIO and Truman administration officials proposed in 1945 to assuage the concerns of their most vulnerable members (as articulated by textile workers' research director, Solomon Barkin), with a new International Trade Organization (ITO)—requiring ratification by the U.S. Senate and then acceptance through GATT protocols—that, parallel to RTAA renewals, would combine further trade openings with tangible commitments regarding employment, development, and investment. After several stumbling steps towards ITO development, however, the plan came apart under combined business opposition and sweeping Republican gains in the 1950 Congressional elections. To save RTAA renewal (in 1951) and the larger GATT vision, Truman and even his liberal-labor allies gave up on the ITO Charter.⁴⁴ Generally speaking, it is fair to say that the U.S. labor movement and its postwar international allies readily supported the unadorned free-trade principles instituted at Bretton Woods. If opposition to government-controlled unions in unelected Communist regimes or to affiliation with Communist-linked movements outside the Soviet bloc were likely its best-known calling cards, there was more to the 'American labor model,' as first articulated by the AFL's Free Trade Union Committee in 1946, than mere anti-communism. In an important sense, the principle of "free" trade unionism also implied

⁴³ Wendy Way, *A New Idea Each Morning: How Food and Agriculture Came Together in One International Organization* (Canberra: ANU E Press, 2013), quotation 292, 293-96.

⁴⁴ Donohue, 26-35; Douglas A. Irwin, "The GATT's Contribution to Economic Recovery in Post-War Western Europe," in Barry Eichengreen, ed., *Europe's Post-war Recovery* (Cambridge, UK: Cambridge University Press, 1995), 130-131.

“free-trade” unionism. It is telling, in this regard, that the major re-ordering of post-war international labor organizations—including withdrawal of both the CIO and the British TUC from the WFTU in 1949-- occurred over support vs. opposition to the basic free-trade stipulations of the Marshall Plan.⁴⁵ Indeed, dockworker members of the International Transport Workers Federation (ITF), whose General Secretary J.H. Oldenbroek would become the first leader of the ICFTU, actually unloaded Marshall Plan goods in defiance of Communist Party-called strikes.⁴⁶ More than freedom from government or employer control, free-trade unionism was linked to creation of the new world order that Henry Luce anticipated as the American Century.⁴⁷ In short, by the 1950s, the vision of economic growth and development fueled by international trade and investment dominated western social-democratic thinking. As ILO Director-General David A. Morse declared at the European Regional Conference in 1954, European economic growth required “removal of international trade barriers [for] in the long run, of course, a higher level of economic activity is the only means of enabling standards of living to be raised on a sound basis.”⁴⁸

Trade in Practice vs. Trade in Principle

Yet, if the postwar non-Communist West was willing to commit rhetorically, and almost by consensus, to the free trade-ideals articulated in policy by the U.S. and in political terms by the larger labor federations as well as Social Democratic leaders, in point of economic practice it was not so simple or matter-of-fact. Even ILO chief

⁴⁵ Kolko and Kolko, 450.

⁴⁶ George C. Lodge, Spearheads of Democracy: Labor in the Developing Countries (NY: Council on Foreign Relations, 1962). 68.

⁴⁷ Roy Godson, American Labor and European Politics: The AFL as a Transnational Force (New York: Crane, Russak & Co., 1976), 108-109; Howell John Harris, The Right to Manage: Industrial Relations Policies of American Business in the 1940s (Madison: UWis Press, 1982), 136-39.

Morse's alignment with Charter of the ITO and GATT amidst his own declaration of faith in the free flow of commerce was wrapped in an acknowledgment that "in only one case"-- and this the relatively modest free trade area of the Benelux Economic Union— were the removal of restrictions fully put into practice. The problem, in a nutshell, was political: "no country", allowed Morse, "can afford to accept policies for freer economic relations which may be designed to benefit everyone in the long run if the immediate result will be to create unemployment in some places where it cannot be readily absorbed." A case in point was the reported declaration by the Premier of France, Pierre Mendes-France, before the Consultative Assembly of the Council of Europe that "the varying levels of wages and social benefits as reflected in the costs of production of the various countries were obstacles to further experiments in economic co-operation."⁴⁹

