

American Century in Crisis: U.S. Foreign Economic Policy, “Interdependence”, and the End of  
Bretton Woods

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“The most fundamental fact about the context of economic decisions,” American sociologist Daniel Bell speculated in 1976, “is that the determination of such decisions is no longer in the hands of any single country, no matter how large or powerful.”<sup>1</sup> Bell had in mind a host of recent developments that appeared to threaten the economic and political foundations of American postwar autonomy, from dizzying inflation and the OPEC energy crisis to the expansion of bank lending to the Global South, and intensified trade competition in the advanced industrial world. American contemporaries referred to this accelerating economic entanglement as “interdependence,” a term that surged in use during the decade as the Bretton Woods system disintegrated, inflaming an old debate about how the U.S. should approach the world economy.<sup>2</sup> Susceptibility to external economic events appeared to presage a conflict between the domestic priorities that had anchored the welfare state, and the outward facing imperatives of underwriting an international capitalist system.<sup>3</sup> Examining the collapse of the Bretton Woods system as a social, intellectual, and political event, this dissertation explains how American policymakers produced a new approach to foreign economic policy in response to the challenges of “interdependence.”

The contingent process which unfolded from the 1971 Smithsonian Agreement to the 1987 Louvre Accord constrained democratic control of foreign economic policy, transformed the major political parties, and ultimately consolidated the idea that domestic redistribution should be subordinated to the US’ global competitiveness. Despite its growing impact, the practice of foreign economic policy was shaped by actors pursuing distinct and conflicting objectives, often focused on domestic concerns and surprisingly ambivalent about international trends. This dissertation follows economic bureaucrats like Paul Volcker, policymakers like William Simon, Donald Regan, and James Baker, Congressional actors like Jack Kemp, and Henry Jackson, and labor leaders like Leonard Woodcock and George Meany as they grappled with the US’ changing place in the world economy. Despite vast ideological differences, their visions of political possibility were all crucially constrained by the economic and social norms of the postwar period.

Historians of U.S. political and economic history specializing in this period have focused on the conservative ascendancy that culminated in the election of Ronald Reagan, and the decline of “New Deal” Keynesianism.<sup>4</sup> While building on this important research, this project will depart

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<sup>1</sup> Daniel Bell, *Cultural Contradictions of Capitalism*, (New York: Basic Books, 1976), p.206.

<sup>2</sup> The term spikes to its highest usage during this decade: Google Ngram of “interdependence” on 9/1/2021. The same trend is noticeable using only *Foreign Relations of the United States (FRUS)* documents

<sup>3</sup> See Robert Brenner, *Economics of Global Turbulence: The Advanced Capitalist Economies from Long Boom to Long Downturn, 1945-2005*, (New York: Verso, 2006) for an analysis of the relative insularity of the US economic from 1945-1973

<sup>4</sup> Books that are key to this project but emphasize the end of the 1970s as a turning point include Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the 1970s*, (New Haven. Yale University

from the conventional emphasis on rupture to stress the surprising areas of continuity across the 1970s and 1980s and across Democratic and Republican administrations when one focuses on international economic policy.<sup>5</sup> Drawing on newly declassified sources I show how unexpected challenges, social contests, and the imperatives of policy making complicated a market-oriented approach to foreign economic policy beyond the conventional turning points of the Volcker shock and the Reagan election. Focusing on “interdependence” also challenges the emphasis on right wing revolution which dominates understandings of the period. Rather than pitting a resurgent right against a liberal-left, approaches to international economic problems split both parties, creating surprising alliances and undoing New Deal political alignments.<sup>6</sup> The few historical studies specifically on “interdependence” have explained how global shocks disrupted Cold War bipolarity and created a more multicentered world, ceding control of the global economy to integrating markets rather than political brokers. These studies tend to prioritize foreign policy and grand strategy.<sup>7</sup> In contrast, this project examines globalization in this early period as deeply constrained by domestic social conflicts.

Funding from the History of Economics Society would be used to consult the records of the United Auto Workers at the Walter Reuther Library in Michigan, a vital source base for the project. Funds would cover a flight from NYC to Detroit (\$200), accommodation in Detroit for 3 weeks (\$1,000), and public transportation and food during the stay (\$300), totaling \$1,500. Consulting the UAW International Affairs Department records and the Leonard Woodcock papers, among other labor sources held by the library, will help establish the position of major trade unions on international issues in this period. Much of American labor policy was formulated in the insular economic climate of the early postwar era. In the 1970s and 1980s US labor leaders eschewed efforts to shore up a transnational labor movement, even as they confronted challenges which demanded new forms of international cooperation. Complementing research on the Chamber of Commerce and National Association of Manufacturers records to trace organized business’ position on growing economic entanglement, this archival trip would allow me to clarify the perspective and strategy of organized labor as they confronted the same issue. No other funding application has been submitted for this project.

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Press, 2010), Meg Jacobs, *Panic at the Pump: The Energy Crisis and the Transformation of American Politics in the 1970s*, (New York: Hill and Wang, 2016), Greta Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance*, (Cambridge: Harvard University Press 2011), Daniel Rodgers, *Age of Fracture* (Cambridge: Harvard University Press, 2011),

<sup>5</sup> In so doing, my approach reflects concerns central to Brent Cebul, Lily Geismer, Mason Williams (eds.), *Shaped by the State: Towards a New Political History of the 20th Century* (Chicago: University of Chicago Press, 2019)

<sup>6</sup> I build on Lily Geismer, *Don’t Blame Us: Suburban Liberals and the Transformation of the Democratic Party*, (Princeton: Princeton University Press, 2004), showing how international economic dynamics often gave the upper hand to the suburban liberals she discusses

<sup>7</sup> Daniel Sargent, *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s*, (Oxford: Oxford University Press, 2015), Akira Iriye (ed.), *Global Interdependence: The World After 1945*, (Cambridge: Harvard University Press 2015). A recent dissertation on the topic is Takaaki Daitoku, “*Same Bed, Different Dreams: The G-5 and an Emerging Interdependent World, 1971-76*”, Dissertation, Northwestern University, 2016