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BUSINESS AND FOREIGN AFFAIRS: THE ROOSEVELT DEFENSE PROGRAM, 1937-1941

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PREFACE

War preparations stir the deepest of human emotions, and inevitably in a free society public debate occurs over the exigency of preparedness, a complex process which includes the conduct of foreign affairs as well as programs of domestic defense. In the United States such a great debate began in the 1930's concerning the relationship between America and a Europe on the verge of war. Many Americans maintained in the name of defense that the United States should build high the walls on the western side of the Atlantic Ocean and isolate itself from the evils of decadent Europe. Others insisted that America must support Britain, France, and the other European democracies if Adolph Hitler continued to threaten them.

Such division of opinion over foreign policy became an American tradition in the early years of the Republic. Engendered by geographical separation from Europe and propagated by Washington's Farewell Address, isolationism developed as a basic theme in American foreign policy. The doctrine flourished after World War I owing to the new vogue for the old Marxian accusation that the perpetrators of economic determinism--international bankers and munitions

makers--were the cause of all wars, past and present.

Senator Gerald P. Nye and other national leaders gave this hypothesis its greatest hearing in the 1930's when they investigated the role of munitions makers in World War I. Nye's report was an endorsement of the overly simple revisionist arguments of the 1920's, that businessmen had pushed America into war. Convinced that Nye and his supporters were right, Americans buttressed their small world against the dangers of the larger one by the only way they knew, the legislative process. The neutrality laws were the result. Isolationists reasoned that if the government prohibited American citizens from traveling on belligerent merchant ships no Lusitania incidents would occur again. They also reasoned that if loans were denied to belligerents and traffic in arms and ammunition banned, the "merchants of death" would be kept in their place.

Unfortunately isolationism did not deal realistically with the growing threat of the totalitarian powers. Interventionists who recognized this potential danger would have their day later, when the Nazi war machine began to move. In the meantime President Roosevelt attempted to prepare the nation for war by initiating a defense program at home and lending support abroad to the British and French

in their efforts to counter German advances. This move toward involvement in a European problem precipitated the great foreign policy debate at the close of the 1930's.

The business community, including industrial, financial, and commercial interests, has left a record of its reactions to Roosevelt's preparedness program. Resolutions passed by trade associations, speeches and letters of individual business leaders, editorial opinion in business publications, as well as the records of the pre-war isolationist and interventionist organizations, all reveal the conflicting views of business before Pearl Harbor. Examination of these sources indicates that even though the opprobrium cast upon industry and finance by the Nye Committee and the Great Depression caused business leaders to be considered warmongers, both isolationist and interventionist segments of business were concerned with the wider ramifications of foreign policy. This study will attempt to determine the role business played in foreign policy during the five years prior to the Pearl Harbor attack and to discover whether business succeeded in influencing Roosevelt in the formulation of his preparedness program.

The writer wishes to express his appreciation to Research Professor Gilbert C. Fite, Regents Professor

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BUSINESS AND FOREIGN AFFAIRS: THE ROOSEVELT DEFENSE PROGRAM, 1937-1941

CHAPTER I

BUSINESS AND THE EARLY EFFORTS FOR REARMAMENT, 1937-1939

The peace treaties of 1919, ending World War I, failed in their design to establish permanent international amity. The Versailles combination of idealism and Realpolitik did not deter the "have-not" nations from demanding more prominent positions in the world community. After the Nazis ravaged the Weimar Republic in 1933, the Fuehrer soon instituted a reign of terror throughout Europe to regain German territories lost in 1919. Subsequent to authorizing universal military service and rearmament--both forbidden by the Versailles Treaty--Hitler reoccupied the Rhineland and attempted to unite Austria with the Third Reich. South of the Alps Benito Mussolini implemented his own expansionist policy, but wasted his resources trying to recapture the glories of ancient Rome in Ethiopia and other African lands.

The European crisis alarmed Americans, although Japanese expansion in the Orient seemed a greater threat

to American interests. Acquisition of Korea in 1910 and Manchuria in 1931 and 1932 did not fulfill the goals of Japan's Greater East Asia Co-Prosperity Sphere, which reserved the natural resources of China and Southeast Asia for Japanese industrial use. The thought of a threat to China was revolting to the American public, instilled with the "missionary myth" and the eternal though unsatisfied hope for increased foreign trade with the Chinese. Japan ignored these old, emotional ties between the United States and China, and attacked Shanghai and other Nationalist strongholds in late summer, 1937.

American reaction to these aggressions varied, although national opinion was united in its insistence upon nonintervention in foreign wars. This reservation resulted from American disillusionment over participation in World War I, which had not made the world safe for democracy, as President Wilson promised. Instead, the establishment of a Communist government in Russia and the outbreak of minor wars elsewhere convinced the public in the 1920's that as far as the creation of a Wilsonian utopia was concerned, World War I had been a wasted effort. Adding to American disillusion over entry into the war was the belief that greedy bankers and munitions makers had forced the nation

into the conflict for the purpose of reaping huge profits from the sale of materiel and supplies to the Allies. Marxists, socialists, and progressives who had been preaching this doctrine now found Americans receptive to the thesis that business was the major cause of war.

Anti-business elements buttressed their arguments with support from singular sources. The Anglophile Thomas W. Lamont, senior partner of J. P. Morgan and Company, gave credence to the warmongering charge when in 1920 he admitted that his firm had never been neutral between 1914 and 1917 because "we didn't know how to be."[1] During the Great Depression further impetus was given to anti-business accusations. Publication of Helmuth C. Engelbrecht's Merchants of Death in 1934, and the Munitions Investigation Committee report in 1935, helped convince Americans that businessmen had influenced President Wilson in his decision to enter the war. These sensational but unproven charges added to American foreign policy formulation a new force inspired by militant pacifism and latent Populism, which won the public over to the crusade against the capitalists.

When Americans lined up behind Senator Nye, apostle

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[1] The Manchester Guardian, L (January 27, 1920), p. 68.

of the new creed, business opinion began to crystalize in regard to what course foreign policy should take to meet Axis advances. Business approached this problem from such variegated viewpoints that the concept of a great monolithic financial-industrial force controlling foreign affairs may be removed from consideration. From the 1937 China incident until Pearl Harbor businessmen divided into isolationist and interventionist factions to support or oppose the Roosevelt Administration's formulation of policy established in the Quarantine Speech, the repeal of the arms embargo, the destroyer deal, lend-lease, and the Atlantic Charter. On occasion businessmen, such as Thomas Lamont, expressed in strong terms their views on foreign policy but the majority was too shaken by the Nye Committee attack and by the 1929 financial collapse to follow Lamont's example. This element dared not air its views on international relations, especially pro-interventionist opinions, which in the public mind would confirm the Marxian claim that business was again plotting a profit-making war.

Most businessmen and other Americans were in no mood for saving threatened nations from totalitarianism, but the invasion of China did engender anti-Japanese sentiment, which President Roosevelt used to inaugurate his

foreign policy. Following Japan's advance against the Chinese in July, 1937, Roosevelt made his first attempt to convert Americans from their isolationist tenets to his own interventionism. In Chicago, on October 5, he declared that America's duty was to oppose aggressors threatening Europe and Asia; as with any epidemic disease states violating the law of nations should be "quarantined" and so held in check. The President's proposal astounded isolationists and interventionists alike. Certain of Roosevelt's advisers known for their extreme caution, such as Cordell Hull, agreed that the speech succeeded only in dividing further the nation on foreign policy. They ignored the possibility that Americans might be sympathetic to intervention and supported the Secretary of State's estimate that the President actually set back his foreign policy goals by at least six months.[2] Hindsight affords great opportunity to criticize this view as negative and shortsighted. But the hysterical, isolationist tone of the letters and telegrams pouring into the White House, combined with the influence of the Hearst and other journals, constituted such formidable opposition to the Quarantine Speech

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[2] Cordell Hull, The Memoirs of Cordell Hull, I (New York: The Macmillan Co., 1948), p. 545.

that the President had ample cause for his temporary retreat from interventionism. Businessmen were as surprised as most Americans at the Quarantine Speech and, as either isolationists or interventionists, reacted to it in varying ways.

Prior to the speech The Commercial and Financial Chronicle reported to its readers that Roosevelt's journey to Chicago was only for the purpose of promoting the New Deal domestic program. There had been no hint that a new phase of the great foreign policy debate was then to begin.[3] The novelty of the quarantine idea led The Wall Street Journal skeptically to ask what Americans intended to do about it. The Journal's own answer was "nothing," because its editors doubted that public opinion would support any sort of internationalism.[4] In more direct fashion Business Week insisted Roosevelt's words forced Americans to "put up or shut up" and, in the case of the first alternative, involvement in war was a definite possibility.[5] If war did break out, Gas Age's Floyd W. Parsons, speaking for

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[3]The Commercial and Financial Chronicle, CXLV (October 16, 1937), p. 2290.

[4]The Wall Street Journal, October 7, 1937, p. 14.

[5]Business Week, October 16, 1937, p. 40.

isolationism, took comfort in America's advantage of being insulated from world disorder by the Atlantic and Pacific oceans.[6]

Save for Editor Parsons, business reaction to the Quarantine Speech was moderate in comparison to Hearst and other isolationists. Upon reflection, The Wall Street Journal admitted that if the United States did not involve itself in world affairs war was more likely than otherwise, "so why not participate before war comes?"[7] To support the Journal's logic Business Week added that Nazi policies closely followed Hitler's aggressive intentions published years before in Mein Kampf.[8] The editors of these publications recognized the dangers outlined by Roosevelt but still were reluctant to suggest any specific course of action that might bring censure from the foes of the business community. The Commercial and Financial Chronicle explored the effect that enforcement of the Nine-Power Treaty of 1922 would have against aggressors and decided that such action might impair the world position of the United States

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[6]Floyd W. Parsons, "Highlights," Gas Age, LXXX (October 14, 1937), p. 49.

[7]The Wall Street Journal, October 8, 1937, p. 10.

[8]Business Week, November 13, 1937, p. 15.

rather than eliminate any crisis. But whatever came to pass, business opinion held that Roosevelt must maintain his pledge to keep America out of war and, if he failed, bear responsibility for the consequences. The business community in general, however, accepted the President's promise that he would avoid intervention in future international incidents.[9]

In contrast to the faint enthusiasm displayed by their press, individual business leaders joined other interventionists in congratulating the President. Industrialist Owen D. Young, who had played a prominent role in the 1929 revision of the German reparations plan, hoped that the quarantine declaration would make America and the world demand that all nations, especially the aggressors Germany, Italy, and Japan, respect the law of nations. Young felt that since too few world leaders were speaking out on the steadily worsening international situation Roosevelt's words were a needed inducement for presidents and premiers everywhere to censure erring nations.[10] Equally

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[9] The Commercial and Financial Chronicle, CXLV (October 16, 1937), p. 2291.

[10] Telegram, Owen D. Young to Franklin D. Roosevelt, October 5, 1937, Roosevelt Papers, President's Personal File, Box 200 B.

commendatory was David M. Newbold, chairman of the executive committee of the Welsbach Street Illuminating Company of Philadelphia, who ranked the speech in greatness with the Monroe Doctrine. To him, Roosevelt's message was a standard raised high "around which the free and Civilized People of the world can rally to sustain Christian Civilization." Newbold fully agreed with Roosevelt that America must recognize her obligation to uphold international law in the world.[11] These encouragements, although approaching the adulation used by Secretary Henry J. Morgenthau, failed to spur Roosevelt further toward interventionism, because Hull's advice to delay in the face of isolationist opposition seemed the more realistic course to follow.

Certain businessmen not only congratulated Roosevelt but also attempted to analyze the effect of the speech abroad. The Wall Street broker S. R. Bertron discerned that Roosevelt had the support of the democracies and possibly that of Germany in promoting peace. German acceptance was important because it meant automatic Italian support for such a scheme. But he feared the third aggressor, Japan, was too independent of the Third Reich to formulate

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[11]David M. Newbold to Franklin D. Roosevelt, October 7, 1937, in ibid.

policies according to the desires of the German foreign ministry. Regardless of the fact that the speech was aimed mainly at Japan, Bertron believed it a success because the leading nations, with the exception of Nippon, backed the President's proposal. This was due to the perfect timing involved, for Bertron saw that it followed Roosevelt's new South American Good Neighbor Policy closely enough to benefit from the successful Latin venture and thus ensure its own success. Since foreign governments were quoting American opinion and trying to woo Washington's cooperation, Bertron thought the least Roosevelt could do was to impart his thoughts on world problems through such devices as the Quarantine Speech.[12]

Thomas J. Watson, president of the International Chamber of Commerce, was traveling in Europe at the time of the speech and gave Roosevelt a first hand report on the reaction of various European leaders. He found that the address caused Europeans to "stop and think" and to welcome America's stand in favor of laying plans for peace once present aggressions were ended. Even Mussolini's private professions for peace convinced Watson that words of

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[12]S. R. Bertron to Franklin D. Roosevelt, October 7, 1937, in ibid.

encouragement from Roosevelt to the Duce--conveyed by the Chamber President--might help relieve international tensions.[13]

To complement Watson's European report others assessed the effect of the speech in Asia and reflected the antiwar, although sometimes confused, feelings of businessmen. H. B. Lear, president of Seattle's University National Bank and an advocate of the traditional aristocratic viewpoint regarding competition in American life, judged the Japanese Exclusion Act to be the source of Japanese-American antagonism. Antilabor as well as antiwar, Lear blamed this "immoral" law on organized labor which, in the process of protecting native American workers, had humiliated one of America's most traditional friends in the international community. As a friend of Prince Tokagawa and other high-born Japanese, Lear the internationalist urged Washington to make friendly gestures toward Japan rather than employ hostile action, which, paradoxically, Lear the isolationist defined as the proposed build-up of the United States Navy.[14]

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[13] Thomas J. Watson to Franklin D. Roosevelt, October 12, 1937, Roosevelt Papers, President's Personal File, Box 2489.

[14] H. B. Lear to Daniel C. Roper, October 9, 1937, Roosevelt Papers, Official File, Box 172.

Conciliation also was uppermost in the mind of Herbert S. Houston, a founder of the Chamber of Commerce of the United States. Houston approved of Roosevelt's "strong and clear-headed and courageous handling" of the Far East problem but urged the Administration to respect Japan as the rising nation of Asia.[15] Houston thought this reality gave the Japanese the right to retain Manchuria and Korea since, during his recent visit to the Mikado's empire, he had found vassal states so prosperous and orderly that fifteen million Chinese had immigrated to Manchuria, and Korean students were praising Japan for the progress that had come with annexation. These observations led Houston, obviously no initiate of the China Lobby, to suggest that Japan be taken at her word and allowed to work out a "modified" diplomatic formula with China. He realized Japan's incursions in Asia were much too "oriental" in character for Westerners to comprehend and filled Americans with bitterness. But rather than allow such attitudes to degenerate into a meeting of force with force Houston wanted Washington to settle this and other international disputes

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[15]Herbert S. Houston to Cordell Hull, December 30, 1937, in Cordell Hull Papers, Library of Congress, Washington, D.C., Box 42. Cited hereafter as Hull Papers.

by peaceful means.[16] Houston's efforts to prod the Administration toward a more flexible policy concerning Japan failed, but his proposals indicate a realization that an unbending attitude assured eventual rupture in diplomatic relations between the two governments.

Houston's plea for the pacific settlement of disputes reflected American business thinking on international problems, as seen in the policy of the National Association of Manufacturers, whose members were the especial target of the Nye Committee report. At the 1937 Congress of American Industry NAM members, hoping to extirpate their "warmonger" image, announced that they opposed war and favored peace. Realizing that Gerald P. Nye's findings still lingered in the public mind, the manufacturers reiterated their argument that industry never prospered during war regardless of the Senator's fanciful charges. The loss in human lives was serious enough, but businessmen also remembered that armed conflicts heaped overwhelming loads of debt on the doorstep of each nation involved. Wartime booms were only illusory, claimed NAM, and the depressions which

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[16] Herbert S. Houston, "Seeking a Way to Peace in Asia," Address before University of Oregon, at Eugene, September 23, 1937, in ibid.

invariably followed wiped out war profits and set back business a decade.[17]

The fear of war among businessmen reached beyond the Congress of American Industry in New York to the West Coast. In San Francisco V. C. Giannini, scion of the Bank of America founder, felt that international cooperation was so imperative for the preservation of world peace that isolation, to him the bane of civilization, had to be eradicated from American foreign policy.[18] In the Midwest, in the isolationist capital of Chicago, there was sympathy for Roosevelt's quarantine policy. Harrison B. Johnson, a Chicago realtor, listened to the speech, returned home immediately, and wrote a congratulatory letter to the President.[19] From the Southeast, W. Erskine Buford, a Charlottesville, Virginia, investments councilor, wrote that the President's words were "courageous, proper, and much needed"

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[17] National Association of Manufacturers, Industry's Platform for 1938, A report prepared by the Congress of American Industry and the Forty-second Annual Meeting of the National Association of Manufacturers, December 8, 1937 (New York: National Association of Manufacturers, 1937), pp. 4-10.

[18] Telegram from V. D. Gianni to Franklin D. Roosevelt, October 6, 1937, Roosevelt Papers, President's Personal File, Box 200 B.

[19] Harrison R. Johnson to Franklin D. Roosevelt, October 5, 1937, in ibid.

to bolster democracy throughout the world. To Buford, such an approach was the only way to avoid involvement in foreign conflicts.[20]

Other businessmen opposed to the New Deal now stood by the President's interventionist statements, but unlike Young and Giannini insisted that Roosevelt mitigate his domestic reforms in recognition of national security requirements. These men favored the Quarantine Speech if it represented a new direction in affairs at home as well as a statement of principle for coping with events abroad. Louis B. Harding, of Boston's Spencer Trask and Company, wanted a vigorous preparedness program for two reasons. The role of world policeman that Harding thought the speech implied required the United States to throw off its "defenseless polyp" image and support White House rhetoric with real force. The money thus spent for preparedness represented a "God given opportunity . . . for clearing up the unemployment situation and several other matters that are not in satisfactory shape." The "other matters" that Harding had in mind included the major share of the New Deal program, but in his criticism of the Rooseveltian

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[20]W. Erskine Buford to Franklin D. Roosevelt, October 6, 1937, in ibid.

domestic program he dwelt most heavily on relief projects. Harding dismissed New Deal arguments for more relief funds with the reasoning that only local politicians and the recipients themselves cared about these projects, so the money could be diverted easily to defense industry, which in turn was ready to provide legitimate jobs for the needy. Harding assured Roosevelt that existing tax rates on industry could supply the funds for this program, with the happy result that businessmen would climb aboard the Roosevelt bandwagon and no longer think of the President and the New Deal as a menace to their interests.[21] Although opposed to most of the Administration's works of the 1930's, Harding and others supported without question the President's new foreign policy to preserve the peace.

War fears, however, did not grip completely the world of corporate executives. The demand for more than standard polemics came from scattered interventionists who later, in 1940, found a voice in the extremist Century Club Group. They urged Roosevelt to use force, if necessary, to maintain peace and discourage nations from making war. To Nils Anderson, president of the Debevoise-Anderson

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[21]Louis B. Harding to Franklin D. Roosevelt, October 6, 1937, in ibid.

Company, New York iron ore and coal dealers, the use of force specified American troops united with foreign armies fighting aggressors abroad. Both national preservation and international altruism were in Anderson's mind as he supported this ultimate step towards intervention, for he believed that if America as the major world power stood aloof from international affairs all was hopeless. But he agreed with Louis Harding that intervention was impossible without first following a solid fiscal policy at home. The method for attaining this financial stability was, in Anderson's thinking, through a balanced national budget, a now familiar demand of businessmen on the President. Once Roosevelt did this, Anderson promised, further economic recovery from the Great Depression could continue, devoid of New Deal remedies no longer needed.[22]

A few weeks following the Quarantine Speech Norman H. Davis and other American representatives participated in the Brussels Conference. Called to deal with the Far East crisis, the conference did little more than adopt a resolution censuring Japan. The Chronicle considered the conference the only noticeable result of the Quarantine

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[22] Nils Anderson to Franklin D. Roosevelt, October 7, 1937, in ibid.

Speech and a total failure because peace was supposed to be the conference's aim, not the division of the Powers into hostile groups. However, since the conference was "queered from its conception," the Chronicle assumed nothing more could be exprected from the speech or the Brussels meeting. All conference activities had a distinct partisan tone, illustrated by the formal censure recommendation against Japan which originated in the League of Nations, an agency the Japanese had abandoned years before. The outcome, the Chronicle decided, was that Roosevelt in a "rhetorical outburst" had given the Japanese censure motion such undeserved importance that it damaged rather than aided the cause of peace.

Worse still, at the conference the Chronicle detected the British and French trying to trap America into playing European politics. Not only had the British promoted Anglo-American unity propaganda, but the French unsuccessfully tried to secure United States naval protection for Indo-China. Davis, a leader in the sugar industry and long a Washington figure, withstood the French appeal, but this did not satisfy the Chronicle. Its editors feared these pressures were not the last of Anglo-French intrigues to involve America in Continental affairs; as the future

of Europe darkened the President would find it increasingly difficult to refuse the pleas of the Western Democracies. If America were drawn into these entanglements the Chronicle predicted that unilateral action, a basic element in traditional isolationist foreign policy, would be greatly restricted. Additional foreign commitments, the Chronicle surmised, meant the end of isolationism as the cornerstone of American foreign policy.[23]

Ignoring the distaste of the Chronicle editors for the events which transpired at Brussels, Roosevelt did push a preparedness program, which despite its modest dimensions seemed wrecked before it could get started. Nevertheless, the President laid the foundation for the program in December and revealed his ideas in his annual message to Congress on January 3, 1938. The most significant section of the speech was Roosevelt's declaration that foreign nations, in their disregard for the letter and spirit of international treaties, had forced America to build strong national defenses, which Congress must facilitate with

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[23] The Commercial and Financial Chronicle, CXLV (November 20, 1937), pp. 3251-3252.

adequate appropriations.[24] Fortunately for the President's plan, the sinking of the Panay three weeks before, on December 12, 1937, had generated enough of a war scare to bring increasing support for rearmament by the time of the presidential address.

Still unconvinced, however, were isolationists in the business community. The Chronicle insisted that the people be informed, before it was already underway, why an enlarged armament program was necessary. If for self-defense, Americans who took "counsel of ignorance and fear" might believe that the Axis powers planned to invade the United States. Instead, Chronicle editors, always suspicious of Rooseveltian motives, were positive that the President was enunciating a completely new and dangerous doctrine, the "right of joint action" with other democracies against lawless totalitarian states.[25] America's real defense against the cataclysm of another war was, claimed the Chronicle in strict isolationist terminology, a navy adequate to protect the coastline backed by coastal

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[24]Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt with a Special Introduction and Explanatory Notes by President Roosevelt (New York: Random House, 1938), VII, p. 1.

[25]The Commercial and Financial Chronicle, CXXXVI (January 8, 1938), pp. 162-164.

batteries and a defensive, not offensive, army.[26]

Business Week also deplored the "war fever" accompanying rearmament, especially Admiral Clark H. Woodward's outspoken statement that communists were associated with the anti-rearmament forces. The magazine regarded the Admiral's allegation an attempt to brand as communists all those opposed to rearmament. Business Week denied this and replied that, although isolationists were against rearmament, the Communist Party stood on the opposite side of the issue. The Marxists in reality were behind Roosevelt's saber rattling in the hope that America would support Russia in the war that the magazine editors were sure was approaching.[27]

Brushing aside the fears of the business publications, the United States Chamber of Commerce supported Roosevelt's request for $9,000,000 to buy antiaircraft guns, $6,000,000 for gauges and dies, and $2,000,000 for more ammunition as well as a 20 per cent increase in naval construction. Best described as a bare shadow of a rearmament program, the $17 million provided little opportunity

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[26] Ibid., (January 29, 1938), pp. 650-652.

[27] Business Week, February 26, 1938, p. 51.

for war profiteering, regardless of the claims of the anti-business forces. The Chamber leaders had been promoting a similar plan since 1934, but the President ignored suggestions from this group which the Nye Committee so roundly condemned as warmongers. Noting Roosevelt's new interest in rearmament the Chamber's National Defense Committee eagerly unshelved its old proposals and published a new report, hedged with protestations for the pacific settlement of international disputes, so as not to incur further wrath from those who still accepted the Nye Committee's judgments against business.

With no disarmament agreement in existence among the Great Powers the Chamber saw a militarily weak America at the mercy of the totalitarian governments. To protect United States territories and foreign commerce the Chamber recommended a modern defense force with a cadre of professionals which in an emergency could be quickly expanded with reserves. Presaging the 1940 destroyers for bases deal, the Chamber proposed the acquisition of new land and sea bases to undergird the rearmament program. The Chamber pledged industry's support to rearmament but urged the federal government to aid in turn the merchant marine, a vital but neglected part of preparedness which business

hoped to revitalize under government auspices. If for no other reason, the merchant marine's existence was necessary to import strategic war materials not available within the United States.[28]

Prior to publication of the Chamber report, the Army and Navy Munitions Board had drawn up its "Industrial Mobilization Plan" to fix the position of business in defense. Disregarding Senator Nye's hold on the public mind, the board never questioned the role of business in national security. The financier Bernard M. Baruch was particularly interested in the board's work because mobilization had been his pet subject from the time he had served as chairman of the War Industries Board during World War I. Over the decades he had been preaching the virtues of a strong and sweeping mobilization plan. Finally in 1938, he detected signs that hostilities were imminent: the British were stockpiling foodstuffs. This, he said, was the signal for America to stockpile a $22 million supply of manganese, chrome, tin, and tungsten. Baruch was convinced that the

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[28]Chamber of Commerce of the United States, America's Economic Strength in Time of War, A Report Prepared by the Committee on National Defense (Washington: Chamber of Commerce of the United States, 1938), pp. 3-10.

democracies' lack of such reserves had forced the British and French to appease Hitler, and America must not allow herself the same error.

Turning from Europe to North America Baruch warned that Mexico presented the immediate threat to the United States. Expropriation of American oil interests might sever economic relations at the Rio Grande and allow an opening for Axis trade as far as the "tip of Patagonia." More important than commercial rivalry in Latin America was Baruch's fear that Germany and Japan might try to secure a foothold in Mexico for ulterior and dangerous motives which would compromise United States Security. He considered the Axis war fleets under construction as potential forces for making this a real threat to the nation. For this reason he urged Roosevelt to elaborate upon and broaden American preparedness plans as quickly as possible.[29]

As a result of combined business and Munitions Board efforts a new mobilization plan was designed, based on an educational orders system. Advocated by the Chamber of Commerce as a part of its own 1934 scheme, the orders

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[29]Memorandum of Bernard M. Baruch to Franklin D. Roosevelt, April 29, 1938, Roosevelt Papers, President's Personal File, Box 88.

allowed industry time to prepare for the mass production of military goods. After the modification of production procedures required by educational orders, factories were then to be ready to begin defense production if a crisis arose. The new system enraged isolationists, including Business Week, which turned on the industrialists and accused the War Department and the metal working companies of forcing Congress to approve the orders in the face of charges that the program was a "lobby-inspired boondoggle."[30]

Bernard Baruch would hear nothing of such strictures and with other business leaders volunteered to help organize the second great mobilization. He then requested Edward R. Stettinius, Jr., United States Steel's Board Chairman, to furnish the President data on the importation of materials necessary for steel production. Stettinius reported that the steel industry imported nearly two million gross tons of materials annually, costing $136 million to carry on production. He stressed the need to protect sea routes affording access to these vital raw materials, because disruption of normal passage ultimately meant

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[30] Business Week, June 25, 1938, pp. 29, 30.

failure for rearmament and the United States defense industry.[31]

Stettinius' response to rearmament was one of several from industry. The Lead Industries Association, without fear of Senator Nye and other anti-business isolationists, announced in language devoid of caution that the "lead industry is a war industry." Pointing out the necessity of having a healthy lead industry able to meet heavy military demands, the Association brought up the ageless issue, tariff protection. As a defense industry, lead producers thought they deserved protection regardless of the reciprocity program that Roosevelt and Secretary Hull were then sponsoring.[32]

While businessmen were pledging support to rearmament, Hitler began his demands for the incorporation of the Sudentenland into Germany. He finally succeeded in this incursion at the Munich Conference, October 1, 1938, when

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[31]Edward R. Stettinius, Jr., to Franklin D. Roosevelt, July 5, 1938, Roosevelt Papers, Official File, Box 335.

[32]Statement of the Lead Industry Association to the Committee for Reciprocity Information, Washington, D.C., on the Trade Treaty Negotiations with the United Kingdom, Newfoundland, and the British Colonial Empire Covering Paragraph 391: Lead-bearing Ores, Flue Dust, and Matters of All Kinds. Tariff Act of 1930 (Washington: Lead Industries Association, 1938), p. 10.

the French and British leaders handed over to him the Czechoslovakian territories. As early as July the Chronicle had predicted disaster for Czechoslovakia, but reasoned that the Bohemian demise was "a choice among admitted evils" necessary to maintain peace in Europe. Chronicle editors supported appeasement and explained that although Prime Minister Chamberlain's policy did not satisfy political purists this was the only practical course of action open to the democracies.[33] In early September Business Week gave victory to Hitler and without twinge of conscience guaranteed, after the Fuehrer's Nuremburg speech, that "world business will go ahead with its plans for a busy winter." Watching diplomats hurry to meetings in Bad Godesberg and elsewhere as France ordered mobilization, Business Week professed the last days of September were the most sensational week since 1918, but the editors still saw no need to act against Hitlerian policy.[34] The Chronicle blamed the crisis on the Versailles Treaty which had fabricated Czechoslovakia from pieces of the Austro-Hungarian

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[33] The Commercial and Financial Chronicle, CXLVII (July 9, 1938), pp. 179-181; (July 30, 1938), pp. 629-631.

[34] Business Week, September 10, 1938, p. 15; October 1, 1938, p. 16.

Empire. Now the United States, Britain, and France had to suffer loss of face for this "mischief" done at the 1919 peace conference.[35]

President Roosevelt did not hesitate to act, regardless of Wilson's alleged wrongdoing. On September 26 he dispatched an appeal for peace to Hitler and drew such an insulting reply from the Fuehrer that Roosevelt quickly retorted, categorically rejecting Germany's claim--similar to the Chronicle's--that Versailles was the cause of the emergency.

The President's deft handling of this exchange impressed Thomas W. Lamont who telephoned the White House to say he was pleased with the way Roosevelt had come back at Hitler "in the most brilliant and forcible manner possible." Lamont considered such an appeal the best way to avert war if such could be done.[36] Roosevelt received further backing from Thomas Watson, who supported Lamont's assumptions. Following Munich, the International Chamber President cabled

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[35] The Commercial and Financial Chronicle, CXLVII (September 10, 1938), pp. 1551-1552; September 24, 1938, pp. 1834-1836.

[36] Telephone message, Thomas W. Lamont to Franklin D. Roosevelt, Roosevelt Papers, President's Personal File, Box 70.

from Bucharest to assure Roosevelt that the crisis had passed in Europe, partly because of the President's intervention. Watson wanted the President to take full advantage of his position in international affairs and at future disarmament conferences lead the fight for the elimination of bombs, gas, and tanks, and press for the reduction in size of armies. Roosevelt replied that he would seize any opportunity to promote disarmament. As to his part in the Munich crisis the President explained to Watson that credit for the settlement belonged to the Europeans, but he did believe his diplomatic notes appropriate and necessary.[37]

The Chronicle shared none of the Lamont-Watson enthusiasm and branded the Roosevelt messages the undesirable but natural outcome of the Quarantine Speech. The magazine insisted that Munich conferees accepted the formal notes in accordance with diplomatic etiquette but the communiques influenced them not in the least during the negotiations. At any rate, the Chronicle hoped the notes, which it considered failures, had discouraged the President from further diplomatic ventures and ended interventionist

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[37]Franklin D. Roosevelt to Thomas J. Watson, October 11, 1938, Roosevelt Papers, President's Personal File, Box 2489.

appeals for an American alignment with France and Britain.[38] At least the "bloodless war" in the financial world was over and won, added Business Week, and men everywhere expressed relief for that, even if Munich was nothing but an armed truce which might be dissolved at any time.[39]

The Chronicle did agree with the President on one point, the need for rearmament to counterbalance the appeasement of Hitler at Munich. Two weeks after the crisis Roosevelt, laying no faith in Hitler's promises, announced the enlargement of the preparedness program, to the modest sum of $300 million with hemispheric defense the most important aspect of the plan. Hitler's Munich victory sobered Americans to the realization of the need for greater rearmament, although isolationism still influenced public opinion as reflected in the Chronicle's observations. It sided with those isolationists who favored some form of defense and unlike many took the more thoughtful view that the inadequacy of the Atlantic and Pacific oceans as defense barriers necessitated rearmament. In the new arms race America had to defend herself or else stand vulnerable

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[38] The Commercial and Financial Chronicle, CXLVII (October 8, 1938), pp. 2143-2144.

[39] Business Week, October 8, 1938, p. 51.

to attack. Within a few weeks the magazine took a more common ambivilant isolationist stand toward defense and demanded to know exactly for what purposes Roosevelt planned to employ the new national security system. The editors suspected that, as Commander-in-Chief, Roosevelt might use his new military power to involve the country in the European crisis.[40]

What the Chronicle only alluded to, Business Week brought into the open. Would the rearmament program give extrordinary powers to a president who, the editors believed, already possessed more authority than any previous chief executive? Distrust of Roosevelt and the New Deal had not been erased from the minds of businessmen and other Americans just because Czechoslovakia had lost Sudentenland. Business Week pushed the issue further and ridiculed the program for constructing battleships and an excessive number of warplanes. To prove its charge of extravagance the magazine pointed to the Chief of Staff's new report which, the editors claimed, betrayed the War Department's fears that the politicians wanted a dramatic flourish of expenditures for arms, not a well planned program, a prerequisite

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[40] The Commercial and Financial Chronicle, CXLVII (October 22, 1938), p. 2449; (November 12, 1938), p. 2917.

for effective preparedness.[41]

Publications such as the Chronicle and Business Week may have favored isolationism but the coterie of businessmen led by Thomas Lamont never ceased urging the President to take a more interventionist position on foreign affairs and an aggressive approach toward rearmament and hemispheric security. That such pleadings were not chauvinistic schemes as the isolationists charged can be seen in Thomas Watson's admonition to Roosevelt that concurrently with rearmament the President had a duty to help devise plans for the control of military weapons.[42] Although not a mentor on arms control, the New York industrial counselor William W. Christmas favored rearmament and proposed the initiation of a national nonpartisan movement supported by private funds to propagandize for preparedness.[43] Another New Yorker, Bernard P. Day, vice president of a real estate firm, supported Roosevelt and, in anticipation of the 1940 destroyer deal with Britain, suggested negotiations with

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[41] Business Week, December 17, 1938, p. 60.

[42] Thomas J. Watson to Franklin D. Roosevelt, October 26, 1938, Roosevelt Papers, President's Personal File, Box 2489.

[43] William W. Christmas to Franklin D. Roosevelt, October 18, 1938, Roosevelt Papers, Official File, Box 335.

Mexico to locate a naval base on the southern tip of Lower California. Day thought such a base was needed to protect the Panama Canal and the weak nations of Central America. To cap his argument the realtor saw the arrangement as the perfect solution to the expropriation question, which Mexico and the United States had been unable to solve. Land signed over for such a base was the best way to compensate the United States for industries expropriated by the Mexican government after the Revolution, an act American businessmen still found reprehensible.[44]

Other businessmen found additional ways to coincide their aims with rearmament. William J. Devlin, president of the Philadelphia Hardware and Malleable Iron Works, was concerned over unemployment and urged that individuals receiving money from relief programs be transferred to defense jobs to eliminate relief projects. The public never begrudged government funds going for preparedness rather than ordinary domestic programs, and Devlin thought the current interest in rearmament presented an opportunity to substitute defense for relief, which businessmen considered the least acceptable part of the New Deal. Then,

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[44]Bernard P. Day to Franklin D. Roosevelt, December 19, 1938, in ibid.

in the industrialist's eyes, the former reliefers would become productive defense workers participating in the struggle to restrain the Axis powers.[45]

Despite the zeal of these businessmen for rearmament there was much speculation as to whether strong defenses would keep America out of war or involve her even more easily in future conflicts. The Gas Age editors rejected arguments of accelerated rearmament because they considered the possibility of involvement unlikely due to recent neutrality legislation passed by Congress. In 1914 Woodrow Wilson had insisted on defending the right of American ships to sail the seas, but Gas Age, now completely opposed to intervention, was confident the neutrality laws had killed the ancient freedom of the seas doctrine and its threat to isolationism. To combat any surviving interventionism the editors entrusted the task to the most unlikely of allies, American radicals. Gas Age assured its readers that if the neutrality laws were not wholly successful pacifist "radicals with communist leanings" stood ready to neutralize the efforts of militant pro-war

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[45]William J. Devlin to Franklin D. Roosevelt, October 17, 1938, in ibid.

minorities dragging the nation toward another European war.[46]

If the Munich appeasement resulted in war both isolationist and interventionist businessmen, still haunted by Nye's warmonger charges, insisted that little profiteering would ensue. Gas Age predicted benefits for American trade and industry at the outset but later consequences for business were "another matter." Business Week was more conservative in its forecast and discounted the new rearmament program as a real boon to business. In contradiction to Gas Age, the editors of Business Week felt heavy industry might feel the effect of rearmament in the future, but they doubted that the moderate size of the congressional appropriations for defense would cause a spectacular increase in production for at least three years.[47] The President was well aware of the paucity of defense monies, and he requested an additional $525 million from Congress for defense in his Annual Message of 1939. Thomas Lamont expressed the interventionists' approval of the President's request and reported to the White House that in London

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[46] Floyd D. Parsons, "Highlights," Gas Age, XVIII (September 29, 1938), p. 15.

[47] Business Week, November 19, 1938, p. 20.

Englishmen considered Roosevelt's recent peace moves a deterrent to the dictators' aggressions.[48]

Unfortunately the Londoners had spoken prematurely, for Hitler absorbed Czechoslovakia on March 14. As soon as the President rebuked Hitler for this act, Maurice Leon of the Wall Street firm of Evarts, Choate, Curtain, and Leon, commended Roosevelt's protest as expressive of America's anger over this latest aggression. Leon, who had acted as agent for the first Allied bond sale on the United States market in 1914, thought Roosevelt's course of action since the Quarantine Speech "absolutely right," but he wanted the Administration to take more direct measures to alleviate the crisis. "It was not enough to be right," he wrote; in his opinion England's leadership had failed and Roosevelt must direct the democracies against the Axis. Leon suggested that all nations institute against Germany a total embargo, including economic, financial, telegraphic, telephonic, and postal sanctions and make Germans realize that Hitler had made of Germany a "moral leper." At the same time Leon envisioned new economic pacts among the

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[48]Thomas W. Lamont to Franklin D. Roosevelt, February 14, 1939, Roosevelt Papers, President's Personal File, Box 70.

