



1938

Foreign Policy of Woodrow Wilson 1913-1917

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Recommended Citation

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FOREIGN POLICY OF
WOODROW WILSON
1913-1917

BY

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A thesis submitted in partial fulfillment
of the requirements for the degree of
Master of Arts
in
Loyola University
February
1938

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CHAPTER I

A NEW DIPLOMACY

Diplomatic questions intrigued the scholars of civilizations long since passed away; and though the quality of scholarship may have suffered with the passing years the intrigue of diplomacy remains untarnished. The diplomacy of Woodrow Wilson as it touched the foreign policy of Great Britain was doomed to reach the lives of every man and woman in the United States and change them for weal or woe. A study of a subject so far reaching, so pregnant in its possibilities, so clearly related to the happiness of a great nation must necessarily be approached with doubt and apprehension.

The dawn of the "New Freedom" as announced by democracy in 1912 faced a problem in diplomacy. The imperialism of the closing Nineteenth Century was to be superseded by a new policy. The fashioning and stating of that policy was left to Woodrow Wilson. During the political campaign of 1912, Wilson had made no direct statement on a foreign policy. His interest was given entirely to domestic questions with a few remarks on the purpose of America in connection with the Philippines and exemption of tolls on United States coastwise shipping.¹

A study of the public utterances and written statements of Woodrow Wilson soon shows a definite foreign policy emerging. This foreign policy appeared as a result of his concept of democratic principles applied to political and financial operations of governments or citizens, as outlined

¹ Edgar E. Robinson and Victor J. West, The Foreign Policy of Woodrow Wilson, 1913-1917. The Macmillan Co., New York, 1917, 3

and defined in the constitution. The formulation of this policy was one task; the interpretation of the policy to the American people was another. Mr. Wilson accepted the task and it is probably not unjust to state that in expounding the principles of an American foreign policy to the American people he made his greatest historical contribution.²

Two diplomatic problems, each calling for the formulation of new diplomatic rules along Wilsonian lines, awaited Wilson on March 4, 1913. One was the Mexican question and the other the sanctity of treaties. On March 11, 1913, Wilson declared that the chief object of his administration would be to cultivate a friendship with the republics of Latin America. He hoped to deserve their confidence and was anxious to cooperate with them. However it seemed that cooperation was possible only when supported at every turn by the orderly processes of just government which was based upon law, not upon arbitrary or irregular force.³ In another statement in the same speech he told his hearers that he was concerned with the trade relations of the Latin countries but only as they redounded to the benefit of all, not to certain special groups or interests. The first pronouncement outlined his Mexican policy, while the second stated his democratic ideas in connection with special privileges.

At a Joint Session of Congress on August 26, 1913, he again brought out the Mexican question in all its meanings to the world at large and especially to the United States. Wilson stated that the establishment of a real democratic government in Mexico would mean the realization of the hopes

² Ibid., 16-17

³ Ibid., 8

and rights of a nation whose best aspirations had been long suppressed and disappointed; also that we could serve them without first thinking how we were to be served.⁴ In the light of the future development of Wilson's policy, we must include one other sentence in this same address; he said, "...We can afford to exercise the self restraint of a really great nation which realizes its own strength and scorns to misuse it."⁵ These pronouncements cover Wilson's foreign policy in Mexico up to October, 1913. At that time, Wilson notified President Huerta that the Government at Washington would not recognize him as president even though the elections then in progress should result in his election. The reason given was, that the elections as conducted were not the orderly processes of constitutional government.⁶

A new thought appeared in Wilson's speech made at Swarthmore College later in October, 1913. This thought appeared again and again in his war time pronouncements. Wilson stated: "...the mere extent of the American conquest is not what gives America distinction in the annals of the world, but the professed purpose of the conquest which was to see to it that every foot of this land should be the home of free, self governed, who should have no government whatever which did not rest upon the consent of the governed."⁷

4 James Brown Scott, President Wilson's Foreign Policy, Messages, Addresses, Papers. Oxford University Press, American Branch, New York, 1818, 2.

5 Ibid., 7

6 Robinson and West, 18.

7 Ibid., 19-20

A few days later in October, 1913, he questioned an audience in Philadelphia as follows: "How are you going to assist in some small part to give the American people and by example, the people of the world, more liberty, more happiness, more substantial prosperity; and how are you going to make that prosperity a common heritage instead of a selfish possession?"⁸

Wilson feared the British interests in Mexico, or rather the foreign interests who were following the British interests, would wreck his democratic ideals in Mexico.⁹ Taking advantage of a meeting of the Southern Commercial Congress in Mobile, Alabama on October 27, 1913, he delivered a speech which clearly enunciated his beliefs in political democracy, financial honesty, and the rights of humanity. He stated that, "It is a very perilous thing to determine the foreign policy of a nation in terms of material interest." He said it was not only unfair to those with whom you were dealing but degrading to one's self. Wilson also stated that the hand of material interest was at the heart of all our national problems and so we knew how to sympathize with the rest of America when they had to contend with similar conditions.¹⁰ The speech in Mobile, after his inaugural address, deserves to rank first of all Wilson's utterances, during the first year of his presidency.¹¹

Wilson's first annual address delivered on December 2, 1913, to a joint session of Congress was interesting because it touched upon his second problem, the sanctity of treaties. Very definitely he met the issue and expressed himself as follows: "There is only one possible standard by which to determine controversies between the United States and other nations, and

⁸ Ibid., 19-20

⁹ Edith O'Shaughnessy, A Diplomat's Wife in Mexico, 41. Harper & Brothers, New York, 1916.

that is compounded of these two elements: our own honor and our obligations to the peace of the world."¹² The statement merely foreshadowed later pronouncements which opened up his ever expanding foreign policy, and closed his work at points touching Great Britain for the year 1913.

In recapitulating the pronouncements of Wilson's first year in office, we find: (1) The President stood for constitutional government arrived at democratically. (2) No group with special interests should be given preference over any other. This policy was to be followed at home and abroad, and many results were to flow from it. (3) The terms of treaties must be honored.

The old Hay-Pauncefote treaty signed on November 18, 1901, and proclaimed February 18, 1902, did not exempt American vessels engaged in a coast-wise trade from paying tolls. On August 24, 1912, a bill was approved by President Taft which exempted coast-wise vessels from such payments. On March 5, 1914, Wilson appeared before the Congress and delivered an address in which he stated that in his belief the bill signed by President Taft was a mistaken economic policy and a plain contravention of the treaty with Great Britain. He said the measure was not debated outside the United States because the non-exemption clause was so clear. He also stated that we had agreed to the language of the treaty if we had not originated it; and that we were too big and powerful a nation to read such an interpretation into our own words just because we had the power to read them as we pleased.¹³

10 Scott, 19-24

11 Robertson and West, 20-21

12 Scott, 28

13 Ibid., 31-32

The measure was hotly debated in Congress, but passed by both Houses and approved by Wilson on June 15, 1914. A division of opinion appeared in regard to this measure which will be dealt with fully in Chapter II. The honor of the nation was presumed to have been tarnished by the measure passed in 1912. Our word had been given and the pledge must be kept. That was fully implied in the President's statement. From now on, the world would expect the same scrupulous exactness in all the dealings of the United States Government.

In the development of Wilson's foreign policy in Mexico, one more step had been taken which brought the new foreign policy in direct opposition to that of Washington. In order to create confidence in Mexico the good offices of Argentina, Brazil and Chile had been enlisted in a conference to smooth out difficulties. There was some opposition shown to the plan on the ground of entangling alliances. Wilson met this opposition by saying that Washington's opposition resulted from the fact that no nation had yet set its face in the same direction America had. Now we were strong enough to set the pace ourselves.¹⁴ Brazil, Argentina and Chile were republics like the United States. Wilson may have felt that their ambitions and purposes were the same as ours; or he may have felt that bringing the Latin nations into the question would relieve the fear Mexico had of the United States.

Any consideration of a foreign policy touching the Wilson Administration and Great Britain must contain a mention of his address to the Graduating Class of the United States Naval Academy June 5, 1914; for in it we may find

a clew to later developments. He told the members of the class that the idea of America was to serve humanity; that nations had been strong and had piled high their hoards of wealth but that they had come unto disgrace because they had used this power and wealth for their own aggrandizement and that America, to save herself, must strike out on new paths. In speaking of the flag, Wilson stated that the white stripes were stripes of parchment upon which were written the rights of men; that the red stripes were the streams of blood by which those rights had been made good; and that the little blue firmament in the corner had swung out the stars of the States of the American Union. It was a sort of floating charter that had come down to us from Runnymede, when men said, "We will not have masters; we will be a people, and we will seek our own liberty."¹⁵ The question here is - did Wilson consider the England of 1914 representative of constitutional government arrived at democratically and had she set her face in the direction that George Washington could follow?

Just two short months were to pass before Europe burst into the flames of the greatest war the world had ever known. The rights of men vanished; submerged completely by the might of governments. The great purposes of humanity were consumed by the greed and hate of wilful groups.

President Wilson who had formulated the foreign policy of the New Freedom had now to lead his country along the paths he had prepared for her. On August 4, 1914, he proclaimed neutrality and two weeks later, he requested the country to cultivate a neutrality of thought as well as of action.¹⁶

¹⁵ Scott, 48-54

¹⁶ Louis M. Hacker and Benjamin B. Kendrick, The United States Since 1865. Revised Edition, S.F. Crofts and Co., New York, 1934, 486.

"The Neutrality statutes thus summarized in the proclamation are historic and the result of our long experience as a neutral power." "These are, in concise form," says Mr. James Brown Scott, "the neutrality statutes of the United States which had been found necessary in Washington's Administration and in that of his immediate successor to preserve the neutral rights of the United States against violation by belligerents, and to secure the observance of the neutral duties the United States in behalf of belligerents. Reissued with slight modifications in 1818 and incorporated in the Statutes at large in 1874, they reappear in the so called Penal Code of the United States in 1909 with but trifling changes of phraseology." Our country "was the first country to feel the need of a code of municipal law dealing with the question of neutrality, and it was the first to draft such a code. By its conduct as a neutral when Washington was President "it laid the basis of the modern laws of neutrality -- The neutrality, therefore, which the United States proclaimed in 1914 was not a neutrality born of the moment."¹⁷

The United States soon learned that she faced not clearly defined statutes, but a great body of precedents of different nations, some of them conflicting. These precedents represented certain immunities granted by belligerents to the commerce of neutrals in time of war. These concessions were an advance over the days when a belligerent proceeded like a pirate against a neutral. But the advance in international law had not kept pace with the development of the vast interests with which it dealt. International law at its best was only a recognition of the rights of those who kept the

17 John B. McMaster, The United States in the World War, Vol. I, D. Appleton and Co., New York, 1918, 19.

peace at the hands of those who broke it.¹⁸

Wilson followed his declaration of neutrality by a statement to the belligerent governments that he would welcome an opportunity to act in the interests of European peace, at that or any other time in the future. Of more vital interest to the United States, in view of what was soon to appear, was his identical note to the several powers, on August 6, 1914, in which he called attention to the differences of opinion as to the rights of neutrals on the sea; he then suggested that the rules and regulations set up in the Declaration of London be used as the basis of operation for all the nations during the duration of the war.¹⁹

The Declaration of London constituted the finest statements in regard to international questions liable to arise in ocean trade and travel; and it had about it the required air of constitutionality.²⁰

Constitutionality in international law appears plainly in Wilson's address before the American Bar Association in Continental Hall, Washington, October 20, 1914. He stated that as a lawyer he had at times felt that there was no real comparison between the law of a nation and the law of nations, because the latter lacked the sanction that gave the former strength and validity. And then he told them that upon closer inspection the two had the same foundations and that the foundations were more evident and conspicuous now than then. He then covered this statement by saying "The opinion of the world is the mistress of the world; and the processes of international law are the slow processes by which opinion works its will."²¹

¹⁸ Edwin J. Clapp, Economic Aspects of the War. Neutral Rights, Belligerent Claims, and American Commerce, 1914-1915. Yale University Press, New Haven, 1915, 1.

¹⁹ Robinsen and West, 44.

²⁰ Ibid., 45.

²¹ Scott, 70.

The reply to Wilson's request contained the basis of all the future troubles with Great Britain. In substance the reply was as follows: the Central Powers wrote they were willing to rule themselves by the Declaration; France and Russia also gave their assent, on condition, however, of England's acceptance. England replied that she would accept the Declaration but with modifications. Wilson wanted no modifications, so he fell back on our existing treaties and international law as a basis for America's neutrality during the war.

From now on the international features of the United States Penal Code were to cause endless friction with Great Britain, for she constantly set up new rules which opposed the idea of democratic pronouncements arrived at Constitutionally.

Any change in Wilson's foreign policy in regard to the European situation must forecast itself in his written or spoken words. In his annual message to Congress in December, 1914, there is a new note, but it hints only at the need of preparedness so that we could help Europe in her need when the war was over.

As the economic pressure became greater in 1915, the State Department, on February 20, 1915, proposed a modus vivendi which was an agreement for the use of submarines against merchant ships. On March 1, 1915, the German government agreed, contingent upon Great Britain's agreement, not to arm merchantmen. Great Britain refused and Wilson again fell back on the treaties and international law for basis of procedure against England.

22 Hacker and Kendrick, 487.

23 Robertson and West, 49-50.

24 Ibid., 50-51.

25 Ibid., 56-58.

On November 4, 1915, Wilson spoke at a dinner of the Manhattan Club in New York City. The subject of his discourse was "Our Political Relations." Here he showed a change in his foreign policy and the reason for it. His thoughts were reflected in the following words. "I speak as the trustee and guardian of a nation's rights, charged with the duty of speaking for that nation in matters involving her sovereignty - a nation too big and generous to be exacting and yet courageous enough to defend its rights and the liberties of its people wherever assailed or invaded. I would not feel that I was discharging the solemn obligations I owe the country were I not to speak in terms of the deepest solemnity of the urgency and necessity of preparing ourselves to guard and protect the rights and privileges of our people...."²⁶ In this speech the President implied no direct interference with any country, but he did imply that the merits of the controversy had been assessed and that the United States now stood apart from the conflict and would not enter except upon her own terms and for her own purpose. Such terms and such purpose must reflect a change in foreign policy.²⁷

President Wilson made a tour of the United States in the early days of 1916 and spoke definitely in favor of preparedness for the American nation. He stressed the great changes that were taking place and the need for America to be ready for those changes. That in the great conflict we had interests that were being slowly drawn into the conflict. That all the time the nations themselves that were engaged seemed to be looking to us for some sort of action, not hostile in character, but sympathetic in character. He also stated in this speech that though this nation was a nation of peace, it was

²⁶ Scott, 116-123.

²⁷ Robinson and West, 77.

not always within the choice of a great nation as to whether peace was possible. He stated that certain groups called for peace, and that others demanded that the honor of the nation be unstained. Another thought which he voiced during this talk was that the real danger to the peace of the country lay in the action of forces over which he had no control, and that if a struggle lay ahead, then America should champion the purposes of humanity and the rights of men.²⁸

The development of Wilson's policy is next found in the move to prevent Americans from traveling on armed merchantmen. In his letter to Senator Stone, who was chairman of the Foreign Relations Committee, on February 24, 1916, Wilson stated that no nation, no group of nations, had the right, while war was in progress, to alter or disregard the principles which all nations had agreed upon; he further stated that the abridgment of the rights of a single American citizen, would be followed by other humiliations, and "the whole fine fabric of international law would crumble under our hands."²⁹ He also wrote to Mr. Pou, who, in the absence of Mr. Henry, the chairman of the House Committee on Rules, was the ranking member, and asked him to at once handle the questions in dispute, for the report of divided counsels in Congress was being used in foreign capitals. He also stated that the matter lay clearly with the field of Executive initiative.³⁰ All the messages President Wilson had enunciated in regard to neutrality were gathered in these pronouncements. The rights of the people under the existing treaties and the international law must stand - not one must be abridged; he promised it; he demanded it. The years ahead would sum up the result.

²⁸ Scott, 167-174.

²⁹ Ibid., 177-178.

³⁰ Ibid., 179-180.

In the speech delivered to the Manhattan Club on November 4, 1915, Wilson had implied that America was ready to enter the struggle, but on her own terms and for her own purposes. On May 17, 1916, he gave an address before the League to Enforce Peace and voiced three necessary principles as follows: (1) "That every people has the right to choose the sovereignty under which they shall live;" (2) "That the small states of the world have a right to enjoy the same respect for their sovereignty and territorial integrity that great and powerful nations expect and insist upon;" and (3) "That the world has a right to be free from every disturbance of its peace that has its origin in aggression and disregard of the rights of people and nations." Then continuing, he said, "So sincerely do we believe in these things that I am sure that I speak the mind and wish of the people of America when I say that the people of the United States are willing to become a partner in any feasible association of nations formed in order to realize these objects and make them secure against violation." He then elaborated further and explained that "The belligerents should set up their peace terms as we were in no sense or degree parties to the present quarrel. Then a universal association of the nations should be set up to maintain the inviolate security of the highway of the seas for the common and unhindered use of all the nations of the world, and to prevent any war begun either contrary to treaty covenants or without warning and full submission of the causes to the opinion of the world, a virtual guarantee to territorial integrity and political independence."³¹ Only one more step remained to be taken in the completion of his policy. That step he took alone.

³¹ Scott, 189-194.

On the 18th of December in 1916, he boldly called upon both the Allied and Central Powers to state what they were fighting for and the terms necessary for a settlement. Wilson asked the belligerents, in the name of the neutral nations, to state their purposes, not in the general terms in which each group had indulged in again and again, but definitely, so that the world might know them and that a comparison might be made.

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From neutral in thought as well as in action in August of 1914, Wilson had traveled the long way to an association of the nations of the earth by May of 1916. The horizons had broadened, but the objective remained the same; the sacredness of human rights applied to individuals, and now to nations.

On January 22, Wilson came before the United States Senate in one last effort to end the war for the benefit of humanity. To accomplish this, he set up the following requirements: (1) It must be a peace without victory; (2) The nationalism of small nations must be recognized; (3) The great commercial nations must have an outlet to the sea; (4) The sea must be free; (5) Armaments must be limited; and (6) Entangling alliances must be abandoned.

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In this same address, he stated: "We are provincials no longer. The tragic events of the last thirty months of vital turmoil through which we have passed have made us citizens of the world. There can be no turning back. Our own fortunes as a nation are involved, whether we would have it so or not."

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The appeal made by the President was made directly to all the peoples of the earth. In it, statesmen and nations as individuals were forgotten.

32 Robertson and West, 131.

33 Hacker and Kendrick, 504.

34. Scott, 270-272.

There was no more hesitancy in Wilson's mind in regard to the mission of the United States; there was a hesitancy as to how this mission could function the most effectively, whether as a great neutral leading other neutrals in an Association of Nations, or as a belligerent dictating a just peace. All the world knows the answer to this problem, but behind the answer some little process may lie yet unrevealed, and it is in the hope of this revelation that the writer presents the following record.

CHAPTER II

THE DIPLOMATS AND HUERTA

It was twenty years since a Democratic President had formulated a foreign policy for the United States. During those eventful years we had fought a war of conquest and had taken our place among the great nations of the earth. The incoming President in 1913 could follow the beaten paths or he could formulate new policies, for two questions demanded an immediate answer; they were as follows: Should Huerta be recognized as President of Mexico, and should the measure remain which exempted coastwise American shipping from payment of tolls in using the Panama Canal.

President Wilson assumed the responsibility at once. He refused to recognize Huerta; thus departing from the usual foreign policy.¹ Back of this refusal was Wilson's idea that Huerta was a selfish dictator whose reign was founded on violence, if not the actual murder of a constitutionally elected President. A few days after Mr. Wilson's inauguration, Mr. Irwin Laughlin, then charge' d' affaires in London - Mr. Page not having arrived - was instructed to ask the British Foreign Office what its attitude would be in regard to the recognition of President Huerta. Mr. Laughlin informed the Foreign Office that he was not told that the United States had decided on any policy, but that he felt sure it would be to the best interests of both countries to follow the same line. This query was not an informal one: it was made in definite obedience to instructions and was intended to elicit a formal commitment. The answer that Mr. Laughlin received was that the British

Government would not recognize Huerta either formally or informally.²

Upon receipt of Mr. Laughlin's letter, the Administration in Washington announced that the United States would not accept the Huerta presidency. At this time, the two countries were working closely together and whether Wilson's action depended entirely on the answer from the British Foreign Office will probably never be known.³ About three weeks after this, Sir Cecil Spring Rice, the British Ambassador in Washington, notified the State Department that Great Britain had changed her mind and that she would recognize Huerta. France, Germany and Spain followed England's example, and later in the summer, Japan did likewise.⁴

It is interesting to note that the first mistake in the Mexican affair lay with the British Foreign Office, and produced a most unpleasant effect in Washington. The impression is given that the Administration believed that the sudden change in the British attitude was the result of pressure on the Foreign Office by commercial interests. Lord Cowdray was a rich liberal who had gotten valuable concessions from President Diaz. It was known that Huerta intended to rule as Diaz had done and so preserve order. It was also known that the British navy had a contract with the Cowdray Company for oil. Oil was necessary for battleships and European war clouds hung heavy on the horizon. In such circumstances the British Government might almost become a champion of the Cowdray interests.⁵

Another personality which must be noted at this time is that of the British Ambassador in Mexico City, Sir Lionel Carden. Carden had been in Cuba during the Taft administration, and Taft had tried to have him removed

2 Burten J. Hendrick, The Life and Letters of Walter H. Page, 2 vol., Doubleday, Page and Co., Garden City, New York, 1923, Vol. I, 180.

3 Ibid., 180-181

4 Ibid., 181

5 Hendrick, 181.

from Havana in 1912. It was known that he disliked Americans and that British commerce was his deity and British advantage his duty.

Against this background, Huerta became an epochal figure in the history of American foreign policy; a representative of a passing historical period; a symbol of the new, and incidentally a thorn in the side of at least two great nations. The first diplomatic task assigned to Ambassador Page was to induce England to remove Carden and withdraw its recognition of Huerta.⁶ This was a task before which a more experienced ambassador might have quailed.

