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PSYCHOLOGICAL STRATEGY BOARD
WASHINGTON 25, D. C.

January 13, 1953

MEMORANDUM

TO : The Honorable David K. E. Bruce, Under Secretary of State

SUBJECT: Draft "An Evaluation of the Psychological Impact in the United Kingdom of United States Foreign Economic Policies and Programs." (PSB D-36)

I attach a draft of PSB D-36, bearing the above-quoted title, for consideration and appropriate action by the Board at its meeting on January 15, 1953.

This Evaluation was developed in the PSB Staff pursuant to the Board's authorization at its luncheon meeting on August 14, 1952. In accordance with the Board's instructions and in the light of the primary initiative and interest of the Department of State in this matter, the staff has relied primarily on consultation with the Department of State in preparing this document. Additional consultation was held with representatives of the Office of the Director for Mutual Security.

The experience gained in this project has, I believe, been helpful in clarifying requirements for future work in the field of evaluating the national psychological effort.

I recommend approval of this Evaluation and its transmittal, as approved, to the President and the National Security Council, and to interested Departments and agencies.

S/Alan G. Kirk

Alan G. Kirk
Director

Enclosure:

PSB D-36, dated Jan. 12, 1953
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PSYCHOLOGICAL STRATEGY BOARD
WASHINGTON, D. C.

AN EVALUATION OF THE PSYCHOLOGICAL IMPACT IN THE UNITED KINGDOM OF
UNITED STATES FOREIGN ECONOMIC POLICIES AND PROGRAMS

I. Statement of the Problem

To evaluate the psychological impact of U.S. foreign economic policies and programs in the United Kingdom.

NOTE: This evaluation is primarily concerned with the impact of the policies and programs referred to on the willingness of the government and the people of the United Kingdom to act in accordance with basic U.S. security objectives in the present world struggle. The time span considered is the period since the end of World War II.

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II. Summary

1. The positive psychological value of U.S. postwar assistance to the U.K. is considerably offset by adverse British reactions to aspects of U.S. aid and other economic policies. Such reactions have combined with political and other frictions to aggravate British misgivings and resentments toward the U.S., and thus to dampen Britain's enthusiasm for the alliance. None of these factors threaten British adherence to NATO or to the U.S. as an ally.

2. The chief sources of friction in U.S. economic policy have been:

- a. The continued concept of U.S. "aid" as applied to support of Britain's NATO defense efforts.
- b. U.S. tariff and foreign investment policies.
- c. U.S. policies and practices in the world raw materials market.
- d. U.S. policy on control of strategic East-West trade.

3. The U.S. psychological impact is shaped by basic features of the British world outlook: awareness of their reduced national power and of the Soviet threat, which makes alliance with the U.S. a compelling necessity; and the inequality of that alliance, deeply frustrating to a people long accustomed to world leadership. British satisfaction over the willingness of the U.S. to assume leadership is qualified by doubts as to the wisdom, constancy, and responsibility of the U.S. as leader in the world struggle. Signs of unilateralism in U.S. policy offend British pride by implying indifference to the sacrifices and experience of its weaker ally and unwillingness to acknowledge America's need for the alliance.

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The chief purpose of this study is to discover in what ways progress toward our basic national policy objectives in the world struggle has been advanced or retarded by the psychological effects examined. Those objectives thus constitute the general policy background and the general criterion of psychological gain or loss for this evaluation.

The national objectives referred to need not be recapitulated in detail for present purposes. Although they are global in character, as they relate to this inquiry, they may be briefly summarized as follows: To maintain and increase the ability and determination of the U.K. (a) to resist and counter Soviet-Communist power; (b) to contribute to the unity and strength of the free world in the struggle against aggressive communism; and (c) to continue and extend its cooperation with the U.S. for these purposes.

Established U.S. policy places exceptional emphasis on the need for the U.K. as an ally in the world struggle. This policy takes into account the following aspects of the U.K. world position and outlook which combine to give it unique strategic importance:

1. The remaining military, industrial, and economic power and morale of the U.K., taken together, surpass those of any other non-U.S. member of NATO and make its contribution indispensable to the North Atlantic alliance as a strategic position of strength.

2. The U.K.'s influence as leader of the British Commonwealth and Empire, combined with its remaining influence on the European Continent, in the Near and Middle East, and in other

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parts of the free world, make it an invaluable ally in gaining acceptance in these areas for objectives important to the U.S.

3. The U.K.'s strategic location gives it great importance in case of war as a base for strategic bombing and for support of military operations on the European Continent. In addition, the outposts it controls in the Mediterranean, Africa, Southeast Asia and the Pacific add greatly to its strategic value as an ally in a future war.