Allies, creating prosperity which would pay for the armaments needed to restrain Hitler. Also, Leon predicted that the return of prosperity in the democracies would arouse envy among the Axis populations with resultant uprisings against their tyrannical governments.[49]

In addition to suggesting various ideas and projects to Roosevelt or relaying to him personal observations on the European crisis, some businessmen aided him in more concrete ways such as gathering intelligence information. One such person was Miles M. Sherover, head of the Wisconsin Steamship Company. Soon after Munich Sherover promised Roosevelt that Army intelligence would receive models of the latest German aircraft used in the Spanish Civil War. Sherover reached an agreement with the foreign and defense ministers of the Loyalist Government to send captured German warplanes and other equipment to Washington on Wisconsin Steamship Company vessels in April, 1939.[50]

By spring of 1939 the President had presented a modest challenge to isolationism. Business spokesmen

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[49]Maurice Leon to Franklin D. Roosevelt, March 17, 1939, Roosevelt Papers, Official File, Box 198 A.

[50]Miles M. Sherover to Franklin D. Roosevelt, April 11, 1939, Roosevelt Papers, Official File, Box 249.

reacted to Roosevelt's preparedness program in ways similar to that of the public in general: some were extreme interventionists, others, totally isolationist. Under the influence of the fallacious slogan "it can't happen here," and the knowledge that the European aggressors were far from American shores, businessmen continued their opposition toward large government expenditures and had reservations about a costly defense program. The Chronicle and other publications were lukewarm, if not isolationist, which reflected businessmen's anti-Roosevelt feelings, engendered during the New Deal's formative years. Major industrial leaders willing to reveal their views, such as Thomas Watson, favored some degree of intervention, as did financiers, including Thomas Lamont and V. D. Giannini. A few went beyond the President's desires and advocated armed force to counter totalitarianism. Other prominent executives, represented by U.S. Steel's Edward R. Stettinius, dutifully set about planning preparedness without participating in the great debate between isolationists and interventionists. But interventionism was not limited to high corporation leaders. Realtors and small businessmen frequently supported the President with their letters and telegrams, although they never affiliated with such prestigious groups

as the Council of United Nations Committees or its forebearer, the League of Nations Association, both dominated by the leading business interventionists Lamont and Watson.[51]

A clear division within business groups on their attitudes toward the foreign policy debate is not discernable. Men from the great industrial corporations joined hands with bankers and small businessmen to support one side or the other of the foreign policy issue, while the National Association of Manufacturers and the Chamber of Commerce of the United States trusted that the goal of Roosevelt's foreign policy was continued peace, based on adequate national defense. Business leaders pledged support to defense mobilization, although they feared as a consequence the dislocation of the nation's economy when business was still extricating itself from the Great Depression. Others rejected this possibility and believed peace could best be achieved by expanding the defense industries and basing foreign policy on a foundation of power. They saw no danger of war profiteering or other distasteful

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[51]Robert A. Divine, Second Chance: The Triumph of Internationalism in America During World War II (New York: Atheneum, 1967), pp. 22, 86.

side effects, but viewed this expansion of industry as the solution to the unemployment problem.

Linked to the apprehension over profiteering was Senator Nye's warmonger thesis, which commanded a following among the American public. Worry over criticism from the Nye group restrained businessmen in their support of Rooseveltian intervention, although men of the stature of Baruch and Lamont--both bearing scars from their past encounters with Nye--never ceased to advocate stronger Anglo-American ties. The President called on Norman Davis when drafting the Quarantine Speech but other businessmen, isolationist or interventionist, did not influence Roosevelt's gradual move toward an internationalist position on foreign policy.[52] Nevertheless, after Munich businessmen slowly accepted the nation's responsibilities to the world and prepared, albeit inadequately, for the stupefying events to come in 1939 at summer's end.

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[52] Cordell Hull, The Memoirs of Cordell Hull, I, pp. 544, 545.

CHAPTER II

THE DIVISION OF BUSINESSMEN OVER SHAM NEUTRALITY, 1939-1940

Adolph Hitler proved Prime Minister Chamberlain's prophecy, "peace in our time," false when his Panzers invaded Poland on September 1, 1939. Months before, Barron's, The National Financial Weekly had warned that Germany's annexation of Czechoslovakia was more important in European affairs that "the more spectacular and critical events that culminated at Munich," and the inclusion of non-Germans in the Third Reich boded further military aggression. Barron's predicted that Hitler would not tolerate the British-French defense guaranty to Poland, designed as a new "sanitary cordon" to be drawn about Germany just because the old Allies considered the Reich a menace to the family of European nations. War might result from Nazi resentment of such diplomatics with Russia remaining neutral while Germany fought the western powers, a new but serious threat to non-communist nations.[1]

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[1] Barron's, The National Financial Weekly, XIX (March 20, 1939), p. 10; (April 3, 1939), p. 10; (May 8, 1939), p. 10.

With deep pessimism Banking added that for months the question of war or peace had dominated business. "We have heard the cry of 'wolf' too often," said the editors. War threats had become a regular business hazard which they thought at least prepared America's capitalists for Hitler's march to the East.[2] When the Wehrmacht did cross the Polish border, the American business community committed itself to the Allied cause, although vacillation existed in some quarters. Business Week, less isolationist than before the invasion, accepted the argument that Danzig probably belonged legally to Germany, but added that the real issue of the European crisis was whether the Third Reich should be allowed to reorder the world according to its plans regardless of the interests of other nations. The magazine rejected Hitler's claims for living space but compromised American "hard boiled" interests that demanded support for the "side that promises the least disturbance in the world." The magazine hoped that the Allies would make concessions to Germany and leave her no excuse for war making.[3]

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[2]Banking, Journal of American Banker's Association, XXXII (August, 1939), p. 1; (September, 1939), p. 1.

[3]Business Week, September 2, 1939, p. 42.

Individual business leaders eschewed Business Week's desire for compromise and, once the war was in progress, reaffirmed their support of Roosevelt's diplomacy. A few days before the President proclaimed a limited national emergency on September 8, Russell Leffingwell cut short his holiday at Lake George to pledge the services of J. P. Morgan and Company to the President and preparedness. Roosevelt had only to "command" Leffingwell and his partners to execute any task, great or small, and the financier stressed that they meant just that.[4] Regardless of the significance Senator Nye might have attached to this declaration, Roosevelt replied in his best noncommittal manner that he appreciated such a "mighty nice note" and it, together with encouragement from Thomas Lamont, had given the President some cheer during these "bad days . . . but we have got to see to it that civilization wins through."[5]

The Commercial and Financial Chronicle despaired of these high sounding phrases, especially the current revival of Woodrow Wilson's "make the world safe for

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[4]Russell C. Leffingwell to Franklin D. Roosevelt, September 2, 1939, Roosevelt Papers, President's Personal File, Box 866.

[5]Franklin D. Roosevelt to Russell C. Leffingwell, September 5, 1939, in ibid.

democracy" theme. The editors believed that these slogans fostered the fatalistic attitude among Americans that involvement in the new war was inevitable. To counteract what it considered over simplified thinking the Chronicle reminded its readers that the Versailles Treaty had humiliated the demoralized Germans and conditioned them for Hitler's rise to power in 1933. For those unconvinced of the need for neutrality the Chronicle continued that United States and Allied interests were not identical, which eliminated any need on America's part to defend Britain or France, who could protect themselves without America's assistance.[6]

The Chronicle's position on foreign policy duplicated that found in various business quarters, which, despite the feelings of the Leffingwells and Lamonts, backed the isolationist neutrality laws passed since 1935. The Chronicle distrusted interventionists who it believed were subverting this legislation by destroying the "objective outlook" needed to keep the peace. If they succeeded, interventionists could force the nation into war against the Axis. The isolationists considered their apprehensions justified when President Roosevelt in his September 21

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[6]The Commercial and Financial Chronicle, CXLIX (September 9, 1939), pp. 5227, 5228.

speech asked Congress to repeal the embargo and to allow Allied arms purchases in the United States. Barron's anticipated a quick victory for the President over the pro-embargo isolationists "just like when Two-ton Tony, or someone, runs up against Joe Louis . . . ." The magazine added, however, that Roosevelt's hostility toward the embargo did not mean that he was trying to involve America in the war as critics claimed.

While Congress argued the embargo issue, Barron's supported Roosevelt and the interventionists. Its editors echoed the President's hope that for the sake of United States security the Allies must win a victory, an impossibility without American goods; this reality made the embargo's existence "not only hypocritical but also dangerous." The magazine, in an excess of optimism, assumed all businessmen would abandon the embargo and unite with the President on this major question, thus ushering in a new age of cooperation between the Administration and business interests. Barron's did not hide the fact that repeal of the embargo opened up new opportunities for business. The magazine stated that no one questioned the tragedy of the new war, but since the conflict "was not of our making" American opinion should not condemn business benefitting

from trade with the Allies.[7]

Barron's hopes for a united business front against the embargo were destroyed when Business Week editorialized that repeal of the neutrality law after the war had begun would be an un-neutral act which favored the Allies over the Axis. If interventionists did succeed in quashing the embargo, Business Week feared the result might be German vengeance on America instead of a hastened Allied victory as the interventionists promised. The gamble must be taken "with our eyes open," said Business Week, because this departure from neutrality seriously jeopardized American security.[8]

As the neutrality debate unfolded during the autumn of 1939, "cash and carry" became an important part of the issue. In Congress interventionists and isolationists, including Senator Borah, voted for the retention of this part of the Neutrality Law of 1937 which allowed belligerents to purchase nonmilitary goods with cash and ship them home aboard their own vessels. As Barron's hopefully said in support of his measure, such strictures on credit eliminated

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[7] Barron's, XIX (September 11, 1939), p. 4; (September 18, 1939), p. 4.

[8] Business Week, September 30, 1939, p. 45.

the possibility of economic entanglement and United States involvement in the war through trade. Barron's still agreed with Business Week, however, that, as with raising the embargo, adding cash and carry to the 1939 law could be misinterpreted by the Axis, and Americans "might easily find ourselves trying to ride successfully through a storm with our present rigging." Regardless of this, Barron's announced that it supported the middle ground, a cash and carry law applying to all transactions with belligerents and empowering the President to establish war zones from which United States ships would be banned.[9]

Other business circles did not share Barron's enthusiasm for this idea. Included was Banking, which detected a "catch" in cash and carry. The bonanza which might ensue from this system for the individual trader or industrialist did not promise the general business community riches; in the long run the "overexertion" to fill war orders would result in "over-relaxation" after the war and cause another Great Depression. Banking condemned the amassing of gold, inevitable under cash and carry, because the precious metal was the only exchange available to France and

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[9] Barron's, XIX (August 28, 1939), p. 10; (September 4, 1939), p. 10; (September 25, 1939), p. 10.

Britain once they started their purchases. This "modern mercantilism" would give the United States un-needed gold in addition to the hoard lying idle at Fort Knox, and the editors argued that further bullion increases would only cause inflation.[10]

Individual businessmen reflected the disparate reactions of their own press to the proposed neutrality legislation. Opposition to cash and carry came from various sources. Philip B. Fisher, director of Security Research Bureau, a Philadelphia securities investment counseling firm, stood for the embargo, which he considered a truly neutral law, and against cash and carry, not because it favored the Allies but for the often repeated reason that the Administration dared not change its neutrality laws during a war because of the dangers involved. Fisher's purist approach to neutrality was only superficial because he opposed the entry of Americans and their ships into the European war zones. He had come to the conclusion that the government's pro-Ally feelings during recent crises might lead the Axis to brand the nation neutral in name only, regardless of how Congress voted on the embargo and cash and carry.

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[10]Herbert M. Bratter, "The Catch in Cash and Carry," Banking, XXXIII (January, 1940), p. 28.

Discounting both freedom of the seas and freedom of the press, Fisher shared the Chronicle's fear of inflammatory journalism, and, in a totalitarian mood, wanted restraints placed on reporters, cartoonists, and public speakers to keep their potentially partisan actions from betraying American neutrality. Accomplishing this, Fisher thought that the nation could ponder the question of joining the Allies or remaining neutral without propagandists influencing the decision.[11]

Still others petitioned Congress in support of the isolationist tradition. A Wilmington, Delaware, realtor convinced himself, but not Congress, that if the President simply announced that belligerents could procure no war materials from the United States hostilities would cease within twenty-four hours.[12] A small town Oklahoma banker opposed the inclusion of any form of credit in the proposed law because "no good businessman" would extend

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[11]Philip B. Fisher to Elmer E. Thomas, September 25, 1939, Papers of Elmer E. Thomas, Division of Manuscripts, University of Oklahoma Libraries, Norman, Oklahoma, Box 126. Hereafter cited as Thomas Papers.

[12]Paul C. Hessler to Elmer E. Thomas, September 30, 1939, Thomas Papers, Box 126.

credit to an individual or nation that had repudiated its debts.[13] A Hollywood furniture dealer expressed the standard anti-Roosevelt sentiment that once the Neutrality Law of 1937 was emasculated the President would become a practical dictator and "plunge us into war. . . ."[14] Less emotional but more confusing, a Champaign, Illinois, department store owner favored "militant neutrality," but wanted America to keep out of war.[15] An admirer of Senator Borah, C. P. Steaverns, president of Howe and French, Boston chemists, thought the neutrality statute should remain unchanged until the European war forced Americans to take drastic action. If this day came Steaverns indulged in wishful thinking and assumed prompt congressional action would somehow provide a panacea for the ensuing world holocaust.[16]

Southwestern oil men often agreed with other

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[13] Walter B. Stephens to Elmer E. Thomas, September 30, 1939, Thomas Papers, Box 138.

[14] W. F. Bidwell to Elmer E. Thomas, September 22, 1939, Thomas Papers, Box 138.

[15] F. K. Robeson, Jr., to Elmer E. Thomas, September 28, 1939, Thomas Papers, Box 138.

[16] C. P. Steaverns to Elmer E. Thomas, September 22, 1939, Thomas Papers, Box 126.

isolationist businessmen that modification of the 1937 Neutrality Law was tantamount to taking sides, even though such legislation had been a mistake from its inception.[17] The crude oil producer H. F. Worley illustrated the division within the business community on foreign policy. He believed that the Nye Committee definitely had proven that munitions makers and financiers were responsible for dragging America into World War I. He considered the 1937 neutrality legislation sound, especially the arms embargo provision. But Worley distrusted the cash and carry proposal, which he was sure Roosevelt, in a replay of World War I, would circumvent to protect American investments in European war machines. Worley sensed, as did others, strong backing in Washington for cash and carry so he argued that the principle, repugnant as it was, could be included in the new law without repealing the all-important embargo on arms and ammunition. Worley's suspicions corresponded with those of other businessmen who believed Roosevelt's actions, despite his good intentions, were sullied by such bad judgment that aid to Britain was the first, and probably

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[17]Wade H. James to Elmer E. Thomas, September 20, 1939, Thomas Papers, Box 126.

unintentional, step towards a full alliance with the Allies.[18]

The division over foreign policy within a particular business group was seen in the petroleum industry, where in contrast to Worley, oil men from his own Southwest favored aid to the Allies and urged Congress to leave Roosevelt's hands untied in foreign relations because "we can trust him."[19] If the President displayed the same cleverness as the Europeans, America could manipulate cash and carry in such a way as to save the Allies but not embroil herself in war.[20] One driller admitted that with all her faults England was the "Mother of our civilization" and deserved rescue from Hitler, preferably by cash and carry.[21] But Lindbergh's receipt of the Iron Cross from Goering indicated the presence in Washington of America's own Cliveden Set, striving to defeat the new system of trading with the Allies.[22] Certain oil men favored an aid program

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[18]H. F. Worley to Elmer E. Thomas, October 25, 1939, Thomas Papers, Box 126.

[19]D. S. Penny to Elmer E. Thomas, June 17, 1939, Thomas Papers, Box 136.

[20]D. Replogle to Elmer E. Thomas, September 20, 1939, Thomas Papers, Box 136.

[21]George B. Johnson to Elmer E. Thomas, September 22, 1939, Thomas Papers, Box 126.

[22]Joseph Havlick to Elmer E. Thomas, April 14, 1939, Thomas Papers, Box 137.

far broader than cash and carry. Robert Bradshaw, a drilling company owner who foresaw the lend-lease principle, thought industry should sell material to the democracies as long as their cash lasted. Once their reserves were exhausted Bradshaw wanted credit extended to the Allies on the grounds that the struggle against fascism was as much America's as Europe's.[23]

Cash and carry was in reality an isolationist attempt to keep the United States out of war, but in 1939 interventionists at least took comfort in the lifting of the embargo which made arms available to the Allies. The solution to this problem, however, only led to the creation of another, the establishment of war zones under the new law. Shipping interests, unlike other business groups, united against the plan after Congress proposed the creation of areas forbidden to American merchantmen. Banking was amazed that Congress had accepted this section of the neutrality bill which initially had prohibited the passage of non-contraband cargoes to points far from combat areas, such as Australia and South Africa.[24]

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[23]Robert Bradshaw to Elmer E. Thomas, September 30, 1939, Thomas Papers, Box 138.

[24]Banking, XXXII (November, 1939), p. 5.

The Chronicle seconded the editors of Banking and judged that of all congressional actions the "peak of excited absurdity" was reached with this restriction on shipping. The Chronicle watched in dismay as Congress tried to "scuttle nearly half" of the American merchant marine. In 1807 Thomas Jefferson had good reason to protect the small American nation with an embargo, said the editors, but the leading world power of 1939 had no need for such a narrow policy. While the "silly season" lasted in Washington, the Chronicle wrote that Italy and other neutrals were ready to take advantage of American "cowardice" and steal United States overseas trade.[25] As far as actual losses were concerned, Business Week reported that four of America's five largest customers were belligerents and beyond the reach of shippers under the new bill. Britain, Canada, France, and Germany bought over $1,230 million in goods during 1938, or 40 per cent of all United States exports for that year. If America allowed a war on the other side of the globe to curtail its shipping, Business Week believed that the end was near for the nation's international trade.[26]

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[25] The Commercial and Financial Chronicle, CXLIX (November 4, 1939), pp. 2873-2876.

[26] Business Week, October 21, 1939, p. 52.

From the legal viewpoint the Chronicle reasoned that international law neither forced neutrals to trade with belligerents nor required neutral governments to terminate such commerce upon war's outbreak. If a state prohibited its nationals from conducting trade under the aegis of neutrality, international law was not violated unless the order was partial to one belligerent over another. With this in mind Chronicle editors criticized the congressional plan for ignoring the problems caused by changing the neutrality law during hostilities. Regardless of the consequences, the legislators were determined to eliminate the arms embargo provision, which the magazine was willing to let stand. The Chronicle found unwise other changes limiting shipping because the editors believed no valid ground existed for so "great a sacrifice of traditional neutral rights."[27]

Trade associations joined the business press in fighting the combat area delimitation. The Foreign Commerce Committee of the United States Chamber of Commerce reported that, much as in 1914, the attempts of Germany and Britain to blockade each other had already disrupted shipping

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[27] The Commercial and Financial Chronicle, CXLIX (October 7, 1939), pp. 2135, 2136.

routes. Britain had done so with a proclamation forbidding arms, food, and other contraband to be transported to Axis ports. The resulting drastic reduction in German-American trade was complicated by Britain's successful efforts to sweep from the seas Germany's merchant marine, comprising 6 per cent of all world shipping. This action, the Chamber claimed, placed a greater world-wide demand on the United States to supply goods previously available from Germany. The Chamber of Commerce protested that these pressures, plus Britain's conversion to war production, created a greater export demand at the very moment when Congress was preparing to restrict American shippers. If it became illegal to do business in combat areas, the Chamber urged shippers to direct more attention to South American markets, now stripped of their customary German imports. Regardless of such risks as the Latin penchant for debt repudiation, the southern continent provided profitable compensation for business if European markets were denied to the United States.[28]

West Coast shippers regretted the combat zones

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[28]Chamber of Commerce of the United States, Effect of the War on Foreign Trade, A Report Prepared by the Foreign Commerce Department Committee (Washington: Chamber of Commerce of the United States, 1939), pp. 2-8.

more than the Chamber of Commerce in Washington. Marshall Dill, president of the San Francisco Chamber of Commerce, led the movement to allow the continued operation of United States vessels anywhere on the high seas. At an emergency meeting on October 3 in San Francisco representatives from Pacific Coast ports prepared a statement opposing the neutrality bill and sent it to Congress.[29] The shippers' major complaint was that the bill would force American vessels regularly plying the sea lanes between the United States and Canada, Australia, Hong Kong, the Straits Settlements, Burma, Ceylon, and India to suspend services immediately. Americans might find Russian, Chinese, and Japanese ports closed to them if the President declared those nations belligerents.

The expansion of the merchant marine, a hope shared by shippers with the United States Maritime Commission, was also a victim of the bill. The drastic decline in tonnage resulting from the bill's passage rendered any ship construction plan superfluous. The shippers argued that the public would blame Congress if this bill created a lack of transport during a national emergency. But more immediately,

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[29]Marshall Dill to Elmer E. Thomas, October 9, 1939, Thomas Papers, Box 138.

American commerce, "completely at the mercy" of foreign firms had to stand by helplessly as the Europeans shifted their own ships from the Pacific to the more lucrative Atlantic routes. The foreign freighters left in the Pacific would charge prohibitive rates on American goods bound for Asia, making such trading ventures extremely unprofitable.

Dill and his associates envisioned further catastrophe: the destruction of the entire West Coast economic structure--agriculture, labor, industry, and railroads--dependent on trans-Pacific trade. Suspension of American flag services would involve the unemployment of thousands of seamen and longshoremen and payroll reductions in the millions of dollars. Even Midwestern industry, they claimed, was bound to suffer losses when cut off from its markets served through the West Coast ports. Whether this series of calamities transpired hinged on Congress' willingness to allow the relatively safe operation of merchantmen in the Pacific. As long as America remained at peace, the San Francisco group insisted that American shipping enjoy freedom of the seas, and that war zones be excluded from the neutrality law.

Across the nation in New York City shippers were

equally disturbed about the proposed war zones. The Maritime Association of the Port of New York pressed Congress to delete Africa's Atlantic Coast from the restricted list because from that region American shippers obtained vital strategic materials for national defense. The Association assured Congress there was no likelihood of hostilities south of the Iberian Peninsula; therefore it was unnecessary to tie up vessels sailing in those latitudes.[30]

The New York Board of Trade joined the Maritime Association to protest the war zones as a surrender of American neutrality. Instead of perpetuating isolationism, the board urged Congress to act in the spirit of the 1938 Merchant Marine Act and allow essential shipping "on all routes . . . at all times." Paralleling the arguments of the San Francisco group, the New Yorkers objected to shipping restrictions that would scrap the merchant marine and aggravate the still serious unemployment problem. Trade routes nurtured for years would be surrendered to belligerent and neutral traders interested in carrying their own national products, not American exports. The Board of Trade reminded Congress that the legislation under consideration so hampered commercial intercourse with neutrals that

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[30]Telegram of C. H. Calloghan to Elmer E. Thomas, October 23, 1939, Thomas Papers, Box 138.

existing trade treaties with these countries were in danger of being nullified. In place of such unwise action the board petitioned Congress to forbid the shipment of contraband as listed in the 1937 Neutrality Law and to draw up a new bill conforming to international law, free of artificial barriers to world trade.

The pleadings of the shippers did rescue trade routes in distant quarters from the isolationist ax but, as the Chronicle had predicted, the combat area clause in the new law ended North Atlantic services comprising 30 per cent of all American merchant marine activity. The Chronicle, nevertheless, was gratified that Congress saved all that it did, considering the extent to which the nation was under the spell of what Banking termed the "anxiety, almost a mania," for legislation to keep America out of war. Banking condemned this approach to the problem as "short-sighted" because the United States might not want to continue such a policy during a long war.[31] Regardless of the duration of the hostilities, the Chronicle feared that once Congress began chipping away at American neutrality the belligerents would not hesitate to continue the

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[31] Banking, XXXII (November, 1939), p. 5.

job until violations of American rights reached such large proportions that only force could protect the United States position.[32] Business warned the nation that sham neutrality was unworkable, but Americans were thinking only of how to escape the new war menace. Traditional freedom of the seas neutrality was cast aside because, as The Wall Street Journal explained, "if we want security we must be content to put pride in second place."[33]

In his struggle with the isolationists over revision of the neutrality act in the fall of 1939, the President often made use of businessmen to further his objective of repealing the embargo on military shipments. Among his allies was The Non-Partisan Committee for Peace Through Revision of the Neutrality Law, headed by William Allen White. This Progressive Republican, philosopher-editor of Kansas' Emporia Gazette, accepted the chairmanship of the organization from James T. Shotwell and others outside of business circles.[34] Although businessmen did not

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[32] The Commercial and Financial Chronicle, CXLIX (November 11, 1939), pp. 3027, 3028.

[33] The Wall Street Journal, July 16, 1939, p. 6.

[34] Charles G. Fenwick to William Allen White, November 16, 1939, in William Allen White Papers, Library of Congress, Washington, D.C., Box 317. Cited hereafter as White Papers.

participate directly in selecting the committee's leader they provided the funds necessary to fight for the embargo's repeal. Hugh Moore, president of Vortex Cups, supplied money for the campaign and after being rewarded with the executive chairmanship spent two days of each week guiding the administration of the committee. A membership campaign conducted by telegram recruited professors, businessmen, labor leaders, and various professionals to the cause. Frederick McKee, a Pittsburgh cement manufacturer, contributed $1,300 and, with Moore, provided funds for White's subsequent interventionist ventures. IBM President Thomas Watson soon joined. Henry I. Harriman, head of the New England Power Association, followed Watson. As president of the United States Chamber of Commerce a few years before, Harriman had supported Roosevelt's New Deal; now he placed himself behind the Administration's preparedness program. Thomas Lamont and his wife backed the committee as did Martin J. Collins, president of Graham Paper Company and, from the isolationist Midwest, Marshall Field. W. G. Carey, the president of the Chamber of Commerce, sympathized with the committee's aims but declined the membership invitation.[35]

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[35] William Allen White, "The Story of a Democratic Adventure," White Papers, Box 317.

White's committee faithfully supported the President throughout the neutrality debate, although the business members of the group had to witness the sacrifice of the North Atlantic shipping trade in order to achieve the greater interventionist goal, the embargo's repeal.

The White Committee toasted its victory over the embargo at the very time the White House, in Byzantine fashion, extinguished the life and suppressed the report of a more important group. It was the War Resources Board, composed of businessmen who, at their first meeting on August 17, 1939, had assumed that their task was to map out an industrial mobilization plan. Taking their presidential commissions most seriously, Walter S. Gifford, American Telephone and Telegraph President, John L. Pratt, a General Motors director, United States Steel Chairman Edward R. Stettinius, Jr., and the isolationist chairman of Sears, Robert E. Wood, labored for three months preparing their report. The board members should have sensed something amiss from the outset: Bernard Baruch was not among them. Baruch had expected appointment as chairman to the new board in recognition of his twenty-year private campaign for preparedness. The President had considered Baruch for a similar post in 1938, but the financier wanted Hugh

Johnson and George Peek, associates from the War Industries Board of 1918, to serve with him. This was unthinkable to the President because he had banished them both from New Deal councils years before.[36] Baruch's close relationship with Roosevelt was of no avail in overcoming the President's will and restoring the former New Dealers to favor, and the financier's efforts to have his own way cost him the chairmanship of the War Resources Board.

Without Baruch's experienced leadership to guide it, the board sought advice from various industrialists in the preparation of its report to the President. Again the spector of the Nye Committee appeared as Alfred P. Sloan, Jr., chairman of General Motors, wrote at length on war profiteering.[37] Tired of business playing the scapegoat in Senator Nye's modern morality play, Sloan suggested that the War Resources Board concentrate on solving the problem of excess profits and thus restore the good reputation of commerce and industry. The board's final report

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[36]Harold L. Ickes, The Inside Struggle, 1936-1939, Vol. II of The Secret Diary of Harold L. Ickes (New York: Simon and Shuster, 1953), pp. 470, 474, 475.

[37]Alfred P. Sloan to John L. Pratt, August 31, 1939, Record Group 179,865.1, The National Archives, Washington, D.C., Box 2327. Cited hereafter as National Archives.

contained nothing so spectacular as Baruch's superagency, invested with complete power over the wartime economy. In place of Baruch's dream, separate offices, to exist during the war only, were assigned the responsibilities for production, labor, finance, food, price stabilization, and public information.[38]

For reasons unknown President Roosevelt dismissed the board and disregarded these mild recommendations. Undoubtedly the President was highly sensitive to public reaction about his association with business, especially when he was in the middle of his campaign against the embargo. Charges that "Morgan men" controlled the War Resources Board helped bring about its downfall. Cyrus Eaton, a manufacturer himself but better known as a latter-day companion of Soviet commissars, claimed that Wall Streeters were inferior to industrialists as technical advisors on war resources. If New York financiers continued to infiltrate the board, Eaton predicted the establishment of an economic dictatorship "more repugnant" than Hitler's except,

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[38] U.S. Civilian Production Administration, Industrial Mobilization for War: History of the War Production Board, I (Washington: Government Printing Office, 1947), p. 9.

of course, to the Morgan clique.[39] Eaton's tirade moved Roosevelt to assure the industrialist that there was no cause for alarm because the appointments logically had no effect in expanding East Coast economic power. America had faced emergencies before without sacrificing her freedom, Roosevelt wrote, or succumbing to defeatism as had Eaton.[40] Nevertheless, when the President disbanded the board, Eaton, unswayed by Roosevelt's argument, affirmed that all Americans except Wall Streeters hailed its demise.[41]

After the defeat of the embargo and the death of the War Resources Board the position of business in the defense program remained unsettled. This set the stage for Thomas Lamont's speech before The Academy of Political Science on November 15, 1939. Lamont's introductory remarks were those commonly used by businessmen at the time, a denial of charges made by the Nye Committee report. Business feared war, he stressed, because it disrupted orderly means of production and destroyed good faith among nations. Lamont accurately reported that since 1935 the Nye thesis had

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[39]Cyrus S. Eaton to Franklin D. Roosevelt, September 12, 1939, Roosevelt Papers, Official File, Box 5344.

[40]Franklin D. Roosevelt to Cyrus S. Eaton, September 29, 1939, in ibid.

[41]Cyrus S. Eaton to Franklin D. Roosevelt, September 29, 1939, Roosevelt Papers, Official File, Box 3759.

lost many of its adherents. The public realized, he concluded, that American businessmen, who thought as individuals and not as a special interest group, loved their country as warmly as other citizens, "no more, no less."[42]

Lamont's plea for the public to recognize business' passion for peace mirrored Roosevelt's search for a person of the highest character to undertake a unique assignment, the ambassadorship to the Holy See. Again he turned to the business community and appointed Myron C. Taylor, former board chairman of United States Steel. The President told Taylor that the new European war was largely the result of a universal moral and spiritual void. His Christmas message to the Pontiff in December, 1939, predicted a religious and cultural revival after the war if international leaders first prepared the way. As a beginning step Roosevelt proposed that the Pope accept an American representative to the Vatican. After Pius XII agreed and the President announced Taylor's appointment many businessmen agreed with the action. Thomas Watson congratulated the new "Ambassador of Peace" and promised him the cooperation of the

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[42]Thomas W. Lamont, American Business in War and Peace," Address before The Academy of Political Science, New York, N.Y., November 15, 1939, Roosevelt Papers, President's Personal File, Box 70.

International Chamber of Commerce. To emphasize the need for a peace movement Watson described the International Chamber's June, 1939, congress which had as a theme the importance of a spiritual revival based on the Golden Rule, a rather ill-timed subject in light of Hitler's coincident planning of the fourth partition of Poland. Nevertheless, Watson expected his new Committee for Economic Peace to complement Taylor's work in Rome as they created economic and spiritual designs for the post-war world.[43]

The Chronicle lauded Taylor's appointment as an "event of first rate importance," although little attention had been given to the new diplomatic post. The magazine, however, asked why Sumner Wells had arrived in Rome with Taylor the same day. Well's visit to Mussolini was "shrouded in mystery" but the intent of the "quixotic" Roosevelt was obvious; the President and Wells were trying to interfere in European politics. If America got "slightly mauled" from such meddling the responsibility, decreed the Chronicle, was Roosevelt's.[44]

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[43] Thomas J. Watson to Myron C. Taylor, December 26, 1939, Roosevelt Papers, President's Personal File, Box 2489.

[44] The Commercial and Financial Chronicle, CL (March 2, 1940), pp. 1325, 1326.

With war's advent in 1939 President Roosevelt began his policy of friendly neutrality based on as much assistance to the Allies as America could afford in the fight against Hitler. The business community found itself divided into supporters and opponents of this new White House policy, as did the nation at large. Although the suggestion of compromise with the Axis was offered by some editors of the business press, Thomas Lamont and others scorned such thoughts and pressed for more aid to Britain and France.

The divergent opinions held by businessmen concerning the Neutrality Law of 1939 indicate that the concept of a monolithic business world managing American foreign policy was nothing more than a myth. Barron's championed the embargo's repeal, and whether increased trade possibilities or sympathy for the Allies' struggle against fascism was the motivating factor, many businessmen were of the same persuasion. Among this group can be found representatives from the financial, industrial, and commercial segments of business. In opposition were isolationist businessmen following the path laid down by Business Week, which favored retention of the embargo for reasons of international law. Regardless of the Allies' needs in the battle against

the Axis, Business Week and the supporters of its position considered a change in the rules of neutrality after the war had broken out tantamount to an act of war in itself.

The cash and carry issue also created division among businessmen. Barron's supported this basically isolationist idea although Banking feared that inflation might occur from the resulting gold flow into the United States. A more definite pattern emerged in the opposition of business to the isolationist war zone concept included in the 1939 neutrality legislation. Shippers unanimously opposed the prohibition against American merchantmen sailing seas in close proximity to combat areas. Maritime associations joined in the fight against this dread threat to the merchant marine only to find themselves deserted by the rest of the business community. Businessmen promoting more aid to Britain and France let Secretary Hull speak for them: Congress and the nation demanded the establishment of war zones to keep the United States out of war. If the zones satisfied America's yearning for peace there was less possibility that public opinion would oppose aid to the Allies, the most important interventionist aim during the period of friendly neutrality. This rationalism cleared the consciences of interventionist businessmen over the loss of

one-third of America's shipping so that they supported without feeling guilty Barron's "middle ground," a law including both cash and carry and the war zone concept.

President Roosevelt in his masterful way continued to balance the isolationists against the interventionists as he expanded the aid program for Britain and France. Whenever it served his purpose the President enlisted the talents of businessmen for his preparedness program. Despite the cloud created by the Nye Committee hanging over their heads, men from big business always answered the call, whether it was to serve on the ill-fated War Resources Board or to promote Roosevelt's interventionist legislation as did the White Committee during the embargo debate. Following the Polish invasion, anti-Roosevelt feeling, left over from New Deal days, was still evident among businessmen particularly in the editorial opinions of their press. These publications sought to stigmitize the President as either an ambitious tyrant expanding his sway over foreign policy or at best a well-meaning but incapable leader exposing America to the threat of war. Individual businessmen who had been suspicious of Roosevelt since 1933 rarely expressed distrust of the President in the conduct of foreign policy. At the same time business

leaders in communication with the White House mainly lined up behind the President's pro-Ally policy. In fact, their overenthusiastic support for interventionism placed many businessmen far ahead of the slow moving Administration, as seen in the interventionists' endorsement of the lend-lease principle well over a year before it was law. Roosevelt soon realized, however, much to the discomfiture of isolationist businessmen, that the amount of aid necessary to keep the Allies in the war was much more than first estimated, as the "phony war" came to an end and Germany commenced her full-scale invasion of France.

CHAPTER III

BUSINESS REACTION TO THE FALL OF FRANCE

Businessmen frequently took to heart William E. Borah's preachments concerning the "phony war," the Senator's catchword for the state of the European conflict in late 1939. Borah's facility for turning a phrase in this instance created apathy among businessmen and other Americans toward the European crisis. This attitude was especially pronounced in the business press. The Wall Street Journal saw no reason for American involvement because "it is not our war."[1] So attached to the philosophy of noninvolvement was the Journal that its editors rejected Herbert Hoover's modest proposal for giving "counsel" to the nations which were to sit at the peace table. Even this small role placed unwanted responsibility upon the United States for the future peace treaties which, the Journal thought, were destined to be mere duplications of the discredited Versailles Treaty. The Journal wanted the United States to avoid the risk of being held responsible

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[1] The Wall Street Journal, October 31, 1939, p. 12.

in any degree for such a document as that.

At that moment, however, one risk was being taken: the Import-Export Bank had approved the granting of funds to belligerents. The Commercial and Financial Chronicle reported a $20 million loan to Finland, which was the result of the efforts of the pro-Finnish movement in the United States. Propaganda from this group had captivated many Americans and the editors feared that the supporters of the Finnish cause might force the Roosevelt Administration to issue a non-recognition proclamation against the Soviet Union. The Chronicle sympathized with the plight of the Finns in the struggle against Russia, but the magazine saw a pattern emerging which might be repeated in the greater European war. Although the threat to American neutrality was minimal during the phony war the danger being "manufactured within our own borders" was not. A loan to Finland meant loans to the Allies and certain involvement if the Continental war expanded. The Chronicle blamed this interventionist meddling on President Roosevelt, who had scuttled the 1933 World Economic Conference only now to advocate world solidarity in "extravagent and shallow" phrases. The Chronicle had greater scorn for Admiral Harold Stark's January 21, 1940, speech defending the Administration's

proposed $2.5 billion naval expansion program. The magazine compared the efficaciousness of this proposal to past New Deal leaf-raking projects and labeled the words of the Chief of Naval Operations "too fantastic for sober discussion," especially his claim that all totalitarian nations had united against the United States in the current war. The Chronicle editors suspected that the inspiration for the new naval construction and for involvement resulted from Roosevelt's association with the idealist Woodrow Wilson at Versailles in 1919. Even though the President's internationalist proclivites were suspended after the 1937 Quarantine Speech, as the phony war neared its end, the editors charged that he was "traveling along courses of involvement in the conflicts of Europe. . . ."[2]

The Chronicle's reaction to Roosevelt's foreign policy did not completely mask an older fear prevalent among many businessmen. The Oil and Gas Journal reiterated the standard argument that modern war so dislocated industrial development, the "life blood" of business, that it could not be considered either a temporary or permanent

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[2] The Commercial and Financial Chronicle, CL (January 6, 1940), pp. 13, 14; (January 20, 1940), pp. 324, 325; (January 17, 1940), p. 885; (February 17, 1940), pp. 1043-1045.

benefit.[3] Barron's study of the trend toward centralized trade and exchange controls in the major nations supported this argument. Since the British and French empires dominated America's external financial activities, Barron's reasoned, the new exchange controls in those countries posed a threat to American business. The increase in American exports caused by the war was merely an illusion, because in reality trade was being undermined as the belligerents placed tighter restrictions on their commercial dealings with foreign nations.[4]

As many businessmen continued to debate foreign policy, others sensed the nearness of the phony war's end because of developments in Eastern Europe. Barron's viewed Russia's activities in the Middle East as a comfort to Hitler because the ultimate loser in such machinations was the British Empire. Barron's realized that Russia, not Germany, was Britain's traditional rival in Asia and that Moscow held the strategic threat to Britain's lifeline "from Cairo to Calcutta." If Stalin confined his expansionist policies to Asia and the Middle East a clash between

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[3] The Oil and Gas Journal, XXXVIII (January 18, 1940), p. 17.