The "dollar diplomacy" of the United States had left in Mexico City, Henry Lane Wilson, who had been appointed ambassador by President Taft. Ambassador Wilson owed his appointment to the political influence of his brother who was the Republican boss of the State of Washington and a close personal friend of Richard Ballinger, President Taft's first Secretary of Interior. Ballinger had been connected with the Guggenheims, who owned vast smelting interests in Mexico under the name of the American Smelting and Refining Company. All this had been disclosed by the Ballinger-Pinchot controversy.⁷ On July 17, 1913, President Wilson recalled Ambassador Wilson. President Wilson could not appoint a new ambassador without tacitly recognizing Huerta's administration. Mexico was thus without an American minister when she most needed one.⁸

⁶ Hendrick, 183.

⁷ Earnest Gruening, Mexico and Its Heritage. The Century Company, New York, 1928, 561.

⁸ J.S. Bassett, A Short History of the United States, 3 vol., The Macmillan Company, New York, 1929, vol. 3, 869.

On August 14, 1913, Ambassador Wilson stated in a newspaper interview that the congratulatory address which he had made to Huerta upon his presidency had been written by the British and Spanish ambassadors; that the British had recognized Huerta's provisional presidency as they had all done, and that the British Foreign Office knew about it.⁹ On August 13, 1913, President Wilson prepared and dispatched a note of apology to the British Government. The note follows:

The interview given to the press yesterday by Mr. Henry Lane Wilson whose resignation as ambassador to Mexico has been accepted to take effect at the end of his vacation, October 14, having been brought to the President's attention, he directs me to ask you to call at the British Foreign Office and say to Sir Edward Grey that he disclaims all responsibility for Mr. Wilson's actions in the matter and for the language employed by him in his interview and that he regrets exceedingly that a diplomatic official in the employ of this government should have been guilty of such impropriety."¹⁰

In an interesting letter written to President Wilson on November 16, 1913, Ambassador Page told Wilson that in his talk with Sir Edward Grey, he explained that the foreign policies followed in Latin America must give way to the new principles of the Wilson pronouncement. He then said he feared the British concern for commercial interests never slept, that it would come up continuously, and that their first impulse was to regard an unselfish act with what Cecil Rhodes termed "unctuous rectitude." He then added that it was worth something to discover that Downing Street made many mistakes, among them being the recognition of Huerta and the sending of Sir Lionel Carden to Mexico.¹¹

⁹ Chicago Daily Tribune, August 14, 1913. By Staff Correspondent, 1.

¹⁰ Ibid., August 15, 1913, 1.

¹¹ Hendrick, 185.

About the time that Page was writing to Wilson concerning British "unctuous rectitude," Wilson sent John Lind, a former governor of Minnesota, and a close personal friend of William Jennings Bryan to Mexico. Lind was definitely instructed to obtain certain information for President Wilson. He also carried specific instructions for, and requests of the Huerta government. Huerta was to call an early and free election in which the people of Mexico were to take part and the result of this election was to bind all parties.¹²

The Lind mission failed, Huerta remained President of Mexico, and Sir Lionel Carden, the British Ambassador, was still the friend of the Mexican dictator, for in a newspaper interview he had stated that "Safety in Mexico can only be secured by punitive and remedial methods and a strong man."¹³ Ambassador Page paid a hurried visit to the British Foreign Office; and then reported to Washington that Sir Edward Grey showed him the copy of the telegram sent to Carden asking for information in regard to the Carden newspaper interview and Carden's answer, which was a flat denial. Page stated that Grey showed him another telegram to Carden concerning the boasts Huerta had made that he would have the backing of London, Paris and Berlin against the United States. In this telegram Grey advised Carden that British policy should be kept aloof from Huerta's boasts and plans. Grey also showed Carden's answer to which, which was another flat denial. Grey wanted Wilson to know about the telegrams. Page then informed Grey that the government at Washington resented the British attitude in Mexico, that they regarded the problem as wholly American, that they suspected the British interests of extending financial aid to Huerta, and lastly, that the

¹² Gruening, 577.

¹³ Hendriek, 198.

President's policy was not academic, but was the only one that would square with American policy, and that it was unchangeable.¹⁴

During the summer of 1913, Colonel E.M. House visited Europe; he had a conference with Sir Edward Grey on July 3, 1913. The conference was held in the home of Sir Edward Grey, 33 Eccleston Square, London.¹⁵ Among the questions discussed were the Mexican situation and the Panama tolls. Grey's attitude may have been sympathetic, but it was certainly delayed. On October 27, 1913, Wilson took another definite stand against "economic imperialism" before the Southern Commercial Congress in Mobile, Alabama. Whether the attitude of the President on the Mexican question had at last convinced the Foreign Office that Wilson's stand was unchangeable, or the substance of House's conference was agreeable, will probably never be known; but evidently the British government felt that the whole question needed a complete understanding, and steps were taken to bring about that condition.

Early in November, 1913, Sir William Tyrrell, the private secretary of Sir Edward Grey, announced his arrival in Washington. The purpose of his visit was not diplomatic,¹⁶ but many questions were discussed. Ambassador Page wrote to Colonel House as follows:

Newton Hall, Newton, Cambridge

Sunday, October 26, 1913

Dear House:- "Sir William Tyrrell, the secretary of Sir Edward Grey, himself, I think, an M.P. - has gone to the United States to visit his friend, Sir Cecil Spring Rice. ...He of course has Sir Edward's complete confidence, but

¹⁴ Hendrick, 199.

¹⁵ Charles Seymour, The Intimate Papers of Colonel House. Houghton Mifflin Company, The Riverside Press, Cambridge, Boston, 1926. Vol.I, 194.

¹⁶ Hendrick, 200.

he is also a man on his own account. I have come to reckon it worth while to get ideas that I want driven home into his head. It's a good head and a good place to put good ideas.

...I want him to get the President's idea about Mexico, good, and firm and hard. They are so far from altruistic in their politics here that it would be a good piece of work to get our ideas and aims into this man's head. His going gives you and the President and everybody a capital chance to help me keep our good American-English understanding.¹⁷

Very hastily yours,

Walter H. Page.

Tyrrell had conferences with President Wilson, Secretary of State Bryan, and Colonel House: The conversation with President Wilson was most agreeable, and Tyrrell was able to convince Wilson that the British oil interests had no power over such a statesman as Sir Edward Grey. At the same time Tyrrell was acquainted with the fact that the President was unfavorable to the exemptions of American vessels from the Panama tolls.¹⁸ In justice to Wilson, it must be stated that the Panama question was no political expedient at this time; for as early as April 15, 1913, he had made this same statement to Secretary of Agriculture, David Houston.¹⁹ The conversation with Bryan was punctured with opposing ideas - "The Foreign Office had simply handed its Mexican polity over to the oil barons;" "The British oil men were the paymasters of the British Cabinet;" and when Sir William laughingly replied that the oil barons did not have money enough to purchase the British cabinet, Bryan quickly retorted "Then you admit the charge?"²⁰

17. Hendrick, 201.

18. J. Fred Rippy, The United States and Mexico. Alfred A. Knopf Inc., New York, 1926, 336.

Later in November, 1913, Sir Lionel Carden led the European diplomats into the presence of President Huerta and announced that the European countries were supporting President Wilson's Mexican policies. Sir Lionel Carden also announced that the English government would make no loans to Huerta. Huerta was advised to yield to the American demands and withdraw from Mexico.²¹ So far as the British government was concerned, the Mexican affair was closed, only to be opened later on, over Sir Lionel Carden and the Panama tolls.

Sir Edward Grey stated that the Foreign Office had no intention of interfering or trying to influence the situation in Mexico. That the only interest they had was to protect long established and legitimate British commercial interests with whatever power was in force, when there was no authority with which diplomacy could deal.²²

Sir Lionel Carden's removal was the last step in the diplomatic problem which Ambassador Page was to solve. On January 8, 1914, Page wrote to Colonel House:

Two days ago I sent a telegram to the Department saying that I had information from a private unofficial source that Carden would be transferred was true, and from another source that Marling would succeed him. The government here has given out nothing. I know nothing from official sources. Of course the only decent thing to do at Washington was to sit still till this government should see fit to make announcement. But what do they do? Give my telegram to the press. It appears here almost verbatim in this morning's Mail. I have to make an humiliating explanation to the Foreign Office. ...They now deny at the Foreign Office

19 D.F. Houston, Eight Years With the President's Cabinet. Doubleday Page & Company, New York, 1926, 59.

20 Hendrick, 202.

21 Rippey, 336.

22. Viscount Grey of Fallodon, Twenty-Five Years, 1892-1916. 2 vols.

that anything has been decided about Carden, and this meddling by us - will surely cause a delay and may even cause a change of purpose. ...Lord Cowdry came here to the house and stayed two and a half hours talking about possible joint intervention in Mexico. Possibly he came from the Foreign Office. ...By the way, Cowdray said to me today: 'Whatever the United States and Great Britain agree on the world must do.' He is right. The President must come here, perhaps in his second term. These two governments must enter a compact for peace and for gradual disarmament.²³

Heartily

W.H.D.

On February 12, 1914, Sir Lionel Carden was promoted to an important diplomatic post in Brazil. Page had solved his diplomatic problem to President Wilson's liking, and the Foreign Office had protected the diplomat whose "diety" was British commerce, and whose "duty" was British advantage.²⁴

In January 1914, Wilson took up the question of the Panama tolls with the Senate Foreign Relations Committee. The time and procedure of taking this step had been left to Wilson in the conversation Colonel House had held with Sir Edward Grey on July 3, 1913. On March 5, 1914, Wilson appeared before the two houses of Congress and in a brief speech asked for the repeal of the clause in the Panama legislation which granted preferential treatment to American coastwise shipping. He made his plea on two grounds, the honor of nations and the sanctity of treaties.²⁵ The request was granted him on June 11, 1914, by a Senate vote of 50 to 35, and a house vote of 216 to 71. The debate was heated, the claims being that the govern-

22 (continued) Frederick A. Stokes Company, New York, 1929, Vol.I, 98.

23 Hendricks, Vol.I, 223.

24 O'Shaughnessy, 189.

25 Hendrick, Vol.I, 253.

ment had sold itself to British influence.²⁶ There were others who felt that a national dishonor had been atoned for.

On February 3, 1914, President Wilson lifted the embargo on arms to provide munitions for the factions of northern Mexico who were rising against Huerta.²⁷ Huerta, cut off from European loans, with the Constitutionalists under Carranza and Villa, leading an open revolt in the north, fled July 15, 1914.²⁸ On August 20, 1914, Carranza entered Mexico City. With the entrance of Carranza into Mexico City, the British Foreign Office reentered the diplomatic picture.

The British Government had not recognized the Carranza Government. The United States Government withheld recognition until October 19, 1915. During this time property rights and human rights had seemingly passed beyond the power of any government. The diplomatic stand taken by Carranza was as follows: redress for life or property could not be made by the British Government, through diplomatic channels to him, but they could, however, extra-officially make representation to him, but they must not come by way of the United States,²⁹ There was a disposition on the part of the world at large to hold the United States responsible for acts of violence to foreigners in Mexico. Sir Edward Grey announced in the House of Commons, that if the British Government did not obtain satisfaction from the constitutionalists through the good offices of the United States, it reserved the right to obtain reparation by other means when the circumstances

26 Hendrick, Bol.I, 267.

27 Robinson and West, 26.

28 Bassett, Vol.3, 870.

29 Gruening, 579.

would permit. ³⁰ A mental reservation must have been made by Mr. Wilson on March 2, 1914, when he denied that any pressure had been brought to bear on the United States by other countries.

On April 24, 1914, Cecil Spring Rice wrote to the Secretary of State and agreed to cooperate with the American Government for the protection of humanity in Mexico. This was not to be on an official basis. He stated that he had so notified the British Minister at Mexico City and the British Admiral and consul at Vera Cruz. This agreement was made to resist mob violence. ³¹

On April 28, 1914, Secretary of State Bryan instructed special agent Carothers at El Paso by telegram, to go at once to Chihuahua and secure from the Constitutionals an agreement for the neutralization of the great oil producing section or zone between Tampico and the Tuxpam River, and also at Exbano and vicinity west of Tampico. It was in this region that many American and British and other foreign producers had been conducting operations. A written agreement was desired from the Constitutionalist Party and an immediate notification to all field commanders of the neutralization move. Instant action was demanded of Carothers. ³²

Mr. Bryan then notified Sir Cecil Spring Rice at the British Embassy in Washington and explained to him that the neutrality arrangement being sought was not asked for the port cities but just for the wells and pipe lines with the territory surrounding them. Apparently they feared to ask

30 Robinson and West, 27-28.

31 Foreign Relations of the United States, 1914, United States Printing Office, Washington, 1928, 677, Doc. 312.11/3822

32 F.R. 1914, 690-691, Doc., 812.6363/29^a

for the neutralization of the port cities lest they arouse antagonisms. ³³

In his reply to this letter, Sir Cecil Spring Rice was of the opinion that the original agreement called for the neutralization of the port cities: that this was quite necessary as the combatants had seized large quantities of goods in those cities which belonged to British, French and Spanish subjects, and that these goods had been sold in the United States as the archives of the American State Department would show. He also announced that he had telegraphed to the British Admiral and British Consul at Tampico and had received no answer. ³⁴

On May 1, 1914, a telegram was received from the special agent of the American Government at El Paso stating that on April 30, 1914, Carranza had telegraphed him that employees had left on their own motion and could return and also that an order would be sent to respect foreign property. This telegram was sent to Sir Lionel Carden at Mexico City and in response Carden telegraphed that Huerta had promised the same. Huerta told Sir Lionel Carden that while issuing this order he could not guarantee the safety of anyone returning to work in districts not under his control. ³⁵

The next move was made by Sir Edward Grey on May 26, 1914, and shows how British trade and investment are protected. Grey telegraphed Sir Cecil Spring Rice that diplomatic protection should not be given after normal conditions had returned to any company or individual who obtained a title to oil leases on the grounds that owners had not paid rent due, when in reality this condition had been brought about by the disorders then existing in

33 F.R. 1914, 692-693, Doc., 812.6363/60a

34 F.R. 1914, 693. Doc. 812. 6363/45c

35 F.R. 1914, 696-697, Doc. 812. 6363/52

Mexico.³⁶ A suggestion was made by Secretary Bryan that this agreement should include Great Britain, the United States and the Netherlands; on June 2, 1914, the three governments agreed to this, and the black gold rolled down to the east ports of Mexico, and here it was caught again.

On June 3, 1914, the American Consul at Tampico, wired the State Department at 2 P.M. that official notice had been issued that all custom charges for taxes, exportation charges, oil production taxes and similar charges must be paid in Mexican gold; that in lieu of Mexican gold, American gold would be accepted at the rate of two for one. This order was once withdrawn and twice issued between 2 P.M. and 8 P.M. of June 3.³⁷ The 8 P.M. order stated Sr. F. Villareal, Secretary of Communication of Constitutionalists informed the United States Consul that the rule was based on the theory that all exports were sold abroad on the gold basis. The British Embassy delivered a memorandum to the State Department on July 13, 1914, and stated that the rate of two pesos for one could only be considered in the light of a forced contribution; that the uncertainty of never knowing from day to day what further taxes might be imposed made the exportation of oil almost an impossibility. The British government considered the condition called for redress; and called on the United States Government to exercise their good offices in having the Constitutionalists rescind the order.³⁸

In a letter remarkable for its fairness, the American Consul General at Monterey answered this memorandum; a digest of which was forwarded to the British Embassy on July 22, 1914. The letter follows:

36 F.R. 1914, 705, Doc., 812.6363/95.

37 F.R. 1914, 741, Doc., 812.512/266.

38 F.R. 1914, 748-749, Doc., 812.512/340.

American Consulate General

Monterey, July, 1914.

Department's July 15. The Secretary of Finance informs me again that production taxes, etc. are payable in Mexican gold coin, according to decree of March; that neither bank bills nor silver are acceptable for such export duties and production taxes and that the status of the so called ordinary peso is not being considered in this connection. What I mean by one for two is that Mexican gold coin is required and that the Mexican gold peso is quoted in the United States as being worth forty nine cents and a fraction as compared with the American dollar, which is practically one for two or one American dollar New York exchange for two Mexican gold pesos, but the Secretary says in lieu of Mexican gold New York exchange will be accepted at the Mexican gold rate if such is more convenient to producers. It seems he is within his rights in this matter, and by referring to the back of our national bank notes, we are reminded that the United States does not accept all kinds of money for similar duties and taxes. I also understand that the Constitutionlists have foreign obligations which have to be paid in gold or its equivalent.³⁹

Hanna.

The introduction to this set of diplomatic representations had been in the name of humanity but as it developed it became mostly oil with little of humanity about it. Why there should have been any misconception concerning the collection of export duties under the plan laid down by the Constitutionlists is hard to understand. England had set the rate of exchange for years and the United States had been an apt scholar as pointed out by Consul General Hanna.

One more question in Mexico assumed diplomatic proportions at this time and entangled in its web, Villa, Carranza, Mexico, Great Britain and

the United States and remains today an unsolved question in many of its ramifications.

On February 19, 1914, the State Department wrote to special agent Carothers in El Paso that a communication had been received that morning from the British Embassy in regard to a British subject, named William Benton, held prisoner by Villa at Juarez. It was stated that Mrs. Benton feared for her husband's life. Carothers was instructed to give the matter his immediate attention. On the same day Carothers replied that Villa had informed him, Benton was not under arrest but that Villa did seem to feel that Benton was in a plot to take his life. Special agent Carothers felt that Benton was not dead but would be held a prisoner until Villa went south.⁴⁰ The same day Consul Edwards, at Ciudad Juarez, wrote to the State Department and informed Bryan that Benton was dead. Villa had communicated this information to him personally. Villa stated that Benton came to his house armed with a large pistol and in the encounter which followed he, Villa, had shot Benton. Consul Edwards promised to send full particulars by next mail. On February 20, 1914, the particulars followed and were as follows:

Villa said, "Senor Benton is dead. He came here to this house and attempted to kill me, he was armed and came for that purpose. He was a dangerous man. I knew him, he had killed several men in Mexico. I could not afford to let such a man live...." Edwards promised to investigate all Villa's charges against Benton and stated Villa would not confiscate the property or permit the body to be removed.⁴¹ Later, on the same day, word

40 F.R. 1914, 843, Doc., 312.41/94.

41 F.R. 1914, 843-844, Doc., 312.41/119.

came that Benton had been given a military trial and shot.

The next day, February 21, special agent Carothers telegraphed the State Department that the court martial sentence just given him was too lengthy to send by wire so extracts were sent as follows: Tribunal was composed of seven officers. Two witnesses were present at the quarrel; that Benton drew his pistol on Villa; that Villa disarmed him; that Benton was known to be an enemy of the Constitutionals and had assisted Huerta and Orozco. The sentence was signed by Major Jesus M. Rodriguez as Military Judge and Raoul Lopez Secretary. As an after thought the message carried the information that a mass meeting of protest had been held in El Paso and ex-Governor Curry of New Mexico had presided.⁴²

It is a dangerous thing to use any phrase difficult of accomplishment in a diplomatic note to the British Government. It has a peculiar way of coming home at inconvenient times. Just when the State Department was making desperate efforts to locate Benton, his remains, or a settlement of the question, a memorandum arrived from Sir Cecil Spring Rice, who noted the discrepancies in the evidence so far presented but was sure that in the cause of humanity, the American government would continue, in an energetic manner, to use her influence in this case.⁴³ The cause of humanity was the foundation of Wilson's Mexican policy. On February 22, 1914, Ambassador Page wrote to Bryan as follows:

American Embassy,
London, February 22, 1914

Sir Edward Grey showed me a telegram he is sending to Spring Rice asking the United States permission

42 F.R. 1914, 845, Doc., 312.41/103.

43 F.R. 1914, 847, Doc., 312.41/112.

for a British Consul to investigate Benton's death. He thinks such an investigation, in addition to our own or in conjunction with it, will quiet excitement here. House of Commons summoned him today, our of regular order to question him. He informed me that he wishes the truth to be got at independently of Villa's version, and he expressed confidence in our good will and in the effectiveness of our investigation, if we take it vigorously in hand and summon all possible witnesses.⁴⁴

Page

On February 23, 1914, Bryan wrote to special agent Carothers to "get the body" and to the American Consul in Juarez to "get the body and look at it, if that is all you can do, and be sure and mark the grave." Villa refused in the following words: "Very sorry can not deliver Benton's body at present time. When time comes to do it, I will comply with my obligations and will give an account of my proceedings to the whole world."⁴⁵

February 24, 1914 was a busy day. The Secretary of State wrote to Vice-Consul Simpich at Nogales, to get in touch with Carranza and see what he could do about Benton's body, also if the charge that court martial was held after death was true. He also wrote to Consul Letcher at Chihuahua who had notified him earlier in the day that Villa would permit Mrs. Benton and any government representatives to visit the cemetery and that the body would be exhumed, but must be interred again in the same spot, that he would like two Americans and two British subjects to attend Mrs. Benton, and to have the body delivered to her, if possible. Bryan also received three telegrams: One from Consul Edwards at Juarez stating that all the officials at Juarez were new men, strangers to border people. Villa had taken with

44 F.R. 1914, 848, Doc., 312.41/106.

45 F.R. 1914, 849, Doc., 312.41/108.

him every one connected with the affair. Consul Edwards was sure the body was buried, for the law called for interment within twenty-four hours. Another was from Consul Letcher, to whom Bryan had wired earlier in the day, stating that the body must be returned to the grave from which it was exhumed. The third was from the British Embassy stating that owing to the condition of affairs and the fact that two other Englishmen had disappeared, they considered it necessary that a British Consular officer should go to Chihuahua, under adequate security, to report to His Majesty's Government. The British Consul at Galveston was ordered to proceed to El Paso and there await further orders. A public inquiry was asked for, so that foreign witnesses might testify and the facts be published to the world. If this public inquiry was held then the British Government would like the British Consul present though not necessarily to take a part. All this was asked, not that the British Government doubted the efforts of Washington, but to appease popular excitement in England.⁴⁶

The next day Consul Letcher notified Washington that a statement obtained from Villa had been suppressed in the telegraph office at Chihuahua. The statement was that Villa himself ordered the execution and said nothing of a court martial. Villa was incensed and threatened to cut the telegraph wires if bothered further.