4. The long history of Anglo-American friendship and cooperation, and long adherence by the two countries to basically similar political beliefs, form the psychological basis for a natural alliance of sentiment between them and for a united approach to the political and ideological contest with Soviet Communism.

In the course of this study no exact causal relation has emerged between the psychological impact of any U.S. economic policy or program and British attitudes or behavior on any particular question affecting the U.S. cold war aims cited above. Theoretically it should be possible to establish such correlations of cause and effect; but the complex involvement of these factors with the totality of U.S. policy, and with the wide range of other factors affecting British attitudes and behavior in the cold war, makes any attempt to do so impractical and academic.

The presentation below therefore takes a more pragmatic approach. A broad sketch of postwar British world attitudes provides the psychological setting. Following that is an examination of British attitudes toward the chief aspects of U.S. foreign economic policy which concern

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the U.K. This approach has been chosen as most likely to yield reliable inferences concerning the problem posed.

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IV. The Psychological Setting: British Attitudes in the World Crisis

1. The psychological impact in the U.K. of U.S. policy, and of our economic policies in particular, must be seen in the context of the attitudes of the British people and their leaders toward the United States, the world struggle, and their role in that struggle. These attitudes derive from a variety of circumstances besides the influence of U.S. policies and programs. The following brief review of these attitudes and their sources establishes the psychological setting in which U.S. economic policies and programs have operated in Britain.

2. Historical factors: The British world outlook since World War II has been reshaped by three major historical developments: the sharp decline in Britain's own power and fortunes, the emergence of Soviet imperialism as a vital menace to the security of the West, and the acceptance by the U.S. of an active role of world leadership. Awareness of these basic facts has enhanced greatly the importance in British eyes of their traditional alignment with the U.S.; but the changed character of that alignment has required emotional adjustments of great difficulty even for a politically mature and stable people.

3. Decline of British power: Below the surface of many specific British resentments against the U.S. is the frustration of a people who have seen much of their once unrivalled world power and prestige swiftly dismantled, and their customary role of leadership transferred very largely to the United States. Despite the strain and fatigue of war and postwar efforts, they are clearly aware of their predicament and still strive to exercise to the utmost the very

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substantial world power that remains in their hands. To this end they keep a high and precarious balance between world political commitments and greatly reduced economic resources. The aid and cooperation of the U.S. in economic affairs are significant factors in maintaining that balance.

4. Sense of dependence on the U.S.: The resulting awareness of their dependence on American policy is psychologically ambivalent in British attitudes. There is bitterness in being subordinate to alien leadership, and resentment because the new leader does not recognize more fully Britain's continuing contributions and sacrifices in the common effort. On the other hand, there is appreciation of the U.S. as the indispensable guarantor of surviving British power and prestige. This ambivalence appears also in more traditional British attitudes toward America. On the positive side they see in the U.S. a joint guardian of the Anglo-Saxon political heritage, an economy of unrivalled productive energy, and a friend and ally in time of greatest need. On the other hand, they show uneasiness over surviving overtones of isolationism and a lack of steadiness in the history of U.S. participation in world affairs, and distaste for qualities such as impetuosity, excessive materialism, and lack of subtlety which British observers ascribe to the American temperament.

Of all the negative factors in this relationship, perhaps the most important in the British mind is that of inequality. Despite the obvious disparity in power, the British like to believe that their need of America is equalled by America's need of Britain, and that the U.S.-U.K. alliance is thus a special relationship forming the core of the Atlantic alliance. They are certain that their

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contributions and sacrifices in the common cause are proportionately at least equal to those of the U.S. Greater U.S. recognition of these two propositions would strengthen their acceptance of the alliance and their willingness to sacrifice for it.

5. The Soviet threat: Although the ever-present evidence of dependence on the U.S. is galling to British pride, the Soviet threat and Britain's weakened and exposed strategic position have made the alliance with America the compelling premise of British survival. Soviet power and policies are viewed virtually throughout Britain as a vital threat, and the only serious threat, to British security; and the U.S. is clearly recognized as the only adequate source of countervailing power. Advocates of neutralism or third-force accommodation with the Soviet bloc have no important voice in Britain today. However, this appreciation of power realities does not extend to a full consensus with the U.S. on how to meet the Soviet challenge. The fresh memory of grave losses in World War II, and awareness of their present strategic exposure, make avoidance of global war a vital necessity in British thinking and cause great stress on the importance of avoiding provocation, trying to negotiate specific agreements, and laying a firmer basis for prolonged co-existence. In their estimate of the Soviet menace, moreover, the British tend to feel that the U.S. exaggerates the danger of an early Soviet military attack and under-estimates the importance of conserving its allies' economic strength and maintaining their already austere standards of living for the long pull. As will be seen in the next section, both the positive and negative aspects of this outlook on the cold war affect British reactions to important U.S. economic policies.

