Oral History Interview
with
LEROY STINEBOWER

Economist, Department of State, Washington, 1934-52. Assistant adviser, International Economic Affairs, 1940-42; chief, Division of Economic Studies, 1943; adviser, Office of Economic Affairs, also deputy director, Office of International Trade Policy, 1945; special Assistant to Assistant Secretary of State for Economic Affairs, 1946-49; director, Office of Financial and Development Policy, 1949-52; also, department representative from U.S. to ECOSOC, 1946, acting United States Representative, 1947; secretary, Commission on International Monetary Fund, UN Monetary Conference, Bretton Woods, NH., 1944; alternate U.S. representative, Interim Commission on Food and Agriculture, UN, 1944-45; adviser, U.S. delegation, UN Conference on International Organization, San Francisco, 1945; adviser, U.S. delegation, 1st session, FAO, Quebec, 1945, 2nd session, Copenhagen, 1946; adviser, U.S. delegation, 1st session, General Assembly, UN London and New York City, 1946, 2nd session, 1947, '48; economic adviser U.S. delegation, Conference of Paris, 1946; U.S. member, Economic Employment and Development Commission, UN, 1951; director, Committee on National Trade Policy.

Columbus, North Carolina
June 9, 1974
by Richard D. McKinzie, Harry S. Truman Library

The Harry S. Truman Library
Independence, Missouri
July, 1979

NOTICE

This is a transcript of a tape-recorded interview conducted for the Harry S. Truman Library. A draft of this transcript was edited by the interviewee but only minor emendations were made; therefore, the reader should remember that this is essentially a transcript of the spoken, rather than the written word.

RESTRICTIONS



Oral History Interview
with

LEROY STINEBOWER

Columbus, North Carolina
June 9, 1974

by Richard D. McKinzie, Harry S. Truman Library

[1]
MCKINZIE: Mr. Stinebower, what convinced you to seek a career in the Department of State? I know that you originally taught in college.

STINEBOWER: It was an accident in a way. After I had taught for three years I went back hopefully to finish my doctorate, which I did except for writing

[2]
that thesis. I had every intention in the world to continue teaching. As a matter of fact, when everybody was getting jobs in the NRA (National Recovery Administration) and all the New Deal agencies I was impecunious and really holding myself back. It was so easy to go get a job, but I was at Brookings and trying to get that thesis finished, because I had a firm commitment to go to the University of Chicago. I was going to teach international economic relations.

In my previous days at Chicago I had been the assistant to Jack [Jacob] Viner. A year before the London Monetary and Economic Conference was about to be set up he had written to the economic adviser in the State Department, Herbert Feis, wanting to know if they didn't have some place for an aspiring youngster to go along and have a junior job on the delegation. The answer came back as usual, and nothing more was thought about it, but in January of the following year

[3]
Feis wrote to Viner again and said, "Where's that young chap you were talking about before?" Viner, who that year was spending a year of sabbatical in Geneva, finally wrote back to him "sitting half a block away from the State Department [at the Brookings Institution]." That's the short part of it. Feis got hold of me and I then got hold of the head of the Department at Chicago. At that moment he was Chairman of the National Labor Relations Board -- everybody was in Washington.

He said, "Oh, this is absolutely wonderful. Of course, I can't give you a leave of absence, because you never had a job, but two years experience will be good, and you can come back in two years."

The only trouble was that I had such a good time that those two years stretched out into eighteen. I never got back to teaching.

For at least six or eight years I couldn't enjoy myself. I didn't even go out to a movie,

[4]
because that darn dissertation was still hanging over my head. It was pretty well finished and I thought, "I ought to get at that." I kept flirting with the universities and colleges for teaching jobs, but somehow I stayed on as a bureaucrat.

MCKINZIE: It must have been exciting work, then.

STINEBOWER: I just had a series of incredible luck in Washington for eighteen years. You know the first week or two or month you spend your time reading papers and people are introducing you around. I came at an awkward date when things were all through and the papers were completed. Economic Adviser Feis was just about to take off for a couple of weeks vacation, and he loaned me to Frank [Francis B.] Sayre, who was then his Assistant Secretary. They were at work on the earlier stages of preparing the first trade agreements act in 1934. I got sent down to

[5]
Sayre's office, and instead of going home at the usual hour the first day, I went home at 2:30 the next morning, and it was like that from then on. I was just lucky and it was just fun.

MCKINZIE: You attended the critical conferences at Hot Springs, Bretton Woods, Havana, and San Francisco. Did you have anything to do with the planning for Bretton Woods?

STINEBOWER: Not a great deal, personally. In 1943, as of January 1, they reorganized some of that postwar planning work under Leo Pasvolsky and set up two divisions, the Division of Economic Studies and the Division of Political Studies. Harley Notter -- I'm sure you know about him -- has written that up quite well. By accident or otherwise, I became the Chief of the Division of Economic Studies.

Now, I tried to follow it quite closely, and there were a lot of interdepartmental committees

[6]
relating to things like Bretton Woods. I was personally much more involved along with Harry Hawkins and others on the commercial policy side. I had, as members of my staff, three or four people who were very intimately connected with Bretton Woods, and through whom I kept closely in touch. I had Eleanor Lansing; [John Foster] Dulles, William Adams Brown, and John Parke Young. They were members of my staff, and were working with Harry White's group and the interdepartmental group right along through.

The answer is that I didn't have very much to do. I was terribly surprised. I didn't get any notice I was going to Bretton Woods until about three weeks before, when casually Harry White said to me, "Well, I'll see you at Bretton Woods." I looked puzzled, and he said, "Hasn't anybody told you?" Nobody had bothered to tell me. At that particular time the United States had to furnish the secretariats of the

[7]
conferences and Harry had just slotted me in to be the secretary of the Commission on the Monetary Fund. Nobody ever told me about this until we were almost ready to take off.

MCKINZIE: At that time did you participate in those discussions about the form the Fund and the Bank should take?

STINEBOWER: I wasn't involved with that very much.

MCKINZIE: There was that proposal of John Maynard Keynes, which was bigger in a sense that it would have created some capital and supposedly would have more lending ability than what actually happened. Some writing recently indicates that Harry Dexter White thought too small and didn't understand the magnitude of the postwar problem, and that from hindsight the Keynesian idea would have been somewhat better.

STINEBOWER: Well, I think there is a great deal of truth

[8]
in that in hindsight. I don't think that Harry White alone was thinking too small. None of us really envisaged the total magnitude of postwar reconstruction needs.

I'm going to skip around and kind of mix our periods now, but among those who equally thought too small were two of the men I most greatly admired, Will [William C.] Clayton and Dean Acheson, Nobody at that stage, either for UNRRA, the World Bank and Monetary Fund, or particularly the first British loan, really estimated the total magnitude of what was going to be required. Everyone thought, contrary to hindsight, that things would pick up rather quickly, normal life would come rapidly in Europe, and the more normal processes of loans rather than automatic drawing rights and so forth would close the gap. Of course, in those days at Bretton Woods, first of all there was hope, then despair, and then false hope again that the Russians were going to take up a good-sized

[9]
quota. They did sign the referendum at Bretton Woods. A ten billion dollar figure, at Bretton Woods, was a widely accepted figure. It was one of the things that used to get me, in my cynical view; not having worked intimately on all these details but then being thrown into the custodianship of the records and having written many of them myself. Also, in sitting on the special committees that handled all the problems which the Commission seemed unable to come to grips with, I used to have a very cynical point of view that we could get rid of all of these by just giving much larger quotas to all the countries that wanted to draw on the Fund. What they wanted to do, of course, was to get the United States in a very large corner so that they could have more drawing power. I'm not sure just how wise Keynes was about the needs. I think he was more concerned in the automaticity of access to these resources than he was, at that moment, in the total resources.

[10]
One of the reasons that it always seemed that way to me was that, after Bretton Woods was an accomplished fact and we were doing the negotiations for the first loan to the British, Keynes was disappointed that he didn't get as much as he wanted. Some of us by that time didn't think he wanted enough. Of course, he was thinking about Britain going to have to repay this, too. Still, there were those who thought that the minimum loan should have been on very highly concessionary terms and for ten billion dollars instead of either 6.3 or 3.7 (depending on how you measure it) that was achieved.

Europe was highly disappointed when Mr. Will Clayton offered them the Marshall plan, because they wanted at least into the twenty billions, and we ended up with seventeen. Actually, when it was finished up it had taken only thirteen something. This is the only time of which I can think that we ever (and I say, I don't think

[11]
this is Harry White alone) fully realized the total magnitude of the job.

