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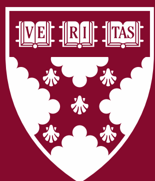

Harvard Business School

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Melanie Sheehan

Abstract: This article traces business influence in the formulation of the Point Four technical assistance program, the first US Cold War-era international development program. It focuses specifically on business interest associations' efforts to secure federal incentives to promote foreign direct investment (FDI) in Asia, Latin America, and Africa. Business leaders and their government allies described FDI as the most effective means to promote international development, support European recovery, and encourage strategic minerals production after the Marshall Plan. Ultimately, business interest associations secured tax advantages and government-backed insurance for foreign investments because such measures served the interests of the US government in the context of European balance of payments deficits and the Korean War. Intent on promoting international development as a Cold War strategy, the Truman administration and Congress preferred private means to large-scale foreign aid appropriations. Business power thus stemmed from government leaders' appraisal of the ways in which private business could fulfill state objectives.

Keywords: US business history; foreign direct investment; Point Four program; business interest associations; international development; business-government relations

On January 20, 1949, Harry S. Truman took the oath of office as President and subsequently uttered a speech that would reverberate throughout the world. Among the "major courses of action" he proposed in his inaugural address, the fourth and final point gained the most attention. Truman called for "a bold new program" to extend American technical assistance "for the improvement and growth of underdeveloped areas." He called upon businesses, private investors, agricultural organizations, and labor unions to assist in the effort to "increase the industrial activity in other nations" and thereby "raise substantially their living standards." Yet he stressed that "The old imperialism—exploitation for foreign profit—has no place in our plans." The gains of economic development had to serve "the interest of the people whose resources and whose labor go into these developments" (Truman, 1949).

The following year, Truman appointed Secretary of the Army Gordon Gray to chair an interagency commission, composed largely of economists, tasked with developing a program to guide the administration's international economic policy. Their report stressed the necessity of economic development in Asia, Africa, the Middle East, and Latin America. It made clear, though, that "Private investment should be considered as the most desirable means of providing capital." It went on to recommend a series of policy actions through which the US government could induce foreign direct investments (FDI) by US firms which might otherwise hesitate to incur the costs and risks associated with such ventures (*Report to the President*, 1950, pp. 13).

Existing literature on post-World War II international development within the field of diplomatic history has overwhelmingly focused on the role of government agencies and aid

programs (For a brief overview, see Hodge, 2015; Hodge, 2016). Studies of the Point Four program, which emerged from Truman's 1949 inaugural address, are no exception. These works focus in particular on Technical Cooperation Administration (TCA), the administrative arm of the State Department tasked with implementing the Point Four program (McVety, 2012; Black, 2018; Bonenfant-Juwong, 2021; Francis, 2022).

Yet the programs and policies that arose in response to Truman's speech, and that came to be associated with the Point Four program in political debate in the 1940s and 1950s, extended beyond the technical assistance work of the TCA. In her classic work on the history of multinational corporations, business historian Mira Wilkins explicitly discusses the Point Four program's inclusion of more general measures to promote US foreign direct investment. She states, "US government advocacy of greater foreign aid" in this period "included approval of US private foreign investment—to serve national foreign economic policy objectives." She then recounts policy measures, including government-backed risk insurance programs and tax incentives, that the US government put forth in an effort to encourage FDI (Wilkins, 1974, pp. 288).

Wilkins's account, however, maintains that businesses were primarily responsive and reactive to policies that the US government promulgated independently. Her emphasis on government priorities rooted in national security considerations arose in response to a revisionist literature that described US foreign policy as driven by a desire to support US corporate interests (see especially Williams, 1959). Wilkins's work rightly critiques this New Left-inspired literature as overly reductive.

Nevertheless, in describing businesses as rational actors responding to federal incentives, Wilkins' work overlooks the key role that business leaders played in shaping federal policies through their consultations with government leaders. More recent works discuss the significant role of private enterprise in administering US international development programs, but they similarly devote minimal attention to the political influence of business leaders in the initial formulation of aid policies (Smith, 2012; Smith, 2015; Neveling, 2017; Neveling, 2015; Offner, 2019; Morefield, 2019).

By contrast, this article discusses the symbiotic process by which business and government leaders came to define FDI in Latin America, Asia, and Africa as a means to promote postwar recovery and international development during the late 1940s and early 1950s.

Corporate leaders, often organized in business interest associations, actively strove to guide the development of the Point Four program toward an emphasis on facilitating private foreign investment. In Congressional hearings, business-government conferences, and trade association publications, and as appointees to government commissions, business leaders exerted ideational power in helping to shape an agenda that defined private FDI as the primary means to promote international development (On ideational power, see Cartensen & Schmidt, 2016; Selling, 2021).

In the context of early Cold War anxieties over strategic mineral shortages, business associations proved especially adept at describing FDI in export-oriented extractive industries as a means to both promote development and meet US military needs (On strategic minerals, see Ingulstad, 2015; Black, 2018, pp.117-132; Konkel, 2022). Business leaders linked FDI and international development in a manner that proved especially powerful, as the prevailing view in government held that rising living standards would discourage the spread of Communism. With the onset of the Korean War, the argument that FDI could promote not only international development but also strategic mineral production cast policies to facilitate FDI as even more urgent for protecting national security.

Still, business leaders' power remained contingent upon acceptance of their ideas within the US government, which flowed from government officials' own calculations of whether business proposals could serve national interests. This power derived in part from businesses' institutional power, as the federal government delegated to private enterprise the task of transferring capital abroad to promote international development (Busemeyer and Thelen 2020). The Truman administration's commitment to international development, and Congressional reluctance to support large-scale aid programs, shaped the institutional context in which business actors operated. The US state, which itself remained a site of internal contestation among its constituent parts, thus ultimately set the terms upon which business political power rested (Dür et al, 2019; Jessop 2022).

Business leaders therefore won partial victories, as negotiations and compromises hemmed in their most ambitious proposals. Still, these partial victories were by no means insignificant. The passage of even limited measures enhanced multinational corporations' power, as their opponents found revoking privileges afforded to business interests more difficult than blocking the initiation of novel programs. The benefits afforded to business in the context of the early Cold War soon became institutionalized in business practice and government

administration, leaving opponents fighting uphill battles to challenge the new prevailing norms (Baumgartner et al, 2009; Suddaby et al, 2013; Decker et al, 2018).

