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The United States and the Cold War

Four Ideas that Shaped the Twentieth-Century World

Jeremi Suri

American foreign policy in the Cold War promoted a series of ideas that were frequently misguided, and often quite harmful. At the end of the Second World War, for example, the United States invested in global industrial development, on the model of the Tennessee Valley Authority and comparable big domestic public works. David Ekbladh, Nick Cullather, and others have shown how this internationalization of the New Deal damaged many of the societies it hoped to serve.¹ Similarly, in the 1960s the United States merged ideas of development and counterinsurgency to redesign “backward” villages—“strategic hamlets”—in Southeast Asia for “modern” security and prosperity. Michael Latham, Philip Catton, and others have analyzed how these American rural projects exacerbated the very communist threats that policymakers in Washington hoped to forestall.²

This process continued through the last decade of the Cold War, when President Ronald Reagan pledged to mobilize American technology to create an impregnable space shield against nuclear attacks—the Strategic Defense Initiative. Despite billions of dollars in spending, the United States never

¹ See David Ekbladh, *The Great American Mission: Modernization and the Construction of an American World Order* (Princeton, NJ: Princeton University Press, 2010); Nick Cullather, *The Hungry World: America's Cold War Battle against Poverty in Asia* (Cambridge, MA: Harvard University Press, 2010).

² See Michael E. Latham, *The Right Kind of Revolution: Modernization, Development, and US Foreign Policy from the Cold War to the Present* (Ithaca, NY: Cornell University Press, 2011); Philip E. Catton, *Diem's Final Failure: Prelude to America's War in Vietnam* (Lawrence, KS: University Press of Kansas, 2002).

managed to build the nuclear shield. Like the previous promises of global industrial development and rural modernization, the Strategic Defense Initiative was an idea that overextended American resources, underserved the promised beneficiaries, and antagonized many American adversaries. Big dreams were alluring to self-confident Americans in the Cold War, but they frequently had nightmarish implications.³

For more than a decade, historians have made a career of identifying, deconstructing, and ultimately condemning the intellectual orthodoxies that underpinned America's misguided Cold War dreams. Scholars have exposed how naïve, ahistorical, and self-serving assumptions about "development," "modernization," "civilization," and even "health," encouraged intervention, violence, and authoritarianism—exactly the opposite of the aims American policymakers claimed to serve.⁴ Another group of writers has furthered this cultural "outing" of American foreign policy, focusing on the racist and sexist underpinnings of policies that encouraged particular kinds of nationalism and statehood in former colonial areas. America's liberal democratic promises, according to these authors, exported racist and chauvinist practices to societies in transition. Reading this exciting and innovative new work, one might conclude that American foreign policy in the Cold War was intellectually bankrupt. Many historians clearly believe just that.⁵

This chapter will make a very different argument. Despite all the misguided and harmful ideas promoted by the United States, American foreign policy during the Cold War contributed to the spread of four basic propositions that, on the whole, enhanced global peace and prosperity. These propositions were not unique to the United States or the post-1945 years. They were empowered internationally, however, by an American government with global capabilities and commitments that knew few previous historical parallels, at least since the growth of British influence in the late eighteenth and early nineteenth centuries.

³ See Sanford Lakoff and Herbert F. York, *A Shield in Space? Technology, Politics, and the Strategic Defense Initiative* (Berkeley, CA: University of California Press, 1989); Frances Fitzgerald, *Way Out There in the Blue: Reagan, Star Wars, and the End of the Cold War* (New York: Simon & Schuster, 2000).

⁴ See James C. Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (New Haven, CT: Yale University Press, 1998); Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of our Times* (Cambridge: Cambridge University Press, 2005); Matthew Connelly, *Fatal Misconception: The Struggle to Control World Population* (Cambridge, MA: Harvard University Press, 2008); Bradley R. Simpson, *Economists with Guns: Authoritarian Development and US-Indonesian Relations, 1960-1968* (Stanford, CA: Stanford University Press, 2008).

⁵ See Douglas Little, *American Orientalism: The United States and the Middle East since 1945* (Chapel Hill, NC: University of North Carolina Press, 2008); Petra Goedde, *GIs and Germans: Culture, Gender, and Foreign Relations, 1945-49* (New Haven, CT: Yale University Press, 2002); Victoria de Grazia, *Irresistible Empire: America's Advance through 20th Century Europe* (Cambridge, MA: Harvard University Press, 2005).

First, at the end of the Second World War Americans invested heavily in the belief that *collective security* would best insure against another international apocalypse. The traditional American posture in all previous postwar periods emphasized a mix of unilateralism and isolationism. American institution building, alliance formation, and containment doctrine after the Cold War championed multilateralism. For the first time, the United States prepared to confront foreign threats as part of a permanent set of partnerships that spanned from London and West Berlin, to Tokyo and Seoul.

Second, Americans supported *free trade* across the globe, believing that open competition—not just open markets—would increase everyone's prosperity. Moving far beyond "Open Door" efforts to reach foreign consumers and "Dollar Diplomacy" investments in foreign infrastructure, Americans now cut their own traditional high protectionist walls to spur growth in bi-directional trade volume and spread production—not just consumption—across the globe. Building factories and disseminating innovation for foreign competitors, Americans placed unprecedented faith in the comparative advantages that would come from the economic advancement of all societies. Capitalist competitors would now be friends. Communists and others who rejected free trade were the real enemies.