MCKINZIE: Why was that? Was it poor reporting and inadequate information going into the whole analysis, or just a lack of perception of all the things that were involved?

STINEBOWER: Like generals fight last wars, people looked at the history of the recovery act of WWI and the amount of damage. They thought in terms of physical damage. I suspect there was an under-realization of the extent to which the whole fabric of the world economy had been torn apart in World War II. That's over-simplified, but I think it's the essence of really what happened. Think how completely disorganized the whole European economy was, and once we started to work on it how fast it did recover.

MCKINZIE: The people with whom you worked in the

[12]
next couple of years were all very close, it seems, to Will Clayton, who was a remarkable man. Did that "Clayton internationalism" seem to you to have any real prospects of ever working itself out into solid programs? Prosperity and peace were part of the same package and it was all tied to freer trade.

STINEBOWER: In that aspect Will Clayton was a self-educated deputy in power in the straight line from Cobb, down to Hull, and in that direct lineal descent. He constantly came up against the less convinced, in Dean Acheson and Adolph Berle. I suspect that at least half of the people around Will Clayton thought that his own explanation of many things was over-simplified. I can remember one incident in which Will had made, what seemed to me, an almost incredibly naive speech about the close linkage of things and how self-interest is going to lead everybody to the nice free world that we were talking about. I was just

[13]
wondering how some of our more sophisticated British friends were taking that. I was surprised a couple nights later to have Lionel Roberts and Honorable Lord Robbins, and Dennis Robertson say how they had listened, fascinated, to it. They thought that Will Clayton was one of the greatest exponents and influences for the possibilities of a better organized world economy that they had run across. They were not making this for any public pronouncement. We were talking in a private conversation, and they just thought that Will Clayton must be a very powerful influence. Of course, later on in Havana, where I was a delegate to the U.N. Conference on Trade and Employment in 1947 and '48, he pulled what was an almost incredible "rabbit out of the hat" only to have the Congress of the United States refuse to sign the International Trade Organization agreement.

My feeling is that the advisers around him and that people who worked for him ran the whole gamut of belief to disbelief. Harry Hawkins, for

[14]
example, fundamentally thought in exactly the same terms as Hull and Clayton; then you go to the clear opposite end with Dean Acheson, who really didn't believe one bit about this. One of the reasons why Bretton Woods took place ahead of Havana was that in all these bilateral and trilateral talks between the United States and the United Kingdom Dean was terribly disinterested. There were strong views that trade and goods were the important thing. You ought to get the rules to govern their activities laid out, accepted, and then have a Bretton Woods for the financial mechanism.

I can remember Dean saying, "Oh, heck with it. Trade isn't important. Money is the important thing to make the international economy work the way you want it to work." Dean was all on the side of [Henry] Morgenthau-White that money should come first.

Clayton was not very active on the scene that

[15]
particular moment. He was over in the Reconstruction Finance Commodity Corporation. This issue, as to which was going to come first, the monetary conference or the trade conference, was decided by the Treasury. I don't know how Mr. Roosevelt would have decided that one if it had come to him. He nearly always decided without any worry about it in those days. Nonetheless, he had no opposition from Dean Acheson at all on that point, although they couldn't speak to each other politely on a lot of other things.

MCKINZIE: When Bretton Woods was finally hammered out there was general agreement within the State Department that it wasn't going to be enough to do it all. Individual loans, as I understand it, were talked about fairly early. Could you talk about your own involvement with those?

STINEBOWER: I'm, frankly, pretty vague on the time there. I'd just say that immediately following

[16]
Bretton Woods there was a recognition that there were going to be some further loans needed. It certainly came up pretty quickly.

One of the things that precipitated it very quickly, of course, was the cutting off of World War II aid for Europe and then ending the Pacific war so sharply and quickly. I was cheated on the celebration of that. I was in San Francisco on V-E Day, in the United Nations Conference writing the Charter. We hardly paused to take a breath, and the town paid no attention to it. I was in London on V-J Day ready to sit down with the British and talk about the loan. Except for the GI's in London you wouldn't know there was the end of the war; that ended last May for them. But this is how quickly it developed. Even at Potsdam only Will Clayton and one or two others -- Mr. Truman of course -- had an inkling of the A-bomb and its potentiality.

It was clear that we could not indefinitely

[17]
extend lend-lease under the terms of the legislation. We did manage to keep lend-lease going (by the President's decision) as long as the war in the Pacific was going on. But part of the message that we were there to preach (and by this time Keynes and Lord Byron were terribly exercised about this) was that there wasn't anything we could do. We would have to talk about other financial arrangements, because the President's legal advisers told him. that we couldn't continue to extend aid under lend-lease once the war in the Pacific was over. Then two things happened. The first thing was that, even before Potsdam was over, the British opened their ballot boxes and had a new government. That meant that our talks in London were aborted and we had to postpone them. They became the Washington talks later in the year. The second was that, with the exception of one or two people who had come back from Potsdam, none of us had an inclination that we were

[18]
going to stand right there and see V-J Day then.

In those days Marcus Fleming was at the Treasury. Just to show you how much of a surprise this came to people, he and I were having lunch together in London on that abortive, false V-J Day. We were sitting in this quiet restaurant and didn't hear any noise or excitement at all. Then he came out on the street and saw newspapers all over the street, people shouting, and everything. We grabbed a newspaper and it only took about two seconds to look at the headlines and the first lines to know that the war wasn't over. We stood up against the wall and the people must have thought us crazy.

Marcus laughed practically until tears were running down his face an said, "Look at those damn fools. They wouldn't be celebrating if they knew that lend-lease was coming to an end tomorrow."

I told this story once to Dennis Healy and he didn't take well to it. Dennis Healy still likes

[19]
to tell the story that the United States cruelly and without any notice cut off lend-lease. I think he believes it to this day, despite what the law says.

MCKINZIE: In those talks that had to be redone in Washington, did you have the idea that Britain had a pretty clear calculation of her needs?

STINEBOWER: No. We didn't get down to discussing any numbers, and in any event they thought they had nothing to say. Unlike us, they don't go spouting off too much, even on an informal basis, until there is a government position behind which to line up.

The talks were set up to be this way, informal. Some of the people were at Potsdam, and I was not at Potsdam, but I'd flown over to London with one or two others and was waiting for the people to come home from Potsdam. When they came home they were headed by a different man, and such

[20]
little informal chatting as we had had didn't get any place until Will Clayton came back. When he came back it was already proposed that it be only an informal exploration, not a real formal talk. Will was prepared to take back a formal presentation for consideration within the Government, and later for the Congress. We knew the Congress had to approve that loan. We didn't have any authorization or anything like that.

Well, that was the first loan. Of course, even that wasn't enough. That ran out pretty soon, because even then we were underestimating the costs.

MCKINZIE: The British finally came up with a figure for that loan, six billion dollars.

STINEBOWER: Yes. Some of us right then thought it ought to be ten.

MCKINZIE: Of course, it wasn't even six.

[21]
STINEBOWER: No. They set on something like 3.7 of real new money.

MCKINZIE: How was it rationalized that 3.7 was going to work, when the British kept saying that they couldn't make the economy work for any less than six, and you were talking in terms of ten?

STINEBOWER: When I say "I," don't misunderstand me; I wasn't even in those discussions. On the side, we were talking and there were a lot of people (when I say "we") that thought that things were being figured much too tightly. First of all, when they say they know how much the job will take, perhaps they do. I suspect that that's not as easily come by when everything is disrupted. Also, how much does it take in foreign resources? It is clear the British can put up all the pounds they want to; they print them. How serious would the sterling balances be? What would the other people want? Could the British just freeze the rest of the sterling

[22]
balances and say you can't have any of the money you piled up during the war. It's not a simple sum; there's a lot of judgment in there. I think that's the way Will Clayton, Morgenthau, Harry White, and others came at it; looking at some hypothetical lead. What figure was on that I don't know. Then they thought of all the different contingencies: what can they do without, or how can they get access to resources or avoid drains on the economy by this and another action. Keynes was bitterly disappointed; he thought it was too small. I think he probably -- I am rationalizing in retrospect right now -- had done this same kind of job. He and the British Treasury had tried to whittle it down to something they thought was in line with possibilities. Still, I really do believe that there was neither in Europe, nor in the United States, a full realization of the enormity of the destruction of the European economy.

[23]
MCKINZIE: Where does convertibility come in to it? Who's going to have to wear the tag for that?