By tracing the policy process from legislative debate and drafting to administrative implementation, this article reveals of how business leaders and government officials negotiated their overlapping interests to develop policies that could advance mutual goals. It underscores the compromises that the legislative process demanded through a close examination of public hearings and the internal records of business associations and government commissions. Business associations ultimately won some battles but lost others. In the process, their own views changed over time as they increasingly saw value for themselves in programs they initially rejected.

Because this article relies on evidence from one historical case, however, its findings about the nature of business and political power cannot necessarily be applied to other geographic, chronological, or political contexts. Rather, the circumstances of early Cold War and the distinctive nature of the US state, characterized by fragmented systems of decision-making, influenced business-government relations in historically specific ways (On the US state, see Novak, 2008; "AHR Exchange," 2010; Sparrow et al, 2015; Morgan & Orloff, 2017, 1-32).

Moreover, focusing on business and government actors alone can obscure the important role of other interests in shaping government policy. As I have argued elsewhere, for instance, labor union leaders' acceptance of policies to promote FDI in the late 1940s and early 1950s facilitated their ultimate passage (Sheehan, 2022). Together, works focusing on business interest associations and those discussing other key political actors can offer a fuller understanding of global governance and the relative importance of business therein.

The Contest over the Act for International Development

The development of the Point Four program began immediately after Harry S. Truman took the oath of office. When speechwriters first included mention of the program in the inaugural, it remained little more than an idea. That idea came from Benjamin H. Hardy of the State Department's Public Affairs Division (Elsey, 1965; Clifford, 1972; Little, 1973). Hardy had previously worked as a press officer for the wartime Office of the Coordinator of Inter-American Affairs (CIAA), headed by Nelson Rockefeller—an experience that directly influenced his thinking in formulating the Point Four economic development program ("Benjamin H. Hardy," 1951. On CIAA as a model for Point Four, see Erb, 1985).[i]

When Hardy's superiors at the State Department opted against passing along his memo outlining the program, Hardy took the bold step of reaching out to George M. Elsey in the White House directly. Elsey, in turn, passed the idea along to Special Counsel to the President Clark M. Clifford. Although qualms arose in the State Department that the program was too premature, Clifford and Truman decided to that the inaugural address offered the ideal opportunity to put forth this "bold new program" (Elsey, 1965; Clifford, 1972; Little, 1973).

From the outset, State Department officials placed private investment and self-help at the center of its Point Four vision. A month after Truman's address, Assistant Secretary of State Willard Thorp made clear in a speech before the United Nations Economic and Social Council that "the bulk of the effort," including "much of the financing," would necessarily "come from the people themselves and from their own governments." The US government would outlay funds to facilitate the international exchange of technical knowledge to promote health, sanitation, education, and infrastructure improvements and to spread US-style governance, management, and labor techniques. Nevertheless, foreign governments would have to accumulate foreign exchange to import capital goods by running continual export surpluses, by welcoming FDI, or by borrowing funds raised in private capital markets. In Thorp's rendering, then, the Point Four program would not be a massive public aid program akin to the Marshall Plan for Asia, Africa, the Middle East, and Latin America. Rather, it would primarily aim to encourage outflows of private capital, technology, and administrative expertise from US businesses, investors, agriculturists, and labor unions.[ii]

Congressional debate over the Point Four program, meanwhile, centered on two separate bills, H.R. 5616 and H.R. 6026, each of which conveyed a distinct understanding of the form that US international development policy should take. The administration bill, H.R. 5616, mirrored the idealistic rhetoric of Truman's inaugural address and granted the administration wide authority to promote development as it saw fit. The bill, introduced by West Virginia Democrat and House Foreign Affairs Committee Chairman John Kee, declared US commitment to international cooperation in pursuit of global economic development and encouraged participation of private interests toward this end. Further, H.R. 5615 authorized the President to pursue "activities…which are designed primarily to contribute to the balanced and integrated development of the economic resources and productive capacities of economically underdeveloped areas," which "include, but need not be limited to…surveys, demonstration,

training, and similar projects." Although the bill included no specific funding appropriations, it authorized the President to enter into contracts with foreign governments and to "make advances and grants-in-aid of technical cooperation programs to any person, corporation, or other body of persons, or to any foreign government or foreign government agency or to any international organization."[iii] The administration bill thus offered the administration broad power to shape the program, outlined in rather vague and open-ended terms, however it saw fit.

Republican Representative Christian A. Herter of Massachusetts proposed H.R. 6026 in direct response to what he considered "too large commitments in rather fuzzy language" in the administration bill.[iv] Seeking an alternative approach, Herter and his staff drew heavily upon the May 1949 recommendations put forth by the National Foreign Trade Council (NFTC), a business association established in 1914 representing firms in such major multinational industries as oil, steel, rubber, autos, electric, chemicals, and finance.[v] In his own committee testimony, Herter stressed the NFTC's views as "of the utmost importance" because the organization represented "the largest group in this country, without any question," that would have to decide whether to invest in regions covered by the Point Four program.[vi] Indeed, the Herter bill even echoed the NFTC's recommendations for the program's administrative structures.[vii]

In line with NFTC recommendations, the Herter bill made clear that the US would assist countries only after they accepted US terms for treatment of foreign investment through bilateral agreements. These treaties, in the NFTC's view, offered the most effective means to establish "definite, stable, and fair rules of the game" to eliminate "arbitrary and capricious government interference" in international trade and investment.[viii] Eligibility for aid would be contingent upon adherence to international standards for patent, trademark, and copyright protection and upon agreement to bilateral treaties of friendship, commerce, and navigation. Participating countries would need to guarantee just and prompt compensation for investors suffering losses as a result of property expropriation or competition from state-run or state-supported enterprises. The US would also require free convertibility and repatriation of investment returns, a major concern among US investors as countries responded to the global dollar shortage by restricting dollar outflows. And, the bill mandated participating countries agree to a bilateral taxation convention, by which both the US and the aid-receiving countries would agree to eliminate discriminatory taxation on foreign investments and to collect income tax only on income earned within its borders.[ix] Once countries met these terms, they could request that the US jointly

sponsor studies of investment conditions and "technical missions in the fields of health, sanitation, agriculture, and education," fields circumscribed by the NFTC as those in which the US government "has already demonstrated competence."[x]

