

ARTICLE

The AFL-CIO, the U.S. Balance of Payments, and the End of the Post–World War II Liberal Order, 1965–1973

Melanie Sheehan

This article analyzes the AFL-CIO’s international economic policy activism in the late 1960s and early 1970s within the context of the collapse of Bretton Woods monetary system. It shows that AFL-CIO economists developed a far-reaching critique of multinational corporations that encompassed not only concerns about import competition and capital flight but also charges that multinational firms contributed to the United States’ balance of payments woes. Fighting charges that union wages drove inflation, labor leaders maintained that private capital outflows and intracompany transactions exacerbated U.S. payments deficits. They therefore advocated for capital controls and import restrictions as alternatives to fiscal and monetary restraint. Their efforts to preserve the expansionary policies underpinning postwar liberalism, however, ultimately failed. By calling attention to the AFL-CIO’s failed activism in international monetary politics, the article offers a new vantage point for understanding organized labor’s declining influence in the last third of the twentieth century.

Keywords: business–government relations, US 20th, labor unions, globalization

Introduction

“The jargon and the special mystique that surrounds international monetary matters diverts attention and obscures understanding of the basic issue of how manipulation of interest rates and money reserves affects the wellbeing of the free peoples of the world,” remarked AFL-CIO Research Director Nat Goldfinger in 1967. “It obscures also the fact that most of the decisions are taken by a small group of men representing the central banks of the world and their private banking colleagues.”¹

1. “The Money Squeeze,” *AFL-CIO News*, December 2, 1967, 4, microfilm, Lamont Library, Harvard University, Cambridge, MA (hereafter LL).

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Goldfinger's charges raise important questions about the distribution of power in decision-making at a critical moment in global economic history. Histories of the collapse of international monetary relations in the late 1960s and early 1970s often center on a small cast of central bankers, economists, and national leaders engaged in economic diplomacy.² Historians, however, have not adequately linked the developments in international monetary affairs with domestic political and economic change. Although scholars generally agree that a changing global economy posed new challenges to labor unions in the 1970s, we lack a full account of the varied ways that economic change contributed to the decline of organized labor's social and political influence.³

This article demonstrates the importance of combining domestic and international perspectives for understanding the political, social, and economic changes that came with the end of the Bretton Woods system. By transcending the traditional boundaries dividing histories of business, labor, domestic politics, and international political economy, it aims to capture a more holistic view of the domestic political ramifications of the end of the Bretton Woods system.

To date, historians of business-government relations have led the way toward a more comprehensive understanding of the domestic politics of international monetary affairs. Historians of business-government relations have shown how U.S. dollar deficits in the late 1960s and early 1970s shaped business political mobilization for a more market-oriented political economic order. Over time, business leaders became increasingly disillusioned with government programs to support the Bretton Woods system.⁴ By the end of the 1960s, multinational firms and business-interest associations mobilized politically to oppose capital controls that restrained dollar outflows.⁵ Moreover, business associations pinned blame for inflation on wage pressures and government spending, and they therefore called for wage restraint and federal budget cuts to redress the United States' dollar problems.⁶

Organized labor's response to U.S. payments deficits, however, remains largely unexamined. Historical analyses of labor unions' antagonism toward wage-price guidelines (under the Kennedy and Johnson administrations) and controls (under the Nixon administration) provide the primary exception to this trend, but one that demonstrates the necessity of tracing more specifically the relationships between domestic and international political economy.⁷ Beyond the question of wage restraint, historical discussion of organized labor and

2. Gavin, *Gold, Dollars, and Power*; Eichengreen, *Globalizing Capital*; Sargent, "Lyndon Johnson"; Levinson, *Extraordinary Time*; Sargent, *Superpower Transformed*; Schenk, *Decline of Sterling*.

3. In the words of one historian, "While historians have amassed considerable circumstantial evidence linking 'stagflation' to the rise of a neoliberal devotion to free markets, there is much to learn about the precise mechanisms by which the economic crisis translated into a new political order." See Waterhouse, "Mobilizing for the Market," 456.

4. Ki, "Large Industrial Firms"; Ki and Jeung, "Ideas, Interests, and the Transition"; Schaufelbuehl, "Advantage of Being Inside the Wall"; Schaufelbuehl, "Becoming the Advocate"; Rollings, "Multinational Enterprise"; Waterhouse, "Mobilizing for the Market." On corporate mobilization favoring globalization during this period, see also Oliveiro, "United States, Multinational Enterprises"; Delton, *Industrialists*.

5. Ki, "Large Industrial Firms"; Oliveiro, "United States, Multinational Enterprises"; Ki and Jeung, "Ideas, Interests, and the Transition"; Schaufelbuehl, "Becoming the Advocate." On business mobilization more generally during this period, see Phillips-Fein, *Invisible Hands*; Waterhouse, *Lobbying America*.

6. Waterhouse, "Mobilizing for the Market."

7. *Ibid.*; Milner, "Assuming Direct Control." See also Gowa, *Closing the Dollar Window*.

international economic policy has largely centered on union concerns about rising imports and capital flight.⁸ The scholarly focus on these issues is perhaps unsurprising, as these issues raised the greatest ire within organized labor. Because import competition and wage restraint directly impacted union members, these issues prompted the greatest discussion among local and national leaders within AFL-CIO Executive Council meetings and during the federation's biannual national conventions.⁹

A full understanding of union political activism in these years, however, requires a broader frame. Economists staffed in the AFL-CIO Research Department applied their technical expertise to analyze the indirect ways that the balance of payments related to issues of direct concern to union members, like jobs and domestic spending programs. AFL-CIO statements on issues ranging from the actions of the Federal Reserve Board to the ultimate desirability of the gold-dollar peg were the subject of little debate within the federation's Executive Council. Instead, the Research Department, led by Nat Goldfinger, provided guidance to national and local leaders and prepared policy statements for the council. Union leaders carried the ultimate authority to approve or reject proposed policy statements, but in international monetary matters, they largely deferred to staff economists' recommendations.¹⁰

By examining AFL-CIO economists' analyses of the causes and consequences of the dollar crisis, this article reveals a broader intellectual critique of multinational enterprise by organized labor than historians have previously acknowledged.¹¹ The labor federation did not limit its criticism to charges that capital flight and imports from foreign subsidiaries cost Americans well-paying industrial jobs. It also included allegations that multinational corporations played a role in undermining the U.S. dollar and, with it, in sacrificing the expansionary monetary and fiscal programs that lie at the heart of postwar growth liberalism.¹²

Because AFL-CIO economists identified private investment outflows as a major cause of the United States' payments deficits, their proposed remedy for redressing the dollar problem differed from that put forth by business associations. The AFL-CIO proposed restrictions on imports and capital outflows rather than government spending reductions, interest rate increases, or wage restraint to redress U.S. payments deficits. These efforts ultimately failed. The politics of domestic growth liberalism would no longer reign, presaging labor's declining influence in the last quarter of the twentieth century.

This article thus deepens historical understanding of the disintegration of the labor-management political cooperation in twentieth-century U.S. history. A number of scholars have attributed the end of the postwar "accord" to domestic factors, and others point to rising

8. Stein, *Pivotal Decade*; Oliveiro, "United States, Multinational Enterprises"; Delton, *Industrialists*, ch. 10; Benton, *Fraying Fabric*.

9. The AFL-CIO published proceedings of biennial conventions. See, for instance, *Proceedings of the Eighth Constitutional Convention of the AFL-CIO*. For Executive Council minutes, see Boxes 39–40, AFL-CIO Executive Council Minutes, George Meany Memorial AFL-CIO Archive, College Park, MD (hereafter GMMA). Special thanks to Caitlin Kennedy for research assistance in these records.

10. See, for instance, an explanation of the U.S. balance of payments issue in the *Proceedings of the Sixth Constitutional Convention of the AFL-CIO*, 2:89–92.

11. Stein, *Pivotal Decade*; Oliveiro, "United States, Multinational Enterprises"; Delton, *Industrialists*, ch. 10.

12. I borrow the term "growth liberalism" from Collins, *More*, 61.

import competition as a threat to union interests.¹³ International monetary affairs, however, were by no means irrelevant to business-labor relations in these years. The dollar deficit could only be resolved by limiting outflows of dollars and tamping inflation, but domestic political processes determined how the costs of such restrictions would be distributed within society. These circumstances drove political conflict between business and labor organizations, and the former ultimately emerged victorious.

The article is divided into three parts. Each section centers on a key turning point in the transformation away from the dollar-centered Bretton Woods monetary system through a close examination of congressional hearings, AFL-CIO publications, and archival materials held in the Lyndon B. Johnson Presidential Library. These three sections explore how the politics of international monetary relations threatened to undermine three pillars of the AFL-CIO's postwar growth agenda—low interest rates, expansionary fiscal policy, and a commitment to industrial breadwinning. Together, they show how the AFL-CIO leadership, guided by its staff economists, linked the expansion of multinational production to the crises of the Bretton Woods system and to the impending demise of postwar growth liberalism.

Part 1 begins by exploring how AFL-CIO leaders and economists responded to French President Charles de Gaulle's 1965 speech announcing France's increased dollar conversions. Scorched by the Federal Reserve Board's restrictive monetary policy during the late 1950s, union representatives warned that raising interest rates would threaten domestic growth. Instead, they urged restrictions on private dollar outflows as a more effective means to redress the dollar problem.¹⁴ Although the AFL-CIO effectively advocated for voluntary restrictions on outward foreign direct investment (FDI), this victory proved Pyrrhic. As scholars have demonstrated, the resulting guidelines encouraged firms to borrow more heavily in unregulated Euromarkets, further destabilizing the Bretton Woods system.¹⁵ Moreover, the Federal Reserve Board ultimately voted to raise the discount rate, against the wishes of both the AFL-CIO and the Johnson administration, in December.

Part 2 jumps to 1967 and 1968 to explore the politics of the federal budget. As government spending on military efforts in Vietnam mounted, inflation and a series of dollar crises spurred growing international pressure for budget restraint to stabilize the Bretton Woods system. At the same time, U.S.-based multinational firms grew restless under increasingly restrictive government policies on outward FDI. Despite these pressures, the AFL-CIO leadership held fast to its faith in expansionary fiscal and monetary policies and its commitment to U.S. involvement in Vietnam. Frustrated with the Johnson administration's lack of action on U.S. payments imbalances, European central bankers ceased participation in multilateral efforts to shore up the dollar. Johnson, meanwhile, contradicted the AFL-CIO's wishes and acceded to pressure for budget cuts after announcing that he would not seek reelection in 1968.

13. Waterhouse, *Lobbying America*, 14–45; Cowie, *Great Exception*, esp. 153–177; Lichtenstein, *State of the Union*, 98–140; Cowie, *Capital Moves*; Stein, *Pivotal Decade*.

14. In a 1965 statement on monetary policy, the AFL-CIO Convention alluded to the contractionary impacts of interest rate increases driven by “the Fed’s inflation psychosis and balance-of-payments confusion” during the late 1950s. See Resolution No. 196: Monetary Policy, *Proceedings of the Sixth Constitutional Convention of the AFL-CIO*, 1:379–380.

15. Sargent, *Superpower Transformed*, ch. 4.

Part 3 turns to how labor leaders linked the problems of imports and investments in offshore production to the balance of payments issue. Labor leaders regarded import competition and multinational production as threats to the industrial order that underpinned unionized male breadwinning. They therefore pressed for capital controls and import quotas on a wide variety of goods, an agenda that culminated in their failed campaign for the 1971 Foreign Trade and Investment Act, known as the Burke-Hartke bill. AFL-CIO representatives portrayed the bill as a remedy to two major concerns surrounding the U.S. dollar—the exacerbation of U.S. payments deficits caused by rising imports and the recurrence of speculative currency crises. On the whole, the AFL-CIO’s activism for the Burke-Hartke bill, like its activism on monetary and fiscal policies, revealed a desire to maintain the growth-oriented industrial economy upon which post–World War II liberalism rested—a model struggling to survive in a globalizing world order.

Monetary Policy and Johnson’s Voluntary Restraint Program, 1965

The postwar growth economy rested in part on a combination of relatively low interest rates and low inflation, a product of the particular international circumstances of the postwar era. Under the Bretton Woods system, U.S. payments deficits provided international liquidity that financed recovery and growth abroad.¹⁶ Nevertheless, foreign countries’ willingness to hold U.S. dollars waned as U.S. payments deficits mounted and concerns about inflation abroad arose. When French President Charles de Gaulle threatened to undermine this system by converting French dollar holdings to gold, U.S. policymakers came under pressure to raise interest rates and thereby restrain the dollar flood. The AFL-CIO, by contrast, sought an alternative solution—restricting private capital outflows.

Understanding the political debates about interest rates and capital outflows in the mid-1960s thus requires a more fundamental understanding of the weaknesses of the international monetary system under the Bretton Woods order. As early as 1947, Yale economist Robert Triffin identified the basic vulnerability of the Bretton Woods system—the international monetary order rested upon the guarantee that the United States would convert dollars to gold at a fixed rate of thirty-five dollars per ounce. The system would thus become vulnerable if the United States’ ability to convert dollars to gold became uncertain. Once the number of dollars in the international system exceeded the Treasury’s ability to convert dollars to gold at the fixed rate, any sign of U.S. hesitancy to pay out gold for dollars could spark panicked sell-offs of dollars in international markets.¹⁷

As previous scholars have shown, cooperation among central bankers forestalled the international monetary system’s collapse despite its increasing fragility over the course of the 1960s.¹⁸ As early as October 1960, the dollar’s value came into question as the price of gold in private markets rose to forty dollars per ounce, even as the official convertibility rate remained

16. Eichengreen, *Globalizing Capital*, 107; Sargent, “Lyndon Johnson.”

17. Eichengreen, *Globalizing Capital*, 112–114; Sargent, “Lyndon Johnson.”

18. Eichengreen, *Globalizing Capital*, 112–132; Bordo, Monnet, and Naef, “Gold Pool.”

thirty-five dollars per ounce.¹⁹ Central bankers therefore devised a variety of arrangements to support the viability of the Bretton Woods system. In most cases, central bankers intervened in financial markets to buy up excess dollars that they then held in reserve to maintain the fixed dollar-gold rate. Most prominently, Great Britain, Switzerland, the United States, and the countries of the European Economic Community formed the Gold Pool, a cooperative effort to buy and sell gold in London financial markets to maintain the dollar's value.²⁰

During the mid-1960s, French President Charles de Gaulle's distaste for the dollar-centered monetary order, combined with his country's large dollar surpluses, posed the greatest threat to the Bretton Woods system.²¹ On February 4, 1965, de Gaulle called for reform of the monetary system to eliminate what he considered the United States' exorbitant privilege. He publicly accused the United States of "export(ing) their inflation" to Europe by running dollar deficits, an accurate assessment that nevertheless ignored the role of these dollar deficits in fueling France's own *trente glorieuses*. The expansion of U.S.-based multinational firms into Europe also alarmed de Gaulle, who charged that the inflation of the dollar had supported U.S. corporate takeovers of French firms. He thus encouraged other countries to join France in turning their dollars into the U.S. Treasury for gold.²²

As the Johnson administration considered an appropriate response to reassure markets, AFL-CIO leaders warned against contractionary policies and pinned ultimate blame for U.S. payments deficits on multinational firms. AFL-CIO President George Meany warned Johnson against interest rate increases to attract capital inflows, as such a "dangerous measure" might "reverse the recent improvement of the unemployment situation." Instead, Meany urged the administration to "treat the source of real payments problems—the large-scale and sometimes unpredictably sudden outflows of private investment."²³ Johnson agreed, noting in a letter to the AFL-CIO president that "the core of the current problem is the large outflow of private capital."²⁴

That same week, Nat Goldfinger echoed Meany in his own statement before the Senate Committee on Banking and Currency. He warned against "tight money and higher interest rates" that "could slow down the economic advance and reverse the improvements of the unemployment position." Instead, the United States needed "expansionary monetary and fiscal policies to achieve and sustain full employment." Goldfinger identified "the large-scale and sometimes unpredictably sudden outflows of private investment" as "the points where the problems" with the U.S. balance of payments "arise." He thus recommended "national

19. Eichengreen, *Globalizing Capital*, 126.

20. Bordo, Monnet, and Naef, "Gold Pool."

21. Jackson, *Certain Idea of France*; Martin, *General de Gaulle's Cold War*; Gavin, *Gold, Dollars, and Power*. On de Gaulle and U.S.-French relations, see also Giauque, *Grand Designs*; Ellison, *United States, Britain, and the Transatlantic Crisis*; Reyn, *Atlantis Lost*.

22. Gavin, *Gold, Dollars, and Power*, 120–127; Schaufelbuehl, "Gold as a Diplomatic Tool"; Sargent, "Lyndon Johnson."

23. George Meany to President, February 8, 1965, FO4-1 8/1/64–3/2/65, Box 32, Subject File, White House Central Files (hereafter WHCF), Lyndon B. Johnson Presidential Library and Museum, Austin, TX (hereafter LBJ).

24. LBJ to George Meany, February 16, 1965, Balance of Payments FO4-1 8/1/64–3/2/65, Box 32, Subject File, WHCF, LBJ. For more on Johnson's reluctance to raise interest rates, see Sargent, "Lyndon Johnson."

supervision and temporary restriction” of private investment outflows as the solution to U.S. payments deficits.²⁵

Within a week of de Gaulle’s address, Johnson answered the French president with a comprehensive balance of payments program that generally aligned with organized labor’s priorities. He pronounced those concerned about the dollar’s value “needlessly afraid.” At the same time, he affirmed the administration’s “firm determination” to reduce the U.S. payments deficit. He proposed export and domestic tourism promotion as well as administrative efforts to reduce defense-related dollar outflows. Johnson also called for a series of measures to rein in dollar outflows by U.S. financial firms, including extension and broadening of the Interest Equalization Tax and voluntary cooperation to limit foreign lending. Finally, the president announced the initiation of a voluntary program that encouraged U.S.-based firms to reduce their FDI outflows.²⁶

The AFL-CIO’s victory, however, proved fleeting. In early December, the Federal Reserve Board voted to raise the discount rate to head off what bankers viewed as inflationary pressures.²⁷ The decision ran counter to the Johnson administration’s expansionary agenda and infuriated congressional Democrats.²⁸ The AFL-CIO Convention quickly joined the chorus of critics. Its statement condemned the rate increase because it would raise the cost of borrowing and thus dampen the business investment that fueled economic growth and employment. “Interest rates in the United States should be determined by the needs of the American economy for sustained full employment and increasing buying power,” the convention asserted, “not by the monetary decisions of foreign central banks.”²⁹

Moreover, the voluntary restraint program did little to redress the labor federation’s concerns about capital outflows. Firms largely adhered to the investment guidelines, but they did so largely by borrowing funds in so-called Euromarkets to fund their foreign subsidiaries.³⁰ Euromarkets were unregulated, private financial markets that operated beyond the purview of central banks.³¹ In essence, then, the Euromarkets became an offshore site where U.S.-based multinational firms could borrow and deposit dollar funds without contravening the federal guidelines.

25. US Congress, Senate, Committee on Banking and Currency, *Gold Reserve Requirements: On S. 797, S. 743, and S. 814, Bills to Amend or Eliminate the Federal Reserve Bank Gold Reserve Requirement*, 89th Cong., 1st Sess. (1965), (statement of Nathaniel Goldfinger, Director, Department of Research, American Federation of Labor and Congress of Industrial Organizations), 245–249, 246–247; “Labor Urges Total End to Federal Gold Cover,” *AFL-CIO News*, February 13, 1965, microfilm, LL.

26. Lyndon B. Johnson, “Special Message to the Congress on International Balance of Payments,” February 10, 1965, online by Gerhard Peters and John T. Woolley, The American Presidency Project, <https://www.presidency.ucsb.edu/node/241116>.

27. Edwin L. Dale, “Martin Vote Key to Interest Rise,” *New York Times*, December 8, 1965, ProQuest Historical Newspapers: The New York Times; Sal Nuccio, “Martin Defends Rise in Bank Rate,” *New York Times*, December 9, 1965, ProQuest Historical Newspapers: The New York Times.

28. Sargent, “Lyndon Johnson”; Felix Belair Jr., “Angry Democrats Seek to Curb the Reserve Board,” *New York Times*, December 7, 1965, ProQuest Historical Newspapers: The New York Times.

29. Resolution No. 196: Monetary Policy, *Proceedings of the Sixth Constitutional Convention of the AFL-CIO*, 1:379–380.

30. Ogle, “Archipelago Capitalism”; Rollings, “Multinational Enterprise”; Ki, “Large Industrial Firms.”

31. Schenk, “Origins of the Eurodollar Market”; Green, “Anglo-American Development”; Cassis, *Capitals of Capital*, 219–235.

Nevertheless, the Johnson administration welcomed foreign borrowing to finance overseas investments as a strategy to foster multinational firms' growth without draining the U.S. Treasury.³² For the administration, the voluntary restraint program was merely a means to meet its balance of payments goals, and foreign borrowing enabled the United States to achieve that aim even as firms' international investments continued to expand. According to Secretary of Treasury Douglas Dillon, businessmen concerned that the program aimed to reduce FDI struggled with "a misunderstanding of the intent and approach" of the program.³³ Secretary of Commerce C. R. Smith went so far as to describe "the amount of foreign funds raised abroad ... to replace direct investment from the United States" as "a more accurate measure" of the program's success than the reduction of FDI outflows.³⁴ In short, although the continued expansion of multinational enterprise rankled union officials, the program's primary objective remained limiting official dollar outflows.

Budget Battles, 1967–1968

The AFL-CIO leadership also sought, unsuccessfully, to dissuade policymakers from using contractionary fiscal policies to rein in U.S. payments deficits. The federation had long advocated for government spending and lower taxes as a formula for job creation and economic growth.³⁵ In the late 1960s, federal spending seemed as urgent as ever. As war raged in Vietnam, domestic poverty remained at home. To the AFL-CIO leadership, government spending on both foreign and domestic programs—a "guns-and-butter" policy—was needed. Nevertheless, organized labor's demands met head-on with foreign governments' concerns about dollar inflation and with business political mobilization against capital controls. The expansionary policies that lay at the heart of postwar growth liberalism thus died in the political battles over U.S. payments deficits.

As the United States became more deeply enmeshed in the Vietnam War, real military spending rose beginning in 1965 and peaked in 1968. As previously noted, the Federal Reserve responded to inflationary pressures by raising the discount rate in December 1965, but the administration refused to consider a tax increase to counteract federal spending increases through 1966. When Johnson did propose a tax increase in 1967, Arkansas Democrat Wilbur Mills, chairman of the House Committee on Ways and Means, refused to forward the tax bill to the House floor until the administration agreed to couple the measure with spending cuts. With defense spending mounting, the U.S. payments deficit rose sharply in the last quarter of 1967.

32. Joseph Califano to Percival F. Brundage, March 5, 1968, 4/12/66--, EX FO3-2, Box 40, Subject File, WHCF, LBJ; Ki, "Large Industrial Corporations," 31–33; Rollings, "Multinational Enterprise."

33. Douglas Dillon to President, February 26, 1965, 8/1/64–3/2/65, EX FO4-1, Box 32, Subject File, WHCF, LBJ.

34. Joseph Califano to Percival F. Brundage, March 5, 1968, 4/12/66--, EX FO3-2, Box 40, Subject File, WHCF, LBJ.

35. Edmund Wehrle has connected this growth ideology to the influence of Leon Keyserling. See Wehrle, "Guns, Butter, Leon Keyserling."

At the same time, a wave of urban unrest in the summer of 1967 prompted the AFL-CIO and its liberal allies to demand an urgent expansion of federal spending on domestic programs. Accumulating grievances in poor Black communities had spurred uprisings in previous summers in cities, including Harlem and Watts. Nevertheless, the scale and scope of unrest in 1967 spurred a reevaluation of the successes and limitations of Johnson's Great Society. Twenty-three Black men, women, and children died in Newark protests following an instance of police brutality in July. That same month, forty-three people, including thirty-three people of color, died in Detroit in violence sparked by a police raid in a Black community. As the Johnson administration dispatched nearly five thousand federal troops to Detroit, the president set about appointing a National Advisory Commission on Civil Disorders to study the causes of discontent in U.S. cities.³⁶

The AFL-CIO responded by joining with city governments and civil rights, business, and religious groups to form an "Urban Coalition" intent on directing federal resources to redress urban poverty.³⁷ The coalition organized an Emergency Convocation in August, attended by a thousand prominent leaders, that called for a federal employment program to create jobs for "at least 1 million of the presently unemployed ... at the earliest possible moment."³⁸

Nevertheless, a dollar sell-off at the end of 1967 sparked growing international pressure on the Johnson administration to reduce U.S. payments deficits and thus posed a threat to domestic spending programs. In November 1967, the British government's decision to devalue the pound sparked panic that the dollar might soon succumb to a similar fate, and in December, the U.S. Treasury paid out more gold in exchange for paper currencies than it had in any previous month during the 1960s.³⁹ Foreign central banks, too, were fast selling off gold reserves in the London gold market to support the dollar's value. In response, European central bankers made clear that they would cease their cooperation in the Gold Pool if the Johnson administration failed to take serious action to redress the US payments deficit.⁴⁰

AFL-CIO economists dismissed concerns about the U.S. dollar and decried the Federal Reserve's decision to raise the discount rate in response to the panic. Nat Goldfinger warned that the discount rate increase would "not only slow up the American economy but could trigger a worldwide interest rate war." Such decisions "taken by a small group of men representing the central banks" could undermine "the needs of the American economy for sustained full employment and increasing buying power."⁴¹

Goldfinger, moreover, dismissed claims "that the dollar's position has been weakened and that the U.S. balance of payments deficit calls for correction" as "more of the fiction of the

36. McLaughlin, *Long, Hot Summer of 1967*; Thompson, *Whose Detroit?*, 45–47.

37. Richard Reeves, "Prominent Americans to Plan Conference on Cities' Problems," *New York Times*, July 29, 1967, ProQuest Historical Newspapers: New York Times; Joseph A. Loftus, "Urban Leaders Call Big Parley on Riots," *New York Times*, August 1, 1967, ProQuest Historical Newspapers: The New York Times.

38. "Emergency Jobs Sought in City Crisis: Unions Join Demand for US Action," *AFL-CIO News*, August 26, 1967, microfilm, LL.

39. Sargent, "Lyndon Johnson"; Gavin, *Gold, Dollars, and Power*, 166–178; Bordo, Monnet, and Naef, "Gold Pool."

40. Gavin, *Gold, Dollars, and Power*, 166–178.

41. "The Money Squeeze," *AFL-CIO News*, December 2, 1967, 4, microfilm, LL.

international monetary world.” He suggested that the dollar’s value rested upon the “strength and vigor and growth of the American economy.” Despite the fact that European and Japanese growth outpaced that of the United States in the decades after World War II, Goldfinger concluded that “it is the same dollar that financed the recovery of the free world after World War II.”⁴²

George Meany personally appealed to Johnson in December as the administration prepared its budget recommendations for the following year. He warned the president that his administration’s recommendations must not reflect “the false cry of ‘guns or butter’” that “has been raised from opposite ends of the political spectrum.” Rather, “the drive to make America a better place for all its citizens” through Great Society programs “can and must continue, even as Americans fight freedom’s battle in Viet Nam.” He thus called upon the Johnson administration not merely to maintain but to expand federal jobs, housing, and health-care programs. At the same time, Meany insisted, “Nothing is more important than the war in Viet Nam as such, or the broader burden of defending the cause of freedom everywhere.”⁴³

By this point, some leaders within the AFL-CIO had begun to organize against the AFL-CIO’s position on the Vietnam War, in part because they believed defense spending diverted funds from much-needed domestic social programs. On November 11, 1967, a group of roughly five hundred labor leaders and allies marked Veteran’s Day by gathering in Chicago for a Labor Assembly for Peace. Speakers included antiwar labor leaders such as Emil Mazey and Victor Reuther of the United Auto Workers, as well as allies such as Senator Eugene McCarthy and civil rights leader Dr. Martin Luther King Jr.⁴⁴

Nevertheless, on the whole, the peace stance encapsulated in the Labor Assembly for Peace remained a minority view within the AFL-CIO. In a November 1967 poll conducted by the AFL-CIO’s Committee for Political Education, 41 percent of respondents endorsed the president’s policies, and an additional 38 percent called for an escalation of military action.⁴⁵ At the AFL-CIO Convention the following month, American Federation of Teachers President Charles Cogen recommended a motion that the AFL-CIO refrain from taking a position on the war, but he found support from only two of nine hundred delegates present.⁴⁶ With the neutrality resolution easily defeated, the convention overwhelmingly passed a resolution asserting the federation’s “unequivocal” endorsement of Johnson’s policies.⁴⁷

Despite the AFL-CIO’s continued call for “guns-and-butter” spending policies, Lyndon Johnson announced a new balance of payments program on New Year’s Day in 1968. The

42. Ibid. On growth rates, see Frieden, *Global Capitalism*, 278–300, 342–346.

43. George Meany to President, December 29, 1967, Folder (unlabeled), Box 337, Name File: George Meany, WHCF, LBJ.

44. Lewis, *Hardhats, Hippies, and Hawks*, ch. 4; Wehrle, *Between a River and a Mountain*, 123–126; Laurent, *King and the Other America*, ch. 6.

45. “Support for LBJ,” *AFL-CIO News*, November 18, 1967, 6, microfilm, LL.

46. One was Leon Davis, president of Local 1199 of the Retail, Wholesale & Department Store Union. The other, attending the convention on behalf of the Colorado State AFL-CIO, stated that he acted independently of the state central body in taking the position. On Local 1199, see Young, *Soul Power*, ch. 2; Fink and Greenberg, *Upheaval in the Quiet Zone*.

47. John M. Barry, “Solid Support Voted US on Viet Nam: Dramatic Debate Demonstrates Labor’s ‘Unequivocal’ Position,” *AFL-CIO News*, December 16, 1967, microfilm, LL; Wehrle, *Between a River and a Mountain*, 123–126.

administration tightened wage and price guidelines and discouraged strikes in key industries. It also called upon Congress to restrict tourism, expand export promotion programs, and revise the federal budget to increase taxes and cut expenditures.⁴⁸

On the issue of private foreign investments, the administration moved beyond voluntary restrictions to impose mandatory controls, a measure that received the AFL-CIO's "complete support and endorsement."⁴⁹ The new regulations limited FDI solely to reinvested earnings in continental Western Europe (excluding Greece and Finland) and South Africa and to 65 percent of FY1965–1966 FDI levels in Canada, Japan, Australia, the United Kingdom, and the oil-producing countries. The U.S. Department of Commerce's Office of Foreign Direct Investments administered less stringent restrictions on investments in Greece, Finland, and "less developed countries"; there, a firm could invest up to 110 percent of its average FY1965–1966 direct investments.⁵⁰

Despite Johnson's tightened program, dollar troubles persisted. By March 1968, the persistent weakness of sterling and political uncertainty surrounding the president's program contributed to another sell-off of dollars. Scrambling as the Gold Pool converted hundreds of millions of dollars to gold, the Johnson administration asked the Bank of England to temporarily shut down the London gold market. In a subsequent emergency meeting, U.S. and Western European central bankers agreed to a number of reforms, including a division of the gold market into an official market, in which gold would remain convertible at thirty-five dollars an ounce, and a private market in which the price of gold would fluctuate with the market.⁵¹

Nevertheless, European central bankers had reached their breaking point during the March Crisis, and any effort at central bank cooperation thereafter would prove difficult in the face of mounting frustration with U.S. policies. France had withdrawn from cooperating in the Gold Pool in June 1967, and the latest crisis spawned rumors that Italy and Belgium might soon follow suit.⁵² The central bankers thus agreed to end the Gold Pool as part of the March reforms.

Firms with international operations, meanwhile, grew restless with federal policies. They objected that the new FDI restraint program placed the burdens of the dollar crisis upon their shoulders, even as the federal government remained reluctant to dramatically scale back its spending.⁵³ Many were "seeing red" over the imposition of mandatory controls.⁵⁴ The

48. Collins, *More*, 78–79; Lyndon B. Johnson, "Statement by the President Outlining a Program of Action to Deal with the Balance of Payments Problem," January 1, 1968, online by Gerhard Peters and John T. Woolley, The American Presidency Project, <https://www.presidency.ucsb.edu/node/237896>.

49. "Curbs on Dollar Flow Endorsed," *AFL-CIO News*, January 6, 1968, 1.

50. Background Summary of Regulations on Foreign Direct Investment, Foreign Direct Investment—1, Box 10, Office Files of Ernest Goldstein, LBJ. For a listing of the countries included in each category, see Joseph W. Bartlett, Notice, "Identity of Countries in Schedules A, B, and C," *Federal Register* 33, no. 79 (April 23, 1968): 6205, ProQuest: Congressional.

51. Collins, *More*, 78–85; Sargent, "Lyndon Johnson."

52. Bordo, Monnet, and Naef, "Gold Pool"; Bordo, Humpage, and Schwartz, *Strained Relations*, 179–181.

53. As Neil Rollings has noted, the tasks of accessing alternative financing and meeting federal reporting requirements entailed costs for those firms that adhered to the guidelines by borrowing in Euromarkets to maintain their international operations. See Rollings, "Multinational Enterprise."

54. "How Sound Is Your Dollar," *Nation's Business*, March 1968, 33, Hagley Museum and Library Digital Collections.

U.S. Chamber of Commerce's monthly magazine, *Nation's Business*, proclaimed that "Washington" had "lost control of the nation's financial affairs," and it questioned whether to attribute such "fiscal irresponsibility" to "incredible irresponsibility," "colossal ineptness," or "spectacular carelessness."⁵⁵ Socony Mobil Chairman Albert J. Nickerson, who had endorsed the voluntary restraint program in 1965 as chairman of the Balance of Payments Advisory Committee of the Department of Commerce, now warned the administration that firms were "becoming increasingly restive." They had grown concerned that the program was becoming "a substitute for action on other aspects of the balance of payments."⁵⁶

Still, AFL-CIO Research Director Nat Goldfinger responded to the crisis by asserting the fundamental strength of the dollar based on national economic performance, dismissing investors' concerns that U.S. deficits weakened the dollar's value. He recognized the importance of "confidence" in the dollar but maintained that investors should be reassured that the dollar remained "the world's strongest currency because the American economy is the richest and most productive in the world." Its value rested upon "the \$800 billion in goods and services produced by America's workers in a single year," not on the amount of gold held in the U.S. Treasury.⁵⁷

The best course of action for the United States, then, would rest not upon restrictive measures to limit U.S. deficits but rather upon growth-oriented programs aimed at maintaining "the continued health of that economy." He reflected that "the traditional prescription for nation facing a big deficit was to tighten its belt," but he maintained that such austerity measures as federal spending cuts would trigger a recession. The result would be "fewer tax dollars" in government coffers—an outcome that would contradict the intended consequences of cutting spending to reduce the deficit.⁵⁸

Going further, Goldfinger recommended the elimination of the gold-dollar peg altogether, and he endorsed central bankers' decision to pursue a fundamental realtering of the international monetary system through the introduction of International Monetary Fund special drawing rights (SDRs). SDRs, described as "paper gold," would supplement dollars in providing international liquidity. "The sooner the world reaches a stage of treating gold as just another commodity such as copper, wheat or silver," Goldfinger asserted, "the better off all of us will be." In his view, while spending cuts to preserve the gold-dollar link would produce recession, the introduction of SDRs would "expand the supply of international currency" to "provide the basis for the continuing expansion of world trade."⁵⁹ Applying the principles of monetary expansion at the global level, he concluded that this expansion of SDRs would promote global economic growth.

55. Alden H. Sypher, "The Words Don't Go with the Music," *Nation's Business* 56, no. 5 (May 1968): 31–32, Hagley Museum and Library Digital Collections.

56. Al Nickerson (Mobil Company of Venezuela) to LBJ, March 4, 1965, Folder 3/3/65–3/17/65, Box 33, FO4-1, Subject File, WHCF, LBJ; Albert J. Nickerson to CR Smith, September 27, 1968, Folder 4/12/66--, Box 40, FO4-3, Subject File, WHCF, LBJ.

57. David L. Perlman, "Gold Crisis Laid to 'Run' by Speculators: US Production Still the Force that Maintains the Dollar," *AFL-CIO News*, March 23, 1968, microfilm, LL.

58. *Ibid.*

59. *Ibid.*; "Curbs on Gold Trading 'Step in Right Direction,'" also in *AFL-CIO News*, March 23, 1968, microfilm, LL.

In this, he echoed the analysis of economist Leon H. Keyserling. Keyserling described the international “commitment to this yellow metal” as “both slavish and superstitious.” Moreover, he maintained that delinking international accounts from settlement in gold would prove crucial to promoting economic growth.

Since the gold supply of the world is increasing at only about one per cent a year, while the monetary systems underlying both domestic economies and international exchange must expand sufficiently to support fundamental economic expansion at annual rates of 5 per cent and much higher (depending upon the country), any substantial connection between gold and monetary systems becomes progressively crippling.⁶⁰

Instead, Keyserling proposed “application on the international front, with appropriate modifications, of something similar to what our own Federal Reserve System can be at it best.”⁶¹ In this, his recommendations largely mirrored proposals for the International Monetary Fund to play an enlarged role in the allocation of special drawing rights to increase international liquidity.

Despite Goldfinger’s optimism, the strained political relations between Western European central bankers and the Johnson administration suggested the implementation of SDRs would not proceed smoothly. Central bankers negotiated agreements that advanced the implementation of SDRs in Stockholm in March 1968. France, however, continued to insist that the first SDR allocation must remain contingent on improvements in the United States’ payments position. Its representatives therefore did not sign the final agreement in Stockholm.⁶² Facing international pressure, Johnson insisted in a televised address the following week that “the United States just must bring its balance of payments to—or very close to—equilibrium.” In the same address, he announced that he would not run for reelection.⁶³

As proposed budget cuts made their way through Congress, the AFL-CIO mustered its political resources in an effort to block the measures.⁶⁴ The AFL-CIO Executive Council stated that it was “unalterably opposed to the meat-ax approach to gutting the budget.” “We will support a fair and equitable tax increase on a temporary basis,” the council maintained, “but the actions proposed by the conferees will set the United States on a course that can lead only to chaos in domestic and international policies.”⁶⁵ Meanwhile, the federation’s publications

60. Keyserling, “New Economics.”

61. Leon H. Keyserling, “Prevalent Monetary Policy and Its Consequences,” in US Congress, House of Representatives, Committee on Banking and Currency, Subcommittee on Domestic Finance, *The Federal Reserve System after Fifty Years: Hearings on HR3783, HR9631, HR9685, HR9686, HR 9687, HR9743*, vol. 3, April 1964, 1729–1842, 1759.

62. Lyndon B. Johnson, “The President’s News Conference,” March 30, 1968, online by Gerhard Peters and John T. Woolley, The American Presidency Project, <https://www.presidency.ucsb.edu/node/238067>; Group of Ten, “Stockholm Communique of March 20, 1968,” *International Legal Materials* 7, no. 3 (May 1968): 709, HeinOnline; Eichengreen, *Globalizing Capital*, 111.

63. Lyndon B. Johnson, “The President’s Address to the Nation Announcing Steps to Limit the War in Vietnam and Reporting His Decision Not to Seek Reelection,” March 31, 1968, online by Gerhard Peters and John T. Woolley, The American Presidency Project, <https://www.presidency.ucsb.edu/node/238065>.

64. Zelizer, *Taxing America*, 270–277.

65. “Budget Slashing,” *AFL-CIO News*, May 18, 1968, microfilm, LL.

insisted that legislation must address “grossly unjust tax loopholes” and “correct tax injustices toward America’s low and moderate income families.”⁶⁶

Despite vigorous labor opposition, Johnson signed the Revenue and Expenditure Control Act into law on June 28, 1968. Its passage marked a landmark shift away from the administration’s growth orientation, and it was predicted to reduce the federal deficit by \$20 billion in fiscal year 1969. The law increased income taxes by 10 percent, and, as a condition for passage of the tax increase, it mandated that the administration reduce federal spending estimates for fiscal year 1969 by \$6 billion. Contradicting AFL-CIO calls for full employment through public hiring, the act also required a reduction in federal employment to June 1966 levels.⁶⁷

Meanwhile, rising interest rates attracted short-term financial flows from Western Europe into the United States.⁶⁸ Nevertheless, such improvements were tenuous. In the absence of central bank cooperation under the Gold Pool, the dollar was now more vulnerable to the whims of short-term investors eager to maximize profits. Any signs of a weakening dollar could, and would, provoke outflows of “hot money,” just as rising interest rates now attracted such inflows.

Trade Deficits, Dollar Crises, and the Burke-Hartke Bill, 1968–1973

At the same time, the AFL-CIO leadership increasingly feared that rising imports and capital outflows threatened to undermine the industrial underpinnings of postwar liberalism. In this context, the AFL-CIO laid out its most far-reaching proposals to restrain multinational corporations. Although union leaders primarily concerned themselves with the job impacts of import competition and capital flight, they also continued to criticize the activities of multinational firms in terms of their impact on the balance of payments. In part, they did so in a strategic effort to secure their desired policies. At the same time, the federation’s leadership also retained hope that restraining capital outflows would allow for a renewed commitment to growth-oriented fiscal and monetary policies.

By the end of the 1960s, the AFL-CIO had begun to abandon its postwar commitment to the Democratic Party’s trade liberalization program. The conclusion of the Kennedy Round of General Agreement on Tariffs of Trade negotiations in 1967 brought results that the AFL-CIO found disappointing. The federation had endorsed the start of negotiations in 1962 in the hope of securing concessions from foreign countries. Nevertheless, by 1967, the federation’s national convention ultimately concluded that their “great expectations” for the Round had “not been fully realized.”⁶⁹ AFL-CIO leaders’ optimism that the Round would bring

66. “Washington Window,” *AFL-CIO News*, May 25, 1968, microfilm, LL.

67. Lyndon B. Johnson, “Statement by the President upon Signing the Tax Bill,” June 28, 1968, online by Gerhard Peters and John T. Woolley, The American Presidency Project, <https://www.presidency.ucsb.edu/node/236911>; Lyndon B. Johnson, “Memorandum on the Need for Reduced Spending by Federal Agencies Following Enactment of the Tax Bill,” June 28, 1968, online by Gerhard Peters and John T. Woolley, The American Presidency Project, <https://www.presidency.ucsb.edu/node/236897>; Collins, *More*, 84; Milner, “Assuming Direct Control,” 58; Zelizer, *Taxing America*, 255–282.

68. Sargent, *Superpower Transformed*; Sargent, “Lyndon Johnson.”

69. US Congress, House of Representatives, *Hearings on Tariff and Trade Proposals*, 90th Cong., 2nd Sess., Part III, June 13, 1968 (statement of Andrew J. Biemiller, Director, Department of Legislation, AFL-CIO, accompanied by Nathaniel Goldfinger, Director, Department of Research), 1091–1109, 1091–1092.

concessions from foreign countries dissipated.⁷⁰ “Most countries,” the federation’s 1969 national convention concluded, had “moved to manage their national economies—with direct and indirect aids for exports and bars to imports.”⁷¹

Moreover, the shift in AFL-CIO policy came in response to multinational corporations’ novel strategies for offshoring production. Reduced trade barriers, improved communication and transportation technologies, and government policies enabled multinational firms to integrate production processes across national lines.⁷² U.S. corporations thus began to off-shore production of component parts, particularly in labor-intensive industries like textiles and microelectronics, to countries of East Asia and Latin America that sought to attract private investment to promote their own national growth and development.⁷³ Most prominently, Mexico’s Border Industrialization Program encouraged U.S. corporations to establish facilities along the U.S.-Mexican border. It exempted firms’ imported materials along a 12.5-mile strip from the country’s relatively high tariff rates but required firms to reexport the finished products. U.S. firms thus transferred components to Mexican assembly plants duty-free and exported the more valuable finished products back to the United States.⁷⁴

Rising imports ultimately contributed to the United States’ balance of payments woes. Over the course of the late 1960s, the U.S. trade surplus dwindled as import growth outpaced export growth.⁷⁵ As economic historians have noted, the U.S. trade surplus had historically compensated for dollar outflows in the form of foreign aid and military expenditures to balance U.S. payments accounts.⁷⁶ The country’s declining trade surplus, and its ultimate shift to deficit in 1971, thus limited its ability to cover its foreign spending deficits.

AFL-CIO spokesmen highlighted this relationship between imports and the U.S. balance of payments in their own activism for a revised U.S. trade policy, and they pinned particular blame for rising imports on multinational corporations. Legislative Director Andrew Biemiller warned that “the operations of foreign governments, in conjunction with the private interests of U.S. firms located abroad, can possibly have an adverse effect on the trade and payments position of the United States.” He emphasized that multinational firms’ “intra-company transactions ... not only supplant some U.S. exports but also add to U.S. imports.” “Obviously,”

70. Elizabeth Jager to Andrew J. Biemiller, May 2, 1969, March 18, 1969, 20/42: Foreign Trade May 1969–October 1969, Box 20, AFL-CIO Legislation Department, GMMA. I expand upon this point in Sheehan, “Opportunities Foregone,” ch. 3.

71. Resolution No. 205: International Trade, *Proceedings of the Eighth Constitutional Convention of the AFL-CIO*, 1:278.

72. Jones, *Multinationals and Global Capitalism*, ch. 7; Fitzgerald, “Multinational Management,” esp. 540; Levinson, *Box*; Delton, *Industrialists*, 244; Wilkins, *Maturing of Multinational Enterprise*, 327–328; Fetzer, *Paradoxes of Internationalization*. On U.S. tariff limits for goods constructed with U.S.-made parts but assembled abroad, see also Wertman, *Tariff Items*, 1–3.

73. Jones, *Multinationals and Global Capitalism*, ch. 4; Delton, *Industrialists*, 244.

74. Cowie, *Capital Moves*, 105–115.

75. US Congress, Senate, Committee on Finance, *Trade and Statistical Material on US Balance of Trade and Balance of Payments*, 93rd Cong, 2nd Sess. (1974), 4; “US International Transactions: Trends in 1960–67,” *Federal Reserve Bulletin* 54, no. 4 (April 1968): 339–361.

76. Gavin, *Gold, Dollars, and Power*, 203–204; Sargent, “Pax Americana,” 368.

Biemiller concluded, “the best interests of these companies and the basic interest of the United States are not always identical.”⁷⁷

The actual impact of multinational firms’ activities on the U.S. balance of payments remained difficult to determine because government data and reporting remained lacking. The AFL-CIO prioritized enhanced federal supervision of multinational firms’ activities as a necessary component of a reevaluation of U.S. trade policy.⁷⁸ Nevertheless, into the 1970s, the relationship between multinational corporations’ foreign investments and the U.S. trade balance remained a contentious topic. Although leaders of multinational corporations like General Motors maintained that their foreign subsidiaries facilitated U.S. export promotion, labor leaders continued to insist that exports from U.S. firms’ foreign subsidiaries and licensees contributed to the rise in U.S. imports.⁷⁹

Feeding concerns about multinational production and rising imports, the United States experienced four consecutive months of trade deficits beginning in April 1971. In July, Commerce Secretary Maurice H. Stans predicted, correctly, that the United States might experience an annual trade deficit for the first time since 1893. This trend, which Stans regarded as “frightening,” also alarmed Treasury Secretary John B. Connally, who warned that the declining trade surplus would undermine the United States’ ability to balance its international payments.⁸⁰

When the AFL-CIO Executive Council gathered in Atlanta in May 1971, then, it adopted a nine-point legislative program to restrict imports and regulate the activities of multinational firms. It proposed the enactment of quotas on nearly all imports based on average import levels from 1965 through 1969. The quotas would be governed by what came to be known as a “sliding door” concept, by which a quota would be relaxed as U.S. production of the item rose. Exceptions would be made for component parts needed for U.S. production and for items covered under negotiated voluntary export agreements. Nevertheless, the basic purpose of the measure would be to freeze existing trade ratios between the United States and its trade partners to ensure that rising imports would not threaten existing industries.⁸¹ The program

77. *Hearings on Tariff and Trade Proposals* (statement of Andrew J. Biemiller), 1100.