STINEBOWER: It was, in part, the belief that there was no use continuing on a system that was going to introduce all of the troubles of the mid and late thirties, with foreign exchange being the most effective way of stopping trade. Also there was the thought that the payments, if allowed at all, should be paid for currently, although the size of the bill probably was misestimated by the United States as well. I would think that a lot of people might well have said, "What we are going to do is, if necessary, find some loans that are better financial mechanisms." There's no use getting a system started in which investors and traders can't get current payment. These did not apply to any capital account. Bretton Woods provided, of course, for independent action and control, and still provides for independent action

[24]
and control, over capital account. At least from the United States standpoint, and in some stages from the British standpoint, current convertibility was the key to a free world economy. You wouldn't have a free world economy if you kept exchanges under wraps. You could do by indirect action through foreign exchange controls what you were supposed to be doing by other means. The United States will have to bear the blame, I think, for insisting upon the prompt and early return of convertibility.

MCKINZIE: Clayton...

STINEBOWER: Will Clayton and the Treasury.

MCKINZIE: In 1943 you went to Hot Springs. There were some discussions overseas about why the first of the international conferences was held on food instead of money. Was that discussed in our own government?

[25]
STINEBOWER: I can answer that very clearly. We had made a number of appeals and proposals, and these had gone over to the White House. They had included a conference on trade and production, and a monetary conference. We talked also about an aviation conference, and things in the field of transportation. With the greatest surprise of all of us, Mr. Roosevelt said that the conference was going to be on food and agriculture. We didn't have more than two months notice of that ourselves. In part it is alleged that (I can't think of what his name was, he later took the title of Lord Melbourn) an Australian had seen Mr. Roosevelt and had some influence with him on this. The Department of Agriculture, I can assure, had no forewarning of this. If there was ever a thing that sprang full-blown from the mind of the President, or whoever influenced him, this was it. Hot Springs was Mr. Roosevelt's conference; he had even thought about it to the extent that he was going to have

[26]
it at the Homestead; surrounded by barbed wire and soldiers because the war was going on.

We had to sit down and drum up an agenda for that conference, decide what it was going to be about, and try to get some ideas out of the President. There was no conference more hastily prepared for by the United States.

MCKINZIE: Of course, food did become a big problem. It was difficult, I'm sure, to consider it an isolated matter.

STINEBOWER: We hadn't thought that it even would be considered. We thought it would be covered, of course, along with trade and other questions. As far as I know the President had no pieces of paper on this; it was all conveyed by him orally to Mr. Hull, Acheson, or whoever was over there at that time. He just told him that the thing people are interested in is freedom from want. Food is important, and feeding half the

[27]
world is going to be terribly important.

MCKINZIE: Once you were there you stayed on with an interest in those food matters, because you went to Quebec in 1945, and Copenhagen the next year. By that time did you feel you were doing useful work?

STINEBOWER: The work I did at first might equally well have been done by someone from one of the other divisions which later became a division of international organization. That interim commission that was formed afterwards was really to draw up the articles of agreement of the Food and Agriculture Organization and to begin to organize for it.

Paul Appleby from Agriculture, and I from State, were set up to do this job. The State Department had been doing a lot of the work pre-San Francisco, pre-Dumbarton Oaks, and so forth. We were doing a lot of thinking about the form of

[28]
organization to the extent that we knew anything about prior organizations such as ILO or the League of Nations. The State Department had been the custodian of such knowledge. Just because I'd gone to Bretton Woods I got saddled with this job. I had not only been an adviser, but I had been the Executive Secretary of the American delegation at Hot Springs, and I guess that's a good reason; maybe they thought I wasn't doing any useful work and was available. I will say that it did not take an awful lot of time, and my backup work was almost done by Harley Notter's division rather than by my own.

MCKINZIE: Did you and the people in that delegation to Quebec in 1945 consider that the FAO should have been a major operative of the U.N.? That 1946-1947 food crisis in Europe was horrendous, and it stayed pretty bad in other parts of the world.

[29]
STINEBOWER: Well, there, at Bretton Woods, and at every other international conference that's ever been held, there have been the differences that go on (and I suppose still go on in Washington) as to what the relationship between so-called specialized agencies and the United

Nations should be. Of course, by Quebec there was the United Nations, but at the time of Hot Springs there wasn't one. I believe it was fairly clear in our own minds that we expected the specialized agencies to be operative in their own fields, but much more highly coordinated by the United Nations than was ever achieved. I had a fair amount to do with that with my other hat on, as a Deputy U.S. Representative in the Economic and Social Council. Now, these are not only differences that go on between countries or bureaucracies within the international organizations themselves. They go on within countries, too.

Mr. Morgenthau and Harry White were always,

[30]
and with a stronger case, determined that the United Nations was never going to tell the World Bank or the International Monetary Fund what to do. The Department of Agriculture in the United States, like ministries of agriculture elsewhere, has always determined that the United Nations was not going to do anything other than receive reports and try to see that the agencies were working together. This controversy has existed from the moment that the organizations were created. It's almost existed from the time they were conceived. I hope I'm not just "supporting my own baby," but I think it's rather too bad that the United Nations did not get adequate insistence from its members, particularly the United States, that it would play a stronger role. The result has been, almost from the outset, that the General Assembly has taken a "bit in its mouth" and not only thrown additional tasks to these agencies, but has created duplicating agencies.

[31]
When you get to the field of aid it is utter chaos, from my standpoint. They create one agency after another instead of having a well-coordinated agency. I'm totally out of touch with what has been happening in the Economic and Social Council and the General Assembly in this field in the last three years. I hear rumblings sometimes of an effort to bring this into a better organized and coordinated centralized agency. This dispersion of almost chaos, this pro-forma coordination function of the Economic and Social Council, for the first ten years, became more and more of a farce. These specialized agencies have existed as little empires of their own, as far as that went. Now they may be good empires -- I use that not as a derogatory remark -- but they take guidance very badly.

Of course, there's no answer. As long as Ministers of Agriculture are going to gather together, Ministers of Finance are going to gather

[32]
together. I take it that in the Common Market this problem exists, even with a somewhat better conceived form of government for this purpose, in British delegations. Most governments are like our own. Secretaries of Agriculture, have no misgivings about standing up in public or international conferences and advocating a policy which is contrary to something being advocated by the representatives of another branch of government. This is one thing, it seems to me, that all Presidents do. Almost all of them find it congenial to their style not to have a consolidated Cabinet that really insists upon consistent policies being pursued abroad. Certainly Mr. Roosevelt liked to play one department off against another. It didn't worry him at all to

wreck the Hull-inspired '33-'34 conference, because the Treasury didn't like it, or even to put Raymond Moley in the State Department. He and Mr. Truman made next to no effort to resolve, except in

[33]
agriculture, this issue of where in the United States Government is there going to be a fundamental center of concern; not of policy formation, but of coordination of our role in international organizations. It suited those two, and every successive President as far as I can see, to let this get ironed out some way or another. Now in more recent years there has been an effort to set up a coordinator for international economic affairs and a coordinator for domestic economic affairs. How successful it's working I have no view.

MCKINZIE: Those interdepartmental committees would have been the closest thing to that during the Truman and Roosevelt years.

STINEBOWER: That's right. For a long time, either by history, inertia, or if I may say so, prestige, State managed to throw a lot more weight around than it had. It succeeded for quite some time in

[34]
imposing the policies that would be consistent with what it conceived to be the foreign policy of the United States. It wasn't easy and it wasn't uniformly successful. The President set up commissions and committees, and delegated authority to them that they were never able to exercise completely.

MCKINZIE: If one could concede that at the end of the war the Hull-Clayton idea was the guiding force, at what point do you think it was abandoned?

STINEBOWER: Let's review a few numbers. When I joined the State Department in March 1934, the people who were labeled "economic" were four in number. There was an economic adviser, an assistant economic adviser, and two young squirts, of whom I was one.

The treaty division had Harry Hawkins in it, and, of course, there were people not wholly divorced of economic competence in many of the

[35]
geographic offices. But the economic organization of the State Department consisted of an economic adviser and three other people.

At the height of post-World War II, when they were beginning to collapse other agencies into State for liquidation or reorganization, the personnel was just about forty-five hundred, When I left, the economic personnel pure and simple, I mean labeled with the economic tags, were still about forty-four hundred and fifty.

Therefore, when you talk about a wide range you have to say "In what years?" Herbert Feis, the economic adviser, was always much more of a skeptic of the "Simon Pure" lines of Mr. Hull, and

Francis Sayre, and later on of Henry Grady. Since we were pretty small we had our own internal difference of opinion, but that was all.

Of course, Sumner Wells and Mr. Hull never saw very much eye-to-eye on this. I guess Sumner

[36]
didn't challenge some of the basic preconceptions, but he thought the relations were purely political and that economic policy should be a handmaiden of diplomatic and political policy; it's there to use to get what you want.

By wartime we had a separate Trade Agreements Division, which was pretty large. The Trade Agreements Division was almost without exception (and in those days included people like [John M.] Leddy and [Jacques J.] Reinstein) in favor of pure, unadulterated Hull policy. The financial people were smaller in number, and I think they entertained some skepticism. The spectrum that I've been talking about was really at the upper levels. The Berles and the Achesons had their own differences but both were pretty skeptical of the "Simon Pure" lines of the Hulls and the Claytons.

Then, of course, we kept on growing. In the first so-called [Edward R., Jr.] “Stettinius

[37]
reorganization" of January 1944, we had at least four major offices and pretty good size staffs in each. By this time a much wider range of point of view had infused the economic department.

MCKINZIE: Then after Hull died, and after Clayton began to pull back from his responsibilities, it was a natural course for that view, which had been so well put forward in '44 and ‘45, to recede?

STINEBOWER: I suspect that the voice of the Department as a whole was basically interested in a freely working trade economy, and trying to work for it pretty well up to the time I left. I left in March of '52. It didn't have the warm support of Mr. Acheson when he became Secretary of State, but I wouldn't say that he sabotaged any of that work in any way. He just wasn't interested in it and it suffered from the disinterest

[38]
of the Secretary more than it did from an open hostility. Once in a while there'd be a real difference of view as to objective or policy on a particular point, but if you'd ask for a statement on policy -- "What's the foreign economic policy of the United States?" -- it would have been broader, more comprehensive, and not so exclusively concentrated upon trade as the end-all and be-all of foreign economic policy. I don't think Mr. Acheson would consciously have changed it. There is one place where he unconsciously changed it; he would not listen to misgivings about forming what has become the European community and using power and weight you at least thought you had, to make sure that it would be outward looking rather than protectionist and inward looking. His idea, I'm sure, was well expressed many times in many committees, and I've ridden back with him from on the Hill and had little discussions about it. The thing to do was get the European economy strong,

[39]
on its feet, and with us politically and militarily. Let's not worry all that much about what direction it will take as an economic unit.

MCKINZIE: What about your own thinking in those years?

STINEBOWER: Well, I think that along the spectrum, I was far closer to the Clayton view. I was never quite so far along as my friends, for example, who come right straight through the trade agreements line. There are all sorts of things that happened along the line that are, in my mind, related to them. For example, before Dumbarton Oaks there were those of us who wanted, if there were to be two subjects, two councils in the United Nations. We wanted an economic council and a social council; not an economic and social council. We had what proves to be a well-founded fear that social objectives and well-meaning

[40]
objectives would always override any hardheaded economic assessment of the consequences. That was resolved against us, not by people you might think, but by Ben Cohen. Ben just took a lawyer's brief on the subject, and in this postwar committee under Pasvolsky, that Harry Notter has written up, he vetoed it, even before Dumbarton Oaks. I was a very vigorous proponent, may I say, of separating these things, assuming that there was something called economic policy and that economic considerations were worth asserting. We should not always have them mixed up with other objectives.

MCKINZIE: Was it too late by San Francisco?

STINEBOWER: Oh, no. I'm saying that things like that helped modify my views as I went along. I was covering a spectrum in '43 in the Economic Studies Division that included transportation, by agreement keeping in touch with the completely

[41]
autonomous Trade Agreement Division. We let most of the commercial policy go to them, but we had financial policy we kept in touch with, and for transportation problems we had geographic economic specialists on what the world might look like after the war. I had, perforce, an exclusive interest in trade from '43 on. But we had done a lot of other things that had rubbed some of the stars out of our eyes, so to say. During the war for example, before they set up this job, I got stuck with the job (when they didn't know what to do with things they used to give them to me) of being state liaison with the OPA. Whenever we had to have some exceptions for foreign policy reasons it was always my unpleasant job to go over and argue five tires out of OPA for some Ambassador.

MCKINZIE: Could you talk about going to San Francisco in 1945? Was that just ceremonial, as far as you

[42]

were concerned, or was there a chance to really shape up so the organization would do something?

STINEBOWER: It was both accidental and far from ceremonial. I had a fair amount to do with writing chapters 9 and 10 of the Charter in the American view of it, but I was not scheduled to go there. They were building the delegation, except for really low level functionaries, at what you might call the representation level; lots of interests, well-known names, and so on, and so forth. Until about a month before the delegation departed, Charlie [Charles] Taft was supposed to go out on the delegation; but he was tied up with, and considered so vital to, the renewal of Mr. Hull's act against the opposition of Senator Bob [Robert] Taft, it was decided he just couldn't be spared to go out, and they sent me out, instead.

Dean [Virginia C.] Gildersleeve of Columbia

[43]
was assigned to the economic and social chapters of the Charter and one or two other things. After some ceremonial appearances from her, I did all of the U.S. representation on the drafting committee on those chapters. Gildersleeve only showed up for ceremonial occasions and sometimes droned out the speeches we wrote for her. I think that, without overstating it, I could say that I had more to do with chapters 9 and 10 than anybody else in the U.S. delegation.

MCKINZIE: You found that arduous, having to make the council negotiate this?

STINEBOWER: It was heavy work, but it was fun and very interesting.

MCKINZIE: Did you have any optimism about the U.N. at the time?

STINEBOWER: I had considerable optimism provided that people understand what we had negotiated.

[44]
I had great pessimism, because it was so hard to make the world understand that it was good for keeping the world peace only if the five powers were in unanimous agreement about it. This didn't sink in for a long time back in the United States. In some respects the things that are normal operations for the United Nations are the seamy sides that unfortunately were built in. A lot of people forget that the detail was just as much insisted upon by the United States as it was by the Soviet Union. Still, I couldn't see any other institution that we could politically get acceptance for that would do the job any better. I didn't have that naive belief that we had assured peace for all time, as a result of having set up the United Nations.

MCKINZIE: You honestly thought that something which would have existed at the expense of the sovereignty of other nations was not politically feasible?

[45]
STINEBOWER: Yes, at least not at the expense of the political sovereignty of the United States, the Soviet Union, or the United Kingdom. I suspect that China could have been overridden, if it

deserved a place at all. I am also afraid that I have to say, perhaps dictated by some prejudice of my own, that I don't think anybody took the French very seriously at San Francisco. They had come by courtesy only to Hot Springs and Bretton Woods; they didn't have a government. The Free French, in one way or another, got an observer status. We resolved the issue at Bretton Woods, after many a diplomatic quarrel, and after Mr. Hull had exacerbated us a little bit by referring to the "so-called Free French." We finally resolved it this way; if they would behave themselves and not insist on calling themselves the "Delegation of France," we would not insist on calling them the "Free French Liberation Movement."

[46]
Actually at Bretton Woods, nobody noticed this except Mendes-France himself. I played a little game with him. I told you I was Secretary; I wasn't a member of the delegation. Every time, in enthusiasm, Mendes-France or any of his other people would get off their reservation in making a speech and talk about what the "delegation of France" says, I put it down as the "Free French delegation said this," in the minutes. Every time he referred to them properly I put it down properly, as the French delegation. That was their official title. Of course, with the other countries' delegations you can say the "delegation of the United States of America," or the "delegation of the United Kingdom," and so forth. Theirs was just a French delegation, not the delegation of France.

Bretton Woods was, if I am not mistaken, the first conference to which they came in their own right, I mean as a government. There were an awful lot of people around the world that weren't

[47]
very happy about the French and their behavior. Remember, the war was still going on.

If we could have overridden sovereignty, of course, it wouldn't have lasted two minutes once France got back on its feet.

MCKINZIE: You had hope and some optimism which was based upon continued agreement among the five major powers. That agreement didn't last long.

STINEBOWER: Well, they didn't have to agree with us in the field in which I operated. Unanimity does not apply in the economic-social matters, except the two-thirds rule if it goes to General Assembly and is deemed to be an important substantive matter. Any of us could have voted "no" if enough other states voted "yes," as they are doing now, unfortunately, with 130 members. You can get a two-thirds majority with a smaller population than some of our states.

But things didn't take very long to deteriorate.

[48]
It was a function of how fast the cold war grew. The first year or two were really quite smooth. I suppose, without becoming unduly naive by being surrounded by good hard-bitten people who had a lot of experience with the Soviet Union, that things weren't that smooth. Nonetheless, we got along quite well for the first year. Of course, immediately there was the Greek-Turkey policy; things came pretty well apart, and we'd nearly always outvote them.

There were fifteen members then, and I could always count the way the vote would be; anywhere between nine and twelve to three, and three being the Soviet Union and the two rotating states. It was a rare occasion, practically applauded, when we got a fifteen to nothing vote in the Economic Social Council.

That was not able to completely stymie activity in our area, as it could in some others. The only time you got a negative vote was when it

[49]
was something that was going to involve some money, like aid, or on trade matters where they did a complete switch on trade policy. They finally decided to vote for almost all these with the less developed countries. This was before Latin America had fallen away from us, and so many of their people were being really overpowered by their political people to vote with the United States. Probably in their own hearts they didn't want to do that.

The Soviet change in policy on "most-favored-nation" has not been terribly well marked. I am surprised by it sometimes. At the first meeting of the General Assembly, and then at the Economic and Social Council in London in January of '46, after a little misunderstanding about the wording of the resolution, the Soviets came around and said, "We're going to vote for your resolution for a world conference" (what became two years later the Havana Conference). One of the things written

[50]
into this was a "most-favored-nations" basis for policy. The call for a conference would be on these lines, you see. They even accepted the suggested agenda. I have often wondered, if we could have held the conference right then and there, whether they would have come as they did to Bretton Woods, but perhaps not sign. They also came to Quebec and sat embarrassed to the very end and went home without instructions, and they couldn't sign the final act in the constitution of the FAO. They were on and off like this. On trade policy the break came, not in the United Nations, but with a rousing and thumping speech by Mr. Molotov at the conference in Paris, in July, 1946; the so-called "peace conference" on all the countries except Germany.

Mr. Molotov got up and denounced the "most-favored-nation policy" of the United States as "a device of the devil to ensnare and enslave small countries." His delegation had voted just

[51]
six months earlier for an international trade conference to be called on the lines of the "most-favored-nations policy." That was as sheer and sharp a break as I know, and I got back to my desk and wrote a kind of grandiloquent chit of the rhetorical questions about it, and sent them in to Jimmy [James F.] Byrnes. Jimmy put them into his speech the next day, without change.

We could never be stymied by a negative vote. Almost every issue was divided along ideological lines, and a lot of things, like health and so on, we couldn't get any support on. Wherever you or they could see a political course that could be beaten; it was as much a political body as any other. Things became more and more discouraging to me during the four years I was there in the

Economic Social Council. One was the steady deterioration of the level of representation that most of the countries sent to the Council. Up

[52]
until my time we always sent at least an Assistant Secretary of State. We had John Winant at first; he had an honorable career as a public servant. He was succeeded by a man with an honorable career, Willard Thorp, who was succeeded by [Isador] Lubin. I don't mean to apply it to the U.S., but other countries sent people out of their permanent delegations here with next to no instructions. Furthermore, many from the smaller countries were either interested in coming for a free ride or just freelance; clearly with no instructions at all. Their governments were not able to cope with their doing this.

The best example of this was a very distinguished man that served as President of the Council, Charlie [Charles] Malik. If Charlie Malik of Lebanon hadn't been a wise man in his own right Lebanon would have been without a voice. He made the policy as he went along, almost always.

That was one problem. The second was the

[53]
decreasing interest in problems that required any hard discipline, as my obsession about having an economic council and not an economic and social council. By and large the smaller countries want to come and talk about assistance, aid, preferences, and things like this, but they don't want to get down into the hard talk about the quid pro quo and who pays for it. They want to put that off to another council. When you introduce what you consider urgent, for example, if you put the monetary problem on the agenda today, it won't be competently dealt with. It would be properly said that this is the field of the Monetary Fund. The point is that the kind of people who would go to the Council wouldn't have any interest in it anyway.

The third is that this split on political lines has led to mischief-making from time to time, putting small countries up to introducing resolutions that have no chance of serious

[54]
consideration or passage, but just to give us the opportunity for political debate.

MCKINZIE: This was going on while you were there?

STINEBOWER: Yes. It was the beginning. These were trends that started off then.

I suspect that it's harder these days; they can't do what we did, I believe. I think they'd have to operate this out of the mission in New York now. As long as I was there I had really the same job with two hats on. As Special Assistant to Willard Thorp, the Assistant Secretary of State, I was looking after the economic and social interest in international organizations, particularly the United Nations. Then during the General Assembly and the meetings of the Council, I was attending as a representative of the United States.

MCKINZIE: To what extent did the fact that the Marshall plan and the Point IV Technical Cooperation

[55]
Administration were outside the U.N. affect your work?

STINEBOWER: The Marshall plan didn't really create any complications for my work in the U.N. The only complication was, of course, that the underdeveloped countries would get insistent and, every once in a while, a little bit nasty. By and large I would say that it was done so quickly and so efficiently that other people sat back and only hoped that they'd get as much. It caused lots more problems at the Bogota Conference in 1948 -- the Inter-American Conference. There they just plain sat on their hands. The silence was deafening when Mr. Marshall offered five hundred million dollars more for the Ex-Im Bank to lend to them.

I was theoretically the Deputy from '45 to '52, when I resigned, but that is a purely misleading date. When I shifted jobs in the State Department and they set up more of a permanent

[56]
kind of mission I wanted to send in my *pro forma* resignation. I thought it ought to be terminated in some way, and the word came back that Mr. Truman didn't want my resignation. He didn't know me, but if it was announced there was a vacancy the line outside his office would be a mile long.

MCKINZIE: The Office of Assistant Secretary of State for Economic Affairs came to handle such a huge spectrum of activity. Could you talk about the Marshall plan as it affected that office? A lot of people seemed to have been surprised that the Marshall plan came out of the Policy Planning Staff.

STINEBOWER: All I can say is that I've read a lot of accounts, including George Kennan, that bemuse me a little bit; I guess my memory isn't very good. I do not feel like contradicting them, but some of those things don't correspond a hundred percent to my memory. Dates would be very

[57]
important, and here's what I'm not clear and have no papers to refer to. I can remember going to staff meetings, though, on the economic side of the Department. The people who were occupying the job I had last in the State Department (the Director of Financial Development Policy) were bringing in daily their problems of, "The British are going down the drain. They are going to be out of money. Nobody is particularly worrying about it. How do we get all of these things pulled together and how do we get all of these things pulled together and how do we get some attention to it?" I know that Willard Thorp was constantly talking with Dean Acheson about it. That Chip Bohlen (as he says) wrote the speech, I don't deny. We never were altogether sure who wrote it. I have no doubt that they were talking a great deal about it. In the summer following the Secretary's speech, I remember, we used to go back nights and sit around in what we called the "Board

[58]

of Directors." I have always been under the impression that the financial office, under Willard Thorp, was certainly talking about it enough. Every time we came to a staff meeting I was surprised that they were just talking and doing no work towards this line.

I again am not in a position to contradict and I don't mean to cause any doubt, but I always supposed that Dean Acheson's famous Cleveland, Mississippi, speech came out of the economic side of the Department. I kept so painfully aware that this problem was shaping up and coming at us with runaway speed, and hearing people talk about it. It has always amazed me in more recent years to read accounts that have no reference to that at all.

MCKINZIE: Well, success has many fathers.

STINEBOWER: I understand that. Still, I haven't heard anybody claiming parenthood on this other side.

[59]
MCKINZIE: After the speech had been made, how did you get involved in the planning?

STINEBOWER: Well, just in sort of the same way that those who talked to you about the "Board of Directors." If you want to know mechanically how I got involved, Willard Thorp told me I better start coming to those meetings that they were having. It was much simpler than you'd think. He just said that they were doing this work: Van Cleveland, and Harlan Cleveland, and, from my memory, a group of about a dozen.

MCKINZIE: The idea of a "Board of Directors" seems to imply that you did a whole lot better when you didn't meet in your official capacities.

STINEBOWER: Furthermore, nobody appointed us. Willard brought us together, but the point was that we had no standing. We were not a Government organization at all.

[60]
MCKINZIE: The point you were making was that this "Board of Directors" met because no one was running with the ball and this was a chance to get some thinking on what the play should be like.

STINEBOWER: I'll tell you one story that I've told about that, and I'm beginning to think it's hypothetical enough, though I didn't think it was.

You remember, the speech at Harvard fell like a thud on the American public. Nobody believed it and nobody paid any attention to it until about three days later; Mr. [Sir Winston] Churchill read it and made a great hullabaloo about it. Something then came down from the Secretary's office. Joe Johnson will tell you this is a damn lie, because he is a great admirer of the General [Marshall], (he told me it's a damn lie). But my impression was as I read that memorandum that it said, "Boys, I see I made a great hit at Harvard. What did I say?" I swear that it has always been my impression from the day of the "Board of Directors."

Joe says the Secretary was fully aware of

[61]
the importance of everything he said. My only answer to this is, "Well, why didn't you come back and tell somebody to get perking on this speech then?"

MCKINZIE: When [Ernest] Bevin and [Georges] Bidault and Europeans did get excited about it, the U.S. was in the delicate position, in a way, of saying to Europeans, "Come up with a plan, but one in which we offer 'friendly assistance.'" The question is what was implied in the term "friendly assistance?" Does that mean, "If you don't come up with something we like, we won't do it?"

STINEBOWER: As I told you I didn't write or have anything to do with writing that speech, and I don't know what was in the mind of the author. You are correct that the United States was in a delicate position; although we are not always that bashful. We suggested that if somebody would bring us an idea in an international

[62]
organization like that we would be glad to consider it and we would give them a piece of paper saying it's a good idea and a big step forward. The Marshall plan was not of that nature. Clearly, unless somebody that I don't know about was in a position to tell the Secretary, "This is all at hand, people are working on it already," you would have thought that Washington would of had its buzzers ringing all the next morning about getting together, and making the best guess of what the cost is going to be. Remember, I was in the main stream of it; I want to keep emphasizing that. As far as I have any personal knowledge, nothing came out of the White House until after Mr. Churchill spoke, This could be just erroneous as anything in the world. Don't misunderstand me; I'm not being falsely modest about it. All hell could have been breaking loose around me and I might not have known about it. I didn't know, I was unaware of anything, and it's always been sort of my

[63]
impression that this informal "Board of Directors" picked up the ball by itself.

MCKINZIE: It is possible to see that summer of 1947 as a second opportunity to do some of the things that Will Clayton had wanted to do in 1945.

STINEBOWER: Two things, I think, changed it and overrode it a little bit. First of all, the ‘45 period was not anywhere near as obsessed with the danger of Soviet threat to try to divide Europe and to try to break the United States away from Europe. Clearly, that was one of the major motivating factors for the Marshall plan, as it was later for NATO. The second was, I think, that people were more impressed -- maybe the word should be "depressed" -- by the magnitude of what still has to be done, and the realization that any agreement would have to have the same kind of transitional outs in it that the Monetary Fund itself had. There were probably none of the European

[64]

countries who were in a position to accept, for current activity, the elimination or the reduction of controls over trade, foreign exchange and so forth. As a matter of fact, it would be almost contrary; it would increase their immediate needs for assistance under the Marshall plan. The third was that there was also the beginning of this split (which was to become a much greater split later on) between what I'm going to call the Europeans and the globalists in the Department and elsewhere. The globalists were fighting a lot of rear-action attacks, already, against dividing the world up into regions. By this time the United Nations had already created, on the economic side, an Economic Commission for Europe, which some of us thought was either unnecessary or they ought to abolish the Western Europe one. Having both of them was a bad duplication. Nelson Rockefeller had journeyed to Chapultepec and changed the name, even before we met at San Francisco, to the

[65]
Inter-American Economic and Social Council. That wasn't enough, the Latin-Americans had to have a U.N. Commission for Latin America right alongside the Pan American Union one. The forces of globalism were being overwhelmed -- or at least over-shouted -- at that moment by a lot of regionalism stuff. Finally it began to look as if we were going to have the Havana Conference and could tackle global problems on a global basis with everybody, rather than trying to get a new bilateral arrangement, no matter how good, with the European regional organization. There is some rationalization in all of this probably; maybe a lot of it.

MCKINZIE: Did you have any hope, when all the work on the ITO and GATT started, that there was going to be something that was going to make a difference?

STINEBOWER: Well, the answer is that I would have hoped it could have been. I did have some hope, despite all of its shortcomings and imperfections. As

[66]
compared to a nicely organized full-fledged ITO, with a U.S. open backing and so forth, I suspect that the GATT has done just about everything the ITO could have done. I suspect that it is basically a surreptitious ITO, as it's been accused of being by some. Whether an organization with the full pledged panoply of staff, better budget, and so on and so forth could have done a better job in policing world trade barriers, I just don't know. I feel with hindsight more despondent than I would have felt with foresight, because even in my worst dreams I didn't think that regionalism would go as far as it's gone in this world. We used to talk about this. One knew that we had in one sense "missed the boat." It was along about 1948. The Marshall plan was already something that was announced, Europe was beginning to coalesce, the Fund was working and so forth; that feeling of enthusiasm which would have given a better document. I don't say that the

[67]
nations wouldn't have sinned just as much in the future, but it would have given them at least a greater sense of sin, if you will. It would have given more to handle the countries with and more to beat everybody, including the United States, over the head for their falling from grace; more than anything, that we really had any chance of getting fully approved without reservations at Havana. I sometimes put it this way in saying why do I appear so naive about some of these

matters? I don't think the fact that people sin internationally as well as personally is totally damning, but the horrible thing is when you draw a code of ethics that calls a sin "virtue." And it seems to me that in the intervening years in the international economic field we had done just that. We had made a virtue out of things that a nation previously had to stand up and defend itself for doing.

In that sense, I would have had considerable

[68]
hopes for an international trade organization, even if it didn't seem on the surface to accomplish all it was supposed to accomplish. The ELEC [European League for Economic Cooperation] for example, can't do a darn thing about the American balance of payments, but at least it got to come in and respond to their criticisms of our policies.

MCKINZIE: How did you feel about the social objectives of the ITO, which caused all sorts of problems when it left Havana? I'm sure you must have participated in those discussions.

STINEBOWER: Well, the United States is the United Nations in microcosm and we have lots of departments. As long as things are in the preamble, it probably doesn't do any great harm, and they may do some real good. In the field of social objectives, one of the great social objectives was the question of unemployment. We always had had in those days the problem of the language of

[69]
the Employment Act of 1946 which commits the United States to a policy of high and stable levels of employment, economic stability, and so forth.

By this time we had gotten away from one thing that haunted us at San Francisco where the words "full employment" was an anathema, meaning socialistic controls or something. The British and Australians wanted this in the Charter, along with trade unions advisers sitting outside, pushing us hard to get it in the Charter. Nobody understood what the conservative prejudices against putting it in were, and there is one unknown story about why we wouldn't put it in at first. The United States, rightly or wrongly, knowing that it had to go to the Congress to get approval of a charter, wrote that the words "full employment" were going to be a great Jonah; we could talk about high and stable levels of employment; that was fine. But full employment implied to a lot of people a political system of over-employment such

[70]
as the British had. It was a hard problem. It was a semantic problem that seemed so silly to everybody, but the Congress made you darned aware of the fact that it was important to them.

We would have been far better off, I was convinced then and am convinced now, if we had had a few more general policy statements about cartels and the cartel chapter. That sank us with the Congress, strangely enough.

MCKINZIE: It hurt more, you think, than the full employment?

STINEBOWER: I think the two together. Those two things led the opposition in the Congress at least to believe that we were creating a supranational organization that could come into the United States and control both our social and our antitrust laws. And the funny thing is in part they saw it the other way around. "These countries don't have any very tough antitrust

[71]
laws and they'll water ours down to the level of theirs." Then others were saying that that hasn't got anything to do with trade.

It's amazing how many votes you can get against any kind of a proposition any place for different reasons, but they all come out no or yes. But I think those two things would have made a difference; if we had had a straight-forward trade organization or if we'd had international trade organization and left the word employment out. Now that was absolutely politically impossible in those days -- I mean internationally. I'll go back to the United Nations. The first commission the Economic and Social Council set up was going to be an economic commission. Note that you couldn't get away with that, and before we got it set up it had been amended to be the Economic and Employment Commission. Now the Social Commission didn't have to say Social and Anti-prostitution Commission or anything like that. It wasn't more than two or

[72]
three years later that less developed countries would be getting a stronger voice, so the commission became the Economic Employment and Development Commission. In the ITO you couldn't have had it, because of a number of American Government departments. Certain countries felt that postwar depression was the great thing around the corner and we had to have a positive policy of assuring full employment throughout the world. But strangely enough those words were troublesome to the Congress; not because they hadn't already adopted the Employment Act of 1946, but because they saw in this the evil influence of socialistic centralized control over the economy. "Something and employment" in the title in an organization meant that.

MCKINZIE: On the cartel thing were they afraid of intervention of some kind?

STINEBOWER: Either that, or they didn't like it or

[73]
they didn't think it had anything to do with trade. There were a lot of reasons, but it drew a tremendous amount of criticism, because it would have committed us pretty well, if I remember correctly. I think it would have committed us to some moves in some directions to harmonize antitrust laws and practices, and there was feeling that we wouldn't have as tough a one, I guess.

MCKINZIE: The Congress had a reputation in the postwar years of just being totally irrational at the mention of the word cartel. The European Coal and Steel Community had to first be demonstrated not to be a cartel, before anything could really be discussed about that. As a man who had to deal with that how did you present arguments to the Congress?

STINEBOWER: Well, I didn't have to present those to the Congress. By this time I had moved elsewhere and I really didn't have to defend any or discuss any part of it. Part of my sins, during

[74]
that period when those tripartite talks were going on and we were working up to the tripartite talks that led to the U.K.-Canadian-U.S. declaration of principles for an international trade organization, was to serve as the chairman of a subcommittee on cartel policy, to draw up proposals for discussion with the British, first of all, then the French. I guess that I got badly thrown off because of the Treasury and the Department of Justice. We had a real problem there. These people maybe were talking about what I considered to be the problems of monopoly and cartels, but they had such a conspiratorial theory of business collusion across international boundaries. Particularly with respect to the Treasury and one or two of the Justice people, this got all bound up unfortunately in their minds with their strong feelings about Naziism and the German Government; so much that we couldn't hold very rational discussions. We were really having real problems with some of the

[75]
Treasury lawyers and the Department of Justice lawyers. They'd come in with the most horrendous things; they thought it was germane to a code of business practice to consider all of these blessed things that were really inter-governmental practices, that the German industrialists either had been the willing tools of or sometimes the masters of the German regime and so forth. You can't believe how emotional many of those discussions got. The result was that they dreamed up some of the most outlandish, outrageous codes. I don't see how business could have turned around. One would have had to make absolutely sure that nobody was within twenty miles before he opened his mouth, or maybe a competitor could overhear and that would be his way of communicating and so forth. Some flavor of this frequently would flow through into presentations of these matters -- outside as well as inside. I can remember the British delegation just sitting there and shaking their heads, trying

[76]
to be convinced that an anti-cartel chapter of the American-British proposals had to be in there as a means of fighting Naziism.

MCKINZIE: How did you happen to become the Director of the Office of Financial Development Policy in 1949?

STINEBOWER: I told Willard Thorp that I was getting awful tired of being an absentee family man. You don't need to take time, but if you figure out where I was from May 1943 until December '49, there were years in which I spent as much as two hundred and fifty plus working days out of Washington, and most of them out of the country.

I'll be real honest about it. I was running a little out of steam with respect to the United Nations, which was my continuing assignment. And at just that moment Burke Knapp was going to take a job at the World Bank, and so Willard asked me why I didn't do this job. I told him I didn't

[77]

know very much about it. I know more about commercial policy, but that didn't seem to move him.

MCKINZIE: It was quieter work, then?

STINEBOWER: Well, I did much less traveling. I don't know that it was much quieter.

MCKINZIE: Mr. Truman had already made some comment called Point IV about private development schemes in underdeveloped countries. Did you get there in time for the first presentations of that?

STINEBOWER: If I did I've forgotten them. I became Director of that office about the middle of December '49, and Mr. Truman had pronounced Point IV in January of '49. Except for absences of the whole summer in Geneva at a meeting of the Economic and Social Council, and then from early September up until I took the new job, I was staying up in New York for the Economic and Social Council

[78]
and General Assembly; you can see that I wasn't around Washington a great deal of the time. But everytime I'd come back down for some staff meetings or things like that I'd hear some of these things.

The biggest issue at this time still in December was the Technical Cooperation Administration. The battle that was going on was, are the projects going to be limited in funds, was this going to be a reasonably low level of expenditures to explore technical assistance, or were those just words that were going to cover a whole massive capital aid program? Then, would this all be on concessional terms, on grants, or on what terms?

As to administrative problems of who gets what and so forth, 99 percent of those went on outside of any stream that I was in, although I would hear something about them. I had a staff -- part of this financial office, the Economic Development Office -- that was terribly interested in it and real enthusiastic for a great expanded program.

[79]
Although those are my most recent days of experience in the State Department, other than certain kinds of disputes about one thing and another, I remember less about aid than almost anything.

MCKINZIE: You had so many peripheral kinds of problems. There was the matter of investment guarantees that stuck with a lot of people. It never seemed to quite work out.

STINEBOWER: Of course, I had a good deal to do with that, but the argument is all out in the open now; what the considerations and the difficulties were in working it out.

Let me put it this way. What came to my daily fare, other than just trying to keep in touch with my three divisions, was largely summed up in what went to the staff committee of the National Advisory Council. I was the State Department member of the staff committee. These

[80]
kinds of things came up; the Ex-Im Bank had to bring every one of its loans there, like every time we wanted to give gold to Greece. I can remember that kind of aid better than I can some useful aid programs. This was a committee that met at least once a week with a pretty extensive agenda. I was getting briefed on those kinds of things, and whenever Willard wasn't around, sat in as a substitute director of the Ex-Im Bank. I used to sit, if you will, aloof from the spitting rage in which some of my Economic Development people came up with in their rows with Cleveland and Company over what would succeed the TCA (that became MSA), and who was going to what. Was the State going to do it or were they going to do it? It was fairly clear to me from the outset that State was not set up to be an operating agency for an aid organization. I didn't think. we were set up for it, or should try to take it on. I didn't think it was the kind of thing that the

[81]
Secretary of State would give attention to, and yet somebody under him would be subject to his objections if he didn't like them; then you got to where it was a losing battle. [Averell] Harriman wasn't going to work for him on it. Some of the little petty jurisdictional disputes, I just thought, should take their own course, because I didn't think my people were going to win some of them anyway. The link between the State Department and the aid agency is just what the foreign policy interest in these matters was. Now, of course, this was made difficult, because the Department was just at that moment tending to strengthen the political areas of the Department by taking the economists out of the economic offices and giving an economist to the Western European Office or to the Near Eastern Office and so forth, and also, by the setting up of a (I forget what the office was called, Ed Martin was part of it) security aid program, which got into a lot of aids.

[82]
I can really shorten this thing up a bit by saying that the last thing I did do on aid was that I was the chairman of the interdepartmental committee in '51. I was on the big interdepartmental committee, trying to draw up what would be the aid bill for the '52 fiscal year. That was extraordinarily interesting, because while there was a lot of difference of opinion to be ironed out we came, almost with no trouble at all, within the rough guidelines of what was thought would be politically viable to send up on the Hill. We came up with what seemed to us to be about the right kind of a division of that, some by areas and some by countries. There were, of course, some thoughts about projects in mines in many cases, and others were needing a bill to absorb and so forth. This caused lots of trouble. I remember Chester Bowles flew back from India to demand more out of us, and we all went down on our free time Saturday morning to listen to him insist

[83]
on a billion dollars for India alone. And we just told him we couldn't give it to him. I know because Dean Acheson told me later that he'd left us in a towering rage, went over to the White House for lunch, and started complaining loudly with no end to the President about the way the State Department was treating him. According to Dean, the President said, "Ah, go to hell Chester," and that was the last we ever heard about it.

Now, we did have one kickback from the White House after it had gone through our superiors. (I guess we didn't have many superiors there, just the Secretary of State and the administrative aid agency, and then the White House.) It came back with just one mark on it. The President approved everything except that he told us that we hadn't followed one of his guidelines. We thought we had but he said, "I told you people to be impartial in the Middle East; neutral."

We looked all over and I went around to Dean

[84]
and said, "I can't understand this. What does he mean?"

"Don't you understand? Take the aid that you're going to give to the whole Middle East, give 50 percent to Israel, and divide the rest up. "

We did and it came back. That was impartial. But that's the only kickback we got from our aid program.

MCKINZIE: You talked about roundness. I'm sure you think it's roundness, but I don't think it is to lots of people. There were a couple of philosophies, just clanging against each other, which just must have caused you a great deal of concern. The one held by Henry Bennett was that if you are going to aid an underdeveloped country you have to start to build what now it has become popular to call infrastructures. And then there was the other philosophy which is that capital assistance in large doses is important at first, but then it

[85]
will build as it builds.