Socony-Vacuum Oil Co. of New York general counsel Austin T. Foster testified in favor of H.R. 6026 on behalf of the NFTC during the bill's committee hearings.[xi] Foster criticized the administration bill for solely addressing the government aspects of the Point Four program and offering only minimal consideration of methods of stimulate private involvement, "on which it has been stated primary emphasis should be placed." Foster further endorsed the Herter bill's measures conditioning aid on the acceptance of US terms regarding the protection of foreign investment interests. Representative Walter Judd, an internationalist Republican from Minnesota, pressed him on this issue, likening extracting such terms to "the philosophy of the dentist who tried to get the patient's fee while the tooth was still aching." Yet Foster resolutely backed the Herter proposal on the grounds that "if we do not get" concessions while countries still need aid, "we probably will not get it later." He recognized the reluctance of foreign governments to accept US terms but suggested the US capitalize on their weakness to impose its preferred programs upon them.[xii]

A number of business associations and allied intellectuals echoed the emphasis on private capital that characterized the Herter bill in their own statements on the direction of the Point Four program. "The real question is not one of determining what are the private means to implement Point Four," Mont Pélerin society member and National Association of Manufacturers (NAM) advisor Michael Heilperin wrote, "but one of determining what are the government policies which will promote the greatest possible use of private capital in the development of the world's backward areas."[xiii] According to NAM, "The government should place primary responsibility for such assistance and development upon private initiative" and should "direct its efforts to encouraging and protecting these private investments through diplomatic and other action"[xiv] The US Chamber of Commerce similarly maintained that "American private enterprise must form the cornerstone of the program for economic advancement in the underdeveloped areas of the world," on the grounds that "the best hope of industrial development in other countries lies in a flow of private capital for investment in new enterprises."[xv]

Corporate activism ultimately left its mark on the 1950 Act for International Development. As H.R. 5616 recommended, Point Four aid would fund "economic, engineering,

medical, educational, agricultural, fishery, and fiscal surveys, demonstration, training, and similar projects" that would further "the development of economic resources and productive capacities of underdeveloped areas" (An Act to Provide Foreign Economic Assistance, 1950). Yet private investment had been largely absent from H.R. 5616, which had referred only to a general desire for "the participation of private agencies and persons."[xvi] In stark contrast, the final act included several points proposed in the NFTC program. The Act encouraged "the exchange of technical knowledge and skills and the flow of investment capital" to those countries "where there is understanding of the mutual advantages" of assistance for both the offering and receiving country. Of utmost significance was mutual "confidence of fair and reasonable treatment and due respect" for the respective interests of each party. The Act specified several guarantees that assistance-receiving countries should offer investors "through intergovernmental agreements or otherwise" to inspire such "confidence," including promises

> That they will not be deprived of their property without prompt, adequate, and effective compensation; that they will be given reasonable freedom to manage, operate, and control their enterprises; that they will enjoy security in the protection of their persons and property, including industrial and intellectual property, and nondiscriminatory treatment in taxation and in the conduct of their business affairs.

The Act also established an International Development Advisory Board (IDAB) of presidentially-appointed private citizens to help guide the Act's implementation. Truman appointed oil magnate Nelson A. Rockefeller to serve as the Board's chairman. A liberal Republican, Rockefeller had extensive experience working in the private and public sectors on issues related to Latin American economic development (Reich, 1996; Smith, 2014).

On asking Rockefeller to develop recommendations for implementing the Point Four program, Truman pointed him to a recent report on US international economic policy prepared for the president by a staff of appointees under the direction of Secretary of the Army Gordon Gray. He suggested that Rockefeller should "formulate your recommendations in light of the Gray Report's comprehensive analysis of our entire foreign economic policy."[xvii] The Gray report, prepared in the specific context of US payments surpluses and the outbreak of the Korean War, guided IDAB's work toward specific policy initiatives. Before proceeding to a discussion of Rockefeller and IDAB's recommendations, then, an understanding of the Gray report and the

context in which it was prepared is needed to explain the trajectory of the Truman administration's thinking about the Point Four program.

The Dollar Gap, the Korean War, and Government Priorities: The Gray Commission

In March 1950, Truman appointed Gray and requested that his commission focus particular attention on what came to be known as the "dollar gap," which Truman considered the most difficult challenge facing the global economy. "The United States is at present…sending abroad much more of the product of American farms and factories than other nations are able to pay for from the sale of their own goods and services," Truman wrote to Gray. US exporters accepted dollars but would not accept foreign currencies. Therefore, Truman warned, "We cannot continue to sell our goods abroad, or receive a return on our public and private investments abroad, unless foreign countries can obtain the necessary dollars to make their payments."[xviii]

The dollar gap emerged as Western European states sold their foreign properties and drained their treasuries to fund the war effort. They faced the enormous task of postwar recovery cut off from traditional Eastern European trading partners, and they lacked dollars desperately needed to balance their international payments and to purchase US goods. Many had imposed import barriers and restrictions on the convertibility of their currencies to limit further dollar outflows.[xix] The US government responded to the dollar gap by taking the unprecedented action of using large-scale public aid in the form of the Marshall Plan to fund European imports to support relief and recovery. Now, with the European Recovery Program set to expire in 1952, a sense of urgency shrouded the task of resolving to the dollar gap and placing the world economy on a self-sustaining basis without continued US aid expenditures (Frieden, 2006, pp. 254-270; Hogan 1987, 1988, 1989).

From the outset, the commission discussed the restoration of prewar triangular trade patterns as a primary tactic in redressing the ill-effects of the dollar gap to "attain the major objectives of national policy with least cost to the United States." Toward this end, it emphasized the need to devise policies that would promote "an adequate 'three-way' flow of trade between Western Europe, the non-European non-dollar area, and the dollar area."[xx] As scholars have noted, in the case of the British Empire, its Southeast Asian colonies had historically exported raw materials to the US and used dollars to purchase British manufactures. The decline of raw material exports from its Southeast Asian colonies to the United States during the war therefore

contributed to Britain's dollar deficits (Cardwell, 2011, pp. 132-133; McMahon, 1999, pp. 38-39). Restoring these tricornered trade patterns, Gray commission economists concluded, offered a path to a more stable global economy that would require minimal dollar outlays.