78. *Hearings on Tariff and Trade Proposals* (statement of Andrew J. Biemiller).

79. A 1973 Tariff Commission report suggested that multinational firms had no net impact on the U.S. balance of payments. However, the study acknowledges its reliance on limited data. AFL-CIO representatives disputed the report’s findings on the grounds that it failed to account for many joint ventures and the effects of technology license and patent agreements. See US Tariff Commission, *Implications of Multinational Firms for World Trade and Investment*; US Congress, Senate, Committee on Finance, Subcommittee on International Trade, *Hearings on Multinational Corporations*, 93rd Cong., 1st Sess. (1973) (statement by Andrew Biemiller, Director of Legislation, AFL-CIO, accompanied by Nat Goldfinger, Director of Research, AFL-CIO, and Ray Denison, Legislative Representative), 299–367, and (statement by Thomas A. Murphy, Vice Chairman, General Motors Corp.), 111–191. For business associations’ arguments that multinational firms helped improve the U.S. balance of payments position, see also Delton, *Industrialists*, ch. 10.

80. Carol Shifrin, “US Suffers 4th Month of Trade Deficit,” *Washington Post*, August 27, 1971, ProQuest Historical Newspapers: The Washington Post; Richard D. Lyons, “First US Deficit in Trade since ‘93 Called Possible,” *New York Times*, July 28, 1971, ProQuest Historical Newspapers: The New York Times; “US Payments Balance Deficit Breaks Record,” *Los Angeles Times*, May 18, 1971, ProQuest Historical Newspapers: Los Angeles Times; Art Pine, “US Trade in April Hist by Deficit,” *Baltimore Sun*, May 28, 1971, ProQuest Historical Newspapers: The Baltimore Sun.

81. “Statement by the AFL-CIO Executive Council on the Critical Need for New International Trade and Investment Legislation,” in US Congress, Senate, Subcommittee on International Trade of the Committee on

also included the removal of tax incentives for foreign investment, more effective capital controls, federal accounting standards for U.S.-based multinational firms, and presidential authority to deny licensing and patent agreements deemed contrary to the national interest.⁸²

The international dollar crisis of August 1971 fanned the flames of the AFL-CIO's uproar over trade and multinational production. In response to rising unemployment, the Federal Reserve under Arthur Burns began to increase the money supply during the first half of 1970 and continued the policy of monetary easing through the start of 1971.⁸³ As interest rates fell, investors moved short-term "hot money" from the United States to Europe to capitalize on the higher interest rates.⁸⁴ The May 1971 announcement that the U.S. trade balance had shifted to deficit deepened investors' suspicions that the dollar was overvalued and thus accelerated this sell-off of dollars.⁸⁵ Looking to unload their overvalued dollars, investors converted their dollars in massive quantities to stronger currencies.

By August, the dollar was in crisis. On Friday, August 6, the congressional Joint Economic Committee's Subcommittee on International Exchange and Payments issued a report, titled "Action Now to Strengthen the Dollar," which stated the dollar was overvalued. The report incited fear that the U.S. government would devalue the dollar and thus accelerated the fire sale of dollars. Significantly, U.S.-based multinational firms were among the most active participants in this sell-off, and the Euromarkets facilitated these rapid cross-border transactions. During the week following the announcement, foreign central banks bought roughly \$3.7 billion to prevent the flood of dollars into international money markets from raising the values of their own currencies relative to the fixed dollar.⁸⁶

Nixon responded to the crisis by eschewing multilateral deliberations in favor of devising a unilateral solution. After gathering his top economic advisers at Camp David, he announced his "New Economic Policy" on August 15.⁸⁷ The program ended the U.S. Treasury's promise to accept and convert dollars into gold, the centerpiece of the Bretton Woods monetary system. It also included a 10 percent tax on dutiable imports into the United States and a formal system of wage and price controls to redress the United States' balance of payments woes and tamp inflation.⁸⁸ Scholars have described the Nixon administration's unilateral devaluation as a nationalist measure intended to revive U.S. export capabilities.⁸⁹

Nevertheless, in the view of the AFL-CIO, Nixon's actions did not go far enough to prioritize U.S. national interests in its handling of international economic matters. George Meany called

Finance, *Foreign Trade: Hearings on World Trade and Investment Issues, Part 1 of 2*, 92nd Cong., 1st Sess. (1971), (statement of George Meany, President, American Federation of Labor-Congress of Industrial Organizations), 167–213, 184–185.

82. Ibid.; "Labor's 9-Point Plan: Global Firms Target of Trade Proposals," *AFL-CIO News*, May 15, 1971, 2, archive.org, accessed via George Meany Memorial AFL-CIO Archive.

83. Levinson, *Extraordinary Time*, 47–56; Collins, *More*, 109–125; Stein, *Pivotal Decade*, 28–31; Matusow, *Nixon's Economy*; Wells, *Economist in an Uncertain World*, 54–77.

84. Sargent, *Superpower Transformed*, ch. 4; Irwin, "Nixon Shock After Forty Years."

85. Collins, *More*, 117–118.

86. Irwin, "Nixon Shock After Forty Years."

87. According to scholars, the adoption of Vladimir Lenin's phrase "New Economic Policy" was unintended. See Sargent, *Superpower Transformed*.

88. Sargent, *Superpower Transformed*, ch. 4; Irwin, "Nixon Shock After Forty Years."

89. Sargent, *Superpower Transformed*, ch. 4.

an emergency Executive Council meeting on August 19, which decried the alleged inequities of the wage and price control program.⁹⁰ The Federation's criticisms, however, extended beyond the issue of wage and price controls. The Executive Council endorsed the dollar devaluation but demanded "an early and thorough congressional investigation of international speculation against the American dollar." It identified "American-owned international companies and banks" as primary suspects and asserted that the "undercutting" of the dollar by U.S.-based multinational firms "must never be allowed to happen again."⁹¹

Nor was the AFL-CIO satisfied with the across-the-board import tariff, which it considered "at best a temporary stopgap" from which a large portion of U.S. imports remained exempt.⁹² The AFL-CIO Executive Council charged that the tariff did "very little" to redress "the major trade problem created by the U.S.-based multinational corporations and international banks." They urged the imposition of "taxes on licensing and patent agreements and on overseas profits of US corporations"—tactics the "president had studiously avoided"—as the best strategy to redress the U.S. trade deficit, and thus improve the United States' overall balance of payments.⁹³

In September, Democrat James Burke of Massachusetts ended the summer with a crescendo by packaging much of the AFL-CIO's nine-point program in the Foreign Trade and Investment Act, which he introduced in the House of Representatives.⁹⁴ Better known as the Burke-Hartke bill, in reference to Burke and his Senate counterpart, Democrat Vance Hartke of Indiana, various iterations of the proposed legislation reached the House and Senate floors between 1971 and 1973.⁹⁵ The imposition of import quotas on most products, along with more stringent taxation of foreign earnings, executive authority to restrict foreign investment, and enhanced labeling requirements, were among its foremost provisions.

90. John M. Barry, "Labor Rips Nixon Freeze, Tax Giveaway to Business: Calls on Congress to Assert Control," *AFL-CIO News*, August 21, 1971, 1, archive.org, accessed via George Meany Memorial AFL-CIO Archive. On the AFL-CIO and Nixon's program of wage and price controls, see Waterhouse, "Mobilizing for the Market," and *Lobbying America*, ch. 4; Matusow, *Nixon's Economy*, 156–164.

91. AFL-CIO Executive Council, "The New Nixon Game Plan," August 19, 1971, AFL-CIO: Executive Council: Statements Adopted and Resolutions, 1970–1971, Box 5, PE21, Tamiment Library and Robert F. Wagner Archives, New York, NY (hereafter TL).

92. As economic historian Douglas A. Irwin has outlined, the surcharge applied only to dutiable imports excluded those already subject to quota restrictions. As a result, the tariff only applied to just over half of U.S. imports. Moreover, the president lacked the authority to raise tariffs above congressionally-legislated rates; thus, tariffs remained lower than 10 percent on those goods that had congressionally-approved tariffs below 10 percent. Irwin, "Nixon Shock After Forty Years."

93. AFL-CIO Executive Council, "The New Nixon Game Plan," August 19, 1971, AFL-CIO: Executive Council: Statements Adopted and Resolutions, 1970–1971, Box 5, PE21, TL.

94. H.R. 10914, *A Bill to Amend the Tariff and Trade Laws of the United States to Promote Full Employment and Restore a Diversified Production Base; To Amend the International Revenue Code of 1954 to Stem the Outflow of United States Capital, Jobs, Technology and Production, and for Other Purposes*, 92nd Cong., 1st Sess., September 28, 1971, ProQuest: Congressional; James Mateja, "Warns Import Quota Bill Could Hurt US," *Chicago Tribune*, October 25, 1971, C9, ProQuest Historical Newspapers: Chicago Tribune.

95. A ProQuest: Congressional search of legislation introduced by Burke and Hartke turns up 92 HR 10914, 92 HR 11392, 92 HR 11393, 92 HR 12163, 92 HR 12212, 92 HR 14052, 93 HR 62, 93 HR 5206, 93 HR 5207, 93 HR 7132, and 93 HR 7371, in addition to a number of similar trade and investment bills introduced in the Senate in 1973 as a strategy to secure passage of specific facets of the broader Burke-Hartke Act's agenda. On this Senate strategy, see Brendan Jones, "US Trade Policy Faces an Airing in Congress," *New York Times*, July 5, 1973, 43, 45, ProQuest Historical Newspapers: The New York Times.

European, Japanese, and North American leaders agreed to the dollar devaluation at a meeting at the Smithsonian Institution in December, but AFL-CIO economists maintained that the currency realignment failed to address the most pressing problems in international economic policy. Nat Goldfinger dismissed the Nixon administration's claims that the devaluation would support five hundred thousand U.S. jobs. "The action on exchange rates and the dollar does not get at the basic, long-range problems of trade," Goldfinger said, nor did it address the "problems of the multinational firms and their export of jobs, technology, and capital."⁹⁶

In subsequent congressional hearings on the dollar devaluation, Biemiller echoed Goldfinger's criticism and called for a more far-reaching transformation of U.S. international economic policy. Although Biemiller endorsed the devaluation, he warned that "US balance of trade and payments problems are not merely price problems, as devaluation would assume." Devaluation, he suggested, "cannot deal with more than a fragment of the problem." He thus concluded by pressing for passage of the Burke-Hartke bill, which he suggested "would provide the first comprehensive re-writing of tax, trade and investment law" to address "all the complex issues that have made previous legislative remedies hopelessly outdated"—multinational production, international speculation, and foreign countries' industrial policies and import protections.⁹⁷

To AFL-CIO economists, the British decision to float the pound amidst a sterling crisis in June 1972 only confirmed their negative assessment of the Smithsonian Agreement. "It is becoming more and more clear," *AFL-CIO News* reported, "that a completely new approach to the problems of international trade must be made." The newspaper criticized the devaluation of sterling as "part of the 'managed economy' that is characteristic of today's international trade picture." In their view, the devaluation marked yet another action by a foreign government to promote its own national trading interests, even as it bore the "superficial aspect" of allowing "economic nature" to "take its course" in accordance with "the free trade tradition." In their view, the time had come to redesign trade policies to address "today's realities rather than yesterday's slogans."⁹⁸

In the end, the AFL-CIO's efforts backfired. As historians have shown, business associations mobilized in a vigorous campaign against the Burke-Hartke bill. In so doing, they crafted a justification for freer trade and investment that stalled further efforts to regulate international business.⁹⁹

Meanwhile, the partial removal of wage-price controls, revelations that the U.S. trade deficit had worsened in 1972, and Italian and Swiss decisions to float their currencies set off yet another fire sale of dollars in February 1973. Distrusting the value of the dollar, European central banks abandoned their efforts to absorb excess dollars to maintain pegged

96. Rex Hardesty, "No Job Spurt Seen from Devaluation," *AFL-CIO News*, December 25, 1971, microfilm, LL.

97. US Congress, House of Representatives, Committee on Banking and Currency, *Hearings on HR13120: A Bill to Provide for a Modification in the Par Value of the Dollar, and for Other Purposes*, 92nd Cong., 2nd Sess. (March 1972) (statement by Andrew J. Biemiller, Director, Department of Legislation, AFL-CIO), 163–172, ProQuest: Congressional.

98. "Washington Window," *AFL-CIO News*, July 8, 1972, microfilm, LL.

99. Oliveiro, "United States, Multinational Enterprises"; Delton, *Industrialists*.

exchange rates. They instead allowed their own currencies to float, thereby allowing supply and demand to determine the values of their currencies in international money markets. The following month, U.S., European, and Japanese finance ministers gathered in Paris and officially agreed to end the gold-dollar fix. The Bretton Woods monetary system was dead, and a new era of financial globalization had arrived.¹⁰⁰

Conclusion

This article has explored how the AFL-CIO attempted, but ultimately failed, to shore up postwar growth liberalism by advocating for capital controls and import protections. In the view of AFL-CIO economists, expansionary fiscal and monetary policies were crucial for promoting full employment and the growth of the U.S. industrial economy. Nevertheless, U.S. political leaders came under pressure to tamp inflation through fiscal and monetary restraint as foreign countries grew wary about the value of the dollar and international financial flows accelerated. Multinational firms, moreover, lobbied vigorously against the measures proposed in the Burke-Hartke bill, and rapid dollar flows continued unabated in unregulated Euromarkets. As a result, AFL-CIO efforts to maintain low interest rates and fiscal stimulus by restricting private dollar outflows ran aground.

Ultimately, postwar growth liberalism, and organized labor's fragile power within that order, rested upon a unique configuration of economic, social, and political circumstances that proved fleeting. The United States emerged from World War II as a hegemonic global power. Low interest rates, low inflation, and economic growth reigned as U.S. payments deficits promoted international liquidity under the dollar-centered Bretton Woods system. Expansionary fiscal policies, meanwhile, helped to counter downturns in the business cycle. Under these conditions, corporations invested in capital-intensive industries that demanded a large pool of industrial labor, a situation that compelled managers to bargain with labor unions to maintain production.¹⁰¹ These capital-intensive industries fueled trade surpluses that compensated for deficits in other areas of the U.S. current account. When the dollar's value did come under speculative pressure, Cold War-era security alliances with European powers helped to solidify monetary cooperation in support of the Bretton Woods system.¹⁰²

As capital became increasingly mobile and foreign countries' willingness to hold dollars faded, however, these circumstances passed away. As U.S. defense spending exacerbated the country's payments deficits, foreign countries' willingness to support the dollar by holding excess dollar reserves waned. The benefits of dollar outflows in promoting international liquidity soon came to be outweighed by growing concerns about inflation. Economic recovery and growth abroad, combined with the expansion of U.S. multinational firms, contributed to rising U.S. imports that sapped the U.S. trade surplus. The era of low inflation, low interest rates, and persistent growth in the United States gave way to new distributive conflicts as

100. Sargent, *Superpower Transformed*, ch. 4.

101. Levy, *Ages of American Capitalism*, 517, 525; Maier, *Among Empires*, 198.

102. Eichengreen, *Globalizing Capital*, ch. 4.

policymakers struggled to tamp inflation. The AFL-CIO's future would ultimately hinge upon its ability to adapt to these new circumstances.

MELANIE SHEEHAN. Contact information: Center for the Study of American Democracy and Department of History, Oden Hall 414, Kenyon College, Gambier OH 43022. E-mail: Sheehan1@kenyon.edu.

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