Free trade, like collective security, was never absolute. The United States continued to maintain high tariffs on many industrial products and luxury items produced abroad. Similarly, the American government offered lucrative financial supports for farmers and numerous manufacturers, protecting their incomes from foreign competition. Overall, American trade policy remained restrictive, but it was still freer than it had ever been before. In comparison to any other period in the country's history, this was a high point for the practice and advocacy of free trade by the United States.

Third, and most often neglected by historians, American policymakers pursued collective security and free trade with a strong commitment to financial *solvency*—the belief that American resources were finite, that budgets had to be balanced, and that too much spending (particularly on the military) undermined domestic dynamism. The American aversion to traditional empire building reflected a belief that empire was simply too expensive. American policy during the Cold War sought influence through preponderance and efficiency. The United States would do more than others because it could, but also because it knew how. Time and again, this meant a preference for technology over manpower, for incrementalism over bold risk-taking.

Fourth, and perhaps most misunderstood, the United States promoted a concept of *democracy*, and a broader free society, to allies and adversaries alike after the Second World War. This was a long-standing vision for global change, now married to unique and unprecedented power. For some

enthusiasts, it appeared that ideals could be made real. For those who were more skeptical, democratic aspirations were unavoidable.

The United States had the extraordinary postwar opportunity to help build participatory, representative, humane governments—especially in Europe and Asia—where they had not existed before. Americans blamed the absence of democracy for the rise of fascism and communism, and they sought to secure themselves by making the world safe for democracy, to paraphrase President Woodrow Wilson’s famous statement. Democratic nation building became a guiding idea for all American foreign interventions. This vision remained powerful, even when policy practice departed from hopes and expectations, as it often did.⁶

Democratic aspirations did not always produce democratic results. The opposite was frequently the case. This contradiction did not reflect a lack of sincerity among Americans, but instead an impatience with the slow and complex paths to change in foreign societies. Too often, Americans supported “strongman” figures who promised a quick and orderly road to reform. Too often, Americans came to believe that long-term democratization was best served by short-term dictatorship. Racism and cultural prejudice contributed to this process with common assertions that particular societies were allegedly “not ready” for democracy and in need of paternalistic guidance.⁷

The strength of American democratic convictions drove anti-communism and interventionism in the Cold War, with very controversial results. The standards of democracy that the United States promoted frequently provided the framework for criticizing Washington’s specific policies. The spread of democracy in the Cold War occurred because of and despite the United States.⁸

These ideas—collective security, free trade, solvency, and democracy—entered a period of collective crisis during the last decades of the Cold War. In the aftermath of détente, the oil crisis of 1973, the unprecedented growth of domestic spending, and the emergence of many new states throughout the “Third World,” Washington found itself more constrained than it had been since the end of the Second World War. Inherited assumptions about alliances, resources, and popular consensus broke down. Cold War lines of

⁶ See President Woodrow Wilson’s Address to Congress, April 2, 1917, available at <http://www.lib.byu.edu/index.php/Wilson%27s_War_Message_to_Congress> (accessed September 26, 2011). See also Jeremi Suri, *Liberty’s Surest Guardian: American Nation-Building from the Founders to Obama* (New York: Free Press, 2011).

⁷ See Robert McMahon, *The Limits of Empire: The United States and Southeast Asia since World War II* (New York: Columbia University Press, 1999); Jeremi Suri, *Power and Protest: Global Revolution and the Rise of Détente* (Cambridge, MA: Harvard University Press, 2003), 131–63; Suri, *Liberty’s Surest Guardian*, 11–46.

⁸ For a thoughtful analysis of American struggles with contradictory aims in the Cold War, see Melvyn P. Leffler, *For the Soul of Mankind: The United States, the Soviet Union, and the Cold War* (New York: Hill & Wang, 2007).

division no longer made as much sense. The global “shock” of the 1970s had lasting effects that historians have only begun to examine.⁹

Despite these fundamental shifts, the four foundational Cold War ideas continued to exert a strong hold on American strategic thinking. Presidents as diverse as Richard Nixon, Jimmy Carter, and George H. W. Bush returned repeatedly to them. Policy planners relied, almost instinctively, on the lessons of the early Cold War. The ideas that shaped the years after 1945 acquired a staying power that they still have not lost. In many ways, President Barack Obama has reaffirmed this conventional wisdom.

What are ideas? Why do they matter for policy?

Collective security, free trade, solvency, and democracy are ideas. They are attitudes, aspirations, and ideal types whose complex practices never match their simple definitions. As ideas, each is based on assumptions that no one can falsify. You either believe in the first principles of each claim, or you do not. Does collective security really make everyone safer? Does free trade really increase prosperity? Are financially solvent societies really more successful than those that are less constrained by economic needs at home? Are democracies really more peaceful?

Most social scientists would respond affirmatively to each of the above questions, but none of us can actually prove our answers, beyond a series of cases selected to demonstrate what we already think. Certainly, if asked these questions in, say 1938, many Americans would answer differently from citizens in 2012. Answers vary with context, and the assumptions that a particular context promotes.

The emergence of an international consensus on collective security, free trade, solvency, and democracy during the Cold War was not preordained. It was, of course, challenged by the Soviet Union and others. Americans never supported these ideas as strongly or as globally before the Second World War. The new consensus was manufactured by elites in Washington and other Western capitals, and it was promoted actively by the United States government from Franklin Roosevelt’s presidency to the present. With historical hindsight, spreading this American dream was the most successful thing that Washington did in the second half of the twentieth century.

⁹ On the “shocks” of the 1970s, see Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent (eds.), *The Shock of the Global: The 1970s in Perspective* (Cambridge, MA: Harvard University Press, 2010); Bruce J. Schulman and Julian E. Zelizer, *Rightward Bound: Making America Conservative in the 1970s* (Cambridge, MA: Harvard University Press, 2008).