To summarize, then, raw materials produced and exported from Asia, Latin America, and Africa would fuel industrial production in the US and Western Europe. US purchases of raw materials would result in an outflow of dollars to the exporting countries and colonies. Traders in Asia, Latin America, and Africa would subsequently purchase European manufactures, thereby stimulating recovery in Britain and on the continent. In this way, the US would encourage dollar flows to European currency areas, promote European industrial rehabilitation, and stockpile raw materials to bolster its own defense and industrial might (Ingulstad, 2015; McMahon, 1999, pp 38-39; Hogan, 1989, pp. 238-292).

Reestablishing triangular trade to close the dollar gap appealed to commission members because they believed it would prove an effective and politically palatable means to promote long-term international economic stability. Economists recognized rising imports or increased private investment abroad as the two potential means to increase dollar outflows, but they suggested import promotion would prove more effective.[xxi] Domestic political considerations, however, led the commission to stress imports of goods least likely to compete with US manufactures.[xxii] While the Commission did encourage the import of European manufactures to address the immediate dollar crisis, it recognized the promotion of triangular trade as a more politically-accepted means to maintain the stability of the international system.

Nevertheless, some debate emerged within the commission over the nature of triangular trade, specifically regarding its implications for the countries to be assisted under the Point Four program. Economist Walter Salant, a commission staff member who at the time served on Truman's Council of Economic Advisors, warned that the strategies put forth by the Economic Cooperation Agency (ECA), tasked with implementing the Marshall Plan, would benefit Europe at the expense of other parts of the world. "The ECA itself seems to think of the under-developed areas primarily, if not solely, as potential suppliers of goods to Western Europe and the US," Salant wrote. In one memo, Salant noted, the ECA has stressed the need to "induce under-developed areas of the world to forego plans for industrialization and self-sufficiency and rather expand exports to Europe." The ECA's proposals "show a 'way out for Europe,'" Salant concluded, but "it is very questionable whether it shows or is consistent with a way out for other

areas." He thus recommended that the commission reconsider such strategies to take "explicit account of the necessity for a substantial rate of development in under-developed areas."[xxiii]

The outbreak of the Korean War in June 1950, however, intensified the push for FDI in extraction to fuel a major US defense buildup as well as Western European rearmament (Black, 2018, pp.117-132). Eager to stockpile strategic raw materials, government planners defined the encouragement of FDI in extraction as a national security priority. At the same time, skyrocketing demand spurred mineral shortages that drove commodity prices upwards, bringing windfall profits to such resource-rich states as Indonesia and Brazil. These price increases reinforced extraction proponents' contention that raw material exports would enable developing countries to accumulate capital, which they could subsequently invest in the development of domestic industries. Expanding FDI in extractive industries, they argued, would bolster developing economies' export sectors and thereby contribute to their long-run development (*Report to the President*, 1950, pp. 49-60; *Partners in Progress*, 1951).

Although the Gray Commission did not deliberately solicit business views, the ideational influence of business leaders nevertheless remained significant. With the onset of the Korean War, business associations such as the NFTC continued and amplified their arguments that encouraging FDI must form a crucial aspect of US policy toward "the world's less-developed areas." The final declaration of the NFTC's 1950 convention, attended by high-ranking officials of the Export-Import Bank and the State, Commerce, Defense, and Treasury Departments, wedded arguments rooted in ideology and the need for resources to call for US policies aimed at supporting "an expanded flow of private investment capital to nations that have need of it."[xxiv] The NFTC warned,

> Here are the sources of many of the raw materials that are most vital to our defense effort, and it is of utmost importance that these resources be developed and safeguarded from infringement by unfriendly powers. Here the poverty and despair of millions of human beings are being exploited by the cynical purveyors of the communist doctrine, and we must show these people the road to a better way of life. This is the field of the Point IV program and, in the present crisis, it takes on a new urgency.[xxv]

In this context, the Gray Commission's report to the president outlined the program for "underdeveloped areas" alluded to at the outset of this article. "Private investment should be considered as the most desirable means of providing capital," the report stated, "and its scope

should be widened as far as possible." Among its recommendations were the negotiation of bilateral investment treaties, further study of possible of tax incentives for private investment, and legislation authorizing a government-backed investment guaranty program to insure US investments against the risks of nonconvertibility and expropriation (*Report to the President*, 1950, pp. 13).

Business Influence and Rockefeller's International Development Advisory Board

The wartime urgency of developing strategic material sources similarly shaped the recommendations of IDAB and overshadowed the humanitarian idealism that characterized Truman's inaugural address. The Board's 1951 report stressed that economic development and defense were "inseparable," as "virtually all of our natural rubber, manganese (upon which the manufacture of steel depends), chromium, and tin," in addition to a host of other strategic materials including uranium ore, "come from abroad, mostly from the underdeveloped areas." Warning that "a waste of resources now may have to be paid for later in lives," the report concluded that "wasteful or sentimental programs have no place…By the same strict accountancy, those programs of economic development which do make a significant contribution to world security should be pressed with all vigor" (*Partners in Progress*, 1951).

Some IDAB members stressed defense aspects of the program out of political necessity because they anticipated charges "that this is a 'do good' program that has no place in an emergency."[xxvi] Already, the State Department's public opinion studies suggested "little enthusiasm…for continuation of large-scale grants-in-aid." The Point Four program's critics warned against "the expenditure of 'billions' in a 'global WPA,'" a reference to the New Deal-era Works Progress Administration. With the outbreak of the Korean War, pressure had mounted even further to shift attention "to military aid rather than technical assistance."[xxvii] Several agencies within the administration similarly urged the Board toward a greater focus on military necessity; Rockefeller biographer Cary Reich has described Truman advisor Averell Harriman, and Harriman's aide Richard Johnson, as particularly influential in this regard (Reich, 1996, 455, 458-462).

In the capitalist worldview that prevailed on IDAB, arguments for enhanced strategic mineral production suggested a need for private FDI. Methods to stimulate FDI as a means to increase raw material production thus became central to the IDAB recommendations. IDAB stressed that "the production of goods and services," including the development of "strategic raw

materials," remained "primarily a function of free enterprise." It estimated the outflow of US capital to "the underdeveloped areas" totaled roughly $3,500,000,000 between 1946 and 1950, an average of $700 million per year, and it recommended that such figures "be at least doubled, and perhaps tripled" (*Partners in Progress*, 1951, pp. 78).