STINEBOWER: Oh, I had the same controversy even within my own staff. I don't think I could prove whether I'm right or wrong, and, of course, we had the same problem up in the U.N. in discussions about the needs of aid and the nature of economic development. I was then perhaps too extreme. I'm not sure that I was a great believer in the infrastructure approach. I believed that you couldn't just bestow economic development upon a country by throwing masses of capital at them. Furthermore, as I used to argue with Ruth Gold, who was one of the more emotional of the gals about this, take India; I think that I have been somewhat wrong on this, but the kind of an argument I used to use was to suppose you start up a lot of industrialization in India and draw people just like we do in the United States. You draw people off the farms and they flock to the cities because incomes are

[86]
higher. Now, industry in India is not going to absorb as many people as they are going to find displaced from the land. You are just going to get a tremendous urban problem all over. The people who don't have any jobs in the cities will get ugly after a while, and they create a bigger social problem for the country than I'd think you'd be able to handle. Now, I don't think that that's altogether right, but I believed it passionately in those days. If you didn't start with agriculture, and even then, if you didn't balance it, it would cause problems. Because if you improve agriculture you can get the same result.

But it seemed to me that you didn't get that result by imposing massive steel plants that weren't going to do anything. You had to get highly labor-intensive industry developed. You couldn't stand the cold breath of international competition there, but you had to get the kind of industry

[87]
that would absorb the labor displaced from the land.

On the other hand, you certainly needed to improve the land, but it wasn't going to flow back from large capital investment. Large capital investment would draw people off the land, but wouldn't of itself put any more money in for fertilizers or give them new techniques and so forth. I felt all this not out of great wisdom, but in talking to what seemed to me some of the more sensible people, like the Indians in the U.N. and so forth, as what they could do with these people if they got displaced. They, too, felt that their own government was wrong in trying to follow the lead of massive industry and heavy industry first. It is better to have a slower timetable for development than to try to make a massive impact on a country overnight, because that probably wouldn't stick anyway. It wouldn't be economical. One thing that I do know is that you don't take and plop a

[88]
Soviet or American steel plant down in India and train up people to do it unless you've got outlets for the steel, and are going to keep giving a lot of assistance for a long, long time in making that plant run. The Russians themselves destroyed (I'm talking about the thirties now) billions of dollars when they started trying to bring it in too fast from the United States or to make their own. I've read, in the Department's files years ago, report after report that some disgruntled engineer, paid well by the Soviets and recruited by them (I'm back to the thirties again now), helped them put up a big industrial complex of some kind or other. He thought he had them trained and says, "You are on your own." I can quote one of them. The first bar of steel they put through they practically wrecked the whole plant. He just said, "It's no use," and came home. I also remember that there were jokes as

[89]
late as ‘39 about tourists in Russia who said that the only plant that was fully employed and fully operating in Russia was one that was printing signs "Elevator not running.." I also remember that just a few months after that they seemed to have one heck of a lot of military equipment -- in fact quite a complicated and advanced war. So, I'm not quite so naive as to think that they didn't get anything out of all this. But I'll be blessed if I can see what you do with a population as big as India, if you create great industry and bring people off the land. They will come in just like people came up to the north from the south or from Puerto Rico. Incomes for those that had jobs looked so high, as compared to anything that they had, that they don't bother to stop to ask, "Will there be another job like that for me?"

I'm probably oversimplifying it and everything else. But I have been very clear on the belief that infrastructures were needed to either

[90]

precede and then very soon go along with industrial development, but you didn't begin by a big capital aid program.

MCKINZIE: There were huge numbers of people who did take another view. Edwin Locke came back in '52 with this huge program for the development in the Middle East and argued in essence that the people were in a hurry, and that you didn't have time to build infrastructures. They wanted a massive redevelopment program and industrialization went along with...

STINEBOWER: Averell, not when he was running MSA but later on, became a great devotee of big desalinization plants that were going to solve all of the problems of the whole Middle East. And it didn't seem to me that he used to talk that way when I saw him on the job. I thought he was for a balanced development program. But some of those people made a great impact on him.

[91]
MCKINZIE: You mentioned in the '49 to '52 period you spent a lot of time with the National Advisory Council attending some of those meetings. What kind of clout did you think that the National Advisory Council had by that time? When it was created in 1945 it seemed to have had a great deal of influence on the President, who ultimately has to make those kind of decisions. But in 1949 there was the Council of Economic Advisers, and the President was by that time very close to John Snyder in the Treasury Department, and he had a lot more contending advisors.

STINEBOWER: Remember that John Snyder and his predecessors were the chairmen of the National Advisory Council. It is my opinion that the Council almost always agreed with the work that came out of the staff committee, which was equally interdepartmental. I can't remember very many times in which there was any disappointment about

[92]
the acceptability and acceptance of recommendations of the National Advisory Council. Snyder was frequently carrying the results of the work of the National Advisory Council. Lots of interdepartmental work is duplicatory and unnecessary. In many of the cases, if our Treasury staff alone had written it with a little bit of telephone conversation, it probably would have been the same and we wouldn't have needed as many staffs as we had. I do not remember, in the two and a half years or a bit less, that I was closely associated with it, any violent disagreements. There were strong disagreements, but I mean anything where anybody would want to appeal over the heads through his departmental head straight to the President. I don't remember any issues of that kind, and I would say that when you talk about Snyder's policy, you can form your own judgment as to how you think they stood up as against the Council of Economic Advisers and others. Very

[93]
frequently, unless it was a strictly Treasury matter, he probably was reflecting an NAC view.

Now, it had a lot of clout in reverse direction. The Ex-Im Bank was really reeling under the close and undue supervision it got. It had to bring its loans to the entire Council.

MCKINZIE: You're saying that the Ex-Im was serving political rather than strictly economic purposes?

STINEBOWER: Oh, perhaps. I wasn't thinking of that so much. Any staff that's worth a damn and has done its work well in an organization resents having to go and get a stamp of approval on its work. It wasn't always overridden, although frequently the Council would disagree with the kind of legislation it wanted to put up. How far in advance should it ask for authorization of funds? It's always squirmed and felt unhappy about the fact that it has to keep on asking for renewal funds, when its cash flow generates

[94]
enough funds to come into it. It has to turn all of its funds back into the general fund in the Treasury, and then go ask the Congress for more funds. I guess the Treasury and the NAC weren't in those days above both keeping them under control that way, as it were. No, I meant that the NAC had clout in a real administrative sense. We had not reached the stage -- that I am told they came to quite quickly in the next administration -- in which we went and tried to kid the National Security Council. I could go in and say, "I'm not even sure that I think this is very good economics, but the Department says that it has to have so many tons of gold for Greece to put out to fight inflation."

They say, "Will gold fight inflation?"

Then I'd say, "Yes, because it's the only thing that the peasants will buy. It's the only way you can get up all the paper money in the country."

[95]
They'd say, "Well, there isn't anything we can do. We don't think it works that way."

And we'd come down to the point in which I'd say, "Well, I'm not sure but maybe you're right, but as a matter of foreign policy my Department wants this." I never got turned down. The only time I ever got turned down was when I tried to kid them out of it; somebody had given me a phony argument. We came clean with them and told them. Once in a while they'd growl and grouse about it and would say that it would have to go up to the Secretary, and things like that. But as a matter of any great significance, I never knew them to turn us down if we said we wanted it for foreign policy reasons. They'd argue like hell if we claimed it on technical reasons.

MCKINZIE: Why did you leave?

STINEBOWER: That's the last question that Dean Acheson asked me. He met me in the hall one day before

[96]
I was going. He said, "Why are you going?"

I said to him, "Well, you're going to be surprised."

He said, "Take your time and come in the office." Well, it didn't take me very long. I told him that I was leaving for several reasons.

"First of all I'm leaving because the Treasurer of the company [Standard Oil of New Jersey], Leo Welch, came down and asked me if I'd like to join them; but I'd turned down every other company that had made any kind of an offer like that. I'm leaving for some of the reasons that you'd expect; I'll get a little bit more money (though not as much as perhaps you think I'm going to get) and I've got some kids that are going to college. But I don't think I could have said yes to them anymore than I'd of said yes to anybody else, except for one fact. For eighteen years I've had the time of my life around here. I've enjoyed myself no end." And I said, "I don't think it makes any difference

[97]
who wins the election." (This was before March, probably about January or later; long before the party conventions.) "I don't think it makes any difference who's nominated or who wins the next presidential election. I think we are in for a period of revulsion, of being tired of the international matters; isolation if you want to call it. I don't think the people are going to back foreign policy as they have, and I don't think it's going to be half as much fun working in the foreign office from here on out."

MCKINZIE: Thank you very much.

INDEX