

sisted of raw materials (62 percent); most of the rest was made up of finished products; very little trade involved parts and components. Most trade involved transactions between unrelated private parties organized as nationally identifiable companies. The main barriers to trade were government measures imposed at the border (tariffs and quotas) or differential treatment in taxation and regulatory requirements (e.g., commodity taxes and mixing requirements). Relatively high tariffs helped to maintain nationally segmented markets for manufactured products. Exchange rates were fixed and maintaining a positive current account position was an important goal of government economic policy.

In the 1950s, most international economic activity was undertaken by large, nationally organized firms. Companies designed, engineered, manufactured, marketed and serviced a range of related products totally within the confines of the firm. They might go outside the firm for financing and advertising but little else. Individual firms were hierarchically organized and many employees stayed with a firm for their full working lives. Employees felt themselves to be part of their company and companies felt themselves to be part of a national economy. Most companies – and their products – had a clearly identifiable national origin and foreign investment generally involved the establishment of miniature replicas of such companies, with only a few aspects centralized in the home office. Foreign direct investment, however, represented only a small proportion of global economic activity.

Government policy – domestic and international – reflected these facts of economic life. The GATT, for example, negotiated in 1947-48, reflected the experience and problems of the 1930s and 1940s, particularly US experience and perceptions of the problems.⁵ It assumes trade among national economies pursued by private entrepreneurs working largely within the confines of national borders. The GATT regards conflicts that may arise between firms in one country and firms in another as involving national interests that can be resolved through intergovernmental consultation. As negotiated in 1947, it

⁵ The General Agreement on Tariffs and Trade (GATT) was adopted as an interim agreement to cover the tariff concessions negotiated among 23 countries in Geneva concurrent to the ongoing negotiation of the Charter for an International Trade Organization. It is made up largely of the commercial policy chapter of the draft charter (chapter IV) and a few other articles required to give the agreement its necessary shape and form. The failure of the US Senate to ratify the Charter adopted the following year at Havana resulted in the temporary GATT functioning ever since as a substitute for the more ambitious International Trade Organization. The GATT was built out of lumber that was ready to hand in the late 1940s. It made extensive use of the language of US trade legislation, including that of the Smoot-Hawley Tariff Act of 1930, as well as the bilateral agreements negotiated under the US Reciprocal Trade Agreements Program launched in 1934. It reflected the experience and preoccupations of that era, *The United States and the Restoration of World Trade* (Washington: Brookings Institution, 1950).