[4] Barron's, The National Financial Weekly, XX (April 22, 1940), p. 3.

Russian and German interests elsewhere would be avoided. But this left the Baltic open to Hitler and placed greater pressure on the British Empire at other points on the globe.[5]

Hitler decided that Northern Europe was his for the taking now that the British and Russians were occupied elsewhere. On April 9, 1940, the phony war suddenly became real as German forces invaded Norway and Denmark. The Allied debacle in Scandinavia made the Chronicle long for "some sort of success" on the part of France and Britain to offset the German victory. Although the Chronicle realized the Allies had taken the initiative in the Middle East something more was needed to counter "new and grave adventures" which the editors were certain Hitler had planned for Europe.[6]

The occupation of Scandinavia caused American businessmen to speculate on the effectiveness of the 1939 Neutrality Law, now that the Baltic was in Nazi hands. The British blockade of Germany had little chance of starving the Third Reich into submission because the nation was supposedly over 80 per cent self-sufficient in foodstuffs.

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[5] Barron's, XX (February 12, 1940), p. 3.

[6] The Commercial and Financial Chronicle, CL (April 27, 1940), p. 2779.

Strategic war goods, however, were in short supply, especially iron ore which, Barron's believed, was the reason for the Norwegian invasion in the first place: Swedish ore was thus insured for the Nazi war machine.[7] Unless another blitzkreig was undertaken the effectiveness of the blockade might be the "best available measure of the odds of victory." American businessmen guessed that such a possibility would challenge the aims of America's neutrality laws. The Chronicle noted that the President continued to "hew closely to the line" of neutrality, although his "obvious intent" was to aid the Allies, just as had happened during the early years of World War I. But the difference in 1940 was the existence of neutrality legislation which required American ships to avoid combat areas. The Chronicle found an "encouraging indication" in the State Department's announcement that discussions with the Allies on contraband control and other wartime problems had been successfully concluded and that London and Paris hoped to "minimize the inconvenience" for the United States and other neutrals as the war progressed. The Chronicle considered it fitting that during the discussions the American representatives reserved all rights of the United States

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[7] Barron's, XX (April 15, 1940), p. 3.

under international law, a position the magazine feared Roosevelt might compromise in his pro-Ally temper.

The editors of Business Week considered Hitler's advance into Scandinavia as proof that the Allied effort to starve Hitler out of power was working since he was forced to move into Scandinavia to protect his Swedish source of steel, "the German life preserver." Of more concern to Business Week was the stock market's response to the new German offensive. Moral misgivings combined with business caution kept the market from soaring as it had seven months before, during the invasion of Poland. The anticipation of war orders then had caused the market to rise, but throughout the phony war both sides had so conserved their resources that the scanty purchases of war goods caused a sharp decline in the market. This lack of spectacular performance suited Business Week. Another market rise, said the editors, "would introduce important maladjustments into our economy." If the belligerents of either side followed the Scandinavian campaign with a breakthrough on the Continent, Business Week predicted that war orders would come "thick and fast." The resulting bottlenecks in production called for a program of plant expansion, all of which supposedly would bring great profits. But

Business Week warned industrialists to look ahead and avoid being led into a trap of overexpansion by the hope of quick profits. The order of the day, said the editors, was "don't bite off in war what you can't swallow in peace."[8]

The breakthrough on the Continent anticipated by Business Week took place May 10, when Germany attacked Flanders. American apathy over the European war disintegrated as the nation witnessed the Nazi blitzkreig. The Chronicle, usually isolationist in tone, proclaimed in interventionist phrases that this invasion aroused in Americans "the most bitter resentment and a clear determination to prepare for any eventualities."[9] More directly Business Week told its readers that "we might as well face the facts. The United States has ceased to be neutral."[10] Business Week came to this conclusion after noting the popular support for a waiver of part of the Johnson Act, which placed restrictions on loans to foreign governments. Business Week knew the question of granting credit to the Allies was "bound to come" because the best way to aid the Allies

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[8] Business Week, April 13, 1940, p. 54.

[9] The Commercial and Financial Chronicle, CL (May 18, 1940), p. 3104.

[10] Business Week, May 18, 1940, p. 56.

short of war was to give them the cash necessary to pursue the conflict. Although France and Britain possessed sufficient dollar reserves at the moment, the decision had to be made whether the Neutrality and Johnson acts should be repealed and preparations made to loan funds when it became necessary to do so. Since the United States favored the Allies, she should see to it that France and Britain received needed material to put forth the best war effort. If the huge loans required by such an undertaking had to be made in the form of "volunteer aid," the editors stressed that no strings should be attached. With this proposition Business Week presaged the coming of lend-lease, a program that would appear a year later.

President Roosevelt took advantage of this interventionist view in his special message to Congress on May 16, when he declared that "the American people must recast their thinking about national protection." The President climaxed his address with what many businessmen considered the fantastic request for 50,000 warplanes, a billion dollar project at least. As the public attempted to comprehend the magnitude of the program, prominent businessmen stood behind the President in his latest effort to draw America into the interventionist camp. Baltimore and Ohio President

Daniel Willard congratulated Roosevelt for his Maytime endeavors which appeared to be the beginning of a viable interventionist program. But Willard, always suspicious of the motives of hard core New Dealers, added that he was disturbed to hear men "high in political life" say that America must never enter the war. He recalled that in 1917, when he was chairman of the War Industries Board, the same kind of people were voicing such opinions, but America still intervened when finally required to do so. If war conditions made it necessary Willard believed the United States would enter the present conflict, "regardless of all the Johnson Acts, resolutions by Congress and assurances by candidates for public office." Immediate support of the Allies, rather than the usual flood of Chamber of Commerce resolutions, was the only way Willard saw to make American entry unnecessary. Dollars were needed immediately to purchase war materials for the Allies. Whether the loans were repaid mattered not to Willard, as it did not for the Business Week editors, because he thought the money should be made available initially in the form of grants. Willard's reasoning in favor of grants paralleled that of other interventionists: they all believed the

Allies "were in effect fighting our own battle."[11]

In contrast to Daniel Willard's measured approach to the new crisis, panic propelled many to suggest extraordinary schemes for American defense. The Wall Street broker Louis P. Eisner wired Roosevelt that "neutrality is a fiction" and all steps "short of war" must be taken to protect American interests. First he wanted the Civilian Conservation Corps converted into a military training organization, and government subsidies granted to aircraft companies to provide for the strengthening of air defenses. The naval building program needed to be accelerated, even though unit costs of production might increase. Fearing for internal security, Eisner urged that the Federal Bureau of Investigation combat the "Trojan-horse" tactics used by disloyal German-, Russian-, and Italian-Americans. Loyal Americans should join the reserve corps of whichever military branch could best use their talents and training. Eisner thought that the President, in his Quarantine Speech, had been the only world leader to forecast accurately the future, but it was now too late to stop the aggressors in Europe. Rather, the Administration had to prepare the Americas against an attack that Hitler was sure to launch

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[11]Daniel Willard to Franklin D. Roosevelt, May 13, 1940, Roosevelt Papers, President's Personal File, Box 1621.

as soon as he defeated Britain and France.[12]

The hopelessness of the European situation filled American minds with despair but also with the urge to turn America into an armed camp. William J. Devlin, president of the Philadelphia Iron and Malleable Works, who, in an audacious moment, had written to Neville Chamberlain in October, 1939, demanding that Britain resume payment on her war debt to the United States, now advocated a fortress America.[13] After the invasion of France, Devlin assured Roosevelt that the people favored any amount of expenditures to defend the country including the cost of the proposed 50,000 warplanes, but he insisted that Americans opposed direct participation in what was not their war. Devlin considered the current conflict to be of that character. Devlin also subscribed to the Trojan horse theory and thought the White House should pay more attention to the work of the Dies Committee, because subversives boring from within might be more dangerous than the enemy attacking from without. The similarity of Devlin's views with

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[12]Telegram of Louis P. Eisner to Franklin D. Roosevelt, May 10, 1940, Roosevelt Papers, Official File, Box 335.

[13]William J. Devlin to Neville Chamberlain, October 12, 1939, Thomas Papers, Box 138.

those of groups emphasizing the dangers of internal subversion was evident; however, he thought such a danger only a possibility and not the paramount issue, which was the Nazi menace itself.[14]

On the official level, the Business Advisory Council approved a resolution which involved the group in one of the most heated arguments of the great debate over foreign policy. As an appendage of the Department of Commerce, the Council gave periodic advice to the Secretary and his staff. Edward R. Stettinius, James D. Mooney, and Donald Nelson were among the members of the Council. To enlist this group's support for intervention the President called a meeting of the Council May 23. Anticipating the possibility of American involvement in the war, Roosevelt told the Council that a Nazi victory would destroy the French Army and the British Fleet, which had served as the buffer between Europe and America.[15] The Council readily accepted the President's invitation to join the fight for intervention.

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[14]William J. Devlin to Franklin Roosevelt, May 20, 1940, Roosevelt Papers, Official File, Box 335 P.

[15]Informal remarks of Franklin D. Roosevelt before the Business Advisory Council, May 23, 1940, Roosevelt Papers, Secretary's File, Box 58.

If certain isolationist businessmen had been present possibly the Council would have displayed less enthusiasm for Roosevelt's internationalism. Jay C. Hormel, soon to be an executive board member of the isolationist America First Committee, was absent from the meeting. Robert E. Wood, destined to be America First's chairman, was a past member of the Advisory Council but was not active at that time.

In the search for adequate national defense the Council proposed the acquisition of Atlantic and Pacific air and naval bases. The Council wanted Roosevelt to sign permanent leases for installations in Newfoundland, Bermuda, Trinidad, Jamaica, and British Honduras in the Atlantic. In the Pacific, the Council suggested arrangements be made to acquire French New Caledonia and Christmas Island. To justify such action and pacify the isolationists, the Council rationalized that these agreements could cancel out the Allies' war debts. The year before, Senators McNary and Lodge had proposed this step.[16] The military writers George Fielding Elliot and Hanson W. Baldwin had taken up the idea in the spring of 1940. Taking advantage of these sentiments, Roosevelt tied the transfer of bases into his plan for delivering reconditioned United States destroyers

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[16] The New York Times, February 22, 1939, p. 1.

to Britain. The Council, unaware of the developing destroyer deal, suggested a leasing arrangement for the bases unless Hitler was about to "impose a disastrous peace upon the Allies." If this occurred Washington should annex the required land as United States territory. In addition to enhancing the defense program the Council thought that the defense dollars poured into these European possessions would provide additional foreign exchange for the Allies, which the mother countries could use to purchase military goods in the United States.[17]

The Council also proposed a solution to the emerging problem of subversion in defense industries: a National Industrial Defense Corps composed of volunteer plant workers should protect factories against potential sabotage. The proposal eventually reached the floor of the Senate in slightly altered form but progressed no farther and failed to become law.[18]

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[17]Resolution of Business Advisory Council, May 24, 1940, Papers of Harry L. Hopkins (Franklin D. Roosevelt Library, Hyde Park, N.Y.), Secretary of Commerce December 1930-1940 File, Business Advisory Council. Cited hereafter as Hopkins Papers.

[18]Business Advisory Council Report of Special Committee on Mr. George A. Hill's Proposal to Establish a National Industrial Defense Corps. Hopkins Papers, Secretary of Commerce File, Business Advisory Council.

The Business Advisory Council's vote of confidence, united with interventionist sentiment in general, caused the President to press for greater American involvement in the world crisis. Several months after the fall of France P. D. Houston, president of the American Bankers Association, reflected that during the German invasion of the Low Countries, "isolationism and pacifism broke down completely," and, although Roosevelt was aware of this in the spring of 1940, he still saw fit to play the isolationists and interventionists against each other to achieve his foreign policy goals.[19]

In his May 26 fireside chat Roosevelt told the nation that greater defense preparations were necessary but no New Deal accomplishments would be scrapped in the process. This promise satisfied New Dealers who were less interested in aiding the Allies than in defending the reforms brought about in the 1930's. Only the traditional anti-Roosevelt groups remained completely opposed to the President's efforts, domestic and international. Summing up this viewpoint the Chronicle told its readers that Roosevelt's "dismal failures . . . are being obscured by the

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[19] P. D. Houston, "Banks and Defense Production," Banking, Journal of American Bankers' Association, XXXIV (March, 1941), p. 83.

stirring events in Europe," for which the "politically minded" New Dealers were thankful. Not against national defense in general terms, the Chronicle with undisguised pleasure reported that rearmament so occupied Roosevelt that he had not had time "fortunately . . . to meddle in foreign affairs" for several weeks past. The Chronicle editors saw as evidence of this that the latest fireside chat dealt entirely with domestic defense.[20] But this hostility towards intervention was on the wane in such business circles as the New York Chamber of Commerce. This group in early June agreed that the United States must support Britain at all costs; if severing diplomatic relations with Germany proved ineffectual then American warships and the air force should be sent to this one remaining Allied nation not yet invaded by the Wehrmacht.[21]

Other New York businessmen sent personal congratulations to the White House and proffered advice to the President on various military and defense matters. American Gear's Chairman Carl Byoir cleared with Press Secretary Stephen Early a telegram from Cornelius Vanderbilt Whitney

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[20] The Commercial and Financial Chronicle, CL (June 1, 1940), p. 3406.

[21] The New York Times, June 7, 1940, p. 1.

so that the message could be made public soon after Roosevelt received it.[22] Whitney considered the President's appeal for greater production of military goods as an opportunity to cooperate with Latin America in air defense. If the Monroe Doctrine was still a part of American foreign policy, Whitney wanted to fuse it with the Good Neighbor Policy to defend the Americas. Such a defense system would create "a fortress of peace around our present trade companionship." Unfortunately, with less than 1,000 modern warplanes in the air fleets of the Central and South American nations, such "peace" was precarious at best. Washington could rectify this problem by supplying United States aircraft to the Latins and also by encouraging plane production in South America.

Thinking in broader terms of defense, Harold S. Vanderbilt worried over the fate of the Royal Navy in the event of a German victory. He agreed with Roosevelt that the buffer provided by the Fleet between Europe and America had to be maintained. Either the United States should buy the Fleet or London must scuttle it to keep the ships out of Nazi hands. Possibly the seat of the British Empire

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[22] Telegram of Carl Byoir to Stephen J. Early, May 27, 1940, Roosevelt Papers, Official File, Box 335.

could be moved to Canada, which would end talk Vanderbilt had heard of annexing that Dominion to the United States, and the Fleet divided among the Commonwealth nations. Vanderbilt realized that Britain considered these proposals unthinkable at the moment, but he had heard rumors that Hitler planned to execute one million hostages if he did not receive the Fleet intact upon his victory. Should this be true, Vanderbilt wanted the British, if they did surrender, to dispose of the Fleet by presenting it to America. He presumed highly secret negotiations would be necessary for such a project, and possibly undemocratic methods would be required, but in his opinion the salvation of democracy justified these means to accomplish the end.[23]

Whitney and other interventionists, blind to the power still wielded by isolationists, found incomprehensible the reluctance of Congress and the President to enact broader programs to aid the Allies. Charles E. Stuart, president of a New York engineering firm and a member of the Fuel Administration during World War I, had been baffled by the isolationists in Congress who opposed modification of the Neutrality Law in 1939. Traveling throughout

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[23]Harold S. Vanderbilt to Franklin D. Roosevelt, May 21, 1940, Roosevelt Papers, Official File, Box 6666.

the North and South he reported to the White House that he found no one opposed to the Administration's interventionist policy. He remembered Goering's Reichstag declaration that America would be considered in her turn, which meant that the Nazi threat must be met with an accelerated defense program.[24] Such grand schemes were dependent on careful planning and extensive organization but above all they required what The Wall Street Journal termed "moral unity," the end of "pressure-group mentality." The Journal identified the "mutual hates . . . suspicions and distrust" in the nation, which had grown during New Deal days, as the greatest impediment to the President's defense program.[25]

These misgivings, however, did not stop Roosevelt as he went a few steps further in the promotion of intervention. On June 10 at Charlottesville, in an address the Chronicle considered improper for the head of a neutral state to make, he compared Mussolini, who had just attacked France, to a thief who had stabbed an innocent victim in the back in order to get at the spoils. This dramatic speech was a milestone in the passing of American foreign

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[24]Charles R. Stuart to Franklin D. Roosevelt, May 21, 1940, Roosevelt Papers, Official File, Box 335.

[25]The Wall Street Journal, May 31, 1940, p. 12.

policy from a neutralist position to that of near-belligerency. Regardless of Mussolini's attack on France, isolationists were still opposed to European entanglements although most favored the buildup of the American military at home. The Journal agreed with the sections on national defense in Roosevelt's remarks but the references to intervention "might have been better unsaid."[26] In spite of its isolationist views the Journal sympathized with the nation's revulsion against Mussolini and respected those who openly supported direct intervention against the European dictators. Another group, equally buoyed up by the speech, raised the Journal's suspicions: it was saying "we need not fight but. . . ." The Journal labeled these citizens as either fools or simply untrustworthy, who had allowed their emotions to obscure the fact that "you cannot go halfway into a war. Either you are in or you are out."[27] The tragedy was thus complete, added the Chronicle, because the President's words had "so definitely placed" America on the Allied side.[28]

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[26] Ibid., June 12, 1940, p. 12.

[27] Ibid.

[28] The Commercial and Financial Chronicle, CL (June 15, 1940), p. 3709.

Despite the Chronicle's opposition to the President's speech, chambers of commerce from Pecos to Buffalo and Atlanta to San Francisco backed Roosevelt's pro-Ally policies. The San Franciscans did not hold against the President the 1939 Neutrality Law's restrictions on shipping as they proclaimed their desire to restrain the Axis powers.[29] The Buffalo Chamber joined the other groups in their zeal, but could not forget the Nye Committee charges and added a reminder that no war fortunes should be created during the present emergency.[30] Special organizations such as the Pennsylvania Grade Crude Oil Association[31] and the New England Shoe and Leather Association supported defense by resolution.[32] Elsewhere, in the South the Georgia Cotton Seed Crushers Association,[33] which provided linters

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[29]Statement of Policy of the San Francisco Chamber of Commerce, June 6, 1940, Roosevelt Papers, Official File, Box 335 S.

[30]Resolution of the Executive Committee of the Buffalo Chamber of Commerce, June 17, 1940, Roosevelt Papers, Official File, Box 335 B.

[31]Resolution of Pennsylvania Grade Crude Oil Association, June 27, 1940, Roosevelt Papers, Official Box 335 P.

[32]Resolution of New England Shoe and Leather Association, no date, Roosevelt Papers, Official File, Box 335 N.

[33]Telegram of W. M. Hutchinson to Franklin D. Roosevelt, June 5, 1940, Roosevelt Papers, Official File, Box 335 C.

for explosives, subscribed to defense, as did the Oklahoma Millers Association.[34]

Limitations glossed over in resolutions were often in the minds of individual businessmen. James D. Francis, president of the Island Creek Coal Company in West Virginia, favored adequate national defenses, but, in what he termed the isolationist tradition of the Washington Farewell Address, opposed "further alliances" with foreign nations. He insisted that Roosevelt's responsibilities were to America only, not the world at large. Francis, further revealing his attachment to traditional foreign policy, feared that the Monroe Doctrine would be challenged if the United States involved herself on the Continent.[35]

The week following the Charlottesville speech the Chronicle characterized the Allied position as being at its lowest ebb since the beginning of the war. But worse came on June 22, when France signed an armistice with Hitler and removed herself from the conflict. This inaugurated a new phase of the war but the Chronicle reported that

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[34]Resolution of Oklahoma Miller's Association, May 28, 1940, Thomas Papers, Box 136.

[35]James D. Francis to Elmer E. Thomas, June 17, 1940, Thomas Papers, Box 126.

Roosevelt had not yet made any changes in policy which would involve the country to any greater extent than it already was.[36] Barron's accurately explained the cause for France's defeat in both economic and diplomatic terms. The artificial alliances cultivated by France in Eastern Europe had failed to sustain the encirclement policy against the Third Reich because the small countries were tied economically to Berlin, not to Paris. To Barron's this lesson in diplomatics meant that the United States might repeat France's blunder, "if we attempt to control" South America.[37]

The age-old problem of Latin American defense had always been of concern to the United States, and now the fall of France combined with the possibility of Axis infiltration in South America made the formerly academic question one of extreme urgency. Businessmen thought it time to update the Monroe Doctrine for use in modern war but disputed the merits of the policy being pursued by the President. The Administration planned to establish a credit pool of $500 million for the nations south of the Rio Grande. Barron's approved of this approach to the problem because

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[36] The Commercial and Financial Chronicle, CL (June 29, 1940), p. 4019.

[37] Barron's, XX (June 24, 1940), p. 10.

"a policy of Hemisphere Defense involves more than military preparation."[38] The magazine then urged the implementation of a more elaborate scheme, a cartel system outlined previously by the President and Cordell Hull. This economic program provided marketing outlets for surplus Latin American products based on quotas allocated to each republic. Barron's considered the plan's objectives "highly praiseworthy" but believed that many complications attended such a project.

Although the Chronicle insisted that this latest Administration scheme was an attempt to "prime the pumps from the Rio Grande to Patagonia," businessmen realized that the plan showed promise in keeping Latin America out of the Axis orbit.[39] Conservative forces represented by the Chronicle carried the day, however, and forced the President to drop the cartel proposal before the start of the Havana Conference in July, 1940.

The absence of certain nations from the conference did not surprise business circles because, as Barron's observed, pro-German dictators ruled in several of the

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[38] Barron's, XX (July 29, 1940), p. 10.

[39] The Commercial and Financial Chronicle, CL (July 27, 1940), p. 461.

Latin capitals. If Germany created a New World satellite out of just one of these countries hemispheric defense would be "virtually impossible." To guard against this possibility Barron's had a controversial solution: the United States must be willing to interfere with the "internal affairs" of Latin nations flirting with Nazism.[40]

The conference overcame such overshadowing difficulties and produced the Havana Act which gave each American nation a share of responsibility for maintaining the Monroe Doctrine, but denied the United States authority to guide the internal affairs of the various republics. Recognition of their autonomy made the assembled Latins more amenable to uniting under the Havana Act against Nazi aggression in the western hemisphere. The editors of Business Week only hoped this move was timely enough and sufficiently sweeping in scope to keep Hitler away from the Latins, who were economically and politically unprepared to face the Nazi threat.[41]

If the Havana Conference solved the Latin American question Roosevelt still faced the problem of United States relations in the Western Pacific. Japan had not been resting

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[40] Barron's, XX (June 17, 1940), p. 10.

[41] Business Week, July 20, 1940, p. 52.

on her laurels since the beginning of the "China incident" in 1937. Her army fought doggedly on the mainland to extend its control beyond the coastal provinces while the Emperor's officials consolidated the Imperial position in Manchuria and elsewhere. The failure of diplomatic notes to restrain Japanese aggression in China forced the Administration into renouncing the trade treaty signed in 1911 by the two nations. The Journal had predicted that the termination of the treaty would not aggravate relations between the two countries. What the Journal did fear was complete Japanese rejection of the Open Door policy toward China. This, said the editors, could lead to national security problems more serious than the fate of commercial exports and imports.[42]

In contrast to the Journal, Business Week was concerned over Japan's reaction to the termination of the treaty. Although the United States was in a better diplomatic position than Tokyo, Business Week warned that if Washington played its advantage too hard it would create a martyr complex among the Japanese and drive them to

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[42] The Wall Street Journal, December 19, 1939, p. 12.

extremes which might destroy trade relations and the Open Door policy.[43] Banking added that now the handling of the Japanese "will be a supreme test of the virility of American statesmanship."[44]

Barron's doubted that an agreement on China would ever be reached if the United States held strictly to the nonrecognition of Japanese conquests.[45] The Chronicle took the same position because "it would be unrealistic not to face the facts as they are."[46] Once the United States freed herself from the Japanese treaty businessmen speculated whether the President would aid the Chinese Nationalists by placing an embargo on Japanese trade. Barron's judged that Japan's greatest fear was a United States embargo, since there was "considerable doubt" that Nippon could continue the China campaign without imports.

Henry Stimson's proposed moral embargo was rejected by many businessmen who thought it was an invitation to defy international law. To these men the neutral United

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[43] Business Week, January 20, 1940, p. 56.

[44] Banking, XXXII (November, 1939), p. 6.

[45] Barron's, XX (January 15, 1950), p. 10.

[46] The Commercial and Financial Chronicle, LXLIX (August 26, 1939), p. 1235; (January 20, 1940), pp. 325-327.

States had no right to take such action. The Chronicle considered Stimson's viewpoint, "just the spirit . . . which will contribute efficiently to our drifting into every important war. . . ." The Chronicle expressed sympathy for China's plight, but reminded its readers that the old Celestial Empire, which had experienced decades of political chaos and civil war, was herself mainly responsible for her condition in 1940. The Japanese invasion of Indo-China in September settled the question for the President. On September 26 he embargoed iron and steel scrap exports to Japan regardless of future consequences.

Business Week regarded Roosevelt's action as "our first skirmish in the final showdown in the Orient. . . ."[47] This proved that the conflict was primarily a businessman's war, but, Business Week emphasized, it was the Japanese business community which "squirmed and protested," not American businessmen, to whom the embargo had cost $32 million in scrap iron exports per year, to say nothing of future losses if the government proclaimed a complete embargo. If the United States severed its ties with Japan and supported Britain, the editors urged American industrial leaders to prepare themselves with the "vision and drive"

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[47] Business Week, October 19, 1940, p. 54.

required to supply British war quotas and American defense needs.

In the early months of 1940 the business community was shocked over the German successes in Western Europe. The French defeat caused many businessmen to throw aside their apathy and support the Administration's defense program, and in some instances to advocate direct American intervention in the war, always adding that the war was bad for business and that no war profits should be made by industry.

"Grassroots" businessmen in their local commercial organizations unhesitatingly supported defense and the Allied position in Europe without fully comprehending the implications of such policies. The technicalities of neutrality and nonbelligerency meant nothing to men outraged by the transgressions of the European aggressors. If sending aid to Britain portended direct involvement in the European war local chambers of commerce never comprehended the implication. Individual businessmen, particularly traditional Anglophiles and past members of the War Industries Board, did understand the dangers for America if she again aided the British in a great war. But this group was convinced that support of Britain against Hitler was

absolutely necessary in order to preserve western democracy, and such dangers as presented themselves were inconsequential in comparison to the great task of defeating the Axis.

Isolationist businessmen recognized no interventionist obligations on the part of the United States. To them, the fall of France was not the signal for America to pour out aid for the British war effort, but the French defeat did make such publications as the Chronicle and its supporters more amenable to rearmament on the home front. Isolationists in the business community subscribed to the fortress America concept, which they hoped would isolate America from the troubles of the world abroad. Isolationism limited their vision, however, and they failed to grasp the magnitude of the task of rearmament. The Chronicle and its allies found themselves caught on the horns of the isolationist dilemma: they longed for adequate defenses but disapproved of spending the great sums of money necessary to provide them. The rabidness of the attacks against the Administration's foreign policy explains why the President pursued his interventionist goal through "quarterbacking," as Barron's characterized his cautious progression from isolationism to internationalism. The Japanese embargo and other controversial Administration policies

caused the great foreign policy debate to take on a more systemized appearance during 1940. In the promotion of their goals both isolationists and interventionists established national propaganda organizations, in which businessmen played an active part.

CHAPTER IV

BUSINESSMEN JOIN THE GREAT DEBATE

In the month preceding the fall of France leading interventionists decided that their cause required greater direction to win over the nation. As a result they organized themselves into the Committee to Defend America by Aiding the Allies. Rumors soon spread of secret meetings of international bankers plotting American intervention on the side of the Allies, as the little band of Anglophiles completed the organization of their group. It was not by chance that they formed the committee in New York, the center of internationalism in the United States. Meetings were attended by businessmen as well as representatives from numerous facets of American life, including Robert Sherwood, creater of the celebrated "Stop Hitler Now!" advertisement, which branded isolationists as either idiots or traitors.[1]

By and large the committee members did not share Sherwood's extremism. Most took the moderate position of the chairman, William Allen White, who thought the best way to keep the United States out of war was to aid Britain

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[1] The New York Times, June 11, 1940, p. 46.

to the utmost. As soon as White agreed to assume the leadership of Committee to Defend America, Thomas Lamont, who had been instrumental in persuading White to do so, telephoned Franklin Roosevelt and announced that the interventionists were united and ready to back the Administration's pro-Ally efforts. Lamont told the President of the committee's fortune in having White as its chairman, since he came from the "Grass Roots" area, the stronghold of isolationism in the country. Lamont found it much more satisfactory having a Midwesterner leading the interventionist campaign, because an Eastern committee chairman would arouse the old suspicions against Wall Street and munitions makers. Lamont respected White's executive abilities as well as his interventionist sentiments. This assured Lamont that White planned to make the group's membership as representative as possible to turn aside the warmonger epithet which the isolationists were sure to hurl at the committee.[2]

Lamont's faith in William Allen White was well placed, as the committee's accomplishments in the great

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[2]Thomas W. Lamont to Franklin D. Roosevelt, May 15, 1940, Roosevelt Papers, President's Personal File, Box 70.

debate proved. Lamont and White promised the President that all their projected plans would be forwarded to the White House for approval before implementation. After agreeing to abandon programs that failed to gain the President's approval, they urged Roosevelt to confer with Alfred M. Landon, the 1936 Republican presidential condidate, and secure his support for intervention. If Landon were converted to their position Lamont and White knew what a serious blow it would be to the isolationist-conservative bloc within the Republican Party. Roosevelt did not need their urging because he had previously contacted Landon, and had in mind a cabinet post for him, although the appointment never materialized. Landon was sympathetic to the Allied cause, but out of consideration for his party position as titular leader he never associated with the interventionists.

Once Roosevelt approved the committee's formation its members worked diligently to further interventionism during the great debate. The May manifesto of Lamont, White, and other charter members was the committee's first public declaration. The document stated that civilization had entered a great "struggle for life or death" which made it impossible for America to live alone in the world.

Nazi victory threatened all hopes for "peace, security, and freedom," and Americans had to aid the European democracies "fighting with their backs to the sea" to protect the Western Hemisphere. Thomas Lamont directed the drafters to add that America's own "totally inadequate defenses" had to be strengthened to guard against Axis aggression. He presumed this addition coincided with Roosevelt's remarks on defenses in the May 26 presidential radio address. No one was more devoted to the British cause than the senior partner of J. P. Morgan and Company, but he supported home defense as necessary to give balance to the overall preparedness program.

Following agreement on the committee's principles the founders invited 687 prominent Americans to join the National Committee and "carry [the committee's] points of view to the American people."[3] Eventually 605 prospects accepted the invitation; Tallulah Bankhead and Gene Tunney commingled with Reinhold Niebuhr and Fiorello LaGuardia to formulate policy. Two businessmen active in the first White Committee joined the new group: Hugh Moore became executive chairman and Frederick C. McKee served as treasurer.

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[3] William A. White to prospective members, no date, Roosevelt Papers, Official File, Box 335.

Financiers who followed Lamont into the committee included the younger J. P. Morgan and William Loeb. From industry the committee counted on its rolls General Electric's Gerard Swope and the silk manufacturer Ward Cheney.[4]

In the second month of its existence the committee published Defense for America, a monumental compilation of interventionist arguments. Quincy Wright and James B. Conant as well as Lewis W. Douglas, president of New York's Mutual Life Insurance Company and later ambassador to Britain, contributed to the volume. In his essay Douglas recounted the centuries old "crusade to emancipate the human spirit" from state control in Europe. The Nazi regime aimed to destroy what progress the crusade had made, a fact Douglas hoped Americans now comprehended so that they would join in the fight to save democracy. He stressed that the threat to the United States was not one of territorial losses. Instead, the danger lay in the Nazi threat to "freedom under justice" and the Bill of Rights. Turning to the weaknesses of the isolationist arguments Douglas found it strange that those who opposed intervention were willing to arm the United States but would not admit that the

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[4]Committee to Defend America by Aiding the Allies Membership List, December 9, 1940, White Papers, Box 317.

Axis threat was the reason for preparedness. Douglas insisted that if the isolationists employed logic in their thinking they must either recognize the German threat or else oppose the defense program.[5] In these writings Douglas exemplified the businessmen who immersed themselves in the political affairs of the nation. These men were a breed apart from the William Knudsens and Walter Giffords of the industrial mobilization program, who thought mostly in terms of their technical fields and rarely publicized their views regarding international relations. Only two members of the Business Advisory Council of 1940, the Bostonians William Y. Elliott and Louis E. Kirstein, joined the Committee to Defend America. Also, only two, Jay C. Hormel and R. Douglas Stuart, supported the America First Committee, the isolationist organization which was organized a few months later.

As the summer of 1940 rolled on, the White Committee propagated for general support of the Allies in various ways. Sympathetic statements by such prominent men as Benjamin Connor, former United States Chamber of Commerce president, that "our national existence depends on an English

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[5] William A. White (ed.), Defense for America (New York: The Macmillan Company, 1940), pp. 139-140.

victory" were published in Executive Director Clark Eichelberger's Progress Bulletin.[6] Eichelberger also spread the news that the July polls recorded a majority in favor of aid to the Allies. White and other Republicans successfully carried the battle for intervention into the Republican Convention and helped nominate Wendell Willkie for the presidency; thus White thwarted the isolationist bloc within his own party.

The greatest success of the White Committee in 1940 was its part in effecting the agreement to give 50 World War I vintage destroyers to Britain in exchange for bases in the Atlantic. The number of vessels was considered inadequate by such Anglophiles as Thomas Lamont even though the accomplishment bordered on the spectacular, considering the amount of isolationist opposition. To increase the aid to Britain Lamont urged White to press for the establishment of a new procurement authority, outside the New Deal-dominated Treasury, to be responsible for sending planes, tanks, and munitions to England. Lamont considered the newly formed National Defense Advisory Commission inadequate for this duty, although he would

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[6] Committee to Defend America by Aiding the Allies, Progress Bulletin, Number 4, July 19, 1940, p. 4.

not quarrel with the job it was doing as a purely advisory organization. Authority, not advice, was necessary to get the priorities for shipping the vital materials to Britain. In addition to material Lamont wanted the committee to support the development of training camps in Texas and California for English and Canadian airmen, and Americans, if Congress would allow them to join the British forces. Since these various projects would spread the committee's resources too thinly, Lamont received little support for them, but in other ways he was more influential in shaping committee policies.[7]

In the early days of October, 1940, Lamont suggested to White that they support what essentially was an embryonic form of the 1941 Lend-Lease Act. Lamont presumed the idea was "probably premature" but nevertheless should be kept in mind for future consideration. He wanted unlimited loans made to England directly by the government in order to shorten the war and give victory to the Allies. Only this plan would stay the need to send American troops against Germany and Japan. In this way Lamont was certain that England could "stop the war on the other side of the

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[7]Thomas W. Lamont to William A. White, October 4, 1940, White Papers, Box 316.

Atlantic" and dispel the possibility of the conflict spreading to the Western Hemisphere.

Chairman White's major problem was not in obtaining support for his projects, but restraining the extreme Anglophiles who wanted to send American troops to Europe immediately. Eventually it became obvious to White that the extremist element in the committee had totally different ideas from his own as to what constituted aid to the Allies. After months of friction he resigned as chairman in the first days of 1941. Thomas Lamont reported to the White House that the committee's New York Chapter, a hotbed of extreme interventionism, finally drove White to abandon the chairmanship. The New Yorkers had decided upon Fiorello LaGuardia as their honorary chairman, and as Herbert B. Swope made this nomination he could not refrain from making what in Lamont's estimation were several "perfect insults" against White for failing to support all-out intervention.

Businessmen outside New York, however, had attacked White's position before the Swope speech. A few days preceding the resignation J. Lionberger Davis, chairman of the board of the St. Louis Security National Bank and close friend of Franklin Roosevelt, wrote to Emporia saying it

was impossible to believe White's recently issued statement that he had joined the committee only for one reason: to keep America out of war. The elderly banker threatened to resign the vice presidency of the St. Louis Chapter of the Committee to Defend America unless White retracted this profession. Davis hoped that the United States did not have to become an active belligerent, but he would support such a course of action if necessary to keep the Axis "from crushing innocent peoples and . . . menacing our own freedom and way of life." Davis maintained that the loss of freedom was more terrible than war, even though taking up arms was a loathsome task.[8]

Messages from isolationists made White see that he was out of step with the Eichelberger-Davis group and resignation was mandatory. Afterwards former President Herbert Hoover congratulated him in the best isolationist style and observed that the "war whoopers are becoming more bloodthirsty every minute." Hoover admitted to being an "appeaser" because he claimed that if Roosevelt pursued an interventionist policy ten or fifteen million American

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[8]J. Lionberger Davis to William A. White, September 29, 1940, Roosevelt Papers, President's Personal File, Box 186.

lives would be lost in battle. In what he presumed were his last ten years of life Hoover told White he was prepared to devote them to "helping people live a little longer" by denouncing intervention. Reflecting his lingering bitterness over his 1932 defeat Hoover added that he was equally prepared to spend his remaining years in a concentration camp, for Roosevelt would "no doubt take care of it in the end anyhow."[9]

Isolationists never ceased their attack on the White Committee. From the day White joined the committee they claimed that he was nothing more than a Midwestern tool of the Wall Street manipulators. Father Charles Coughlin first spread this rumor in his malodorous publication Social Justice. He alleged that the April 29 meeting which had selected White as chairman of the Committee to Defend America was attended by eighteen powerful Eastern bankers. Senator Rush Holt and others capitalized on the munitions makers legend and charged that big business controlled the White Committee through their large financial contributions. It was true that J. P. Morgan donated $500, but

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[9] Herbert C. Hoover to William A. White, January 8, 1941, White Papers, Box 317.

David Dubinsky, the bête noire of many capitalists, had given an equal amount.[10] The sources of the initial contributions showed that the committee's strength lay in the interventionist-minded East; New York City had given approximately two-fifths, or $35,000 of the first $86,000.[11]

Possibly for integrity's sake all extreme interventionists should have left the White Committee, but they continued membership in it while forming another organization called the Century Group. During the summer and fall of 1940 the Century Group cooperated fully with the White Committee, with dual membership in both held by Ward Cheney, Lewis Douglas, and William L. Clayton, a Houston cotton merchant. A more extreme organization also materialized in 1940 to join the interventionist side of the great debate. Calling themselves the Fight for Freedom Committee, Ward Cheney, Marshall Field, and others, who retained their membership in the former groups, advocated immediate military intervention to stop Hitler and save the democracies. Isolationists attacked these groups as they had the White

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[10] Committee to Defend America by Aiding the Allies Comptroller's Daily Cash Report, October 26, 1940, White Papers, Box 316.

[11] William A. White to Mark Anderson, July 8, 1940, White Papers, Box 316.