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6. Political and other differences with the U.S.: In addition to differences in general political outlook and national temperament, specific policy disagreements outside the economic realm have marred the sense of common purpose underlying the U.S.-U.K. alliance. In political affairs differences--some of them highly charged with emotion--have persisted over China, the Korean war, the ANZUS treaty, Iran, Egypt, Japan, and (until recently) European union; and agreement on German questions has often been difficult to maintain. Additional differences in the military-political field have occurred over atomic weapons policies, Mediterranean and Middle East strategy, and the sharing of commands. In no case have these frictions imperiled the basic adherence of the U.K. to the alliance; but they have illustrated and reinforced the negative side of the more general attitudes described above and thus form an integral part of the psychological setting of this study.

7. Group versus national attitudes: British attitudes on foreign policy and foreign economic problems show a high degree of consistency as between different political and occupational Groups.*

The relative homogeneity of British society, and the critical nature

* Many differences in detail and emphasis naturally occur among various groups' views on all the questions discussed here. For instance, right-wing Conservatives and British agricultural interests show strong emphasis on tariff protection; and Labor party criticisms of the U.S. stress American anti-socialist tendencies and the supposed perils of "boom-and-bust capitalism." Such variations in opinion, together with differences in the particular impact of U.S. economic policies, are important information for those charged with applying and interpreting U.S. economic policies on the group level. They cannot be treated adequately within the scope of this study.

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of British economic problems, tend to cast these attitudes in a national rather than a group pattern. This is sufficiently true of the two major political parties that the change of government in 1951 caused no essential change in the psychological problems discussed above.

To some extent the Bevanite wing of the Labor party is an exception to the above generalization. This group is the chief voice of political dissent in Britain. It has opposed the Government's agreement to a few important U.S. foreign policies, notably the rearmament of West Germany. However, with few such exceptions the attitudes of Bevanism on U.S. policy--both political and economic-- do not constitute a separate and identifiable opposition doctrine so much as a distillation (and on some issues a socialist adaptation) of views which color all British thinking: independence from America in foreign affairs; distrust of the stability of the American economy (reinforced in this case by socialist distrust of capitalism as such); a tendency to consider American policy undependable, too little responsive to the voice of British experience, and likely to lead to war unless checked; desire to avoid war and to explore all possibilities of negotiation with the Soviets; emphasis on the need for "butter" and resentment of alleged American pressure for "guns" instead; and a belief that the American estimate of Soviet warlike intentions is exaggerated. By the same token, the majority of Bevanites accept--albeit less wholeheartedly--the same basic foreign policy premises as does the British majority: the fact of the hostility of Soviet-Communist power and the strategic necessity of NATO and the U.S. alliance. Bevanite criticism of U.S. economic

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 Bevanite wing

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policies, though expressed in sharp terms, focusses on important grievances which are often heard elsewhere. Much the same can be said of the Empire wing of the Conservative party, a less potent grouping at the other political extreme.

Nor do basic distinctions appear between popular and official views. With individual variations at both levels, both reveal generalized attitudes similar to those noted above in connection with Bevanism. Official views, while perhaps less prone to accepting adverse stereotypes of American character, show greater concern than exists on the popular level with U.S. official attitudes on relatively technical questions, especially in the economic field, such as burden-sharing in the NATO program, sterling convertibility, trade agreements, U.S. priorities for NATO, offshore procurement, and raw materials.

8. Summary: The very closeness and the strategic and economic necessity of the British alliance with the U.S. magnify psychologically the strains inherent in it: its unequal nature, especially trying for a people long accustomed to world leadership; the anxieties of vital dependence on a country different in temperament and looked on as somewhat erratic in its approach to problems of international power; the differences in interpreting and approaching the Soviet menace and the inevitable stream of specific disagreements between nations. Yet the volume and occasional sharpness of British complaints over U.S. policy and behavior should be interpreted with reserve. While they express genuine frustration, they may also serve to relieve it in some measure. In no case do the resentments ~~even~~ of the Bevanites constitute a challenge to the alliance itself. In British

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*sharp challenge
but not overwhelming*

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psychology, the discords of the alliance are decisively outweighed
by the factors both of necessity and sentiment which hold it together.