No business leader had greater influence on IDAB than its chairman, Nelson A. Rockefeller. Rockefeller believed strongly in encouraging private enterprise as a means to promote economic development. After serving as the Coordinator of Inter-American Affairs during World War II, he established the International Basic Economy Corporation (IBEC) as a private, profit-seeking enterprise that would invest in agricultural development in Brazil and Venezuela. The ultimate goal of the venture was to combine profit-seeking, capitalistic enterprise with humanitarian aims (Cobbs, 1992, 140-189; Reich, 405-421).

Rockefeller appointed Stacy May, a trusted economist involved in the IBEC venture, as the IDAB staff's Director of Research (Reich, 411, 451; Cook, 1980; *Partners in Progress*, 1951). Like Rockefeller, May believed in the potential of private enterprise to promote economic development. May's subsequent writings, which included coauthored studies of Costa Rican development and of the United Fruit Company's investments in Latin America, underscored what he considered the contributions that private FDI could make in promoting social and economic welfare (May et al, 1952; May, 1955; May and Plaza, 1958).

In early meetings of IDAB, May established at the outset that private capital would lie at the heart of the report's recommendations. May stressed that the value of private investment rested in the "dynamism, know-how, management, and entrepreneurial techniques" that accompanied capital as it moved abroad. He suggested the Gray report "assumed" private capital "could not or would not" flow abroad in adequate amounts to promote economic development. By contrast, the Rockefeller group would "concentrate as one of its tasks on the problem of enabling private capital to do its share of the job."[xxviii]

The Board also made efforts to reach out to private business associations for guidance in preparing its recommendations. Nelson Rockefeller contacted leaders of major business interest associations in the United States, including the National Foreign Trade Council, the National Association of Manufacturers, the Committee for Economic Development, the US Council of the International Chamber of Commerce, the Chamber of Commerce of the United States, and the Inter-American Council.[xxix] The Board, moreover, hosted a lunch meeting at the University Club

in early 1951 to gather recommendations and responses from representatives of these groups.[xxx] Consultation between Board members and industry representatives also occurred in a January 1951 conference on the Gray Commission's recommendations sponsored by the Johns Hopkins School of Advanced International Studies.[xxxi]

Major business organizations including the NFTC, the US Chamber of Commerce, and the National Association of Manufacturers initially rejected the concept of government-backed insurance against certain risks as an unwelcome government intrusion in economic affairs. They warned that corporate reliance on proposed investment guaranty programs might shield foreign governments from taking measures of their own to protect private property and encourage capital investment. Their reluctance was also rooted in a concern that the program applied only to new investments. Thus the leaders of firms already heavily invested in foreign ventures, including many of those represented in the international relations divisions of these organizations, grew concerned they might suffer a competitive disadvantage vis-à-vis firms entering foreign industries under the program.[xxxii]

The onset of the Korean War, however, softened the stances of some business associations in favor of the guaranty program. During the IDAB-hosted luncheon at the University Club, TH Tonnesson of the US Council reported that the group had endorsed guarantees against some political risks "in times of emergency such as the present." The United Fruit Company's Sam Baggett, speaking on behalf of the National Foreign Trade Council, similarly noted that the organization "does recognize that in certain areas for national defense purposes they may be proper and desirable."[xxxiii]

Nevertheless, business leaders exhibited a clear preference for tax incentives to induce foreign investment. Moreover, they provided specific and actionable policy recommendations for broadening foreign tax credits. At the Johns Hopkins conference, business representatives suggested a fourteen percent tax credit currently applied to investments in Latin America be extended to income derived from operations "anywhere in the free world."[xxxiv] This provision had been granted to firms categorized as Western Hemisphere Trade Corporations since World War II, when, at the NFTC's urging, Congress sought to provide relief for trade-oriented businesses struggling with the wartime disruption of international commerce.[xxxv] Business leaders also urged elimination of the fifty-percent ownership requirement for tax credit

eligibility. Such a requirement, they argued, "discouraged foreign investment" by smaller firms and in countries that barred foreigners from holding majority ownership.[xxxvi]

Differences did arise among business associations presenting their views on the Point Four program, however. Gardner Cowles of the Committee for Economic Development and TH Tonnessen of the US Council, for instance, agreed on the need for FDI to promote economic development but questioned the emphasis that the Board had placed upon using the Point Four program to meet US defense needs. These newer business associations, which emerged during the 1940s, did not see the compatibility of extractive enterprise with economic development that the NFTC had outlined in its convention declarations during the early 1950s.[xxxvii] By the 1960s, these groups, more heavily dominated by multinational manufacturers and more often associated with postwar corporate liberalism, would displace the NFTC as the primary voices of international business in government (Schaufelbuehl, 2021; Collins, 1981; Schriftgiesser, 1960).

IDAB's recommendations on stimulating FDI outlined a clear program of specific policy proposals that conveyed a firm commitment to the expansion of private enterprise in "the underdeveloped areas of Latin America, Asia, and Africa." The report included several measures put forth in the Gray report, including the negotiation of bilateral commercial and tax treaties and the development of a government-backed investment guaranty program. IDAB endorsed the principle promoted by the NFTC that businesses should pay income tax "only in the country where the income is earned," thereby exempting returns on FDI from US income tax. Although IDAB recommended such incentives initially apply only to new investments "to avoid any drop in revenues…with defense expenditures mounting," it urged the US Government to extend these exemptions to all investments "as soon as the emergency is official declared at an end." Beyond this, IDAB also encouraged the development of a new administrative position in the State Department's Overseas Economic Administration tasked "with no duties other than to encourage the maximum and most effective use of private enterprise" (*Partners in Progress*, 1951, 78-86).