Committee. Charges of big business control were common, but in reality the extreme interventionists received stronger and more consistent support from big labor than from management.[12]

In September, a few months after White and Lamont formed the Committee to Defend America, isolationists ralled around their own self-proclaimed standard bearer and organized a committee to promote the principles of non-involvement. R. Douglas Stuart, Jr., son of Quaker Oat's first vice president, left his legal studies at Yale and founded the America First Committee. If the interventionists had achieved success through action by committee so too, he promised his followers, could the isolationists. In William Allen White's opinion Stuart was "not politically mature and . . . somewhat naive," but Sears Chairman Robert E. Wood favored the enterprise and soon the committee grew into a national organization. Wood became the temporary chairman and remained in that position until the group was dissolved, because no one dared assume the controversial title of permanent chairman. Wood feared Sears' business

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[12] Mark Lincoln Chadwin, The Hawks of World War II (Chapel Hill: The University of North Carolina Press, 1968), pp. 189-190.

would suffer if he accepted the permanent leadership, and at times he had his doubts about keeping the temporary office.

Stuart set up his operation in the Quaker Oats offices, although his father was somewhat apprehensive over this move. To insure success the publicity men from Quaker Oats and Sears gave professional guidance to the committee staff, and William Benton, one of the nation's most successful public relations executives, lent further help to the cause. William Allen White claimed that Benton had bragged that all the "smart money in this country" was on the isolationist side, which guaranteed victory over the interventionists.

White's own opinions of America First's celebrities indicated the type of individuals generally associated with the committee. He said of former Ambassador to Japan William R. Castle that the retired diplomat probably had his hopes set on being appointed Secretary of State if the Republicans won the 1940 election. White wondered, however, in what way family sugar interests in Hawaii might affect Castle's formulation of foreign policy. He knew that Castle thought Germany would be victorious in Europe and had no objections to Japan's imperialist program in the Pacific.

White dismissed John T. Flynn, who opposed the entire defense program, as one on the verge of a nervous breakdown who should be treated accordingly. Regarding Katheryn Lewis, daughter of the labor leader, White expressed contempt for her being a fellow traveler, and pity for her committee associate Oswald G. Villard, because he was "fairly senile" and without any "firm ideological base."[13]

Isolationist businessmen had to work with this amazing array of eccentrics if they hoped to direct the main isolationist force in the great debate. But the ability to reconcile the differences between fellow travelers and steel executives in the interest of the common goal was lacking in America First leadership. Possibly more industrialists were directly associated with America First than the White Committee, whose business world membership tended more toward financiers and lawyers. Best known among the America First businessmen was Henry Ford, described by White as an "incorrigible, anti-democratic, individualist Fascist." Still resentful over the public ridiculing of his 1915 Peace Ship Mission, the automaker became an ardent supporter of America First. Although too aged for his

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[13]Memorandum of William A. White, no date, White Papers, Box 317.

views to be influential, Ford did block one interventionist project during the Battle of Britain, when the Administration arranged with the Ford Motor Company to make engines for the RAF's Spitfire. Edsel Ford agreed to the plan, but his father canceled the agreement on the basis that America was not at war with Germany and should not undertake such an unneutral project as making Merlin Rolls-Royce engines for the British. After Pearl Harbor, however, Ford cooperated with industrial mobilization.[14] Henry Ford's influence on America First was negligible, because he was expelled from the National Committee only two months after the group was organized. The Board of Directors doubted that Ford's views were "consistent with the official views of the Committee" and decided he had to be "dropped as a member."[15]

William Regnery, president of Western Shade Cloth Company, was one of the directors who voted to end Ford's association with America First. Three weeks after the

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[14]Donald M. Nelson, Arsenal of Democracy: The Story of American War Production (New York: Harcourt, Brace and Company, 1946), p. 80.

[15]Minutes of America First Committee Board of Directors Meeting, December 3, 1940, Chicago, Illinois, in America First Committee Papers, The Hoover Institution on War, Revolution, and Peace, Stanford, California, Box 23. Cited hereafter as America First Papers.

board ostracized Ford, Regnery offered to underwrite the committee's expenses up to $40,000. This sum was in addition to his previous $10,000 donation. The board, however, decided to delay acceptance of the $40,000 until other sources had been exhausted.[16] Thomas N. McCarter, chairman of the board of Public Service Electric and Gas Company, also served as an America First director. Hanford MacNider, president of Northwestern States Portland Cement Company, sat with McCarter on the board and contributed to the committee's policy making from his broad experiences of the past two decades. From 1925 to 1928 he had served as assistant secretary of war and in the early 1930's he was minister to Canada. Other industrialists who served on the National Committee were Edward L. Ryerson, vice chairman of Inland Steel and Sterling Morton, the salt king.

Another active but bothersome America First director was Jay C. Hormel, president of the Hormel meat packing company. William Allen White respected Hormel as a competent industrialist who exercised a "generous paternalistic policy toward his employees, but who too often

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[16]Minutes of America First Committee Board of Directors Meeting, December 27, 1940, America First Papers, Box 23.

applauded Hamilton Fish and other isolationists on the Republican Policy Committee."[17] Hormel had the singular quality of injecting disharmony into otherwise staid conferences with his thoughts and proposals. One such instance occurred the year before America First was founded, when at an Executive Committee meeting of the Business Advisory Council, Hormel added to a discussion on foreign trade that intercourse with belligerents could lead to overexpansion and dislocate the American economy. He proposed instead that the United States develop permanent markets in Latin America and close out all European business. The BAC members favored developing Latin American trade but rejected the rest of Hormel's scheme. After Hormel relinquished the floor at the Business Advisory Council meeting the stenographer laconically recorded that "considerable discussion followed."[18]

In America First Hormel hoped he had found an organization that would serve as a vehicle for his ideas

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[17] Memorandum of William A. White, no date, White Papers, Box 317.

[18] Minutes of Business Advisory Council Executive Committee Meeting, September 22, 1939, Hopkins Papers, Secretary of Commerce 1938-1940 File, Business Advisory Council.

on American foreign policy, but he disagreed with the methods Wood and Stuart were using to propagate the committee's principles. In Hormel's opinion open attacks should not have been directed against any specific part of the Roosevelt program; instead, he wanted quiet, unpublicized lobbying conducted in Washington against proposed interventionist legislation. Hormel realized that America First was fighting a rear guard action in the great debate and could not afford a policy of "guerilla warfare against the subissue of the moment." The interventionists always won the individual debates over cash and carry and aid to the Allies. Instead of dissipating America First's strength on these issues, Hormel wanted all efforts concentrated on the main objective: the promotion of noninvolvement in the war. In line with this approach Hormel suggested that America First support for reelection congressmen of either party who consistently voted against the legislation dragging the country closer toward war.[19]

During the lifetime of America First the Board of Directors never approved a program suitable to Hormel; the committee steadfastly opposed Administration foreign

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[19]Telegram, Jay C. Hormel to Robert E. Wood, January 14, 1941, America First Papers, Box 19.

policy without offering a viable substitute. Its programs mainly attracted unwanted support from such lunatic fringe leaders as Father Coughlin and Gerald L. K. Smith. With these men using America First for their own purposes Hormel realized the public could not help but think the committee "a little bit screwball." Over the months Hormel waited for America First to embrace a policy backing both adequate national defense and noninvolvement in Europe's war. Instead, the committee neither adequately supported defense nor succeeded in keeping the United States away from Britain's war with the Axis. There were moments when Hormel nearly convinced his colleagues that he had joined the wrong committee, because he always considered the Neutrality Law of 1939 an unfair restriction on American shipping. In the best Wilsonian tradition he informed Director Stuart that the United States should maintain her right to ship normal quantities of linseed meal and other goods to Holland and elsewhere "item by item to all the countries--combatant and occupied."[20]

At the end of November, 1941, with the Axis preparing to breach America's traditional water defense system,

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[20]Jay C. Hormel to R. Douglas Stuart, Jr., October 30, 1941, America First Papers, Box 19.

Hormel believed that only a complete regeneration could save America First. Its leaders had to accept realistically the world crisis and propagate three basic principles: an impregnable national defense system; constant preparedness; and the preservation of representative republican government by staying out of wars in Europe and Asia. Hormel believed his proposals constituted a positive program far superior to the brickbat throwing that the committee had indulged in during its first year's existence. He was willing to live with lend-lease, and destroyers sales, if given the chance to spread his basic principles.[21]

Robert Wood in vain attempted to placate Hormel with assurances that a new set of principles would be publicly revealed in the first week of December, 1941. Wood, however, bluntly told Hormel that the majority of the committee disagreed with his proposed principles, especially if Hormel regarded the United States already at war. Wood admitted that America had entered an undeclared limited naval war, but he insisted the American people had not committed themselves to make the sacrifices a total war required. No expeditionary force had been raised to effect

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[21] Jay C. Hormel to R. Douglas Stuart, Jr., November 26, 1941, America First Papers, Box 19.

the "all out" war needed to destroy Germany. Such efforts, Wood estimated, would cost "a couple hundred billion dollars" and destroy the national economic structure.[22]

The adjustments made to America First did not suit Hormel and he resigned from the committee three days before Pearl Harbor. For a year his associates had ignored his complaint that the committee was against everything and for nothing. Although he still opposed an American invasion of Hitler's Europe he did not see how, at such a late date, isolationists could expect Congress to avoid "participation" in the war. Despite differences of opinion Hormel praised General Wood's reputation and general abilities as the only force that held the organization together during its existence.[23]

Hormel's appraisal of Wood was extremely accurate. A chairman less than completely dedicated to the isolationist cause with a reputation qualified in its sincerity and integrity would never have survived the state of turmoil in which the General constantly found himself. In the din

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[22]Robert E. Wood to Jay C. Hormel, November 29, 1941, America First Papers, Box 19.

[23]Jay C. Hormel to Robert E. Wood, December 4, 1941, America First Papers, Box 19.

of battle Wood never faltered as he fought the making of an Anglo-American alliance in Washington. Wood accused the Department of State, especially Ambassador Bullitt, and the President as well as Mrs. Roosevelt of pro-Allied feelings, which, he wrote, were contrary to those of the "overwhelming majority" of Americans, whether businessmen or workers, Republicans or Democrats.[24] Wood recalled in the simplistic idiom of the isolationists that the Versailles Treaty did not make the world safe for democracy, but rather it created Hitler and Nazism. He then drew the conclusion that defeating Hitler with American aid in the current war would only produce another Versailles and more Hitlers.

Since all nations were staggering under their past war debts, Wood predicted ruin for the Powers that dared participate in another conflict. To avoid such a fate Wood proposed the standard isolationist solution: the United States must stand aloof from the European conflict and convert North America into a great fortress defended by a strong Army and Navy. If the British Empire collapsed, Wood assumed Canada planned to annex herself to the United

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[24]Robert E. Wood to Franklin D. Roosevelt, October 6, 1939, Roosevelt Papers, President's Personal File, Box 1365.

States, and thus solidify North American defenses. This security, however, would be meaningless if the United States entered the war, because, Wood presumed, the American social system might collapse, leaving few liberties and none of the social and economic gains made since 1933. Wood hated to behold the dissipation of American wealth being used, as he thought, to preserve the British and French empires when the funds could be well spent at home if the President were neutral in thought as well as deed.

Roosevelt did not brook this criticism even from the respected Robert Wood and replied that the General at his age should discriminate between newspaper interpretations and facts, and stop making such "wild and wholly incorrect statements." The President insisted that no one in official Washington considered war inevitable so Wood ought to get his "feet back on the ground" and cease being so disturbed.[25]

Resentful over this presidential chiding, Wood answered that he sincerely hoped the Chief Executive did not consider him "simple enough to take columnists' articles . . . at face value," because his information came

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[25] Franklin D. Roosevelt to Robert E. Wood, October 12, 1939, Roosevelt Papers, President's Personal File, Box 1365.

not from journalistic sources but from Administration officials, including one State Department officer.[26] Wood did withdraw his request for "neutrality in thought" but he continued to demand neutral action, which he found ignored in the case of the Bremen, the German liner delayed by authorities in the New York harbor after the invasion of Poland. Wood recalled that although he had disagreed with portions of the New Deal, mistakes in domestic policy could be rectified. In foreign affairs, however, rectification was impossible; errors in diplomacy might lead to Armageddon. Nevertheless, the General accepted Roosevelt's word that the Administration did not anticipate American entry into the European war and admitted that two of the original points he had brought to the President--the information about Ambassador Bullitt and Roosevelt himself--were merely hearsay.

Roosevelt could not resist answering Wood and immediately pointed out that "hearsay evidence . . . is not admissable in the court." But if Wood still insisted on being a doubting Thomas he should come down to Washington

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[26] Robert E. Wood to Franklin D. Roosevelt, October 25, 1939, Roosevelt Papers, President's Personal File, Box 1365.

and let the President personally "quiet [his] troubled mind."[27] Regardless of such bandying the Roosevelt charm failed to draw Wood into the interventionist camp, and seemed to have the opposite effect, with the General leading the opposition throughout the great foreign policy debate.

Although Wood stood as the rock of Gibraltar amid the diverse and perhaps unstable personalities of the isolationist movement moderation tempered his thinking on certain issues. Wood thought the isolationists and interventionists saw eye to eye on the strengthening of the Army and Navy and supported the current program because the richest nation, America, had to "make itself impregnable." Also Wood found that both schools of thought opposed foreign nations establishing new colonies in the Western Hemisphere and supported plans to defend North and South America, at least as far as the Equator, although many isolationists were reluctant to extend the defense zone as far as Cape Horn. One other point of agreement was on aid to Britain within the limits of the Neutrality Law. Many interventionists opposed cash and carry in favor of lend-lease but

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[27]Franklin D. Roosevelt to Robert E. Wood, October 28, 1939, Roosevelt Papers, President's Personal File, Box 1365.

Wood considered the former system the best method to give Britain the aid vital to her continuing the war against Germany.[28]

Wood's high point as isolationism's leader came at the NAM Congress of American Industry in December, 1940. In a major address he recalled the great fears his business associates had of Communism in the 1920's. In that decade his friends feared that Bolshevism would conquer all Europe and then spread to the United States. But the threat proved groundless and, Wood added, Russia had reverted to "a second-rate Asiatic depotism." The same fate would befall Nazism, he predicted. Isolationists applauded this speech as the embodiment of their principles. The Commercial and Financial Chronicle urged all Americans "to ponder [this] strong and straightforward address . . . ." The Chronicle agreed with Wood that in America "a minority, highly entrenched . . . is determined upon much more aggressive action" against the Axis and should be checked immediately before they involved the nation in war.[29]

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[28] Robert E. Wood, "What Should Be Our Policy In the Present European War?", Address before the 1940 Congress of American Industry, December 13, 1940 (New York: National Association of Manufacturers, 1940), pp. 1-17.

[29] The Commercial and Financial Chronicle, CLI (December 21, 1940), pp. 3049-3051.

The star speaker in the America First stable, however, was Charles Lindbergh, who became so entangled in explaining away his anti-Semitic statements and Iron Cross--a gift from Herman Goering--that it was questionable whether he was an asset or liability in the last months of America First's existence. Before the founding of America First, Lindbergh had advised Americans to investigate the background of every person who expressed opinions about the European war and America's relation to it. Dorothy Thompson, an avid internationalist, immediately challenged Lindbergh's own record. Barron's thought Miss Thompson had "very properly turned 'Lindy's' own advice against him and went pretty thoroughly into his history."[30] Isolationists ignored these attacks but were disappointed in the small number of converts Lindbergh had brought into the fold. The Chronicle lamented that Lindbergh's "honest attempt to discuss the fundamentals of the situation" and to point out "the wisest course for us to follow" after the French surrender was ignored by the White House. The interventionist Administration, claimed the editors, was

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[30] Barron's, XIX (October 30, 1939), p. 10.

just "playing politics" with the "sincere effort" of Lindbergh and isolationists in general.[31]

Other America First speakers added confusion in the ranks when they indiscriminately renewed the warmonger charges against industry, which made isolationist businessmen blench at being associated with the side of villainy in the great debate. The Wall Street Journal challenged Senator Burton J. Wheeler, one of America First's most popular speakers, on this after the Senator "insinuated" that Wall Street favored entry into the war. The Journal replied that such charges were the "crudest nonsense," and the securities business contained no greater proportion of extreme interventionists than any other segment of the nation.[32]

As the committees girded themselves for action in the great debate they found on their doorsteps the issue of whether America could survive in an economic world dominated by a victorious Germany. Many Americans suspected that once Hitler enslaved the workers of Europe he could out produce and outsell the United States in world markets

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[31] The Commercial and Financial Chronicle, CL (June 22, 1940), pp. 3880-3881.

[32] The Wall Street Journal, June 15, 1940, p. 12.

and destroy the nation in an economic war. Robert Wood expressed the isolationists' sentiments when he told the Congress of American Industry that the American economy could compete successfully with a victorious Germany, although the government might have to fight fire with fire and establish export cartels and mass purchasing organizations. Once this was done the laws of economics would prevail in America's favor, Wood argued, because Europe needed America more than America needed Europe.

Less well known than Wood or Charles Lindbergh but nevertheless a powerful gun in the America First camp was George N. Peek. One of many who passed through the halls of the New Deal in the 1930's later to become disillusioned with the Roosevelt Administration, Peek had served as Export-Import Bank president and presumed to be an authority on international economics. If the Nazis used slave labor to compete with the United States Peek assured America Firsters that free labor could out produce these Hitlerian helots. This had been proven, he believed, by the fact that America's greatest progress came after the abolition of slavery. The interventionists challenged this reasoning, Peek explained, out of self-interest. International bankers and others who profited from world trade

were attempting to involve in foreign markets American industrialists whose proper places were in the prosperous and stable domestic market. In particular Peek condemned James P. Warburg, a former New York banker turned economist and author, as a typical international financier willing to abandon principle in the pursuit of profit. In 1936 Warburg had written two books opposing Roosevelt's reelection but during the presidential campaign changed to the Democratic side after Alf Landon embraced protectionism. This proved to Peek's satisfaction that the present interventionists belonged to the same group the Nye Committee chastized as the warmongers of World War I. Although they were backing Roosevelt and his foreign policy Peek considered them "queer company for the New Dealers who were going to drive the money changers from the temple."[33] An unexpected supporter of Peek on one point was Bernard Baruch who, on June 10, 1941, stated that the United States could undersell Germany in neutral world markets if Americans maintained a "low price structure throughout the war." At the same time Baruch dismissed the alleged threat of cheap German

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[33]America First Committee, Can Hitler Cripple America's Economy: An Interview with George N. Peek, Moline, Illinois (Chicago: America First Committee, 1941), pp. 23-29.

labor as nothing more than an exaggeration from the interventionist propaganda mill. Barron's answered Baruch for the interventionists and reminded him that although the United States operated under free enterprise Germany had passed into a state-controlled economic system which was potentially dangerous to all capitalist countries.[34]

The Chronicle supported the isolationists in playing down the effect of a German victory on the American economy. The Chronicle surmised that the Nazi success in destroying France had "stimulated the imaginations of the world to the point" that many misinformed interventionists pronounced Germany, if victorious in Europe, the future political and economic arbitrator of the world. But the Chronicle suspected that Germany was already weary after seven years of war and if victory in Europe were hers she would lack the strength to challenge the United States politically or economically. Instead of participating in "international wire-pulling and bitter jealousies" the Chronicle hoped that as long as the war lasted Americans would choose to remain at home and "develop first and primarily our defensive position."[35]

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[34] Barron's, XXI (June 16, 1941), p. 10.

[35] The Commercial and Financial Chronicle, CLI (September 7, 1940), pp. 1327-1329.

The White Committee's Lewis Douglas was among the first to discount the isolationist premise that the United States could live at peace in a Nazi-dominated world. The isolationists were blind, Douglas wrote, if they thought German life in 1940 was similar in any way to that in America. To the contrary, Douglas believed that Hitler planned to use his regimented masses to lead a world revolution aimed at crushing the "degenerate democracies." Douglas rejected isolationist assurances that trade with Germany could continue uninterupted. He retorted that regardless of their proposed reasonable sounding trade agreements the Nazis were determined to conduct the trading on their own unprincipled terms backed by threats of violence. In production Douglas pointed out that this German dominated trade pitted free labor against the Third Reich's workers and would require reorganization of the American system into an imitation of Germany's, with "unrestrained personal authority and organized violence" binding it together. Regarding Peek's callous comparison of free labor to slave, Douglas and his associates found it unworthy of comment.[36]

In support of Douglas, the Business Week economics staff came to the conclusion that Germany might attempt to

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[36]White, "Defense for America," pp. 140-147, White Papers, Box 317.

launch an "economic blitzkrieg" against the United States. After a victory over France and Britain, Germany would have the raw materials for her state-controlled economy which, through a loss leader policy, could then inflict the "crowning indignity" on America: atuomobiles marked "made in Germany" for sale in auto agencies throughout the United States.[37]

By the end of 1940 the interventionist theory of impending economic war had gained acceptance in the White House. One reason, Barron's reported, was that even the "sled-length isolationists who love Roosevelt least" now accepted the possibility of economic conflict with Germany. With many isolationists and all interventionists in agreement on this point the President felt safe to act. Businessmen were relieved when the White House indicated that it would meet the German industrial threat if it materialized, but they hoped that the President would appoint someone besides "Uncle Henry" Morganthau and his "grabby . . . aggressive, young clique" of New Dealers to run the program.[38]

Animated by the formation of the committees of the great debate interventionist businessmen toyed more

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[37] Business Week, June 18, 1940, pp. 37-44.

[38] Barron's, XXI (January 27, 1941), p. 4.

with the idea of direct intervention in the European war, and isolationists in the business community cast shriller denunciations against Rooseveltian foreign policy. Prominent in the work of the committees were individual businessmen. Praise for Thomas Lamont's important contributions to the Committee to Defend America came from his fellow interventionists and from Roosevelt himself. Robbed by Senator Nye's anti-business propaganda of the chairmanship, which was rightfully his, Lamont relinquished the mantle of leadership to William Allen White in the interest of the interventionist cause.

With no burden from the Nye Committee to bear, the America First isolationists unhesitatingly chose a businessman as their leader. Critics frequently assumed that America First was the anti-Roosevelt businessmen's final ploy for ousting Roosevelt from the White House. Although the committee was founded a few weeks before the election other events were more important in its formation. The White Committee had been thriving for months and isolationists thought that their cause would prosper if similarly organized. The success of the destroyer deal in September left no doubt that the America First Committee was needed immediately to oppose future interventionist

projects which isolationists feared would involve the United States in war. The theory that America First was another front for the Roosevelt haters is untenable because only one businessman from the rabidly anti-Roosevelt American Liberty League, Thomas N. McCarter, was active on the isolationist group's national committee. In contrast, several Liberty Leaguers joined the pro-Roosevelt White group, including such prominent interventionists as Frederic R. Coudert, William L. Clayton, and J. P. Morgan.

The clash between the two committees over the possibility of economic war with Germany indicates the intractable position taken by the groups on all issues in the great debate. Suggestions for compromise in either group were met with scorn by the extremists. No middle ground ever developed upon which reasonable isolationists and moderate interventionists could stand to build a positive foreign policy and defense program for the nation. The President knew this, and continued his "quarterbacking" to effect his preparedness program, the next steps of which were the destroyer deal with Britain and conscription at home.

CHAPTER V

BUSINESS AND THE POLICY OF NONBELLIGERENCY

The first move toward a bipartisan foreign policy came on June 20, 1940, when the President appointed Henry L. Stimson and Frank Knox as secretaries of War and Navy. These actions represented the initial steps in the Administration's move to transform America from a neutral into a nonbelligerent in world politics. The presence of two prominent Republicans in the cabinet lightened the burden of the battle on Roosevelt as he sought passage of a conscription law and arranged the donation of warships to Britain, steps which permanently closed behind the President the doors of neutrality. America's new nonbelligerent status suited the purposes of the interventionist businessmen who placed great faith in Stimson and Knox's ability to shape a pro-Ally foreign policy. Barron's noted that "often in tough spots . . . Roosevelt has contrived to make a move killing two birds with one rock," thus acting in the nation's and his own political interest. The magazine did not consider the cabinet a coalition as the White House had labeled it, but agreed that the move was "good politics"

for the President and "good business" for the government, as well.[1] The appointments also indicated to the editors the President's accurate sizing up of American public opinion, now willing to support a change in policy from neutrality to nonbelligerency.

Exceptions to this opinion included the isolationist Commercial and Financial Chronicle which disliked the idea of the interventionists Knox and Stimson taking over the War and Navy departments. In the magazine's opinion the "political amateurs" in the White House made the appointments to remove the public's attention from the reorganization of the National Defense Advisory Commission, the agency in charge of industrial mobilization.[2] More bluntly, The Wall Street Journal characterized the Stimson appointment as a "calamity," because of the veteran cabinet member's past interventionist record. Regardless of Stimson's "unquestioned integrity and fine ability" the Journal felt that as Secretary of War he "could open this country to the danger of war. . . ."[3] In any event, Stimson and Knox

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[1] Barron's, The National Financial Weekly, XX (May 20, 1940), p. 4; (June 24, 1940), p. 10.

[2] The Commercial and Financial Chronicle, CL (May 25, 1940), p. 3264; (June 22, 1940), p. 3878.

[3] The Wall Street Journal, June 21, 1940, p. 4.

were put to work promoting the transfer of destroyers to the hard pressed British fleet. President Roosevelt's interventionist supporters were so successful in winning public support for the deal that the columnist Mark Sullivan estimated nine out of ten Americans favored the destroyer trade. This, Sullivan declared, should spur the President on to conclude the arrangements, regardless of the legal and diplomatic problems created by the transfer. On September 3 the President took advantage of the rising sentiment in favor of the destroyer transaction and announced his executive agreement to Congress.[4]

The business press, along with other segments of the American public, speculated on the effect that the destroyer deal would have on United States relations with other world powers. Business Week regarded the destroyer transfer as the climax of events that had taken place since the French surrender, when Roosevelt designated the British Isles as America's first line of defense. Now there was no question that the United States had ceased to be neutral and had become a "non-belligerent, extending all aid--short of war--to the Allies."[5] Interventionist businessmen who

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[4] Committee to Defend America by Aiding the Allies, Progress Bulletin, August 12, 1940.

[5] Business Week, September 7, 1940, p. 52.

had grown impatient with the President's waiting for the political winds to blow from the right direction before acting on the transfer of the vessels now congratulated Roosevelt. A Chicago realtor, however, scolded the President for being "inclined to pussyfoot too much," because the destroyer transfer "should have been made several months ago." Regardless of the delay the Chicagoan, along with many interventionists, pledged his support to the President in the coming election "probably on account of what I deem to be your strong foreign policy."[6]

Barron's decided that the President had delayed the destroyer deal because he was "on the verge of soft-pedalling his foreign policy." The magazine assumed that an invasion of Britain was imminent and the unprepared state of the American military machine had caused the White House to "speak softly until it can get a big stick." Unless the deal could be disguised as a commercial transaction, Barron's regarded it as tantamount to a declaration of war on Germany.[7]

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[6]Alexander Bisno to Franklin D. Roosevelt, September 5, 1940, Roosevelt Papers, Official File, Box 335.

[7]Barron's, XX (August 12, 1940), p. 4; (September 30, 1940), p. 4.

Regardless of the legal category in which the Administration placed the destroyer deal, isolationists were enraged over this pro-Ally move. The Chronicle, reflecting its traditional distrust of the President, went straight to the heart of the matter. It quoted word for word to its readers the United States statute prohibiting delivery of warships to belligerents when America was a neutral. The Chronicle fought to the last against the Administration's "insidious steps . . . to squander the lives and substance of the people in unnecessary warfare. . . ." Ambassador William C. Bullitt's "rabble rousing" Philadelphia speech, which pictured Adolf Hitler in Independence Hall was, in the Chronicle's opinion, a violation of the Criminal Code. A diplomat, argued the editors, was a government employee and could not influence legislation although Bullitt had tried to do so with his interventionist speechmaking. When the President announced the destroyer transfer on September 3, the Chronicle found this "newest departure of the capricious Mr. Roosevelt . . . startling in itself." The White House had described the transfer as an "epochal" act, a stock term which, when uttered by the President, always made the Chronicle editors "grow uneasy." Either the President had reference to the

destroyers, which the Chronicle doubted, or else he had marked the beginning of a protracted policy of "executive usurpation" in foreign affairs. If the destroyer deal indicated a new White House approach to international relations the Chronicle puzzled over how many other deals remained hidden from the public "in the dark alcoves of secret diplomacy." The President's use of executive agreements in the destroyer transfer rated as the best recent example of what the Chronicle described as Roosevelt's tyrannical tendencies in government, which the magazine had recognized long before with the advent of the New Deal in the 1930's.[8]

Isolationists were equally unhappy about the British transfer of bases to the United States that went along with the destroyer deal. Roosevelt's acceptance of bases on foreign soil for the use of the Navy involved America deeper in international affairs. The Chronicle pointed out to the "superficially inclined" Roosevelt supporters what should have been obvious to the "inquiring mind," namely, the new American bases were on British soil. The

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[8] The Commercial and Financial Chronicle, CLI (August 10, 1940), pp. 747-749; (August 24, 1940), pp. 1035, 1036; (September 7, 1940), pp. 1315-1317, 1320, 1321.

Chronicle believed that the American defense system would be ill-served if the Axis should take possession of the territories in which the bases were located. Since the leaders of the British Empire "were not born yesterday," it was clear to leaders in Washington and London, the Chronicle declared, that for practical purposes United States forces would defend "against all comers" the territories involved. At the very least, the magazine predicted, the "equivalent of an alliance," the bane of isolationism, would have to be negotiated with Britain to provide for such eventualities.[9]

Before the isolationists could launch a campaign against the destroyer for bases deal they discovered that they had lost the fight. They were caught off guard by the threat of peacetime conscription, a custom never before practiced on American soil. Until the summer of 1940 the preparedness debate centered around material goods, and Roosevelt had said little about the need for human resources in defense. But as France neared defeat, Business Week observed that "we talk glibly about arms and equipment for a million men . . . but--what million men?"

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[9] The Commercial and Financial Chronicle, CLI (August 10, 1940), pp. 747-749; (August 24, 1940), pp. 1035, 1036; (September 7, 1940), pp. 1315-1317, 1320, 1321.

The magazine reminded its readers that in modern war "armory drilling" and "a few weeks of field exercises" were insufficient training for men entering combat. In 1940, six to twelve months were required to train properly military personnel. This meant to Business Week that universal training in time of peace and selective military service in time of war were now necessary in America.[10]

Individual businessmen echoed these views in their petitions to the President. The New York investment counselor Edwin Trent recalled that in 1917 valuable time had been lost preparing civilians for military life. Two years, not just one as Business Week suggested, were necessary in Trent's estimation to prepare men for combat. The financier thought France's imminent collapse made preparedness doubly important for the United States. If America allowed herself to assume the old French cloak of complacency Trent predicted that survival in the world crisis was impossible.[11]

More extreme than Trent was John Kennedy, president of Baltimore's United States Construction Corporation.

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[10] Business Week, June 15, 1940, p. 54.

[11] Edwin Trent to Franklin D. Roosevelt, May 23, 1940, Roosevelt Papers, Official File, Box 335 T.

Pronouncements from Berlin convinced Kennedy that Hitler had prepared an invasion of the United States as soon as the Wehrmacht and Luftwaffe were fit for the task. This made Kennedy's "blood boil" when he knew that America, with billions of dollars available for defense financing, was "playing tiddle-winks" while the Germans steeled their war machine for the attack. Kennedy urged the President to declare a state of national emergency and thus smooth the way for a defense program capable of meeting the Nazi menace. Then, the Baltimorian continued, Henry Ford and other industrialists should start producing war goods and the Administration begin conscription at once to raise an army of "at least five million."[12]

After the French surrender greater numbers of businessmen expressed their views on conscription. The Business Advisory Council's Executive Committee voted to support the Burke-Wadsworth conscription bill, but in consideration of the still prevalent public opinion that business was not above warmongering, the Executive Committee thought it in the best interests of the legislation not to announce publicly the council's support. Instead,

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[12] John Kennedy to Millard Tydings, May 31, 1940, Roosevelt Papers, Official File, Box 335 U.

council leaders urged individual members to promote the bill "in quarters where such endorsement would not be misinterpreted." The council endorsed universal compulsory registration and selective training, but for the regular Army and Navy personnel it favored retention of the traditional voluntary enlistment system which provided for longer periods of service.[13]

The Special Defense Committee of the United States Chamber of Commerce followed the Business Advisory Council's course in supporting the voluntary enlistment program. The men needed for the basic functions of the regular Army and Navy had to be more permanent in nature than draftees. The Chamber regarded these fully trained and experienced components as ready for immediate action or for use as a cadre when forces were expanded in an emergency. General George C. Marshall's testimony before the Senate Military Affairs Committee on August 17 convinced the Chamber of the need to retain the standard enlistment system. The Chief of Staff explained that the elaborate teamwork involved in the conduct of a modern war necessitated retention of long term enlistees. With the addition of

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[13]Minutes of Business Advisory Council Executive Committee Meeting, July 12, 1940, Hopkins Papers, Secretary of Commerce, 1938-1940 File, Business Advisory Council.

conscription a large reserve of trained personnel would be ready if needed to meet a challenge from abroad.[14]

Businessmen and other Americans regarded conscription as the only feasible method for raising a large army in a democratic nation. Some might resent a military draft, but the Chamber pointed out that all citizens must be prepared to render service in defense of the nation's common safety. Furthermore, as befitted a democracy, conscription fell on "rich and poor alike." This meant to many businessmen that the draft would have a mellowing effect on class relations. The system's "absolute equality" made Barron's believe that with both the high- and lowborn susceptible to the draft, conscripted army life was "an object lesson in understanding between classes." Moreover, Barron's predicted that conscription would make the nation "invincible against attack" but interfere little with the careers of the young draftees, not yet established in permanent occupations.[15]

Businessmen who backed the draft as important to

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[14] Chamber of Commerce of the United States, Voluntary Enlistment and Universal Military Training, Report of Special Committee for National Defense, (Washington: Chamber of Commerce of the United States, 1940), pp. 1-4.

[15] Barron's, XX (September 23, 1940), p. 10.

national defense balked at an absolutely universal system and advocated exemptions for industrial workers. Business Week warned that the government should guard against enlisting "men whose services . . . would be more valuable in industrial capacities." The Business Advisory Council held a similar opinion and urged the Administration to exempt workers in strategic industries. Individual businessmen personally interceded at the White House for exemptions. C. R. Smith, president of American Airlines, wrote to Eleanor Roosevelt expressing his hope that essential civilians could remain at their posts. Anticipating that exempt workers would be branded "draft dodgers" Smith proposed that the government institute some form of recognition for defense workers, such as a badge or button, to signify the wearer's participation in the war effort.[16]

After Congress passed the conscription bill on September 16 isolationists reluctantly accepted the new law. The Chronicle reflected the thoughts of isolationist businessmen that there was "no sadder commentary on the state of world affairs" than the inauguration of the peacetime draft. The Chronicle still insisted that,

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[16]C. R. Smith to Eleanor Roosevelt, October 16, 1940, Roosevelt Papers, Official File, Box 3355.

although conscription was the law of the land, the "skillful conduct of foreign affairs" would make it unnecessary to use the young Americans impressed into service. Seizing the opportunity to criticize New Deal domestic policy, the magazine thought the Democrats at least should sacrifice some of "their own pet nostrums" if they expected the nation to accept conscription. It seemed to the Chronicle that Roosevelt had too quickly abandoned American liberties at home, as he continued to display "incredible capriciousness" in the conduct of foreign relations.[17]

The battle over conscription and the deal for destroyers coincided with the 1940 presidential election campaign. His victories on these issues led the President to regard the coming election as a test to determine whether he should strengthen further the ties between an America presumably neutral and a Britain definitely at war. As the Republicans prepared for their nominating convention Barron's predicted that Thomas E. Dewey would win the nomination, although the New Yorker had not yet swung over to the interventionists in foreign policy. Barron's realized

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[17] The Commercial and Financial Chronicle, CLI (August 24, 1940), pp. 1031, 1032; (August 31, 1940), pp. 1182, 1183; (October 19, 1940), p. 2238.

that "thumping Tom's" enemies were supporting the isolationist Robert A. Taft, or Wendell L. Wilkie, an avowed interventionist, "to stir up the animals," when in reality the choice of the anti-Deweyites was Senator Vandenberg. Barron's reported that this group aimed to build an organization of convention delegates willing to unite "not because they love each other more but because they love Dewey less."[18]

To combat this opposition Barron's decided Dewey needed a "President-maker" in the person of Alf Landon, still angry over the treatment he received from the "old Guard ghosts" in the 1936 campaign. Landon dreamed of transforming the Republicans into a progressive party and if he were convinced that Dewey was a Landon progressive Barron's surmised that "this convention would be all over but the demonstrations."

Barron's and scores of others on the scene did not anticipate the power of the interventionists and progressives to hamstring the regular Republican organization and force the nomination of Wendell Wilkie. Despite his moderate, even liberal, political complexion Willkie received support from isolationist business elements which

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[18] Barron's, XX (May 13, 1940), p. 4.

either tolerated or ignored his quasi-New Deal stance on domestic issues and his interventionist, bipartisan approach to foreign policy. The Chronicle declared that Willkie was "miraculously created to meet the extreme needs of the hour."[19]

Businessmen saw Willkie as the only hope for removing the New Dealers from government. The Chronicle considered it inconceivable that another national leader could compare favorably with Willkie who was so well equipped, "intellectually and by experience" to cope with the crises confronting America in 1940. He was far superior to the Roosevelt group in Washington, "pretending to be statesmen" by spending billions for war equipment before the funds were in the Treasury. The editors were convinced that the President and his advisors had no sense of "reality . . . responsibility or regret" for their enormous blunders. If Willkie entered the White House the Chronicle told its readers that irrational money raising schemes to finance the defense budget, such as the vaunted excess profits taxes would be "unthinkable and impossible." Businessmen could rest assured that without "sacrificing an iota

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[19] The Commercial and Financial Chronicle, CLI (July 6, 1940), pp. 13, 14.

of national safety" Willkie would no longer permit expenditures to outrun provisions for sound financing. But to enact this program the Chronicle reminded its readers that businessmen must act as well as talk, and fight to oust the incumbent President, "one of the most astute politicians of our history."[20]

In its enthusiasm for the colorful Willkie, the Chronicle may have been willing to gloss over the candidate's interventionist ideas, but many Republican businessmen were not. Jay Hormel best represented this group. Although as a Republican convention delegate he had voted on all ballots for his America First cohort Hanford MacNider, Hormel immediately beseiged Willkie with ready advice on foreign policy. After pledging his support to the candidate, Hormel advised Willkie that a full attack on Rooseveltian diplomacy would increase the chances of a Republican victory. Hormel liked the candidate's evaluation of Roosevelt's "attacks on foreign powers" as "useless and dangerous," but he added that the Indianan's statements contained too many "errors of commission" to please isolationists. When Willkie referred to Germany as "a power hostile to our way

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[20] The Commercial and Financial Chronicle, CLI (September 14, 1940), p. 1462.

of life," Hormel pointed out that such statements only inflamed latent rivalries between the Germans and Americans. To accept the New Deal "war party's" propaganda that the loss or capture of the Royal Navy spelled a calamity for the United States, as Willkie had, was not, according to Hormel, becoming to the Republican candidate. Willkie's belief that America must cooperate with the Allies since no one nation could guarantee world peace seemed illogical to Hormel. By his own questionable reasoning, Hormel insisted that a nation would never have to fight if it simply avoided international conflicts.