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V. U.S. Economic Policies and U.K. Reactions

1. The following paragraphs treat specific aspects of U.S. foreign economic policy* and their psychological impact in Britain. Certain general observations are necessary by way of preface:

- (a) A close relation exists between the psychological results of U.S. economic policies and their purely economic results. Given the general similarity of British aims in the cold war with those of the U.S., their willingness to plan and act in furtherance of those aims is closely related to their view of their economic ability to do so. Thus the attitudes of enthusiasm or resentment evoked by U.S. economic policies are often less influential in British action than the British estimate of how those policies logically affect their power to act in the common interest.
- (b) The strength and stability of the U.S. domestic economy is more important to the British than any aspect of U.S. foreign economic policy. Even a mild American recession might, in the British view, cause disastrous consequences internationally. Hence they are constantly anxious over the adequacy of U.S. plans to forestall such an event.

*Issues over certain U.S. economic policies involving third countries or areas have been omitted from this study because they have largely arisen from, and are closely involved with, complex political questions beyond the scope of this evaluation. This applies to problems of European economic cooperation (on which substantial U.S.-U.K. agreement has now been achieved); the economic aspects of the Iranian crisis; and the restoration of Germany and Japan as commercial powers competing with the U.K.

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2. U.S. Aid Programs

Psychologically the British are almost unanimous in preferring trading opportunities to continued foreign aid--trade not aid as a bridge across the dollar gap. British officials and popular opinion share deep misgivings about the political and psychological effects of ten years' dependence on some form of U.S. aid--"corrupting both the Europeans and the Congress and turning an alliance of self-respect into a confederation of clients," as the Economist put it.

However, the aid portion of the bridge is considered dispensable only to the extent that the trade portion fills the resultant gap. Since, as will be seen below,* dollar solvency through trade alone seems very unlikely in the short run even with full U.S. policy cooperation, the psychological implications of continued aid have important relevance at least for the early future.

Attitudes toward U.S. aid have fluctuated but on balance have been highly favorable. Lend-lease was regarded as Britain's by right and as only partial payment for the disproportionate burden borne in a common cause, and the abrupt termination bit deeply into Britain's psychological marrow. The failure of the venture in sterling convertibility in 1947 also furnished an occasion for popular resentment against the U.S., since the convertibility deadline had been set as part of the U.S. loan agreement of 1946: despite the official British share in the original errors of economic judgment, British public opinion tended in retrospect to blame the U.S. and even to cite the affair as an instance of overbearing American pressure.

*For discussion of British trading desires and U.S. policy, see section 3 below.

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The Marshall Plan was greeted with universally high regard for the generous and far-sighted way in which ECA was conceived and handled. British receptivity to ECA was dramatized by the important role played by Foreign Secretary Ernest Bevin in mobilizing European governments behind the plan and fathering OEEC. Termination of ECA aid to Britain in December 1950 was mutually agreed upon and welcomed by the U.K. as evidence of Britain's ability to stand on her own economic feet, but in the light of growing post-Korea rearmament commitments the termination was carefully labelled "suspension" not "end."

Under the MSA program, on the whole the attitude has continued to be favorable. It is not the receipt of aid as such that is unpalatable; defense support was welcomed as necessary for meeting joint NATO obligations. But strong misgivings developed about the particular way in which the NATO mutual aid program was carried out. Ill-feeling has arisen over the laggard manner in which aid was finally given in 1951, and the severe restrictions placed on its use. The British resent the "handout" spirit in which they regard defense support aid as having been given by the U.S. They feel that despite the original design, the U.S. does not regard defense support aid as part of "mutual" aid, earned by the reciprocal contributions of NATO recipients. The want of mutuality appears for the British in such U.S. practices as detailed examination of British military production plans without apparent point; and by what the British tend to view as inadequate priorities in the U.S. mobilization machinery for deliveries to NATO—especially since the Lisbon timetable for Atlantic rearmament was agreed to primarily at U.S. urging.

Mutual aid is seen as a cooperative and mutually beneficial pattern in the joint defense effort, with Britain's share of the burden

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higher than that of any other country of Europe and second only to that of the U.S. About its place in the mutual aid picture Britain does not have a bad conscience; on the contrary, the British believe rightly or wrongly that since 1945 they have contributed overseas far more than they have received. Their basic attitude now is that NATO aid arrangements should revert from unilateral concepts back to the original principles of burden-sharing and mutuality, taking into account the members' broader (non-NATO) contributions to world security.

Several conclusions stand out from a survey of British attitudes toward ten years of aid:

(a) Although subjected to criticism on a variety of grounds, ranging from faults of administration to left-wing and Communist charges that the Marshall Plan was a device for getting rid of U.S. surpluses, most people have regarded aid favorably and on balance it has brought rich psychological dividends for the U.S. The British sense of self-respect is fortified by the knowledge that Britain has itself rendered substantial aid to other countries during the postwar period; they are "givers" as well as "receivers." But the British feel keenly and increasingly that the concept of "American aid" gives poor recognition to the British effort on both an Atlantic and a world-wide scale, and to the importance of that effort to U.S. security. Thus the continuance of this concept in U.S. policy has become a serious annoyance to British pride and a growing drag on their willingness to collaborate in the alliance.