Then Vice Consul Simpich at Nogales reported that Carranza pointed out that representation regarding the Benton case should not be made through an American Consul but through some diplomatic representative of Great Britain and that Carranza was dissatisfied that communications concerning the Benton

case were being addressed to Villa instead of to him, as he and not Villa, was in supreme command of the Constitutionalists. On February 26, arrangements were made for a special train to carry the commission of two Americans and two British, the British Consul from Galveston and Mrs. Benton to Chihuahua. Villa had provided for this. On February 27, Bryan consented to the arrangement with minute instructions for the care of the British Consul from Galveston.⁴⁷

On the same day a letter was received at the State Department from the British Ambassador at Washington. Spring Rice stated: that he had received a telegram from Sir Edward Grey of the Foreign office; that in the telegram Grey stated that a statement from the government concerning Benton would be demanded by the English people; and that the British government for obvious reasons would not take any action themselves at this time. They reserved the right to see that justice was secured at the earliest moment. Spring Rice was not instructed to make any representation to the Department of State, but he did so, so there would be no misunderstanding.⁴⁸

On March 1, word was received from Villa's commander in Juarez for the commission to proceed by regular train to Chihuahua. The Commission accompanied by the British Consul from Galveston and Mrs. Benton, gathered in the office of Colonel Avila in Juarez. Avila's legal adviser was present. They confirmed the order given by Villa, but stated that Villa must have done so under misapprehension that Carranza had authorized the same, although Carranza had not done so. They stated the commission could not proceed without Carranza's permission.⁴⁹

47 F.R. 1914, 855, Doc., 312,41/137.

48 F.R. 1914, 856, Doc., 312.41/149.

49.F.R. 1914, 857-858, Doc., 312.41/150.

On March 2, it was reported that Carranza ordered Villa to drop the Benton case. That no further discussion be carried on with either the British government or the government of the United States. Bryan sent an identic note to Edward, Consul at Juarez; Cobb, Collector of Customs at El Paso; Carothers, Special Agent at El Paso; Letcher, Consul at Chihuahua and Vice-Consul Simpich at Nogales to await further orders due to the complications which had arisen.

On March 3, 1914, the British Ambassador presented the following memorandum to the Department of State. The memorandum follows:

In Sir Edward Grey's opinion the situation is as follows:

Her Majesty's Government do not ask the United States Government to take any steps to secure justice, though they would welcome any action on their part to that end. His Majesty's Government make no complaint of the United States Government for reasons of their own. But His Majesty's Government wish it to be clearly understood that they will take whatever steps are possible to secure justice being done whenever opportunity offers.

If General Huerta were in any way responsible for a crime against a British subject His Majesty's government would act in exactly the same manner.

They are aware that they can take no measure against Villa at the present time, but they must reserve their liberty to act when contingencies arise in the future.⁵⁰

British Embassy
Washington, March 3, 1914.

The question threatened to darken the horizon once more when on June 18, 1914, a plea came from the British Embassy in regard to the sequestration of Benton's property by Villa; but the comedy in Mexico was swallowed up by the tragedy in Serajevo.

In a little investigation of my own to satisfy a curiosity whetted by such unusual diplomatic procedure, I wrote to Mr. Edward M. Pooley, Editor of the El Paso Herald Post, for information. His letter and the enclosed memorandum follow:

May 28, 1937

Miss A.E. Pyne
5527 W. Monroe Street
Chicago, Illinois

Dear Miss Pyne:

In the story of William S. Benton you have run across one of the most interesting mysteries of the border. I don't believe you will ever be able to round out your thesis by locating the burial place of Benton.

Attached is a memorandum from a member of our staff who has spent many years on the border.

Yours very truly,

E.M. Pooley.

The memorandum follows verbatim:

Benton went to Juarez to see Villa about damage to his ranch property. What became of him no one knows, members of the family in El Paso say. Various stories are told. One is that Fierro, Villa's chief of staff started to shoot Benton, and Villa beat him to the draw and killed Benton. One story is that Benton's body was taken on a train to Villa Ahumada, south of Juarez. There a mock military trial was held and Benton sentenced to death for insulting Villa. His body was buried near Villa Ahumada according to this version. Another story is that Benton's body was placed in the firebox of a railroad engine and burned. Newspaper men established, to all practical purposes, that Benton was shot to death in the presence of Villa in Juarez.

Benton's ranch property was not confiscated by Villa. In later years agrarians have settled on part of the property under Mexico's agrarian laws, just as other

property has been taken over. Under this procedure the government pays the property owner with government bonds.⁵¹

There is a change in the tone of the memorandum from the British Embassy in Washington, delivered at the State Department on November 17, 1914. President Wilson based his Mexican policy on the rights of humanity, and here the note was struck. Trouble rose about Tampico again and Spring Rice stated: "His Majesty's Ambassador has the honor under instructions from Sir Edward Grey to request the Secretary of State to be so good as to ask the Secretary of the Navy to cause directions to be sent to the United States Naval Senior Officer in Mexican waters to give such protection as may be possible to British lives and interests and to afford refuge to British subjects."⁵²

On November 19, 1914, Secretary of State Lansing communicated with Secretary of the Navy, Daniels, in the interests of British subjects and property, along the east coast of Mexico. Secretary of the Navy Daniels replied on November 20, 1914 that the Commander in Chief of the Detached Squadron in Mexican waters had been detailed for this duty.⁵³ The great engines of war that President Wilson had noted in his speech to the United States Military Academy, June 5, 1914,⁵⁴ did fulfill at least a part of the mission he so desired for them.

President Wilson's foreign policy in Mexico, came in contact with the British foreign policy which had been developed there under our "Dollar Diplomacy" days. The "Dollar Diplomacy" days were the years of Secretary

51 Personal letter from E.M. Pooley, Editor of El Paso Herald Post, El Paso, Texas.

52 F.R. 1914, 865-866, Doc., 312.41/300.

53 F.R. 1914, 866, Doc., 312.41/305.

54 Scott, 205.

Knox's peaceful development of Mexico, from 1909 to 1913. They marked the closing days of the reign of Porfirio Diaz, the days "when financial soundness and political stability had the authority of the national government behind it."⁵⁵

The people appeared divided in their opinion between the "Dollar Diplomacy" and the "Idealism" of Wilson. It was stated that a well developed expression of our foreign policy and the uses to which our diplomatic corps was put might clear the situation. Some felt Mr. Wilson was both a statesman and a politician in domestic matters but was wrong in his foreign policy due to his idealism.⁵⁶

The Mexicans had no illusions; they were a unit in their fear of England and the United States. They felt that the Monroe Doctrine protected and covered the depredations of Anglo-American big business in exploiting the magnificent natural resources of Mexico.⁵⁷ The foundation for all this dissatisfaction was ably expressed by a member of the United States diplomatic corps when he stated "Suppose you wanted to know every place in the world where a new brand of hair-pins, or steam shovels or lithographs would find a market. A circular letter - and as fast as steamships and railroads and couriers could bring them to your desk you would be in possession of reports from each of your 570 branch offices. Then you would know your market; also the industrial and commercial situation."⁵⁸

In an estimation of the results of this chapter the writer feels that

55 Henry M. Hyde, "Dollar Diplomacy" Everybody's Magazine, XXV, 758-759 July-December, 1911.

56 Editorial, "The Idealism of Wilson" Current Opinion, LVII, 81. July-December, 1914.

57 J. Fred Rippey, "Literary Yankeephobia." The Journal of International Relations, XII, 526, 1911-1922.

many understandings between governments are arrived at in an informal manner; that the understandings are not always for the best interests of the people who form and protect that government; and that the Consular Offices are the advance agent for business rather than expounders of culture.

58 (continued from p.38)

George E. Holt, "A Business Proposition" The Independent, Vol. LXXV,
737 July-September, 1913.

CHAPTER III

THE NEUTRALITY OF 1914-1917

The neutrality which the United States proclaimed in 1914, was the neutrality of Washington and his immediate successors. It was the neutrality which had about it the sanctity of public opinion and the long years of a nation's belief in "No entangling alliances."

American neutrality was proclaimed on August 4, 1914, by President Wilson; two weeks later Wilson called upon the citizens of the United States to remain neutral in thought as well as in deed. Wilson then instructed Ambassador Page to obtain an audience with King George and to present the following note:

Sir:

As official head of one of the Powers signatory to the Hague Convention, I feel it to be my privilege and my duty under Article 3 of that Convention to say to your Majesty in a spirit of most earnest friendship, that I should welcome an opportunity to act in the interest of European peace either now or at any time that might be thought more suitable as an occasion, to serve your Majesty and all concerned in a way that would afford me lasting cause for gratitude and happiness.

Woodrow Wilson¹

An identical note was sent to the rulers of all the warring countries. On August 4, 1914, Wilson wrote to Colonel House and asked him if he considered that Wilson could act in the interest of peace at that time.²

¹ Hendrick, Vol. I, 320.

² Ibid., 318.

House answered that in view of the Senate Resolution on neutrality, it would be unwise to tender any further good offices.³

The machinery to protect the great neutral trade of the United States was the next problem which awaited solution. On August 5, 1914, the Washington government was presented with a communication from the American Ambassador in London, which contained the British lists of conditional and absolute contraband. The lists were the same as those in Articles 22 and 24 of the Declaration of London which had been set up in 1909; the single exception being the transfer of aircraft from the conditional to the absolute list.⁴

On August 6, 1914, the Secretary of State forwarded a communication to Ambassador Page which he was to present to the British government. In it the request was made to observe the Declaration of London as the working agreement on trade between the belligerents during the war. The Secretary of State remarked that by adopting the Declaration of London as their working agreement, grave misunderstandings between neutrals and belligerents might be avoided.⁵ Evidently a delay occurred in the answer to this note for on August 19, 1914, Secretary Bryan again addressed a communication to Great Britain, France, Russia, Germany and Belgium, pressing for a reply and announcing that Austria had instructed her government to use the Declaration of London, conditional on like observance on the part of the enemy.⁶ On August 20, the Washington government received

3 Hendrick, 318.

4 F.R. 1914 Supp., 215-216, Doc., 763.72112/26.

5 F.R. 1914 Supp., 216, Doc., 763.72112/48a.

6 F.R. 1914 Supp., 217, Doc., 763.72112/81.

a dispatch from the American Ambassador in London setting up a request from Sir Edward Grey of the British Foreign Office. Sir Edward wished to know what attitude the Austro-Hungarian and German governments intended to adopt toward the Declaration of London.⁷

On August 26, an undated communication was received by the Secretary of State from the American Ambassador in London. The Ambassador's note contained a copy of a note from the British Foreign Office dated August 22, 1914. The British note set up the procedure which the Allies intended to follow during the duration of the war. The note was courteous, definite and self explanatory. The British would not adopt the Declaration of London as a working pact, without modification; the language used in this note was extremely diplomatic. The changes in the Declaration of London would be enacted by Orders in Council. The first order in Council had been held at Buckingham Palace on August 20, 1914 and the necessary modifications to the Declaration of London had been made. The communication was signed by E.A. Crowe, and closed with the following paragraph:

I may add that His Majesty's government in deciding to adhere to the rules of the Declaration of London, subject only to the aforesaid modifications and additions have not waited to learn the intentions of the enemy government, but have been actuated by a desire to terminate at the earliest moment the condition of uncertainty which has been prejudicing the interests of neutral trade.⁸

The modifications contained the right to change the Declaration of London as they pleased and even to abolish its measures entirely which they eventually did.

7 F.R. 1914 Supp., 217, (No file No. given)

8 F.R. 1914 Supp., 218-220, Doc., 763.72112/111.

In a letter covering seven pages and redounding to the everlasting glory of Robert Lansing, whose name is signed to it, the State Department set up the case of the neutral world on September 26, 1914. A digest of the pertinent statements follows:

Germany and Austria-Hungary had agreed to abide by the Declaration; the United States government felt keen disappointment in Great Britain's refusal; the United States government had depended on the application of the International Prize Court which machinery had been set up by Article 7 of the Hague Convention in 1907; Great Britain proposed to keep all the provisions of the Declaration which were for her benefit and recast those that benefited neutrals; Articles 3, 5 and 6 of the Order in Council of August 20 were entirely unacceptable for they set up a "paper blockade" which had been repudiated by the old Declaration of Paris in 1856; the term "any sufficient evidence" included in Article 3 was vague and indirect and left the neutral trade in a position of ignorance as to what was expected of them; during the Boer War in South Africa, when Lord Salisbury spoke as Prime Minister and Secretary of State for Foreign Affairs, he made the statement that foodstuffs with a hostile destination could be considered contraband of war only if they were supplied for the enemy forces; it was not sufficient that the forces use the food, it must be consigned to them at the time of seizure. In closing, the State Department announced that the United States government reserved all its rights under the law of nations.⁹

One or two comments are necessary at this point: The British government had not waited for the answer from the belligerents. The United States Department followed its strong note of September 26 by another on September 28, and closed the second communication with this paragraph:

In presenting the substance of this instruction to Sir Edward Grey you will assure him of the earnest friendship in which it is sent. The President is anxious that he should realize that the terms of the Declaration of London represent the limit to which this government could go with the approbation and

support of its people. Telegraph result of interview as soon as possible. ¹⁰

Lansing.

On October 3, 1914, Colonel House wrote to Page in London as follows:

I have just returned from Washington where I was with the President for nearly four days - I had the good fortune to be there at a time when the discussion of the Declaration of London had reached a critical stage. Bryan was away and Lansing, who had not mentioned the matter to Sir Cecil, prepared a long communication to you which he sent to the President for approval. The President and I went over it, and I strongly urged not sending it until I could have a conference with Sir Cecil. I had this conference the next day without the knowledge of any one excepting the President, and had another the day following. Sir Cecil told me that if the dispatch had gone to you as written and you had shown it to Sir Edward Grey, it would almost have been a declaration of war; and that if by any chance, the newspapers had got hold of it, the greatest panic would have prevailed. He said it would have been the Venezuela incident magnified by present conditions. At the President's suggestion, Lansing then prepared a cablegram to you. This too was objectionable and the President and I together softened it down into the one you received.

Faithfully yours,

E.M. House

In justice to Mr. Lansing, Page stated that in a later letter Mr. House said Lansing did not write the dispatch but that he did submit it to the President. Page also stated that the suppressed communication was probably lost forever. ¹¹ Apparently the bark of neutrality had been launched on a stormy sea.

An investigation of the Declaration of London brought forth the following information: The Declaration of London which was drawn up by

¹⁰ F.R. 1914 Supp., 232-233, Doc., 763.72112/359a

¹¹ Hendrick, 378.

Naval Conference of London, held in 1909, was closely bound up with the Convention which established an International Prize Court. This convention was drawn up by the Hague Peace Conference in 1907. The Conference of 1899 had set up rules for war on land. The Conference of 1907 had set up the Court to decide on maritime cases, but there was no law against which this court could function; so in December of 1908, the representatives of all the important countries, ten in all, met in London and deliberated for three months under the presidency of the Earl of Desart. It was England who called the meeting and it was an Englishman who presided.¹² Any examination of the document, which resulted from these deliberations, must present the gains resulting to neutrals.¹³ The Court which had been set up in 1907 was to consist of 15 judges, of whom nine were a quorum; the judges named by each of the eight Great Powers were always to sit, and the other members were drawn from a fixed rota of judges named by the Lesser Powers.¹⁴

Another consideration enters at this point, that is the ratification of the instrument known as the Declaration of London, which consisted of the codification of all maritime regulations from 1856 down to and including 1909. The Declaration of London had been signed by the English representative. A mere technicality made the consent of Parliament necessary. The International Prize Courts were to supersede the authority of the

12 Norman Bentwich, The Declaration of London. Effingham Wilson, 54 Threadneedle Street, London, 1911, 5-7.

13 Ibid., 39-40.

14 Ibid., 5.

English Prize Courts, and this needed the consent of Parliament.¹⁵ The treaty between England and Belgium had not been ratified by the English Parliament, and yet England had gone to war over it.¹⁶ Now they were withdrawing the document which guaranteed the very life of neutrals and which had been ratified by the United States Senate.¹⁷ If no injury was done to neutral trade, then no injury was done to Germany, and the whole matter was just a blunder.

The records of the 1907 conference disclosed that the United States was not entirely free from taint. The English government agreed to give up the principle of contraband between the Powers who signed the covenant. The right of search was kept merely to determine the character of the vessel. Twenty-five nations voted for this proposal; four passed their vote; five voted in the negative; and they were, Germany, France, Russia, Montenegro and - the United States. When the attention of the American delegation was called to the vigorous letter of Secretary Marcey in 1856 on this question they bluntly said that America had learned much in the meantime and was following the policies of Roosevelt rather than those of

Marcey.¹⁸ The British set up their defense on the ground that the Declaration had been drawn too hastily and that it was a mere codification of laws and had never been ratified by Parliament, consequently it was not binding on them.¹⁹

15 H. Sidebotham, Et.Al., Freedom of the Seas, Towards A Lasting Peace. The Macmillan Co., New York, 1916, 69.

16 Ibid., 69.

17 F.R. 1914 Supp., 248-249, Doc., 763.72112/164.

18 John M. Davis, "Anglo-American Relations" Foreign Affairs, An American Quarterly Review, Vol. 7, 351-352, October 1928-July 1929.

19 Gilbert Murray, Great Britain's Sea Policy, T.F. Unwin, London, 1917, 4-5.

England went merrily on her way unheeding the storm of protests. On October 9, 1914, the Declaration of London was again modified in its conditional and absolute contraband features. The Orders in Council of August 4, and August 20, also those of September 21, were withdrawn. In the communications which flood the Foreign Relations at this time is one which caused trouble. Sir Edward Grey telegraphed Sir Cecil Spring Rice to the effect that the United States government had made certain proposals to place on the unconditional contraband list such articles as motor oil, motors, and barbed wire. Lansing at once telegraphed Ambassador Page that the suggestions had been made by Spring Rice and not by the State Department.

20

The discussions over contraband and Orders in Council continued throughout 1914, 1915 and up to the spring of 1916. On April 4, 1916 "The Declaration of London Order in Council, 1916" swept away the last remaining difference between conditional and absolute contraband. It also removed the difference between blockaded and open ports.

21

On April 8, 1916, Lansing addressed a communication to Page and told him that as the Washington government was at that time considering a former Order in Council and as the British Government had not replied to a former protest of the American Government, the Order in Council of April 4, 1916, would be considered an intentional discourtesy. Page's reply is an excuse for the long delay of the answer to the Washington protest of October 21, 1915, and a promise that an answer would be immediately

22

20 F.R. 1914 Supp., 247, Doc., 763.72112/157.

21 F.R. 1916 Supp., 361, Doc., 763.72112/2398.

22 F.R. 1916 Supp., 362, Doc., 763, 72112/2398.

forwarded to the State Department. There is no criticism of the new Order in Council.²³

On April 10, 1916, the Consul General in London, Robert Skinner, wrote to Lansing that the Judicial Committee of the Privy Council had that day rendered a decision that the British Prize Courts must be ruled by international law as against Orders in Council. The same day the President of the Prize Court stated that as matters stood: "it might be found that right doctrine now was that Orders in Council which proposed to alter international law were invalid, in which case he would have to proceed without the assistance of any orders in council."²⁴ Ambassador Page stated that the decision delivered by Lord Parker for the Judicial Committee of the Privy Council April 7, 1916, in the appeal from the prize courts's decision in the case of the S.S. Zamora was as follows:

The law which the prize courts was to administer was not the national, or as it was sometimes called, the municipal law, but the law of nations; in other words, international law. If a prize court in the United Kingdom was bound by, and gave effect to the order of the King in Council, purporting to prescribe or alter the international law, it was administering not international law but municipal law.²⁵

There were no more Orders in Council; the need had passed. Conditional and absolute contraband were the same. The decision of Lord Parker does not appear again in the Foreign Relations. We must turn to some pronouncements of our statesmen for the solution of a question that touched so many lives and yet was left unsolved.

23 F.R. 1916 Supp., 362-363, Doc. 763.72112/2423.

24 F.R. 1916 Supp., 364, Doc. 300.115/8039.

25 F.R. 1916, Supp., 367-368, Doc., 300.115/8071.

Viscount Grey implied that it was our own fault. He said, "The United States was able to do whatever it felt to be right or desirable without fear of the consequences. It was factor so potentially important that its attitude might be decisive in deciding the war in favor of either of the belligerents."²⁶ Our Secretary of State, Robert Lansing, explained the situation as follows: "The notes that were sent were long and exhaustive treatises which opened up new subjects of discussion rather than closing those in controversy. Everything was submerged in verbosity. It was done with deliberate purpose - continuance of the controversy - questions unsettled - country free to act and even to act illegally when it entered the war."²⁷

The Orders in Council were only one step in the British war on neutrals. The orders must function on goods and goods meant ships so the next move was to intercept the ships. On March 11, 1915, England declared a blockade of all German ports. This was illegal for the reason that England could not maintain this blockade.²⁸ England declared that every ship destined for or coming from a German port was liable to seizure. England also claimed that Germany was laying mines and using submarines so she issued the following order on October 2, 1915:

In order to reduce risks to non-combatants the Admiralty announced that it was dangerous for ships to cross the area between latitude 51° 15' north and longitude 1° 35' and 3° east.

It also called attention to the fact that the southern limit of the German mine field was 52° north and that no part of the southern waters of the North Sea was safe for neutral shipping.²⁹ After November 5, all vessels

²⁶ Viscount Grey, 168.

²⁷ Robert Lansing, War Memoirs, Bobbs-Merrill Co., New York, 1935, 128.

passing a line drawn from the northern point of the Hebrides, through the Faroe Islands to Iceland, did so at their own peril. Ships bound for Denmark, Norway and Sweden had to come by the English Channel, to the Strait of Dover, and there get their sailing orders.³⁰

On June 2, 1915, the American Ambassador announced a communication from the Foreign Office which set up a blockade of Asia Minor. The area of this blockade was to extend from latitude 37° 35' north to latitude 40° 5' north and included the Dardanelles. Seventy two hours of grace from the moment the blockade began were given for the departure of neutral ships from the blockaded area.³¹ England now controlled the sea; not only that, she could force neutral trade to come to her door for their sailing orders.

A storm of protest from neutral shippers met these measures. The State Department protested to the Central Powers and Allies. Secretary Lane of the Wilson Cabinet wrote to Colonel House and said the British had made new international law by making a toll road of the ocean.³² Secretary Bryan said it was needless to point out to Great Britain, usually the champion of the freedom of the seas, that trade between neutrals should not be interfered with by nations at war unless absolutely necessary to protect their safety.³³

In a further investigation of this question, I found that the United States refused to join the North Sea neutral countries in a protest against the mining of the North Sea.³⁴ Dispatches from Amsterdam stated that up

28 (continued from p 50) Hacker and Kendrick, 488.