Thus, even as the U.S., with help from international business as well as select political allies, re-fashioned a more liberal economic world order, there developed a great many 'lumps' of national economic resistance and self-protection within Boom-Era market expansion. To be sure, these did not rise (or perhaps better 'sink') to the level of World War II-era German-Japanese cartelization and autarchy. Precisely because of the example of the Nazi appropriation of previously private cartels (themselves a source of controversy even before the war)--and most famously in the case of the German chemical conglomerate I.G. Farben--such competition-hindrances and top-down market controls were generally outlawed after the war. Whereas the Sherman Antitrust Act of 1890 had already done so in the U.S., the post-war Treaty of Rome in 1957 set similar limits among European states. Indeed, the relevant rule governing the latter-day European Union prohibits "all agreements between undertakings, decisions by

⁴⁹ Quotations from ILO, Report of the Director-General, 3-4.

associations of undertakings and concerted practices which may affect trade between Member States and which have as their object or effect the prevention, restriction, or distortion of competition within the common market.”⁵⁰ Still, while stopping short of ‘total’ and ‘coordinated’ top-down methods of production and/or marketing controls, coordinated state-business-and-labor policies did reappear across much of Europe as well as among U.S. allies in Asia in the postwar years. American monitors in Europe in 1951, for example, were decidedly unhappy with what they labeled “restrictive business practices.” Whether it was the price of alcohol in Austria, textiles or electric irons in France, or cement in Great Britain, the result of continuing “private agreements between domestic producers and cartel agreements cutting across national lines” was artificially higher prices, lower productivity, and slackened economic growth. Indeed, according to the State Department, the Soviet Union was scoring Cold War propaganda points by declaring themselves “enemies of cartels” and condemning the West as “supporters of private arrangements which result in a lower standard of living for the working man.”⁵¹ Generally speaking, the U.S. accommodated such arrangements as one of the costs of the Cold War. Albeit neither averse to anti-Communist alignment nor in direct confrontation with U.S.-defined geo-political goals, such policies, nonetheless, did distort the liberal market model in ways that would ultimately attract growing alarm and corresponding corrective ‘neoliberal’ attention by business elites beginning in the 1970s.

Three cases rather serendipitously chosen serve here to illustrate how ‘coordinated’ or ‘nonliberal’ capitalist economies fit into the postwar world order of free

⁵⁰ ”Cartel from Hell,” http://www.workers.org.uk/features/feat_0210/ig.html; “Cartel” <http://en.wikipedia.org/wiki/Cartel>

⁵¹ Report on “Restrictive Business Practices, in Western Europe,” as communicated from Daniel Goott, Department of State, to Michael Ross, CIO, Oct. 9, 1951, RG 18-002, Box 5, Meany Archives.

trade and free labor championed by the U.S.⁵² Economic institutions in such societies as Germany and Japan, argues economic sociologist Wolfgang Streeck, were more “socially embedded” (in the terms of Karl Polanyi) than in “liberal” capitalist societies: i.e. whereas the latter seek to “liberate markets and contracts from social constraints and collective obligations,” the former “try to do the opposite.”⁵³ Built on longstanding corporatist (Germany) or feudal-hierarchical (Japan) traditions, in the postwar period, each of the two defeated world powers, as overseen by the more liberal U.S. (and to a lesser extent the U.K.) made crucial readjustments. To summarize Streeck’s argument by way of selective quotation, both Germany and Japan:

[were] externally constrained to accommodate free markets and parliamentary democracy in historical contexts that had long been regarded as incompatible with them....In the process both countries developed distinctive versions of the new institutions they had to graft onto their respective institutional endowments....Fairly soon, it appears, [they] began to realize that it was possible to combine the advantages of nonliberal institutions for cooperation and collective action in the pursuit of collective goods with the benefits of free markets and democratic constraints on the state.⁵⁴