(b) Whether termination of the U.S. programs involved would solve this psychological problem would depend on other economic circumstances. Except as other ways of meeting the continuing dollar needs of the British could be found, termination would force curtailment either

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of their military-strategic commitments or of their standard of living, with a corresponding loss of British purpose in the world struggle.

(c) In the short run at least, therefore, the best psychological solution would appear to call for maintaining as much of the economic substance now called "aid" as Britain's commitments appear to require, while transforming the concept of aid into some idea more psychologically acceptable. The shape of such an idea is already fairly clear in British minds. In their view the U.S. economic contribution to the alliance--whether in arms or otherwise--should be conceived and presented as a willing transfer of U.S. resources to other hands, whose use of those resources will do more for the common security (on which U.S. security depends) than would the same amount spent in the U.S. In this concept, the ideal U.S. economic contribution to its partners' security efforts is that which permits the most efficient sharing of burdens in the common enterprise, and thus the greatest over-all achievement of the military aims of the North Atlantic Treaty. This concept would bring improvement in British attitudes particularly if, as expressed in program terms, it involved substantial expansion of U.S. purchases of British arms or other products, whose manufacture would not require further diversion of British resources. Conversely, failure to develop such programs expressing the burden-sharing principle would invite continuing friction.

3. Liberalization of U.S. trading policies and expansion of overseas investment.

Ideally, the richest potential for improvement in U.K. attitudes lies in liberalization of U.S. tariff and trading policies and expansion of U.S. investment overseas. Optimum benefit would result from unilateral liberalization of U.S. tariffs, removal of discriminatory shipping and protective agricultural measures, elimination of Buy

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American provisions, and large-scale investment overseas not tied to dollar purchases. By reducing British dependence on direct aid--and facilitating a trade-not-aid pattern--such steps would provide a direct psychological stimulus to British self-respect and self-reliance; by broadening opportunities for earning dollars they would reduce to some extent the economic necessity of Soviet and satellite trading connections; and they would encourage British cooperation toward a multilateral trading system. Conversely, retreat from the Reciprocal Trade Agreements position of the past 17 years would evoke fears of a return to Smoot-Hawley protectionism and fortify drives in the U.K. for greater Commonwealth and sterling area economic insulation. Re-enactment of the Reciprocal Trade Agreements Act in substantially its present form might quiet the worst apprehensions about U.S. economic intentions; but any marked favorable psychological impact would require lowering rather than maintenance of present tariff levels.

The nature of the attitude changes stemming from such changes in U.S. trading policies would depend in part on the actual extent of economic benefits which the British would derive. British public opinion generally shows a major preoccupation with U.S. protectionism, which tends to be regarded as the chief source of Britain's economic ills and the one great obstacle to dollar solvency. Official and unofficial British spokesmen reflect similar views in their contacts with U.S. officials. That such impressions are exaggerated is suggested not only in U.S. economic analyses but also in informed economic discussion in some British quarters: for instance, the Economist has referred to "the great tariff delusion" and has emphasized the "blunt fact" that greater U.S. productive and marketing efficiency also stands in the way of British dollar solvency through trade. If the question were ever put to a test through the

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desired U.S. policy changes, it thus seems likely that one result would be a deflation of the more extravagant British estimates of how much good U.S. tariff changes could do them.

Nevertheless, liberalization in U.S. tariff and trading policies would bring substantial political and psychological dividends, far out of proportion to economic results, which might themselves be substantial. By reducing dependence on direct aid it would fortify the British sense of self-reliance; it would widen the horizons of U.K. exporters and give a psychological lift to British producers; it would effectively neutralize left-wing and Communist charges based on the stereotype of the U.S. as the home of Smoot-Hawley. The chief psychological benefit, however, would derive from reassurance to the British that under any administration the U.S. proposes to live up to its economic obligations as the world's foremost creditor power. British doubts on this point have be-deviled U.S.-U.K. relations, particularly since the British tend to idealize the role of the U.K. itself played when it was the world's leading creditor. This spirit of reassurance would probably carry over into political relations on principal cold war issues insofar as it reduced mistrust in the U.K. of the endurance of U.S. political intentions and behavior in world affairs.

