

# Globalization and the American Century

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## Introduction: Toward a New Paradigm

In the years since the end of the Cold War, globalization has emerged as both a buzzword and a defining theme of the new era. The term is new. Professor Theodore Levitt, a marketing professor at the Harvard Business School, apparently first employed it in a 1983 article in the *Harvard Business Review*.<sup>1</sup> But the underlying process has shaped the evolution of the “American Century,” and the content and conduct of U.S. diplomacy, subjects of this book, for more than a hundred years.

Indeed, it is arguable that the basic concept has historical roots, extending back to the first explorers and traders, the predecessors of Christopher Columbus and Marco Polo. Defined broadly, globalization is the *process* of integrating nations and peoples – politically, economically, and culturally – into larger communities. In this broad sense, it is little different from internationalization. But we believe that globalization is much more than an incremental process that, over the centuries, has brought people and nations closer together as technological innovations dissolved barriers of time and distance, enhanced flows of information, and promoted greater awareness and understanding.

Globalization is also dynamic, transformational, and synergistic. The focus, as the term suggests, is not on nations but on the entire globe. Consequently, a more sophisticated definition might emphasize that contemporary globalization is a complex, controversial, and synergistic process in which improvements in technology (especially in communications and transportation) combine with the deregulation of markets and open borders to bring about vastly expanded flows of people, money, goods, services, and information. This process integrates people, businesses, nongovernmental organizations, and nations into larger

networks. Globalization promotes convergence, harmonization, efficiency, growth, and, perhaps, democratization and homogenization. These all touch on U.S. diplomacy and have done so over the American Century, which actually began in the late nineteenth century and extends to the present.

Regarding diplomacy, globalization has had an impact on it in manifold ways. Improvements in communications have accelerated flows of information and images about America, its people, their life-styles, and their values around the world. This was, incidentally, a major factor in ending the Cold War. Advances in transportation have much expanded the movements of government officials to and from Washington and given the State Department some of the functions of a travel agency. The growing importance of economic issues – involving flows of food, goods, services, money, and information and the regulation of communications, aviation, and corporate competition – has forced American foreign policy makers to engage complex new issues. More and more specialized government agencies, such as the Securities and Exchange Commission, the Federal Communications Commission, the Federal Reserve, the Federal Bureau of Investigation, the Department of Labor, and the Surgeon General, have been compelled to address aspects of globalization and to become active participants in the diplomatic process. This book will touch on those matters as well.

To its many modern critics, globalization has a dark side. It produces economic and social dislocations and arouses public concerns over job security, the distribution of economic gains, and the impact of volatility on families, investments, cultures, communities, and nations. Many also worry about growing concentration of economic power, harm to the environment, danger to public health and safety, the disintegration of indigenous cultures, and the loss of sovereignty, accountability, and transparency in government. These, too, are issues that have engaged U.S. diplomats and officials involved with many functional dimensions of foreign policy throughout the American Century.

The globalization process has several drivers – technological innovation, business competition, and evolving ideas about optimal public policy. Rapidly changing technologies for transportation and communications continue to dissolve the barriers of time, distance, and ignorance that once complicated long-range relationships. In the twentieth century, some of the most important technological innovations were aviation, wireless radio, satellite communications, fiber-optic cables, personal computers, and, of course, the Internet. The private sector, oriented as it is to

making profits and acquiring market share, is another driving force. In a marketplace integrated by technology, big business takes the view that it has no choice but to think globally about sourcing its products and serving customers. Ideas also shape globalization – particularly the widespread belief among economists that free trade, private enterprise, and competitive markets promote efficiency and economic growth. Another set of ideas also influences the globalization process – the belief among international lawyers that harmonization of standards, rules, and legal systems, including the establishment of dispute-settlement mechanisms, is the most appropriate way to resolve conflicts among governments and private parties. The essence of this study, then, is how markets, technology, and ideas, the building blocks of globalization, have had an impact on American power, policy, and diplomatic conduct.