Hormel implored Willkie to abandon the interventionists and to adopt an isolationist foreign policy. Hormel assured the candidate that the businessmen's approach to problems, domestic or foreign, still stood for success in the public mind and if used would sharply contrast the Republican and Democratic positions on national policy. Survival in business rested on the cultivation of universal good will, Hormel maintained, and if Willkie applied this technique to foreign relations he could save the nation from foreign dangers. To counter the "war hysteria" caused by Roosevelt, Hormel advised Willkie to set down precisely what constituted an adequate military force and pledge the

enlargement of Army and Navy immediately to that level. Also Willkie should announce whether the Philippines and South America were inside the United States defense perimeter. Having no faith in Roosevelt appointees, Hormel trusted that Willkie would evaluate the competency of those responsible for the formulation and execution of war plans, if the White House had thought to draw them up, to guard the nation from attack. The efforts of Hormel and other isolationists to bring Willkie around to their anti-Roosevelt position were successful at the end of the campaign, when the Republican, in panic at the thought of losing the race, ended the short-lived bipartisan foreign policy with a series of attacks on the President's interventionist program.[21]

Roosevelt easily won renomination at the Democratic convention of 1940. This was disgusting enough to isolationists but to use virtually the old slogan "he kept us out of war" was insufferable. The Chronicle asked if the American public was "so simple-minded that twice within a quarter of a century it can be snared in the same trap,

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[21] Jay C. Hormel to Wendell L. Willkie, August 22, 1940, America First Papers, Box 19; The New York Times, October 9, 1940, p. 1.

betrayed by the same bait?" The editors believed that Roosevelt's foreign policy, from the Quarantine Speech of 1937 to the transfer of armaments to the Allies through private manufacturers in 1940, belied the words of peace spoken at the Democratic convention. The assertion of keeping America out of war in 1940 appeared as unreliable to the Chronicle as the implied promise of 1916."[22]

After the national party conventions foreign affairs dominated the presidential campaign. This led to renewed attacks against Rooseveltian domestic policy. Even the normally moderate editors of Barron's regarded this emphasis on external matters as a cloak to shield the passage of undesirable domestic policies. The inauguration of new measures after the fall of France, the magazine charged, indicated that Roosevelt was trying to remold America's economic system to "dwarf anything previously undertaken by the New Deal." If Congress approved the plans, which included "ghastly" higher taxes, huge cartels handling all exports, a defense establishment beyond conception, and conscription, Barron's predicted that "before the Nazis get through in Europe we'll be living in a new country."[23]

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[22] The Commercial and Financial Chronicle, CLI (July 20, 1940), pp. 300, 301.

[23] Barron's, XX (June 24, 1940), p. 4.

The Chronicle agreed that international affairs had stolen the limelight in the campaign when domestic policies should have been the focal point. If Willkie concentrated on attacking the New Deal the Chronicle insisted that he would gain an overwhelming victory, because the President's "mere meaningless mouthings" proved he had no "sympathy with nor understanding of . . . free government."[24] Barron's saw, however, that Roosevelt might be robbed of his foreign policy trump card if Hitler launched his anticipated invasion of Britain. Whether the offensive brought victory or disaster to Germany the magazine judged that an astute appeasement campaign might lessen American fears of a Nazi attack and thus reduce Roosevelt's chances of re-election in November.[25]

Near the end of the campaign Willkie used isolationist arguments against Roosevelt. Essentially the Republican charged that the President had entered into secret international understandings to put America into the war. The Chronicle, which had criticized the White House in the past for the secrecy that surrounded it, backed Willkie

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[24] The Commercial and Financial Chronicle, CLI (October 26, 1940), p. 2400.

[25] Barron's, XX (July 29, 1940), p. 4.

and added that rumors of sub rosa agreements had reached America from across the Atlantic Ocean. Without consulting the Senate the President appeared, to the Chronicle, to be deeply involved in un-American diplomatic proceedings which could be stopped only when the electorate voted in a new president in November.

Barron's also backed Willkie's charges that Roosevelt had bungled America into a compromising position in world affairs. This proved to the editors that the President's skill in foreign affairs was a myth, while Willkie's sincerity was so obvious that it "cannot be branded as fake." But the Democratic campaign continued the "waving of the bloody shorts," as the Chronicle described it, as in the case of Henry Wallace and New York's Governor Herbert Lehman. He had stated that the defeat of Roosevelt in the November election would give the greatest pleasure to the Axis dictators, who would no longer have to concern themselves with a formidable opponent in the White House. The Chronicle took exception to this argument, and answered that the dictators would much prefer Roosevelt and his "mis-government" to the "superior, businesslike administration" that Willkie would introduce into Washington.[26]

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[26] The Commercial and Financial Chronicle, CLI (August 31, 1940), pp. 1190, 1191; (October 5, 1950), pp. 1949, 1950.

Related to the Democratic claim that Franklin Roosevelt's reelection was essential to preparedness was the question of the third term. Barron's reported that the anticipation of an early peace in Europe spurred the President on to seek a third term. His participation in a quick defeat of the Axis would be "a shining climax to an already notable career."[27] The Chronicle quickly dismissed this idea and proclaimed there was no reason for defying the tradition of no third term. In addition to the Constitution one unwritten tenet vital to the functioning of government, the Chronicle emphasized, was the prohibition against third terms. The magazine granted that George Washington approved of a third term in times of great emergency, but 1940 did not meet this requirement. The Chronicle had confidence that the American electorate would come to the same conclusion by November and oust Roosevelt from office.[28]

The President could count on support from business, however, despite the united front the business press arrayed against him. James P. Warburg, who retained his

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[27] Barron's, XX (February 12, 1940), p. 10.

[28] The Commercial and Financial Chronicle, CLI (August 3, 1940), pp. 605, 606.

relations with the financial community as he turned to politics and other pursuits, devoted himself to the President's campaign, as he had done four years before. In particular he attacked Willkie's knowledge of international affairs. Regardless of Willkie's bipartisan approach to foreign policy, Warburg distrusted the Republican nominee's abilities to cope with the international crisis. To prove his point Warburg described the inconsistencies in Willkie's foreign policy speeches. When in cattle country Willkie expressed his vehement opposition to Argentine beef imports, but elsewhere in the nation he defended Cordell Hull's reciprocal trade treaties. More exasperating to Warburg were Willkie's attempts late in the campaign to portray himself as a man of peace and Roosevelt as a warmonger. In addition to these contradictions in Republican campaign oratory Warburg had two basic reasons for opposing Willkie's candidacy: a Republican victory would sweep isolationists into Congress and impede if not kill the interventionist program; and Willkie knew nothing of the complicated puzzle called foreign policy. Accordingly in mid-October Warburg issued a press release in which he stated "I am for the President because I am for his essential policies, because I have more confidence in the known qualities of his leadership than

in the potential qualities of his opponent. . . ."[29]

Despite Willkie's strenuous campaigning the President won handily on election day. After Roosevelt's triumph the Chronicle announced that the opposition must not question the electorate's verdict. But the magazine did consider the election a "tragedy" because "issues were so few and . . . electors were enabled to determine so very little."[30]

The President's foreign policy summer offensive neither won nor lost supporters for intervention. In the business world isolationists denounced the appointment of Knox and Stimson, and J. Howard Pew and his reactionary clique, then in control of the Republican Party, read the two men out of the GOP. The destroyer deal and the conscription law led this group to believe that the President would turn the nation into a police state under the pretense of saving the world from the Axis. In their desire to defeat the President isolationists gladly supported Willkie for the presidency not only to save business from

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[29] James P. Warburg, The Choice of a Candidate, October 31, 1940, pp. 5-8, A pamphlet in Roosevelt Papers, President's Personal File, Box 540.

[30] The Commercial and Financial Chronicle, CLI (November 9, 1940), pp. 2707, 2708.

Roosevelt's clutches but to preserve American life from further government controls.

The Willkie nomination gave interventionist Republican businessmen the excuse they needed to remain in their own heretofore isolationist-dominated party and not bolt to the Roosevelt bandwagon. In this way they could with clear conscience support destroyers, bases, conscription, and their own party's nominee as well. In financing interventionism, Willkie would not resort to excise taxes and other money raising devices repugnant to the business community. While their isolationist colleagues demanded some sort of preparedness within the limitations of a balanced budget, interventionist businessmen relied on their candidate's business abilities to develop a financial foundation which would support aid to Britain and national defense. Willkie's last minute abandonment of the interventionist bipartisan foreign policy dismayed Thomas Lamont and other businessmen supporters but possibly they as well as Willkie realized the race was lost by that time. In any event Roosevelt, upon being declared the victor in November, would be more forceful than ever in promoting the common goal of interventionism.

The business community in general favored Willkie

over Roosevelt but felt powerless to aid their candidate in an effective manner. Businessmen hoped to attack the New Deal in the campaign and so discredit it that the electorate would support Willkie, but the international crisis snatched this issue from them and made foreign policy the paramount question of 1940. Third terms, destroyers, and all the rest, said Henry I. Harriman, the former Chamber of Commerce president, "sink into insignificance compared to the problem of national defense."[31] Unable to change this reality the Republicans could not persuade the public in a time of peril to abandon the tested Roosevelt for the untried Willkie. Accustomed to defeat in politics by 1940, businessmen shrugged off the Republican loss and prepared to follow the thrice victorious Roosevelt as he sought further intervention. For industrialists in particular this meant that more consideration would have to be given to industrial mobilization, which so far had been only partially successful but which now had to become sufficiently effective to make the United States the "arsenal of democracy."

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[31]Henry I. Harriman to Franklin D. Roosevelt, October 17, 1940, Roosevelt Papers, President's Personal File, Box 3572.

CHAPTER VI

GUNS, BUTTER, AND MOBILIZATION

Preparing for total war severly taxed the imaginations and capabilities of the nation. After the fall of France, industrialists subscribed to mobilization, but a "business as usual" attitude prevailed in various quarters. Labor-management struggles, plant expansion problems, and businessmen chaffing under government controls contributed to a slowdown in mobilization. Most leaders, however, backed the Administration's rearmament plans. The United States Chamber of Commerce designated defense to be of "first importance" for business and America as a whole. The Chamber's Defense Committee reported that the Administration had approved plans for expansion of the Navy, the first step in preparedness. Without mentioning the possibility of war profiteering, the committee lauded Congress for having authorized a 70 per cent increase in naval strength during 1940.[1] The committee also praised the President's call for coordination of aircraft production with the capacities

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[1] Chamber of Commerce of the United States, Present Military Situation, A Report prepared by the Special Committee on National Defense (Washington: Chamber of Commerce of the United States, 1940), pp. 1-6.

of the flight training schools. To achieve this goal, the committee calculated that a million men would have to be trained as ground and air crews to service the new aircraft.

The Chamber of Commerce organized meetings in various localities to explain mobilization to businessmen. At a Chamber forum in New York the business consultant Leo M. Cherne dramatized the importance of business in modern war by showing that the $50,000 required to destroy an enemy soldier on the battlefield was spent mainly on the assembly line under the direction of business executives. According to Cherne, generals and admirals had less to say than in the past about allocating military funds. This placed a greater burden on business as it coped with priorities and other mobilization problems.[2] W. Gibson Carey, Jr., president of Yale and Town Manufacturing Company, promised that industry could be counted on "one hundred per cent" to work out these questions. However, the spirit of the Nye Committee still haunted businessmen, as seen at a New York gathering in October, 1940. The department

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[2] Leo M. Cherne, "Adjusting Your Business to War," Address before Trade Association Executives in New York City, October 30, 1940 (Washington: Chamber of Commerce of the United States, 1940), p. 2.

store executive Benjamin H. Nam declared that businessmen, especially the retailers, must not raise prices or increase profits to excess. Such actions, he pointed out, left business open to charges of war profiteering.[3]

A month later the 1940 Congress of American Industry, sponsored by the National Association of Manufacturers, gave its support to preparedness. Industrialists announced that they were "profoundly conscious" of the threat to America from war and revolution in 1940, which made vital their role in national defense.[4] The Bankers Magazine spoke for business and much of the general public when it editorialized that "world shaking events" made imperative rapid rearmament to protect America and its neighbors.[5]

Support from the Chamber of Commerce and NAM was heartening to the proponents of preparedness, but the realities of rearmament presented serious problems to American

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[3]Benjamin H. Namm, "Price Problems in the Consumers Goods Field," Address before Trade Association Executives in New York City, October 30, 1940 (Washington: Chamber of Commerce of the United States, 1940), p. 5.

[4]National Association of Manufacturers, The Future of America, A Program Adopted by the Congress of American Industry, December 12, 1940, New York City, (New York: National Association of Manufacturers, 1940), pp. 3-7.

[5]The Bankers Magazine, CXLV (July, 1940), pp. 1-2.

industry. Certain business publications reflected the commercial world's distaste for mobilization. Iron Age argued that rearmament would raise operating rates and sales curves, like "strepticocci push up a fever chart." Considering the disastrous after effects in such cases, the editors happily reported that few industrialists took the 1917 view that war production was good for business.[6] The Wall Street Journal questioned whether the President considered a real national emergency to exist. If so, the editors did not understand why, in his May 21, 1940 speech, the President had said that New Deal social gains must not be weakened during mobilization. The Journal reasoned that sacrifices had to be made in all areas of American life to make rapid rearmament a success. If the emergency did not transcend all else, the magazine considered the billions of dollars going to defense a fantastic waste of the taxpayer's money.[7]

Assuming that defense was a valid objective, businessmen found themselves divided on the best methods to further industrial mobilization. Some thought necessary the reduction of civilian production, while others insisted

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[6] Iron Age, CXLV (January 4, 1940), pp. 49-51.

[7] The Wall Street Journal, May 23, 1940, p. 4.

that America's industrial capacity could accommodate both civilian and defense production. NAM President Henning W. Prentis, Jr., preferred to reduce civilian production. To him, guns were far more important than butter.[8] Agreeing with Prentis, NAM Secretary Noel Sargent believed that the European war gave the United States cause to prepare for possible involvement. If war became a reality all civilian life had to be subordinated to the one goal of victory over the Axis. In contrast to Prentis' wish for immediate action, Sargent suggested delay in all-out war efforts until the United States had entered the fighting. Both men, however, stood for guns in preference to butter.[9]

Formidable opposition to the Prentis-Sargent position came from a number of big businessmen who wanted both guns and butter. Regardless of priorities Eugene G. Grace, president of Bethlehem Steel, assured Americans that the

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[8] Henning W. Prentis, Jr., "Total Preparedness for America's Future," Address before the Congress of American Industry, New York, December 11, 1940. (New York: National Association of Manufacturers, 1940), pp. 9-16.

[9] Noel Sargent, Economic Aspects of War Operation: With Particular Reference to the Manner in Which England, France, and Germany during World War II are Raising Money to Finance the War Controlling Price and Regulation Labor. Prepared by the National Association of Manufacturers (New York: National Association of Manufacturers, 1940), pp. 68-70.

nation's plants could take on defense needs with no decrease in regular production. His own firm, he claimed, had capacity to meet armament demands as well as commercial steel users' orders. Alfred P. Sloan, chairman of General Motors, stressed that a $4,000,000,000 arms expenditure in the next twelve months would amount only to 7 per cent of all consumer expenditures during 1937, which made unnecessary any retreat from "business as usual."

These statements from prominent executives made Barron's conclude that in all the "hullabaloo about defense needs . . . we are apt to forget how big the country is. . . ." There was no need to abandon civilian production. The magazine believed the French defeat caused Americans to compare their own industrial establishment to the inefficient European system, which led to the inaccurate estimates of Prentis and Sargent. Barron's insisted that consumption of peacetime goods kept the nation's "economic sinews" strong and provided the tax money to support armaments expenditures. In effect, the magazine decided that the United States should continue "business as usual." This shortsightedness at least indicated that business had no great desire for war profits.

The first businessmen to feel the effects of

mobilization were Eugene Grace and his fellow steel executives. The last months of 1940 found the Administration pressing for greater steel capacity which lead to a schism between the steel and auto industries. In question was whether expansion of plants or the elimination of civilian production would be the government's solution to the problem for providing rearmament with adequate raw materials. Modifying his original position, Grace contended that the industry's facilities could handle American and British arms requirements if they diverted a small portion of steel from civilian activities. Rather than expand, steel directors preferred to cut their allocations to the automobile industry. The steel executives reasoned that curtailed civilian production throughout the duration would create a "latent demand" for peacetime goods. After the war this "demand cushion," they promised, would tide industry over the initial postwar period of adjustment. Ignoring protests from George A. Sloan and his Detroit colleagues, the steel men went still further in January, 1941, and proposed the elimination of civilian automobile purchases for as long as there was a shortage of steel for defense production.[10]

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[10] Barron's, The National Financial Weekly, XX (July 29, 1940), p. 10.

Business Week supported steel in this argument because it doubted that, unless an arms race developed, the reduced postwar demand for goods could utilize wartime capacity. The magazine cited the current maximum capacity of 86 million tons of steel ingots, double World War I production, as proof that at least peacetime demands could be met. Business Week detected no major argument between expansionists and nonexpansionists over the steel industry's ability to satisfy military demands alone, so the magazine came to the conclusion that the basic issue was whether Americans wanted both luxuries and guns. If the nation chose only guns the magazine reminded its readers that many Americans with a vested interest in "business as usual," would oppose the "abstention-while-it-lasts theory." Average citizens, said the editors, such as common retailers and salesmen would bound to suffer as well as the automobile magnets and other great manufacturers. Sensing the issue to be unresolvable, Business Week observed that although each side started from different premises and moved to "undeniable conclusions, their arguments never meet head on." Following the example of Henning Prentis, the magazine turned to the government to await the final decision

as to whether Americans would have butter or only guns.[11]

Expansion seemed inevitable, however, and Banking predicted that the businessman's problem throughout 1941 should be "how to expand enough, but not too much." Banking judged that, contrary to public opinion, no boom was in sight because plant expansion did not alter the nature of defense production. It contributed neither to better living nor to industry's financial well being. The editors regarded the 1940 activity as artificial, with production and profit curves "likely to part company in the future." This naturally made businessmen reluctant to indulge in hasty plant expansion because, Banking reflected, when mobilization ended "somebody will be sitting on the floor when the music stops and there aren't enough seats to go around."[12]

The business community's less than full acceptance of plant expansion also rested upon its traditional distrust of the New Deal. Industrialists suspected that Roosevelt planned to expand his control over business and possibly turn America into a socialist state. Banking charged the

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[11] Business Week, January 18, 1941, p. 72.

[12] Banking, Journal of American Banker's Association, XXXIV (January, 1941), p. 7.

White House inner circle with plotting to use the crisis to destroy capitalism and to set up a "profitless new order" after the conflict had ended. Businessmen in general did not accept Banking's extreme position, although they agreed to use caution when planning industrial expansion. Henning W. Prentis took a broader view of government controls in his April 1, 1940 radio broadcast. He called on American businessmen "to join in a vast mobilization for understanding of our American system. . . ." He warned his listeners that hardships might cause some to become doubters and to fall prey to the "siren songs of would be 'economic planners.'" Prentis pointed out that during periods of political and social unrest, history had recorded countless government takeovers of business, always "under the guise of emergency." He did not oppose "reasonable . . . government umpiring" but, he stressed, this was "quite a different thing from national economic planning."[13]

At the 1940 Congress of American Industry, Prentis warned that modern war caused industrial dislocation and governmental totalitarianism which in turn brought on socialism. Citing Woodrow Wilson's statement that liberty never came from government itself but rather from the

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[13] Business Week, April 6, 1940, p. 60.

limitations placed on government Prentis urged all Americans to guard against totalitarianism. On occasion Roosevelt struck back at those who in less diplomatic language hurled similar charges at the White House. When J. R. Burrow, president of a Topeka, Kansas bank, bought a newspaper advertisement exhorting Americans to keep the country safe "from without, from within and from this Administration," the President took action. He prevailed upon the bank's board chairman, Carroll E. Merriam, a Republican serving Roosevelt in the Reconstruction Finance Corporation, to move against the errant executive. Whatever the fate of Banker Burrow, the White House was content that it at least had initiated revenge against an obnoxious critic.[14]

More sophisticated in his objection to government control was H. W. Hawkes, president of Congoleum-Nairn, Inc. and head of the Chamber of Commerce. Convinced that the public first had to make a choice between traditional American virtures and totalitarianism, he urged the public to preserve the "American system."[15] Prentis and his business

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[14]Stephen Early to Carroll E. Merriam, August 15, 1940, Roosevelt Papers, Official File, Box 335.

[15]H. W. Hawkes, "Restrictive Legislation," Address before Chamber of Commerce of the United States Regional Conference on Defense Problems and Policies, Syracuse, New York, October 15, 1940 (Washington, D.C.: Chamber of Commerce of the United States, 1940), pp. 1-4.

colleagues considered resistence to New Deal encroachments essential because, as NAM emphasized, only the free enterprise system could carry out defense and at the same time maintain the traditional American way of life.[16] During 1941 many businessmen watching the New Dealers in Washington concluded that government controls were not for winning against Hitler, but for implementing a new economic order in America. Banking declared that "what is actually on trial today is the American system of free enterprise." To the consternation of the editors, the defense program had given the government "remote control" of business, including banking services. Banking opposed this trend because the nation had become powerful under free enterprise, based on "popular consent and not compulsion."[17]

In their fight to retain an economic system suitable to themselves, businessmen embraced orthodox economic theories of industrial expansion. They expected a reasonable assurance of future markets if they invested in new facilities. However, the division among businessmen became pronounced when many adopted the views of the President's "progressive" economists, as Barron's described

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[16] National Association of Manufacturers, The Future of America, pp. 307.

[17] Banking, XXXIV (November, 1941), p. 91.

them. Members of the business community accepted the arguments of this group favoring rapid expansion. Barron's assured its readers that these new Administration economists could be trusted. They were not the "old New Deal hit-'em-in-the jugular boys" anti-business radicals who formerly had free rein at the White House. Roosevelt was now listening to competent, moderate progressives who had no intention of seeking the ruin of business. Proof of this existed in the acceptance of their theories by the respected corporation executives serving the Administration in the mobilization program, such as William Knudsen and Donald M. Nelson, future head of the War Production Board. Converting rank and file businessmen to this position proved difficult, even for Nelson, who had little success in convincing his colleagues outside Washington that with expansion lucrative markets lay just around the corner. Barron's believed that the Administration's new economists owed their success to reactionary businessmen, unable to see beyond the tenets of economic orthodoxy. They had discredited themselves at the beginning of mobilization with woefully inadequate estimates of defense needs. Still, many businessmen refused to accept expansionist policies. Barron's described them as wishful thinkers, hoping "that

something will turn up to take care of us."[18]

Businessmen pictured themselves beset not only by big government and Washington bureaucrats but also organized labor. Unions followed the "business as usual" routine found in other parts of the American nation, especially in estimating the labor force available for defense work. Business Week detected a "fine display" of contradiction" in these estimates. The magazine faulted the American Federation of Labor's report that 15,000 unemployed machinists were instantly ready for placement in defense industry. When the Navy Department advertised for 700 workers in one class of skilled labor, Business Week discovered that only five qualified men responded. Similarly, the National Metal Trades Association announced that it had enough workers available to support a 20 per cent expansion in industry. But the National Association of Manufacturers challenged this claim and insisted there was a great shortage of skilled labor.[19]

Equally serious were union demands for wage increases. Nation's Business labeled labor the "Achilles

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[18] Barron's, XXI (February 10, 1941), p. 10; (June 23, 1941), p. 4.

[19] Business Week, June 8, 1941, p. 64.

heel" of defense, because higher pay increased the total cost of production. The magazine cited the added $400,000 required to purchase army trucks as the type of increased burden taxpayers must shoulder because the Administration consistently favored labor in its disputes with management.[20] The 1940 Congress of Industry recognized this problem and emphasized the need for smooth relationships between industrial management and labor. It instructed NAM members to abide by equitable wage rates and to make other employment conditions sufficiently attractive to promote increased production. This in turn would create higher incomes for workers which NAM considered the best cure for strained labor-management relations.[21]

NAM President Prentis admonished labor leaders to cooperate with management during the crisis. He suggested they discourage unwarranted wage increases and other practices that would raise the costs of defense. Strikes for overtime pay and fewer working hours should also be avoided, Prentis warned, because the public would not tolerate such interference with mobilization. Instead of

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[20] Nation's Business, XXVIII (January, 1940), p. 15.

[21] National Association of Manufacturers, The Future of America, pp. 5-6.

continuing the old labor-management rivalry, Prentis hoped that both sides would develop a "renewed sense of voluntarily imposed restraint" to make defense a success.[22] Other business leaders doubted that voluntarism would become part of organized labor's credo. H. W. Hawkes predicted that unions would demand unlimited wage scales on defense contracts because of the backing they were receiving from the general public. In his opinion, Americans labored under the false impression that restraint was unnecessary because mobilization funds came from the United States Treasury's allegedly inexhaustible supply of monies. Hawkes hoped to correct this misconception and pointed out that the government was custodian of the public funds and did not actually own the money. Therefore, if the Administration paid excessive salaries to defense workers it was as guilty as any other embezzling trustee in public or private life.[23]

Unfortunately for preparedness, Hawkes' ominous predictions proved reliable and Prentis' dissuasions against the union leaders ended in failure. To industry's dismay

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[22] Henning W. Prentis, Jr., "Total Preparedness for America's Future," pp. 7-8.

[23] H. W. Hawkes, "Restrictive Legislation," p. 2.

strikes broke out in defense plants as labor demanded higher rates. The Chronicle charged unionists with sabotaging national defense at the very time that other Americans were "patriotically and courageously" assuming the burden of preparedness. The Chronicle claimed that at the outset of mobilization Roosevelt had assured labor that it would not be forced to sacrifice social and economic gains made under the New Deal. Workers in munitions and other industries enjoyed full employment and received high wages without, to the editors' consternation, surrendering the right to strike. As a result, union leaders slowed down rearmament as they struck plants throughout America. In the Chronicle's opinion, these men wielded great power but had only the minimum of legal responsibility and "regularly endeavor to evade that minimum."

One solution to strikes was the Chronicle's proposal of an "efficacious tribunal" to settle disputes. In the spirit of the Taft-Hartley Law, the plan included a brief "cooling-off" period, to be inaugurated before a strike became effective. Work stoppages could be called but 60 per cent of the workers concerned had to vote by secret ballot in favor of them. The President, however,

rejected this proposal along with all petitions to modify the labor laws.[24]

On other problems the President was more willing to accept advice from business, particularly in organizing mobilization under one agency in Washington. In May, 1940, businessmen were asking Roosevelt to coordinate all phases of national defense under a single body. Gerald B. Brophy, counsel for North American Aviation, the Sperry Corporation, and Eastern Air Lines, wrote the President that the appointment of an independent commission, with a full fledged cabinet member at its head, would be the "most inspiring announcement to the country." Brophy suggested that a prominent American be appointed as head of the group, such as World War I hero General John Pershing.[25]

The Chronicle agreed with Brophy, but raised the argument that the President had failed to lead the nation properly in preparing for defense. As one example of the President's negligence, the Chronicle cited the Strategic Materials Act of 1939, which the magazine claimed Congress had treated as pork-barrel legislation. The result was

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[24] The Commercial and Financial Chronicle, CLII (March 8, 1941), p. 1487.

[25] Gerald B. Brophy to Franklin D. Roosevelt, Roosevelt Papers, May 24, 1940, Official File, Box 335 B.

that the government spent millions for foreign silver and almost nothing for tin, rubber, and other strategic items, which reduced the nation's stockpiles to dangerously low levels. The Chronicle stressed that the President could still expiate these errors if he appointed a new council of national defense, similar to the Baruch-led War Industries Board of World War I.[26]

In response to public opinion the President announced, on May 28, 1940, the re-establishment of the Advisory Commission to the Council of National Defense to supervise mobilization. The mounting crisis in Europe and the clamor for order in mobilization at home led Roosevelt momentarily to cast aside caution and create the NDAC. At first NDAC appeared to be the answer to the needs of preparedness. The most respected names of the business community staffed the commission. William Knudsen, president of General Motors, headed the agency, assisted by John D. Biggers of Libbey-Owens Ford, and American Telephone and Telegraph Vice President William H. Harrison. Studebaker's Harold S. Vance worked with heavy ordnance and Earle F. Johnson, a former General Motors vice

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[26] The Commercial and Financial Chronicle, CL (May 25, 1940), pp. 3262-3264.

president, with small arms and ammunition. George Moffett of Corn Products Refining Company was responsible for food, chemicals, and shells. Miscellaneous equipment was assigned to J. C. Nichols, a Kansas City real estate man. Edward R. Stettinius, former War Resources Board Chairman, was Director for Industrial Materials. Under him was William L. Batt, president of SKF Industries, in charge of mining and mineral products. Edward R. Weidlein, director of the Mellon Institute and a member of the old War Industries Board, headed the chemical section and General Food's Charles Francis supervised agricultural and forest products activities. Stettinius' senior consultant was Gano Dunn, chairman of the J. G. White Corporation and a Business Advisory Commission member, assisted by Charles E. Adams, board chairman of the Air Reduction Company.

Americans were sure that this impressive array of talent from the business world would bring direction to the mobilization program. The Journal reminded the public that these men were joining the mobilization team in Washington at great personal sacrifice. They had all left their promising careers and the "comfort and efficiency" of industry for the uncertainties of the Federal bureaucracy. Regardless of this illustrious group, NDAC failed to resolve the

allocation of priorities. From the outset, NDAC had to cope with hostile businessmen and uncooperative military officials when dealing with the priorities problem. Businessmen, still wanting butter as well as guns, insisted that their respective enterprises merited higher priority ratings than NDAC was willing to give. In other cases, they saw no justification for priorities in such an industry as cotton cloth, for example, where manufacturers were not producing at full capacity. Businessmen accepted restrictions as long as rationing did not damage the civilian economy.[27] Business Week reflected industry's concern over the editor's prediction that curtailing the output of peacetime goods would force prices to spiral upward in response to the pressures and demand. In this respect, aircraft industry leaders complained that the defense program was draining off too much material from the civilian economy.[28] The United States Chamber of Commerce judged this a reasonable complaint, since the regular civil aeronautics program, with 2,000 airports, beacon lights and radio communications stations, was so important to the national defense system. NDAC responded to these requests by

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[27] The Wall Street Journal, June 7, 1940, p. 4.

[28] Business Week, November 30, 1940, p. 68.

implementing a compromise priority plan which called for producing 400 civilian airliners and 39,000 warplanes by mid-1942. The Chamber of Commerce pronounced this a "reasonable reconciliation" of the guns versus butter issue.[29] In this manner NDAC often reached agreements with industry on priorities.

Unfortunately, NDAC's relationship with the War and Navy departments was less satisfactory than that with industry. Barron's observed that "all is not brotherly love between the National Defense Advisory Commission and the War and Navy departments," but hoped that this state of affairs would not last. Hostility between NDAC and the military appeared immediately after the President organized the commission in May. Throughout the summer of 1940 increasing points of friction developed over the question of priorities. By September both government and business recognized the need for redesigning the system. The NDAC sought to create more efficient buying methods for the Army and Navy so that current and future purchasing problems

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[29]Chamber of Commerce of the United States, Civil Aeronautics: Development During Preparations for Defense, A Report Prepared by the Transportation Committee (Washington: Chamber of Commerce of the United States, 1940), pp. 1-4.

might be avoided. NDAC policy required more business-like attitudes on the part of military personnel who, the editors of Barron's realized, disregarded "outside advisors from the President down." Businessmen knew that the military hierarchies, which had seen "Presidents and commissions come and go," had mounted extensive passive resistance to NDAC in the hope that it would also quickly pass away.[30]

Friction between NDAC and the Army came to a climax over the question of munitions plant construction. The Army wanted to build most factories itself and then lease the facilities to private operators. The NDAC instead wanted regular construction contracts drawn up so that plants could be financed with private capital. The Army claimed that this businessman's approach held up construction when speed was necessary. In its turn NDAC criticized the Army on other procedures; in most defense contracts escalator clauses permitted increases in remuneration as production costs rose. NDAC officials had planned to use strict business practices in contract letting and award as many jobs as possible before commodity prices began to rise, which was inevitable when the expected defense boom developed. But before NDAC was operational army and navy agents had already employed the

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[30] Barron's, XX (September 23, 1940), p. 4.

escalator clauses, thus assuring arms producers of higher prices than otherwise, and raising costs to the government, NDAC estimated, an extra $500 million. If collusion did exist between procurement officers and munitions makers, at least responsible business leaders opposed such actions.

From the outset, NDAC and military procurement officials disagreed on the nature of the priority system. NDAC opposed the proposition that military requisitions be honored before all civilian orders. The Army stood fast on this point as long as the combined military and civilian demand for goods was greater than the nation's total industrial capacity. Barron's predicted NDAC would lose this fight in the long run, with the result that the Administration would institute government price controls and regimentation of orders to cope with the inevitable demand for scarce civilian products.[31]

As a result of the friction that developed among those working for rearmament, mobilization experienced a general slowdown. The business community, as with most Americans, did not comprehend the grave crisis that confronted the United States. Remiss as they were towards mobilization, businessmen accused the President of failing

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[31] Ibid., September 30, 1940, p. 10.

to emphasize the seriousness of the situation. They ignored the President's own difficult position as he walked a political tightrope between liberals and conservatives, labor and management, and interventionists and isolationists. The smallest misstep could damage not only industrial mobilization but the entire interventionist movement.

The President and businessmen came to grips over the issue of the need for an industrial czar to oversee all aspects of mobilization. The entreaties of Bernard Baruch and others still fell upon deaf ears in the White House, which induced business to modify its proposals. Barron's suggested that Congress appoint a higher authority to run rearmament. A congressional appointee, reasoned the editors, would free mobilization from domination by inefficient Administration aides who were incapable of efficient management. Businessmen were convinced that these New Dealers sought to abolish capitalism and private enterprise. For this reason the editors thought that a man responsible to Congress could lead mobilization efficiently and not be under the thumb of Roosevelt's anti-business advisors.[32]

Confronted with criticism from businessmen, labor

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[32] Ibid.

leaders, and New Dealers, the President decided to take action. Keeping political considerations uppermost in his mind, on January 7, 1941, he superceded the discredited NDAC with a new agency, the Office of Production Management. The OPM was Roosevelt's answer both to businessmen wanting stronger leadership in mobilization and to New Dealers insisting on greater liberal influence in defense. The President appeased the two groups by creating a dual chairmanship composed of William Knudsen of General Motors and Sidney Hillman from the ranks of labor. Businessmen were hopeful that the new organization was the answer to the mobilization problems that had been developing since spring of 1940. Doubters, however, immediately expressed their pessimism over OPM's chances for success. Roosevelt's co-chairman system drew considerable criticism. Business Week regarded the new "split personality" creation, "Mr. Knudsen-Hillman," a poor arrangement. It gave no leadership to rearmament, said the magazine, even though the two men had experienced agreeable relations when they served together on the old NDAC.[33] Despite OPM's accomplishments in placing the American economy on a wartime

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[33] Business Week, January 11, 1941, p. 7; July 26, 1941, p. 7.

basis Business Week's prognostication proved correct. By the summer of 1941, priorities and other problems similar to those that had beset NDAC undermined OPM. After the Pearl Harbor attack the President abolished OPM and organized a succession of agencies to direct American economic organization.[34]

In the spring of 1940 business appeared to support mobilization but realities cast a shadow over events until the United States was well into the war. Businessmen developed fears which became obstacles to rearmament. Many believed that mobilization might destroy what progress had been made toward recovery since the Great Depression. This group opposed rapid expansion of factories until evidence proved that postwar depression would not succeed a wartime boom. Whether or not a depression occurred after war, businessmen were certain that mobilization would increase government control over their activities. The war crisis gave the President an excuse to conduct economic experiments at the expense of business, which, as NAM President Prentis said, had small chance of prospering from

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[34]Donald M. Nelson, Arsenal of Democracy: The Story of American War Production (New York: Harcourt, Brace and Company, 1946), passim.

mobilization. This thinking produced a period of watchful waiting in business circles to see what policy the President would adopt. Business accepted the American public's traditional disinclination to sacrifice butter for guns except in the direst of crises. The voices of Bernard Baruch and his supporters favoring total mobilization under a strong authority were drowned out by the general clamor for "business as usual." Most business and the public were willing to support partial mobilization but nothing more. Businessmen, however, had to turn their thoughts to new problems connected with rearmament. As mobilization got underway charges of war profiteering levied against industry had to be answered by spokesmen for business interests.

CHAPTER VII

WAR PROFITEERING AND TAXES

During 1940 America began in earnest its World War II mobilization. As the wheels of industry turned in the direction of rearmament, war profiteering charges against business increased. Some businessmen discounted this criticism, although new demands for war goods meant greater profits for many of them. Labeling anti-business elements as troublemakers did not hide from the public stepped up activity in industrial plants. It began with the French government's order for 500 new warplanes in February.[1] This action alone stimulated production at the Douglas, North American, and Martin firms. Pratt and Whitney established an airplane engine factory in France, and the Hispano-Suiza interests bought new tools for their own engine plant near Paris. Foreign orders also came from Britain, Japan, and the Soviet Union.

Many businessmen acknowledged the benefits that foreign purchases brought to industry. Remembering the condition of business during the Great Depression, Business

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[1] Banking, Journal of American Banker's Association, XXXII (July, 1939), p. 1.

Week regarded the prospect of additional sales to belligerents as "brightening the outlook for several industries. . . .[2] Barron's urged businessmen and Americans as a whole to face the reality that, regardless of the evils of war, a new conflict would boost the nation's economy. The editors estimated that the Munich Pact of 1938 made Central Europe the locale of the next war, with Germany and Russia the main contenders. American industry, they stressed, was bound to profit from the needs of these potential belligerents. If chance involved Japan and Western Europe in the conflict and caused a full scale war, Barron's predicted ever greater markets for American business, which would go far beyond the vaunted recovery peak of 1937.[3]

Industrial leaders did not share the avidity of Barron's and Business Week for war business. These men recognized the traffic as inevitable, but resolved not to give anti-business forces an excuse to hurl warmongering charges against industry. General Motor's Alfred P. Sloan in particular urged his colleagues to guard against these attacks. When the War Resources Board organized in 1939

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[2] Business Week, February 18, 1939, p. 46.

[3] Barron's, The National Financial Weekly, XIX (April 3, 1939), p. 13.

Sloan admonished it to devise a mobilization plan which struck out war profits "per se." He felt that business deserved a just return on its investment, and enjoined WRB to devise a mobilization system employing sound, non-inflationary price levels. By following this policy, Sloan reasoned, business could have its profit and avoid undeserved accusations of war profiteering.[4] In accepting Sloan's logic, business placed itself in a difficult position at the threshold of public opinion. To most Americans, the very idea of taking excessive profits during wartime cast businessmen in an unfavorable light. The average citizen made no distinction between wartime and regular profits, as did Alfred P. Sloan and his associates. Business made the mistake of ignoring the nation's rejection of blood money to restore the economy. As a result, warmonger accusations slowed down mobilization. But business leaders still hesitated signing war contracts until the government agreed on profit rates which satisfied capital.