In the British view, expansion of dollar investment overseas, particularly in underdeveloped areas, is a logical extension of America's creditor position and essential for the full success of Britain's own overseas development plans. Realistically, however, the British tend to discount expectations. They fear that U.S. public investment will be tied to dollar sales or to U.S. Government direction; they do not expect private investment in large volume to leave the safe areas of Canada and Latin America for the disproportionate risks of investment in Africa

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and Asia. The British also minimize prospects for U.S. overseas investment because of their disappointment over the limited scope of Point IV. Ideally the British would like to see a large-scale U.S. investment program not tied to dollar purchases, coordinated with their own development plans (notably the Colombo Plan), and taking account of Britain's special interests in certain areas, notably the Commonwealth and the Middle East. A large-scale investment program along these lines would bring sizable psychological benefits; but the British expect much less and their attitudes reflect this realism. Psychologically, liberalization of U.S. trading policy has been dramatized for the public mind, while overseas investment has played a relatively minor role.

4. Stabilizing international commodity markets.

Ranking probably third--after aid and freer trade--in psychological consequences for both good and ill are British views of U.S. policies affecting raw materials availability and marketing. "Potentially," says the Economist, "this is the most important question of all." Access to supplies on fair terms and stability of markets for sterling area raw materials have long been of major concern to the U.K. Considerable resentment was stirred up by U.S. materials policies following Korea. There were two phases: in the first, increased demand for official stockpiling and private industry was largely responsible for a sharp rise in world prices of scarce materials and for shortages in some materials (e.g., sulfur, non-ferrous metals and ferro-alloys). In the second phase, the U.S. (through centralized buying of rubber and tin, price controls on wool, and other measures) sharply curtailed purchases in a successful attempt to reduce prices drastically, with serious losses to sterling area raw material producers. The U.S. was criticized for arbitrary action in matters affecting joint NATO interests, for

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creating initially an inflation threatening the economies of the U.K. and other countries and later for precipitating a dollar crisis in the sterling area through the collapse of export prices.

The problem of access to materials was secondary and short-lived, having been eased through cooperative effort in the International Materials Conference. For the U.K. and the sterling area the central problem is that of stabilizing prices and volumes of exports at reasonably high levels; fluctuation in export earnings has chronically disturbed sterling area producers and the need to introduce stability (which can be done only with U.S. cooperation) was one of the principal items on the agenda of the Commonwealth Prime Ministers Conference recently held in London.

These price fluctuations in the sterling area's chief dollar-earning exports contrast with the relatively high and constant levels of dollar import prices for foodstuffs and raw materials needed in the U.S. --an aspect of the long-range adverse shift in the U.K.'s terms of trade which cannot be reversed in the short run. Against this constant drain on the sterling area's already slim dollar reserves, instability in the raw materials export market is inevitably disturbing. The drop in sterling area export prices at the end of 1951 hurt the U.K. with special force, and her leaders fear repetitions of such a squeeze. According to British interpretations, the Paley Commission Report on world raw materials forecasts a double blow to their interests: raw materials (notably metals) that Britain obtains from non-sterling area sources will become scarce and their prices higher; on the other hand, dollar markets for sterling area commodities, such as rubber and fibers will not enjoy a corresponding prosperity because of the growing competition of synthetic substitutes.

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A long-range solution for this problem would require attention to the whole complex of factors that has weakened the competitive trading position of the U.K. and the sterling area. Meanwhile, however, the British look for U.S. cooperation in dealing with manageable aspects of the problem. British discussion has shown some interest in the possibility of long-term purchasing arrangements with the U.S. or of multilateral agreements which would assure the orderly marketing of sterling area commodity exports at reasonably high prices. With or without such agreements--which might in any case be unattainable without increases in dollar import prices--British leaders would like to see the official actions of the U.S. in commodity purchasing reflect a greater concern over the impact of those actions on its allies. They complain that not only the actions but the public statements of U.S. officials have had unsettling effects on the world market. Steps in the U.S. to meet these criticisms would introduce a psychologically helpful note of stability into U.K. and Commonwealth economic expectations; reassure the British that the U.S. desires to support, not undermine, the economic foundations of the Commonwealth and sterling area; and would, more generally, help to relieve British misgivings as to the degree of responsibility with which the U.S. approaches its role as leader of the free world.

5. Strategic controls and East-West trade.

Since 1948 the U.K. has accepted in principle and practice the need for cooperation to control strategically significant exports to the Soviet bloc. However, the history of this cooperation is marked by disagreements over implementation on both economic and political grounds, in all of which the British have viewed U.S. policy as excessively strict and prohibitive. Even sharper resentment has been expressed against U.S. legislation on the subject, which is considered unilateral and coercive.