It is, of course, arguable that the globalization process has other independent drivers – such as demographics, natural resources and the environment, international political and economic instability, and national leadership.<sup>2</sup> In the history of the modern world, a rising population in less-developed areas frequently has triggered emigration to areas of economic opportunity, and this in turn has frequently produced a stream of remittances to family members who remained behind. Famine and malnourishment, as well as the need for energy and industrial raw materials to support advanced economies, also affect the globalization process, promoting greater flows of materials, food, and goods, thus enhancing the interdependence of people and economies. And, it is arguable that two world wars, the Cold War, and the Great Depression disrupted in significant ways the ongoing globalization process through much of the twentieth century. Finally, leadership is an important element of all human activity. Had the United States, as the world's leading economic and military power in the twentieth century, not committed its public policy to promoting an open, and nondiscriminatory, international economic system, it is quite possible that the globalization process would have taken a different course – perhaps one that gave priority to regional blocs centered in Washington, London, Berlin, or Brussels, and perhaps Tokyo or Beijing.

In this book, we begin with the premise that the history of America's foreign relations can productively be viewed within the context of globalization. In this endeavor, our work builds on the efforts of many other scholars, within as well as beyond the historical profession. Scholars based in a variety of disciplines – including the social sciences, humanities, arts, business, and law – have made important contributions to

the conceptualizations of globalization. Among historians the famous Wisconsin school of diplomatic historians advanced important insights.<sup>3</sup> To the extent that globalization means the expansion of trade and investments, it includes “economic expansion,” a phrase historian David Pletcher employs to describe the transition from territorial expansion to the increasing internationalization of markets.<sup>4</sup> Commercial expansion has limited variants, which capture trade but not investments. In the aftermath of World War II, many writers proposed the phrase “economic internationalism” to suggest the growing interdependence of nations and the development of international institutions, such as the International Monetary Fund, the World Bank, and the General Agreement on Tariffs and Trade, the forerunner of the World Trade Organization.

In our judgment, none of these phrases adequately captures the full extent of what is called globalization. Along with flows of goods, services, and money, it is important to take into account the increasing international mobility of people, especially business professionals and skilled workers, and the emergence of large corporations that choose to view the world not as a series of interlinked national markets but as a single global market in which they can allocate resources, shift production, and market products. Declared Alfred Zein, the CEO of Gillette, “We treat the world as a single nation.”<sup>5</sup> Some executives of transnational corporations view themselves as independent of national authority. Carl Gerstacker, the former chairman of Dow Chemicals, once confessed that he had “long dreamed of buying an island owned by no nation and of establishing the Dow’s world headquarters on its truly neutral ground, beholden to no nation or society.” The president of NCR, Gilbert Williamson, once said: “We at NCR think of ourselves as a globally competitive company that happens to be headquartered in the United States.” “The United States does not have an automatic call on our resources. There is no mindset that puts this country first,” Cyrill Siewert, chief financial officer of Colgate-Palmolive – which receives at least 30 percent of its total revenues from overseas sales – told the *New York Times*.<sup>6</sup>

Before the September 11, 2001, terrorist attacks on the New York World Trade Center and the Pentagon, it was fashionable to believe that the nation-state was disappearing. “Nation states,” Kenichi Ohmae wrote, “are dinosaurs waiting to die.” Some saw the multinational, or transnational, corporation as the agent of change.<sup>7</sup> Aurelio Peccei, a director of Fiat, asserted that the multinational corporation was “the most powerful agent for the internationalization of society.” *Time* magazine columnist Strobe Talbott, a close friend of President Clinton and then

a deputy U.S. secretary of state, effused: "I'll bet that within the next hundred years, nationhood as we know it will be obsolete; all states will recognize a single, global authority. A phrase briefly fashionable in the mid-20th century – 'citizen of the world' – will have assumed real meaning by the end of the 21<sup>st</sup> century."<sup>8</sup>

In explaining the emergence of globalization, it seems almost trite to observe that underlying forces of technology and economics have transformed the traditional nation-state system and compressed the once formidable barriers of time and space. The result, as business publications emphasize, is a single global market in which money, capital, and skilled workers move rapidly across national borders in response to impersonal decisions made by large global corporations and financiers. According to those who celebrate the new international economic order, globalization is inevitable and irreversible – something as revolutionary to world politics as was the breakdown of feudalism and the rise of the nation-state in the seventeenth century.

The authors of this work embrace a definition of globalization that takes into account not only the elements of economic expansion – including the mobility of labor, goods, and money – but also scientific and technological developments, popular culture, the Information Revolution, and concomitant political and institutional changes. Even though this book emphasizes the power of markets and technology, the authors reject narrow economic or technological determinism.<sup>9</sup> Also central to our interpretation is the spread of information, via mail, telegraph, telephones, satellites, computers, and the Internet. Alfred Chandler, Jr., and James Cortada have written a stimulating book about how Americans entered the "information highway" in colonial times and gradually developed technologies that expanded the reach of information across a continent and to the whole world.<sup>10</sup> This is an important, and less-well-understood, dimension of the globalization process.

