directly: to expand the merchandise trade surplus further, to intervene in other current account areas such as travel, and also to directly address capital account issues such as foreign direct investment.

It is worthwhile in this connection to recall the international relations context of the era. The U.S. dollar's major role as a reserve currency to some extent held the world hostage to U.S. policy and forced acquiescence in U.S. policy decisions. As Barry Eichengreen describes:

> "They [the Kennedy and Johnson Administrations] acknowledged the severity of the dollar problem while displaying a willingness to address only the symptoms, not the causes. Dealing with the causes required reforming the international system in a way that diminished the dollar's reserve-currency role, something the United States was still unwilling to contemplate. Bolstering this otherwise untenable situation was international cooperation [such as] the London Gold Pool. …. America's ultimate threat was to play bull in the china shop: to disrupt the trade and monetary systems if foreign central banks failed to support the dollar and foreign governments failed to stimulate merchandise imports from the United States. Foreign governments supported the dollar because it was the linchpin of the Bretton Woods System and because there was no consensus on how that system might be reformed or replaced."[18]

A further point of significance in the context of this paper is that the request to Congress for negotiating authority in the Kennedy Round was based only in part on commercial considerations; geopolitical considerations also figured prominently as the request for sweeping negotiating authority

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[18] See Barry Eichengreen, "Globalizing Capital: A History of the International Monetary System (Princeton: Princeton University Press, 1996), pp. 129-130.