29 F.R. 1914 Supp., 460, Doc., 763.72/1104.

30 McMaster, 54.

31 F.R. 1915 Supp., 167 Doc., 763.72112/1212.

32 Seymour, The Intimate Papers of Col. House, Vol.I, 458-459.

33 McMaster, 54-55.

34 Clapp, 9

to March 10, 1915, floating contact mines had been taken up and rendered harmless along the Dutch coast to the number of 378. Of these 214 were of British origin, 22 German, 33 French, and 109 unknown.³⁵

The next step in the complete control of the highways of the sea was the British black list and the refusal of bunker coal to ships that denied England's right to bend neutral trade to her liking. These measures come under the title of Trading with the Enemy (Extension of Powers) Act of December, 1915. It is with the Extension of Powers that the black list was brought into being. On February 16, 1916, Sir Edward Grey announced to the American Ambassador that the act was framed to bring the British Trading with the Enemy Act into closer conformity with the French Act. To do this nationality as well as domicile was necessary for trade. They did not intend to apply the nationality test in all cases but would pick and choose, so as not to disturb trade too much.³⁶ In reply to a request from the State Department, Robert P. Skinner, Consul General at London transmitted a corrected list of blacklisted ships, up to March 31, 1916, and the total tonnage was 115,268 tons. There were 169 ships of which fourteen were American.³⁷

The letters that passed between the American Ambassador and the State Department were interesting. In the letter of October 11, 1916, Page requested, at the suggestion of Sir Edward Grey, that no statement be given out till the full text could be published at the same time in England and the United States. He closed this letter by saying that he had had a long

35 Clapp, 142.

36 F.R. 1916 Supp., 352-353, Doc. 763.72112/2303.

37 F.R. 1916 Supp., 364, Doc. 300.115/7978.

38 F.R. 1916 Supp., 455-456, Doc. 763.72112/3049.

conference with Lord Grey on the subject and was to have conferences with other members of the British government. Page stated that the British Government saw the black list as a mistake but could not change it on account of criticism.³⁸

On October 13, 1916, Page had a conference with Lord Robert Cecil and Lord Grey in connection with the black list and as a result Page stated to the government at Washington that the British government had not the slightest idea of entering any trade agreement after the war which would discriminate against trade with the United States.³⁹ On October 14, 1916, Page proposed that he should be permitted unofficially, to propose that the entire list be withdrawn in the United States but that Great Britain be granted the legal right to forbid its subjects from trading with their enemies wherever domiciled. If the United States government agreed to Page's plan they could instruct him officially.⁴⁰ A legal blockade was never established by the Allies. They did control all the sea-routes to the Central Powers and to the neutral powers near them. Over every avenue leading to these countries stood the Royal Navy. From the very first the project of starving the Central Powers into submission was cheerfully announced by the Allied press and public men. In the way of this project there stood but one difficulty. That was the United States.⁴¹

There was a remarkable sympathy among Grey, Page and House on the question of Anglo-American friendship. They felt that the arbitrary British

39 F.R. 1916 Supp., 456, Doc. 763.72112/3056.

40 F.R. 1916 Supp., 456-457, Doc. 763.72112/3058.

41 Walter Millis, Road to War. America 1914-1917. Houghton Mifflin Co., New York, 1935, 83-84.

trade regulations must never be allowed to estrange the two countries.⁴²
Mr. Page was called home during the summer of 1916. Secretary of State Lansing states that Page certainly sought to have us surrender many of the legal rights of American citizens on the high seas instead of trying to persuade the British to cease their illegal interference which seemed needlessly annoying.⁴³

Those who seek for the honest values in diplomacy, whether it be new or old, must experience apprehension at what the documents reveal. The great question back of it all is yet unrevealed, but of one thing we are sure, the official representative of a government should consider the interests of his own government as paramount.

Along with the questions arising from trade and the great highways of the sea ran the more obscure thread of peace; from the first there were those who felt that the problems which led to the war could be answered if only the belligerents would state them.

In August of 1914, President Wilson had proffered his good offices in an identical note to all the belligerents and on October 3, 1914, Colonel House wrote to Ambassador Page in London the following letter:

Both Bernstorff and Dumba say that their countries are ready for peace talks, but the difficulty is with England. Sir Cecil says their statements are made merely to place England in a false position. The attitude, I think, for England to maintain is the one which she so ably put forth to the world. That is: peace must come only upon condition of disarmament and must be permanent. ...When the war is over and

42 David S. Muzzy, "Review of Twenty-Five Years 1892-1916" in Political Science Quarterly, Vol. 41, 289. January 1925-December 1925.

43 Lansing, 166.

the necessary territorial alignments made, it seems to me the best guarantee could be brought by every nation in Europe guaranteeing the territorial integrity of every other nation. By confining the manufacture of arms to the governments themselves and by permitting representatives of all nations to inspect, at any time, the works. ...I am writing you this with the President's knowledge and consent and with the thought that it will be conveyed to Sir Edward.⁴⁴

The second drive for peace began on December 4, 1914, when Colonel House again wrote to Ambassador Page as follows:

The President desires to start peace parleys at the very earliest moment, but he does not wish to offend the sensibilities of either side by making a proposal before the time is opportune. ... Our people are becoming restless. Would you mind conveying this thought delicately to Sir Edward Grey and letting me know what he thinks. ...This nation would not look with favour upon a policy that held nothing but the complete annihilation of the enemy.⁴⁵

On December 12, 1914, Ambassador Page replied. Page stated that if any one could set up a basis for the complete restoration of Belgium and for the elimination of militarism in Germany, he was sure the English would talk on that basis. Page questioned the elimination of militarism. It would be hard for England to demand that Germany should give up her army while she retained her navy. When he reported upon the feeling in England, he said: "The plain fact is that the English people, and especially the English military and naval people don't care a fig what the Americans think and feel. ...A part of the public, then, and the military part of the cabinet don't longer care for American opinion and they resent even such a reference to peace as the President made in his message to Congress. But the civil part of the cabinet and the responsible and better part of the

⁴⁴ Hendrick, 412.

⁴⁵ Ibid., 416.

people do care very much...."⁴⁶

On December 20, 1914, House met Spring-Rice at the home of Phillips of the State Department. Spring-Rice told Phillips, that he had had a cablegram from Sir Edward Grey concerning the peace proposals and that Sir Edward Grey felt it would not be a good thing for the Allies to stand out against the peace proposals of December 12, 1914. It was understood that this was the personal opinion of Sir Edward Grey.⁴⁷ On December 23, 1914, House made the following notation, "When I met Spring-Rice, he said he had received another cablegram from Sir Edward Grey and while he was personally agreeable to the suggestion made, he had not yet taken it up with his own cabinet, much less with the Allies. He felt there would be difficulties with France and Russia, and great difficulty in effecting a plan by which a permanent settlement might be brought about."⁴⁸

This marked the end of the first drive for peace. Several ideas take shape in the documents of this period: they are, (1) In the President's message of December 8, 1914, he had called upon Congress to consider a measure of self government for the Philippines to demonstrate our principles of justice and unselfishness.⁴⁹ (2) Colonel House states that Wilson's conviction was firm that the winter of 1914-1915 was the time to bring the warring nations together and that he never departed from that conviction. Also that his peace terms considered the elimination of militarism on land and sea. This meant that Germany should give up her army and England her navy. House states that they heeded the wishes of the Allies with the

46 Henrick, 417.

47 Seymour, The Intimate Papers of Colonel House, Vol.I, 341.

48 Ibid., 341-342.

49 Scott, 75-76.

50
 result that the war fastened itself on Europe.

In January, 1915, House wrote to Page and asked for advice in regard to the peace conditions in England. House stated that he believed the Dual Alliance was thoroughly ready for peace. 51

In a rather tangled memorandum Page notes that the Kaiser had asked President Wilson to transmit to Great Britain a suggestion for making peace on the basis of surrendering Belgium and of paying for its restoration. Field Marshal French, who was home on leave, had told Page about this. 52

It was decided to send House to Europe. The warnings he received are interesting: Spring Rice told him there was a group in England whom he compared to the Northern Copper Heads of our Civil War and that they would seize upon any excuse for peace; and that there was another group which would be hostile to any peace. 53

On January 22, 1915, Sir Edward Grey wrote to House and warned him that the feeling in England was hostile, as the United States had singled out Great Britain as the only great Power whose conduct was worthy of reproach. 54

On January 13, 1915, Colonel House, Sir Cecil Spring-Rice, Jusserand and Bakhmetieff, the English, French and Russian Ambassadors respectively, met at the home of Phillips of the State Department. Spring-Rice was sulky, and Jusserand and Bakhmetieff were violent in their criticism of the whole affair. 55

Colonel House reached London early in February. He carried with him a letter of credentials which made House the confidential agent of President

50 Hendrick, 423-424.

51 Ibid., 424-425.

52 Ibid., 426-427.

53 Seymour, The Intimate Papers of Colonel House, Vol. I, 356-357.

54 Ibid., 347.

55 Ibid., 350-352.

Wilson. ⁵⁶ House made no progress in London at this time, so he went to Germany to see what the real conditions were. On March 26, 1915, House wrote to Page and stated that in his opinion no government could live here at this time if peace was proposed upon terms that would have any chance of acceptance. House said the people had been so misled and their minds were so inflamed by the press, speeches and otherwise that no peace impressions registered. ⁵⁷ House returned to England and was there when the Lusitania was sunk by a German torpedo on May 7, 1915.

Two ideas grew out of this peace move. President Wilson demanded two conventions; one by belligerents to settle their quarrel, and a second by belligerents and neutrals, to settle questions of general importance growing out of the war. Page's idea at this time was a partnership composed of the United States, Great Britain, and the British Dominions for a trusteeship for democratic civilizations. ⁵⁸ The writers are divided in their opinion of Wilson's course in 1915. Certain groups believe that about the middle of 1915, Wilson was a partisan of the Allies, but that he held himself neutral, partly because of the idea of peacemaker, that began to develop in his mind. ⁵⁹ Others state that he had a half hearted notion of bringing all the combatants together on a basis of good will. That with these thoughts in mind he made statements which served only to bewilder the American people and caused the Germans to let loose a few more submarines. ⁶⁰

56 Seymour, The Intimate Papers of Colonel House, Vol.I, 354.

57 Hendrick, 433.

58 A.A. Asquith, M.P., The Genesis of the War - Cassell and Company, London, 1923, 156.

59 Mark Sullivan, Our Times. Charles Scribner's Sons, New York, 1933, Vol.5, 220.

60 W.E. Woodward, A New American History. Literary Guild Inc., New York, 1937, 743.

Colonel House sailed for home on the St. Paul on June 5, 1915. "He had been given a private code that would permit him to communicate speedily and informally with Sir Edward Grey, and the British Foreign Secretary promised to write him frankly and frequently."⁶¹

Following the sinking of the Arabic, Secretary of State Lansing said in August 1915, "The sinking of the Arabic has stirred the people deeply and there is much indignation against Germany. This is especially true of the Eastern States. The reports from the West show that the region is disposed to be indifferent to this last outrage. This lack of unity in popular feeling made the adoption of a stronger policy in discussing the matter with the German Ambassador very difficult."⁶² The attitude of England was expressed by her Minister of Munitions in an interview with Mr. Roy Howard, United Press of America. "The fight must be to a finish - to a knock out...." His words were obviously addressed as much to America as to Germany.⁶³

On August 26, 1915, Sir Edward Grey wrote to Colonel House as follows: "If the end of this war is arrived at through mediation, I believe it must be through that of the United States."⁶⁴ On September 22, 1915, Grey wrote again and stated that "To me the great object of securing the elimination of militarism and navalism is to get security for the future against aggressive wars. How much are the United States prepared to do in this direction? Would the President propose that there should be a League of Nations binding themselves to side against any Power which broke a treaty, or which broke

61 Seymour, The Intimate Papers of Colonel House, Vol. I, 470.

62 Lansing, 45-46.

63 Irene Cooper Willis, England's Holy War. Alfred A. Knopf, New York, 1928

64 Seymour, The Intimate Papers of Colonel House, Vol. II, 88-89.

certain rules of warfare on sea or land, or which refused, in case of dispute, to adopt some other method of settlement other than that of war?"⁶⁵

It was this letter which House took to Wilson and to which House and Wilson drafted the reply. Wilson wrote the letter; document follows:

Since it seems probable that this country must break with Germany on the submarine question unless the unexpected happens, and since, if this country should once become a belligerent, the war would undoubtedly be prolonged, I beg to suggest that if you had any thought of acting at an early date on the plan we agreed upon, you might wish now to consult with your allies with a view to acting immediately.⁶⁶

House had made plain to Sir Edward Grey the terms that he regarded as a reasonable peace; France was to have Alsace-Lorraine; Belgium and Serbia was to be restored; Russia was to get Constantinople; and there was to be a league of nations to prevent aggressive wars. House doubted that the Allies could give Germany the "knock out" blow Page desired, and he doubted the unselfish attitude of the Allies. House felt that such a peace would hold the Allies back and be a death blow to German militarism.⁶⁷

House wrote to Sir Edward Grey and stated that the matter had better rest between Sir Edward and him until the time was propitious. He also stated that he had better visit Europe again as he felt he should acquaint the Central Powers with the peace measure and if they were obdurate then we would join the Allies. ⁶⁸ On November 9, 1915, Sir Edward Grey cabled to Colonel House and asked if the proposal was to include the League of Nations as set up in Grey's letter of September 22, 1915. To this House, with

65 Seymour, The Intimate Papers of Colonel House, Vol.II, 89.

66 Ibid., 232.

67 Ibid., 135-136.

68 Ibid., 90-91.

Wilson's approval, answered in the affirmative. Colonel House states that Wilson had begun to take his place in world affairs at this point.⁶⁹

Toward the close of November, 1915, Colonel House received a reply from Sir Edward Grey. Sir Edward stated that he was so sure the Allies would refuse the plan that he had not discussed its possibilities with them. He must have a more definite offer. The remainder of the letter emphasized the feeling in allied countries over the refusal of the United States to accept the principle of the blockade.⁷⁰ President Wilson felt Ambassador Page would not help as he was so pro-ally that he did not have the Washington point of view at all. On September 26, 1915, Page had written a letter to President Wilson and told him that American prestige in England was gone. That England regarded us as credulous to the point of simplicity and that we would learn the German's real character when it was too late to save our honor or our dignity.⁷¹ It was determined at this point to send House to England to see what the real situation was.

In a memorandum to Colonel House on November 16, 1915, Sir William Wiseman stated that he had been selected as a discreet channel through which communications between Colonel House and the British Embassy might be conducted.⁷² Sir William Wiseman was the head of the British Secret Service in Washington at that time. One wonders just what messages passed back and forth between Sir William and the British Embassy.⁷³

69 Seymour, *The Intimate Papers of Colonel House*, Vol.II, 91-92.

70 *Ibid.*, 97-98.

71 Hendrick, 96-97.

72 Seymour, 400

73 G.S. Viereck, Spreading Germs of Hate. Horace Liveright, New York, 1930, 5-7

At home the real peace lovers had attempted to put through Congress a measure which would prevent Americans from traveling on armed merchant or passenger ships. The measure was known as the Gore-McLemore resolution. President Wilson opposed this resolution. The McLemore resolution was defeated while the Gore resolution was never submitted to a vote.⁷⁴ The significance of this measure lies in the division of opinion which it reveals. This legislation was forced in January and February of 1916. The vote as recorded on the tabling of the McLemore resolution was as follows:

<u>For tabling</u>	<u>Against tabling</u>
Republican 93	Republican 102
Democrat 182	Democrat 33

This vote is interesting as it shows the division which existed among the members of Congress in February 1916.⁷⁵

The first peace move drifted naturally into the second and on December 15, 1915, House sailed for Europe on another peace quest. An agreement had been entered into by President Wilson, Secretary of State Lansing, and Colonel House. By this agreement Colonel House superseded all other ambassadors. President Wilson gave House the "To Whom It May Concern" letter as his trusted and confidential spokesman. In effect, those in Europe to whom the letter was intended to be shown, realized at once that House reflected the President's mind.⁷⁶

Colonel House was in England at the time carrying the President's "To Whom It May Concern" note. On January 16, 1916, House wrote to Wilson,

⁷⁴ Hacker and Kendrick, 494.

⁷⁵ Seymour, *The Intimate Papers of Colonel House*, 217.

⁷⁶ Henry Stoddard, As I Knew Them. Harper and Brothers, New York, 1927. 492-493.

It would be a calamity if anything should happen to prevent Sir Edward Grey's continuance in the government until peace is made. And yet if we push them too hard upon the question of neutral trade he is likely to go. ...Nearly every American here and this includes our entire Embassy, I think, would be glad to see us come into the war on the side of the Allies. This feeling is shared, of course, by many Englishmen and by all the French, although one is constantly told that this is not desired.⁷⁷

Shortly after Colonel House arrived in England he must have felt the need of greater assurance from Wilson than the letter he carried for he cabled Wilson as follows: "It would help in the conference Monday if you would cable me some assurance of your willingness to cooperate in a policy seeking to bring about and maintain permanent peace."⁷⁸ Wilson at once cabled House that he might convey the assurance that he, Wilson, would be willing and glad when the opportunity came, to cooperate in a policy seeking to bring about and maintain permanent peace among civilized nations. House states that this telegram is historic as it marked a clear cut departure from the American policy of isolation.⁷⁹

Colonel House made an interesting statement at this point. House stated that he advised Wilson not to have an actual break with Germany at this time, but that Lansing advised the measure.⁸⁰ The modus vivendi of January 18, 1916, was a Lansing measure designed to regularize our position in the struggle. The submarine was to be bound by the rule of visit and search and the merchant vessel was to be armed for defensive powers only. On February 16, 1916, the Secretary of State sent a circular letter to all

77 Seymour, The Intimate Papers of Colonel House, 133-134.

78 Ibid., 116-117.

79 Ibid., 117.

80 Ibid., 118.

the American Diplomatic Offices in Europe, in which he stated

'that a merchant vessel is presumptively armed for offensive purposes if it carries in these days an armament which makes it superior offensively to the submarine, which is now a recognized naval weapon, it feels that the present rule of international law permitting belligerent merchant vessels to arm ought to be changed; that nevertheless the government does not feel that during the war it can change or disregard the established rule without the assent of the contending belligerents; that the proposal to the Entente powers of a modus vivendi for the protection of unarmed merchant vessels against attack without warning by submarines was made in the interest of obtaining for humanity's sake the assent of the warring powers to the removal of armament of any sort from merchant ships during the present war;'⁸¹

Then on January 18, 1916, the modus vivendi was sent to the British Foreign Office for acceptance or rejection. Two letters of Ambassador Page at this time are significant. On January 25, 1916, Page wrote to Lansing. "I have only once before seen Sir Edward so grave and disappointed and that was when he informed me that the British had sent the German government an ultimatum. Then he asked me for House's address....

"It has been rumored here in well informed circles for several weeks, and I believe it is true, that the British Government have been constructing extra munition works in England and Canada which can on short notice be manned and used to make as many munitions as the United States now supplies. The reason given for this expensive preparation is the fear of Bernstorff's success in his efforts to cause the Administration to embarrass the Allies. If necessary, orders placed in the United States could now be stopped within a month without diminishing the total supply. If no merchantman may carry a defensive gun into an American port this change may precipitate a cutting

off of American orders not from any wish to cut them off but for fear that other embarrassing acts by us may follow."⁸²

The other letter was written on January 28, 1916, and sent to Secretary of State Lansing. The pertinent paragraph follows: "Should such a proposal be urged, it would probably provoke a sharp and perhaps angry reply from all the Allies, if I judge correctly from what I hear. If it should be made public with your comments it would inflame British public opinion against us, and it therefore seems to be prudent, after my conversation with Grey, to advise strongly against pressing your tentative suggestion and that you treat it as you did the proposal about the Declaration of London."⁸³

On March 23, 1916, the reply of the allied governments was sent to Washington. The French language was the medium used for communication. The letter was long but at last the Foreign Office managed to convey the understanding that the modus vivendi proposed by Lansing was unfavorable to the Allies.⁸⁴

In February, House and Grey formulated the following agreement. The agreement is headed "confidential" and is as follows:

"Colonel House told me that President Wilson was ready, on hearing from France and England that the moment was opportune, to propose that a conference should be summoned to put an end to the war. Should the Allies accept this proposal and should Germany refuse it, the United States would probably enter the war against Germany." Grey states that House told him that if this conference failed, the United States would leave the conference a belliger-

82 F.R. 1916 Supp., 151-152, Doc. 763.72/2355 1/2

83 F.R. 1916 Supp., 152-153, Doc. 763.72/2356.

84 F.R. 1916 Supp., 211-212, Doc. 763.72/2525.

ent on the side of the Allies. Grey did not commit his government in any way.⁸⁵

On February 7, 1916, House canvassed the whole matter with the French representatives. He told them that the lower the fortunes of the Allies ebbed the closer the United States would stand by them.⁸⁶ When House returned to Washington he brought with him his copy of the confidential memorandum drawn up by House and Grey in London. President Wilson accepted it as written with the insertion of the one word, "probably," in the last phrase. The memorandum as set up by Sir Edward Grey and accepted by Wilson follows:

Colonel House told me that President Wilson was ready on hearing from France and England that the moment was opportune to propose that a conference should be summoned to put an end to the war. Should the Allies accept this proposal, and should Germany refuse it, the United States would probably enter the war against Germany.⁸⁷

It was this word "probably" that raised a vital question as to whether President Wilson would be able to carry the American people with him in an appeal to arms.⁸⁸

The summer of 1916 produced a lull in the diplomatic battle with the odds in favor of the Germans. Page had been called home to obtain a better understanding of the American point of view and a Presidential election was in the offing. President Wilson was reelected on the slogan "He kept us out of war" but all the governments of Europe knew that the end must come soon. The German General Staff warned of the approaching end of their

85 Grey, 126-127.

86 Seymour, 163.

87 Grey, 126-127.

88 G.P.Gooch, Recent Revelations of European Diplomacy, Longman's Green & Co 163

resources. The French, worn by the battles of Verdun and Somme, depended more and more on the English, and Grey's memorandum showed that England's support of shipping or finance, or of both, must be curtailed in a few

months.⁸⁹ From September 22, 1916, to January 22, 1917, the peace moves and counter moves were many. On September 22, 1916, at Shadow Lawn, President Wilson had announced to Ambassador Page that he would begin peace moves soon. Page did not want this done. On October 9, 1916, the Kaiser, in so many words, had notified Wilson that peace measures must be taken or the German government would be forced to regain the freedom of action which she had retained for herself in the Sussex note of March 4, 1916. On December 12, 1916, Germany proposed a peace conference in England.

