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“The advantage of being inside the wall when it is built.” US multinationals’ direct investments in the Common Market, the balance of payments deficit and Bretton Woods (1958-74)

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ABSTRACT
From 1958 onward, two parallel developments took place: the United States entered a balance of payments crisis that would ultimately lead to the end of Bretton Woods in 1971, and US-based companies massively increased their foreign direct investments (FDI), particularly in the European Common Market. This article shows how Washington dealt with these capital outflows in its effort to preserve the dollar convertibility to gold. While the option of limiting the deficit by scaling back the vast Cold War military and aid expenditures was discarded by the White House during this entire period, the Kennedy and Johnson administrations tried to curb the US multinationals’ operations in Europe. Based on new archival research, the author shows how organized business stopped these attempts in 1962, and after capital controls were introduced in 1968, succeeded with the Nixon administration to significantly limit their impact in 1969, five years before they were entirely lifted.

KEYWORDS
US business; multinationals and European integration; Bretton Woods; balance of payments crisis; Cold War; business associations

During the years following the creation of the European Economic Community (EEC) in 1958, something that might be called Common Market fervour took hold of US business leaders. Numerous pamphlets were published on what was presented as the ‘New Frontier’ for American companies,[1] conferences were organized, and business journalists discussed the promises and pitfalls of what was the most profound transformation taking place in Western Europe during this time. Many US companies strove to increase production in Europe to anticipate the EEC’s common external trade tariff, to profit from the newly established currency convertibility and to make sure to participate in the soaring growth rates that were expected to accompany the process of European integration.[2] At a meeting of the most powerful business leaders in the country, in May 1958, the top managers of Coca-Cola, Ford Motor Company and Worthington Corporation, a manufacturer of machinery, all congratulated themselves on the fact that they already had plants inside the newly established EEC borders and thus were very optimistic about the profits they would be able to make thanks to European integration. As the vice-president of Worthington

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Corporation put it, they hoped to benefit from 'the stimulus' offered by 'the advantage of being inside the wall when it is built.'[3]

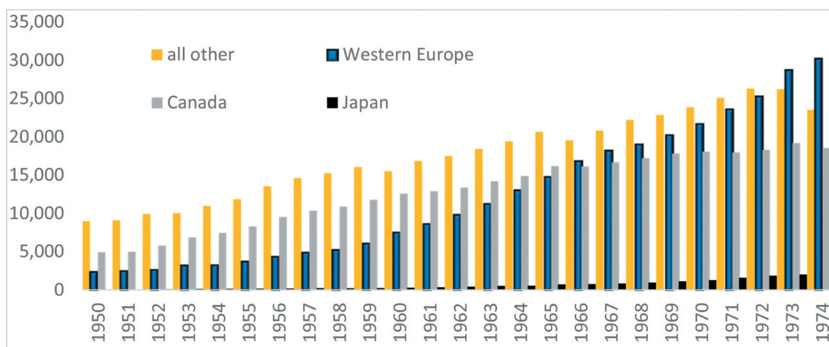
This rush to take part in the promises of the Common Market translated into a surge in American foreign direct investment (FDI) to Western Europe, which rose more than double the rate of FDI in other parts of the world.[4] The EEC countries soon attracted the bulk of these capital flows, which mostly took the form of wholly-owned American subsidiaries. As is well known, this 'Americanization' of Western Europe gave rise to intense criticism by the Common Market authorities during the 1960s. However, the outflow of dollars to the EEC was also considered a problem in Washington, as it was thought to participate in worsening the balance of payments deficit. From 1958 onward, the United States were in fact faced with a growing deficit. It threatened the upholding of the entire Bretton Woods system, until the Nixon administration finally decided, in August 1971, to put an end to the convertibility of the dollar to gold at the fixed price of 35 USD an ounce. The four consecutive administrations which dealt with this payments crisis were all determined to save the Bretton Woods system and the many advantages it brought to the United States' global influence. This meant they had to choose between different options in order to curb the outflow of dollars and lessen the deficit. One possibility would have been to reduce the colossal military and aid expenditures, but this was considered inconceivable by US political authorities in the context of the Cold War. While the Eisenhower administration did not contemplate limiting FDI and instead tried to negotiate agreements with the Federal Republic of Germany to offset the foreign exchange costs of US army divisions in Europe,[5] the two Democratic administrations that followed deemed the control of US multinationals' activities abroad a route worth exploring. John F. Kennedy's tax proposals of 1961–62 and the Johnson administrations' voluntary capital controls announced in February 1965 and the mandatory controls introduced three years later, in January 1968, all targeted FDI in developed countries and particularly in the EEC. The White House under Nixon did not pursue these policies, weakened the capital controls and ultimately opted to abandon the Bretton Woods system. The approaches chosen to fight the deficit thus pitted geopolitical interests against certain business interests; and the government's Cold War policies against multinational CEOs' short-term imperatives of maximizing their profits by investing in Western Europe. But there were also rival commercial logics at play. International direct investments paradoxically profited from the strong dollar and thus from reducing the payments deficit, and the actual impact of FDI on the balance of payments was subject to vigorous debate. What is more, another possible remedy to the deficit which was also pursued by the US government was that of maximizing trade and limiting imports. These options differently impacted business leaders' trade and investment interests.