As Streeck emphasizes, the “capstone” of what we might summarize as postwar neo-corporatist arrangements—separating an authoritarian and ultimately tragic past from an aspiring democratic future-- was “the inclusion of organized labor.”⁵⁵ To be sure, different sub-strata of historical “endowments” as well as asymmetrical pressures

⁵² Peter A Hall and David W. Soskice., eds., Varieties of Capitalism: The Institutional Foundations of Comparative Advantage (Oxford, UK: Oxford University Press, 2001); Wolfgang Streeck and Kozo Yamamura, The Origins of Nonliberal Capitalism: Germany and Japan in Comparison (Ithaca: Cornell University Press, 2001). Both categorical frameworks—“coordinate” and “nonliberal”--implicitly draw on an earlier literature of the 1970s and 1980s framed around “neo-corporatism,” with the cases of Germany and Scandinavia most prominently in mind. See, e.g. Colin Crouch, Industrial Relations and European State Traditions (Oxford, UK: Clarendon Press, 1993).

⁵³ Streeck, “Introduction: Explorations into the Origins of Nonliberal Capitalism in Germany and Japan,” in Streeck and Yamamura, 2, 7-8.

⁵⁴ *Ibid.*, 32-33.

⁵⁵ *Ibid.* 33.

from the American occupying authority dictated distinct institutional outcomes in the re-building countries. With support from both British and American labor movements, for example, German trade unionism quickly revived and was able to impose a renovated version of a Weimar-rooted structure of workplace co-determination (*Mitbestimmung*) on otherwise reluctant industry leaders. Although the initial “parity” formula applied in the immediate postwar climate to the coal and steel industry would be watered down for the rest of German industry and would remain a source of political contention for decades to come, the basic labor-management “partnership” arrangement, backed by major-party government consensus, took permanent hold, in turn offering crucial ballast for a strong welfare state. The vociferously anti-Communist politics of West German trade union as well as SPD leaders—and this at a time of continuous East-West tension and general American concern regarding potential Communist penetration of labor movements-- inoculated them in important ways from outside intrusion on their domestic policies and program.⁵⁶

With selective state support and consensual social policies, the West German ‘economic miracle’ arose under the Adenauer-Erhard regime in 1950s within the larger ideological framework of the GATT’s free-trade ideals, but still with a peculiar national (and European) twist. The first post-war decade, e.g., witnessed a vigorous contest among German conservative political and economic factions until a “watered-down” anti-cartel bill was finally passed in 1957, more than symbolically passing leadership of the nation’s economic future to large manufacturing firms with a keen stake in international trade like Volkswagen, Bayer, Siemens, and Thyssen.⁵⁷ Still, as a charter member of the EEC, Germany would remain ‘protected’ by a series of non-tariff

⁵⁶ I have elaborated on these themes in another paper, “The German-Anglo-American Labor Entente: Origins of the ‘European Model’ in the Early Postwar Years,” Unpublished 2015.

⁵⁷ Berghahn, 204, 241.

discriminations vs. the U.S. and other non-European imports. Even in the case of tariff reductions, it is worth noting that in the early GATT rounds, the U.S., for diplomatic reasons, took the deepest tariff cuts. Moreover, as economic historian Douglas Irwin demonstrates, the GATT fulfilled its free-trade promise only slowly: it was thus not until the Kennedy round, 1964-67, that multilateral agreements affecting entire economic sectors truly took effect.⁵⁸

Developments in Japan were in some respects more volatile. Lack of a strong, prewar democratic tradition, the singularity of American Occupation (with “no real counterpart in Germany”⁵⁹), and recurrent fears regarding Communist influence in the labor movement all conditioned a dramatic set of policy reversals and the ultimate exceptionalism of the postwar Japanese regime. To counter the Emperor-*zaibatsu* regime of rule from above, initial postwar moves by General MacArthur’s SCAP headquarters effectively freed the hands of democratic forces, including a new constitution in 1946, with Weimar as well as Soviet-influenced worker rights and welfare clauses and an exceptionally progressive Labor Standards Law of 1947, which incorporated a full range of ILO-derived protections.⁶⁰ Yet, after workers began taking full advantage of the new postwar climate (with union membership up from 5000 in October, 1945 to nearly five million by December 1946, and Communists, whose rights had also been protected in the new constitution playing a big role in the revived labor movement), the hammer came down hard. Over the course of two years time, MacArthur’s command post outlawed factory takeovers and mass demonstrations, forced the cancellation of a general strike called for February 1947, denied public-sector

⁵⁸ Irwin, *op. cit.*, 127-150.