Ambassador Page delivered the communication to Sir Robert Cecil who was acting for Mr. Balfour. At the same time, President Wilson sent a confidential telegram to Page to find out what the Allies' peace terms would include. The German peace note and Wilson's inquiry for confidential information, came on the same day, December 12, 1916.⁹⁰ On December 18, 1916, Wilson sent a note on the peace aims of the United States and used the following words, "The President takes the liberty of calling attention to the fact that the objects which the statesmen of the belligerents on both sides have in mind in the war are virtually the same, as stated in general terms to their own people and to the world. Each side desires to make the rights and privileges of weak peoples and small states as secure against aggression and denial in the future as the rights and privileges of the great and powerful states now at war."⁹¹

89 Seymour, 409-410.

91 Ibid., 204-05.

90 Hendrick, 201-202.

The British government read to the comma after same, and stopped. A close censorship of the press followed, for this was no time to show displeasure to the United States. Page states that Wilson was merely preparing for his role as mediator. That as mediator he wished to remain unprejudiced. The condition of Europe at this moment made the English government hesitate to refuse aid. Rumania had collapsed, the Russian revolution was a certainty, British finances were in a desperate condition, and England well knew the German submarine horror threatned.⁹² The President had asked for confidential peace terms from England. Lord Robert Cecil said that it would be difficult to grant the request as the President's note or comments on it had been made public, therefore the reply should be given to the press. This was the procedure followed.⁹³ House states that Wilson did not press further for information but he did press for delay. It appears from the communications at this time that none of the Allies cared to know what the German terms were. Page says Wilson was determined to compel the warring powers to make peace and in this way keep the United States out of the conflict.

On January 16, 1917, the American Embassy began receiving a long cipher dispatch of a speech Wilson was soon to make to Congress. In this speech he used the phrase, "It must be a peace without victory." The Germans in the meantime, had again asked for a conference but had stated no terms. The British reply was prepared by Balfour and stated definite terms suggesting a victorious peace.⁹⁴ Page cabled Wilson and asked for

92 Hendrick, 207.

93 Ibid., 211.

94 Ibid., 211-212.

the removal of the objectionable phrase, but the request was not granted. In the meantime, Germany began to move toward an unrestricted submarine warfare. In a memorandum of January 16, 1917, Page again refers to Wilson's intentions to play the part of peacemaker.⁹⁵

When Balfour sent his reply to the State Department in Washington stating the Allied terms, Nelson Page, the American Ambassador in Italy, sent a telegram to Lansing. The telegram is one of protest. Nelson Page states:

Learn good authority Balfour note to the President much criticised Vatican where it is said cruelties by Turks not true reason Allies wish their expulsion from Europe; allege France promised Constantinople to Russia in 1913 and confirmed promise after Poincaire's election, and England agreed thereto autumn 1914 before committing any cruelties. Great criticism still made of partition of Europe desired by England.⁹⁶

Nelson Page

Wilson addressed the Senate on January 22, 1917, and stated, "They imply, first of all, that it must be a peace without victory ...I am seeking only to face realities and to face them without soft concealments. ...And the paths of the sea must alike in law and in fact be free. The freedom of the seas is the sine qua non of peace, equality and cooperation. ...They are the principles of mankind and must prevail."⁹⁷

On January 31, 1917, Germany declared submarine warfare on all ships found in waters near Italy, France, and Great Britain. The order was to go into effect February 1, 1917. On February 3, 1917, diplomatic relations

⁹⁵ Hendrick, 212-213.

⁹⁶ F.R. 1917 Supp., 22, Doc., 763.72/3149.

⁹⁷ F.R. 1917 Supp., 24-29, Doc. 763.72119/405a.

with Germany were broken off and Bernstorff sent home. The Foreign Relations lists the destruction of ship after ship but no loss of life among Americans. On March 3, 1917, Page wrote to Wilson and Lansing and it is marked for them only. "I find that continued delay in sending out American ships, especially American liners, is producing an increasingly unfavorable impression. In spite of all explanations, which are imperfectly understood here, delay is taken to mean the submission of our government to the German blockade ...The feeling which the newspaper dispatches from the United States produce on the British mind is that our government is holding back our people until ... the British Navy shall over come the German submarines."⁹⁸ On April 6, 1917, we declared war on Germany.

The long road from "neutrality" to participation had been traveled. Page added a second paragraph to a memorandum written January 16, 1917. The paragraph follows: "Just when and how did the President come to see the true nature of the Germans? What made him change from Peace-maker to War-maker? ...Was it the pressure of public opinion, the impatience of the people that pushed him in? ...Peace without victory brought us to the very depths of European disfavor."⁹⁷ It is interesting to note how many historians blame Page for contributing to this change. What the President called patience, Page condemned as timidity and later as cowardice. Page knew little of American opinion and shared the views of Kitchner and French, that only the entry of the United States could turn compromise into victory, so he became the interpreter of British views to Washington rather than the spokesman of Washington in Downing Street.¹⁰⁰

98 F.R. 1917 Supp., 170, Doc. 763.723458

99 Hendrick, 213-214.

100 Gooch, 198.

One is safe in saying that President Wilson was a humanitarian.

Wilson was always expecting human beings to act upon the highest motive - and for public rather than private ends. It was one of the great elements of his power as a leader - as it was one of his weaknesses. ¹⁰¹ The

conflict, which Page questioned, is found not between Germany and England, but in one way between the old tradition of isolation and Wilson's strong feeling for humanity which he expressed over and over in his public utterances long before there was a war; and secondly, could that humanity of his function best as a neutral all the way, or should he join the

Allies. ¹⁰² Wilson was pro-ally from the first; that was because all his backgrounds and traditions were English. He felt that England represented all that was democratic in Europe and that the humanities flourished best in Democratic soil. ¹⁰³

A growing feeling of indignation against the Allies was reflected in Congress and on September 7, 1916, legislation was passed which contained provisions for drastic retaliation against them. The Department of State sent Mr. Woolsey, a solicitor of the Department, to consult with the Department of Commerce and to request a statement. The memorandum which the Secretary of Commerce submitted October 23, 1916, stated significantly:

Probably the most effective remedy would be to refuse clearance to vessels carrying war supplies until the orders in council and the blacklist are withdrawn. ...In effect however this would be laying an American embargo, and Congress failed to authorize expressly the laying of an embargo. Moreover it may be doubted whether an embargo on arms and ammunition would be as successful now as a year or so ago. More factories in the United Kingdom have been converted

101 R.S.Baker, Woodrow Wilson - Life and Letters. Doubleday, Page and Co., New York, 1927, Vol.2, 222.

102 D.L. Dumond, Roosevelt to Roosevelt. Henry Holt & Co., New York, 1937, 207

into munitions plants. ... As a result, the embargo might prove in some cases more injurious to American manufacturers than to countries at war. We have suffered the effect of embargoes and orders in council for so long a period, under protest but without retaliation. The restrictions are no more hurtful now than a year and a half ago. But the weapon then in our hands, an embargo, on war munitions and supplies, has become dulled.

The Secretary of Commerce's remarks were made at the height of a two and one-half billion dollar increase in our war trade and at a time when it was perfectly clear that England proposed to continue her uninterrupted violation of our neutral rights. In effect our own high public officials recognized that our powers of retaliation conferred upon the President by Congress could not be invoked, without endangering our huge war time trade, which had grown up by that time. Trade with the Allied countries increased approximately 141 percent from 1914 to 1915, and jumped to 289 percent in 1916 as over 1914. Trade with the Central Powers dropped in 1915 to 7 percent of its 1914 figure and to 0.68 percent of that figure in 1916. The net outstanding indebtedness of the Allies in the United States had been increasing by leaps and bounds. On June 1, 1916, it was approximately \$899,000,000, and in six months it doubled itself and on December 1, 1916, stood around \$1,794,000,000.¹⁰⁴

When Sir Edward Grey and Mr. Asquith resigned just a few days before the German peace note of December 16, 1916, the cabinet which followed them was predominantly conservative and stiffly opposed to a negotiated peace settlement. The popular press of England elegantly remarked that the

103 (continued from p.70) P.J. Tumulty, Woodrow Wilson as I Knew Him.

Doubleday, Page and Company, New York, 1921, 233-234.

104 Munitions Industry. 73 Cong., 2nd Sess., Sen.Doc.206, No.944, Pt.5, 54-55.

"peace prattlers had been removed in the nick of time."¹⁰⁵ This must be considered in explaining the change noted by Page.

There are those who feel that Wilson's great powers were held aloof from the intense conflict until the last in the hope that he might be the central figure in the making of an arbitrated peace.¹⁰⁶

The English Press expressed it tersely, "America in with all her Resources," and laid great stress on the ships and money we would bring. Mr. James Douglas gave his version in verse as follows:

"And Britain with her sea knit brood
 Locked fast in world wide conflict grim
 Hears the high call of her own blood
 In Woodrow Wilson's Battle Hymn."¹⁰⁷

¹⁰⁵ T.P. Conwell-Evans, Foreign Policy from a Back Bench. Humphrey Milford, London, 1932, 123-124.

¹⁰⁶ Stoddard, 488-489.

¹⁰⁷ Willis, 240-241.

CHAPTER IV

SEA LANES

By common consent, the oceans are the public highways of nations. As a relic of ancient barbarism a belligerent may, if it has the power, drive from the ocean the ships of its foe. It may also prevent contraband goods from reaching the enemy, and if it is able to blockade all its ports, may put a stop to all commerce. That was the substance of international law in August, 1914.

Through a policy of action, retaliation and counter-retaliation, the ocean highways became a battlefield where the citizens and commerce of neutrals ventured in fear of destruction or capture.

The control of England over the food supply of the world was exercised at once after the declaration of war. England ordered to her ports every British ship on the seas then carrying foodstuffs to Europe. Their cargoes were unloaded and sold in the British markets. These markets became glutted with grain. English vessels carried most of the world's trade. The order threw into the British markets not only the grain going to Germany but also the grain going to every neutral country in Europe. This movement gave England control over the grain market at the very beginning of the war and was a measure used in exercising pressure immediately upon neutrals.¹

On September 28, 1914, The American Ambassador in England, Walter

Hines Page, presented to the Secretary of State, William Jennings Bryan, a protest from the British government in connection with the laying of mines in the North Sea. The protest was lengthy and set forth the abuse in international law by such procedure and closed with the following:

"His Majesty's Government desire to place on record their strong protest against the illegitimate means of conducting warfare which has been resorted to by their adversaries. They feel that its manifest inhumanity must call down upon its authors all the censure and reprobation of civilized peoples."²

Foreign Office
September 26, 1914

No signature

On October 28, 1914, Page communicated with the State Department again and warned them that a mine field had been discovered off the north coast of Ireland; also that the British Admiralty warned shipping not to pass within 60 miles of Tory Island. He then used a sentence which is worthy of direct copy: "One British ship bound from Manchester to Montreal struck a mine there and went down. This mine field is in a location which suggests that it was meant rather for merchant than for naval ships. Part of channels of the Thames have been closed by Admiralty."³ On November 2, 1914, Page wrote again and said that the mine fields north of Ireland had been laid by the Germans flying neutral flags. That the danger was spreading and included the paths of some of the trans-Atlantic ocean liners.⁴ On November 3, 1914, the British Ambassador in Washington notified the Secretary of State as follows:

In compliance with instructions received

² F.R. 1914 Supp., 460-462, Doc. 763.72/1075.

³ Ibid., 463, Doc. 763.72/1141.

⁴ Ibid., 463, Doc. 763.72/1161.

from Sir Edward Grey, His Majesty's Principal Secretary of State for Foreign Affairs, I have the honor to enclose herewith copy of a telegram which he has addressed to me recommending certain routes to be followed for ships wishing to trade to and from Norway, the Baltic, Denmark and Holland. I have.... 5

Cecil Spring Rice

On August 13, 1914, we protested against either belligerent scattering contact mines. The protest is not filed in the Foreign Relations but the British answer to it, which is dated August 19, 1914 is, and closes with the following paragraph:

His Majesty's Government share the reluctance of the Secretary of State to see the practice extended and the danger to neutral shipping increased. At the same time His Majesty's Charge d' Affaires is instructed to point out that if Great Britain refrained from adopting the method of Germany the result is that Germany receives immunity unless the neutral powers can find some means of making Germany feel that she cannot continue to preserve all facilities for receiving trade and supplies through neutral shipping while impeding British commerce by means the use of which by Great Britain is deprecated by the United States government. 6

Two comments are necessary at this point: (1) When the mines of the North Sea were taken up by the Holland government, the majority of them were found to be of British origin. 7 (2) The communication of November 3, 1914, by His Majesty's government brought the trade of northern Europe to his door for final directions.

There was no union of neutrals to protest the measure. "Unfortunately as it would seem in the light of later events, America refused to join the North Sea neutral countries in a protest against the mining of the North

5 F.R. 1914, Supp. 463, Doc. 763.72/1171.

6 Ibid., 457-458, Doc. 763.72/552.

7. Clapp, 142.

sea. Such action might have made more effective the protest of all neutrals against the later German War Zone about the British Isles." ⁸ The offer of the neutral countries to join in a protest, or the refusal of the United States to do so were not found in the Foreign Relations.

With the northern routes controlled England's next step was to manage the produce carried by the ships. This was accomplished by the many Orders in Council. The British Order in Council of August 20, 1914, stated in effect that goods could be consigned to no one in Germany; they could not be shipped to Germany at all. It is clearly seen that after this action any addition to the British conditional contraband list was as complete a ban on commerce as an addition to the absolute contraband list. The two were the same. ⁹

The Complaints poured into the State Department. On August 20, 1914, Robert L. Owen, a Senator, requested the Department of State to use its good offices in the interest of cotton. He stated that the cotton growers stood to lose one third of their crop of \$250,000,000. ¹⁰ On October 24, 1914, the New York Chamber of Commerce protested against England's attitude towards shipment of cotton to neutral countries, and said that cotton for Germany had been put on the prohibited list. They stated that they did not want the cotton sent to a British prize court and they requested the State Department to demand of Great Britain an authoritative statement of her attitude so that neutrals would know what to do. ¹¹

8 Clapp, 9.

9 Ibid., 11.

10 F.R. 1914 Supp., 284, Doc.763.72112/104

11 Ibid., 287, Doc.763.72112/216.

The next protest came from the Galveston Cotton Exchange and Board of Trade on October 20, 1914. There were several statements and questions in this letter that revealed a keen insight into just what the English government was doing at this time. They stated (1) that England intended to divert the cotton cargoes to Denmark and Sweden as she feared they were going to Germany. (2) The steamer, Camperdown, from Galveston and headed for a Danish port had been sent to a port in Scotland. (3) Buyers were demanding payment when goods were delivered. (4) All the war risk and marine insurance was being written by English companies. They wanted to know if Sir George Paish, special adviser to the English Chancellor of the Exchequer and Sir Basil P. Blaskett of the British Treasury were in Washington on a conference with reference to the marketing of cotton.¹²

On October 24, 1914, Secretary of State Lansing wrote to Ambassador Page in London and told him that large numbers of American citizens who were engaged in the cotton trade believed that the British government was influencing insurance companies in Great Britain to place such limitations upon policies covering raw cotton shipped in neutral vessels that it was impossible for American exporters to obtain marine insurance. The British underwriters would not insure against war risk unless the owner would warrant the cargo free of capture, seizure, or detention by the Allies. This action of British underwriters had influenced American insurance companies to follow the same course and refuse to insure without such a warranty clause. The result was that exportation of raw cotton from the United States was practically impossible.¹³

12 F.R. 1914 Supp., 285-286, Doc. 763.72112/349.

13 Ibid., 289, Doc. 763.72112/252.

On October 25, 1916, Sir Cecil Spring Rice notified the State Department that Sir Edward Grey had sent him assurance that cotton would not be seized and that it had not been put on any contraband list. The cable stated that cotton was on the free list and would remain there.¹⁴

The South suffered the loss of the three best months of the year for the sale of the cotton crop. The crop begins to move in August and the movement continues throughout September and October. The cotton exchange in New York and New Orleans closed July 31, 1914. The price of cotton fell to six cents on the farm and remained there during September and October. It was the six cent cotton which forced the United States to act.¹⁵

The story of the quiet English ban upon our cotton trade and its removal in October is interesting. The cotton moves in tramp steamers mostly under the British or German flag. Those under the German flag were chased from the seas. The English tramp steamer was simply not available when it was a question of carrying cotton to Germany. The neutral ships which might have carried the 1914 crop were prevented because of the peculiar conditions surrounding hull and cargo insurance, without which no shipowner or shipper can let his property sail. "This difficulty is connected with British control of the vessel insurance business for the whole world, a control which was naturally exercised to injure the enemy of England."¹⁶

The United States instituted a War Risk Insurance Bureau in September for American vessels only. The marine insurance companies did not want to

¹⁴ F.R. 1914 Supp., 390, Doc. 763.72112/251.

¹⁵ Clapp, 119.

¹⁶ Ibid., 121.

insure American vessels for they were not built for crossing the ocean; they were used for coastwise trade. This condition was known by the marine insurance companies and they refused. Washington threatened to enter the insurance field against them and they capitulated.¹⁷ The first American ship in the trade was the Greenbriar. It reached Bremen on January 9, 1915.

Some idea of the damage done to the cotton area of the south is obtained by the cotton report from August 1, 1914 to April 1, 1915. It lists a shortage of 2,000,000 bales in the German trade.¹⁸

On October 20, 1914, a letter was received from Page in London. The cotton question was at its most dangerous angle. The letter carries this notation: "To be deciphered by Lansing only and shown to the President." In the letter Page told Lansing we had signed a treaty with England that required questions in dispute to be submitted to a commission. That the commission would do no more for the United States in the settlement of these questions than Sir Edward Grey would do. He asked Lansing to have Wilson send House to England for a conference before any final action was taken.¹⁹ The commission feared by Page was set up in the Bryan Peace Treaties. The Commission was to be composed of five members. Two members from each country connected with the dispute. In the case of the British only one of the two could be a national; the other must be a stranger to the dispute. To the four members thus selected, a fifth was added. The fifth must be selected by the governments in the dispute, by common accord and the understanding that this member was not a national of either country.²⁰ This

17 Clapp, 122

18 Ibid., 124.

19 FIR. 1914 Supp., 255-256, Doc. 763.72112/193.

20 Editorial, "American Neutrality" American Journal of International Law, Vol. 9, 494-495, 1915.

letter was received on October 20, 1914, and on October 26, 1914, Sir Cecil Spring Rice notified the Secretary of State that cotton was on the free list. In the Senate on December 21, 1914, Senator Walsh made the following statement, "No blockade has ever been declared, and yet it is notorious that such cotton as goes to Germany, goes with the permission of England."²¹

When the cotton began to move, every form of restraint on the trade known to the mind of man was practiced. English Consuls watched the loading of the cotton and sealed the ships' hatches with the consular certificates and the British seal. A further suggestion was made by England that the cotton bales be photographed by X-ray process and the photographs sent along with the British consul's certificate. The first of the photographing episodes took place on December 20, 1914, at a pier in New York. The cargo was placed on the City of Macon bound for Bremen. The shipper paid for all this expense.²²

On October 27, 1914, came the note that the waters of north of Ireland were mined. On November 2, 1914, England closed the North Sea and ordered all vessels trading with the Scandinavian countries to come to them for shipping orders, but no orders were given for Germany. This order terrorized ship owners. Insurance men again refused insurance. Governor Colquhett of Texas proposed sending "American ironclads to England's door to enforce our rights."²³ Germany retaliated with her submarine decree of February 4, 1915, and on February 5, England warned of a complete stoppage of our exports to

21 Clapp, 139.

22 Ibid., 141

23 Ibid., 145

Germany. "These warning continued up to February 17, 1915. The American answers showed no evidence of any direct action against such a move."²⁴

On March 11, the Order in Council which stopped all goods moving to or from Germany was issued and cotton was again a drug on the market.

On March 8, 1915, the British Embassy in Washington made the following announcement: "All cotton for which contracts of sale and freight engagements had already been made before March 2, to be allowed free, or bought at contract price if stopped, provided ship sailed not later than March 31. Similar treatment to be accorded to all cotton insured before March 2, provided it is put on board not later than March 16."²⁵ It was far from a handicap to the British manufacturer that he was assured of a plentiful supply of cheap cotton while his competitors had to get their supplies as best they could. "At the same time that our exporters were hindered in their exports to European neutrals, British raw-cotton dealers expanded their re-exportation of cotton imported from us. In June, 1915, Holland and Sweden each took from England five times as much raw cotton as in June 1914."²⁶

The Augusta Cotton Exchange and Board of Trade of Augusta, Georgia, and the Galveston Commercial Association telegraphed the Secretary of State,²⁷ but there was no official pronouncement. Many of the American cotton dealers belonged to the Liverpool Cotton Exchange. The Exchange sent the following agreement to the American members for their signature:

²⁴ F.R. 1915 Supp., 111-112, Doc. 763.72112/806a

²⁵ Ibid., 189, Doc. 763.72112/949a

²⁶ Clapp, 157.

²⁷ F.R. 1915 Supp., 192-193, Doc. 763.72112/1263 and Doc. 763.72112/365.

Declaration

"I,, an Associate member of the Liverpool Cotton Association, do solemnly and sincerely declare that neither I nor my firm nor any partner in the same nor any branch house or other firm or firms in which I or any one of my partners may be directly or indirectly pecuniarily interested will trade or have dealings with any person or a member or representative of any firm or person domiciled or carrying on business in any state at present at war with His Britannic Majesty until such time as peace may have been declared, and I further undertake when trading with subjects of neutral countries to make all necessary inquiries in order to satisfy myself as to the ultimate destination of the goods and that none of them are intended for consumption in or for transit through any state at war with His Majesty.

Declared this day of

Witness

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Address of Witness."

Those who signed this agreement had their names posted in the Liverpool Exchange and received preference by the Liverpool members. Those who did not sign were blacklisted by implication. On November 11, 1916, Great Britain put cotton on the absolute contraband list and it remained so until
29
our entrance into the war.

The history of cotton was the history of copper. The order in Council of October 29, 1914, put copper on the absolute contraband list. From this date on, according to England's interpretation of the law, she had a right to

28 Clapp, 322.

29 F.R. 1916 Supp., 483, Doc. 763.72112/2527.

stop copper from entering Germany either directly or by way of a neutral.