War's outbreak on September 2, 1939 ended business speculation on the magnitude of hostilities and the war's possible effect on the American economy. As sales rose,

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[4]Alfred P. Sloan to John L. Pratt, August 31, 1939, National Archives, Record Group, 179, 865.1, Box 2327.

business spokesmen continued to insist that there was a difference between war profits and normal gains. Barron's pointed out that a sharp business upturn was inevitable, "war or no war." The editors found evidence of this in the estimate of the traditionally accurate Great Lakes Shipping Advisory Board on car loadings for 1939. Before the commencement of hostilities the board had foreseen a 22.4 per cent increase in the fourth quarter over the same period in 1938. Citing this evidence, Barron's stressed that in August, before Hitler advanced into Poland, Midwestern shippers had expected a substantial increase in their fourth quarter business.[5]

Corporation executives felt that these statistics spoke for themselves, but they feared that the general public would gloss over these facts and not separate war gains from peacetime profits. Hoping to change national opinion, business leaders launched an unprecidented campaign to convince Americans that business favored peace over war. James H. McGraw, Jr., president of McGraw-Hill, published in his Business Week a signed editorial which began: "Business stands against war." War was a device of futility, save for defense, which so disrupted

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[5] Barron's, XIX (October 2, 1939), p. 10.

civilization that humanity falters" in its wake. McGraw exhorted his readers to cast aside their assumptions that war was inevitable, or that the Administration was attempting to involve America in the war because of an alleged desire for power. These opinions, he stressed, were as false as the accusation that business wanted to involve America in the European conflict. "To say that Industry and Business want war," he added, "is a deliberate lie." McGraw urged the public to inform government leaders that all Americans desired peace.[6]

McGraw then instructed businessmen that industry must live up to its own responsibilities by providing the best in armaments and material. Most important, McGraw concluded, businessmen must band together to help maintain the peace. Success depended on an articulate business community, McGraw believed, as he promoted through his publications the twin goals of peace and preparedness.

Other business leaders expanded the theme that industry deserved a reasonable profit, even in times of war. At the Farm Equipment Institute in the first week of October, 1939, Raoul E. Desvernine, president of Crucible

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[6] James H. McGraw, "Business Stands Against War," Business Week, October 7, 1939, p. 52.

Steel Company of America, dwelt on this problem. Profiteering and profits, he lectured, embodied two distinct concepts which must be clarified in the public mind. He agreed with Roosevelt that profiteering violated the rule of "cost plus reasonable profit," but added that no responsible official, including the President, opposed legitimate increases in selling prices. Higher costs for raw materials, labor, insurance, and taxes made these advances acceptable.

Desvernine claimed that "sound adjusted costs and fair profits" constituted the key to preparedness. Mobilization based on these principles need never experience a slowdown. Businessmen must not be suspect of war profiteering, but Desvernine argued that the government and the public had to realize that reasonable profits conserved the "vitality of those enterprises which are essential to the national economy." Most important of all, Desvernine added, unsound Administration policies which unduly narrowed profits and impaired industrial efficiency were foolish and unpatriotic.[7]

National business organizations emphasized that if the choice became peace or war profits, they favored peace. The United States Chamber of Commerce stated in

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[7] Ibid., p. 51.

its own publication, Nation's Business, the cardinal thesis of the business community: "War profits would be illusory." The government would either tax away such income, or reduce profits through price controls.[8] The Chamber insisted that American entry into the war spelled an aftermath of "depression and economic catastrophe." Moreover, the Chamber feared that war meant additional government control over business. Regimentation and dictatorship could result, which meant a loss of freedom of initiative for business. The Chamber, however, did not employ the dictatorship argument against Roosevelt because it knew the real cause of restrictions was the "Industrial Mobilization Plan" which had been in the process of formulation since World War I. Instead, the Chamber pointed to the priority boards, price-control authorities and other bureaucratic obstacles embroidered in the plan as the agents that would end the system of free enterprise.

The issue of inflation also plagued business spokesmen. Business sensed the public's strong opposition to price spirals at the opening of the European war. Ernest T. Weir, president of the American Iron and Steel Institute,

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[8] Nation's Business, XXVII (November, 1939), pp. 27, 28.

on October 17, 1939, challenged his colleagues at the American Steel Construction Institute to avoid practices resulting in speculation. He reminded them that the autumn business upturn rested "on a foundation about as firm and strong as the filling of a cream puff."[9] Barron's championed just profits for all, and disputed Weir's pessimism over national economic conditions. In particular, the editors found it strange that New Deal economists sided with Weir in advocating the orthodox economic position that bigger profits should come exclusively from large volume rather than being "wrung from the consumer through increased prices." This was not wrong in itself, Barron's said, but the writer complained that the Weir group distorted the theory, which in reality supported higher prices. The magazine emphasized that the nation had no right to expect production at a loss from manufacturers, although it appeared to the editors that New Dealers demanded this sacrifice from the steel industry. Barron's accepted Weir's attitude as proof that businessmen were so afraid of excessive price increases that they might abandon legitimate profit as well, which could damage the national economy. So anxious were industrialists not to have a war profits boom, said the magazine,

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[9]The New York Times, October 18, 1939, p. 37.

"that we may be cheating ourselves out of part of a natural business upturn."

Fear of government control led businessmen to oppose greater profits regardless of increased volume. Bethlehem Steel's E. G. Grace announced that higher prices were unthinkable "if nothing occurs to increase our costs." Steel men instituted their self-imposed austerity to stave off further government control in the guise of price regulation; the temporary loss of some legitimate profit was worth the sacrifice, to prove government intervention unnecessary. Grace's proposal to rule out profits did not please all businessmen. Barron's reflected their frustrations in its retort that scrap metal prices had pushed up costs sharply, which in Grace's own words justified higher prices. Barron's placed no faith in Grace's strategy, because the editors believed that only the general public would be influenced by this "abnegation of industrialists. . . ." The anti-business doctrinaires of the Roosevelt Administration, explained the magazine, would never relent in their harassment because the giant corporations lost one or two quarters' dividends.[10]

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[10] Barron's, XIX (October 23, 1939), p. 10; (October 30, 1939), p. 10.

The National Association of Manufacturers also strove to break the old war profiteer image that had plagued business since World War I. A week after Hitler invaded Poland, NAM issued statements that industry had always hated war. Three months later, at the 1939 Congress of American Industry, the president of NAM reported wide public enthusiasm for the position of business in the American economic system. Now considering its views more acceptable to the public, NAM planned more frequent declarations of its policies to eliminate misconceptions concerning business motives.[11] NAM's optimism pointed up the division of opinion among businessmen on the meaning of the war for the American economy. Standard Oil's publication, The Lamp, still believed that national opinion was hostile to business. The magazine only hoped that the 1939 spurt of business toward normality was not the result of war contracts. Such "fever-born" prosperity would do nothing more than confirm public suspicion of business greed during hostilities. And worse, the editors concluded, business would be blamed for the depression that was bound to follow at the

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[11]National Association of Manufacturers, Annual Report of the President, 1939 (New York: National Association of Manufacturers, 1939), p. 6.

end of the war, as had happened in the 1930's.[12]

The German drive into the Low Countries and France quickened the debate over war profits and forced Congress to take action. Battle lines formed quickly as business spokesmen and the National Defense Advisory Council argued for legislation favoring industry. Senator Robert LaFollette and Congressman Jerry Vorhees led the anti-business group which advocated taxing away most, if not all, profits from defense orders. Their position was too advanced in its concept to win acceptance from businessmen at the time, although after the Pearl Harbor attack the United States Chamber of Commerce and NAM supported a 100 per cent rate on war profits. In 1940 reconciliation appeared impossible between business and its detractors. Those who expected the White House to break the deadlock found the President employing his usual cautious methods to reconcile the different factions. Knowing full well that this approach to the problem would impede mobilization, Roosevelt in his May 26 fireside chat spoke only in general terms that he wanted no war millionaires produced through mobilization.

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[12] The Lamp, XXII (December, 1939), p. 1.

A tax on income, he suggested, provided the surest way to avoid profiteering.[13]

Roosevelt's statement left businessmen resigned to the loss of war profits. Iron Age told its readers that whatever gains came from mobilization would be returned to the government through taxation.[14] Business Week presumed that the Administration planned to accomplish this policy through a cost-plus-profit system. The editors called this procedure reasonable, but scored munitions makers who refused to accept it. Thus, for the first time during mobilization the dichotomy of the business community came to light, as Business Week expressed displeasure with munitions firms aiming for expanded profits. Alfred P. Sloan, Jr., and other industrialists never took into account the munitions interests when making protestations for peace. As mobilization advanced, however, business could not ignore the arms manufacturers' prominent role in preparedness and their seeming disinterest in expiating the warmonger image inherited from World War I. Despite this

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[13] Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt with a Special Introduction and Explanatory Notes by President Roosevelt (New York: Harper and Brothers, 1950), IX, p. 230.

[14] Iron Age, CXLV (June 27, 1940), pp. 56-58.

group, most business leaders were willing to work with the Administration to produce a reasonable war profits tax bill.

Congress had attempted to deal with war profiteering in May 1938, when the Senate Military Affairs Committee approved a bill to force citizens to invest up to 75 per cent of their income in taxable, 1 per cent bonds. Without hesitation businessmen denounced the proposal. Business Week called it the "most stupid bill" of the season.[15] A year later Senator Homer T. Bone introduced a new version, designed to "take the profit out of war." Upon careful reading of the document businessmen discovered that taxpayers in the higher brackets would owe more to the government than their accrued annual incomes.[16]

Agreeing upon a reasonable war profits tax proved as difficult a task in 1940 as it had in 1938. Barron's suggested that "some sort of levy" was in order, but hesitated to be more specific.[17] Business Week voiced support for a war tax because of its value as an anti-inflation

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[15] Business Week, June 4, 1948, p. 64.

[16] Ibid., April 1, 1939, p. 47.

[17] Barron's, XIX (October 2, 1939), p. 10.

measure; it would eliminate profits otherwise destined for increased wages.[18]

Passage of the Revenue Act of June 22, 1940 shocked businessmen, who thought the Administration had singled out industry to make financial sacrifices while the rest of America escaped this burden. In particular, business complained that the act permitted only an 8 per cent profit on shipbuilding and aircraft production, a figure nearly one-third less than the law had previously provided. The Commercial and Financial Chronicle deemed this development ironic, since American industry had purposely avoided dealings that "smelled of war" to discourage a recurrence of the Nye Committee's charges of warmongering.[19]

Businessmen had cause to be further alarmed at the actions of their enemies in Congress, still fighting for more stringent war profits legislation. Especially exasperating to them was Senator Josh Lee's proposal for a compulsory loan system into which industry must channel its war profits, to the benefit of the Federal Treasury. More reasonable to businessmen was Senator Tom Connally's

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[18] Business Week, June 1, 1940, p. 52.

[19] The Commercial and Financial Chronicle, CL (June 29, 1940), pp. 4029-4031.

idea, which outlined a choice of payment plans for corporations. They could turn over to the government 50 per cent of their net incomes over the average net income for the 1936-1939 period or else use a graduated scale running from 40 to 60 per cent of net income.[20] Whether Congress used this system or adopted a different policy on future war taxation, businessmen predicted heavy excess profits penalties for corporations. To substantiate this estimate, Barron's pointed to Judge Learned Hand's opinion that nothing limited the government's power to tax when national survival was at stake.[21] Businessmen in the main were willing to pay special taxes on war goods sales, but they insisted that the Administration define excess profits. Business Week knew the simplest method of taxation was to place a levy on munitions orders only, although indirect beneficiaries of mobilization would escape extra taxation.

Many members of the business community blamed the President for the confusion over the question of excess profits. The Chronicle claimed that the Administration wanted to push through Congress an "excess-Politics Tax"

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[20] U. S., Congressional Record, 76th Cong., 3rd Sess., September 13, 1940, 12070-12113.

[21] Barron's, XX (July 8, 1940), pp. 3, 10.

to please radical New Deal interests. Businessmen considered the time--with the fall of France fresh in their minds--inappropriate for the President to be feathering his political nest, regardless of the general election scheduled in November.[22] Business would not accept the President's point of view that he must conserve at all costs the New Deal coalition so vital in maintaining his base of power. Without it, support for the Allies in Europe was impossible.

Businessmen rejected the Administration's reasons for supporting a high war profits tax and started a mobilization slowdown in protest. Anger at government for what they considered excessive regulation, combined with business's traditional anti-New Deal sentiment, produced a revolt against the White House. The seriousness of the slowdown became evident when several Navy contracts went begging for bidders in mid-summer of 1940. Anti-business elements took advantage of these incidents to blame industry for the problems that had arisen in mobilization, but business spokesmen lost no time in answering their charges. The Wall Street Journal insisted that business was not overly interested in profits when it refused to accept defense

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[22] The Commercial and Financial Chronicle, CLI (July 13, 1940), pp. 154, 155.

contracts. It was just as true, rejoined the editors, that New Deal extremists were willing to sacrifice defense in their zeal to eliminate profits. Small business in particular had to generate profits in the interest of partners and stockholders, which required defense contracts to include a reasonable profit. The Journal countered by arguing that the government had caused the delay in organizing a real mobilization program. The Administration's indecision on determining the rate of taxation, claimed the editors, caused an "inexcusable bottleneck" in defense production.[23]

Iron Age also defended the position of business in rearmament. J. H. Van Deventer, the editor-in-chief, insisted that business would "go to the limit" to perform its mobilization duties. He knew of no firm in metal-working that wanted to enter into munitions making, but he pledged them all to the defense effort. Van Deventer was more concerned over support from high level administrators in Washington. Still suspicious of New Deal motives, he stated that the President could rely on William Knudsen and Sidney Hillman to do their part, but he doubted this

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[23] The Wall Street Journal, August 1, 1940, p. 4; August 22, 1940, p. 4.

could be said of Secretary of Labor Perkins and other cabinet members. Van Deventer considered many of Roosevelt's advisers incompetent, especially Secretary of the Navy Charles Edison, who the editor claimed was less interested in running the Navy than campaigning for Congress. As for Secretary of War Harry A. Wooding, Van Deventer dismissed him as a bureaucrat whose activities in office centered exclusively on drawing his government paycheck.[24] Whatever the President may have thought of this criticism, assuming he was aware of it, he reduced the carping when he appointed Henry J. Stimson and Frank Knox to the War and Navy posts the following month.

Most businessmen were pleased with the appointment of these Republicans to the cabinet, but debate continued over the war profits issue. The majority favored preparedness and, however reluctantly, stood ready to implement defense production. The Journal expressed business sentiments in its opinion that, although war should produce no profiteering, national mobilization had to get underway immediately, regardless of protests from New Deal doctrinaires. Time was too valuable, the editors thought, to waste

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[24] Iron Age, CXLV (June 20, 1940), p. 25.

it debating a war profits tax. Instead, they urged the President to ignore these arguments and allow business to draw reasonable profits for its efforts.[25]

Businessmen regarded a healthy capitalist system as vital to the success of mobilization, although many believed without foundation that New Deal officials in government thought otherwise. With this in mind the editors of National Petroleum News declared that "Profits are patriotic." Not only did the government rely on private profits for its taxes, the magazine wrote, but good salaries and wages depended on a fair return from private investment. Although New Deal propagandists, in the opinion of the editors, had taught the public that profits were "sinful" businessmen thought them "still sound and necessary. . . ."[26] Moreover, many executives considered the issue academic, because to them a war boom for business appeared out of the question. C. M. Wynne, managing director for Overseas Industries, Inc., explained at a Chamber of Commerce round table discussion that even a modest boomlet was unlikely. World War I had provided a stimulus for American

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[25] The Wall Street Journal, June 22, 1940, p. 4.

[26] National Petroleum News, XXXII (June 19, 1940), p. 10; (August 14, 1940), p. 17.

exports, he said, but new restrictions precluded this because the Neutrality Law excluded United States shipping from combat zones, and war loans now played no part in financing exports.[27]

The business world's demand for an equitable excess profits tax caused the government to reconsider its earlier actions and to open hearings on a new tax bill in September, 1940. Under consideration was H.R. 10413, popularly called the Connally bill. Essentially, Senator Connally proposed that the earnings of corporations from 1936 to 1939 provided the basis for taxation. All income exceeding 95 per cent of the average annual profits during those years was designated war profits and became completely taxable. Senator LaFollette, Representative Vorhees and others still pressed for a stricter tax measure, and business supporters pleaded for less control, but moderation had become the dominant theme in the deliberations. This was evident on the first day of hearings of H.R. 10413 before the Senate Finance Committee. Businessmen were divided on the merits of the bill, when, on September 3, the Chamber of Commerce presented its case against the proposal. Ellsworth C. Alvord, a Chamber executive, testified that

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[27] Nation's Business, June 28, 1940, p. 53.

the Connally bill was so complicated in form that the Internal Revenue Service would find it "utterly impossible" to administer. Alvord believed that the years from 1936 to 1939 did not reflect normal profits and would provide an unrealistic base for the computation formula.[28] John D. Biggers, one of the most competent businessmen to serve NDAC, did not attack H.R. 10413, but urged the committee to write a law that recognized the importance of private capital in defense. As a businessman, Biggers insisted that mobilization's success rested on the free enterprise system. For this reason he advocated a liberal amortization policy for writing off the high values placed on new defense plants in order to reduce taxes.[29] So vital was the question of amortization to industry that William Knudsen stressed the need for its inclusion in the new tax law. Without this stipulation Knudsen warned that a big excess profits tax would have a serious effect on defense and slow down mobilization.[30]

Businessmen who disliked the Connally bill also

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[28] U.S. Congress, Senate, Committee on Finance, Hearings, on H.R. 10413, An Act to Provide Revenue, and for Other Purposes, 76th Cong., 3rd Sess., 1940, pp. 260-275.

[29] Ibid., pp. 166-187. [30] Ibid., pp. 157-166.

claimed that it hurt small business. Leonard E. Read, general manager of the Los Angeles Chamber of Commerce, explained to congressmen that small firms needed to reinvest large portions of their profits to insure the future success of their operations. But the Connally bill was not designed for this, and Read predicted that if passed it would destroy many small enterprises around the nation.[31]

Much of the Senate testimony was repeated before the House Ways and Means Committee on September 5. William Knudsen again asked for a reasonable approach to taxation as did other Washington spokesmen. Henry L. Stimson, now Secretary of War, and James V. Forrestal, the new Under Secretary of the Navy, voiced their support for a less extreme system of taxation. All three men stood against Senator LaFollette's proposal that the top tax bracket rate be increased from 40 to 82 per cent. These figures represented the most extreme of all amendments under consideration and were quickly set aside by the moderate majority.[32]

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[31] U.S., Congressional Record, 76th Cong., 3rd Sess., September 19, 1940, 12306-12308.

[32] U.S., Congress, House, Committee on Ways and Means, Hearings, on H.R. 10413, An Act to Provide Revenue, and for Other Purposes, 76th Cong., 3rd Sess., 1940, pp. 245-260.

Beyond the committee rooms business interests continued the fight for a reasonable tax law. The Journal backed small businessmen and argued that the bill was too arbitrary in nature, with excess taxes falling on all business regardless of profit performance. Moreover, the editors agreed with the Chamber's Alvord that the excessiveness of a profit was unmeasurable, which made the bill's enforcement impossible. The Journal lauded William Knudsen's able reply to congressional charges that the government must be protected from greed, and added that "extortion" by business was impossible. The editors pointed out that big companies had already started construction of defense plants and could not stop now, regardless of a new tax law. If these assurances did not placate business critics, the Journal reminded them that the government could always condemn plants and run them directly.[33] In light of this Barron's complained that Congress and the White House had lost sight of the true aim of a revenue law, namely, the acquisition of additional funds to meet defense costs. The President was lost in a "fog of sentiment," claimed the

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[33] The Wall Street Journal, July 3, 1940, p. 4; August 30, 1940, p. 4; September 3, 1940, p. 4; September 6, 1940, p. 4.

editors, as he tried to uphold his vow of no war millionaires. Instead, Barron's thought he should have been more concerned with the law's true objective of producing revenue.[34]

Despite their impatience with the President, businessmen sought his intercession on the tax dispute. Bernard Baruch attempted to gain Roosevelt's approval of a middle position by establishing an 8 per cent profit ceiling on defense contracts. Baruch agreed with Roosevelt that the public would not stand for great profits in mobilization, but the financier still believed that capital deserved a reasonable return on its investment. Surprisingly, however, Baruch had no compunction about government seizure of needed plants when required by the dictates of mobilization. In such cases, though, Baruch still wanted a fair profit paid in compensation to the owners.[35]

The petitions from business for a reasonable tax law were not lost on the members of the Senate Finance Committee. Chairman Pat Harrison steered a steady course between anti-business proposals eminating from the House

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[34] Barron's, XX (August 19, 1940), p. 10.

[35] Memorandum, Bernard Baruch to Franklin D. Roosevelt, August 20, 1940, Roosevelt Papers, President's Personal File, Box 88.

and the desires of the Chamber of Commerce to emerge with a bill acceptable to most businessmen. The law provided for excess profits to be taxed at graduated rates up to 50 per cent after corporations chose one of two methods for calculating income credit. The first alternative consisted of all profit over 95 per cent of 1936-1939 profits, as proposed at the outset of the debate by Senator Connally. As a second choice, income credit could consist of 8 per cent of a firm's invested capital for the taxable year. Most important of all, the 8 per cent ceiling on war profits was repealed, which proved the reasonableness of the act to businessmen.[36] The Journal applauded Harrison's bill as "more rational" than the original H.R. 10413.[37] As with most legislation, the new revenue act failed to please all its critics. The Chronicle noted that many congressmen admitted they did not understand the measure[38] and Barron's agreed with Senator Arthur Vandenberg that the new act was an "imponderable mess."[39] In all, however,

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[36] U.S., Statutes at Large, LIV, Part 1, 974.

[37] The Wall Street Journal, September 18, 1940, p. 4.

[38] The Commercial and Financial Chronicle, CLI (July 13, 1940), p. 155.

[39] Barron's, XX (September 9, 1940), p. 4; (November 11, 1940), p. 7; (November 25, 1940), p. 9.

the business world resolved to live with the new law.

During 1940 businessmen rejected the idea that industry divest itself of war profits. The American economic system, they said, was capitalist to the core, as the American people desired it to be, and was responsible for the nation's historic greatness. Profits were vital to the health of capitalism, even war profits, although businessmen favored only reasonable markups and were willing to accept an excess profits tax to prove their sincerity. In question, however, was whether there would be any war profits to tax. Men of Ernest T. Weir's persuasion doubted that rearmament would stimulate genuine prosperity, especially with postwar depression looming in the future. Businessmen dismissed Senator Homer Bone's legislation to link immorality with war profits and labeled his efforts a backlash from the myth which had grown out of the role of munitions makers in World War I.

Industry attempted to influence the White House and Congress in favor of the least possible restrictions on defense contracts. The effect of this lobbying was seen in the tax law of October, 1940. Neither business nor its New Deal opponents judged the act satisfactory, although industry found it possible to live with the new

legislation. The role of Roosevelt was again that of Barron's "quarterbacking" President, neither totally accepting nor rejecting the petitions of business, on one hand, or the counsel of his own New Deal lieutenants on the other. The maneuvering that transpired in the White House to keep the rival factions from clashing head-on possibly delayed the finalization of the tax law and kept industry from entering earlier into a full mobilization program. Four months passed before corporations were given the assurance they desired in the new act as what to expect in tax levies. The extent to which business was responsible for delaying defense production was impossible to assess. While such charges were being made, William Knudsen himself reported that the machine tool makers, the most vital part of rearmament in its early stages, had trebled their output in two years, a feat the NDAC leader considered a miracle of production. Beyond speculation, however, is the fact that business did begin to prepare itself for rearmament on an unprecedented scale as the United States armed itself and, with the forthcoming lend-lease system of 1941, aided Britain and the Allies for the duration of the war.

CHAPTER VIII

LEND-LEASE GAINS BUSINESS SUPPORT

During 1940 America approached intervention at the same indirect pace held for three years past. Congress approved the conscription law in September but isolationists fought the bill to the final favorable vote. The destroyer deal never ran the gamut of congressional inquiry, although transfer of the vessels in effect ended the neutral role America played in the community of nations. Foreign policy formulation quickened and became less nebulous in 1941. The Administration pushed through Congress its new concept of lend-lease, which placed America among the belligerents more firmly than had all the President's actions since the Quarantine Speech. Exuding confidence from his fresh election victory, Roosevelt felt prepared for the fight with the isolationists that he knew would develop over lend-lease. If the election results provided insufficient incentive for action, the worsening Allied condition in Europe proved the need for greater aid to the democracies. The British Army's North African offensive emphasized the financial condition of the United Kingdom, which found itself unable to pay for the huge quantities

of goods required to pursue the war.

The Administration's proposal to finance the Allied campaign through loans made Americans sense that the nation was slipping into the position of being the "arsenal of democracy." But the idea of furnishing supplies to the Europeans without specifying the details or committing the recipients to a method of repayment caught isolationists by surprise. The Commercial and Financial Chronicle in early December, 1940, reported that its suspicions were correct; a scheme for further Allied aid unprecedented in magnitude was under discussion in the Administration. Instead of printing its usual criticisms of the President's policies, the Chronicle, alarmed by the Allies' general decline, suggested a positive plan of action. The editors urged the Administration to continue operating on a cash basis and to concentrate on shipping aircraft, munitions, and foodstuffs to Europe, though this might deny equipment to American defenses. The magazine did not even begrudge the United Kingdom's order for sixty new freighters or the consignment of 50 per cent of American warplane production to England. Possibly the editors now accepted the interventionist concept of Britain being America's first line of defense, or perhaps they anticipated great profits for

business from the transactions. The likelihood, however, of the isolationist Chronicle justifying war shipments to Europe for profit or other economic motives does not seem feasible. The editors never abandoned the basic isolationist principle that, except for certain excess items, equipment must be retained for American forces. Even though the Chronicle understood the seriousness of the Allies' position, it still refused to forego a noninvolvement policy. It recognized that isolationism was declining and resorted to compromise. The editors accepted the transfer of goods on a cash basis but rejected loans to the Allies. Senator Robert Taft later included conventional loans in his own compromise, but the heat of the great debate blinded the Chronicle and Taft to the fact that concessions led to a weakening of the isolationist position.

Lend-lease added a new issue to the foreign policy debate and it further divided the business community, as well as all American society. Interventionist businessmen supported the President without question. Diehard isolationists, on the other hand, argued that such sweeping legislation would lead directly to war and that all resources should go into national defense. Nothing could be spared, even if the Allies offered to pay cash. Moderate

isolationists favored aid to Britain, but not legislation which gave excessive power to the President. Isolationist business groups often combined their opposition to intervention and their fear of growing presidential powers into a single attack against the President. The Chronicle did this. While the President cruised aboard the Tuscaloosa, the Chronicle revived its accusations of Rooseveltian incompetency and charged that the sea journey was another of the President's delaying strategies to heighten suspense over the coming aid proposal. No one remained in Washington with authority to act on foreign policy, stated the Chronicle, although the voyagers accompanying the President included only his personal staff and Harry Hopkins. Roosevelt simply wanted a respite from Washington pressures to think out his aid program, but to the Chronicle this seabound band represented the government. Its absence from the capital showed that the President's lax methods of operation during the 1930's still prevailed; the editors expected no better a performance from the Administration in time of international crisis.[1]

Other businessmen refused to dredge up the old

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[1] The Commercial and Financial Chronicle, CLI (December 7, 1940), p. 3286.

anti-Roosevelt accusations and explored instead Henry J. Morgenthau's role in writing the upcoming aid bill. Barron's reported that the Secretary of the Treasury and his aides had found a way to avoid recurrence of the resentment still existing over the unpaid World War I loans. The Administration, the editors disclosed, would eschew "any beating around the dollar-mark tree" in the current war. It planned to tell Congress the full story of England's nearly depleted resources and of the need to bolster the British Isles' preparations for an anticipated invasion in May, 1941. Congress then would have the responsibility for saving Great Britain laid "slap bang" in its lap. In Barron's opinion, this would be the proper course of action, since its conservative editors believed the legislative branch, not the executive, should set government policy. Although the business press never knew Roosevelt's innermost thoughts, Barron's conjectured that the Administration had decided to crush the isolationist bloc. The editors welcomed this move as a sign that the United States fully supported Britain against the Axis. Equally important, Barron's believed, selling or giving material and supplies to the Allies promised less chance of defeat for the democracies. Only then might America

avoid direct involvement in the war. The editors rejected isolationist claims that aid to the Allies meant direct American military intervention and urged businessmen to ignore the "clanging complaints" and "confusion of whirling semaphores" the President left behind as he sailed for the Caribbean. The cruise itself, said Barron's, provided Roosevelt an opportunity to prepare his strategy for pushing lend-lease through Congress. After studying the implications of a broader aid program, the magazine again employed maritime metaphor and queried how far America might lean over the dock and reach into the water without falling in. Barron's shared the isolationists' fear that expanded aid might lead to American convoys to Britain and cause full scale intervention. Regardless of these reservations, the editors agreed with the interventionists that Congress must take action to provide financial aid for Britain. Barron's longed to stay out of war, as did most Americans, but it readily joined those who backed the President's new concept of broad financial help for the Allies.[2]

The presidential party's return from the Caribbean marked the opening of the lend-lease campaign. At the December 17 White House press conference, Roosevelt

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[2] Barron's, The National Financial Weekly, XX (December 9, 1940), p. 4.

stated his novel theory for aiding the Allies. To illustrate, he told his parable of the garden hose, from which Americans learned that they must make equipment available to neighbors fighting fires and never quibble over the price. Eschewing outright gifts to the British, the President added that leasing or selling supplies might offer the best arrangement for furthering the Allied cause. These outspoken statements told isolationists that they had come to the decisive battle in the great debate over foreign policy. The Chronicle's proposal for limited aid had no place in Roosevelt's own plan, which the magazine denounced as "a vague basis of eventual payment in kind." The editors predicted that the Allies would never repay obligations thus accumulated. But worse, they saw the British interpreting the President's proposal as proof that America had become a full-fledged belligerent. In the Chronicle's way of thinking, the nation's international position hinged on the fine distinction between the making of definite arrangements for payment and the giving away of war materials to the democratic powers.

The President's proposal disturbed many representatives of the business world. An orderly system of accounting for goods shipped to Europe had no place in his

scheme, the Chronicle charged. It doubted that Roosevelt could persuade isolationists to accept such an aid plan. The debate had become so wrought with emotion that the magazine discounted the possibility of reconciliation on lend-lease. Other business publications, lacking real enthusiasm for lend-lease, accepted it as inevitable. Iron Age anticipated victory for the President, as did the Chicago Tribune and other isolationist spokesmen, but predicted a hard battle over the issue in Congress. The steel industry journal avoided taking sides, but it accurately forecast the isolationists' defeat despite their elaborate propaganda campaign.[3]

Interventionists put forth efforts equaling those of their rivals. Harvard's James B. Conant and Lewis Douglas voiced pro-Allied sentiments in their "round robin" telegram to the President on December 23. Nearly 200 prominent Americans signed the petition, including Ward Cheny, New York banker Frank Altschul, and the San Franciscan T. D. Boardman. Since the fall of France the signatories, mostly extreme interventionists, had been dissatisfied with Roosevelt's cautious approach to involvement. They urged Roosevelt to explain in detail the nature of the European

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[3] Iron Age, CXLVI (December 26, 1940), p. 54.

conflict which threatened national security. Once this was done, they said, the President could pursue a more vigorous interventionist policy. Roosevelt published the Conant "round robin" two days before his speech to test public opinion. The unenthusiastic reaction neutralized the petition's effect on the President, and with justification he continued his slow advance toward intervention.[4]

Distrust of Roosevelt permeated the business world on the day of the fireside chat. The Chronicle accepted aid for Britain but it feared, with other Americans, that the President would bypass Congress and strip the Army and Navy of vital equipment for shipment to Europe. The Chronicle and conservative businessmen, often isolationists themselves, had always considered many aspects of the New Deal as socialistic, un-American, and unconstitutional. Many doubted Roosevelt's competency to determine which war goods could be spared for Allied use.[5] Certain industrialists were so skeptical of Administration policy that they eschewed the Conant "round robin." Morris L. Ernst,

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[4] Morris L. Ernst to Franklin D. Roosevelt, December 24, 1940, Roosevelt Papers, Official File, Box 4193.

[5] The Commercial and Financial Chronicle, CLI (December 21, 1940), p. 3641; (December 28, 1940), pp. 3784-3785.

a White House confidant, reported to Roosevelt that various General Motors "big shots" refused to sign the telegram. As the President began his radio speech the evening of December 29, anti-Rooseveltians feared the worst.

Roosevelt opened his address by describing the great emergency confronting America and the measures that had been undertaken to guarantee security. The country must become the major supplier for the Allied powers as the "arsenal of democracy." The greater the amount of armaments in Allied hands, reasoned the President, the less possibility there was that American troops would be sent to Europe. The editors of Barron's had correctly reported the shape of lend-lease, although its design contained no guarantee of congressional control.[6]

Isolationist segments of the business community found Roosevelt's proposal unsatisfactory. They had anticipated a more detailed description of the new plan to fill out rumors they had heard. Instead, they received what they considered a general call to transform America

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[6]Samuel I. Rosenman (ed.), The Public Papers and Addresses of Franklin D. Roosevelt with a Special Introduction and Explanatory Notes by President Roosevelt (New York: Harper and Brothers, 1950), IX, pp. 663, 664.

into a vast arms depot. These men of practical affairs were more interested in learning how the President expected to finance the great project. Business Week complained that, although the President described the nation's condition as an emergency equal to actual war, he failed to clarify the specific differences between this and the state of war itself. The editors accurately concluded that Roosevelt still abided by the "short of war" policy, although they suspected this might change if the European situation worsened. The editors pointed out that the President always made his promise of no intervention "in the present tense," and never extended it into the future. In effect, the editors reflected the frustration of many Americans to the President's tactics of trying to walk a middle path between isolationists and interventionists.[7]

Roosevelt's allusion in his speech to the United States as the new Allied arms depot gratified ardent interventionists around the nation. From St. Louis, the banker J. Lionberger Davis wrote the President to congratulate him. Davis described Roosevelt as the "symbol of almost everything" important in the democratic way of life. The circle of interventionist businessmen in which Davis

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[7] Business Week, January 4, 1941, p. 7.

moved applauded the proposal as vital in cementing the British-American alliance.[8] These accolades gratified the President but did not reduce his concern over recent developments in the interventionist camp.

Roosevelt's appeal for increased involvement caused a major schism between moderates and extremists on the Committee to Defend America by Aiding the Allies. William Allen White's actions indicated the seriousness of the division. The venerable journalist favored aid to Britain but not military intervention. As a result, Century Group extremists forced White to resign his chairmanship. Businessmen and others followed White out of the organization but many considered the committee intervention's most effective tool in the great debate. These refused to desert. Thomas Lamont, who repeatedly voiced his opposition to armed intervention, remained the committee's firm supporter despite mounting extremist sentiment. Lamont and his business colleagues realized that the debate over lend-lease required interventionists of all shades to rally around the new aid project. Of more practical persuasion than

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[8]J. Lionberger Davis to Franklin D. Roosevelt, December 30, 1940, Roosevelt Papers, President's Personal File, Box 186.

William Allen White, the Lamont group kept the committee together during the lend-lease debate and helped to insure victory for interventionism.

Lamont and his friends felt closer to success when Business Week cast its lot with the interventionists in the first week of 1941. Roosevelt had just presented his budget message on January 3, when he warned that, while America's national existence was uppermost in his mind, democracy throughout the world also had to be defended. Roosevelt impressed Business Week with his proposal to "get away from the dollar sign" in granting further aid to Britain. Regardless of the proposed $17.5 billion price tag of the new budget, 60 per cent of which was for defense, the magazine agreed that this provided the surest method for avoiding the pitfalls of the old war debt issue. To the President's delight, the editors suggested that the new loans be payable on a "when and if basis," a concept already included in the lend-lease draft.[9]

Three days after the budget address Roosevelt delivered his State of the Union message in which he further revealed his desire for greater aid to Britain. This favorable response gave the President courage to advance further

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[9] Business Week, January 11, 1941, p. 60.

toward intervention; he declared that the nation had to aid the Allies even at the risk of war with the Axis. To answer isolationists who challenged the clarity of Allied war aims, Roosevelt concluded his address with his famous Four Freedoms: mankind, he said, should not be restricted in its speech or religion and must feel safe from want and fear. However, the President did not say what specific measures the United States should take to guarantee these freedoms throughout the world.[10]

Four days later Administration supporters in the House introduced H.R. 1776. Anglophile businessmen flooded Roosevelt with congratulations, as they always did when he took another step along the road to intervention. Daniel Willard, head of the Baltimore and Ohio, praised the President's proposal but declared that Roosevelt was moving too slowly toward providing aid for Britain. Although he lacked evidence to prove his point, Willard assured Roosevelt that the American public was eager to arm the Allies. Willard, however, turned his back on the Century Group's request for military intervention. Opposing the return of American soldiers to European battlefields, he agreed with moderate

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[10] Rosenman, Public Papers and Addresses, IX, p. 651.

interventionists that munificent aid was the best insurance against military involvement.[11]

Following Willard's course, Thomas Lamont expressed his pro-lend-lease feelings to the President. He opposed total intervention but favored all aid possible short of war. His enthusiasm possessed such an infectious quality that he prevailed upon Alfred E. Smith to speak on national radio in favor of lend-lease. After the broadcast Lamont, well aware of the animosity between Smith and Roosevelt, suggested that the President send one of his "characteristic notes" of thanks to his old rival.[12]

Predictably, isolationist spokesmen in the business community remained unmoved by Roosevelt's call for lend-lease. The Chronicle chided the President for not shaping lend-lease "one iota" into a definite, precise program. Congress was ready to write a lend-lease law after the State of the Union message, but, complained the Chronicle, Roosevelt had not provided the legislators with a firm guideline for doing so. The White House did exactly

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[11] Daniel Willard to Franklin D. Roosevelt, January 7, 1941, Roosevelt Papers, President's Personal File, Box 1621.

[12] Thomas W. Lamont to Franklin D. Roosevelt, January 13, 1941, Roosevelt Papers, Official File, Box 4193.

that, only the proposal bore no similarity to the Chronicle's concept of a desirable policy.[13]

Lend-lease hearings began in the House Foreign Relations Committee January 15. Following Secretaries Hull, Morgenthau, and Stimson, William Knudsen spoke in favor of H.R. 1776. Knudsen represented business among the Administration witnesses in his capacity as NDAC co-chairman, not General Motor's former president. Industrialists and financiers never testified in favor of lend-lease before the committee. Their appearance might have given the impression that they anticipated great war profits once H.R. 1776 became law. As a result, their strategy helped eliminate warmongering charges during the hearings. Even Socialist Norman Thomas refrained from attacking business in his own testimony, which emphasized that America must build strong defenses at home and stay out of European wars. Other than Knudsen the only businessman who appeared before the House committee was the shipping magnate, William L. Grace. An avowed isolationist, Grace unleashed a strident attack against the British Empire and opposed aid to England in any form.