This paper aims to analyse these rival logics that guided US policies on the question of foreign direct investment in the Common Market and the role of

business in the formation of Washington's European policies. While the opposition of European political authorities to what was perceived as a takeover of their economies and an Americanization of Europe has been studied,[6] the US governments' policies towards the presence of the American enterprise in Europe need further investigation.[7] By focusing on the role played in this process by business associations, this paper allows for a new understanding of how these conflicting approaches to international financial and monetary policy and Cold War strategies played out. It is based on fresh research in State Department and Treasury archival documents, congressional documents, as well as the records of several business associations: the US Council[8] and the Committee for Economic Development (CED), which both represented the country's largest manufacturing and financial firms, the National Foreign Trade Council (NFTC), the National Association of Manufacturers (NAM) and the Manufacturing Chemists Association. This research thus aims to contribute to the growing historiography on business-government relations in the United States after World War II[9] and investigate the under-researched issue of what role business played in the formation of Washington's foreign policy choices, particularly regarding European integration.

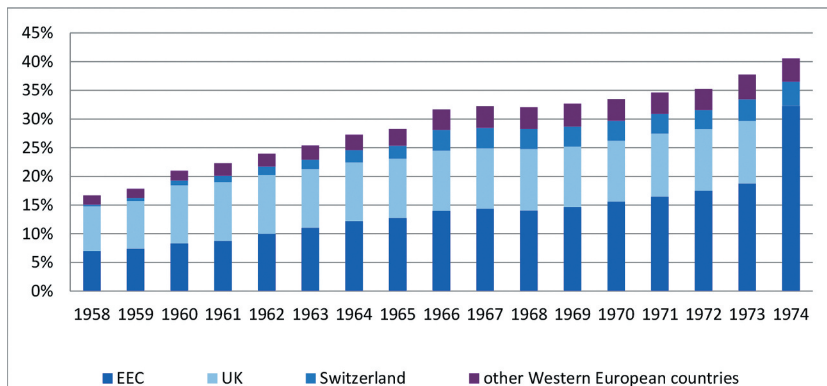
Foreign direct investment in Europe: from post-1958 surge to object of government-business contention

Multinational companies existed since the end of the 19th century and FDI were only one type of these companies' international activities (Wilkins 2008). Still, the spectacular worldwide rise of foreign direct investment after 1950 was an important component of the second period of globalization, which truly took off after 1979 (Jones 2007). United States FDI was intrinsically linked to this general trend, as shown in Graph 1. While its overall real value multiplied tenfold between 1950 and 1974,



Graph 1. US direct investment stocks in different regions, in millions of US dollars, deflated (1967 = 0), 1950–1974[10].

US direct investment in Western Europe grew by more than twenty-five over the same period. During the 1960s it was the six countries of the EEC (France, Germany, Italy, Netherlands, Belgium, Luxemburg) which attracted the bulk of these investments, as shown in Graph 2. While in 1950 these six countries had only received a third of American FDI in Europe, after 1963 and Britain's failed membership application, the Six became the preferred destination for these capital flows, while the UK continued to attract a very substantial part of American FDI until it finally joined the EEC in 1973. A significant portion of these capital flows also went to Switzerland, since many companies set up their European headquarters in this country and ran most of their subsidiaries' revenues through these Swiss base companies, which allowed them to reduce taxation.[11]



Graph 2. Geographical distribution of worldwide stocks of US foreign direct investment, in percentages, 1958–1974.[12]

This surge of private direct investment in Western Europe went hand in hand with the US government's strong and consistent support for European integration, grounded in global foreign policy objectives.[13] The growing balance of payments liquidity deficit after 1958 altered this constellation of converging interests between government and business leaders. The reasons for the expanding deficit were the vast sums spent overseas on the army and on economic aid, the diminishing trade surplus for the United States in the face of regained European and Japanese economic competitiveness and private capital moving abroad, notably to Western Europe, in the form of FDI or portfolio investments, which European central banks were increasingly exchanging for gold.[14] The deficit and the outflow of gold from the United States dangerously threatened the entire Bretton Woods system. Since both Kennedy and Johnson prioritized Cold War aid and military spending, they turned to FDI in Western Europe as a way of fighting the deficit. The first such attempt was made by the Kennedy administration shortly after arriving at the White House.