⁵⁹ John W. Dower, Embracing Defeat: Japan in the Wake of World War II (NY: W.W. Norton, 1999), 79-80.

⁶⁰ Dower, 246-47, 292-93. From the Meiji period through WW2, a *zaibatsu* defined a large conglomeration of companies with interlocking, often family-centered, ownership.

workers the right to strike, and summarily fired some 12,000 Communist trade union activists, and effectively endorsed a new employer association dedicated to the defense of employer prerogatives. With the fortunes of an autonomous labor movement severely set back, political-economic initiative passed largely to an enterprise-based labor culture and trade unionism, only occasionally interrupted by incipient rebellion.⁶¹

Just as international geo-political factors may have enhanced organized labor's influence in postwar Germany while openly taming it in Japan, so too did they permit German (and indeed Europe-wide) and Japanese bending and evasion of U.S. free-trade policy. To encourage economic development (and loyalty) among 'free-world' allies, as historian Judith Stein has documented, U.S. foreign policy encouraged capital investment abroad, while holding domestic markets open even to countries who were themselves practicing a variety of nontariff barriers to U.S. exports: "free trade", she argues, "was the snake in the postwar Garden of Eden....Rejection would produce 'jungle warfare' in trade and make the EEC into an isolationist, anti-U.S. bloc. This became the standard refrain. Any agreement was better than no agreement because the free world was in danger."⁶² Again, in comparison with Germany, the logic of de-facto protectionism within an explicitly free-market world trading order was all the more extreme in Japan. With interlocking big businesses again controlling the heights of the Japanese economy by the end of the Occupation in 1952, SCAP, according to historian John Dower, "naively presided not only over the transfer of its own authority, but also over the

⁶¹ Andrew Gordon The Wages of Affluence: Labor and Management in Postwar Japan (Cambridge, Mass: Harvard UP, 1998), 8-11, 46.

⁶² Stein, Pivotal Decade, 7, 10. For further elaboration on the international politics of steel, see Stein, (1998) Running steel, running America: race, economic policy, and the decline of Liberalism (Chapel Hill, N.C.: University of North Carolina Press, 1998), 197-228; Stephen Woolcock, "European Union trade policy," in The New Palgrave Dictionary of Economics Online (2011), accessed via LSE Research Online, <http://eprints.lse.ac.uk>

institutionalization of the most restrictive foreign trade and foreign exchange control system ever devised by a major free nation.”⁶³ Even as key U.S allies, West Germany and Japan thus demonstrated the tensions between free trade union-free trade ideals and practice. In the case of another close ally and chief recipient of postwar aid, the state of Israel also notably veered far from American-based postwar economic principles. From the beginning of the Zionist enterprise, i.e. well before creation of the Jewish state in 1948, Israel’s labor order and economy was “embedded” (to return to Polanyi terms) to a remarkable extent in extra-economic, non-market principles and practices. Dominated until the late 1970s by a Histadrut-Mapai (Labour Party) design of self-conscious “labor zionism,” the incipient Israeli state did everything in its power to control population (including emigration and immigration), labor markets, and investment towards the ends of a high-wage, relatively homogeneous, and autonomously Jewish national economy.⁶⁴ Indeed, it was for an extended time easy to confuse the policies of the Histadrut, or Zionist Labor Federation, with those of the Israeli state itself: Israel’s first prime minister, David Ben-Gurion had previously served as Histadrut general secretary, and the Histadrut, long organized some 75-80 percent of the labor force, while controlling some twenty percent (including major conglomerates) of the national economy.⁶⁵ For good measure, as a variant on the so-called Ghent system of Belgium and Sweden, the Histadrut itself administered most health insurance and pension

⁶³ Dower, 546.