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[13] The Commercial and Financial Chronicle, CLII (January 11, 1941), pp. 157, 158, 164-166.

The House quickly passed the bill, but the Senate delayed final approval for two months. During that time Administration officials pleaded before the Foreign Relations Committee that massive aid to Britain afforded the best means for staying out of war. Interventionist senators went further and declared that war's sufferings were a better fate than Nazism, but if America did fight it was her own interests that motivated her to do so, not slavish support of British policy, as isolationists contended. Interventionist businessmen agreed. But, as with the House hearings, they feared the glare of publicity and preferred others to voice these thoughts at the hearings.[14]

Isolationist businessmen proved less reticent in expressing disapproval of lend-lease. Several joined other isolationists at the Senate hearings where they used as their main theme Roosevelt's thirst for dictatorial powers. America First's chairman, Robert E. Wood, took the stand first to present a moderate anti-Roosevelt position. He favored some form of aid to Britain but he told the committee that the bill under consideration was too sweeping in scope and power. In his meticulous way he had counted

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[14] U.S., Congressional Record, 77th Cong., 1st Sess., February 3, 1941, A391, 392.

thirty "anys" in S. 275, the Senate version of H.R. 1776. This satisfied him that the bill placed no limits on what action the President might take as to time, countries, or money. Detesting both presidential dictatorship and armed conflict, Wood, in his summation, described lend-lease not as a defense measure but a "war bill."[15]

Midwestern industrialist Hanford MacNider, an active America Firster, echoed Wood's charge of presidential tyranny. MacNider correctly regarded lend-lease not as a simple aid bill but as an instrument for expanding White House authority. In reality, he concluded, lend-lease might aid democracy abroad, but more importantly, it would destroy democratic processes at home.[16] United States Chamber of Commerce President James S. Kemper pursued the Roosevelt dictatorship theme. Kemper explained to the Foreign Relations Committee that the Chamber did not oppose aid for the Allies, although it desired legislation different from that before Congress.[17]

Kemper's artful criticisms reflected his Board of Director's highly critical statements, which allied the

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[15] U.S., Congress, Senate, Committee on Foreign Relations, Hearings, to Promote the Defense of the United States, 77th Cong., 1st Sess., 1941, pp. 342-398.

[16] Ibid., pp. 560-567. [17] Ibid., pp. 419-443.

Chamber with the isolationists during the lend-lease debate. The Chamber wanted action on an impregnable defense strategy and extensive aid to Britain, but not in the form of H.R. 1776. Many Chamber members had never learned to trust Franklin Roosevelt and did not want him managing the huge lend-lease program.[18] The Board of Directors supported selling, leasing, and giving supplies to Britain, but the bill under consideration, in its opinion, allowed the President to give away the entire Navy if he wished. The directors' distrust of Roosevelt made them insist that Congress maintain close scrutiny over such schemes as lend-lease. Although the Chamber ignored the question of profits coming from production generated by lend-lease, it did set forth conditions thought necessary to insure H.R. 1776's success. Advocating unity without government coercion as the keystone of American mobilization, the Chamber backed voluntary action and nothing more. The organization's National Policy Council insisted that its members have a say in determining priorities and price levels so that anti-business New Dealers in Washington could not impose unreasonable demands upon

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[18] Chamber of Commerce of the United States, National Preparedness: A Report by the National Policy Council (Washington: Chamber of Commerce of the United States, 1941), pp. 7-10.

industry. At this point in mobilization business spokesmen demurred from calculating the effect of lend-lease production upon the economy. Conservatives, however, retained their doubts about benefits from rearmament, which they had expressed in 1940.[19]

Outside the Capitol's committee rooms the business publications continued the great debate. Editors following the hearings found themselves divided on the merits of lend-lease, with the opposition continuing to criticize Roosevelt's penchant for dictatorial government. Nation's Business, the United States Chamber's house organ, reported that lend-lease "departed from traditional American policy" because it allowed the President to administer aid independent of congressional control. The editors scoffed at the thought that Germany might attack America, asking readers to imagine the Luftwaffe bombing Memphis or any other American city. Contradicting this basic premise, the editors added that America had a generation to prepare for invasion before Germany subdued the European states. From this estimate the magazine determined that

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[19] Chamber of Commerce of the United States, Lend-Lease Bill: A Statement by the Board of Directors (Washington: Chamber of Commerce of the United States, 1941), pp. 3-6.

the United States need not enter the war, at least immediately, or pass the lend-lease bill. One of the greatest concerns of the editors was that business not be blamed for another world war. This was inevitable if lend-lease passed, they maintained, because industry would then become the supplier for the Allies and a convenient target for pacifists and other anti-war groups. Business had less reason to anticipate such criticism in 1941, however, as seen in the absence of warmongering charges during the lend-lease hearings. And no responsible criticism was heard that American business lacked a cooperative spirit in rearmament. But the fears of a second Nye Committee and expanded executive powers caused Nation's Business to join the anti-lend-lease forces.[20]

The magazine's isolationist editorializing caused greater reaction in the business world than any other event during the lend-lease debate. Nation's Business reported that 70 per cent of its mail favored its noninterventionist arguments. Robert E. Wood set the example, saying that he found the editor's remarks "refreshing." The remaining 30 per cent of the writers took a different view. Some

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[20] Nation's Business, XXIX (February 1941), p. 13; (March 1941), p. 13.

cancelled their subscriptions, while others denounced the editors as Hitlerites on American soil. Finding business divided over foreign policy as completely as the nation at large, the editors approached the issue philosophically. They observed that history proved the dream of world peace had always eluded mankind, and lend-lease had small chance of bringing a world of international goodwill closer to reality. Clearly, their journalistic efforts demonstrated the great cleavage between isolationist and interventionist businessmen, and the general public's, in reaction to Roosevelt's foreign policy.[21]

The Wall Street Journal also attacked H.R. 1776, calling it "fantastically dangerous." The Journal used the familiar argument that the President might strip the Army and Navy of their armament and leave America without security in the event of war. As a counter measure the Journal proposed that the Administration create a new agency to take over British-held American securities and other assets to help pay for Allied material orders. The editors saw this as a sound business move. Lend-lease did not measure up to this standard, the Journal claimed, because H.R. 1776 contained no provision for "orderly property

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[21] Nation's Business, XXIX (April 1941), p. 7.

liquidation." The editors wanted to aid the Allies, as did most conservative businessmen, but rejected the Administration's proposals for action. Drawing on the fireside speech analogy, the Journal professed that it had no objection to lending Britain the garden hose, but that did not give the President permission to change the architecture of the house as well. To climax its argument the Journal returned to the standard theme, presidential tyranny. The editors insisted that before Congress passed H.R. 1776, which most isolationists considered inevitable, Roosevelt should specify what he planned to do with his new power. In other words, how much of the Navy would go to Britain and which countries would benefit from lend-lease.[22]

Roosevelt found stronger support for lend-lease in the banking world. The Banker's Magazine outlined two possible courses for American foreign policy: all-out aid to Britain, regardless of the consequences, which included war, as Robert Taft had pointed out in the Senate, or aid "short of war." The editors realized Americans preferred the second alternative, but suggested that this popular

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[22] The Wall Street Journal, January 10, 1941, p. 4; January 11, 1941, p. 4; January 13, 1941, p. 4; February 12, 1941, p. 4.

policy might be inadequate for national security. Senator Nye's earlier charges against the banking fraternity did not frighten the magazine, although it followed the lead of the rest of the business community and never mentioned that industry stood to gain huge profits from rearmament. Its editors, with others, thought excess taxes eliminated this possibility. They reminded their readers that there could be no "if" concerning the survival of the country, and besides, it insisted, a close study of the President's statements showed he had never really talked of, much less pursued, a "short of war" aid policy. Leaving this questionable line of thought, the editors reminded Americans that timidity encouraged dictators; the nation must back Administration policy as the surest way of keeping out of war.[23]

Such bold statements gave the impression that financiers desired intervention in 1941 to promote their own interests. In reality, bankers, like other Americans, were deeply divided on the question of aid to Britain. Among the critics of Roosevelt's policies were the editors of Banking. This journal echoed the old argument that

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[23] The Bankers' Magazine, CXLII (January 1941), p. 1; (February 1941), p. 97.

Roosevelt's limited competency in fiscal matters meant he had no business running lend-lease. The editors rejected Senator Robert Taft's sharp criticism that the President spent government money like water. Instead, Banking observed that the President displayed "a certain disturbing tone of complacency" toward serious financial problems. The magazine knew that it had no power to halt intervention, but realized that lend-lease meant the possibility of intervention and the inevitability of industrial mobilization. Refusing to enter further into the debate, the editors assumed a businesslike mien and expressed hope that once industry started producing war goods on a large scale, inflation would not wreck the economy.[24]

Individual financiers and industrialists were more inclined to speak out in favor of lend-lease. Some expressed their opinions in public addresses, but most spoke at private meetings with colleagues and wrote letters of encouragement to the President. Thomas Lamont appeared before a meeting of the Merchant's Association of New York and attacked Charles Lindbergh's claims that Hitler meant no harm to the United States. On the contrary, Lamont

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[24] Banking, Journal of American Banker's Association, XXXIV (February 1941), p. 19.

identified the Nazis as the prime threat to national security, and lend-lease as an act of American self-preservation. He declared that public opinion had shifted toward intervention during 1940, and that the time had arrived to give all-out support to Britain's war effort.[25] Other New York financiers joined Lamont in promoting lend-lease. W. H. Schubart, vice president of the Bank of Manhattan Company, stressed to audiences that the forthcoming lend-lease act would forge the united British-American economy necessary to defeat Hitler. Although isolationists feared that Britain would revert to her traditional imperial preference system when peace returned, Schubart denied such a possibility. Instead, he predicted the dawn of a new free trade era, with the Anglo-Saxon nations working for tariff and quota reductions in the world market.[26]

Roosevelt's St. Louis banker friend, J. Lionberger Davis, excoriated the isolationist Post Dispatch in letters to the editor. After the newspaper denounced lend-lease

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[25] Thomas W. Lamont, "The Defense of the Republic," Address before the Merchant's Association of New York, January 28, 1941, Roosevelt Papers, President's Personal File, Box 70.

[26] W. H. Schubart, "The War and America," Address given March 5, 1941, Hopkins Papers, Special Assistant to the President, Ideas About War, 1941.

as nothing more than a Rooseveltian trick for acquiring more power and involving American troops in the war, Davis retorted that he did not advocate the "blind following" of the President. Nevertheless, Roosevelt deserved the loyalty of all Americans as long as he led them in the "right direction."[27] This pronouncement made Davis one of the first businessmen to speak out against the charges of presidential incompetency. Davis continued his efforts in private correspondence with his conservative business associates. He wrote Francis L. Higginson, the Boston banker, that Roosevelt was an emotional artist with strong imagination; his daring and courageous spirit made up for his lack of understanding economics and finance. Davis also dismissed Henry Cabot Lodge's criticism of the President as nothing more than the words of a "Roosevelt-hater." In the face of the increasing international crisis, Davis urged his wealthy Eastern friends to realize that their limited contacts with "ordinary men" deprived them of the realization that public opinion supported the President. Instead of obstructing White House actions he urged these

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[27] J. Lionberger Davis to Editor, St. Louis Post-Dispatch, January 13, 1941, Roosevelt Papers, President's Personal File, Box 186.

men to remember that the inevitability of change made old grudges against Roosevelt insignificant.[28] Notable also as a lend-lease supporter among the "economic Bourbons" of the 1930's was John W. Davis, corporation lawyer and Democratic candidate for President in 1924. He tried to convince his old anti-Roosevelt Liberty League associates that congressional amendments to the bill had removed the danger of presidential dictatorship that so disturbed the business community.[29]

The Lamonts and Davises failed to convince isolationist businessmen of the merits of lend-lease. The prospect of presidential dictatorship remained the central issue in the minds of many of the business community. The Chronicle declared that the bill granted Roosevelt nearly unlimited power to give the Allies the Navy and untold amounts of equipment. Following closely the congressional hearings, the Chronicle assured its readers that once the American public realized that lend-lease led straight to war, Roosevelt would have more difficulty pushing further pro-Ally legislation through Congress. The editors admitted

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[28] J. Lionberger Davis to F. L. Higginson, January 23, 1941, in ibid.

[29] Memorandum of John W. Davis, February 17, 1941, in ibid.

defeat on lend-lease but intended to place obstacles in the way of future interventionist plans.[30] Business Week suggested that the uncertainty of the future regarding a German challenge to America required the President to ask for broad powers in the lend-lease bill, but this did not remove the Chronicle's fears of a White House dictatorship.[31]

Individual businessmen opposed lend-lease, but the most extreme reaction came from Senator Burton K. Wheeler, who charged that the aid bill was a diabolical plot to "plow under every fourth American boy." Answering this tasteless remark, L. J. Miller, an interventionist New England distributor for Superior Coach Sales Company, wrote Wheeler that no businessman on the Eastern Seaboard agreed with the Senator and the voters should plow under the isolationist congressmen for impeding the passage of lend-lease.[32]

Other businessmen kept the debate on a higher plane. Robert E. Wood, once he had completed his testimony

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[30] The Commercial and Financial Chronicle, CLII (January 18, 1941), pp. 302, 304, 307, 308.

[31] Business Week, January 25, 1941, p. 7.

[32] L. J. Miller to Burton K. Wheeler, January 15, 1941, Roosevelt Papers, President's Personal File, Box 1365.

before the Foreign Affairs Committee, attempted to influence Roosevelt by a direct appeal. The President, however, refused to grant the General a personal interview. Not deterred by his ostracism from the White House where he had been welcome during the 1930's as an NRA supporter and Business Advisory Council member, Wood resorted to letter writing. The General charged that H.R. 1776's broad scope was "sure to involve us in war," although he believed the public would accept aid and defense legislation when it clearly delimited executive powers. Wood's opinions indicated that he did not fit the isolationist stereotype. Possibly America First needed a change of chairman, but no candidate could lend prestige to the organization in the way that Wood did. The General enjoyed a reputation of competency in business and integrity in his past governmental responsibilities unsurpassed by other isolationist leaders. If Wood's position appeared too moderate to hard-core isolationists, a more extreme policy would have alienated America Firsters who thought Britain deserved at least limited aid. Moderation within America First boded the end of isolationism; once the committee modified its strict principles opposing any form of aid to belligerents, its arguments evaporated in a series of compromises. Conservative

business leadership brought down the isolationist organization as surely as the reports of Axis aggression from the Continent.[33]

The Chicago realtor, George D. Wilkinson, better represented standard isolationist thinking. Proud of his membership in three isolationist groups, Wilkinson wrote various senators during the lend-lease debate that England had no claim against America for aid because democracy in the island kingdom was no more than a sham. Only warmongers, communists and traitors, he asserted, favored lend-lease, leaving approximately 80 per cent of America opposed to intervention, which proved to the Chicagoan that Congress should vote down H.R. 1776.[34]

E. L. Connelly, a southwestern oil producer, also represented extreme isolationism. Generally misinterpreting the 1940 election results, he insisted that Roosevelt's triumph indicated Americans opposed involvement in the European war. If the United States entered the war, only then did he favor a lend-lease law; otherwise, he believed

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[33] Robert E. Wood to Franklin D. Roosevelt, February 7, 1941, Roosevelt Papers, President's Personal File, Box 1365.

[34] George D. Wilkinson to Elmer Thomas, February 20, 1941, Thomas Papers, Box 148.

the President should not have such great power in peacetime.[35] In agreement was a southwestern petroleum geologist who claimed that Britain and France themselves armed Germany as part of the power politics game played during the 1930's.[36] A Detroit realtor exceeded the others in originality by selecting historical examples to prove the errors of lend-lease. Recalling that Pontius Pilate blamed the "jurors" for forcing him to allow Christ's crucifixion, Adams warned Congress that its position paralleled that of the ancient sages of Jerusalem. If congressmen who represented the jurors in the lend-lease debate had no concern over their reputations, they must realize that the hostilities constituted a European war only, with no claims on American wealth for its pursuance.[37]

During the closing days of the lend-lease debate much editorial opinion favored the bill, although die-hard isolationists refused to acknowledge its merits. The Chronicle characterized H.R. 1776 as the "most remarkable"

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[35] E. L. Connelly to Elmer Thomas, January 20, 1941, in ibid.

[36] U. R. Laves to Elmer Thomas, January 13, 1941, in ibid.

[37] Alfred P. Adams to Elmer Thomas, March 6, 1941, in ibid.

legislation ever proposed in a supposedly democratic nation because it permitted the President to usurp the prerogatives of Congress even more effectively than had New Deal legislation. Other publications had rejected this argument with the realization that the President, in his role as Commander-in-Chief, already possessed the allegedly dictatorial powers. The Constitution, not lend-lease, gave the Chief Executive this great authority. Nevertheless, the Chronicle regarded what it described as Roosevelt's breezy casualness toward the debate as a warning sign that in the name of lend-lease the White House planned further highhanded tactics reminiscent of September's destroyer deal.[38]

Barron's, in contrast to the Chronicle, led the business press in promoting lend-lease. The threat of an invasion of Britain within ninety days caused the editors to exclaim that America must "send [Britain] what we have now" to stave off the Hitlerian onslaught. Better to have American equipment in Britain available for use against the anticipated invasion, decided Barron's, than sitting idle in the United States. "Good business" required Roosevelt to dispatch all available materiel across the Atlantic to

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[38] The Commercial and Financial Chronicle, CLII (January 25, 1941), pp. 584, 591-593.

insure Britain's security while expanded mobilization built up defenses at home.[39]

Efforts in Congress to diminish the "dictator" argument also caught the eye of business editors. To assuage the isolationists, Congress banned convoying and fixed June 30, 1943 as H.R. 1776's expiration date. Business Week, favoring intervention but still leery of Roosevelt's intentions, regarded these amendments as temporary measures and part of a "Presidential compromise" that would be forgotten once the Administration had the lend-lease act safe in hand.[40] The Chronicle's editors remained opposed to the broad scope of the amended document and branded it a "dictatorship bill."[41]

March 11, 1941, climaxed the great debate as the President signed lend-lease into law. The following day interventionist businessmen heaped congratulations upon the President. Herbert S. Houston, elated over the lend-lease victory, ranked Roosevelt with Washington, Jefferson, and Lincoln as one of the greatest presidents. After

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[39] Barron's, XXI (January 20, 1941), p. 9.

[40] Business Week, February 1, 1941, p. 7.

[41] The Commercial and Financial Chronicle, CLII (February 8, 1941), p. 883.

fighting the Borahs and Johnsons for twenty years "as vigorously as Sam Houston fought Santa Anna," Houston regarded lend-lease as the summation of his long struggle against isolationism.[42] With equal enthusiasm, Julian Goldman wrote that lend-lease was not enough; the President must provide "militant leadership" to combat Axis aggression.[43]

Business Week assessed the impact of lend-lease on industry and concluded that on March 11 "American business entered the war." The editors believed that the success of lend-lease rested upon the business community. In terms of foreign policy, Business Week accurately believed that the Administration had gone beyond the question of whether to risk war because the "die is cast" with the enactment of H.R. 1776.[44] This realistic assessment escaped the Chronicle, which declared lend-lease a hoax designed to conceal Roosevelt's true aims. Angry over the interventionist propaganda spread by Barron's and other interventionists that had warned of an imminent German invasion of Britain,

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[42] Herbert S. Houston to Franklin D. Roosevelt, March 12, 1941, Roosevelt Papers, President's Personal File, Box 2856.

[43] Julian Goldman to Franklin D. Roosevelt, March 14, 1941, Roosevelt Papers, President's Personal File, Box 6495.

[44] Business Week, March 15, 1941, pp. 7, 15.

the Chronicle rejoined that not a single German landing craft had been sighted in the Channel during this time of peril which proved Roosevelt had concocted lend-lease as another ruse to involve America in a shooting war. While Business Week and other voices of moderation considered the risk incidental to the primary purpose of lend-lease, the Chronicle maintained the Administration had a very different objective in mind. The magazine insisted Roosevelt wanted to involve the United States in a shooting war through the risk inherent in supplying the Allies with war goods.[45]

At least the lend-lease victory moved the Chronicle into the central arena of the great debate, with its editors abandoning the dictatorship argument and emphasizing instead the possibility of direct intervention in Europe. Similarly, The Wall Street Journal shifted its criticism to the military effects of lend-lease. No citizen, least of all the President, wrote the editors, wanted the responsibility of carrying the nation into war through "trickery or cajolery." In the Journal's estimation, Americans accepted without question the false assumption that lend-lease

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[45] The Commercial and Financial Chronicle, CLII (March 15, 1941), pp. 1632, 1633.

meant inevitable war for the United States. Congress still had the power to declare war, emphasized the editors, which made it doubly important for voters to impress upon the solons that the nation wanted to keep out of hostilities.

The lend-lease victory signaled the end of isolationism but the Journal refused to admit defeat. The foreign policy battle had reached the crucial stage, said the editors, and the legions of America First had no time to lose in mounting their anti-war crusade. The chances for success hung on the true nature of lend-lease. If the new law contained no hidden meanings, Senator Wheeler and his colleagues in Congress might yet prevail, but if H.R. 1776 masked preparations for a shooting war the Journal admitted that the great debate of the 1940's had ended in favor of the interventionists.[46]

Other isolationist strongholds also realized that intervention had won the day. Gas Age reacted with a negative assessment of the effect that the New Deal and impending war had on American life. The editors saw the "Zero Hour" of civilization approaching, with "radicals," working to remake the social and economic system, opposing the "moderate

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[46] The Wall Street Journal, March 12, 1941, p. 4; March 17, 1941, p. 4; March 26, 1941, p. 4.

liberals," the preservers of capitalism. For a decade "moral pressure and persuasion" had lost ground to "severe controls" over national life. But Gas Age thought that the shock of war might be the salvation of society if Americans then recognized the need for traditional institutions and established economic principles.[47]

Unlike the Chronicle and Gas Age, Iron Age never took sides in the great debate, although its reaction to lend-lease reflected the business world's conservativism in domestic affairs. The editors ignored the possibility that Hitler might use lend-lease as a casus belli and concentrated their concern on the act's effect in labor relations. Giving its own twist to the Nye Committee thesis, Iron Age feared that labor would hinder the effectiveness of lend-lease by trying to "cash in on the enemy." The editors pointed to the West Coast shipyard workers, who had struck for higher wages soon after the President signed H.R. 1776. Increased labor pressure, reasoned Iron Age, would disrupt industry and hamstring lend-lease unless unions moderated their demands. The editors did not suggest methods to deal with strikes, but left this to the

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[47] Gas Age, LXXXVII (March 27, 1941), p. 19.

determination of their readers.[48]

Other parts of the business press cheered the passage of lend-lease. Discounting the dictatorship argument, the interventionist Bankers' Magazine scoffed at fears of Congress abdicating its powers under lend-lease. The affirmative vote, which seemed remarkably large and nonpartisan to the editors, indicated "substantial unanimity" in support of intervention, evidence that America had settled upon an aggressive pro-Ally course in foreign policy. The vapid isolationist arguments presented during the debate proved to Bankers' Magazine that America First and its allies lacked the dynamism needed to influence public opinion. It found nothing new in the opposition's speeches, only the outworn arguments left over from the days of the Nye Committee. The magazine applauded the passage of lend-lease, but scored Congress for failing to take prompter action on the bill, a circumstance it blamed on the isolationists.[49]

The lend-lease victory climaxed the great debate in favor of intervention. However, the vote on the bill

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[48] Iron Age, CXLVII (March 20, 1941), p. 78; (April 3, 1941), p. 60.

[49] The Bankers' Magazine, CLXII (April 1941), p. 281.

(260 to 165 in the House; 60 to 31 in the Senate) evinced a considerable isolationist minority ready to oppose future Administration moves in foreign policy. For this reason, and also to prevent the public from retreating into the isolationist camp, the President continued to move cautiously throughout 1941 in uniting American and Allied efforts against the Axis. The fight for lend-lease revealed a business community divided on foreign policy. Anglophiles such as Thomas Lamont stood behind the President; hard-core isolationists, on the other hand, worked diligently to defeat H.R. 1776. Hanford MacNider adopted Senator Taft's line of reasoning on the question of lend-lease's future effect on American international relations. MacNider maintained that aid for the Allies meant eventual military involvement for America. To the detriment of their position, isolationists compromised that crucial point when they accepted the general principle of aid for the Allies.

Businessmen supporting isolationism fused together the twin fears of presidential tyranny and military involvement into a single statement against intervention. As a result, ambivalence often developed on basic issues, as illustrated by the United States Chamber of Commerce, which

opposed alleged Rooseveltian tyranny but not intervention in general. The Chamber's magazine, however, advocated extreme isolation, and fought against all aid to the Allies.

Businessmen, both isolationist and interventionist, were cheered to learn that charges of warmongering had greatly diminished by 1941. The interventionist sentiments of Barron's and Bankers' Magazine precipitated no outcry from the public. The Nye Committee faded farther away in time as the threat of war came nearer; immediate events in Europe impressed the public more than the Senate hearings of 1935. Americans largely forgot accusations that the businessman's desire for profits had dragged the nation into World War I and now looked to industry as the supplier of the democracies in their struggle against Axis domination. Talk of mobilization as a cornucopia yielding huge profits for industry diminished so as to be almost unheard in or out of the business community. Lend-lease gave the business world its mandate for mobilization, and ended the warmonger epithets heard for the past two decades.

Most significantly, lend-lease meant the triumph of intervention in America. Business Week's statement that business had entered the war applied equally to the country at large. Interventionists consolidated their

position, but isolationists, refusing to believe their day had passed, mounted rear guard actions serious enough to force the President to turn his attention to them in the remaining months of 1941.

CHAPTER IX

BUSINESS AND UNLIMITED NATIONAL EMERGENCY

The lend-lease victory provided the breakthrough interventionists needed to achieve their objectives. They continued to back the President's program as he established naval patrols in the Atlantic in April, and issued his May 29 "unlimited national emergency" proclamation. Two months later he met with Prime Minister Churchill at sea, off the Newfoundland coast, for the Atlantic Conference. In September America lost its last vestiges of neutrality when the President delivered his "shoot on sight" speech and inaugurated convoys for Allied shipping. During November, Roosevelt gained legal sanction for these moves when he engineered partial repeal of the Neutrality Law.

Americans learned of the extended naval patrols at Roosevelt's April 29 press conference, when he acknowledged that the Navy had begun operations 2,000 miles into the Atlantic. The Administration calculated that this cautious prelude to the convoy strategy would neither bring recrimination from the Nazis in Europe or from isolationists at home. The White House avoided confrontation with the German government, but the isolationist uproar in

Congress over the patrols and the probability of future convoys reached such great proportions that it produced the Tobey Anti-Convoy Resolution, which threatened not only Atlantic patrols but lend-lease itself.

Ignoring interventionist criticism that he should move more quickly, Roosevelt defeated the Tobey resolution in the House Foreign Affairs Committee and eventually made convoys a reality. The President realized that imprudent action on his part might give the isolationists an opportunity to revitalize their forces and thwart his newest interventionist move. Undaunted by the outcome of the lend-lease debate, segments of the business community joined isolationists to oppose the Atlantic patrols, which they rightly claimed would eventually lead to convoys and a shooting war. The White House received petitions from such prominent leaders as Harold Vanderbilt, who vowed he was "100 per cent pro British and 100 per cent anti Nazi" [sic], but begged Roosevelt to cancel convoy orders and abandon lend-lease. All manpower and material should go into American defenses at home, not squandered abroad, he insisted.[1]

Conservative business groups criticized the

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[1]Harold S. Vanderbilt to Franklin D. Roosevelt, May 19, 1941, Roosevelt Papers, President's Personal File, Box 6666.

President's methods in setting up patrols and the secrecy in which he enveloped the entire program. The Commercial and Financial Chronicle complained that his remarks at the April 29 press conference were so vague that they confused the public about naval activity on the high seas. The editors held that the President had purposely led the nation to the brink of war with his patrols, or, possibly, full-fledged convoys. Regardless of isolationist assumptions, the President had not yet arrived at the conclusion that America would inevitably enter the war.[2] The Wall Street Journal pointed to the Neutrality Law's prohibition against United States merchant vessels entering war zones and decided that if Congress did not want freighters in danger areas the President should not send warships into the same waters. The Journal still looked to Congress for major decision making, although it well realized the President had over the years assumed many of these powers. Anticipating isolationist accusations, Roosevelt took care that patrols did not extend into the prohibited areas, so as not to violate the neutrality statutes.[3]

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[2] The Commercial and Financial Chronicle, CLII (May 3, 1941), p. 2752.

[3] The Wall Street Journal, May 1, 1941, p. 4.

Roosevelt found further reason to move cautiously when certain lend-lease supporters refused to back convoying. Barron's attacked Roosevelt's official family for trying to force him to initiate convoys. "Palace pals" such as Henry Wallace and Felix Frankfurter, "Washington's black robed Richelieu," maintained the editors, advocated convoys reaching the full distance to Great Britain. Regardless of the power these men wielded in the White House, Barron's trusted that Roosevelt would delay convoys until he could rely on public support.[4] Accordingly, Roosevelt authorized the Secretary of War to promote convoys in a strongly worded radio address on May 6. Stimson announced that the Navy possessed sufficient men and ships to guard the sea lanes against German submarines and insure that lend-lease goods reached their destination. If the Navy did not assume this duty the Secretary foresaw the demise of lend-lease as wolf packs continued to prey unchecked upon Allied Shipping.

Isolationists condemned Stimson's proposal as unrealistic because it assumed America could supply the Allies and yet remain aloof from the fighting. The Chronicle condemned the idea as more propaganda, "singularly lacking in

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[4] Barron's, The National Financial Weekly, XXI (April 14, 1941), p. 4.

forthrightness," which ignored the possibility of a shooting war. Stimson's remarks also revived accusations that interventionists hoped to preserve the British Empire at the expense of the United States. The Chronicle suspected that Stimson wanted the Navy to assume convoy duties primarily for that purpose, regardless of the threat to American security.[5] The Journal at least rated Stimson's forthright address above recent statements made by Secretaries Knox and Hull and asked why the Administration could not be as open when other subjects were at issue. In particular, the editors said the only candid way to go to war--now an alarming possibility to the magazine because of lend-lease and the convoys that were sure to materialize--was to ask Congress for a formal declaration of war against the Axis.[6] Gas Age seconded this with the admonition that Americans should prepare for the future knowing that the nation "will become a war belligerent."[7]

Barron's found the President's approval of Stimson's speech dismaying, although the editors still relied

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[5] The Commercial and Financial Chronicle, CLII (May 10, 1941), pp. 2910-2912, 2915.

[6] The Wall Street Journal, May 7, 1941, p. 4.

[7] Gas Age, LXXXVII (April 10, 1941), p. 35.

on Roosevelt not to act against the public will. Except for the 1937 Court-packing bill, the editors found he had never tried to force the nation to accept an unpopular policy. These tactics had resulted in agonizing delays for the interventionists as the President postponed rearmament for eight months after Hitler invaded Poland. But Barron's believed that hastier action would have left the President open to anti-Administration charges that he only wanted a defense boom to insure prosperity for the nation and a third term for himself. Barron's also recalled that during the aircraft production crisis in 1940 Roosevelt waited three months for Congress to produce an excess profits bill needed to resolve the issue in a manner acceptable both to the solons and concerned industrialists.[8]

Historians continue to debate the point raised by Barron's, as to whether public opinion actually was ahead of the President in favoring greater preparations for defense against the Axis. Polls taken at the time indicated that a majority favored aid to Britain and noninvolvement in the actual fighting. This paradoxical situation caused the Administration to move cautiously as each crisis arose, without speculating on the ultimate result, military

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[8] Barron's, XXI (May 12, 1941), p. 4.

involvement. Authorities such as William L. Langer and S. Everett Gleason accept Roosevelt's politics of caution without strongly endorsing it.[9] Robert A. Divine[10] and Selig Adler[11] subscribe strongly to Roosevelt's slow paced technique as the surest method for achieving intervention in a nation so divided on foreign policy.

In the spring of 1941 interventionists found Roosevelt's circumspection in foreign policy intolerable as German submarines sank ever greater numbers of freighters carrying lend-lease goods to Britain. Businessmen in this group implored the White House for immediate convoy runs to Europe. Julian Goldman told the President that in New York, the interventionist stronghold, convoying had lost its revolutionary character as Manhattanites advocated an open declaration of war against the Axis. Goldman insisted that the public stood firmly behind Roosevelt, which made

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[9] William L. Langer and S. Everett Gleason, The Undeclared War, 1940-1941 (New York: Harper & Brothers, 1953), p. 450.

[10] Robert A. Divine, The Reluctant Belligerent: American Entry into World War II (New York: John Wiley & Sons, Inc., 1965), p. 135.

[11] Selig Adler, The Uncertain Giant: 1921-1941: American Foreign Policy Between the Wars (New York: The Macmillan Co.), p. 256.

possible entry into the war whenever necessary to block Axis aggression.[12] Lewis W. Douglas, one of Roosevelt's old business friends, also importuned the President to deploy the Navy and help turn the tide in the battle of the Atlantic in favor of the Allies.[13]

When, in May, Charles Lindbergh attracted attention over his resignation from the air force reserve, interventionists feared the President might further slow his pace toward involvement. Businessmen moved quickly to discredit the aviator's protest against involvement. The New Yorker Frederick H. Prince realized that the Administration could move no faster than public opinion allowed, but stressed that Lindbergh's superficial arguments would not sway Americans toward isolationism.[14] J. C. Hebditch, a Maryland Coca-Cola bottler, questioned Lindbergh's patriotism as an isolationist propagandist. As the living personification of the Prussian officer corps, Lindbergh, explained Hebditch,

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[12] Julian Goldman to Franklin D. Roosevelt, April 25, 1941, President's Personal File, Box 6495.

[13] Lewis W. Douglas to Franklin D. Roosevelt, April 25, 1941, Roosevelt Papers, President's Personal File, Box 1914.

[14] Frederick H. Prince to Franklin D. Roosevelt, April 29, 1941, Roosevelt Papers, Miscellaneous File, Box 4193.

instinctively preferred noninvolvement to pro-British intervention.[15]

Beyond the executive suites of big business, other men such as Hebditch promoted convoys for Britain. A small town Oklahoma banker considered convoy escorts the only sure means for protecting the American taxpayer's huge lend-lease investment as it crossed the Atlantic.[16] A southwestern typewriter distributor informed his senator that he favored convoys and "anything else we can do to whip Germany and Italy."[17] From Auburn, Kentucky, the Rotary Club forwarded to the White House its pro-convoy resolution, which supported any measure necessary to deliver materiel to Britain.[18]

The display of interventionist fervor by businessmen and other groups encouraged the President, but he had to cope with still powerful isolationist forces. Sweeping aside the bombast and rhetoric, he sought to determine

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[15] J. C. Hebditch to Franklin D. Roosevelt, April 30, 1941, in ibid.

[16] R. L. Cruther to Elmer Thomas, Thomas Papers, Box 147.

[17] J. W. Densford to Elmer Thomas, May 18, 1941, in ibid.

[18] Telegram, Auburn Rotary Club to Stephen T. Early, May 20, 1941, Roosevelt Papers, Official File, Box 4426.

genuine public opinion on convoying. The President's study convinced him that caution remained the best course of action. The Atlantic patrols, not convoys, represented the limits to which the public would go in aiding the Allies. Accordingly, he told Thomas Lamont to inform the Committee to Defend America that it must curtail its pro-convoy propaganda campaign until later in the year.[19] The intensity of the arguments against convoying convinced Roosevelt that the speeches of Secretaries Stimson, Knox, and Hull had only inflamed the isolationists. To repair the damage the President himself went to the people on radio to explain the seriousness of the international situation. General Rommel had driven Britain's Army back into Egypt and the Bismark, which had slipped out of its Scandinavian base, threatened shipping on the Atlantic routes, until sunk on May 27.[20]

To meet the new crisis interventionists pressed Roosevelt for an emergency proclamation. Joining in the move were such businessmen as C. I. Ochs, president of the

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[19] Thomas Lamont to Clark Eichelberger, April 8, 1941, Roosevelt Papers, Secretary's File, Box 81.

[20] Memorandum of Franklin D. Roosevelt, no date, Official File, Box 4426.

Eaton Manufacturing Company, who favored a national emergency declaration to alert Americans to the Axis menace.[21] The Auburn, Kentucky, Rotary Club suggested that the President assume "war emergency power," and staff members of Westinghouse's laboratories favored similar White House action. Although Roosevelt kept his own counsel when making decisions, he took advantage of these interventionist petitions to include in his speech a national proclamation. Originally planned only to extricate cabinet members from their impolitic position on convoying, the address now became a formal pronouncement on American foreign policy. Roosevelt, in his first major address in five months, declared the existence of a national emergency on May 27, the same day as the Bismark sinking.[22]

After the fireside chat businessmen congratulated Roosevelt on his call to the nation even though his silence on convoying, in reality, had set back interventionist aims. But he had accurately judged the public's anti-convoy feelings, including those of moderate interventionists, who

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[21] C. I. Ochs to Franklin D. Roosevelt, May 22, 1941, in ibid.

[22] Telegram, A. A. Bates, P. H. Brace, C. G. Bunnel, G. W. Penney, Allen Soeg, Carl Trinkley, and T. D. Yencen to Franklin D. Roosevelt, May 23, 1941, in ibid.

promptly delivered their accolades to the White House. From the business community came numerous assessments of the speech. The Wall Street broker, C. Frederick Childs, found it perfect for waking up "Maginot-Line minded" citizens to the Hitlerian threat against the Western Hemisphere. Childs declared that Americans had no excuse for not uniting behind the President, because the 1940 election had settled the question of Roosevelt's powers to deal with the crisis. The broker's remarks thus reflected the growing trend among businessmen to lay aside New Deal animosities and accept the President as the country's undisputed leader. To a large degree this rising sense of allegiance to the President, which became more evident in the months following the "unlimited emergency" speech, resulted from the Administration's pursuit of a middle course of action when dealing with foreign policy.[23]

Further evidence of business support came from RCA's David Sarnoff, who, after hearing the President's "historic address and momentous declaration," pledged his

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[23]C. F. Childs to Franklin D. Roosevelt, May 29, 1941, Roosevelt Papers, President's Personal File, Box 200 B.

support to the defense program.[24] S. J. Corbett, a Detroit businessman, predicted that Americans of all political shades would back the President, since the proclamation had united the people of North and South America against the Nazis.[25] Praise also came from J. Carroll Cone of Pan American Airways, who held that "all good Americans" backed the proclamation.[26] Enthusiasm reached greater heights when Harry A. Bullis, executive vice president of General Mills, sent telegrams to his executives in field operating divisions urging them to support the President. Unlike the Quaker Oats men who turned their offices over to America First, Bullis believed that Roosevelt's policy offered the best chance of achieving justice and goodwill in the world.[27]

References made in 1940 to industrial mobilization and the general war effort as a cure-all for

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[24] Telegram, David Sarnoff to Franklin D. Roosevelt, May 28, 1941, Roosevelt Papers, in ibid.

