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H-Diplo Review Essay on **Curt Cardwell. *NSC 68 and the Political Economy of the Early Cold War.*** New York: Cambridge University Press, 2011. ISBN: 9780521197304 (hardback, \$81.00).

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Reviewed for H-Diplo by **James I. Matray**, California State University, Chico

On 7 April 1950, President Harry S. Truman formally received National Security Council (NSC) Paper #68, which called for an enormous increase in U.S. defense spending. Historians long have believed that the motivation for this proposal was the creation of the means to counteract what the paper described in frightening terms as the Soviet design for world conquest. Curt Cardwell categorically disagrees, insisting that NSC 68 “was created and implemented . . . to overcome the systemic problems to the international economic order posed by the ‘dollar gap,’ an international balance-of-payments problem that found . . . nations in the immediate postwar era incapable of earning the dollars through the normal processes of trade that they needed to purchase U.S. exports” (2-3). He champions the analytical approach of the Wisconsin School, which takes its name from the university where William Appleman Williams taught to a stable of graduate students his Open Door thesis, an interpretation which described U.S. diplomatic history as a relentless effort to expand markets and investment abroad in order to protect its capitalist economy at home. Cardwell singles out for criticism Melvyn Leffler’s *A Preponderance of Power: National Security, the Truman Administration, and the Cold War*¹, dismissing its principal conclusions and the legitimacy of the “national security thesis” (185). “The primary goal of [U.S.] government officials in the post-WWII era,” he claims, “was to create an open, global, capitalist, liberal, economic order, or what in the study is referred to as multilateralism” (2) to “ensure the survival of the free enterprise system in the United States” (5).

Appropriately, Cardwell begins with a description of the contents of NSC 68, a paper “roughly seventy pages” in length drafted in an “atmosphere of utmost secrecy” (11). Analytically, he focuses on examining the reasons for its creation, chiding prior historians for accepting the

¹ Melvyn Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford University Press, 1993).

explanations of its authors. Soviet “acquisition of atomic power and the Communist victory in China . . . did [not] send U.S. policy makers scrambling to rearm,” Cardwell reports. “They were unwelcome events, . . . but they had been predicted and were taken in stride” (25). Truman’s continuing cuts in defense spending proved that he “was not unduly alarmed” (18). Negating the Soviet threat never had been a central goal of his administration. Since the end of World War II, U.S. leaders instead had focused on seizing an unlimited opportunity to reshape the world and achieve American economic hegemony. Their plans “smashed up against two potentially calamitous threats”—Soviet support for “a worldwide communist revolution” (29) and the dollar gap. To eliminate these barriers, multilateralists, who viewed planned economies as anathema, sought ways to promote production and efficiency, confident that this would alleviate class conflict and assist in spreading democracy. Political freedom, they believed, grew naturally from economic freedom. But resistance from economic nationalists and progressive internationalists in Congress and an American public with isolationist habits stood as additional obstacles.

U.S. determination “to preserve the free enterprise system at home by establishing multilateralism abroad,” Cardwell insists, caused “a long, drawn out Cold War” (270). Further challenging conventional wisdom, he argues that Soviet actions “were not particularly hostile and conformed to the Yalta and, later, the Potsdam agreements” (43). Soviet Premier Joseph Stalin’s priority was rebuilding a “war-ravaged country” (56) and his policies in Eastern Europe “were from the start about security not expansion of the Soviet empire in order to export communist revolution” (41). In France and Italy, he urged Communists to work with bourgeois governments, while opposing a Communist victory in China. Stalin displayed flexibility in dealings with Iran and Turkey to maintain amiable relations with the United States and Britain. Cardwell insists that there was no Communist coup in Czechoslovakia, while identifying U.S. and British actions to create West Germany as the key factor igniting the Cold War. To assert that Moscow sought world domination was “an absurdity of the highest order” (54). “It simply refused to bow down to U.S. demands or go along with its prescriptions when they conflicted with vital Soviet interests” (55). Cardwell also alleges that doubt and ambiguity characterized how U.S. leaders assessed “the relatively benign nature of the Soviet threat . . .” (58). Nevertheless, “the only way the Cold War could have been prevented would have been for the Soviet Union to retreat back behind its borders, in effect removing itself from world affairs . . .” (55).