The 1914 Foreign Relations Supplement prepared an explanatory paragraph on the copper section. So interesting is this paragraph that it is presented here in full:

The placing of 'unwrought copper' on the list of absolute contraband in the British proclamation of October 29, called forth a great volume of protest from American interests urging the government toward action in their behalf. These protests reached the Department from Governors, Senators, more than a score of Chambers of Commerce and other organizations, besides numerous firms and individuals in all the western mining states and some districts of the East. The Department did not contest the classification adopted by the British government, though it sought a more precise definition, but directed its efforts mainly against interference with copper cargoes consigned to neutral countries.³⁰

The first complaint came from the United States Chamber of Commerce on November 13, 1914. It stated that in 1912, the world production of copper was 2,200,000,000 pounds. Of this, the United States had produced 1,200,000,000 pounds. They set up the importance of the forty-one plants doing this work. Another important statement in the protest was that neither England nor France had formally declared a blockade of any of the coast or ports of the countries with which it was at war; that in the modification of the Declaration of London on August 20, 1914, in Article 23, the statement was made that only an article used entirely for war purposes could be taken from the conditional list and placed on the absolute list, and that this was not true of copper.³¹

An inquiry from the State Department at this time shows how carelessly the products which gave employment to thousands of people were being handled.

³⁰ F.R. 1914 Supp., 278, No file number.

³¹ Ibid., 281-282. No file number.

On November 25, 1914, the State Department addressed a communication to the British Ambassador in Washington asking for the following information: In the conditional list of contraband which had been effected by the Order of October 29, item 7, listed copper materials for telegraph, wireless telegraph and telephones. On the absolute list copper was listed as unwrought in item 5. What did they mean? The Ambassador's answer arrived on December 19, 1914, and is given as printed:♦

My dear Mr. Counsellor:

With regard to the definition of the expression "unwrought" I have been informed by Sir Edward Grey that the subject is being carefully studied and a decision will be made shortly which will be communicated at once.

Yours truly,

Cecil Spring Rice.³²

An item was placed in a document which affected the lives of thousands of workers, and great industries, yet neither the government creating the phrase, or the one being affected by it, knew what it meant.

The Perth Amboy Board of Trade, of Perth Amboy, New Jersey, protested on November 6, against Great Britain placing unwrought copper on the absolute contraband list, and against Great Britain stopping neutral vessels bound for neutral countries with cargoes of copper. They stated "that only ten to fifteen percent of copper exported was used for industrial purposes. United States produced 1,200,000,000 pounds each year and of this seventy-

five percent or 900,000,000 pounds was refined in New Jersey; 55 percent of this 900,000,000 was exported and if the export trade was stopped, New Jersey must suffer."³³ These were only a few of the protests. The condition which demanded such action must have been acute.

The August Order in Council called for evidence of a consignment of goods to ultimate German destination on "any sufficient evidence" and that the consignee must prove that the shipment was not going to Germany. The difficulty was that the shipper never knew what evidence would be required of him.

In November 1914, Mr. Gardner, Chairman of the board of Henry R. Merton and Co., Limited, of London, the world's leading copper merchants, arrived in America. He brought with him a plan for the revival of the copper industry. Mr. Gardner had powers from his government which have never been questioned. Mr. Gardner's plan was as follows: England would agree to take a large fixed monthly output of copper, upon the condition that American producers should ship to Europe through no other channels than British merchants. This offer was rejected by the copper industry, and Mr. Gardner went home to England on November 16, 1914.³⁴

From October 10, 1914 to November 1, 1914, the British government detained 14 shiploads of American copper bound for Italy. Two of these ships were American, two British, eight Italian and two Norwegian. The total tonnage was 9555 tons.³⁵ These shipments were from the largest and

³³ F.R. 1914 Supp., 278-279. Doc. 763.72112/312.

³⁴ Clapp, 193.

³⁵ Ibid., 323.

most reliable firms in this country such as the American Smelting and Refining Company, the United Metals Smelting Company and the American Metal Company. These 9555 tons of copper were detained at Gibraltar; they never came before His Majesty's prize courts. Four months to a day after the last seizure it was bought by the British government. Their first offer was less than the cost of producing. The final arrangement was as follows: The British Admiralty agreed to have 1,000 tons of copper that was held at Gibraltar sold on the London market. The rest the Admiralty was to take at an agreed price. The Americans were to pay the expense of transporting the copper to London on a British collier.³⁶

The English government was on record as willing to let the neutral countries have as much copper in 1914 as they had imported in 1913. England contended that Italy was getting more copper from the United States than it did in 1913. There were reasons why that would be necessary. Italy was belligerent and that meant copper. Her normal supply from Germany was cut off and that meant greater imports from some other source. England's imports of copper from us in August, September and October of 1914 were over 64,000,000 pounds. Including these imports and including the copper diverted from Dutch warehouses and the quantities taken off steamers bound for Dutch, Scandinavian and Italian ports, England in those three months received 103,000,000 pounds of copper, an increase of 69,000,000 pounds over the same period in 1913. In August, September and October, 1914, there left the United States for Italy 25,000,000 pounds of copper, 16,000,000 more than in those months of 1913. England, in suspecting and stopping those ship-

ments, was refusing to allow Italy an increase less than one-fourth as great as England itself took.³⁷ British exports of copper manufactures and copper sulphate mounted steadily in the fall months of 1914.³⁸ Italy needed great quantities of the copper sulphate, or blue vitriol, for destroying the phylloxera pests which infest vineyards.

On November 7, 1914, Sir Edward Grey sent a telegram to the British Ambassador in Washington as follows:

You should take steps, without the appearance of an official communique, to make known to the press the following facts which I am communicating to the United States Ambassador. We are informing some of the correspondents here in the same sense. ...The American copper refiners appear to be quite capable of protecting their own interests since they usually insist on payment in cash before they allow copper to be shipped and it is well known that certain prominent firms of bankers in New York are making these payments on German accounts.

In view of all this accumulative evidence there is no alternative left to the British Government but to stop contraband trade in copper with Germany through Italy.³⁹

On January 20, 1915, the American Ambassador in London, notified the State Department that at last the British government had figured out what the term "copper unwrought" meant. It defined the term to include all copper in such form as to render it usable for manufacturing purposes. They also stated that as the former term was vague the phrasing now would be "copper unwrought, part wrought and copper wire." This would include copper sheets, circles, slabs, bars, pipes, ingots, scrap, rods, plates, solid drawn, tubes, etc. and all grades of copper wire. It also included alloys in which

37 Clapp, 196.

39 F.R. 1914 Supp., 338-339. Doc. 763.72112/513.

38 Ibid., 197.

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copper is the main ingredient.

In January 1915, the Italian government capitulated and the following agreement was announced at Washington:

"Under this agreement the Italian Foreign Office makes an investigation of the business of the consignee and the purpose for which he seeks to use the import of copper. On learning that copper is strictly for home consumption, it authorizes, a certificate to that effect to be issued by the Italian Embassy at Washington, which is submitted to the British consul at the port where the shipment is being loaded."⁴¹

The American copper men obtained no relief from their government and finally asked the State Department to authorize them to deal directly with the British Ambassador. The authorization was granted. Soon after the middle of March, 1915, an agreement between the Americans and His Majesty's government was made. The agreement was a long document in which the right of search was retained. A few paragraphs follow:

... It is agreed that the undersigned will not export copper to Sweden, Norway, Denmark or Italy, except in compliance with, and subject to, the conditions of Article 3 hereof, and that it (the undersigned company) will not export copper to other neutral countries except subject to permit of British Admiralty....

Shipments of copper to Great Britain or her allies may be made without restriction.

All sale contracts for neutral countries to be forwarded to the British Admiralty, either through its London representative or through His Britannic Majesty's consul at the port of New York.

Blank Company⁴²

⁴⁰ F.R. 1915 Supp., 183, Doc. 763.72112/642.

⁴¹ Clapp, 203

⁴² Ibid., 324-325

One of the last companies to sign this agreement was the great Guggenheim group. Its hand was forced by an announcement made in reply to a question in parliament that the firms whose consignments were safeguarded by agreements with Great Britain were welcome to announce the fact so that orders might be placed with them. Thereupon Guggenheims cabled their representative in London to sign an agreement with the Admiralty. By the beginning of March, 1915, the English had secured control of 95 percent of the exportable copper of the United States and the powerful influence of the Copper Trust was no longer a menace to good relations between England and the United States.⁴³

That which happened to cotton and copper happened to all the other exports of the United States until they were directed into one main channel and one main purpose. The channel led to England and the purpose was for war. Goods not used for war show a decrease as follows - for nine months ending May 31, 1914 and nine months ending May 31, 1915:

	Nine Months Ending May 31, 1914	Nine Months Ending May 31, 1915	Increase in 1915
Group I Munitions	\$ 6,283,953	\$ 34,421,595	\$ 28,137,642
II Materials for Making Munitions	16,291,642	62,360,423	46,068,799
III War Supplies	25,856,921	147,702,807	121,845,886
IV Textile Mfgs	5,293,155	35,239,110	29,945,955
V Hides, Leather & Footwear	20,599,959	60,150,388	47,550,429
VI Foodstuffs	218,390,743	627,417,302	409,026,359
VII Forage	10,419,041	70,640,989	60,221,948
Total Groups I-VII	303,035,596	1,045,932,614	742,897,018
Other Exports	1,529,255,043	1,146,942,879	Decrease 382,312,164

There was a decrease of \$216,000,000 in cotton exportation during this nine month period. Naval stores such as turpentine and resin showed a marked decrease. Iron and steel manufactures fell off \$17,000,000. Agricultural implements decreased \$20,000,000. Lumber and manufactures of wood dropped \$41,000,000. There were similar decreases in many other articles such as phosphate rock, mineral oils, electrical machinery and copper. Copper fell off \$36,000,000 but there was a later pick up in this when we began to manufacture munitions in large quantities.⁴⁵

It is necessary at this point to set up a brief history of the machinery which was created to care for the trade as directed by England. In Holland it was the Netherlands Oversea Trust and in Norway it was the Stavinger Packers Import Union.

On December 21, 1914, Consul General Listoe, at Rotterdam, wrote to the Secretary of State in regard to the Netherlands Oversea Company. The company consisted of six of the leading bankers and twelve prominent ship owners. It was to be neutral and furnish the Dutch government guarantees in connection with imports. The Company's capital was \$1,000,000. The communication closed with this significant paragraph:

"While the Company has not yet commenced to operate, negotiations are at present being carried on between the Dutch government at the Hague and the British Foreign Office at London for the purpose of obtaining the approval of the latter."⁴⁶

43 (continued from p.89) David Lloyd George, War Memoirs, Little, Brown & Co., Boston, 1934, 664-665.

44 (continued from p.89) Clapp, 217.

45 Ibid., 217-218.

46 F.R. 1915 Supp., 268, Doc. 763.72112/608.

During the year several communications passed between Van Dyke, the American representative in Holland, and Lansing. Lansing must have asked for an investigation for on December 18, 1915, Van Dyke wrote as follows:

"I have investigated and have had an interview with the foreign minister. It appears that in the original agreement with the Netherlands Oversea Trust, the British Government reserved the right to suspend or refuse the delivery of any goods suspected of enemy destination even though covered by license and already arrived in the Netherlands. Ships were detained in England for the purpose of careful search for suspected cargo thus causing great delay to innocent cargo. A subsequent agreement allowed such ships to proceed for delivery of innocent cargo in the Netherlands, but Oversea Trust was instructed to suspend delivery of suspicious goods until investigated by British agents here. Goods condemned were to be indefinitely detained by Oversea Trust or shipped back to England for the prize court."

Van Dyke did not approve of taking the matter up formally in London. He did suggest that Page might do some informal work.

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On August 10, 1916, the Consul General at London, wrote to the Secretary of State and stated that he had been informed that the British Government was refusing to allow American shippers of coffee to consign goods to Holland. He stated that he had inquired informally if this was the case and had been informed that within the limits of the rationing allowance American shippers would have the same rights as British shippers to export to Holland. He then wrote to the American Commercial Attache at the Hague.

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47 F.R. 1915 Supp., 280. Doc. 763.72112/2018

48 F.R. 1916 Supp., 587-588, Doc. 763.72112/2870

On August 5, 1916, Consul General Skinner had written to the Commercial Attache' at the Hague and asked to be informed upon the new Trust agreement respecting supplies of coffee for Holland. He wanted to know who apportioned the coffee supplies and why the United States was excluded.⁴⁹

The American attache', Thompson, answered as follows: "All coffee from the Netherlands colonies came in free of Netherlands Oversea Trust restrictions. Forty thousand bags per month was allowed with certain restrictions as to ownership. Only sixty thousand bags per month admitted from elsewhere and all under Netherlands Oversea Trust. Theoretically 'elsewhere' signifies only coffee growing countries. This shuts us out and should shut out England and France, but actually these two countries are shipping about thirty thousand bags per month out of the 'elsewhere' allotment of sixty thousand."⁵⁰

Thompson's comment at the close of the diplomatic correspondence in regard to coffee was as follows: "The sixty thousand pounds is supposed to come from the "elsewhere" but if the Netherlands Oversea Trust is ordered by the British Government to take the entire amount from the Allies it must do so, because the British can coerce them, we cannot."⁵¹

While the trade of Holland was being made the tool of England, the same condition was being brought about in the Scandinavian countries. It is true that these countries put up a more determined resistance, apparently, than did Holland. In making this statement, we must not forget that Holland lay between the two great warring nations and therefore could be more easily crushed.

49 F.R. 1916 Supp., 587-588, No file number.

50 Ibid., 587-588.

51 Ibid.

On February 14, 1916, the Scandinavian countries made a move to pool the resources of the world neutrals, under the leadership of the great neutral power of the United States. The Swedish minister in Great Britain, Wrangel, wrote to Colonel House and in the name of His Swedish Majesty's government called upon the United States government to lead the neutrals in a protest against the violation of international rules and usages which were their just heritage as a result of centuries of toil. He stated that the violation of those rules now being practiced, would under changed circumstances, be the ruin of the countries now practicing them. He deplored the obstacles placed in the pathway of the United States each time she proposed a just consideration of international law and affirmed Sweden's just and neutral approach toward both belligerents. Wrangel then offered the services of the Swedish government either in collaboration with, or in parallel efforts, with the other neutral nations in as powerful a contribution as they could toward the maintenance and restoration of the law of nations.

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There is nothing in the Foreign Relations touching this subject until December 4, 1916. Then Lansing wrote to the American diplomatic officers in European countries and stated that he had had a conference with the Swedish Minister on December 1, 1916. That the minister had asked for a conference of neutral powers on certain subjects, but that the United States was not formally invited. Lansing then stated that he had a conference with the President and that they arrived at the conclusion that it would be inadvisable for the United States to participate in the proposed conference. The letter

to the diplomats closed with a short statement that the letter was for the confidential information of the diplomat.⁵³

On December 6, 1916, Ambassador Page in London wrote to Lansing and asked for the questions under discussion and Lansing replied on December 7, 1916, and said that the questions up for discussion were submarines and airships; destruction of neutral prizes; granting of asylum to prizes; issuance of blacklists by belligerents and the economic situation after the war.⁵⁴

A student of history who doubts that trade is closely connected with war has but to glance at the above list of questions to have all his doubts vanish. Nothing came of Sweden's efforts to pool the neutrals' powers under the leadership of the United States. They tried to protect their trade in their own way and on April 15, 1916, the American Consul at Stavanger, Dunlop, wrote to Secretary Lansing as follows:

Sir I have the honor to enclose a confidential report on the Stavanger Packers Import Union, ...a list of packers, members, and non-members of the union....

While I have marked the information 'confidential' because of its relation to a political question, there is still nothing contained in it that is not generally known here. -- Maurice P. Dunlop.

The enclosure contained the following information: The Stavanger Packers Union was an organization of canning factories which desired to obtain their foreign supplies without interference from the British authorities, and which had therefore given guarantee that these supplies would not in any form reach the powers at war with Great Britain. Of the 53 packers in town thirty-five are members and these compose the so-called

53 F.R. 1916 Supp., 696-697, Doc., 763.72112/3039a

54 Ibid., 697, Doc. 763.72/3043.

"white list." Other packers are on the "black list." The union has been discussed for some time but final arrangements were only made a few weeks ago.

The British authorities in turn promised not to hinder the delivery of goods necessary to the canning trade, such as tomato paste, tin and oil to the "white" factories. Patrol ships regularly stopped most of the merchant vessels coming to Norway as they passed the British Isles, and so could exercise this supervision; also regular Norwegian lines depended on England for coal, hence they were in no position to object to English restrictions.

The point of the matter with relation to the United States is that goods addressed to factories on the "white list" will probably reach the buyers without delay; those addressed to "black list" buyers may never get them. The Union does not include any members outside the town of Stavenger but about two thirds of all the fish factories in Norway are located here.⁵⁵

One more letter must be included in this list and then the condition of trade in the Scandinavian countries becomes clear. On October 17, 1916, the American Minister in Norway, Schmedeman, wrote to the Secretary of State in regard to new trade agreements and closed his letter with this significant phrase:

"Mr. Ihlen stated that he had every reason to believe that such an agreement would be most pleasing to the Norwegian traders who have been forced in a great many cases since the outbreak of the war to submit their books to the control of British authorities, which would thus be obviated."⁵⁶

A.G. Schmedeman

55 F.R. 1916 Supp., 588-589, Doc. 763.72112/2540.

56 Ibid., 589-590, Doc. 763.72112/3130.

The mine fields created the narrow highway of the sea: Over these the British patrol boats exercised their authority. The bunker coal of Great Britain went to those who obeyed and the Norwegian trade books disclosed their secrets of obedience and disobedience.

There is another side to this picture in which the British government is accused of carrying on a trade which deliberately helped Germany. On November 17, 1914, a member of Parliament called attention to the large increase in exports of British coal to Holland and Scandinavia. The member implied that some of this coal might be going through to Germany. He called attention to the fact that Mr. Asquith's friends were interested in the mining of it and Asquith explained that Britain was merely making up the supplies which the Scandinavian countries had had cut off from neutral sources.

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From the beginning of the war, Rear Admiral Consett of the British navy protested that British as well as American traders were cooperating with Scandinavian traders to keep Germany in the war. The following table of exports of metric tons of food from Scandinavia to Germany are perplexing:

	To Great Britain	To Germany and Austria
1913	344,785	252,128
1914	359,820	262,376
1915	275,473	561,234
1916	191,916	620,756
1917	172,103	315,205

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While England regimented the foreign trade into its proper channels,

57 Clapp, 196-197.

58 George Seldes, Iron, Blood and Profits. Harper & Brothers, New York, 1935

the United States had not escaped her kindly ministrations.

On August 2, 1914, our Ambassador in Great Britain wrote Colonel House an interesting letter. In the letter he said: "Today the German Government asked the United States to take its diplomatic and Consular business in Russia in hand. Herrick, our Ambassador in Paris, had already taken the German interests there ...It will revive our shipping." In a jiffy, under stress of a general European war, the United States Senate passed a bill permitting American registry to ships built abroad.

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Page wrote to House again on October 11, 1914, in regard to settlements which would be made after the war; he divided Europe among the Allies and stated that the German fleet was to become Great Britain's and that the German colonies were to be used to satisfy such of the Allies as clamor for more than they get.

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The legislation enacted for the purpose of admitting ships built abroad to American registry was not regarded as friendly by Colonel House, for in one of his letters to the President, he stated that the bill was full of lurking dangers. Great Britain looked with disfavor upon the measure but did not think it best to voice a protest. Early in January of 1915, the Dacia, a German ship of the Hamburg-American line, which had been lying at her wharf in Port Arthur, Texas, was bought by Mr. E.N. Breitung of Marquette, Michigan. Mr. Breitung placed the ship under American registry, hired an American crew, loaded her with cotton and started for Germany. Sir Cecil Spring-Rice notified the State Department that the Dacia would be captured. The cargo of cotton was not on the contraband list in January of

59 Hendrick, 301

60 Ibid., 340.

1915. The Dacia carried the American flag on her flag staff. Just about the time, Ambassador Page paid Sir Edward Grey a visit and suggested that in this instance the French fleet should do the capturing. The suggestion was followed. The Dacia was captured by a French cruiser and condemned in a French prize court.⁶¹ If the United States had insisted on their rights, the great amount of German tonnage lying in American ports would have gone far in removing the cotton situation of the south. It should be noted that the Declaration of London under which both England and France were working at the time of the Dacia recognized the legality of the transaction.⁶²

Of this transaction Lord Grey said, "We used to hear it said in days when Bryce was Ambassador at Washington that he was the most popular European in America since Lafayette; but it was the memory of Lafayette that persisted through the war. France was the historical friend and Britain the historical enemy."⁶³

The next move to get our foodstuff started to Germany was made January 22, 1915, when the Wilhelmina sailed from Brooklyn to Hamburg. Every precaution, to remain within the law, was taken. The goods were not consigned "To or for an agent of the enemy state," or "to or for a merchant or other person under the control of the authorities of the enemy state" nor were they consigned "to order." Instead the consignment was made to Mr. Brooking, Manager of the W.T. Green Company, who sailed in advance for Hamburg to receive the cargo on arrival. The Wilhelmina was of American registry and was under charter to the W.T. Green Commission Company of St. Louis, a concern engaged previously to the war in exporting provisions to Germany.⁶⁴

61 Hendrick, 392. 62 Clapp, 127. 63 Grey, 111-112. 64 Clapp, 59-60.

On February 4, 1915, the British Foreign Office issued a statement that it would stop the Wilhelmina which carried grain and foodstuffs only. The fight following this announcement was carried to the State Department. The case was complicated by a German decree of January 25, 1915, which confiscated all grain and flour in Germany. On February 15, 1915, the State Department at once cabled the British Foreign Office that its move was illegal as the modification of the German decree on February 5, 1915, excluded imported grains and flour. All this time the Wilhelmina was doing her best to reach Hamburg. On February 9, 1915, the ship ran into heavy gales on the North Atlantic and put in at Falmouth, England, for refuge. Here the British authorities promptly seized her.