⁶⁴ Zachery Lockman, Comrades and Enemies: Arab and Jewish Workers in Palestine, 1906-1948 (Berkeley: University of California Press, 1996) , esp. 14, 51-52.

⁶⁵ Joseph Hausman, “Preventing Industrial Disputes in Industrialized Countries—The Israeli Experience”, 125; Yehuda Yadin, “Industrial Democracy as a Component in Social Change—the Israeli Approach and Experience,” 583, Proceedings of the International Conference on Trends in Industrial and Labor Relations [ICTILR], January 9-14, 1972 (Jerusalem: Jerusalem Academic Press, 1974)

coverage through the mid-1990s.⁶⁶ As economic historian Michael Shalev emphasizes, the frame of Israeli wage policy was “neither ‘pure-and-simple’ unionism nor class-wide solidarity, but the trinity of nation, state, and labour.” In short, the Israeli frame was “recognizably corporatist,” with an ever-active state balancing internal interests in the face of persistent trade deficits. As Shalev summarizes a “long cycle of economic growth which began in 1954 and ended with the Yom Kippur War in 1973 was rooted, “in varying combinations at different times” in “capital inflow, mass immigration, military-industrial activity, and territorial expansion”—all corollaries of corporatist policies and state structure. The point is that in the Boom Era, countries like Israel could mix and match engagement in the free-flowing trade of the world market with a distinctly non-liberal set of development policies.⁶⁷ And, in an era of widespread global economic growth, such eclecticism worked: since its founding, Israel experienced an annual average growth rate of 10 percent (bested only by Japan), a buoyancy which extended as well to occupied Palestinian territory, 1967-1973.⁶⁸ Generally speaking, the flexibility of national economic planning—or calibrating Keynesian demand management and redistributionist social policies within an increasingly open world trading order, a policy compromise that became known as “embedded liberalism”—served most western nations well for decades.⁶⁹ Yet, the global sea could not forever lift all boats.

⁶⁶ Guy Mundlak, Fading Corporatism: Israel’s Labor Law and Industrial Relations in Transition (Ithaca: ILR Press, 2007), 69.

⁶⁷ Michael Shalev, Labour and the Political Economy in Israel (Oxford Scholarship Online, 2011).

⁶⁸ Herbert (Hanoch) Smith, “Immigration Policy and Migrant Workers,” ICTILR, Montreal, 1976, 209-210.

⁶⁹ John Gerard Ruggie, “International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order.” *International Organization* 36 (spring 1982), 379-415. For elaboration on U.S. labor politics and trade policy in the era of neoliberalism, see James Shoch, “Grappling with Globalization: The Democratic Party’s Struggles over International Market Regulation,” in James Cronin, George Ross and Schoch, eds., What’s Left of the Left: Democrats and Social Democrats in Challenging Times (Durham, NC: Duke University Press, 2011), 210-237

Boom's End and the Anti-Free Trade Backlash

Indeed, well before so-called 'globalization' began to challenge the industries of the rest of the developed world, the United States itself (and especially its blue-collar working class) felt the backlash of the very order it had done so much to produce. Simply following the economic policy stream, one sees a growing loss of confidence in free-trade policy within the ranks of a labor movement increasingly estranged from national centers of real power. Following a failed effort in 1967 to get support from the International Metalworkers Federation for a USWA proposal to "harmonize U.S. steel imports with domestic production," U.S. labor began to push for some of the same unilateralist, protectionist gestures worthy of the nationalism or regional-bloc interests of America's Cold War allies.⁷⁰ In particular, the Nixon Administration in 1971-72 exacted "voluntary restraint" agreements on Japan and other producers to restrict steel imports as well as woolens and synthetic fabrics. In addition, a very restrictionist Trade Bill, vociferously opposed by multinationals as well as the EEC but favored by a Democratic House of Representatives, only narrowly failed to secure Senate passage in 1970. More radical, still, was the AFL-CIO-backed Burke-Hartke Bill of 1971-1972, which combined traditional tariff protections and new restrictions on job-killing capital investment abroad with a proposed administrative commission to restrict imports in any sector to the average quantity of their presence in 1965-1969. Not surprisingly, the proposal triggered a bipartisan (as well as international) storm of opposition, and the bill never came up for a vote. Still, as historian John Judis notes, Burke-Hartke proved a