By contrast, “the United States commanded overwhelming economic power, it dominated the sea and the air militarily, it alone possessed the atomic bomb, and it had garnered significant leadership authority” (56). However, “if the world could not purchase U.S. exports due to lack of dollars, the free enterprise system was doomed” (66). Multilateralists decided that without U.S. funding, Western Europe could neither repay debts, nor remove a trade deficit with the United States. To cope with the crisis, the Truman administration enacted “three of the most important foreign policy moves . . . in the immediate postwar era” (71). First, Britain received a \$3.75 billion loan in July 1946 “to smooth the initial transition from a depression-wartime economy based on autarchic policies to a multilateral one” (81). Second, Britain’s dollar gap forced the administration to request from Congress \$400 million in aid to Greece and Turkey. Third, the Marshall Plan gave Western Europe the dollars needed to avert economic stagnation and state planning, while preventing a reduction in U.S. exports. “Contrary to

popular belief,” Cardwell contends, “the Marshall Plan was not solely a humanitarian relief effort nor was it aimed solely at preventing communism from taking over Europe” (69), but rather it constituted “the United States’ grand plan for overcoming the dollar gap” (84). At first, the administration advocated for each of these proposals on their merits, but then had to use “an exaggerated notion of the Soviet threat to push through legislation that had everything to do with the dollar gap but very little to do with the Soviet Union” (87).

Finding a permanent solution to the dollar gap was necessary because the Marshall Plan would end in 1952. Without it, Cardwell writes, “western Europe likely would have survived but would have done so independently of the United States, a most unwelcome outcome for those U.S. officials and other elites who believed prosperity at home depended on multilateralism abroad” (85). First among five other options was “the ultimate solution” (97) of increasing Western European production and consumption, which explains U.S. pressure for economic integration. Huge resistance eliminated this as a viable solution. Second, Congress could lower tariffs to boost U.S. imports, but this would threaten high levels of production and employment in the United States and invite a depression. Third, Congress could extend Marshall Plan aid beyond 1952, avoiding a loss of U.S. exports and Western Europe’s embrace of autarchy. This process would be time-consuming with an uncertain outcome. Fourth, the United States could stockpile strategic materials bought from Western European colonies or increase investment in backward areas. Another alternative was promoting triangular trade, “the process whereby Europe’s colonies and protectorates sold raw materials to the United States and then spent the dollars they earned in Europe for manufactures, thus providing Europe dollars to spend in the United States” (119). Finally, and most radically, the administration could stop the funding gap and promote trade with Eastern Europe, but then Western Europe “was likely to go neutral in the Cold War or even side with the Soviets” (126).

No permanent solution to the dollar gap had surfaced when the British sterling-dollar crisis began in the middle of 1949. Cardwell describes this as “a wake-up call . . . that if something were not done to overcome” the dollar gap “the western world would likely collapse” (128). A U.S. recession late in 1948 soon spread to Western Europe. In response to the declining flow of dollars, Britain brokered an agreement with its neighbors to lower American exports. According to Cardwell, “U.S. efforts to forge a multilateral economy were under great assault all over the world in 1949” (139) because sterling financed thirty-six percent of world trade. Fearful of depression at home and autarchy abroad, the Truman administration pressed Britain for devaluation and convertibility of sterling, warning that further economic decline invited Communist penetration of Western Europe. London’s decision to devalue, but not allow convertibility, ended the currency crisis, but not the dollar gap. At this key moment, Secretary of State Dean Acheson picked Paul Nitze as the new head of the Policy Planning Staff because he too was determined to find a permanent solution, making it “difficult to believe,” Cardwell asserts, “that the formulation of NSC 68 was not intimately connected to the dollar gap . . .” (161). Adding urgency was the simultaneous arrival of “various problems—Soviet political advances enhanced by its [*sic*] development of atomic capabilities, the British sterling-dollar crisis, the breakdown of economic integration for Europe, the German question, Japan’s dollar gap, and the ‘loss’ of China—[that] threw U.S. foreign policy into disarray” (166).