The communication from the British Foreign Office on February 19, 1915, to the Secretary of State has many interesting points; Sir Edward Grey said the Wilhelmina had been seized after the German decree of January 25 and before the modification of February 5, 1915 was known. "It was also advised that diplomatic action should wait until the British prize court had been taken full advantage of."⁶⁵

It is impossible to present this note and not comment on some of its features. Sir Edward Grey informed us that England did not know of the modification of the German decree when the Wilhelmina was seized on February 9, 1915. The German modification passed the Bundesrat on February 5, 1915. The news was cabled to the United States via London. At the head of this dispatch to American papers, published February 8, we read, "Berlin February 6; via London, February 7." This means that on February 7 this

important news passed through the hands of the British censor. That it was not known to Sir Edward Grey on February 9, 1915, was, to say the least, extraordinary."⁶⁶

The British government set the trial of the Wilhelmina for March 31, 1915. Should the Wilhelmina be condemned on the ground of carrying food-stuffs to Germany, the decision would be a direct reversal of England's former position and consequently a possible future embarrassment. The difficulty was removed by the declaration of another Order in Council on March 23, 1915. The rules of the Order in Council were not made known until March 31, the day of the trial of the Wilhelmina; then the crown lawyers produced this Order in Council which authorized the crown to requisition any neutral ship and cargo which for any reason whatever had been brought before the prize court. There was no argument. The power of Britain under her self-made international law, to requisition the cargo of the Wilhelmina, made a trial of that cargo's right to proceed to Germany practically out of the question. The question was settled out of court for \$430,000, which the London Daily Mail called a 'handsome and generous settlement.' The W.T. Green Commission Company felt that the surrender of their neutral rights and interests were worth much more.⁶⁷

England had now completed her chain of trade communications. She controlled the roadway and the commercial items which travelled the roadway. In the United States, the South and West felt the economic results most keenly. Some form of trade was necessary to recompense the destroyed communications. The great munitions industry of the Atlantic sea-board was the

⁶⁶ Clapp, 70.

⁶⁷ Ibid., 73-75.

answer to the problem.

On the question of the sale of munitions to the belligerents, the government of the United States took a strictly neutral attitude which it stated clearly in a circular issued by the Department of State on October 15, 1914, and is quoted as follows:

"In the first place, it should be understood that, generally speaking, a citizen of the United States can sell to a belligerent government or its agent any article of commerce which he pleases. He is not prohibited from doing this by any rule of international law, by any treaty provisions or by any statute of the United States. It makes no difference whether the articles sold are exclusively for war purposes, such as firearms, explosives, etc., or are foodstuffs, clothing, horses, etc., for the use of the army or navy of the belligerent.

Furthermore, a neutral government is not compelled by international law, by treaty, or by statute, to prevent these sales to a belligerent. Such sales therefore, by American citizens do not in the least affect the neutrality of the United States."⁶⁸

Sir Edward Grey tells us in his memoirs that the great fear felt in England was that the United States would begin convoying merchandise across the Atlantic or that an embargo on munitions would be declared.⁶⁹

Early in December, 1914, Senator Hitchcock introduced in the Senate a resolution aimed to prohibit the exportation by private firms of munitions of war to any belligerent. This caused the British Government some concern. Spring Rice hurried off an adroit warning to Sir Edward Grey "that should

⁶⁸ Senate Res., 206, No. 944, Part 5. 25.

⁶⁹ Grey, 115-116

the Administration support the Hitchcock bill it would be necessary to point out that such unneutral action would disqualify the government from the office of impartial mediator. And this impartial mediation is the most cherished ambition of the President!"⁷⁰

On December 11, 1914, Page telegraphed the Secretary of State:

Sir Edward Grey unofficially expressed the hope to me that the bill introduced by Mr. Hitchcock in the Senate will not pass, aimed to prohibit the exportation of private firms of munitions of war to any belligerent. He calls attention to the fact that this would be special legislation passed while war is in progress, making a radical departure from a long-established custom and that for this reason (it would appear) an unneutral act toward the belligerents that can profit by it.⁷¹

Trade in all materials of war grew to great figures. In explosives alone the export figures jumped from approximately \$10,000,000 on June 30, 1914, to \$189,000,000 on June 30, 1915, and to \$715,000,000 on June 30, 1916.⁷²

Lord Grey tells us in his memoirs that the allies were dependent upon the resources of the United States in order "to carry on the war at all or with any chance of success."⁷³ One cannot help wondering why no use was made of this great power which if rightly purposed would have saved so many lives.

The munition trade took no great jump in 1914, in fact, there was no great buying of war material until the second half of 1915. Then the Allies established a central purchasing bureau in the states which soon spent on the average of \$10,000,000 a day. Between August, 1914, and February 1917, more than \$10,500,000,000 of goods were shipped out of America.

70 Millis, 100.

72 Senate Res. 206, No. 944, Pt 5, 26

71 F.R. 1914, Supp., 578, Doc. 863.72112/1113 73 Grey, Vol. II, 103.

Munitions played a prominent part in this traffic. In 1914 exports amounted to \$40,000,000, in 1915 they reached \$330,000,000, and in 1916 they reached the staggering sum of \$1,290,000,000. From 1914 to 1914 the Allies bought \$4,000,000,000 worth of munitions in the United States. Other war supplies bought in America by the Allies included iron and steel explosives, cotton and cotton manufactures, wheat, copper, brass, leather, chemicals, firearms, automobiles, wheat flour, metal working machinery, corn, horses, wire manufactures, tires, airplanes, and motor cycles.

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The Central Powers protested against this trade with the Allies although they recognized its legality. In preparing the draft of a reply to Austria on August 2, 1915, Lansing presented the matter in a popular vein more for home consumption than for Austria; he forwarded the draft to Wilson for comments. One paragraph is worthy of notice: It follows:

"I hope you can pass upon it speedily because I believe it would, at the present moment, have a very beneficial effect on public opinion. It is our first opportunity to present in a popular way the reasons why we should not restrict the exportations of munitions of war. If you have noticed in the papers meetings are being held under various auspices looking to the imposition of an embargo on arms and ammunition...."

75

Robert Lansing.

The President answered on August 5, 1915, as follows: "Are we not ourselves about to urge the control of the manufacture of arms and munitions by every government in our proposed understandings and undertakings with Latin-American countries; and do we not wish ultimately to strive for the same thing in the final European settlement?"

74 H.C. Engelbrecht and F.C. Hanighen, Merchants of Death. Dodd Mead and Co.,

75 Senate Res. 206, No. 944, Part 5, 29.

Of course, we are arguing only to the special case, and are absolutely unanswerable in our position that these things cannot be done while a war is in progress as against the parties to it; but how far do you think the arguments we urge in this paper will stop us in future deliberations on the peace and security of the world? (signed) W.W."⁷⁶

In summing up the material presented on our trade relations with the Allies, three points are noted. (1) With all foreign trade disrupted by the outbreak of war the orders for munitions and war supplies for the Allies were a most important means of reestablishing the economic situation. (2) The Allied control of the sea cut off our communication with the Central Powers and the Northern neutrals. (3) An enormous trade in war supplies of a one-sided nature grew up with the Allies. The following paragraph sums up the situation rather well:

"It is poor consolation to the pinched cotton farmer to know that the ammunition makers in Bridgeport are working day and night, that the machine tool works in Hartford cannot fill their lathe orders, that the railroads haul train loads of war auto trucks from Detroit, that the harness makers of Cincinnati are full of business, or even that the wheat farmers of the West and the packers of Chicago are rich."⁷⁷

The more the old diplomatic documents are examined the greater the wonder grows that the United States was not embroiled in the conflict long before 1917. In the summer of 1915, Colonel House was in England in the interest of "peace." A glance at his memorandum of conferences with important personages may give some little clew to the great burst of munition

⁷⁶ Senate Res. 206, No. 944, Part 5, 29.

⁷⁷ Clapp, 218.

trade that occurred in the last half of 1915.

"May 22, 1915, Lord Bryce"

"June 2, 1915, Lloyd George - Minister of Munitions

"Reginald McKenna, Chancellor of the
Exchequer"

"Marquis Lansdowne"

"June 3, 1915, Lord Crewe and I lunched alone."

"June 4, 1915 Read President Wilson's cables to the
King - Lunched with Balfour and Sir Horace
78
Plunkett."

House told Plunkett that he was going to persuade the President to conduct such a war that Europe would remember for a century what it meant to arouse a peaceful nation. He then stated:

"I intended to suggest a commission with perhaps a member of the Cabinet as chairman, to facilitate the manufacture of munitions of war and war material. Plunkett wanted me to see some of the British Cabinet and
79
talk with them before I left."

Here is what Wilson's biographer stated in regard to the trade in arms: "Thus by the end of the year 1914 the traffic in war materials with the Allies had become deeply entrenched in America's economic organization and the possibility of keeping out of the war by the diplomacy of neutrality no matter how skillfully conducted, had reached a vanishing point. By October, perhaps earlier, our case was lost.

While British diplomacy maneuvered with skill to involve American

78 Seymour, The Intimate Papers of Colonel House, Vol.I, 463-467.

79 Ibid., 454.

industry and finance in the munitions traffic it is certain that American business needed no compulsion to take war orders.

However we may repudiate the motive, the intricate business connections with the Allies developed during 1914, 1915, 1916, until the very economic life of the country rested upon the munitions traffic."⁸⁰

Lloyd George, in his Memoirs has also emphasized the effect on American policy of the connection between American finance and trade and the cause of the Allies:

"If we were interfering with America's potential trade with our enemies, at least we were providing her with a magnificent market in Britain, France and Russia, which stimulated her industries to an unprecedented level of activity and profitableness. This fact had its influence in holding back the hand of the American Government when ever excited to intense irritation by some new incident of the blockade, it contemplated retaliatory measures."⁸¹

Andre Tardieu who was French High Commissioner in the United States after this country entered the war, similarly has written that the tie up between American commercial and financial interests and the Allies during our neutrality period made victory of the Allies essential to the United States. Tardieu places the position as follows:

...But the increasing volume of allied needs afforded the Americans almost unlimited trade possibilities. Prices had risen enormously. Profits had swollen ten fold. The Allies had become the sole customer of the United States. Loans the Allies had obtained from New York banks swept the gold of Europe into American coffers.

80 R.S. Baker, Woodrow Wilson - Life and Letter, Vol.5,181.

81 Lloyd George, Vol.2, 661-662.

From that time on, whether desired or not, the victory of the Allies became essential to the United States. The vacillations of Wilson's policy only made this necessity more apparent. The note of the Federal Reserve Board forbidding further loans to the Allies jeopardized American financial interests inasmuch as it did the fate of the Allies. This note coming too late or too soon placed buyers and sellers, borrowers and lenders in equal peril. If deprived of resources the Allies lost the war, how could their debts be paid and what would their signature be worth? The carefully weighed policy of the President, permitting sales and stopping credits, worked against neutrality and in favour of a break; it worked against Germany and in favour of the Allies. Between the Allies and the American market a common bond of interest had been created.⁸²

In summing up the effect of the trade policy it must be remembered that the Central Powers could not be eliminated without the destruction of about 13 percent of our foreign trade. It was a point which our own statesmen were slow to recognize. The British statesmen, however, had a shrewder grasp of the realities. They never lost sight of the inconvenient fact that the United States not only had a direct material interest in keeping open the trade routes to Germany but also possessed the power to do so if she ever chose to exercise it.⁸³

TABLE I U.S. FOREIGN COMMERCE
1912-1916

Merchandise Exported and Imported in Dollars

	Exports of Domestic Produce	Imports	Excess of Domestic Exports over Imports
1912	2,170,319,828	1,653,264,934	517,054,894
1913	2,428,506,358	1,813,008,234	615,498,124
1914	2,329,684,025	1,893,925,657	435,758,368
1915	2,716,178,465	1,674,169,740	1,042,008,725
1916	4,272,177,579	2,197,883,510	2,074,294,069 ⁸⁴

⁸² André Tradieu, France and America, Some Experiences in Cooperation.

Houghton Mifflin Co., Boston, 1927, 150-151.

⁸³ Millis, 84

⁸⁴ Senate Res. 206, No. 944, Part 5, 113.

Table II U.S. FOREIGN COMMERCE

COMBINED EXPORTS 1914-1916

	Dollars	Index (1914-100)
A To Allied Countries: England, France, Italy, Russia		
1914	824,860,237	100.0
1915	1,991,747,493	241.0
1916	3,214,480,547	383.7
B Central Powers, Austria-Hungary, Germany		
1914	169,280,775	100.0
1915	11,878,153	7.0
1916	1,159,653	0.68
C Neutral (Northern) Denmark, Holland, Norway, Sweden		
1914	187,667,040	100.0
1915	330,100,646	175.8
1916	279,786,219	149.0 ⁸⁵

One more bit of evidence that Englands' interference with our trade and our quiet acceptance of the condition led steadily to a condition of war is contained in the letter of Charles Cheney Hyde to Secretary Lansing on January 11, 1916. The letter is so revealing in paragraphs that it should be given as written:

Hyde, Westbrook and Watson
Counsellors at Law
Chicago, January 11, 1916

Personal
The Honorable The Secretary of State
Washington, D.C.

My dear Mr. Secretary:

I am taking the liberty to send you herewith copy of a paper prepared and read by myself before a certain club in this city and also at the houses of some of my friends. It has not been made public and care has been taken to prevent it's being reported to the

press.... With assurances of greatest respect,
I am, Mr. Secretary,
Your obedient servant,

Chas. Cheney Hyde

A Question of Law and Diplomacy - The Exportation of Munitions of War.

....The response of the United States has been that according to international law as exemplified by the Hague Convention (1907) above noted, (Germany's contention over munitions and foodstuff) a change of rule in the course of the war, favorable to one belligerent, and harmful to its enemy, would amount to unneutral conduct.

The only ground justifying a change of the rules expressed in the convention - and one which the Convention itself makes note of in its preamble - is the necessity of a neutral power to make the change in order to protect its own rights. As Secretary Lansing has recently said:

"The right and duty to determine when this necessity exists rests with the neutral, not with a belligerent. It is discretionary, not mandatory. If a neutral power does not avail itself of the right, a belligerent is not privileged to complain, for in doing so it would be in the position of declaring to the neutral power what is necessary to protect that power's own rights."

"That the United States does have the right, in case of need, for example on grounds of self-defense, to change the rules and to forbid the sale within its territory of arms to belligerent governments, or to prevent the departure from its territory of such arms when sold may prove of estimable value. Two reasons for the assertion of this right might cause us to exercise it. First the failure of Great Britain to heed American

American protests against unlawful restrictions imposed upon American commerce; secondly, belief that the unrestricted exportation of arms to the Allies would cause Germany and Austria-Hungary to take steps both hostile and injurious to the United States.

"...It will be remembered, however, that the Hague Convention of 1907, above noted, recognizes the right of a neutral to change its policy in the course of a war in order to protect its own rights. It would not be unnatural, under such circumstances, for the United States to prevent these powers from transforming our Atlantic seaboard into a series of foreign arsenal supplying expeditions against their enemies and our friends."

(The next paragraph set up a possibility that, should the Central Powers be successful we might be held for damages to their commerce as England was held in our Civil War.)

"The foregoing reason, and also a more sinister one - namely the desire to increase the market price for the bonds of two allied governments and now held in the United States, have served in fact to create in certain portions of our Country a definite and dangerous effort to cause the United States to join forces with the allies...."

86
Chas. Cheney Hyde

In the final summing up of this chapter, we may say that the State Department did not see fit to use the weapon placed in its hand, for the protection of the people of America. It is evident that economic considerations have a great deal to do in precipitating war.

86 Senate Res. 206, No. 944, Part 5, 115-119.

87 Arthur Bullard, The Diplomacy of the Great War. The Macmillan Company, New York, 1918, 214.

We must consider the munition question also for the single example of the Du Pont Company which increased its facilities for making military powder from half a million pounds per month to nearly thirty million pounds. Such a situation cannot be ignored.⁸⁸

The writer feels that the trade of our country was one of the avenues through which we were skillfully propelled into the European horror. That it was a very considerable cause for the final decision of the Washington Government must appear conclusive from the evidence presented.

88. J.M. Clark, The Costs of the World War to the American People. Yale University Press, New Haven. 26,

CHAPTER V

THE THIRTY PIECES

The sea lanes of the world yielded their diplomatic secrets for the explanation of our problem. The musty counting rooms of English finance in conjunction with modern American capitalism were the next avenues explored and where the gold lay deepest the explanations grew strongest. The communicating medium between the new and the old was the diplomatic corps of the governments of the United States and England. The political appointee of the United States, often chosen to fulfill a campaign obligation came in contact with the best from a narrow group of English life.

In England, the nominations for examination for a Foreign Office Service rests with the Foreign Secretary. Candidates for the Diplomatic service must give assurance that they are provided with a private income of L400 a year. If appointed they must serve abroad for two years without pay. Of twenty recent appointments one half were peers or the sons of peers. The Civil Service Commission furnished the educational antecedents of the successful competitors for attache' ships in the years 1908-1913 inclusive. Twenty five out of thirty seven came from Eton. In only one case was any university other than Oxford or Cambridge represented.¹ It is not necessary to point out that this group would throw its influence and power in favor of the group it represented.

¹ Philip Snowden, Democracy and Publicity in Foreign Affairs, Toward A Lasting Peace. The Macmillan Company, 1916, 195-196.

Back of all the wars for defense of nationality, for liberty and humanity are the pressure of powerful economic needs and interests. We need not accept the maxim that, "all wars are for markets" in order to realize the part which commerce and finance play in fomenting international dispute.²

As an evidence of the power of money in the tragic years of 1913-1917, we offer a glimpse behind the scene in 1913. On October 17, 1913, Turkey accepted the challenge of war from Bulgaria, Servia and Montenegro. On the same day, the Bank of England's discount rate rose from 4 to 5 percent, the highest since the world panic of 1907. French government bonds fell to the lowest price since 1890 and British consols to the lowest in their history. In the last five months of 1912, we had imported \$37,000,000 gold, mostly in payment for our grain shipments; in the first half of 1913, our gold exports were \$63,000,000, most of which went to France. Gold was drawn from European banks for hoarding purposes and statisticians estimated that in 1913, not less than \$250,000,000 was already hidden away by continental Europe.³

The year 1914 began in all the markets of the world with falling money rates; a plain indication of the relief Europe felt at the settlement of the Balkan war. In January the Bank of England reduced its discount rate from 5 per cent to 3; rates on the New York market fell so rapidly that in February loans running until August were made on Stock Exchange collateral at $3\frac{1}{2}$ per cent. A vigorous speculative market developed in both

2 J.A. Hobson, The Open Door, Toward A Lasting Peace, The Macmillan Co., 1916, 87

3 A.D. Noyes, The War Period of American Finance, 1908-1925. G.P. Putnam's Sons, New York, 1926, 18-19.

London and New York, but the condition was not a healthy one as our import excess was the greatest since 1895. Gold was exported to the extent of fifteen to fifty millions monthly.⁴ The gold was going home. Then came July and August and the World War. The first reaction to financial instability showed in the Stock Exchange. They met the war news by closing their doors in every market of the world. The London Stock Exchange which had never before closed its doors even in the Napoleonic wars, shut down indefinitely the morning of July 31, 1914; the double motive for that being first, to prevent the selling of investment securities which would cause a panic, and second, to forestall what was already apparent, the "unloading" of international stocks and bonds on London by the other markets of the world.⁵

How closely war and finance are linked together is shown in the action of the New York Stock Exchange. At 9:30 on July 31, 1914, the Board of Governors announced that the New York Exchange would remain open, but so heavy were the selling orders listed for the day that the Board issued an order through its Secretary at a few minutes to ten o'clock, the regular opening time, that the Board would "be closed until further notice." It did not reopen until April of 1915. The Board of Directors changed their minds because they had obtained definite information of a wholly unprecedented array of selling orders cabled over night from Europe to New York banking houses for execution at any price obtainable when the market should reopen.⁶

⁴ Noyes, 52.

⁵ Ibid., 56.

⁶ Noyes, 57-58.

⁷ F.R. 1914 Supp., 580, Doc. 763.72111/484a.

Quite evidently the government of the United States could not remain idle while the economic and financial machinery of the nation was attempting to adjust itself to the strain placed upon it. On August 15, 1914, Secretary of State Bryan answered a communication received from the J.P. Morgan and Company as follows: "Inquiry having been made as to the attitude of this Government in case American bankers are asked to make loans to foreign governments during the war in Europe, the following announcement is made: There is no reason why loans should not be made to the governments of neutral nations, but in the judgment of this Government, loans by American bankers to any foreign nation which is at war are inconsistent with the true spirit of neutrality."⁷

W.J. Bryan

Back of this letter are two cables from J.P. Morgan and Company, one on August 9, the other August 12, 1914, to Morgan Harjes in reply to a request to float a French loan; portions of the cables follow: "In regard to loan, do not think in condition our markets and sudden necessity supply all necessary capital for United States on this side and pay off short borrowings abroad that such operation would be possible. Certainly until opening of stock exchange and relaxation of situation enables us estimate state of affairs here more accurately than possible at present.

Am certain no loan could be arranged for considerable period involving withdrawals gold and in our opinion no one could make loan here now for any foreign nation involving export of gold. Will however make careful investigation and cable you further about as soon as possible."

The second cable spoke of the effort being made and closed with, "We, of course, however will do our very best and hope arrange moderate extent. Please assure Government have every desire be of service. For your information only. We are consulting our Government here as we do not wish take any action under present strained circumstances which will be offensive to them, although we understand there is no legal objection to loan suggested."⁸ Events had moved swiftly in the financial world. Caution was necessary.

August 6, 1914, the British Government declared that all payments due or falling due within a month, should be denied to be due and payable on a date one calendar month after the day on which the payment originally became due. This extension of the due date was twice extended so that payment of debts maturing on August 4, 1914 were really not due until November 4, 1914.⁹ On August 1, 1914, the rate for cable remittances rose to \$7 per pound sterling, whereas the highest figure in the memory of living man was \$4.91 in the panic of 1907. England also placed an outright embargo on gold.¹⁰

The position of the American bankers and the government as well was critical. "At the outbreak of the war, the Secretary of the Treasury stated on the basis of information gathered from the New York banks, merchants and bankers were indebted to London in the sum of approximately \$450,000,000 maturing January 1, 1915 with \$80,000,000 additional owed London and Paris by the city of New York, and shortly to fall due. The

⁸ Senate Res. 206, No.944, Part 5, 59.