In April 1961 John F. Kennedy presented a tax reform to Congress, which would eventually lead to the Revenue Act of 1962.[15] Keynesian-style investment incentives were at the heart of the tax proposals prepared by the Treasury. In order to counterbalance the losses that these incentives entailed, and in general lighten the deficit, the proposals included several measures that directly targeted FDI in developed countries, particularly in Western Europe.[16] The essence of the planned measures was that American companies should no longer profit from the very substantial tax advantages on the income of their subsidiaries in developed countries that were then in place and should

be stopped from using non-manufacturing subsidiaries in 'tax haven' countries such as Switzerland in order to escape taxation.[17]

These attempts to curb the expansion of US-based companies in Western Europe were countered by the national business associations which represented their interests.[18] Already months before the announcement of the tax proposals, they anticipated that the investments of their member companies were in danger of becoming the target of government intervention. This was a reaction to increasing public criticism of American business in Europe, which was accused of being responsible for the balance of payments deficit. Three of these business associations launched public relations campaigns: They argued that direct investment in Europe did not limit exports as often claimed, and moreover contributed positively to the balance of payments through the returns of revenues.[19] Representatives of the NFTC met with officials of the Treasury Department early in 1961 in an attempt to influence the drafting of the tax proposals.[20] The US Council set up a special committee in December 1960,[21] while the industry-wide Pharmaceutical Manufacturers Association published a booklet on the question, which was widely distributed to member companies, to government officials and to journalists in March 1961 (Powers 1961a, 1961b).

After the announcement of the new tax measures in April 1961, which were not yet translated into a legislative text, the House Committee on Ways and Means held hearings in Congress. In June, during five days the testimonies focused on the proposals to limit FDI in developed countries. Fifty-one business representatives or academic experts close to business lined up to condemn the measures. Only three speakers, all labour representatives, pleaded in favour of Kennedy's proposals, but their interventions were timid. The unions were still very much entrenched in anti-communist Cold war battles and had not yet started to focus on the problem of multinationals exporting jobs to Europe and elsewhere (Sims 1992). It was the representatives of the major cross-industry business associations – the Chamber of Commerce of the US, NAM, the NFTC, the CED and the US Council – that dominated the House Committee hearings, testifying on 5 and 6 June.[22] At great length their representatives defended the same line of arguments against the foreign tax measures: the investments in Europe were necessary to overcome trade barriers set up by the EEC, the proposed measures would put American business at disadvantage with the competing European companies, and in the long run these investments were profitable for the US balance of payments and did not harm exports. When H. J. Heinz II of the H.J. Heinz Company testified on 8 June, he claimed he was speaking on behalf of a newly founded group called 'Industry Committee on Foreign Investments,' composed of nineteen companies among which his own.[23] Probably to give it more legitimacy, he did not reveal that this group had been organized by the US Council. Heinz presented data from these firms, which seemed to demonstrate the positive impact their foreign subsidiaries were having on the balance of payments, through an increase in exports and the return of revenues. A year later, during the Senate hearings, the true origin of this group was revealed, and the US Council's methods were criticized as distorting the reality.[24] Nevertheless, in June 1961, Heinz's testimony had received much attention and contributed to the successful overall impact of the business leaders. This episode shows that the business associations went to great lengths to defend American multinationals' activities in Western Europe, participating in the showdown between the administration and business leaders by testifying in their own

names on Capitol Hill, but also by trying to influence the debate backstage, in meetings with the Treasury or by organizing a congressional testimony in an all but transparent manner.

Despite organized business' great impact during the hearings in the House, the crusade against the administration's efforts to increase taxes on foreign direct investment continued for sixteen months longer. After the Treasury worked out a concrete legislative proposal for the tax reform in the summer of 1961, the House of Representatives passed an amended bill in March 1962.[25] As a direct result of the business leaders' campaign, the provisions to terminate the tax advantages for general FDI in Western Europe had been dropped. There were however still important propositions on 'tax havens corporations' in the bill.[26] They directly conflicted with American executives' interests in Western Europe, since they aimed at limiting the use of base companies in Switzerland which served to reduce US taxation. When hearings were held by the Senate Committee on Finance at the beginning of April 1962, the major business associations again fought a rhetorical battle in order to try to eliminate these provisions. After Secretary of Treasury Douglas Dillon had appeared on Capitol Hill to defend the measures, he privately commented: 'the businessmen are victims of their own propaganda on the tax bill. They really believe … that they are promoting the best long-term interests of the country by investing abroad, and that their investments promote exports.'[27]

Ultimately, the business leaders' efforts were not completely successful: the tax haven provisions – although significantly liberalized – remained in the Revenue Act which John F. Kennedy signed into law on 16 October 1962 (Witte 1985, 157). Still, the business associations had largely won their cause. The act's provisions on FDI in Switzerland and other tax haven countries were minor and could be circumvented.[28] Most importantly, the Treasury's original intention of creating an instrument to limit the expansion of American business in Western Europe had failed. The main business associations which had participated in the battle, such as the US Council, therefore declared their overall satisfaction with the Revenue Act.[29]

Mandatory controls on direct investments in the Common Market

During the three years following the adoption of the Revenue Act of 1962, Washington didn't pursue its strategy of curbing FDI in Western Europe as a remedy to the balance of payments deficit. Other policy options were preferred by the Kennedy and then the Johnson administrations to strengthen the dollar, notably the solidification of the American trade position with the opening of the GATT Kennedy Round (made possible by the passing of the Trade Expansion Act in October 1962), the adoption of the Interest Equalization Tax which aimed at limiting long-term borrowing in the United States by foreigners,[30] and further Keynesian tax cuts in the realm of the Revenue Act of 1964. In 1965, however, the question of direct investment in Europe and the balance of payments deficit again came to the forefront of political attention. This was due to two developments. On the one hand, criticism in Western Europe of American investments had been growing, partly under the influence of French President De Gaulle's vocal tirades against the American takeover of the European economy. This hostility would eventually lead to the publication of Servan-Schreiber's famous *Le défi américain* (Servan-Schreiber 1967; Bonin and de Goey 2009; Kuisel 1993. On the other hand,

pressure in the United States to reduce the balance of payments deficit – especially in the context of the rising spending in Vietnam – was again increasing.

On 10 February 1965, the Johnson administration announced a Voluntary balance of payments program, aimed at limiting the impact of private direct investment in developed countries on the balance of payments.[31] The program was designed to encourage manufacturing companies to achieve an overall equilibrium between credits and debits in their international transactions with Western Europe, Canada and Japan. They were encouraged to borrow from banks outside of the United States to finance their direct investments in developed countries, and to intensify their exports and repatriations of revenues. The major business associations were not very alarmed by the voluntary direct investment controls, as they were not particularly restrictive. There was, however, the worry that the voluntary program set a precedent and might eventually become mandatory.[32] This fear increased as the voluntary controls were renewed and extended in 1966 and 1967. In this context, business associations devoted growing resources to the question of the impact of FDI on the balance of payments.[33] One remarkable trend was that they began to increasingly rely on economists to give their positions more scientific credibility. The US Council even decided, in 1966, to let go of its Public Relations expert in order to hire a full-time professional economist, who was put in charge of contributing to the Council's balance of payments policies.[34] This was, in part, a reaction to the government's growing use of economists' studies to make the claim that foreign direct investment had a negative impact on the balance of payments.[35]

The American balance of payments position worsened at the end of 1967, owing to the escalating costs of the war in Vietnam and the sterling devaluation, which caused a fresh wave of speculation against the dollar. In reaction to this, the Johnson administration made a new attempt at curbing FDI, this time aiming specifically at the EEC countries and Switzerland. Treasury Department officials prepared a series of balance of payments measures in December 1967. They did not want to include capital controls but preferred putting the emphasis on trade measures. It was the leaders of the Department of State that spoke out in favour of FDI restrictions. As John M. Leddy, in charge of the State Department's European Affairs, explained, the proposed trade measures might 'embroil us in a trade war with the Common Market, … undo the results of the Kennedy Round, and … have unfortunate repercussions on our political and defence posture in Europe'.[36] To regulate direct investment in the European Common Market had two important advantages in his eyes. On the contrary to trade measures, capital controls would actually please European political leaders: 'The Europeans both want and expect us to cut back on direct private investment abroad' (Leddy 1967, 7). Although it was clear that such measures would be actively opposed by American business leaders, especially after the episode of the 1962 Revenue Act, this was not considered an obstacle by Leddy: 'The major domestic burden of such an emphasis would fall on the few large US corporations that now participate heavily in foreign private direct investment. Prosperity in the domestic economy, practically guaranteed by the present level of military spending, should make that burden rather easy for them to absorb' (Leddy 1967, 8). It was the President himself who settled the debate. From South-East Asia, where he had gone to support the troops before the holidays, Lyndon B. Johnson sent a telegram to the White House, on the 23 December 1967. He agreed with the Department of State that FDI restrictions were

preferable to trade measures stating: 'Far fewer voters would be directly affected – less difficult in Congress and better for President.'[37]

Johnson announced his balance of payments program on New Year's Day 1968. It included mandatory controls of foreign direct investment, which would be enforced by the freshly created Office of Foreign Direct Investment in the Department of Commerce.[38] The centrepiece of the program, adopted by executive order under the Trading with the Enemy Act, was a complete moratorium on FDI in continental Europe, while direct investment in other developed countries and notably in the UK was merely limited. As expected by the administration, business leaders were very hostile to the program. At company level, executives sought to obtain individual exemptions to the measures, which were very largely granted by the Office of Foreign Direct Investment (Hawley 1987, 98). Thus, only one month into the mandatory program, the Office had already received 326 applications for specific authorization.[39] However, the major cross-industry business associations, whilst all opposed to the mandatory foreign direct investment controls, adopted a wait-and-see attitude. In the political context of 1968, with the ongoing war in Vietnam and the payments crisis, it did not seem possible to aim at an outright cancellation of the measures.[40] Therefore, the NFTC simply opposed 'any undue prolongation of the controls' and the Committee for Economic Development prudently spoke in favour of 'preparations for a move in the direction of eliminating direct controls.'[41] The report prepared by the US Council reflected the differing opinions of its directors on which strategy to adopt and vaguely stated that 'the controls should not force structural changes in American business abroad which would result in long term damage.'[42] NAM prepared a position paper in April 1968 on the balance of payments problems. It called for a 'planned phasing-out of the direct investment controls' and the 'immediate removal of [its] contradictory features.'[43] Overall, NAM preferred to lessen the deficit by limiting military costs and other government expenditures abroad as well as encouraging global trade (Delton 2020, 247–248).