Policy Enactment: Tax Incentives and Government-Backed Insurance for FDI

Business arguments linking FDI with international development and Cold War-era national security influenced US policymaking in subsequent years (Selling, 2021). The US State Department negotiated a growing number of bilateral treaties to facilitate international investment during the 1950s.[xxxviii] By October 1958, Under Secretary of State for Economic Affairs Douglas Dillon, meanwhile, reported that the US had successfully negotiated sixteen

commercial treaties devoted to "improving conditions abroad for the investment of private capital for economic development" since 1945. Five additional treaties were in "an advanced stage," and six others remained "in various stages of consideration." The Department had also negotiated twenty tax treaties since the end of the 1930s and now turned its attention to ongoing and pending negotiations with Pakistan, Mexico, Cuba, Peru, Ceylon, India, and several other Latin American countries.[xxxix]

Congress gradually expanded the scope of the investment guaranty program, through which private firms could purchase public insurance against certain risks on foreign investments. Initially enacted under the Economic Cooperation Act of 1948, at its inception the investment guaranty program had insured only against the risk of currency inconvertibility and covered only investments in Marshall aid recipient countries and their dependencies. But the Economic Cooperation Act of 1950 had expanded the program's scope to cover losses due to expropriation and confiscation and to protect profits and licenses as well as initial investments and FDI, and the Mutual Security Act of 1951 had made the program available to free countries in the Middle East, Africa, Latin America, and Asia.[xl]

By November 1958, the International Cooperation Administration (ICA) had negotiated agreements with thirty-eight countries to administer investment guaranty programs in these countries.[xli] Still, at this date the ICA insured only $269 million in investments.[xlii]

The program expanded dramatically over the 1960s, as evident in Figures 1 and 2. This change likely stemmed from a combination of factors, including the emergence of new states through colonial independence, the priority placed on development programs during the Kennedy administration, and growing concerns about expropriation stemming from the Cuban revolution (Wilkins, 1974, pp. 331-332). By the end of FY1965, the program, now administered by the United States' Agency for International Development (USAID), covered $1.976 billion in foreign investments and operated in sixty-nine countries.[xliii]

By the late 1960s, business associations initially opposed to the investment guaranty program became its staunchest defenders. In July 1967, US Chamber of Commerce president Allan Shivers condemned the Senate Foreign Relations Committee for rejecting the Johnson administration's efforts to extend the guaranty program to protect against the risk of "civil strife" and to cover equity investments.[xliv] Shivers described these measures as "of great importance," since investors "tell us they simply could not undertake vitally needed projects in the developing

countries without the protection these proposals would afford."[xlv] Although this specific measure did not pass, Shivers's advocacy on behalf of the measure marked a significant contrast from the Chamber's earlier opposition to investment guarantees.[xlvi]

Meanwhile, changes to the tax code came incrementally, and they paled in comparison to the sweeping tax cuts that corporations sought. The foreign investment tax credit, enacted in 1918, was expanded in the Revenue Act of 1951 to cover investments in as little as ten percent ownership in a foreign corporation, whereas prior it had only covered investments of at least fifty percent ownership. The change facilitated US investment in joint ventures and addressed cases in which foreign countries required local ownership of a majority share of the firm (Wilkins, 1974, pp. 50, 291-292; *Resources for Freedom*, 1952, pp. 70).

Debate over the taxation of foreign earnings came to a head in 1959, when Louisiana Democrat Hale Boggs introduced a bill proposing sweeping corporate tax cuts in the House of Representatives. HR 5 proposed many of the provisions business leaders had long sought, including a fourteen percent tax reduction on foreign income and the establishment of an overall, as opposed to a country-by-country, limitation on foreign tax credits (Kaufman 1982, 157-159). By the late 1950s, though, tax inducements for FDI faced growing resistance from organized labor and Treasury Department officials concerned with the bill's balance-of-payments implications.[xlvii] After a series of compromise bills emerged, the final version of HR5 died in the Senate in 1960 (Chommie, 1961).

Although Congress did not approve the fourteen percent tax reduction, it did enact separate legislation offering firms the option of whether limitations on foreign tax credits would be calculated on an overall or per-country basis.[xlviii] Prior to 1954, the foreign tax credit had been subject to both limitations, and under the Revenue Act of 1954 it had eliminated the overall limitation but required calculation of foreign tax credits on a per-country basis.[xlix] Such changes to the tax code, largely enacted with little public attention, reduced costs for firms with foreign holdings.[l]

Conclusion

As the example of the Point Four program suggests, business leaders and associations have historically exerted power through ideas, often with long-term consequences (Cartensen & Schmidt, 2016; Selling, 2021). However, such influence has historically rested upon acceptance

of those ideas within the state, itself composed of oft-competing interests (Dür et al, 2019; Jessop, 2022).

This historical context in which federal incentives for FDI came into law, moreover, made their ultimate passage possible. The circumstances of the early Cold War, marked by European payments deficits, anxiety over strategic mineral shortages, Congressional resistance to large-scale grant aid, and hot war in Korea shaped federal priorities. In this context, business leaders put forth the idea that private FDI could provide a solution to the challenges that the federal government sought to address.

The distinctive nature of the US political system, moreover, influenced business-government relations in historically specific ways. Power within the US state remains fragmented by a deliberate separation of legislative, executive, and judicial powers and by a federal system that distributes power between various levels of government. Even within each subset of the state, various interests, whether executive agencies or Congressional committees, compete to secure and implement policies that further their own objectives (Novak, 2008; "AHR Exchange," 2010; Sparrow et al, 2015; Morgan & Orloff, 2017, 1-32). While this article provides an overview of the formulation of incentives for FDI, a fuller explanation of business influence would require deeper study of the component parts of the state and the varied interests influencing them. Only then can we fully comprehend business power in the formulation and implementation of government policies.

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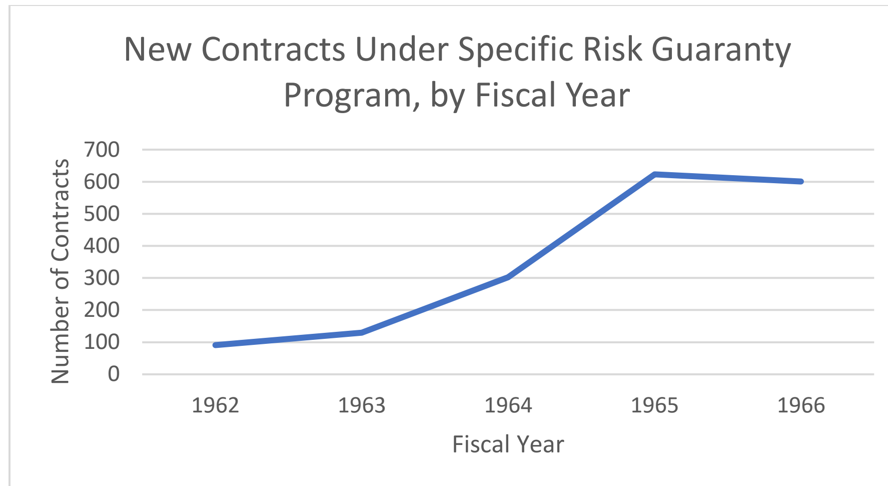
The author reports there are no competing interests to declare.