[25] S. J. Corbett to Franklin D. Roosevelt, May 29, 1941, Roosevelt Papers, President's Personal File, Box 200.

[26] J. Carroll Cone to Franklin D. Roosevelt, May 29, 1941, Roosevelt Papers, in ibid.

[27] Harry A. Bullis to Franklin D. Roosevelt, May 31, 1941, in ibid.

depression ills such as unemployment now were rarely heard from businessmen stunned by the realities of the European war. The need to unite against the Axis for humanitarian purposes became more evident in the thinking of business leaders throughout the nation. The Norfolk, Virginia, Chamber of Commerce voted to back the President,[28] while a Chicago chain restaurant operator promised Roosevelt that most Americans supported him even if it meant war.[29] Further evidence of the President's rising prestige among businessmen came from the Dunedin, Florida, Chamber of Commerce, which resolved to follow Roosevelt because he had displayed a high degree of "statesmanship and courage" in meeting previous crises.[30]

Businessmen from the western states combined this new found trust in the President with a revival of World War I Wilsonian idealism. An Arkansas bank president reported that he and his colleagues looked to Roosevelt as

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[28] F. E. Turin to Stephen Early, May 29, 1941, Roosevelt Papers, President's Personal File, Box 200 B.

[29] Bernard J. Elfman to Franklin D. Roosevelt, May 28, 1941, Roosevelt Papers, President's Personal File, Box 200.

[30] G. L. Beardsley to Franklin D. Roosevelt, June 2, 1941, in ibid.

the savior of Christian civilization.[31] A Fort Worth realtor, H. L. Collins, wrote that all Tarrant County supported Roosevelt, whom God had "raised up--for this Great Hour." Collins offered his two sons to "The Holy Cause for Humanity" if the President decided on a declaration of war.[32] Another Texan, chairman of the board of a Galveston bank, told Roosevelt that the public favored his "policy of courage," although he must constrain both capital and labor so that self-seeking interests would not hinder the defense build-up.[33] Businessmen, however, did not let labor-management problems dampen their spirits over the White House proclamation, as seen in a San Franciscan's assertion that with Roosevelt "Abraham Lincoln lives again."[34]

Extreme interventionists shared little of this enthusiasm, and found disappointing the moderate tone of the proclamation. The Century Group and the more radical

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[31] W. W. Campbell to Franklin D. Roosevelt, Roosevelt Papers, President's Personal File, Box 200 B.

[32] H. L. Collins to Franklin D. Roosevelt, May 28, 1941, in ibid.

[33] I. H. Kempner to Marvin McIntyre, May 20, 1941, in ibid.

[34] Charles A. Ellis to Franklin D. Roosevelt, May 28, 1941, Roosevelt Papers, President's Personal File, Box 200.

Fight for Freedom Committee demanded an immediate declaration of war, but could not even persuade the President to implement vital convoys to Britain. Businessmen, including Laurence D. Rockefeller, Marshall Field, Sinclair Weeks, and the truck manufacturer Walter White, provided leadership and funds for Fight for Freedom, but failed to push Roosevelt along the road to intervention any faster than the President himself wished to go. Other businessmen, such as Joshua Meier, a small New York manufacturer, feared the President "pulled his punches" after the speech and seemed almost apologetic toward the proclamation the following day at his press conference. Meier warned Roosevelt that if Britain fell the President would be remembered not as the Twentieth Century's Jefferson but rather as its discredited Andrew Johnson.[35]

Isolationist criticism of the May 27 speech came from segments of the business community as well as other groups, despite growing approval of Administration policy. The Journal questioned Roosevelt's sincerity because in its opinion the speech raised more questions than it

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[35] Joshua Meier to Stephen T. Early, May 29, 1941, Roosevelt Papers, President's Personal File, Box 200 B.

answered. The Journal found Roosevelt's explanation of the geographic limits of American defense vague and suspected that the Atlantic patrol had already assumed convoy duties on the shipping routes. Especially did the editors question the absence of references to the Neutrality Law of 1939 and its effect on the traditional freedom of the seas doctrine.[36] The Chronicle seconded the Journal and described the May 27 address as "another bit of skillfully managed showmanship" which left American policy as confused as before. The President had subverted the public will for peace, claimed the editors, to achieve his iniquitous purposes. The proclamation, they complained, made isolationists appear unpatriotic if they continued to oppose intervention.[37]

Isolationists stood by their arguments that Roosevelt had unlawfully seized "huge new arrogations of power" under the authority of the proclamation. The Chronicle rejected interventionist assertions that the President already possessed the powers implied in the declaration. The editors insisted that Roosevelt could enact emergency conditions only if he believed war was imminent, which

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[36] The Wall Street Journal, May 29, 1941, p. 4.

[37] The Commercial and Financial Chronicle, CLII (May 31, 1941), pp. 3386-3388; 3390, 3391; (June 7, 1941), p. 3542.

the Chronicle maintained was not the case. Individual businessmen followed the Chronicle's attack on the declaration. John L. Kuhn, Jr., a New York stamp collection dealer, noted that it was "pregnant with . . . dramaturgy,"[38] and an Oklahoma banker charged that Roosevelt had further eroded the authority of Congress and destroyed the balance of power in the federal government.[39]

Extremist arguments did not obscure the proclamation's significance to many Americans. Middle-of-the-road business editors placed the emergency call in its proper perspective. Business Week suggested that the President, far from gaining new powers from the proclamation, was only trying to make Americans accept the need for tighter defense measures.[40] Barron's conceded that the President wanted war materiel delivered to Britain at all costs, even if his policy forced the nation into war. The editors hastened to add, however, that Roosevelt was unready "to kiss away entirely" the chance that the United States

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[38]John L. Kuhn, Jr., to Franklin D. Roosevelt, May 28, 1941, Roosevelt Papers, President's Personal File, Box 200.

[39]George H. Reeves to Elmer Thomas, June 3, 1941, Thomas Papers, Box 147.

[40]Business Week, May 31, 1941, pp. 7, 64.

might help Britain with "little more than a naval brush or two" with the German navy. Dismissing the dictatorship charges against Roosevelt, Barron's and Business Week agreed that the presidential declaration served as a psychological tool to awaken the people to the seriousness of the Axis threat. Also, it made clear to Hitler that America had a strong leader ready to challenge the advances of the Third Reich. Roosevelt instinctively grasped for power, said Barron's, and for good reason. He needed reserve powers, such as calling the Navy into action, when coping with unexpected crises.[41]

As editors argued the merit of the proclamation, some speculated on the proclamation's effect on international relations. Gas Age saw that the declaration constituted another link in the course of events preparing America for her future imperial role in the world. As the Empire diminished, the editors predicted, much to their regret, that America would shoulder Britain's responsibilities, regardless of the war's outcome. Gas Age, with most Americans, abhorred the thought of America assuming a

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[41] Barron's, XXI (May 19, 1941), p. 4; (June 2, 1941), p. 4.

larger role in world politics, regardless of the lure of greater profits.[42]

Other business groups assessed the emergency proclamation's effect on immediate mobilization problems. Lend-lease proved that rearmament, launched with such optimism in 1940, had fallen far behind the needs of the United States and the Allies. Business Week believed that Roosevelt delivered the May 27 speech primarily to "build a fire" under the lagging program. But the President had hindered production when he applied his cautionary techniques, so successful in the political realm, to the assembly lines of industry. Instead of following through the emergency declaration with a comprehensive mobilization plan, the President allowed rearmament to drift throughout the summer. He then reorganized the Office of Production Management with little effect, much to the consternation of industrialists.[43]

After the overhauling of OPM, industrialists still complained that the mobilization agency suffered from overlapping authority, divided leadership, and lack of power

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[42] Gas Age, LXXXVIII (July 17, 1941), pp. 18, 19.

[43] Business Week, May 31, 1941, p. 64.

over other organizations, including OPACS and the War and Navy departments.[44] The President eventually appointed Vice President Wallace head of the new Board of Economic Defense, which found itself unable to deal with strikes, priorities, and other mobilization problems. Roosevelt's caution in reorganizing his own administrative agencies frustrated most industrialists and all interventionists as did his slowness in aligning America with the Allies on the battlefield. The President, however, still believed that he must exercise caution because most Americans thought of war in the context of the Nineteenth Century and opposed un-neutral acts, such as convoying belligerent merchantmen.[45] Interventionists, as well as certain historians, insisted that public opinion polls favored intervention by as much as 68 per cent, but the statistics failed to reflect that the majority of Americans would never consider an actual declaration of war. The average citizen, although sympathetic to the Allies, placed his faith in the ocean barriers and, as had Europeans in 1914, considered war a distant, unreal manifestation which "can't happen here."

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[44] Industrial Mobilization for War, I, pp. 91, 92.

[45] Roosevelt to Norman Thomas, May 14, 1941, Roosevelt Papers, Secretary's File, Box 82.

Members of the business community also bear responsibility for the slowness of rearmament. Some associated military involvement with economic dislocation and the collapse of the capitalist system. Bard Priddy, a supporter of the New Deal and no "economic Bourbon," calculated that military participation in the war would cost $100 billion and bring on national bankruptcy, and "Bankruptcy means American Socialism."[46] Nation's Business agreed and editorialized that involvement signaled the destruction of the American way of life, especially the loss of economic freedom.[47] Gas Age added that daily it found more evidence that the nation had become part of a "semi-socialistic plan" which constituted a New Deal for the entire world. The editors blamed this condition on the war economy that already gripped the United States and other nations. Worst of all, Gas Age predicted that the restrictions on business would continue in effect after hostilities ended, which meant there was no hope for a return to normalcy and traditional capitalism.[48] In light of this, Nation's Business

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[46] Bard Priddy to Franklin D. Roosevelt, May 28, 1941, Roosevelt Papers, President's Personal File, Box 200.

[47] Nation's Business, April, 1941, p. 13.

[48] Gas Age, LXXXVII (April 10, 1941), p. 35.

questioned the value of the entire industrial mobilization plan as long as insolvency and "stagnation of personal initiative" threatened the nation.

Most businessmen, however, accepted national defense as America's "number one job," despite what they viewed as the clash of opposing economic systems. Even Nation's Business, lamenting the shift from freedom of action in business to an economy ruled by "defense considerations," accepted this condition for the duration.[49] But businessmen still felt that Roosevelt had singled them out to make most of the sacrifices for the defense program. Iron Age bowed to the President's call to place guns before butter, and expected the government and politicians to eliminate pork barrel legislation and other forms of patronage in the name of defense.[50]

Other businessmen attacked the Administration's anti-trust policy as an obstacle to mobilization. National Petroleum News insisted that industry should be allowed "freedom of cooperation" in order to achieve effective rearmament.[51] Business had not counted on Thurmond Arnold,

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[49] Nation's Business, July, 1941, p. 15.

[50] Iron Age, CXLVII (June 5, 1941), p. 76.

[51] National Petroleum News, XXXIII (June 11, 1941), p. 11.

Roosevelt's chief trust buster, who thwarted every effort to liberalize anti-trust policy. As a result, the President, caught between business-hating New Dealers and industrialists demanding less anti-trust action, avoided a decision throughout the war. The Oklahoma banker, George Reeves, an active Democrat, tried to reduce Arnold's influence by working through the party organization. He urged that the Administration protect private industry "as far as possible" during mobilization; the President ignored this Democratic voice from the provinces as completely as he did those close to the White House inner circle.

Roosevelt proved equally unresponsive to pleas that he step into the labor-management disputes that plagued rearmament. Many Americans viewed with alarm the strikes that had been spreading throughout industry since January, 1941. In charging guilt for the crisis, William Knudsen blamed both union leaders and business executives for the impass that had developed in West Coast shipping yards, the Allis-Chalmers plants, and the coal industry.[52] Iron Age declared that strikes and bickering must cease, because the nation was at war. Production slowdowns could be

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[52] Vital Speeches, VII (April 15, 1941), p. 410.

reduced, claimed the editors, if the President stopped showing undue partiality to labor.[53] Nation's Business branded the Administration's pro-union policy a major cause for the continuation of old class hatreds which divided the nation. In reply, Secretary Morgenthau commented that defense industry strikes should not be curtailed since there were "higher considerations than quick delivery" of war goods. Business claimed that this proved the White House had no intention of upsetting the Democratic political balance, regardless of mobilization.[54]

Against this background of accusation and recrimination some businessmen surveyed the scene with a distorted sense of Wilsonian idealism. Gas Age called for great sacrifices by business to bolster rearmament, although the editors opposed the price curbs, priorities, wage ceilings, and the "economic master plan" that made up the Administration's mobilization system. These restrictions led the editors to ask if preserving democracy had become secondary to "saving our property and our lives." Right thinking and planning could avert this calamity, said Gas Age, if Roosevelt implemented a plan based on conservative

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[53] Iron Age, CXLVII (March 20, 1941), p. 78.

[54] Langer and Gleason, Undeclared War, p. 439.

economic principles, including the encouragement of personal incentive and individual ability, and the protection of capital.[55] Sacrifices had to be made, to insure mobilization's success, but as late as the summer of 1941 Americans could not agree where to start cutting back on peacetime activities. Business, labor, and the public must all share responsibility for delays in rearmament, in addition to the Administration which feared the political consequences of pushing the nation faster than it wished to go into the strict regimen of a true war economy.

America's reluctance to assume the full burden of rearmament did not halt the onrush of events during the summer and fall of 1941. Roosevelt attempted to avoid offending either side in the great debate as he ordered the occupation of Iceland. This move elated interventionists, but Prime Minister Churchill's announcement on July 8 that British military units would remain on the island incensed their opponents. Speaking for many isolationists, the Journal accepted the Iceland naval base as part of national defense, but looked upon joint occupation with Britain as "collaboration" in a shooting war. The editors

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[55] Gas Age, LXXXVII (June 5, 1941), p. 24; (June 19, 1941), p. 16.

added that polls reporting nine out of ten Americans opposed to a shooting war had not daunted the President in his reckless pursuit of intervention. This, thought the Journal, proved its point that the President could not be trusted to conduct foreign policy in the best interests of the nation.[56]

Despite isolationist danger signals, Roosevelt met with Churchill at sea on August 9, for the Atlantic Conference. The two leaders secretly agreed to give military support to Russia and drew up the final arrangements for United States naval convoy escorts halfway across the Atlantic, although Roosevelt did not commence the operation until September. For public consumption the conferees issued the Atlantic Charter, an updated version of Wilson's Fourteen Points, which stressed self-determination, the expansion of democracy, and opposition to aggression. Immediately isolationists charged that Roosevelt's collaboration with a belligerent endangered America's official status as a neutral. The Chronicle demanded to know what secret dealings Roosevelt had entered into with the British, since even a "suckling babe" would not believe that post-war affairs constituted the major topics of conversation at

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[56]The Wall Street Journal, July 3, 1941, p. 6.

the meeting. In reality Roosevelt had warded off Churchill's attempts to win specific commitments from him, especially a declaration of war on Germany. The Chronicle, however, still suspected that the President had placed the country at the disposal of Britain for the duration of the war.[57]

The Journal was less sure that Roosevelt had made secret commitments to Britain. However, the editors believed the Atlantic Charter had defined America's position toward the warring nations. The President, determined the Journal, had assumed the role of a belligerent when he joined the British leader in announcing post-war aims. In the thinking of the editors, Roosevelt had again placed the nation on the horns of a dilemma: no government could share in the peace without participating in the fighting. In light of this, the Journal found reassuring Henry Stimson's statement of August 17, that American soldiers would be used for defensive purposes only, not military adventures in Europe and Asia. Taking Stimson's remarks at face value, the editors were encouraged that at least one high Washington official said that no deals had been made at the conference.[58]

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[57] The Commercial and Financial Chronicle, CLIII (August 9, 1941), pp. 732, 733; (August 16, 1941), pp. 876-878.

[58] The Wall Street Journal, August 13, 1941, p. 4; August 18, 1941, p. 4.

Of more interest to the business community were reports that the conference had produced lend-lease quotas for the next two years. Unfortunately, no industrialists had been invited to participate in the decisions. Iron Age ruefully noted that the presence of businessmen at the meeting, rather than certain "deadhead passengers," would have greatly aided industry in preparing to meet increased demands. Business deserved better treatment, Iron Age believed, as management struggled to reorganize for rearmament in the face of priorities, price controls, and labor strikes.[59] Business Week assumed the more optimistic view that despite the absence of American industrialists at the conference, those present had successfully established lend-lease needs for the next two years. The editors welcomed this move because it answered businessmen's complaints about the military's traditional reluctance to commit itself on anticipated requirements. With quotas projected through 1943, industry could "move up smoothly to full-tilt operation."[60]

Before this optimum condition materialized, other

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[59] Iron Age, August 21, 1941, p. 80.

[60] Business Week, August 23, 1941, p. 7.

production problems first had to be solved. Businessmen again urged the President to reorganize government agencies dealing with rearmament in order to increase production efficiency. Since World War I Bernard Baruch and others had advocated the creation of an industrial czar to direct any future industrial mobilization, but their entreaties always fell on deaf presidential ears. After Roosevelt shelved his own War Resources Board report in 1939, he created the weak National Defense Advisory Commission, but had to concede its failure in solving mobilization problems. The Office of Production Management, NDAC's successor, fared no better in meeting demands for the increased production that the Atlantic Conference agreements required. Some members of the business world believed that the President, spurred on by these new obligations, would create a super defense agency to rule over OPM, OPACS, and lend-lease. Barron's announced with optimism that the President would soon affix his "FDR" to the order creating the new "Supreme Defense Policy Board" to direct mobilization.[61] Optimism soon turned to disappointment, however, as the President resorted to his game of caution and created instead the Supplies Priorities and Allocation Board. With

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[61] Barron's, XXI (August 18, 1941), p. 4.

this agency Roosevelt hoped to improve the situation without infringing upon labor, business, or Washington bureaucratic interests. Doomed to failure by this mandate, SPAB never became the supreme headquarters for industrial mobilization, and was incorporated into the War Production Board in 1942.

Businessmen and other Americans also speculated on further agreements the President may have made at the Atlantic Conference. They suspected that the President planned to extend lend-lease to the Soviet Union, still considered a pariah nation by many Americans. The Journal voiced the common argument that Roosevelt could not expect to rid the world of totalitarianism if he aided the most tyrannical of governments, the Kremlin Communists. Aside from political ideologies, the Journal added that Americans assumed lend-lease was meant for Britain only, because nothing had been said about helping Russia. Although H.R. 1776 set no limits upon which nations might receive lend-lease, the Journal argued that the United States lacked the resources necessary to extend aid to the Russians. American and British requirements already overtaxed industry, said the editors, which left nothing for the Soviets

or other potential recipients.[62]

Anti-Roosevelt critics also attacked what they called the President's slack methods of running the government. In their estimation, the Atlantic Conference changed nothing and New Deal confusion still reigned in Washington. The Chronicle doubted that an effective rearmament program had a chance of survival as long as the government continued the "hoarding" of cotton and wheat to bolster commodity prices. And with organized labor "plainly bent upon getting all it can" from the rearmament program the Chronicle considered unthinkable ventures into foreign wars.[63] Nor did Banking see any hope for straightening out the disorder held over from New Deal days. The myriad problems that banks had faced before were small indeed to those that lay ahead, said the magazine. It predicted that government would become even more powerful and further hamper business with unpredictable rules and regulations.[64]

Despite continuing criticism from conservative

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[62] The Wall Street Journal, August 1, 1941, p. 4.

[63] The Commercial and Financial Chronicle, CLIII (August 16, 1941), pp. 876-878.

[64] Banking, Journal of American Banker's Association, XXXIV (August, 1941), p. 75.

forces, the business community had largely accepted Roosevelt's foreign policy by the time of the Atlantic Conference. Hitler's gains during the spring and summer of 1941 had awakened businessmen and Americans in general to the need for a stronger stand against German aggression. The public had finally caught up with Roosevelt, albeit not with extreme interventionists, in foreign policy formulation. Among businessmen the new outlook was most evident in The Bankers Magazine, which declared that the President and the Congress must have full freedom to determine the proper course of action in time of crisis. Although public opinion had not united completely behind the President, the editors maintained that "we can safely trust our elected representatives" in the performance of their duties.[65]

The President detected the new ground swell in support of his policies and decided to initiate the long awaited Atlantic convoys. When the Germans torpedoed the destroyer Greer on September 4, Roosevelt found the pretext he needed to begin the operation. Still obeying his cautious instinct, Roosevelt approached the issue indirectly. He accused the Germans of piracy on the high seas and of

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[65]The Banker's Magazine, CXLIII (August, 1941), pp. 95, 96.

aggression against the United States, but did not actually announce to the public the Navy's new convoy duties. Instead, in his September 11 "shoot on sight" speech, Roosevelt revealed his order for the Navy to fire on Axis ships venturing into American waters. Pollsters reported that 70 per cent of the people supported the President's actions. This allowed him to discount the Journal's astute observation that the British and the American interventionists must be equally delighted in that the Germans chose that moment to attack the Greer. No more convenient an excuse, thought the editors, could have been devised for extending interventionist policy.[66]

Many isolationists felt they were slipping into the minority during the last months of the great debate, but this did not silence their attacks on the President. The Chronicle summed up their thoughts in its charge that Roosevelt was an "unrelentingly stubborn, utterly war-minded President." The Chronicle and other isolationists claimed that the President had duped the public into following him down the interventionist path to the brink of war. Isolationists, the Chronicle decided, had to convince the

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[66]The Wall Street Journal, September 11, 1941, p. 4.

"unthinking masses" that Rooseveltian policies must be opposed, else involvement in the war was inevitable.[67]

Many businessmen and Americans in general no longer responded to the isolationists' exhortations. The Banker's Magazine stated that every patriotic American must stand by the side of the President in the war crisis.[68] Business Week characterized the pledges of loyalty to the Chief Executive as the natural result of his dramatic shoot on sight order. However, in its accurate estimation of the speech the magazine reminded its readers that the President's remarks were an anti-climax, since the Administration had accepted in August the certainty of eventual military involvement.[69]

Encouraged by the favorable response to his September 11 address, the President took the last "short of war" step before entry into actual hostilities. On October 9 he proposed revision of the Neutrality Law, although he cautiously asked Congress only for permission to arm

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[67] The Commercial and Financial Chronicle, CLIII (September 11, 1941), pp. 113, 123, 125.

[68] The Banker's Magazine, CXLIII (October, 1941), p. 281.

[69] Business Week, September 20, 1941, p. 7.

merchant ships and, later, to send vessels into combat zones. The President's wisdom in not pushing Congress for complete repeal of neutrality was evident in his narrow margin of victory in the November 7 vote. A more rash approach on his part might have caused his eighteen vote margin to evaporate in the face of isolationist opposition. Taking the opposite view, isolationists boasted that the President's bare victory proved their cause was not dead but actually gaining in strength. The Journal thought this claim correct, because the sole reason for the Administration's success, aside from the President's usual devious tactics, was that Congress had not been given the clear-cut question of a declaration of war. Even with this advantage the Journal insisted that Democratic loyalty had swung the vote in the President's favor.[70]

Barron's accurately appraised Administration policy when it reported that Roosevelt still wanted to keep American troops out of the war. He had popular support for his short of war policy, the editors realized, but they knew millions of Americans would be relieved if the President told them he did not anticipate taking the nation

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[70]The Wall Street Journal, October 9, 1941, p. 6; November 14, 1941, p. 4.

into the war.[71] Elements of truth existed in the thinking of both Journal and Barron's editors. With the alteration of the Neutrality Law Roosevelt had used up his last tools of diplomacy, leaving only the possibility of war, as the Journal maintained. But as long as the President did not ask for all-out war against the Axis Barron's was correct in saying his policy had the approval of the American majority.

Interventionist hopes clashed with isolationist doubts in the weeks following the Neutrality Act's modification. Both sides in the great debate stepped up their campaigns to sway public opinion, but by November, 1941 the United States had set a collision course with the Axis powers and war seemed inevitable. Isolationists still distrusted the President and the Journal, on December 6, demanded to know if Roosevelt had organized a new American Expeditionary Force to fight abroad. The Journal received its answer the next morning when the Japanese bombed Pearl Harbor.[72]

The sneak attack united the business community and all Americans behind the President. Robert E. Wood dissolved

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[71] Barron's, XXI (December 8, 1941), p. 4.

[72] The Wall Street Journal, December 6, 1941, p. 4.

the America First Committee and pledged his support to the President. Albert W. Hawkes, president of the United States Chamber of Commerce, backed the Administration because there was "no end conceivable other than victory for the things we, as a people, stand for."[73] Business Week shed its ambivalent attitude toward presidential policies and announced that all else was secondary to winning the war.[74] The stakes of victory, emphasized Barron's, made necessary greater national unity than in the past, because of the "struggle for world power" in which the nation was involved.[75] To insure victory Banking declared that war had become "our first order of business."[76] Even the Journal acknowledged that Japan had begun the war, but "we shall finish it."[77]

The only noticeable challenge to unity came from the Chronicle. It reported that after the attack on Pearl Harbor "unity in Washington lasted just about six hours."

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[73]Albert W. Hawkes to Franklin D. Roosevelt, December 13, 1941, Roosevelt Papers, President's Personal File, Box 1483.

[74]Business Week, December 13, 1941, p. 88.

[75]Barron's, XXI (December 8, 1941), p. 4.

[76]Banking, XXV (January, 1942), p. 8.

[77]The Wall Street Journal, December 9, 1941, p. 8.

And then what the editors considered traditional Roosevelt-tian confusion again prevailed in the capital. The Chronicle saw little hope for a viable policy because Roosevelt "still thinks fundamentally in the terms of Hitler."[78]

After lend-lease became law, businessmen and many other Americans realized the nation had come to the brink of war. Isolationist businessmen fought convoys and excoriated the emergency proclamation, which they labeled White House instruments for dragging the nation into war. These critics ignored Nazi aggressions that had forced the United States to take a more active part in the world conflict. They claimed that Roosevlet had deliberately pushed America into the crisis because his hunger for power made him oblivious to the risks of war. In contrast, interventionist businessmen cheered Roosevelt's pro-Ally policy, with the extremists among them advocating immediate military involvement. In particular, the darkening war clouds expanded Roosevelt's support in the business press, with some editors pledging their loyalty to the President.

As each foreign policy question arose in the summer and fall of 1941, most businessmen urged the President to

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[78] The Commercial and Financial Chronicle, CLIV (December 11, 1941), pp. 1457, 1463.

reorganize the mobilization program by placing an industrial czar in charge of production. But the President's political instincts made him advance cautiously at best in this direction. He knew that a rash move on his part might upset the delicate balance among labor, management, and other groups and set back his defense program. To alleviate his predicament, Roosevelt resorted to the creation of a maze of commissions and boards to carry out rearmament.

Despite its contempt for Washington bureaucracy, business strove to meet defense needs through increased production. This expanded war profiteering opportunities, but businessmen still regarded income from defense production as a short term venture and basically injurious to the health of industry. Fewer comments came from business on the inevitability of some profiteering during mobilization than had the year before, when industry had first turned to reorganizing for defense. Executives still remembered Alfred P. Sloan's admonition that business must not again be blamed for involving America in a war. Businessmen were sincere in their desire to support defense without accumulating excess gains for themselves. Those without pronounced views on foreign policy hoped, as did most

Americans, that in some way Roosevelt could remove the war threat from America's doorstep. But they had no proposals for accomplishing this goal. They simply followed the President, closing their eyes to the increasing likelihood of involvement. The Japanese attack on Pearl Harbor finally settled the issue for these businessmen as well as for the President himself.

CHAPTER X

CONCLUSION

Businessmen often have been cast in the role of scapegoat, which has placed men of commerce and industry on the defensive throughout the Twentieth Century. Social critics have frequently blamed the business community for the unsatisfactory condition of a large share of mankind. The businessman's prominence in the modern world made him an inviting target for reformers frequently imbued with Marxian theory, who condemned the business community as social parasites. The Nineteenth Century Robber Barons, ignoring the problems of the industrial age and displaying their own wealth in all its vulgarity, added meaning to the indictment against the capitalists. Of particular consequence after World War I was the warmonger thesis, which contended that businessmen manipulated international affairs and instigated wars for the sake of greater profits.

Many Americans accepted the theory that a monolithic business world controlled the international scene in its own interests. A leading interpretation of the reasons the United States entered World War I was that the country succumbed to the influences of greedy bankers and

armament makers. This continued in the 1920's and was reinforced by the 1935 Nye Committee report, which implied that businessmen might contrive similar machinations in the future. When war clouds formed over Europe in 1939, many Americans presumed that the business community would grasp at this new opportunity to make profits from blood money, as Senator Nye had predicted. A study of available evidence indicates, however, that no business conspiracy developed in the United States. General Robert E. Wood maintained throughout his life that no conspiracy existed among businessmen to maneuver the nation into war. The General went so far as to say that industry had no fear of being condemned as warmongers, a supposition easy enough for an isolationist businessman to make.[1] In 1939 and after, businessmen were motivated by more than economic interests. A rich background of religious and educational training developed a broad, humanitarian outlook in Thomas Lamont and others who sought to influence Administration policy. Their basic, although conservative, faith in democracy made them favor Britain over Germany, as did most Americans before Pearl Harbor. At any rate, American businessmen were not of the same mind on foreign policy. Small business

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[1] Robert E. Wood to writer, May 9, 1969.

often opposed the aims of big business because the two groups had different aims.

Small firms traditionally feared big business competition, and now they faced a struggle with the great corporations over sources of supply and defense contracts. Until 1941 big businessmen, the usual target of warmongering charges, divided on policy, from the question of Social Security to the extension of military aid to Great Britain. Prominent businessmen played important roles on both sides of the great foreign policy debate prior to the Pearl Harbor attack. Opposing isolationist Robert E. Wood was Thomas W. Lamont, allied with the interventionists. The paradox of Wood, a big businessman, presiding as chairman of America First, never detracted from the General's standing among isolationists, who regarded him more as a large scale dry goods merchant than a villainous munitions maker.

Businessmen needed to develop a greater unity among themselves to further their own aims, but during the great debate the business community never possessed the inner will to unite on foreign policy, or the force to influence the public in the manner of the arch-isolationist, William Randolph Hearst, and other opinion makers. Few Americans thought of churches, labor unions, or other American

institutions as great monolithic entities, but the spread of Marxian theory led many Americans to regard business in such a light.

As the great debate unfolded, businessmen failed to settle upon a foreign relations policy because they disagreed strongly on what should be America's position in the world. Four basic groups within the business community attempted to influence the President's foreign policy. In the first category were those who opposed everything President Roosevelt stood for, both in his domestic and foreign policies. Resentful over Roosevelt's dubbing them the economic royalists of America, they distrusted the President and his New Deal reforms and regarded his foreign policy as the work of a meddling incompetent. The editors of The Commercial and Financial Chronicle illustrated this position as they denounced Roosevelt's foreign policy as strongly as they had his domestic program. The editors condemned the destroyer deal, lend-lease, and other interventionist policies as unconstitutional and a presidential usurpation of power.

A second category of businessmen favored the New Deal but denounced Roosevelt's interventionist foreign policy. These businessmen endorsed the domestic reforms of

the 1930's, but resisted the new foreign policy. Many New Deal adherents opposed intervention because they feared Roosevelt would channel funds into international affairs at the expense of domestic programs and end reform in America. Businessmen were less concerned with this than with what they considered the rejection of the isolationist tenets in Washington's Farewell Address. They saw interventionism leading to the establishment of entangling alliances with European governments. Robert E. Wood embodied this thinking. Wood, a sincere patriot who had supported the National Recovery Administration and other New Deal measures, so abhorred the idea of American involvement in another European war that he broke with Roosevelt and became the leader of the America First Committee, the major force attacking the President's policy of involvement.

Other businessmen had opposed the President's domestic policies from their inception, but unhesitatingly embraced his new internationalist foreign policy. The businessmen of this group appear as the same self-seeking capitalists of legendary fame who would support any policy that guaranteed war profits. In reality, the position of businessmen in 1940 was more complicated, and historical evidence does not sustain this simplistic position. The

businessmen who climbed aboard the Roosevelt bandwagon only for the journey into interventionism had often been supporters of the American Liberty League. This rabidly anti-Roosevelt organization was mainly an instrument of the Du Ponts, the family traditionally associated with munitions making in America. With much to gain from war business, the Du Ponts feared criticism of their activities and rarely attached themselves to intervention. Instead, James P. Warburg, J. P. Morgan, and George B. Cutten, president of Colgate University, represented League members who clearly expressed their desire for involvement by joining the Committee to Defend America by Aiding the Allies.[2]

A final category of businessmen favored the entire Roosevelt program, both domestic and foreign. J. Lionberger Davis declared that he had always been a New Dealer and favored all the Roosevelt reforms instituted since 1933. Soon after formation of the Committee to Defend America, Davis joined the local chapter in St. Louis and became its vice-chairman. Former United States Chamber of Commerce president, Henry I. Harriman, also supported the President's

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[2] George Wolfskill, The Revolt of the Conservatives: A History of the American Liberty League, 1934-1940 (Boston: Houghton, Mifflin, 1962), passim.

domestic and foreign policies. Harriman had defended the New Deal before his business friends, and continued to support the White House when foreign affairs became more important to Roosevelt after 1937. Although not active in the Committee to Defend America, Harriman backed interventionism with frequent letters of encouragement to Roosevelt.

Businessmen generally fell into one of these four groups, but certain leaders, such as Bernard Baruch, defy simple categorization. The financier supported cash and carry, an isolationist policy, and discounted the possibility that the United States economy would be discomfited in a trade war with a victorious Germany. Baruch also advocated an American defense system, as did many noninterventionists, but his internationalist, if not interventionist, thinking proves he was not an isolationist. In reality most interventionist businessmen backed cash and carry to insure some means of supplying the Allies with needed materials and, like isolationists, also favored a stronger defense system. In contrast to the isolationists, Baruch and others insisted on realistic defense measures, which necessitated expenditures far above what Robert E. Wood and his allies in Congress wished to spend.

The distinction between interventionists and isolationists appears to have been a question of degree. Extremists in both camps fit a simple pattern. Hard-core isolationists opposed all aid to the Allies and wanted little or no money spent on American defenses. On the other hand, extreme interventionists demanded military involvement to defeat the Axis. Between these two groups stood most businessmen, and the majority of Americans. They favored a moderate foreign policy, best described as "centrist" in nature. The Allies deserved aid, but centrists detested the idea of American soldiers being sacrificed on foreign soil, even in defense of democracy. Robert E. Wood and William Allen White agreed on this and differed mainly on the degree of aid Britain deserved and on the size of an adequate defense budget for the United States. Although their ideas on foreign affairs appeared far apart, both accepted the basic interventionist principle that Britain should be aided. Starting with this common belief, the centrists should have reconciled their differences and pressed for a positive foreign policy. The result might have been a viable policy instead of one noted mainly for its drift. Had Roosevelt received the united backing of this middle of the road majority, he would have dealt with

Axis advances in stronger fashion. Instead, the feuding centrist groups, such as America First and the Committee to Defend America, made Roosevelt adopt a cautious course of action. As a result, the President's timid advances toward intervention did little to challenge the Axis threat to democracy in the early war years.

Many involved themselves in the foreign policy debate, but others supported preparedness without participating in the great debate. These business leaders worked in industrial mobilization and left the speechmaking on foreign policy to the old internationalists James P. Warburg, Thomas Lamont, and Thomas J. Watson. Only Henry Ford, among the captains of industry, refused to participate before Pearl Harbor. As an isolationist, Ford refused to build Spitfire engines for Britain as long as the United States was not at war with Germany. To him, this would have been unneutral, giving Hitler provocation for attacking America. William Knudsen and his army of dollar-a-year men applied their expert knowledge to the production line, and not to pronouncements on foreign policy, a wise move considering Knudsen's noted remark that the European war was just a street fight on an international scale. In contrast to the Knudsen group, Thomas Lamont and his associates

had been active in furthering American participation in world affairs since the 1920's. Failing to involve the United States in any degree prior to World War II, this group pressed for greater international understanding even during the war years of the 1940's. Their efforts were rewarded when they and others seeking world peace convinced the major powers to establish the United Nations in 1945.

As for mobilization, the Administration placed the major responsibility for industrial production upon the shoulders of Knudsen and his business associates. They assumed these duties without hesitation but soon found themselves under fire from anti-business forces claiming that industry was dragging its feet in mobilizing for defense. The business world traditionally feared any dislocation of the economy, which made industry reluctant to begin mass production of war goods if America had a chance to remain at peace. War profits were illusory, businessmen claimed, and offered no compensation for the inflation and for the depressions that followed hostilities. After the NDAC was established, businessmen realized that they must accept industrial mobilization, and they began to gear their plants for war production. War profiteering, the bane of the business world, became a vital issue. Businessmen criticized

high excess profits taxation, and won a moderate victory in the Revenue Act of October, 1940. But the threat of high taxation was not the sole cause of business reticence concerning war production; nor was the reticence due to the belief that war business and the resultant expansion in the long run were injurious to industry. Until the rise of the NDAC businessmen still lived in fear of Gerald P. Nye's report of 1935. They had no desire to be branded as warmongers.

In assessing responsibility for the slowness of American mobilization, and the lack of preparedness in December, 1941, Robert E. Wood and the isolationists must accept a major share of the guilt. Regardless of their sincerity, they caused Americans to discount the Axis threat. This resulted in an undersized preparedness program, inadequate as the basis for a strong foreign policy and insufficient as a line of defense for the nation. Arguments blaming the industrial slowdown in 1940 on business's retaliation against the excess profits tax contain an element of truth. William Knudsen, however, maintained that production had increased, as illustrated by the trebling of machine tool production. The delay due to the excess profits tax debate totaled three months in 1940. As Barron's

suggested, President Roosevelt must bear partial responsibility for not forcing Congress to act on an acceptable tax bill after the fall of France. The key to the delay rested on the attitude of Congress, and the nation in general, and even the President. No one appreciated the necessity for immediate and drastic measures to prepare the nation for war, regardless of domestic political consequences. The unlimited national emergency proclamation was ten months away when businessmen and the New Dealers were debating the excess profits tax, which indicated that American leadership did not consider American involvement imminent, despite the war warnings of the interventionists. The nation as a whole was paralyzed with fear of the Axis and, paradoxically, blind to defense requirements.

Attempts by isolationists and interventionists to influence the President's foreign policy decisions succeeded only to the extent that Roosevelt slowed down interventionism to pacify the advocates of noninvolvement. Hindsight suggests that the President needed not to have been as cautious in advancing his foreign policy as he thought before Pearl Harbor. At the time, however, he correctly judged isolationist strength in and out of Congress as strong enough to require a slow advance toward interventionism.

Businessmen hoping to influence the conduct of foreign policy worked through the national organizations dedicated to this purpose, such as the committees headed by Robert Wood and William Allen White. No particular segment of the business community, however, predominated in either committee. For throughout the nation, with the spector of the Great Depression still in their minds, involvement in hostilities was a possibility capitalists preferred to ignore, as did most Americans. When the dangers of war became more evident they accepted the need for preparedness to the same extent as did the general public, because, as Thomas Lamont said, businessmen were just as patriotic as other Americans, "no more, no less."

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