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Economic grounds for British disagreement with U.S. policy arise both from Britain's traditional trading patterns and from her present economic predicament. Eastern Europe has long been far more important in British trade than in that of the U.S.; Britain has depended especially on this area for imports of coarse grain and timber. Since these commodities bear importantly on nutrition and housing in the U.K., the British look on this trade as an economic necessity as long as their dollar stringency forbids buying the needed goods from the dollar area. Some British comment points to the obstacles to greater exports to the dollar area as further justification for this position. The British argue that none of these economic pressures apply to the U.S., which has never had important trade with Eastern Europe and thus can more easily afford a restrictive policy.

However, even if economic justification for trade with the East were less strong in British opinion and habit, political considerations in their minds would still argue for its continuance at a substantial level.

Considerable feeling exists in both parties--particularly in Labor and trade unions, the latter to some extent under Communist blandishment--that maximization of trade would tend to ease world political tensions and indirectly, at least, improve prospects for political negotiation with the Soviet Union; and that further restrictions would have a contrary effect. Thus the sharper character of U.S. policy on this subject falls in with the more generalized British anxiety over U.S. "recklessness" in the face of possible war. In addition, some British officials look on trade as a vehicle for political penetration and manipulation within the Soviet orbit.

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All the above considerations enter into the British official view that export embargoes should apply only to items having important military security significance--a relatively small list according to their estimate of the Soviet bloc's strategic import needs.

These views partly explain the continual resentment which the British have shown against the terms of the Battle Act; its more sweeping restrictions, including retroactive application to exports already contracted for, reflect an estimate of the trade control problem far beyond what they are prepared to accept. Psychologically, however, it is the unilateral character of the law, and its setting up of compliance as a condition for mutual security aid, that most offends British opinion. They feel that this provision carries a gratuitous implication of mistrust not warranted in view of their past cooperation in Multilateral trade controls and not in keeping with the spirit of the alliance.

6. Multilateralism and convertibility.

U.S.-U.K. differences on Britain's economic state of readiness to take the plunge into multilateralism and sterling convertibility have been an underlying source of friction between the two countries. Almost without exception official and business circles hold that multilateralism and convertibility are desirable long-term goals for the world's foremost trading nation but that the time is not now. Chancellor of the Exchequer Butler recently expressed the view that recovery of the sterling area would not be complete until conditions were created allowing convertibility, but emphasized that the end was not convertibility as such but the maintenance of a sound and expanding economy. A substantial segment of Conservatives and businessmen appear to subscribe to the policy of the "rapid dash" for convertibility, provided it is not accompanied by elimination of trade controls. There is a tendency to pass

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the ball to the U.S.; the British question whether the U.S. would be prepared to make the concessions needed to make convertibility workable. Difficult to pin down but also discernible is an apparent British tactic to exploit American eagerness for sterling convertibility as leverage for gaining economic concessions which they claim are necessary to make convertibility a reasonable risk. Labor has taken a firm stand against premature convertibility. Morrison told the Commons on November 10, 1952:

"Our view is that making the pound convertible would involve going back to the interwar years, namely, balancing our trade at a lower level of economic activity than before, for then we could only balance our trade if the government were to pursue deflationary policies at home. Indeed, the choice for the Government is between full employment, in which case it must accept economic planning and controls, or convertibility, in which case we must expect the consequences of the deflationary policies as in the interwar years."

On this score much resentment against the U.S. has focused on the General Agreement for Trade and Tariffs (GATT) which is widely regarded as American-sponsored and as responsible for restricting the scope of imperial trade. For some time underlying hostility to GATT appeared to increase among both Conservatives and Laborites, taking the form of extreme hostility in empire-minded quarters. But recently criticism of GATT has been muted somewhat at the instance of some British officials who increasingly view it as a fundamental U.K. commitment and not without value to the U.K. Many officials and businessmen believe that the purposes of GATT and the imperial preference system can be reconciled since the former is a long-term move toward multilateralism (which is also the U.K.'s long-term goal) and also serves as a shield against retaliation. Opinions are still widespread, however, that "GATT is more of a handicap than a blessing to this country" and that the U.K.

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cannot afford to give up the security of trading insulation. Much anti-GATT sentiment stems from provisions which bind preferences at levels considered harmful to British trading prospects in the Commonwealth.

British hesitations and fears concerning multilateralism and convertibility are reflected in resentment at the U.S. which is regarded as the principal champion of the doctrine in theory though not always in practice. In extreme circles on both the right and left critics charge that the U.S. advocacy of this doctrine is (a) a cover for efforts by U.S. interests to capture markets at British expense, (b) a cover for inherent hostility to the sterling area, and (c) a hypocritical policy since the U.S. does not practice in its own tariff policies what it preaches to the Commonwealth.