Our study will follow the U.S. rise to world preeminence through the lens of globalization, and thereby offer a new interpretation of American diplomatic history. The interpretation both complements and criticizes economic determinism and challenges mainstream realists to consider economics as a driving force in diplomacy. We appreciate that U.S. foreign relations reflect a variety of concerns at various times, such as advancing national security, promoting national ideals, pursuing humanitarianism, and expanding markets. Our argument is that globalization encompasses all these priorities; it is an umbrella under which they can be grouped and explained in a coherent way. For too long, historians have neglected



underlying economic and technological forces. We hope that our account moves the discussion of diplomacy and an understanding of American history forward to another level, one that considers business and technological influences, as well as an overarching framework that considers the phenomenon of globalization.

Next, we must say a few words about terminology. The term “globalization” apparently was first used in 1983, but it is apparent that the globalization process has a long history, dating back at least to the travels of Marco Polo and perhaps much farther back. From the first contacts and trade among human beings in different locations, the incremental globalization process – involving flows of money, goods, ideas, and people – began to integrate peoples and villages into larger communities, networks, and nations. Thus, we do not hesitate to use the term “globalization” to describe the process of integration from early in this century.

Interestingly, in the mid nineteenth century, Karl Marx and Frederick Engels wrote about this dynamic globalization process in the *Communist Manifesto* and sensed the potential for global turmoil and revolution. They credited the bourgeoisie for creating a

world market, given a cosmopolitan character to production and consumption in every country. . . . All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, . . . whose products are consumed, not only at home, but in every quarter of the globe. In the place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations.<sup>11</sup>

Marx and Engels also noted that “improved means of communication . . . created by Modern Industry” was unifying the proletariat into a revolutionary class and preparing the way for the eventual overthrow of capitalism.

Except for the communists, few business and political leaders had a truly global outlook, one of a world without significant borders, until the 1980s. Few understood the synergies resulting from dramatic improvements in transportation and communications and the power of markets. Few understood how treating the world as a single marketplace both for sourcing and producing goods and for serving customers was transforming the marketplace. Like Marx and Engels, political leaders like William McKinley recognized that technological innovations in transportation and communications were transforming their environment and had the potential for changing the world. Alfred T. Mahan and Theodore Roosevelt also

thought broadly and deeply about world events, and about the struggle for power among nations. But, their world was one of competing states and empires, in which governments communicated still through foreign ministries and diplomats. Ambassadors wore gloves, high hats, and long-tailed coats. This was not a wired world of long-haired geeks and instantaneous interactive communications. It was not the global village in which governments, businesses, and people communicated quickly with each other, using faxes, satellite communications, and e-mail. In this book, we do not hesitate to use the term “globalization” to describe the ongoing process and to identify individuals who began to think in global, as opposed to, international terms. Occasionally, we use other terms such as “cosmopolitan,” “international,” and “world” to avoid unnecessary use of “global” and confusion with the concept of “globalization.” The globalization process has deep roots, but we believe strongly that the modern age of globalization did not arrive until the last quarter of the twentieth century. Parallel developments in technology, business, and public policy, as well as the end of the Cold War, permitted phenomenal synergies in the marketplace and weakened the hold of states on cross-border contacts.

Finally, we need to say a word about our division of labor. In the best sense of the phrase, this is a joint undertaking in which both authors drafted, commented on, and revised each other’s work. We occasionally differed on interpretations, but the striking thing was the degree of consensus and our success in resolving minor disputes. Because of his work in the federal government with trade issues and his current teaching in the Ohio University Executive MBA program, Alfred Eckes initially focused on matters relating to the economic, business, and technological dimensions of globalization. Thomas Zeiler, whose teaching and research have been more oriented to diplomacy and foreign relations, and who is currently executive editor of the journal *Diplomatic History*, took the lead on issues of foreign policy and drafted many of the short personal profiles of key figures interspersed in the text. Both of us found the joint writing project extraordinarily stimulating, and the final product is like globalization, truly synergistic.

The authors wish to recognize the valuable contributions of many colleagues and students who interacted with the themes of this book. Tom Zeiler offers his appreciation to the Department of History and graduate students in his American Empire seminar at the University of Colorado and to the working group on globalization at the University of Toronto. Alfred Eckes thanks faculty and students in the Department of History

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