⁷⁰ Stein, Running Steel, 226.

forerunner to the anti-NAFTA, anti-WTO, and anti-fast track political mobilizations of subsequent decades.⁷¹

Conclusion

What we have demonstrated here is that the competitive forces commonly associated with post-1970s 'globalization' were generally anticipated, and indeed warmly welcomed, by the victors of World War II. Of course, it is always easier to embrace a doctrine (like free trade or global integration) in the abstract than in practice. Especially outside the U.S., as we have seen, both nations and trade unions showed no hesitancy in demanding, and erecting various shelters from competitive winds that threatened to erode labor and living standards. Yet, the failure of the 'Labor-Left'—both intellectuals and party/labor movement institutions-- to anticipate or offer a credible alternatives to the ravages of the international economy carried serious consequences.

As it happened, the *International Conference on Trends in Industrial and Labor Relations* (which, as we have noted held its inaugural conference in Israel in 1972) convened for a second and final time in Montreal in 1976., with more than 500 participants representing fourteen countries and seven international organizations, amidst a rapidly changing economic climate.⁷² And, unlike the previous gathering, discussion now inevitably resorted to 'external,' i.e. international influences. Delegates, for example, variously attempted to integrate into their analysis several global factors, beginning with high rates of inflation following the escalation of world oil and

⁷¹ On the politics of steel and trade in the U.S., see 197-228 John B. Judis, *The Paradox Of American Democracy: Elites, Special Interests, And The Betrayal Of The Public Trust* (New York: Pantheon Books, 2000, 114-115.

⁷² Alexander C. Pathy, "Preface," ICTILR, Montreal, May 24-28, 1976 (Montreal: Industrial Relations Centre, McGill University; 1977), xi; Indeed, as the Canadian Minister of Labour suggested in his opening remarks, if forced to identify "one trend in labour-management relations, [there was] pretty general agreement that the overriding trend is change and an acceleration in the rate of change." Remarks by John Munro, 3.

commodity prices and, directly related, “unacceptably” high unemployment since the world recession of 1974, which had only “intensified a feeling of frustration and cynicism toward the system.”⁷³ Although there was again no specific invocation of trade issues, other new trends that demanded attention included the impact on labor markets and labor relations of a world-wide migrant flow and the rise of multinational corporations, not only in expanding production to new geographic platforms but in “transferring production facilities as a labor relations tactic.”⁷⁴

If the international commercial order attracted increasing criticism from the Labor Left beginning in the 1970s, the initially proposed remedies were at once partial, fractured, as well as ineffectual. Rather than any inclusive counter-vision to Bretton Woods free-trade hegemony, western labor and social-democratic representatives turned to various forms of protectionism. Beginning with fears around its domestic textile and steel industries, the U.S., for example, secured temporary, “voluntary” export restraints from competitors like Japan, while continuing tariff reductions (as in the Trade Act of 1974) were accompanied by expanded trade adjustment assistance for industries (and workers) hurt by “fair” competition, even as U.S. labor partisans proposed but failed to advance far more drastic restrictions on trade like the Burke-Hartke bill of 1972.⁷⁵ Aside from their general inefficacy—always threatening reciprocal recrimination and a souring of international relations among trading partners--the unilateral protectionist measures politically positioned organized labor and its allies as provincial if not revanchist naysayers to a seemingly inevitable, ever more integrated world economy.

⁷³ Ibid., Munro, 4.

⁷⁴ Ibid., Herbert (Hano) Smith, “Immigration Policy and Migrant Workers,” 199-212; Everett M. Kassalow, “Multinational Corporations and Their Impact on Industrial Relations,” 399-418.