The election of Richard Nixon in the fall of 1968 changed the situation. The Republican president was deeply opposed to the capital controls, considering them antithetical to his objective of defending a liberal international economic order. Already during his campaign, he announced that he would abolish them. Nixon could rely on a strong consensus in his administration not to combat the balance of payments deficit by restricting trade and payments. This position was also in line with pragmatic political considerations and the desire to conciliate business interests.[44] Nixon officials therefore sought out different business associations to review their suggestions on possible balance of payment measures. They commissioned the Chamber of Commerce of the US to prepare proposals on how to reform the foreign direct investment program,[45] and met with NFTC representatives in April 1969 to discuss an 'orderly termination' of the capital controls as well as measures to strengthen the US trade surplus, which was the NFTC's pet issue.[46]

While the watering-down of the FDI controls was thus being prepared behind the scene, one powerful industry-wide association, the Manufacturing Chemists' Association (MCA), preferred to take the matter to Congress. Its leaders played an important role in the coming about of a resolution in the House of Representatives calling for ending the controls on FDI, co-sponsored by the Californian Democrat John V. Tunney.[47] To further support Tunney's influence and the chances of the resolution, the Association invited him to speak at a luncheon it organized for

chemical industry leaders on 3 March 1969, in the presence of members of government and congress.[48] Congressional hearings were held on Tunney's resolution in March, April and May 1969, with the MCA's president, the retired general George H. Decker, testifying on behalf of the association's member companies engaged in foreign operations and who were 'overwhelmingly in favour of eliminating mandatory controls as rapidly as practicable.'[49] The association had also coached the CEO of one of its member companies to submit a written statement in the hearings.[50]

But even before the hearings had concluded, on 4 April 1969, Nixon issued a new balance of payments program which significantly lightened the controls on direct investment in Europe.[51] For different reasons the administration had decided against the total removal of the controls. Mainly, it feared negative reactions of European political leaders and didn't want to convey the impression that it was not taking the balance of payments deficit seriously enough or that it was willing to risk an international monetary crisis.[52] The new program was the result of the government's various consultations with the business associations.[53] Investments of up to one million dollars were now exempt of control (the previous threshold had been 200'000 USD), and other measures gave the companies considerably more leeway. Most business leaders were satisfied and lost interest in the hearings that were still continuing on Capitol Hill. Tellingly, the vice president and chief economist of NAM, George Hagedorn, opened his testimony on the last day of the hearings on 1 May 1969 stating: 'I was thinking of asking to be excused because I had nothing additional to say … '.[54] The hearings ended without any further action being taken on the resolution to end the controls.

There is no doubt that the corporate world would have preferred a complete elimination of the controls on FDI in the EEC already in 1969, and representatives of the major business associations continued to regularly call for lifting the measures. Overall, however, the leaders of US-based multinationals had accommodated themselves with the lightened balance of payments measures. As a survey conducted by the US Council in 1970 concluded, these companies had continued to invest vast sums in their factories and subsidiaries in continental Europe despite the restrictions.[55] They circumvented the controls essentially by borrowing from dollar accounts held by European banks or the branches of American banks in Europe, in the so-called Eurodollar market.[56] This market had continued to grow after 1958 as a direct consequence of the balance of payments crisis and of the increased presence of American subsidiaries in Europe (Cassis 2006, 221–223). During the second half of the 1960s, these dollar holdings were first increasingly used to issue dollar-denominated bonds – *Eurobonds* – and then to finance international bank loans. These so-called *Eurocredits* increased from almost 2 billion USD in 1968 to 20 billion USD in 1973.

While FDI stocks in the European Common Market thus continued to rise, the Nixon administration maintained another important source of dollar outflow: It spent huge sums in Cold War military operations, notably in the wars in South-East Asia. Overall, while not relying on effective capital controls to lessen the deficit, it took no other strong measures to limit the dollar and gold drainage. In the words of Joanne Gowa, the administration's actions equated to 'little more than a death watch over the Bretton Woods system' (Gowa 1983, 61). After putting an end to the dollar's convertibility into gold at a fixed price in August 1971, the Nixon administration ultimately lifted the remaining foreign direct investment controls two and a half years later, in January 1974.

Conclusion

After 1958 two parallel developments took place. On the one hand, US-based multinationals started to invest very large sums abroad to establish subsidiaries and factories, especially in Western Europe, in an effort to get inside the EEC tariff walls; on the other hand, the United States entered into an enduring balance of payments crisis. The two Democratic administrations of Kennedy and Johnson considered these developments as being interconnected and therefore explored ways to limit the long-term capital outflows to the European continent. It was the growing influence of business associations that stopped this endeavour in 1962. For Lyndon B. Johnson, the full-blown war in Vietnam added an additional incentive to find short-term fixes in the form of capital controls. While the Treasury and State Department preferred distinct strategies, it was the latter that pushed for a solution which would not offend the European authorities – as trade measures would have – but that on the contrary answered Brussels' criticism of US-based multinationals taking over Europe. The reduction of FDI in continental Europe became the main axis of Johnson's balance of payments policies. In 1971 it was again the consideration given to the reaction of European governments that kept the Nixon administration from downright ending the capital controls. The lobbying of business associations did however achieve the significant thinning-out of the measures.

By the time they were lifted in 1974, it was clear that the capital controls hadn't succeeded in durably limiting the balance of payments deficit. As we have seen above, FDI stock in the Common Market countries continued to steadily grow after 1968. Although the Johnson controls did therefore not diminish the American multinationals' presence in the Common Market and in Switzerland, they did incite them to increasingly rely on creditors in Europe to finance their transatlantic investments. This ultimately benefited the Eurodollars market, which American investors depended on more and more to conduct their international financial operations in a very liberal environment, free from state regulations (Baker and Collins 2005; Helleiner 1995). Hence, one can thus assume that Washington's balance of payments policies contributed to strengthening the financial centres in Europe, especially London. The question of whether FDI in Western Europe would have been significantly more important without Washington's capital controls of the 1960s remains a matter of debate.

Notes

1. This was the expression used in the title of a brochure published by the American Management Association (1958).
2. The North American recession that coincided with the founding of the EEC further favored this dynamic. See Panitch and Ginding (2012, 113).
3. Proceedings of the 386th Meeting of the National Industrial Conference Board, 'The Common Market – Threat or Opportunity?', Waldorf-Astoria Hotel, New York, 16 May 1958, p. 46, Hagley Museum & Library, Wilmington (HL), National Industrial Conference Board records, series I, box 77.
4. The OECD has defined Foreign Direct Investment (FDI) as cross-border investments with a lasting interest, which is established when the 'direct investor owns at least 10% of the voting power of the direct investment enterprise.' *OECD Benchmark Definition of Foreign Direct Investment. Forth Edition 2008* (Paris: OECD, 2008), p. 17. On the establishment of American subsidiaries in Europe, see Vaupel and Curhan (1969).

5. These negotiations would be made more concrete under Kennedy, see: Gavin (2004), Duke (1993, 59).
6. See for example Berghahn (2016), Bonin and de Goey (2009), and Kuisel (1993). See also Schaufelbuehl (2016).
7. Different aspects of the US government's attempt in the 1960s to solve its balance of payments problem by resorting to capital controls have been dealt with by the following authors: Rollings (2011), Gavin (2004), Martin (1991, 60–66), and Hawley (1987).
8. The full name of this organization at the time was United States Council of the International Chamber of Commerce, since it represented the US members of the International Chamber of Commerce; in 1981 it changed its name to United States Council for International Business.
9. See especially Delton (2020), John and Phillips-Fein (2016), Waterhouse (2014), Phillips-Fein and Zelizer (2012), and Phillips-Fein (2009).
10. Graph by author, based on data from: US Department of Commerce (1982, 14–20); deflated with the consumer price index, 1967 = 0, Historical Statistics of the United States, Table E135-166.
11. This was a much-used strategy by US corporations at that time, see Leimgruber (2015).
12. Graph by author, based on data from: US Department of Commerce (1982, 14–20).
13. For a recent account of this support for European integration by the US government, see Berend (2016).
14. On the US balance of payments crisis and the gold drain, see Eichengreen ([1996] 2008, 126–133), Gavin (2004), and Schaufelbuehl (2013).
15. For an analysis of the general process of the coming about of the Revenue Act of 1962, including business leaders' role, see Martin (1991, 60–66). James P. Hawley analyzed the Congressional hearings leading to the adoption of the Revenue Act 1962 with a focus on individual business leaders', the business press and research institutes' positions regarding the general balance of payments situation. See Hawley (1987, 20–44).
16. Although the general category of 'developed countries' was used, J.F. Kennedy's message and Secretary of Treasury C. Douglas Dillon's explications in Congress revealed that it was specifically investments in Western Europe that were targeted. See "Message from the President of the United States Relative to our Federal Tax System", 20 Avril 1961; and "Statement by Hon. Douglas Dillon, Secretary of the Treasury, before the Committee on Ways and Means of the House of Representatives, on the President's Message on Taxation", 3 May 1961, *President's Tax Message along with Principal Statement, detailed explanation and supporting exhibits and documents* (Washington: US Government Printing Office, 1961), pp. 1–15 and pp. 17–43.
17. In particular, the Kennedy administration strove to eliminate the possibility for US-based companies to defer taxation on their subsidiaries' revenues until they were returned to the United States and distributed in the form of dividends. This deferral allowed these companies to reinvest these revenues abroad without paying any taxes on them in the United States. Secondly, the so-called 'gross-up' proposal changed the way in which, once these profits were repatriated, foreign taxes payed on these revenues were taken into account in the calculation of the US taxes. See 'Taxation of foreign income' in *President's Tax Message*, pp. 51–63; and Martin (1991, 64–65).
18. There is no comprehensive history of the main business associations and their relations with each other in the United States during the second half of the 20th century. On the two biggest national associations, the Chamber of Commerce of the United States and the National Association of Manufacturers (NAM) see in particular Delton (2020), Mizruchi (2013), Waterhouse (2014), and Phillips-Fein (2009). On the Committee for Economic Development (CED) see Whitham (2013), Schriftgiesser (1960), and McQuaid (1994). On the National Foreign Trade Council (NFTC), see Gamble (2014). One of the few authors to also include the US Council of the International Chamber of Commerce in his study is Sebastian Huempfer (2016).
19. On this debate, see for example Rollings (2011), and Safarian (1993, 368–373).
20. Minutes of Meeting of the Board of Directors of the NFTC, 25 January 1961, 24 February 1961 and 23 March 1961, HL, NFTC records, series II, box 4.

21. Ralph Reed, President of the Council, had asked H.J. Heinz II on 16 December 1960 to chair this committee composed of three other members of the executive committee of the US Council: Leo Welch, who was later replaced by Emilio G. Collado, Walter L. Lingle, and George Nebolsine. See "Memorandum regarding 19 companies", 23 April 1962, *Hearings before the Committee on Finance, First and Second Session on H.R. 10650*, April-July 1962, vol. 6 (Washington: US Government Printing Office, 1962), pp. 2539–2540.
22. See the statements of Walter A. Slowinski, Chamber of Commerce of the US; Fred W. Peel, US Council; William S. Swingle, president of the NFTC; Emilio G. Collado, CED and US Council; Warren S. Adams II, NAM; *Hearings before the Committee on Ways and Means, House of Representatives, on the tax recommendations of the President contained in his message transmitted to the Congress 20 April 1961*, vol. 4 (Washington DC: US Government printing office, 1961), pp. 2601–2669, pp. 2727–2745.
23. *Hearings before the Committee on Ways and Means*, 8 June 1961, vol. 4, pp. 3185–3209.
24. See the statements of Democrat Albert Gore Sr., *Hearings before the Committee on Finance*, vol. 6, p. 2535–2542.
25. The H.R. 10650 passed on 29 March 1962 was by that time known as 'The Revenue Act'.
26. The provisions on 'tax haven corporations', which were considered to be subsidiaries in countries such as Switzerland, Panama, or the Bahamas into which profits on overseas operations were channeled in order to drastically limit corporate taxes, were included in Section 13 of the House bill. This section subjected the income from 'undistributed earnings' of these 'tax haven corporations' to taxation unless they were reinvested in less-developed countries.
27. "Informal Notes on the Secretary's Staff Meeting", 23 May 1962, National Archives and Records Administration II, College Park (NARA), RG 56, 138, box 10, p. 4.
28. For instance, the Revenue Act contained a special clause on US subsidiaries whose income came from business services such as accounting or from other 'passive sources' not related to manufacturing or mining. US tax on this income could be avoided if half or the companies' stocks were not in the hands of American taxpayers. Thus, different strategies were used by American companies – such as selling a part of their stock to foreigners – to fall under the 50% threshold and avoid taxation. See Hufbauer and Assa (2007, 58), and "Tax Report" (1962, 1).
29. *Annual Report of the United States Council of the International Chamber of Commerce*, 1963, p. 5, HL, Phillip D. Reed papers, series III, box 20.
30. The Interest Equalization Tax was signed into law on 2 September 1964. It increased the cost for foreigners of long-term borrowing in the United States through a special tax and thus aimed to reduce the dollar outflow. See Eichengreen ([1996] 2008, 127).
31. Johnson's balance of payments programal so extended the Interest Equalization Tax for two years beyond 31 December 1965 and set up the Voluntary Foreign Credit Restraint Program under the supervision of the Federal Reserve Bank, designed to limit the US financial institutions' foreign lending and investments. See Johnson (1965) and Strauber (1970).
32. See for instance the President of the NFTC Robert M. Norris's account of the program to the Council's board of directors, Minutes of the meeting of the board of directors of the NFTC, 24 February 1965, HL, NFTC records, series II, box 4. See also Hawley (1987, ix).
33. On NAM see Delton (2020, 244–249). The US Council set up a new International Economic Policy Committee in 1966, the first task of which it was to come up with a policy on 'US Private Capital and the Balance of Payments', see Minutes of the Meeting of the Executive Committee of the United States Council, 20 April 1966, p. 4, HL, Phillip D. Reed papers, series III, box 20.
34. See Morton E. Calvert to Christopher H. Phillips, 23 March 1966, HL, Phillip D. Reed papers, series III, box 20. Judd P. Polk who started his work for the US Council in 1966 for instance participated in the Special Advisory Panel on the balance-of-payments set up by the Chamber of Commerce of the US in 1968–69. See *Hearings before the Subcommittee on Foreign Economic Policy of the Committee on Foreign Affairs, House of Representatives* (Washington DC: US Government Printing Office, 1969), pp. 192–195.

35. See for instance the study of Adler and Hufbauer (1968).
36. John M. Leddy, Assistant Secretary of State for European Affairs, to the Secretary of State Dean Rusk, confidential, no date, NARA, RG 59, 5605, box 28. Also see Abraham Katz, Director European Community-Atlantic Political-Economic Affairs, Department of State, to John M. Leddy, 18 December 1967, confidential note on Balance of Payments Measures on Trade, NARA, RG 59, 5605, 28.
37. Telegram from President Johnson to the President's Special Assistant (Califano), 23 December 1967, *Foreign Relations of the United States, 1964–1968, volume VIII*, no. 166, pp. 475–476.
38. The program also included a tightening of the Federal Reserve Board's Voluntary Foreign Credit Restraint Program, and the announcement of other more general measures to limit the deficit. See Statement by the President Outlining a Program of Action to Deal with the Balance of Payments Problem, 1 January 1968, *The American Presidency Project*, http://www.presidency.ucsb.edu.
39. See report by Howard J. Samuels, Acting secretary of Commerce to the President, 9 February 1968, NARA, RG 40, entry 78, box 205. Hewlett-Packard company for instance was granted specific authorization relief in 1968 and 1969, see note by Katz on request by Hewlett Packard Company, 17 June 1971, NARA, RG 40, entry 78, box 239. See also Hawley (1987, 98).
40. Hawley argues that business leaders reacted with 'early skeptical cooperation' that 'rather quickly transformed into articulated opposition', which he analyses primarily through the business press, especially *The Wall Street Journal*. See Hawley (1987, 97).
41. See the statements of the NFTC's president Robert M. Norris, and Emilio G. Collado, chairman of the Research and Policy committee of the CED, February 1968, *Hearings before the Joint Economic Committee, Invited Comments* (Washington DC: US Government Printing Office, 1968), vol. 2, p. 482; and vol. 3, p. 757.
42. US Council, "National Policy for a Sound Dollar", 13 February 1968, p. 8. On the conflict between its directors, see Minutes of the meeting of the executive committee of the US Council, 17 January 1968, HL, Phillip D. Reed papers, series III, box 21.
43. NAM, *Statement on Balance-of-Payment problems,* 18 April 1968, HL, NAM records, series 1, box 26.
44. On Nixon's balance of payments policies, see Gowa (1983).
45. These proposals were prepared by the Chamber's Special Advisory Panel on the balance of payments it set up, approved by the chamber's board of directors on 21 February 1969 and transmitted to Richard Nixon. See the statements made by the special advisory panel's chairman, Baker (1969, 191–192).
46. The meetings of NFTC representatives with Secretary of Commerce Maurice Stans took place on 9 April 1969, the meeting with Deputy Under Secretary of State for Economic affairs Nathaniel Samuels on 21 April 1969, see Minutes of Meeting of the Board of Directors of the NFTC, 22 April 1969, HL, NFTC records, series II, box 4.
47. Representatives of the Manufacturing Chemists Association (MCA) had met with John V. Tunney in December 1968; Minutes of the Washington Advisory Committee of the MCA, 16 December 1968, Chemical Industry Archives (CIA), p. 4.
48. Minutes of the Washington Advisory Committee of the MCA, 3 February 1969, CIA.
49. George H. Decker, President of the Manufacturing Chemists Association, *Hearings before the Subcommittee on Foreign Economic Policy of the Committee on Foreign Affairs*, pp. 66–78, p. 70.
50. See Statement by Roger W. Gunder, President of the Stauffer Chemical Company, *Hearings before the Subcommittee on Foreign Economic Policy of the Committee on Foreign Affairs*, pp. 305–306.
51. Notably, the companies had more leverage in choosing the base period with which to establish their investment allowable. The Voluntary Foreign Credit Restraint Program under the supervision of the Federal Reserve Bank was relaxed, and the rate of the Interest-Equalization tax was adjusted. 'Presidential Statement to Congress: Nixon on Balance of

Payments.' In *CQ Almanac 1969*, 25th ed., 110-A-111-A. Washington, DC: Congressional Quarterly, 1970. http://library.cqpress.com/cqalmanac/cqal69-871-26658-1246606.

52. See the Action Memorandum from Richard Cooper and C. Fred Bergsten of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger), 28 January 1969, document 3, and the Memorandum from the Assistant Secretary of the Treasury on International Affairs (Petty) to Secretary of the Treasury Kennedy, 28 January 1969, document 5, both in: *Foreign Relations of the United States* (FRUS), 1969–1976, Volume III.
53. For instance Russel Baker, Chairman of the Special Advisory Panel on the Balance of Payments of the Chamber of Commerce of the US, stated during the congressional hearings, on 29 April 1962, that the Nixon's proposals were directly inspired by the Chamber of Commerce proposals, *Hearings before the Subcommittee on Foreign Economic Policy of the Committee on Foreign Affairs*, pp. 191–207.
54. See *Hearings before the Subcommittee on Foreign Economic Policy of the Committee on Foreign Affairs*, p. 274.
55. Minutes of the Meeting of the Executive Committee of the US Council, 21 January 1970, HL, Phillip D. Reed papers, series III, box 21. See also Koshetz (1970).
56. On the origins of the Eurodollars Market, see especially Burn (1999), and Schenk (1998).

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