Figures



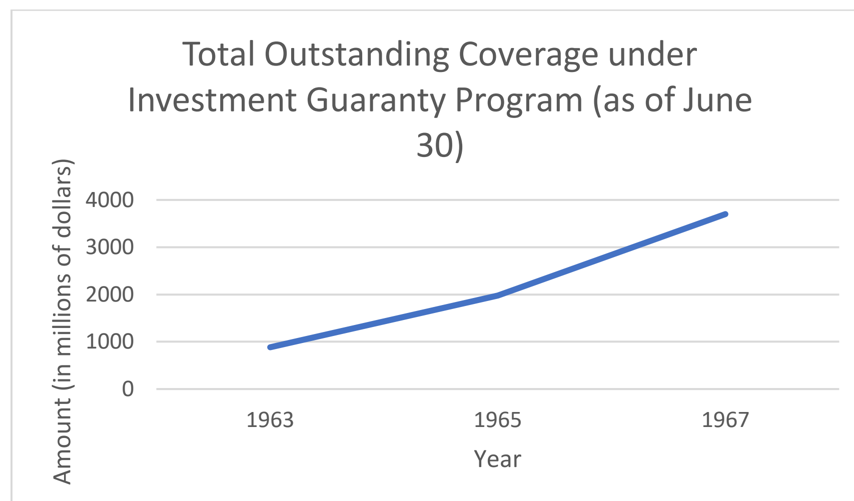


Figure Captions:

Figure 1: New Contracts under Specific Risk Guaranty Program, by Fiscal Year[li]

Figure 2: Total Outstanding Coverage under Investment Guaranty Program (as of June 30)[lii]

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[i] A hallmark of Franklin Roosevelt's Good Neighbor Policy, the CIAA combined economic development programs with cultural propaganda to tighten US relations with Latin American allies and secure US access to strategic mineral resources during World War II. See Erb (1985); Cobb (1992), pp. 38-51.
[ii] "Statement of the Honorable Willard L. Thorp, United States Representative in the Economic and Social Council, on Economic Development and Technical Cooperation," Folder 2, Box 160, National Foreign Trade Council Records, HML; Acheson (1969), pp. 264-266.
[iii] H.R. 5615, reprinted in US Congress, House of Representatives, Committee on Foreign Affairs, *International Technical Cooperation Act of 1949 ("Point IV" Program): Hearings on H.R. 5615, Part I,* 81st Cong., 1st Session (1950), 1-4.
[iv] *International Technical Cooperation Act: Hearings* (statement, Christian A. Herter, Representative in Congress from the state of Massachusetts), 195.
[v] For more on the composition of the NFTC, see Report on the 36th National Foreign Trade Council Convention, December 9, 1949, M-2169), Folder 40, Box 78, National Foreign Trade Council Records (hereafter NFTC), Hagley Museum and Library, Wilmington, DE (hereafter HML); Report on the Thirty-Eighth National Foreign Trade

Convention, December 7, 1951 (M-3991), Folder 42, Box 78, NFTC, HML; Report on the Thirty-Ninth National Foreign Trade Council Convention, December 12, 1952 (M-4818), Folder 52, Box 78, NFTC, HML. On the history of the NFTC, see Gamble (2014).

[vi] *International Technical Cooperation Act: Hearings* (statement, Christian A. Herter, Representative in Congress from the state of Massachusetts), 184. The NFTC, in turn, granted Herter its annual Captain Robert Dollar Memorial Award "for distinguished service to the advancement of US foreign trade" in December 1949. See Presentation of Captain Robert Dollar Memorial Award to Honorable Christian A. Herter," November 2, 1949 (M-2038), Folder 1, Box 34, NFTC, HML.

[vii] Both the NFTC and the Herter bill recommended developing an agency within the Department of State—the NFTC referred to it as the "Foreign Development Administration," the bill as the "Foreign Economic Development Administration—to be headed by a single "Administrator." In both programs, a "Board" of twelve private citizens with "broad and varied experience in the foreign trade of the United States" would "advise and consult" the Administrator. The Herter team did soften some of the NFTC's recommendations; for instance, they moderated the NFTC's Board of "American businessmen" to one of "private citizens."

[viii] "Private Enterprise and the Point IV Program," May 1949, Folder 2, Box 160, NFTC, HML.

[ix] H.R. 6026, reprinted in *International Technical Cooperation Act: Hearings*, 174-180.

[x] Ibid; "Private Enterprise and the Point IV Program."

[xi] Although no representatives of the National Association of Manufacturers testified, internal documents suggest the organization's representatives recognized the parallels between the Herter bill and its own development program. See Point Four Legislation, Point IV Program: 1949, Box 77, Records of the National Association of Manufacturers, HML.

[xii] *International Technical Cooperation Act: Hearings* (statement, Austin T. Foster, chairman of the treaty committee, National Foreign Trade Council), 99-120.

[xiii] Michael A. Heilperin, "Private Means of Implementing Point Four," International Relations Dept.: Point Four Program, 1949-1950, Box 77, Records of the National Association of Manufacturers, HML. On Michael Heilperin, see also Slobodian (2018), pp. 121-145. On the broader networks connecting Mont Pélerin Society to NAM, see Phillips-Fein (2009); Delton (2020), pp.189-192.

[xiv] "The Bold New Plan: A Program for Underdeveloped Areas with Statement of Principles Prerequisite to the Free Flow of Foreign Investment Capital," May 1949, International Relations Dept.: Point Four Program, 1949, Box 77, Records of the National Association of Manufacturers, HML.

[xv] "The Point Four Program: A Business Viewpoint on the President's Plan for Economic Advancement of Underdeveloped Areas,"' approved by Board of Directors of the Chamber of Commerce of the United States, October 1949, International Relations Department: Point Four Program, 1949-1950, Box 77, Records of the National Association of Manufacturers, HML.

[xvi] H.R. 5615, reprinted in *International Technical Cooperation Act: Hearings*, 1-4.