This argument requires a few caveats. The consensus on collective security, free trade, solvency, and democracy was not hegemonical, in ways that many scholars use the term. Other contrary ideas—communism, Keynesianism, import-substitution, environmentalism, even enlightened authoritarianism—continued to challenge these propositions into the present day. Although the application of these ideas in the Cold War correlates with relative peace and expanding prosperity in many parts of the world, it surely does not mean that they are the “correct” ideas, or that they have some special purchase on the “truths” of history. Just as these ideas looked suspect to many well-informed observers in 1938, they may appear wrong-headed again in the future. The American-supported consensus on collective security, free trade, solvency, and democracy did not mark an “end of history.”

To say that these ideas contributed to American successes, as they did, is not to say that these ideas or their promoters “won” the Cold War. Ideas do not win or lose wars any more than they win or lose political debates. Collective security, free trade, solvency, and democracy helped Americans to take advantage of unique opportunities and deflect dangerous challenges in the second half of the twentieth century. The application of these ideas, in the peculiar circumstances of the time, enhanced American power with manageable costs. The promotion of these ideas, by a select group of leaders, served American interests, as well as the interests of America’s closest allies.

The foundational ideas behind American Cold War policies were well matched to the capabilities and desires of the American people. The ideas were practical and they resonated with popular fears and demands after 1945. More than anything, that is what made the Cold War a sustainable struggle for an American society notoriously fickle in its international commitments. The match between circumstances and ideas allowed the United States to maintain a consistent and successful Cold War grand strategy.

Grand strategies are built on ideas that serve a purpose in a particular historical epoch. Grand strategies are always dreams promoted for national gain. They rarely endure for more than a few decades, as American leaders have learned in the early troublesome years of the twenty-first century.

Collective security

Before the Second World War, Americans had never accepted the idea of collective security. As C. Vann Woodward famously explained, citizens of the United States presumed that they would benefit from “free security”—separation from European great power politics, abundant land and resources, and national self-reliance without dependence on foreign assistance.

The United States would not tie its security to any collective multinational arrangements; it would protect itself and promote its interests unilaterally.¹⁰

American foreign policy developed with precisely these assumptions during the nineteenth and early twentieth centuries. In the formulation of the Monroe Doctrine, Secretary of State John Quincy Adams rejected any coordination with Great Britain, choosing a strong and unilateral American statement instead. In 1899 and 1900, Secretary of State John Hay's famous Open Door Notes rejected a collective imperial enterprise in Asia, demanding space for free and equal efforts by different nations seeking access to the China Market. Even President Woodrow Wilson, the first major American advocate of collective security, refused to make the United States an official ally of Great Britain, France, and Italy in the First World War. Wilson proclaimed that Americans would maintain their traditional independence as they joined the European soldiers on the battlefields; the United States remained only an "associate power." The US Senate's rejection of the Paris Peace Treaty, and the League of Nations in particular, reaffirmed the American aversion to serious collective security efforts.¹¹

The Second World War marked a fundamental shift in American thinking. Fighting fascist powers on two fronts in the wake of a debilitating economic depression, Americans realized that they could no longer go it alone. They needed collective responses to common threats. They needed partners and alliances. They even needed to compromise with communist figures, like Soviet dictator Josef Stalin. The Grand Alliance in the Second World War was the first serious American experience with collective security.¹²

The entire ethos of the New Deal was about building collective capacities—at home and abroad—where they had not existed before. The alphabet agencies created in somewhat chaotic fashion by President Roosevelt did one thing in common: they pooled government resources and they mobilized citizens to address economic dislocations in a cooperative spirit. They transformed a free market society with a very small federal government into a much more regulated and purposely interconnected community of peoples, working together as they had not done before.¹³

¹⁰ C. Vann Woodward, "The Age of Reinterpretation," *American Historical Review*, 66 (October 1960), 1–19.

¹¹ On these and related American efforts to promote national interests and reject collective security, see Walter McDougall, *Promised Land, Crusader State: The American Encounter with the World since 1776* (New York: Houghton Mifflin, 1997); George Herring, *From Colony to Superpower: US Foreign Relations since 1776* (Oxford: Oxford University Press, 2008).

¹² See Robert Divine's classic work, *Second Chance: The Triumph of Internationalism in America during World War II* (New York: Atheneum, 1967).

¹³ See, among many others, Jason Scott Smith, *Building New Deal Liberalism: The Political Economy of Public Works, 1933–1956* (New York: Cambridge University Press, 2005).

As David M. Kennedy and other historians have shown, this New Deal spirit carried into the fighting of the Second World War and the postwar order. In 1945, unlike in 1919, Americans were more comfortable with collective security than ever before. Collective action and cooperative deliberation had, over the course of the previous decade, become part of “normal” politics. Franklin Roosevelt’s enduring popularity was, above all, his embodiment of this perspective.¹⁴

The American commitment to collective security at the end of the Second World War endured throughout the Cold War. If anything, historians have underestimated this attitudinal continuity, and overemphasized a break in the origins of the Cold War. American policies were much more expansive after 1945, and they addressed many new challenges (especially nuclear weapons), but they grew from an ideological seedbed planted a decade before.

Melvyn Leffler and others have pointed to the fears of a postwar depression that motivated policymakers in the Cold War. Strategies of preponderant power, designed to insure economic sustenance, were also strategies of collective action to insure against the isolation of American society and the growth of external challengers. For the generation that lived through the 1930s and the 1940s, it was obvious that “saving capitalism” meant building cooperative institutions that enhanced, but also committed, American power. The United Nations, the International Monetary Fund, and the World Bank were international expressions of this New Deal attitude. American support for the European Reconstruction Program (the Marshall Plan), the European Coal and Steel Community, and similar reconstruction and integration efforts in Asia, were productive spillovers of the newfound emphasis on collective security. American support for these institutions—each and every one of them—was unthinkable in the previous decades of “free security.” Its support, often at great cost to a still precarious postwar economy, committed the country to the common advancement of its foreign allies as never before.¹⁵

Cold War containment doctrine and its foremost practitioners embodied collective security as well. In rejecting all-out warfare or traditional negotiations with adversaries, George Kennan’s original ideas called for a unified “Western” anti-communist stand against Soviet expansion. Kennan

¹⁴ See David M. Kennedy, *Freedom From Fear: The American People in Depression and War, 1929–1945* (Oxford: Oxford University Press, 1999).

¹⁵ See Melvyn Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA: Stanford University Press, 1992). See also Geir Lundestad, “Empire” by Integration: *The United States and European Integration* (Oxford: Oxford University Press, 1998); G. John Ikenberry, *After Victory: Institutions, Strategic Restraint, and the Rebuilding of Order after Major Wars* (Princeton, NJ: Princeton University Press, 2001), chapter 6; Elizabeth Borgwardt, *A New Deal for the World: America’s Vision for Human Rights* (Cambridge, MA: Harvard University Press, 2005); Paul Kennedy, *The Parliament of Man: The Past, Present, and Future of the United Nations* (New York: Random House, 2006).

counseled, above all, for reconstruction, cooperation, and coordination between the United States, Great Britain, West Germany, Japan, and others. He sought to create a collective deterrence that would restrain and slowly demoralize the enemy. He also expected that an impressive collective Western posture would attract adherents who initially showed communist leanings. Josip Broz Tito of Yugoslavia, and his 1948 break-up with Stalin, was Kennan's primary example of this phenomenon.¹⁶

Kennan's successors—Paul Nitze, Dean Acheson, John Foster Dulles, Henry Kissinger, Zbigniew Brzezinski, and Brent Scowcroft—greatly expanded the global reach of containment, but they remained true to the reliance on collective deterrence in combating communist advances. Containment gave the United States an international leadership role, but it demanded multilateral action. By the middle of the Cold War, this motivated the United States to finance and defend a series of undemocratic regimes in Asia, Africa, and Latin America. Although these regimes were often a clear affront to American values, they promised to support collective responses to Soviet, Chinese, and Cuban interventions. Perversely, Washington's obsession with collective responses to communism motivated support for brutal authoritarians, including Syngman Rhee, Ngo Dinh Diem, the Shah of Iran, and Augusto Pinochet, among many others.

By the 1960s critics on the political Left and Right longed for a return to the moral simplicity of "free security." When Americans acted alone, they did not have to make deals with devilish figures, they did not have to compromise their values for the sake of security, and they did not have to defend faraway regimes. Integrated into a world of collective institutions, Americans lost their independence, their moral clairvoyance, and their ethical exceptionalism. The United States made the kinds of *Realpolitik* compromises familiar to other great powers in prior eras. This phenomenon showed the dynamism of American foreign policy, but it never sat well with idealists (especially scholars) at home and abroad.¹⁷

Despite the criticisms of the United States, especially in the aftermath of the Vietnam War, collective security contributed to Washington's enduring strength throughout the Cold War. The United States nurtured a series of alliance relationships, particularly in Europe and East Asia, that provided necessary resources, ingenuity, and popular support for containing communist advances. Cooperative institutions, like the United Nations and the International Monetary Fund, helped to manage collaboration between the United

¹⁶ See John Lewis Gaddis, *Strategies of Containment: A Critical Appraisal of American National Security Policy During the Cold War*, revised edition (New York: Oxford University Press, 2005), chapters 2–3.

¹⁷ See Suri, *Power and Protest*, chapters 3 and 5.

States and other nations, forestalling potential political and economic crises. Most important, collective security contributed to transnational and interpersonal familiarities that motivated many of America's harshest critics to see a common purpose in supporting US programs. The American commitment to collective security gave Washington a clear "soft power" advantage over Moscow.

Ironically, the individualistic sensibility of the United States in the Cold War supported more effective collective security measures than the communal ethic of the domineering Soviet leadership. Soviet collectivism looked like imposition and tyranny to many allies. Who would have guessed that capitalists were better international collectivists than communists?

Free trade

Along with collective security, the United States pursued global free trade after the Second World War on an unprecedented scale. This did not mean a complete elimination of trade tariffs, even within the United States. It did, however, mark a new commitment to the denationalization of economic production. In combating an anti-capitalist enemy that sought central control over all means of production, Americans made the remarkable decision to spread production capabilities to the largest number of possible places around the globe. From the Marshall Plan and Point Four, to the growth of foreign direct investment in the 1980s, this is what Americans really meant by "development": the creation of a global industrial workshop that would manufacture goods (and knowledge products) with true comparative advantage.¹⁸

Despite prior invocations of free trade, this was a radical idea in its time. Until 1945, most Americans presumed that national strength required a centering of big industry within the United States. Many foreign counterparts thought in similar terms. Foreign markets for resource extraction and the sale of finished products were a traditional goal, but production remained largely homebound. Profits accrued most directly to the domestic producers, not the foreign resource suppliers or consumers. This was the model for the "imperialism of free trade" that, according to Ronald Robinson and John Gallagher, fueled the wealth of the Victorian British Empire. This was also the economic

¹⁸ On this general argument, and its connection to the end of the Cold War, see Stephen G. Brooks, *Producing Security: Multinational Corporations, Globalization, and the Changing Calculus of Conflict* (Princeton, NJ: Princeton University Press, 2005).

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model that J. A. Hobson and Vladimir Lenin had in mind when they penned their famous criticisms of capitalist exploitation.¹⁹

The Cold War transformed capitalism. It globalized production, with direct American support. For the first time, the United States invested heavily in factories and other industrial capacity in distant countries—first Western Europe and Japan, then South Korea, Taiwan, and other emerging economies. Through the International Monetary Fund and the World Bank, the United States and its allies also created an international lending system to encourage local investments in production, and the associated laws of contract, property, and exchange that would fuel capitalist development. Instead of rival empires, American-sponsored free trade created one common system of exchange. According to the Bretton Woods System, and its successors, the dollar became the reserve currency of the world, the guarantor of value in production and exchange across diverse territories.²⁰

The spread of dollars through free trade had advantages and disadvantages for Washington. It gave the United States an ability to generate liquidity for investment, especially after 1971, when President Richard Nixon ended convertibility to gold. Since foreign countries held dollars in reserve, the United States could print more, and finance debt, at reduced cost. In return, however, Washington was constrained by the need to exchange its dollars for valuable goods and specie, on demand from foreign holders. As Americans spent more on bases and businesses in Europe and Asia during the 1960s, the country risked a shortage of its own money to cover its growing costs. Policymakers feared the political consequences of pulling their money out of allied economies, but they also confronted ever-growing shortfalls that demanded deficit spending on a scale unprecedented, by the 1970s, for the United States in peacetime. The dollarization of a global free trade economy opened the world, including the United States, to new dependencies.²¹

Despite the obvious wealth creation, free trade required real sacrifices that Americans, among others, endured in the Cold War. Americans had never accepted these sacrifices before. In particular, the United States reduced its tariffs on foreign-produced goods to historical lows, lifting the long-standing protections that the federal government had maintained, until the 1930s, to

¹⁹ See John Gallagher and Ronald Robinson, "The Imperialism of Free Trade," *The Economic History Review*, Second series, 6:1 (1953); J. A. Hobson, *Imperialism: A Study* (1902), available at <<http://www.marxists.org/archive/hobson/1902/imperialism/index.htm>> (accessed June 3, 2011); Vladimir Lenin, *Imperialism: The Highest Stage of Capitalism* (1917), available at <<http://www.marxists.org/archive/lenin/works/1916/imp-hsc>> (accessed June 3, 2011).

²⁰ See David Reynolds, *One World Divisible: A Global History since 1945* (New York: W. W. Norton, 2000), especially chapter 14; Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, 2nd edition (Princeton, NJ: Princeton University Press, 2008), chapters 4–5.

²¹ See Francis J. Gavin, *Gold, Dollars, and Power: The Politics of International Monetary Relations, 1958–1971* (Chapel Hill, NC: University of North Carolina Press, 2006); Eichengreen, *Globalizing Capital*, chapters 4–5.

subsidize domestic industry. For more than a century, Washington had relied on very large tariffs to finance the federal budget and to support internal development. For the sake of spreading production and wealth, and combating communism, Americans quickly reversed this equation. With reduced industrial tariffs, US companies faced more intensive foreign competition in their own markets, US workers often lost their jobs to foreign counterparts, and the permanent burden for financing growing federal expenditures shifted decisively from tariffs to personal income taxes. Yes, Americans agreed to pay more taxes for a high production-high consumption world of free trade in the Cold War.²²

Initially after the Second World War the United States imported inexpensive products, but by the 1960s free trade meant that cars, appliances, and high-end machinery arrived from abroad. Americans became global importers, as well as exporters. They contributed to a new capitalist trading system that greatly increased the circulation of goods, reduced prices through increased competition, and spread wealth across the globe. The countries that opened themselves to new production possibilities after the Second World War, with American assistance, became much wealthier than before. Those that resisted free trade remained poor until they eventually became free market producers themselves. China and India are prime examples of free trade latecomers who have achieved new prosperity.²³

The striking exception that proves the rule is the agricultural sector of the American economy, where politically powerful farm states managed to maintain high tariffs to protect their crop values. A similar process took shape in Western Europe, Japan, and other industrial democracies. As a consequence, industrial trade and growth far exceeded agricultural trade and innovation during the Cold War. American-sponsored free trade brought computer chip factories to Japan and software production centers to India, but it kept agriculture more rooted in traditional territories. The gross inefficiencies in food production and distribution in the twenty-first century are a result of this exception to the free trade trend of the Cold War.²⁴

Global free trade did not necessarily remove the harsh edges from capitalism. In some senses, it exacerbated divisions between rich and poor. Most crucial, however, American-supported efforts to spread capitalist production also spread wealth and empowered new groups of entrepreneurs in numerous

²² See James T. Sparrow, *Warfare State: World War II Americans and the Age of Big Government* (New York: Oxford University Press, 2011).

²³ See Reynolds, *One World Divisible*; Ezra F. Vogel, *Deng Xiaoping and the Transformation of China* (Cambridge, MA: Harvard University Press, 2011), especially 377–714.

²⁴ For an introduction to these very complex agricultural trade and production issues, see Bill Winders, *The Politics of Food Supply: US Agricultural Policy in the World Economy* (New Haven, CT: Yale University Press, 2009).

societies. Free trade was a dynamic system of “creative destruction,” in Joseph Schumpeter’s terms, that undermined efforts at central control by various political elites. Although free trade often hurt American workers who lost jobs to overseas factories, it increased consumption and encouraged innovation. Free trade economies were not more fair, but they were more dynamic than their counterparts.²⁵

The United States did not “win” the Cold War because, as Schumpeter predicted, the development of free trade capitalism was mixed, contradictory, and ever changing. With global competition, the United States economy became more efficient and innovative, but also more susceptible to foreign “shocks” (like the oil shortages of the 1970s) and the comparative advantages of other societies (especially the low labor costs in Asia.) Free trade assured that basic American assumptions about economic growth, market exchanges, and private property would spread. Free trade undermined communist authoritarianism. It was an idea, however, that continued to elicit mixed opinions among Americans. In this controversial context, Washington’s consistent and unprecedented support for free trade throughout the Cold War is quite remarkable—and deserving of more attention from historians.

Solvency

The United States came out of the Second World War with more resources and capabilities than any other society. In a reversal of its position at the start of the twentieth century, the United States was now the largest creditor to the world, controlling the flow of capital to favorable investors. It also produced more than most of its peers combined. The possibilities for American economic dominance were truly unprecedented.²⁶

The devastation of the war destroyed most competitors. It left America’s chief rival, the Soviet Union, in an especially weak economic position. The challenge for the United States was not asserting global predominance, but instead managing the multiplication of foreign obligations and commitments. As never before, Washington found itself occupying and rebuilding societies in Europe and Asia. American forces remained deployed across the globe. Most significant, American aid flowed to all continents, on a scale

²⁵ See Joseph A. Schumpeter, *Capitalism, Socialism and Democracy* (New York: Harper, 1975), especially 82–5, available at <<http://transcriptions.english.ucsb.edu/archive/courses/liu/english25/materials/schumpeter.html>> (accessed June 3, 2011).

²⁶ See Mira Wilkins, *The History of Foreign Investment in the United States, 1914–1945* (Cambridge, MA: Harvard University Press, 2004); Thomas J. McCormick, *America’s Half-Century: United States Foreign Policy in the Cold War and After*, 2nd edition (Baltimore, MD: Johns Hopkins University Press, 1995).

unimaginable before—especially for a generation that came of age in the austerity of the Great Depression. America's economic dominance was still insufficient for the demands of postwar global reconstruction.²⁷

Doing so much in so many places, Americans struggled to cover the costs. Budgeting was a challenge for policymakers throughout the Cold War. As John Lewis Gaddis has shown in his seminal work on the history of containment doctrine, the tension between the ever-growing demands on the United States and the consistent constraints on available resources drove debates about strategy. In a recurring cycle, one presidential administration sought to expand available resources with additional flexibilities; its successor tried to correct for overspending and overcommitment through retrenchment policies that limited expenses. The next administration then reverted to more costly efforts, and the cycle alternating between expansion and retrenchment continued. Budgets cycles in the Cold War drove strategy as much as foreign threat perceptions.²⁸

Scholars have argued that President Dwight Eisenhower was somewhat successful in the 1950s, holding the line on what he described as a creeping “garrison state” if the United States continued to spend too much on foreign aid and defense. The president feared that excessive foreign commitments would undermine domestic growth. Despite his own military background, he believed that a “free society” had to limit the peacetime presence of the American military, and its associated institutions. High military spending was inefficient, wasteful, and unsustainable in Eisenhower's view. The United States had to adjust its foreign commitments accordingly.²⁹

The “New Look” strategy of the 1950s sought to reduce the global American footprint and rely on technology, especially nuclear weapons, to project power on the cheap. Even this disciplined strategy, however, fell prey to continued pressures for increased American spending to combat communism and assure stability in places as distant as South Korea, Vietnam, Lebanon, and the Congo. The United States found that maintaining the technological edge in nuclear weapons and other technologies was very expensive—much more so than Eisenhower expected.³⁰

²⁷ On this point, see Paul Kennedy, *The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000* (New York: Random House, 1987), 357–95.

²⁸ See Gaddis, *Strategies of Containment*.

²⁹ See Robert R. Bowie and Richard H. Immerman, *Waging Peace: How Eisenhower Shaped an Enduring Cold War Strategy* (New York: Oxford University Press, 1998); Campbell Craig, *Destroying the Village: Eisenhower and Thermonuclear War* (New York: Columbia University Press, 1998).

³⁰ The classic analysis of this dynamic toward military expansion, despite Eisenhower's limiting efforts, is David Alan Rosenberg, “The Origins of Overkill: Nuclear Weapons and American Strategy,” in Norman Graebner (ed.), *The National Security: Theory and Practice, 1945–1960* (New York: Oxford University Press, 1986), 123–95.

By the end of the 1950s the United States had what the president himself recognized as an emerging “military–industrial complex,” built under his watch, and entangling the country in arms races and other international dynamics that constrained policy options. Cold War expenditures continued to grow, and the United States could not return to the more restrained and economical strategic posture that fiscal conservatives, like Eisenhower, demanded. Budget cycles bounced between periods of plenty and moments of austerity, but overall spending on foreign and defense activities increased.³¹

American leaders never mastered this dynamic, but they learned to live with it. The big spenders—John F. Kennedy, Lyndon Johnson, and Ronald Reagan—remained attentive to certain limits. They tried to cut costs where they could, and they continued to rely upon the domestic tax base for financing foreign policy expenditures. The budget cutters who feared the smothering effect of a “garrison state”—Harry Truman and Dwight Eisenhower, in particular—continued to spend unprecedented resources on expansive military, economic, and political commitments abroad. As they pinched pennies, Truman and Eisenhower built the nuclear arsenal, with “overkill” capabilities, that became the foundation for American Cold War strategy.³²

The big spenders and the budget cutters similarly balanced growing commitments with vigilance about long-term resource capabilities. They were attentive to maintaining American solvency—the ability of the United States to assure its foreign security without undermining its domestic dynamism. They each found a way to pursue “guns and butter” with reasonable success.³³

This balance between expanding commitments and continued solvency was the greatest source of American strength in the Cold War. It gave Washington the opportunity to recover from mistakes, to adjust to external changes, and to outlast adversaries. This was not a necessary outcome, as anyone who has studied the history of great powers knows. Large resource bases are never sufficient for growing demands. Managing resources to meet foreign commitments without short-changing necessary domestic investments—that is the most difficult challenge confronting any internationally active country. It was a challenge multiplied many times over by America’s superpower status in the Cold War.

The United States had no formula for addressing this challenge. It had no tried and true model. Some observers, like historian Paul Kennedy, believed

³¹ See Gaddis, *Strategies of Containment*, chapter 6.

³² On this last point, see Michael J. Hogan, *A Cross of Iron: Harry S. Truman and the Origins of the National Security State, 1945–1954* (New York: Cambridge University Press, 1998).

³³ See Aaron L. Friedberg, *In the Shadow of the Garrison State: America’s Anti-Statism and Its Cold War Grand Strategy* (Princeton, NJ: Princeton University Press, 2000); Douglas T. Stuart, *Creating the National Security State: A History of the Law that Transformed America* (Princeton, NJ: Princeton University Press, 2008).

that growing American commitments and stagnant budget cycles indicated the United States was, by the 1980s, a country approaching diminishing returns.³⁴ Of course, Kennedy's forecast underestimated the dynamism and discipline that kept American society solvent. Even Ronald Reagan, in the early hawkish years of his presidency, spent far less on the military (as a proportion of gross domestic product) than his predecessors in the 1950s. He also spent far less, proportionally, than his Soviet counterparts.³⁵

Examining the history of the Cold War one must say that the nation's leaders preserved American solvency, despite many pressures. They did it because it remained an idea they never forgot, a guidepost they returned to in every moment of strategic re-evaluation. Election cycles also helped, bringing budgetary issues to public attention and forcing leaders to explain how their strategies preserved national solvency. Every Cold War president had to sell his strategy, at home and abroad, as affordable and sustainable.³⁶

Most great powers are not solvent over the course of a half-century. American solvency was driven by a powerful belief that it mattered, that a vibrant democracy could not leverage its future to fight present-day enemies. Major investments in infrastructure, education, and social welfare programs served short-term needs, but they also reflected a remarkable American commitment to prepare for the future. Drawing on the limited legacy of the New Deal, Cold War policies helped to build the roads, the universities, and the basic programs for human needs in the United States. That was a key part of solvency—expanding capital along multiple dimensions.

The power of solvency as an idea is illustrated best by its striking absence in the early twenty-first century. The term dropped from American strategy around 2000. Reaction to threats and opportunities replaced attention to long-term elements of financial and social health. The United States took on enormous new commitments—including two major wars—without any public discussion of costs, resources, and alternative needs. The War on Terror, unlike the Cold War, was not framed around the basic questions of solvency: How much can we afford? What are our resource limits? What are the necessary sacrifices?³⁷

These questions animated every major re-evaluation of Cold War strategy. The neglect of these questions in the early twenty-first century removed policy

³⁴ Kennedy, *The Rise and Fall of the Great Powers*, 347–535.

³⁵ See the excellent recent dissertation: James Graham Wilson, "Bolts from the Blue: The United States, the Soviet Union, and the End of the Cold War," PhD dissertation, University of Virginia, 2011.

³⁶ See Friedberg, *In the Shadow of the Garrison State*; Julian Zelizer, *Arsenal of Democracy: The Politics of National Security from World War II to the War on Terrorism* (New York: Basic Books, 2009).

³⁷ For a striking examination of American inattention to solvency and cost-benefit analysis, see John Mueller, *Overblown: How Politicians and the Terrorism Industry Inflate National Security Threats, and Why We Believe Them* (New York: Free Press, 2006).

discipline and encouraged unrealistic thinking. Inattention to solvency contributed to an intellectual shallowness that was not present before.

Democracy

Americans have always thought about their foreign policy as an extension of their democracy. The earliest statement of US foreign policy doctrine, George Washington's Farewell Address of 1796, made precisely this point. From Washington through the Cold War, Americans believed that the ultimate purpose of their actions was to expand the virtues of a free society. Until the Cold War, the United States generally pursued the spread of democracy overseas by non-military means—especially commerce, culture, and diplomacy.³⁸ After 1945, however, American leaders married much more military power to this long-standing process. During the Cold War the United States pursued a very muscular form of democratization, with an emphasis on intervention as much as local development.³⁹

The faith that distant and diverse societies would want to embrace the "American way of life" undermined isolationist impulses. Figures like Republican Senator Robert Taft, who doubted the effectiveness of foreign democratization, received little heed as Americans came to believe they had the power to spread their political vision with few limitations. In addition, the feared expansion of communism raised the stakes for those who believed the United States had to support and promote an alternative model. Even for a leader skeptical of foreign interventions, like President Dwight Eisenhower, the risk of Soviet infiltration in Asia, Africa, and Latin America drove a desire to build strong democracies as a necessary bulwark. Democratization in the Cold War was not idealistic; it was a form of communist containment.⁴⁰

For Western Europe and Japan, Cold War democracy provided a foundation for peace, prosperity, and reintegration into the global economy, with extensive American support. Despite the history of fascism and genocide in these regions, the imperative to build democracy encouraged forward-looking efforts at constitution writing, popular political participation, and protection

³⁸ See the classic work by Felix Gilbert: *To the Farewell Address: Ideas of Early American Foreign Policy* (Princeton, NJ: Princeton University Press, 1961). See also Suri, *Liberty's Surest Guardian*, 11–46.

³⁹ See Tony Smith, *America's Mission: The United States and the Worldwide Struggle for Democracy in the Twentieth Century* (Princeton, NJ: Princeton University Press, 1994); Douglas J. Macdonald, *Adventures in Chaos: American Intervention for Reform in the Third World* (Cambridge, MA: Harvard University Press, 1992).

⁴⁰ See John Lewis Gaddis, *The Cold War: A New History* (New York: Penguin, 2005), 5–47; William Hitchcock, *The Struggle for Europe: The Turbulent History of a Divided Continent, 1945–Present* (New York: Random House, 2003), 13–97.

for the rule of law. These were the success stories of postwar nation building.⁴¹

South Korea and Taiwan evaded similar democratizing efforts for the first years of the Cold War, largely because of American dependence on dictatorial figures. By the late 1950s, however, the United States pushed for democratization in these countries as well. For all its tragedies, American policies in the Cold War seeded an impressive string of new democracies that prospered, cooperated, and ultimately defined the last decades of the twentieth century. This was a set of achievements that the communists could not match.⁴²

The American record was, of course, much less favorable in other parts of Asia, as well as most of Africa and Latin America. In these regions the United States failed to follow through on its democratic aspirations. The problem was not lack of effort. In countries like Vietnam, Indonesia, Iran, and Chile, Washington invested enormous resources in the transformation of politics and economy. Many of America's best minds devoted their careers to "development" and "modernization" in the "Third World."

The American failure was a failure of imagination. The United States presumed that democracy had to follow the American model and that it had to exclude those voices deemed traitorous and threatening, especially if they included communist influences. The mix of American-style institutions and anti-communist injunctions in poor, fragmented, and conflict-ridden societies produced outcomes that contradicted democratic purposes. The real problem was that many societies were ready for democratization after decades of empire, but American ideas of democracy were not ready for the complexities of these societies.⁴³

History did not follow a simple script. American ideas of democracy transformed the world in the Cold War, setting a standard for political legitimacy that most societies would accept, at least in rhetoric, by the end of the twentieth century. These ideas contributed to remarkable peace and prosperity in Western Europe and East Asia. These same ideas, however, undermined peace and prosperity—often with very deadly results—in other regions. Americans were serious about democracy in the Cold War, but they were often naïve and self-defeating in their understanding of what it required beyond their borders.⁴⁴

⁴¹ See Thomas Alan Schwartz, *America's Germany: John J. McCloy and the Federal Republic of Germany* (Cambridge, MA: Harvard University Press, 1991); John W. Dower, *Embracing Defeat: Japan in the Wake of World War II* (New York: W. W. Norton, 2000); Suri, *Liberty's Surest Guardian*, 124–64.

⁴² See Gregg Brazinsky, *Nation-Building in South Korea: Koreans, Americans, and the Making of Democracy* (Chapel Hill, NC: University of North Carolina Press, 2007).

⁴³ The literature on American failures to spread democracy in the "Third World" is enormous. For a start, see Latham, *The Right Kind of Revolution*; Westad, *The Global Cold War*, especially chapters 5–9.

⁴⁴ On this point, see Suri, *Liberty's Surest Guardian*, 165–209.

Which ideas mattered and why

American foreign policy could have taken many alternative turns in the Cold War. Based on the nation's history, one would have expected fewer international commitments and more of an inward focus. Many factors—including the very real threats posed by the Soviet Union—explain America's unprecedented Cold War path. The point of this chapter is not to privilege ideas above other influences, but to show that four particular ideas contributed to remarkably consistent policies that served American interests quite well.

There were, of course, many other ideas that floated around Cold War policy discussions. Many of these other ideas were superficial, self-serving, and even stupid. Some caused great harm. The bad ideas, however, should not dominate the study of a much richer Cold War strategic landscape.

The four ideas that gained the most traction across the period, and provided continual value for policymakers, were not superficial, self-serving, or stupid. They were, in fact, profound, courageous, and far-seeing. The ideas were concise and enduring, as well as radical and relevant for the problems at hand. American leaders had many choices, and these ideas helped them to choose.

Collective security, free trade, solvency, and democracy became guideposts for American policy. They helped to create public confidence in security and prosperity after more than a decade of depression and war. These ideas also served the interests of many non-Americans who embraced them as never before. The ideas did not "win" the Cold War, but they gave great advantage to one side.

As Americans quite naturally drifted from these ideas after the Cold War—rejecting, at least temporarily, collective security and solvency—they faced new questions about meaning and effectiveness. What was the new American strategic vision? How could Americans achieve it?

Answering these questions does not require a return to the old canonical Cold War concepts. The task is to articulate ideas that are relevant for the challenges of the time. As was the case more than sixty years ago, grand strategies are built on ideas that serve a purpose in a particular historical epoch. New ideas will set the strategies that ultimately define the twenty-first-century world.