⁹ Noyes, 69-70

¹⁰ Ibid., 70-72

stocks and bonds held abroad, and which would be dumped on the market as soon as the exchanges opened amounted to \$2,400,000,000."¹¹

On August 7, 1914, the Secretary of the Treasury called a meeting of the most important bankers and merchants to consider this urgent problem. The majority of the group opposed gold payments. The powerful private bankers insisted on gold payments, and pointed out that unless the obligations were met the largest city in the country would be in a position of defaulting on its obligations.¹²

On September 4, 1914, the committee of bankers which had taken the task in hand reported to the Treasury that payment of New York City's foreign loan in gold had been provided for. The country's banks had been asked for a pool of \$150,000,000 more in gold to meet any future maturing obligation and the Bank of England agreed to receive all payments at its newly established branch at Ottawa.¹³

With the foreign situation in hand, the banks had to meet the domestic problem. They invoked the Aldrich Vreeland Emergency Currency Act by which National banks might form groups termed "national currency associations" and deposit not only United States bonds but other qualified security or commercial paper up to 75 percent of their value or qualified state, city, town, county and municipal bonds, on which 90 per cent of value could be gotten in notes.¹⁴ These notes were not guaranteed by the United States Government: \$500,000,000 was all that could be issued and in the run on the American banks in the summer and fall of 1914, \$363,532,080 of this

11 Noyes, 60-61.

12 Ibid., 82-83.

13 Ibid., 84.

14 Ibid., 77-78.

currency was put in circulation. It satisfied the people and prevented the
15
dreaded panic.

It was during this manipulation of the currency system that Secretary of State Bryan issued the statement in regard to loans and J.P. Morgan sent his two cables to Morgan Harjes. Consideration of domestic finance moved the banking world, consideration of neutrality moved the Administration, but both agreed that loans could not be made.

On August 10, 1914, Secretary of State Bryan addressed a communication to the President in which he set up three reasons why this government should refuse loans to any of the belligerent nations. His reasons were as follows: (1) Money was the worst of all contrabands because it controlled everything else; (2) Loans would be taken by those in sympathy with the country in whose behalf the loan was negotiated, which would have the effect of dividing the United States citizens into groups favoring the different belligerents. The sympathy of groups was disturbing enough as it was - but it would be more so if a pecuniary interest was involved; (3) Powerful financial interests connected with these loans would probably exercise their influence through the press to support the interests of the government to which they had made loans because the result of the war would naturally affect the value of the security. All this influence would make it all the more difficult for us to maintain neutrality as our actions on future questions would be thrown in the balance. Bryan added a postscript and said that Lansing had noted the government did not protect the citizens who went abroad and enlisted in a foreign army and he saw no reason why the

same attitude could not be taken in regard to American dollars. ¹⁶

Bryan's letter interpreted at the present time assumes an almost prophetic air. Money did become the most notorious of contrabands; we could not retain our neutrality and powerful financial interests did dictate our foreign policies.

There can be no question of President Wilson's position on the loan question in August 1914. The Chicago Daily Tribune of August 15, 1914, carried the following headline and news item: "Wilson Opposes Lending to any Opposing Nation. Inquiry of J.P. Morgan as to Floating French Loan Reveals Attitude of Administration.

Washington D.C. August 14: Although there was no formal expression from administration officials today, it became known that President Wilson and Secretary Bryan were opposed to the floating of any loans in the United States for the benefit of the belligerent powers in Europe."¹⁷

By October 1914, a change had gradually taken place in the financial position of the United States: the knowledge that the money center of the world was about to cross the Atlantic Ocean began to dawn upon our financiers.

The gold pool formed in August actually received from American bankers, pledges amounting to \$108,000,000 but only one fourth of this subscription or \$27,000,000 was actually called up, and out of the \$27,000,000 so called only \$10,000,000 went to the Bank of England in Ottawa, Canada. The rate for sterling exchange which was \$7 in August fell to parity by November 12,

¹⁸ 1914. It is interesting to note that the total cost of this transaction

16 Senate Res. 206, No. 944, Part 5, 160-161.
17 Chicago Daily Tribune, Friday, August 15, 1914, 1.

18. Noyes, 85-86.

was \$16,542,67.

The J.P. Morgan telegram to Morgan Harjes of August 12, 1914, should be reread at this point, and the Secretary of State's announcement of August 15, 1914, should be reviewed.

On October 23, 1914, Robert Lansing, Counselor for the State Department made the following notation in the form of a memorandum. It is so important and shows so clearly how the money question was to be handled from this point on that it is given in full.

Department of State
Office of the Counsellor
9:30 P.M. October 23, 1914

Memorandum of a Conversation with the President at 8:30 this Evening
Relative to Loans and Bank Credits to Belligerent Governments.

From my conversation with the President I gathered the following impressions as to his views concerning bank credits of belligerent governments in contradistinction to a public loan floated in this country.

There is a decided difference between an issue of government bonds which are sold in open market to investors and an arrangement for easy exchange in meeting debts incurred in trade between a government and American merchants.

The sale of bonds draws gold from the American people. The purchasers of bonds are loaning their savings to the belligerent government, and are in fact financing the war.

The acceptance of Treasury notes or other evidences of debt in payment for articles purchased in this country is merely a means of facilitating trade by a system of credits which will avoid the clumsy and impractical

method of cash payments. As trade with belligerents is legitimate and proper it is desirable that obstacles, such as interference with an arrangement of credits or easy method of exchange should be removed.

The question of an arrangement of this sort ought not to be submitted to this Government for its opinion, since it has given its views on loans in general, although an arrangement as to credits has to do with a commercial debt rather than with a loan of money.

The above are my individual impressions of the conversation with the President who authorized me to give them to such persons as were entitled to hear them, upon the express understanding that they were my own impressions and that I had no authority to speak for the President on the Government.

Robert Lansing

Substance of above conveyed to Willard Straight at Metropolitan Club, 8:30 P.M. October 24, 1914. Substance of above conveyed to R.L. Farnham, at the Department, 10:30 A.M., October 26, 1914.¹⁹ Willard Straight was a representative of the J.P. Morgan Company and R.L. Farnham was connected with the National City Bank. The National City Bank and the J.P. Morgan interests were attempting to float at once a \$10,000,000 loan to France and the financial machinery was being geared for that purpose. The idea was to introduce a difference between loans and credits and to permit the latter secretly, while the former was publicly banned.²⁰

Europe had been conducting a general war for three months at this period, and the trade of the United States languished. The sea lanes were closed to the great neutral nations, and peace time needs were being regi-

19 Senate Res. 206, No. 944, Part 5, 161-162.

20 Senate Res. 206, No. 944, Part 5, p.60.

mented into war time demands. The result to the United States was noted in many ways: The country's steel plants operated at 50 per cent of their capacity; in the first two months of 1915, the United States Steel Corporation's earnings did not cover the interest on its bonds for the same time; cotton sold for $7\frac{1}{4}$ cents a pound, the lowest in fifteen years; new railway construction in the United States fell to the lowest mileage in fifty years; $16\frac{1}{2}$ percent of the labor in New York was unemployed and $11\frac{1}{2}$ percent of the labor in other cities was idle.²¹

The Federal Reserve Bank system began to operate in November, 1914. The system was adopted to increase the circulation of money when money was needed and contract the circulation when money became plentiful.²²

The conversation between President Wilson and Lansing of the State Department took place on October 23, 1914. On October 23, 1914, Samuel McRoberts, Vice President of the National City Bank wrote to Robert Lansing, the Counselor of the State Department, as follows: "It (American export war trade) may in the end come back to us, but the critical time for American finance in our international relations is during the next three or four months, and if we allow these purchases to go elsewhere, we will have neglected our foreign trade at the time of our greatest need and greatest opportunity."²³

Ambassador Jusserand, the representative of the French Government in Washington, wrote to Mr. Vanderlip, President of the National City Bank in New York, as follows: "I hope with you that the placing of the Treasury warrants will not only be arranged, but that circumstances will soon allow

21 Noyes, 96

22 W.E. Woodward, 726

23 Senate Res. 206, No. 944, Part 5, 61.

an important broadening of the operation."²⁴

In the material given you thus far you have the requisite conditions for a great war trade. (1) The depressed condition of the country in late 1914; (2) the secret arrangement for credits in October, 1914.²⁵

The artificial distinction between loans and credits was kept a departmental secret for five months. During that time the foundation for the great war time trade was arranged. For months the financial operations with the belligerents were conducted under this secret distinction. One year notes of both Germany and France were sold in April 1915; a larger secured loan was extended to France in June and July 1915; a running loan account was opened by J.P. Morgan and Company for Great Britain, an account used in those earlier days as a source of dollars for both the purchase of supplies and for exchange support.²⁶

On January 8, 1915, Senator Stone, who was Chairman of the Senate Committee on Foreign Relations wrote to the Secretary of State and among numerous questions was one numbered 13. Change of policy in regard to loans to belligerents: (a) General Loans (b) Credit Loans. Senator Stone desired complete information on this question and suggested that the information be published in order to quiet the misapprehension among the people.²⁷

Secretary of State Bryan answered Senator Stone's letter on January 30, 1915. The matter was taken up seriatim and question 13 on loans was answered as follows:

War loans in this country were disapproved
because inconsistent with the spirit of neutrality.

24 Senate Res. 206, No. 944, Part 5, 61.

25 Stephen and Joan Raushenbush, War Madness, National Home Library Foundation

There was a clearly defined difference between a war loan and the purchase of arms and ammunition. The policy of disapproving of war loans affects all governments alike, so that the disapproval is not an unneutral act. The case was entirely different in the matter of arms and ammunition, because prohibition of export not only might not but in this case would not operate equally upon the nations at war. ...On the other hand contracts for and sales of contraband are mere matters of trade. The manufacturer, unless peculiarly sentimental, would sell to one belligerent as readily as he would to another. No general spirit of partisanship is aroused - no sympathies excited. The whole transaction is merely a matter of business.

This Government has not been advised that any general loans have been made by foreign governments in this country since the President expressed his wish that loans of this character should not be made.

W.J. Bryan²⁸

On March 31, 1915, the State Department issued the following notice to the press:

Washington, March 31, 1915

The State Department has from time to time received information directly or indirectly to the effect that belligerent nations had arranged with banks in the United States for credit in various sums. While loans to belligerents have been disapproved, this government has not felt that it was justified in interposing objection to the credit arrangements which have been brought to its attention. It has neither approved nor disapproved these. It has simply taken no action in the premises and expressed no opinion.²⁹

25 (continued from p.123) Washington, D.C. 1937, 151-152.

26 Senate Res. 206, No. 944, Part 5, 61

27 F.R. Supp. 1914, Preface VI. No file no.

28 Senate Res. 206, No. 944, Part 5, 163-164.

29 F.R. 1915 Supp., 820, Doc. 851, 51/30.

No name was signed to this communication.

The writer has sought to discover what caused the change in the tone of the communications from the Secretary of State. Three have been presented, August 10, 1914, January 30, 1915, and March 31, 1915. The first and second are signed W.J. Bryan, the third carries no signature. In the light of his earlier actions, the second and third communication have a peculiar significance.

J.P. Morgan and Company became the purchasing agents for the British Government in January, 1915, and for the French Government in May, 1915. Elaborate machinery was set up in the export department for the procurement of supplies. By August 1, 1915, contracts in the amount of \$450,000,000 for the account of Great Britain and France were made while payments on account of advances and deliveries under these contracts had amounted to only \$174,000,000. This left a heavy contractual liability on Morgan purchases alone. Apparently there was no way to catch upon this debt as a vast amount of supplies would have to be delivered in the future. The British Government handled the war supplies for the Russian Government during this time. ³⁰ The ability to find dollars to pay for munitions, as well as cotton, became a source of constant worry to the British and French

Some dollars had been raised by selling francs and pounds but that depressed the exchange rate. Some gold had been shipped but neither country wanted to part with its gold reserves. British citizens owned great blocks of American securities but no organized effort was made to assemble the securities and sell them for the benefit of the British Government. What

France and England both wanted was to float a large loan in the American market.

One of the operations conducted by the J.P. Morgan Company for the account of the British Government was the support of the pound sterling by purchase of sterling in the New York market. Through 1915 from February through July, they totaled \$82,000,000, but there were available resources in the New York banks in the form of loan offers which could still be used in support of the pound sterling. On August 14, 1915, this support was withdrawn. The records show no reason for it; sterling sold off and reached a low of \$4.51 on September 1, 1915. Exporters saw their markets disappear with the purchasing power of their best customer. The effect on American industry was apparent at once.

Two notes, one from the personal files of Benjamin Strong, Jr., former Governor of the Federal Reserve Bank of New York, the other a copy of a telegram from J.P. Morgan and Company to London, show the trend events were to take. The Strong note to House follows:

August 14, 1914

Colonel E.M. House
Manchester, Mass.

My dear Colonel House: Referring to our conversation of a week ago: You have doubtless observed that matters are developing along the lines of our discussion. Sterling exchange sold yesterday below \$4.71. The newspapers are reporting very considerable cancellations of foreign contracts for wheat and other commodities....

If exchange declines very sharply so that all the profit on a purchase of goods contracted for in this country is gone before the goods are exported and the purchaser is in the position to cancel the contract, he will, of course, cancel in every instance

even though he has to buy again later....

The situation undoubtedly growing increasingly difficult with each day's decline in exchange.... I still believe that at present rates with the prospect of still lower rates the influence is gradually growing stronger to curtail our export business.

Very truly yours, 32
Benjamin Strong Jr.

The Morgan telegram to London is paraphrased and given below:

J.P. Morgan and Company
Export Department
New York, Aug.18, 1915

599a. As you appreciate we have continuously, through various channels sought public sentiment regarding straight British Loan....

For your information, in view of the conference H.P. Davison had with the Secretary of the Treasury, we have duly sent word to the Secretary of the Treasury that we regard the Exchange situation as very serious from the point of view of our commerce in order that the Administration may be fully informed and with hopes that they might in some way be helpful, making no definite suggestions, however....

33
Morgan

The movement to establish a system of loans to the Allies gained in volume and moved westward. On August 17, 1915, James B. Forgan of the First National Bank in Chicago wrote to F.A. Delano, Vice Governor of the Federal Reserve Board and sought information of a very private nature as is evidenced in the following letter.

First National Bank
Chicago, August 17, 1915

Hon. F.A. Delano
Vice Governor Federal Reserve Board
Washington, D.C.

My dear Mr. Delano: I want to get some information for a very confidential purpose and it has occurred to me that

32 Senate Res. 206, No. 944, Part 5, 174-175.

33 Ibid., 175.

you may be in a position to help me secure it.

It is to put it bluntly: I would like to know what the attitude of the government administration in Washington would be towards the flotation of a large British loan in this country. Some time ago I remember seeing in the press that the State Department had discouraged New York bankers on a proposition to float a British loan in this country, but at the same time it was stated that it was not within the province of the government to veto such a transaction. It would seem to me that the present condition of international exchange would deter a government from entering any objection to the flotation of such a loan in this country, or to the sale by Great Britain of American securities in this country. One or the other of these transactions would seem to be a business necessity at the present time

You might send me one of the following telegrams to indicate which of the positions the government would take in regard to the flotation of a large British loan in this country and I will understand your meaning:

1. Parties would be favorable to and would encourage such a transaction.
2. Parties would take no action either for or against such a transaction.
3. Parties would discourage such a transaction but would not offer any active interference with it.
4. Parties attitude would be such as to make such a transaction practically impossible.

With kind regards, I am

Very truly yours,

James B. Forgan. ³⁴

Forgan's letter was sent to McAdoo, but by whom the record does not disclose. McAdoo wrote to Lansing on August 23, 1915, and enclosed Forgan's letter. The communication is marked "confidential." McAdoo spoke of the seriousness of the exchange situation, of the effect on the trade of the United States and of his deep regret for the attitude of the State Department.

34 Senate Res. 206, No. 944, Part 5, 176.

ment in regard to the establishment of foreign credits in this country; he closed by hoping that the government would not reaffirm its position on the question.
35

Forgan's letter made another journey to Mr. Charles Hamlin, Governor of the Federal Reserve Board. We are sure of this for the record gives two letters from Lansing: one on August 25 to the President of the United States and one on August 26 to McAdoo and in both letters the fact that Hamlin had received Forgan's letter is clearly stated. We give the letter to the President:

August 25, 1915

The President,
The White House

My dear Mr. President: As the letter of Mr. James B. Forgan, which is enclosed to me by Mr. Hamlin deals directly with the general policy of the government I feel that before answering it I should be advised as to your wishes. I therefore enclose Mr. Hamlin's letter and a copy of Mr. Forgan's.

I think we must recognize the fact that conditions have materially changed since last autumn when we endeavored to discourage the flotation of any general loan by a belligerent in this country. The question of exchange and the large debts which result from purchases by belligerent governments require some method of funding these debts in this country.

Faithfully yours,

36

Robert Lansing.

Lansing's letter to McAdoo is necessary for the last sentence which was as follows: "While the President did not authorize me to send a copy of his communication to you I feel that he would wish you to know his position."
37

35 Senate Res. 206, No. 944, Part 5, 176-177.

36 Ibid., 177

37 Ibid

The President's communication, which opened the wealth of America to the fighting hordes of Europe, is given in full.

The White House
Washington, August 26, 1915

The Secretary of State.

My dear Mr. Secretary: My opinion in this matter, compendiously stated, is that we should say that "Parties would take no action either for or against such transaction" but that this should be orally conveyed, so far as we are concerned, and not put in writing.

I hope that this is also your own judgment in the matter.

Faithfully yours,

(Initialed) W.W. ³⁸

So far as the records are concerned, they reveal no study of the financial or trade problems of the critical period; nor do they reveal who depressed the pound sterling; what untouched sources the Allies had to meet their obligations will never be known. The Government merely reversed its loan policy and permitted the flotation of the \$500,000,000 unsecured Anglo-French loan in the early fall of 1915. Looking at the names connected with this transaction and realizing its significance, the writer wonders if this was legislation arrived at democratically.

The trade flowed from every source that could be used by the belligerents. The exports were only restricted by the American financial market's ability to finance the surplus of exports over and above those paid for by imports, gold shipments, and security sales. Great contracts were let,

plant expansion was encouraged by the British and French commercial agents and the war boom spread to every avenue of American life. Once started, loan followed loan: \$100,000,000 to France in August of 1916; \$250,000,000 to England in September, 1916, and \$300,000,000 in November, 1916. There appeared no end to the needs of the Allies.

39

On April 13, 1916, President Wilson spoke at the Willard Hotel. It was a Jefferson Day address. Jefferson had been the friend of the common man; something of the common man's need must be voiced by the President. Wilson's high note of the evening came with this announcement: "As I have listened to some of the speeches tonight, the great feeling has come into my heart that we are better prepared than we ever were before to show how America can lead the way along the paths of light. Take the single matter of the financial statistics, of which we have only recently become precisely informed. The mere increase in the resources of the national banks of the country in the last twelve months exceeds the total resources of the Deutscher Reichs bank, and the aggregate resources of the national banks of the United States exceeded by three thousand millions the aggregate resources of the Bank of England, the Bank of France, the Bank of Russia, the Reichsbank of Berlin, the Bank of Netherlands, the Bank of Switzerland and the Bank of Japan."

40

This vast hoard of wealth had come from many points of the earth. At the outbreak of the war the Bank of England held \$185,000,000 in gold, and the Bank of France \$800,000,000. The greatest part of our \$1,137,800,000 of 1915 and 1916 came on account of London and Paris. If

39 Senate Res. 206, No. 944, Part 5, 66.
 40 R.S. Baker and W.E. Dodd, The New Democracy. Harper and Brothers, New York, 1936, Vol.2, 140-146.

our gold here had merely been drawn from the British and French reserves of 1914, those reserves would have been entirely exhausted before the end of 1916. But in actual fact the gold held in the Bank of England was then nearly \$80,000,000 more than in 1914 and the gold in the French Bank's vaults only \$146,000,000 less. To make up this great amount of gold, the Governments took the gold from the people. South Africa in 1915-1916 produced the largest amount of gold in its history, more than \$200,000,000 worth being sent to Canada. Russia drew \$340,000,000 in gold from the Imperial Bank's prewar gold reserve and shipped it to London, Canada and New York between 1914-1917. Canada in 1915 drew \$218,900,000 from her \$451,900,000 reserve and in 1916, \$577,300,000 from a reserve of \$685,900,000. Wilson's boast at the Willard Hotel had been the contribution of the people, the toil of the workman as well as the hoarded supplies of governments.

One item of trade will show how the vicious circle worked. The Bethlehem Steel Company alone, which had on its books a total of 24,865,000 unfilled orders at the end of 1913 and 46,513,000 at the end of 1914 reported 175,432,000 at the end of 1915. The effect on the country's export trade was instantaneous, as against February's shipments of only \$6,700,000 in war munitions, that class of export rose in August of 1915 to \$27,000,000 and to \$69,000,000 in December when the value of the munitions exports was more than double than that of the same month's export of all bread stuffs. For the calendar year 1916, the stated value of munition exports was no less than \$1,290,000,000, a sum which exceeded the

sum of the similar shipments of 1914 by \$1,250,000,000 and those of 1915 by \$960,000,000.⁴²

The American investment market did not take to the Allied obligations. Each issue dragged on the market. The record shows that the British loans of September and November were heavily carried by the munitions contractors and the banks associated with J.P. Morgan and Company.⁴³

By November of 1916, however, it was clear to J.P. Morgan and Company that the financial future of the Allies in America was growing increasingly dark. They were particularly fearful of the approaching exhaustion of American securities to use as collateral under loans, and although by substitution of British Dominion obligations for American securities in the collateral of loans already floated, they were able to conserve the supply to a large extent, even this was not sufficient, for example, under a total par of \$800,000,000 in British secured loans, there were deposited over \$400,000,000 in British railway debentures and Dominion Government bonds. Since it is questionable whether a bond of a dominion could have been paid if the mother country defaulted, it is questionable how good these bonds were as security, particularly when they were present in such large quantities. At this point, J.P. Morgan and Company proposed the issue of short term, unsecured Treasury bills, possibly even of such short maturities as 90 days, figuring that in time they could get out and keep afloat a minimum of \$300,000,000 of these, thus obtaining the benefit of another large loan without the sacrifice of any collateral. The Federal Reserve Board at the direct suggestion of President Wilson, objected to this issue

42 Noyes, 114-115.

43 Senate Res. 206, No. 944, Part 5, 66.

on the ground that it was not desirable that American banks be loaded with such obligations if there should be any change in American foreign policy. ⁴⁴

When the Federal Reserve Board's announcement was made to J.P. Morgan and Company, they considered it a blow to Allied credit. Spring Rice cabled his government and the British Government ordered the withdrawal of the bills. