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Warren I. Cohen

Excerpt

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PART I

THE COLD WAR

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P R E L U D E

The late 1940s marked the origin of what the journalist and political philosopher Walter Lippmann called, in 1947, the “Cold War,” denoting the emerging confrontation between the United States and the Soviet Union.¹ The term remained in use as a shorthand description of Soviet-American relations and an explanation of most of American foreign policy until 1989 or 1990. Culminating in the reunification of Germany, the events of those two years signaled the Soviet Union’s surrender of much of what it had struggled to achieve, allowing the United States to proclaim itself the victor – and requiring American leaders to find a new rationale for the use and abuse of American wealth and power.

World War II ended in the summer of 1945, and the Korean War began in the summer of 1950. The United States and the Soviet Union spent much of the intervening five years defining their postwar relationship. Each nation pursued its vision of world order, exploring the possibilities of cooperation in achieving its goals, and testing the limits of the other’s tolerance in pursuit of unshared goals. Each exploited the extraordinary opportunity to extend its influence in the vacuum created by the defeat of Germany and Japan and the decline of British power. Each found important allies, although much of the rest of the world proved less malleable than leaders in Washington and Moscow had imagined. They succeeded, nonetheless, in achieving most of their principal objectives, including a rough settlement of the major issues that divided them, and they provided for themselves whatever might

¹ First use of the term *cold war* is usually credited to Herbert Bayard Swope, a publicist employed by Bernard Baruch.

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Prelude

pass for security in a world over which hung the shadow of nuclear holocaust. They maintained an uneasy, but hardly threatened, peace between them. And they might well have devoted their energies in the 1950s and afterward to much-needed internal improvements, had Soviet adventurism in Korea not intensified the fears and reinforced the arguments of those American leaders who insisted that preparation for a military resolution of Soviet-American differences was essential.

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I

AT WAR'S END

Visions of a New World Order

Allied forces returned to France in June 1944 and were soon battling their way inland from the Normandy beaches. In Washington, President Franklin D. Roosevelt knew that the defeat of Germany was on the horizon, the fall of Japan not far beyond. His thoughts and those of other American leaders, in and out of government, turned increasingly to the postwar world: What legacy would he leave the American people? How could he and his associates ensure an enduring peace and a prosperous America? What lessons could be learned from past failures, especially those that had followed World War I: the inability to stop the economic misery and aggressive violence of the 1930s?

Roosevelt and his colleagues expected the United States to emerge from the war as the greatest power on earth. And after this war, unlike the aftermath of World War I, they were determined to assert American leadership. This time they would create a world order conducive to the interests of the United States, a world order that would allow it to increase its wealth and power and carry its values to every corner of the globe. There would be no shirking of the responsibilities of power. The United States would provide the leadership necessary to create a liberal international economic order, based on free trade and stable currency-exchange rates, providing a level of prosperity the peoples of the world had never known. The United States would provide the leadership necessary to prevent the resurgence of German or Japanese power or the rise of others who might emulate Hitler and the Japanese militarists.

Typically, Roosevelt left the details of implementation to others, especially technical economic details. The balance among his economic advisers had shifted from the nationalists who had dominated

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in the dark days of 1933 to Cordell Hull at the Department of State and Henry Morgenthau at the Treasury. Hull, Morgenthau, and their aides were committed to the vision of the French philosophers of the Enlightenment, as explicated by Woodrow Wilson: Economic nationalism led to war; free access to markets and raw materials removed a major obstacle to peace. The beggar-thy-neighbor practices of the 1930s, the economic warfare practiced by the Nazis, had produced untold human misery, much evident even before the shooting started.

As early as 1936, Hull and Morgenthau had begun redirecting American foreign economic policy toward cooperation on currency exchange rates and nondiscriminatory trade patterns. They steered the United States into a tripartite agreement with Britain and France to stabilize currency values – a course Roosevelt had rejected in 1933. Hull's reciprocal trade agreements were designed similarly to open doors and expand international commerce.