In more responsible quarters resentment at U.S. views has been muted largely because U.S. policy has taken the form of exhortation rather than direct political or economic pressure. But latent irritation might erupt into a wave of bad feeling on the part of both protectionist-minded Conservatives and Labor (which holds that national economic stability must be sheltered against world depression hazards) if U.S. economic policy moved from advice to pressure. The psychological result of such a move would result not only from anticipated adverse economic consequences but from deep resentment over U.S. "meddling" with internal British economic policies. There is a widespread feeling in the U.K. that the U.S. misunderstands the chronic ill-health of the U.K. economy and fails to draw the logical policy conclusions from the basic structural maladjustments in world economic relationships. Reluctance to set the pound free and give up trade and currency hedges has deepened as a result of the psychological shock of the hasty but short-lived attempt at convertibility in the summer of 1947 under provisions of the Anglo-American ^{loan} agreement,

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There has not been sufficient discussion in the U.K. to hazard judgment on the psychological impact of proposals for a stabilization loan. On the basis of recent ~~parliamentary~~ and press statements on the general aspects of GATT, IMF, and prospects for liberalizing trade and payments, it appears likely that the U.K. would find unacceptable a stabilization loan of moderate size conditioned on near-term convertibility of payments on current account and elimination of trade barriers. Even fewer have been expressions of British views on proposals for an Atlantic Reserve Fund or Atlantic Payments Union. Generally press opinion has been non-committal. On the basis of past attitudes, however, it is judged that the U.K. would not be favorably disposed to any scheme that involved both an end to discriminatory trading practices and the right of international managers of such a fund to intervene in sovereign economic decisions in London. A recent article in the Economist (November 22, 1952) considered the feasibility of an Atlantic Payments Union backed by a U.S. reserve of some \$35 billion; it speculated that only a measure of such heroic proportions might be potent enough to overcome political and psychological obstacles in the U.K. and Commonwealth to any scheme involving close supervision of internal policies.

7. Influencing British internal economic policy.

Adverse feeling about U.S. attempts to persuade the U.K. to adopt corrective economic measures along orthodox financial and monetary lines is fairly widespread. In official circles, among Conservatives and in the financial press there is appreciation for the restraint and tact shown by U.S. officials in ECA dealings and in other economic negotiations. At the same time a certain pervasive resentment exists in all circles over criticisms of British economic policies by

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U.S. business men and Congressmen, and, particularly in Labor circles, over statements by leading Americans counselling that aid be withheld from countries engaged in "socialization." The very fact of disparity in economic strengths leads to a presumption that the U.S. seeks to interfere in domestic economic and financial measures.

Psychological reaction is not necessarily related to British judgments of the substantive validity of American advice. Most leading Conservatives, businessmen and the financial press would agree as to the desirability of pursuing more orthodox monetary and fiscal policies--raising interest rates, cutting budgetary expenditures, lowering social services--although many of them would not go along with U.S. recommendations for elimination of restrictive practices in the domestic market. But it is felt in both Conservative and Labor circles that U.S. advice is neither suitable nor proper; that the nature of the economies is so different that analogies drawn from U.S. experience are pointless; and, that in any case U.S. "intervention" is not warranted by the size of U.S. aid and constitutes intolerable "meddling" in internal affairs.

Psychologically U.S. leverage on U.K. financial policies is limited by these attitudes and particularly by U.K. irritation over any signs of U.S. intervention. The very fact of U.S. sponsorship sets up a negative reaction evoking resentment and ill-feeling which can probably be traced to the emotional impact of disparities in strengths. Typical is the reaction to recent financial and economic recommendations by the American Chamber of Commerce to the Commonwealth Ministers Conference: Irrespective of the intrinsic merits of the American proposals for economic and financial reforms some British financial writers resented its "gratuitous" advice.

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In labor (and left-wing intellectual) circles hostility stems partly from doctrinal differences over the merits of financial orthodoxy, partly from resentment over U.S. criticism of nationalization policies and the high level of welfare services, but mainly from the feeling that U.S. "capitalism" will use its leverage to undermine the socialist aims of Labor.

Generally psychological reaction has not been serious because U.S. "intervention" has evidently been restrained except for occasional irresponsible statements from non-official circles. But there is a latent suspicion of U.S. "interference" which could readily be stirred up at any sign that the U.S. would attempt to use its economic strength as leverage to change U.K. economic policies. Again, the psychological impact would be generalized rather than specific. "Meddling" would not throw the U.K. into Soviet arms nor would it be likely to change the basic political direction in the cold war. It would, however, feed latent hostilities and sap the enthusiasm of Britain in the western alliance.

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