On 11 October 1949, the Policy Planning Staff gave birth to NSC-68. Acheson identified as his “primary concern” (171) the need to formulate a document that defined what the United States wanted to do and explained how to achieve it or Western Europe would collapse after Marshall Plan aid ended in 1952. For Cardwell, the dollar gap was the only possible issue that made necessary a study calling for rearmament to ensure “increased imports into the United States while maintaining growth in the American economy” (177). The Soviet Union, he insists, was not the “greater crisis” because it “was containable; the dollar gap was not” (180). Cardwell describes how the Mutual Defense Assistance Program anticipated NSC 68 because the aim of U.S. military aid to Western Europe was not defense against the Soviets, but building the confidence required for the Marshall Plan to work. Acheson and Nitze then proposed a study on whether to develop the hydrogen bomb, not because they expected it to work, but to persuade Truman to authorize a complete reexamination of Cold War policy. On 31 January, the president complied. Acheson and Nitze already had decided that rearmament would be at the heart of NSC 68, which Cardwell emphasizes as strengthening his thesis that removing the dollar gap was the motive behind the study. In the fall of 1949, “virtually no one” (196) in the administration thought that the Soviet threat required a military build up. By February, Moscow’s menacing intent was central to a scare campaign aimed at gaining Truman’s consent.

“The Korean War broke the logjam on NSC 68” (211), silencing its numerous critics in the Truman administration. Rearmament now provided a myriad of ways to close the dollar gap. Cardwell explains how military aid to Western Europe primed the economic pump, expanding productivity and world consumption. Western Europe’s reluctance to rearm caused Congress to limit funds, but the United States had other options. Cardwell discusses the building of military bases; deploying “more troops abroad so they would spend dollars in local economies; paying nations in dollars to build weapons that otherwise could have been produced in the United States; reconfiguring economic aid as necessary for security [to bypass Congress] so that it would continue beyond 1952; using rearmament to restart triangular trade; using the notion of ‘mutual security’ to rebuild [Western Europe’s] infrastructure as well as to achieve its integration and keep it wedded to the United States” (264). Given NSC 68’s sweeping impact, the author asks “was it worth it?” (259). Answering this question in his conclusion, Cardwell laments the exaggerated depiction of the Soviet threat that poisoned U.S. policy abroad and politics at home. NSC 68 caused the unnecessary militarization of the Cold War, promoting a nuclear arms race and global U.S. military intervention. Military Keynesianism kept the U.S. economy afloat, but failed to mitigate poverty. Most important, the multilateralists responsible for NSC 68 made an enemy of the Soviet Union in order to avoid the loss of U.S. economic “supremacy, occasioned by the dollar gap crisis, that posed the gravest threat in the time period in which NSC 68 was developed and implemented” (213).

Cardwell has conducted extensive primary research in assorted U.S. manuscript collections and at Britain’s Public Record Office, regularly citing documents in *Foreign Relations of the United States*. He also has consulted a long list of secondary sources, but relies on only a few for his most debatable conclusions, in particular the New Left revisionist studies, Frank Kofsky’s *Harry S. Truman and the War Scare of 1948: A Successful Campaign to Deceive the*

Nation, and Geoffrey Roberts's *Stalin's Wars: From World War to Cold War, 1939–1953*.² Long blocked quotations from U.S. policy papers are common, but a few are undated in the footnotes. Escaping citation or explanation is the claim that U.S. exaggeration of the Soviet threat resulted in “sabotaging of the Korean peace talks in 1951” (263). Allegedly, NSC 68 “laid the groundwork for . . . the ‘reverse course’ in Japan” (14), although it began months before Policy Planning Staff member Robert Tufts did “most of the actual writing” (192) of the paper. George F. Kennan would have been a tax lawyer, rather than a diplomat, if he were “following in his father’s footsteps” (74). References to “Gordon” (21) A. Lincoln, “Alan” (103) Dulles, and William “Steuck” are mistaken (204). Cardwell maintains that the U.S. Constitution “ushered in perhaps the first multilateral economy in world history” (33). Requiring a source is his revelation, at least for this reviewer, that the code name for the U.S. hydrogen bomb project “in fact, was Campbell, after the international soup corporation. Hence, the term ‘super’” (22).

Many readers may find surprising Cardwell’s certainty in advancing very provocative assertions. For example, he argues that “Truman was not opposed to deficit spending per se, but for political purposes he needed to keep the deficit reasonable” (19). Also, the president considered Stalin’s February 1946 war inevitability speech “harmless” and held an “ambivalent attitude toward the Soviets” (73). “Tradition holds that the outbreak of the Korean War proved the thesis of NSC 68 correct, thereby giving Truman the political will to push the militarization program through Congress,” Cardwell explains. “But that interpretation could not be further from the truth” (208-209). North Korea’s attack did not disturb administration officials who welcomed the war because it assured implementation of NSC 68, he insists, referencing for support denials from Kennan and State Department Counselor Charles Bohlen at the time that the Soviets had initiated its plan for global military conquest. Providing further proof was Acheson’s famous admission later that Korea “created the stimulus [for] action” (210) to rearm, thereby avoiding economic disaster due to the dollar gap. More likely, his relief related to creating the means to meet what U.S. officials in fact perceived as a now dire Soviet military threat. Even before the Korean War, as Cardwell himself acknowledges, Truman and his advisors “believed that the Soviet Union constituted the gravest possible threat to U.S. national security and, undoubtedly, filtered their views about virtually every foreign policy maneuver through that prism” (54).

Cardwell claims that he has “demonstrated conclusively that NSC 68, and not the Korean War, was the force behind the rearmament program and that Korea merely paved the way for its implementation” (210). Justifying his unwarranted conviction requires inventive analysis of contrary evidence. For example, Secretary of Defense Louis Johnson on 22 March 1950 stormed out of a meeting with Truman and Acheson after learning that NSC 68 would propose rearmament. The president’s order to continue work on the paper, Cardwell argues, indicates that he was “nominally supportive of it” (205). Also, Acheson “was far more in tune with Truman’s thinking than Johnson” (205) and his public declaration that Western Europe would

² Frank Kofsky, *Harry S. Truman and the War Scare of 1948: A Successful Campaign to Deceive the Nation* (New York: St. Martin’s, 1993); Geoffrey Roberts, *Stalin’s Wars: From World War to Cold War, 1939–1953* (New Haven, CT: Yale University Press, 2006).

receive U.S. *economic* aid after 1952 proved that the president had approved increasing *military* spending, despite press comments to the contrary. Truman in fact refused to approve NSC 68, causing Nitze to conclude that “the rearmament program was dead” (204). Describing how “Truman was torn over NSC 68” (206), Cardwell writes that after North Korea attacked, he “found the political will he needed to give it his full endorsement” (208). Moreover, the Korean War altered dramatically the recommendations of Gordon Gray’s commission, which had been organized in February 1950 to investigate the dollar gap problem. Gray abandoned “the idea of putting pressure on Congress to reduce tariffs and instead called for increased foreign *military* aid and public investment in Third World countries, much as NSC 68 did” (199).

Ultimately, the validity of Cardwell’s thesis rests on the assumption that the Truman administration would have been able to implement NSC 68 in the absence of North Korea’s attack. Furthermore, it requires dismissing the impact of Chinese military intervention. Indeed, according to Cardwell, “the fact that Truman did not officially approve NSC 68 until September 30, or fully implement the program until December 15, is of little consequence” (212). Both the president and Congress, however, delayed action on full rearmament following the Inchon Landing. Only Truman’s declaration of a national emergency on 16 December mobilized Congress and public opinion behind full implementation of NSC 68. Establishment three days later of the Mutual Security Program (MSP) provided funding to rearm not only Western Europe, but now West Germany as well. Cardwell writes that “the MSP was destined to be the program through which the dollar gap was overcome and multilateralism secured” (234). These U.S. funds built Western Europe’s productive capacity for eventual civilian manufacture through modernizing plants and equipment. Also, “the MSP broke the logjam on counterpart” (241) in March 1952, Cardwell admits. Without Chinese intervention, MSP probably never would have existed. This study adds important insights on postwar U.S. foreign policy, but it does not prove that NSC 68, without the Korean War, “fundamentally altered the course of the Cold War” (160).

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