In August 1941, as Roosevelt and Winston Churchill produced the Atlantic Charter, ostensibly an eloquent description of the aims of those who resisted Hitler, their aides fought below decks, where the Americans attempted to force their desperate British friends to surrender the system of imperial preferences that favored British trade, discriminating against all others, within the British Empire. Similarly, when the terms of the Anglo-American mutual aid pact, or “lend-lease” agreement, of 1942 were negotiated, American negotiators remorselessly pushed British supplicants a step further toward the multilateral, nondiscriminatory postwar economic order Hull and Morgenthau were determined to create.¹

The apotheosis of the American vision emerged from the Bretton Woods (New Hampshire) Conference of 1944. In July of that year the representatives of forty-four nations agreed to the outline of a postwar monetary system. American officials, specifically Roosevelt, Morgenthau, and his principal deputy at the Treasury Department, Harry Dexter White, perceived the conference and the agreements they sought as the economic basis for the postwar operation of the Grand Alliance. Economic interdependence, a shared stake in a postwar

¹ Roy F. Harrod, *The Life of John Maynard Keynes* (New York, 1951), 510–14; Richard N. Gardner, *Sterling-Dollar Diplomacy*, expanded edition (New York, 1969), 40–53, 56–68; Gabriel Kolko, *Politics of War* (New York, 1968), 248–50.

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economic order, would bind Great Britain, the Soviet Union, and the United States in peace, as fear of Hitler had brought them together in war. The cooperation of the British, the world's leading traders, whose pound sterling, like the dollar, constituted a basic currency of international trade, was perceived by American leaders to be essential. The Bretton Woods Conference quickly became a negotiation between White for the Americans and John Maynard Keynes, representing Great Britain. Officials of the Soviet Union participated, but, as a nation committed to state-controlled trade, the Soviets were less interested in the details of the agreement than in demonstrating their great-power status and their willingness to work with their allies to eliminate trade and currency issues as causes of international tension. Eager to keep them on board, White indulged them from time to time, but the Soviets were peripheral to what was primarily an Anglo-American show.²

The principal goal at Bretton Woods was the creation of mechanisms for assuring stable exchange rates to facilitate the expansion of international trade. The participants created an International Monetary Fund (IMF), designed to provide member nations with assistance whenever their balance of payments (the balance between funds coming in through exports, services, tourism, remissions, etc., and funds expended for imports of goods or services, overseas travel, investments by one's own nationals, etc.) was in deficit. A second institution, a bank for reconstruction and development, which came to be known as the World Bank, was intended to provide or guarantee loans in situations private bankers might find unattractive. In addition, beyond the scope of the conference, the planners envisioned an international trade organization that would gradually eliminate restrictive trade practices. The United States, as the wealthiest nation in the world, with an economy that had rebounded from the Depression and manifested extraordinary productivity during the war, would provide much of the funding required by these institutions – and maintain a proportionate share of control over their activities. There was never any doubt, in Washington or abroad, that the Bretton Woods system was designed to serve the long-term interests of the United States, at least as perceived by the New Deal

² Gardner, *Sterling-Dollar Diplomacy*, 11–12; Alfred E. Eckes, Jr., *A Search for Solvency: Bretton Woods and the International Monetary System 1947–1971* (Austin, Tex., 1975), 139–64; Harrod, *Keynes*, 525–85.

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coalition, the combination of economic forces prevailing in Washington at that time. In general, however, in a willing suspension of disbelief, the leaders of other nations accepted the idea that the system that was good for America would be good for the world; that the world would benefit from the responsible and generous position to which the United States had committed itself. Lord Keynes would have done things rather differently, but he was not distressed by the outcome.

On the other hand, Keynes and White, the other participating planners, and knowledgeable bankers and economists who had not been invited to Bretton Woods, understood that the new liberal international trading order would not materialize the day after the war ended. They were committing their countries to a goal whose realization would have to be postponed until the exigencies of reconstruction had been met. In retrospect it seems clear that the Americans, at least, had underestimated the damage war had inflicted on the British economy, the general problems and costs of postwar reconstruction, the needs of developing countries, and the opposition to an international trade organization designed to dismantle protectionist structures. Certainly few if any among them imagined that it would be 1958 before anything approximating full currency convertibility could be instituted – and even then for only that part of the world that looked to the United States for protection.

Roosevelt, Hull, and Morgenthau were very much aware that their plans for multilateral free trade would face opposition at home; that free enterprise ideologues would resent this further intrusion of the government into economic affairs; that bankers would be apprehensive about government competition for overseas loans; that protected industries and especially those that had long since lost hope of comparative advantage would oppose trade liberalization and might well be supported by some labor organizations; that men and women uneasy about American involvement in world affairs would be unwilling to accept the leadership role projected. In fact, the Bretton Woods agreements constituted a classic case of preemption, of an attempt to commit the nation to the desired role, to a particular international economic regime, before the opposition had the opportunity to act. For all its power internationally, the American government could be thwarted relatively easily by domestic special-interest groups, each with its own conception of what was best for the nation. Indeed, however successful

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Roosevelt and his colleagues were in committing the United States to their vision of an international economic order, they failed to persuade Congress to create an international trade organization, and settled for less funding and less altruism than they had hoped.³

Although their success was incomplete, their timetable askew, with the general ratification of the Bretton Woods agreements by December 1945, American leaders had succeeded in launching the world on a new order of their design, based on what the historian Michael J. Hogan has called the “New Deal synthesis.”⁴ The stalwart forces of economic nationalism had been driven back, and much of the trading world committed to the liberal program. The emphasis would be on increasing trade, increasing productivity, on a larger share for everyone rather than a struggle to redistribute existing wealth. Government, business, and labor would work in tandem to realize the new order. When the deadline for ratification was reached, the Soviet Union held back, but its trading role was minor, its interest in the Bretton Woods regime never more than marginal, its absence regretted, but not enough to spoil the party.

If Roosevelt left much of the economic planning to lesser figures in his administration, he was deeply engaged in the political and strategic planning for the postwar world – although attention to detail was not his forte here either. Central to his thoughts was the conviction that a condominium of the great powers – the United States, Great Britain, and the Soviet Union – was essential to keep the peace, to prevent future acts of aggression. He committed himself to the United Nations Organization, to an international organization, primarily to soothe public opinion and the Wilsonians around him – to demonstrate American willingness to accept participation in and leadership of the postwar world – but he had few illusions about a future in which the Big Three did not cooperate. He knew the British could be difficult: Keynes had been tenacious in protecting the pound and British markets, Churchill no less so when prodded on freedom for the colonies. But Churchill and Roosevelt had developed a personal friendship, and their countrymen drew deeply from a well of shared values. Stalin and the Soviet Union

³ Eckes, *A Search for Solvency*, 165–202; John H. Williams, *Postwar Monetary Plans and Other Essays* (New York, 1947); Gardner, *Sterling-Dollar Diplomacy*, 129–44.

⁴ Michael J. Hogan, *The Marshall Plan* (Cambridge, 1990), 12–18.

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were more of an enigma. Soviet and American statesmen were still circling each other warily, mistrustful after a generation of enmity, which Hitler had forced them to shelve. But the Soviet Union and the United States had no vital interests in conflict, cooperation would be nearly as urgent after victory, and Roosevelt was confident that he and Stalin could find a way to sustain it.⁵

When the Big Three met at Tehran in November 1943, and throughout 1944, Stalin's anxieties had been evident, his fear of a resurgent Germany palpable. Roosevelt shared Stalin's apprehensions and unhesitatingly offered his assurances that the steps necessary to prevent a postwar resurrection of German power would be taken: Germany would be subdued, pacified, and perhaps even dismembered. Stalin's security concerns in Eastern Europe were marginally more troublesome. Certainly he was entitled to a buffer of not unfriendly nations on Soviet borders, to what some would call a "sphere of influence." The Soviet desire to rearrange Poland's geographic position, to move the country some distance to the west – at Germany's expense, and to the advantage of the Soviets who would annex a slice of eastern Poland – would surely upset the Poles. It would likely upset Cordell Hull and a host of other Americans religiously committed to the principle of self-determination. But if some modest rearranging of the map was all that was necessary to bind the Big Three in peace, it was hardly too high a price to pay. Certainly Roosevelt would not scruple to barter German for Polish real estate, though he had title to neither, in the name of world peace. The Poles, to be sure, had the right to self-determination, which was still possible, albeit with minor territorial adjustments. On the other hand, the Soviet Union had won the right to secure borders. Rather than a case of right versus wrong, Roosevelt saw a matter of conflicting rights, in which the Soviet need took precedence, especially while the Red army bore the burden of the battle against Hitler's Wehrmacht.⁶

The Polish question posed a domestic political problem for Roosevelt, which he assumed he could finesse. If Polish Americans concluded he was betraying Poland, they might well desert the Democratic party,

⁵ Robert Dallek, *Franklin D. Roosevelt and American Foreign Policy, 1932–1945* (New York, 1979), 282–4, 317ff.; Herbert Feis, *Churchill, Roosevelt, and Stalin* (Princeton, 1957), 121–4, 269–79, 596–9.

⁶ John L. Gaddis, *The United States and the Origins of the Cold War* (New York, 1972), is most persuasive on this issue.