[xvii] Harry S. Truman to Nelson Rockefeller, November 24, 1950, https://www.trumanlibrary.gov/library/research-files/harry-s-truman-nelson-rockefeller-related-material, accessed February 10, 2022.

[xviii] Harry S. Truman to Gordon Gray, March 31, 1950, https://www.trumanlibrary.gov/library/public-papers/81/letter-gordon-gray-regarding-his-appointment-special-assistant-president, accessed February 10, 2022; "Statement of the Problem," Box 3, Records of Gordon Gray, Harry S. Truman Presidential Library, Independence, MO (hereafter HST).

[xix] European states had begun to impose exchange restrictions in response to the Great Depression. For restrictions on convertibility, see Frieden (2006), pp. 173-194, 264-268; Eichengreen (2008), pp. 94-100; Eichengreen (2007).

[xx] "Statement of the Problem," Box 3, Records of Gordon Gray, HST.

[xxi] Repatriated profits and the costs associated with capital inputs and servicing investments would cancel some of the contributions FDI would otherwise make to closing the dollar gap.

[xxii] Department of State, Special Report on American Opinion, "Public Attention Relating to Foreign Economic Issues," July 31, 1950, Comments on September Draft—Gray Report on Foreign Economic Policies, Box 1, Records of Gordon Gray, HST.

[xxiii] Walter S. Salant to Gordon Gray and Edward Mason, May 24, 1950, Inter-Office Memos, Box 1, Records of Gordon Gray, HST.

[xxiv] For attendance, see Conference Program, "37th National Foreign Trade Convention" Folder 41, Box 78, NFTC, HML.

[xxv] Final Declaration of the 37th National Foreign Trade Convention, October 30-November 1, 1950, Folder 41, Box 78, NFTC, HML. Two years later, the NFTC Convention planners considered but ultimately rejected the theme "National Defense and Living Standards Require an Expanding Flow of Raw Materials from Abroad," settling

instead on "A Better World Through Increased Production and Wider Consumption." Nevertheless, the Convention's concern for raw materials was clear. It warned that "The United States must look more and more to other lands for a continuing flow of the raw materials we need." To a greater extent than two years prior, the Convention linked the United States' own need for raw materials to other countries' need to export "to develop their economies." The solution would be "a great increase in the investment of private capital, both local and foreign," to be achieved through "political and economic environments conducive to such private investment, and the attraction of attendant skills." See "Themes—National Foreign Trade Council Conventions," Folder 5, Box 137, NFTC, HML; Final Declaration of the 39th National Foreign Trade Convention, November 17-19, 1952, Folder 45, Box 78, NFTC, HML.

[xxvi] Meeting Minutes, January 15-16, 1951, Box 1, Records Relating to IDAB Meetings, RG469, National Archives and Records Administration, College Park, MD (hereafter NARA).

[xxvii] Department of State, Special Report on American Opinion, "Public Attention Relating to Foreign Economic Issues," July 31, 1950, Box 1, Records of Gordon Gray, HST.

[xxviii] Meeting Minutes, December 18-19, 1950, Box 1, Records Relating to IDAB Meetings, RG469, NARA.

[xxix] List of Industrial and Business Organizations being consulted in connection with Report to President Truman, January 15, 1951, and Nelson A. Rockefeller to WH Ruffin, December 13, 1950, in Cooperating Groups: Business and Industrial—General, Box 9, Records of the International Development Advisory Board, RG469, NARA.

[xxx] Notes of Luncheon Conference held at the University Club on January 3, 1951, Cooperating Groups: Business and Industrial—General, Box 9, Records of the International Development Advisory Board, RG469, NARA.

[xxxi] Summary of the Discussions at the Conference on Mr. Gordon Gray's Report on Foreign Economic Policies, Johns Hopkins School of Advanced International Studies, January 15-16, 1951, Box 1, Records Relating to IDAB Meetings, RG469, NARA.

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[xxxiv] Summary of the Discussions at the Conference on Mr. Gordon Gray's Report on Foreign Economic Policies, Johns Hopkins School of Advanced International Studies, January 15-16, 1951, Box 1, Records Relating to IDAB Meetings, RG469, NARA.

[xxxv] Kaufman (1982), pp. 158; Rodney Crowther, "Victory Tax is Approved by Conferees," *The Sun*, October 17, 1942, ProQuest Historical Newspapers: The Baltimore Sun; US Congress, Senate, Committee on Finance, *Hearings on HR7378: An Act to Provide Revenue, and for Other Purposes, Revised, Volume 1*¸ 77th Cong., 2nd Session (1942) (statement, Mitchell B. Carroll, National Foreign Trade Council, Inc.), 206-218.

[xxxvi] Summary of the Discussions at the Conference on Mr. Gordon Gray's Report on Foreign Economic Policies, Johns Hopkins School of Advanced International Studies, January 15-16, 1951, Box 1, Records Relating to IDAB Meetings, RG469, NARA.

[xxxvii] Notes of Luncheon Conference held at the University Club on January 3, 1951, Cooperating Groups: Business and Industrial—General, Box 9, Records of the International Development Advisory Board, RG469, NARA.

[xxxviii] "Activities of the Department of State which Stimulate and Assist Participation of Private Enterprise and Other Non-Governmental Activities in Overseas Economic and Related Activities," enclosed in Douglas Dillon to Clarence B. Randall, October 27, 1958, Committee on World Economic Practices #2 (8), Box 3, Subject Subseries, Randall Series, US Council on Foreign Economic Policy: Office of the Chairman Records, 1954-61, Dwight D. Eisenhower Presidential Library and Museum, Abilene, KS (hereafter DDE).

[xxxix] "Activities of the Department of State which Stimulate and Assist Participation of Private Enterprise and Other Non-Governmental Activities in Overseas Economic and Related Activities," enclosed in Douglas Dillon to Clarence B. Randall, October 27, 1958, Committee on World Economic Practices #2 (8), Box 3, Subject Subseries, Randall Series, US Council on Foreign Economic Policy: Office of the Chairman Records, 1954-61, DDE.

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[xli] Walter Schaefer to James P. Grant, October 24, 1958, Committee on World Economic Practices #2 (6), Box 3, Subject Subseries, Randall Series, US Council on Foreign Economic Policy, Office of the Chairman: Records, 1954-61, DDE.
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