⁷⁵ Canto, 683-86.

In the end, we might ask, how much were western labor and social-democratic forces hoist on their own petard when it came to the depredations of neoliberalism? It is surely not fair to paint them as naifs in certain areas of the regnant, corporate-dominated world economy. The moves towards privatization, fiscal austerity, and financialization (or effective deregulation of banking and insurance sectors)—all surely critical to neoliberalism—have occurred only over the ‘dead bodies’ of trade union opposition and frustrated socialist, labour, or (in the U.S.) left-liberal legislators. In short, to paint “labor” as losers in these areas is not to tar them as collaborators in their own destruction. Yet, the contribution, even centrality, of free trade to the creation of the current global order also cannot be denied. And on this issue, at least, the intellectual and political Left seems to have been caught largely unawares. In particular, freer trade between the West and the Global South provided a happy prospect so long as the main manufacturing products were heading south but not so happy once global manufacturing platforms, taking advantage of cheap labor as well as the communications and transportation revolution, reversed the product flow. With few exceptions, therefore, no one pushed past the initially rosy prospects and returns from an open trading economy in the early postwar years to demand governing principles (as was done with world currencies, for example) that might have subsequently cushioned whole industries, regions, or nations from sudden and catastrophic social disruption.

Only with rising alarm since the 1990s about the uneven consequences of ‘globalization,’ especially for workers across the developed western countries, have ‘progressive’ drafters of international trade policy attempted to offer palliative correctives to the structural foundations of world trade agreements. The labor and environmental side-agreements to the 1994 NAFTA did constitute a symbolic breakthrough, but practically speaking, as the conservative, pro-free trade Heritage

Foundation recognized at the time, were “largely meaningless.”⁷⁶ Political skepticism towards free trade pacts, to be sure, has only grown in the intervening years. Right-wing populism, triumphant in the U.S. presidential election of 2016 and manifest as well across Europe, inevitably looks to nationalist as well as nativist solutions to economic distress. Against rising anti-globalization emotions, then-President Barack Obama thus argued in vain in October 2015 that the tentative TPP agreement--stipulating minimum wage, working hours and occupational safety regulations among twelve countries, including the U.S., Canada, Mexico, Japan, and Australia, and additionally, enhanced union rights in Vietnam, Malaysia, and Brunei-- went further on labor standards than any previous trade pact.⁷⁷ Yet whether such measures could ever stem a tide of declining union influence and off-shoring of employment in the increasingly ‘post-industrial’ West seems dubious. Even as the terms of world economic integration emerge, for the first time in some respects, under critical scrutiny, the organized agents of workers’ power are weaker than ever. Rather than an up-and-down vote on one more multilateral trading arena, what is needed is a more comprehensive set of principles that apply to all agreements affecting trade, economic growth, worker welfare, and the environment—in short, a revised and sustainable Bretton Woods for the twenty-first century. “Global governance,” as Turkish political economist Dani Rodrick has put it, “should focus on enhancing democracy, not globalization.”⁷⁸

With a few singular exceptions, like the “positive approach” of the Australian delegates at Bretton Woods in 1944 or the push for an ITO the following year, world

⁷⁶ Wesley R. Smit, “Assessing the NAFTA Side Agreements,” Sept. 30, 1993. <http://www.heritage.org/research/reports/1993/09/bg960nbsp-assessing-the-nafta-side-agreements>

⁷⁷ Editorial, “Pacific Trade and Worker Rights,” New York Times, Nov. 21, 2015.

⁷⁸ Dani Rodrick, “Put Globalization to Work for Democracies,” New York Times, Sept. 18, 2016.

economic integration proceeded heedless of any systematic, legislative concern for employment and worker living standards. Some of the loudest cheerleaders of the new world order that first dramatically made itself known in the 1970s were the West's own trade union liberal and social democratic leaders whose members would also ultimately pay the highest price for global market integration. In particular, the isolation of trade from other crucial economic issues should likely be considered one of the pivotal explanations for the ultimate decline of 'social democracy' as a credible political alternative within an expanding global economy.
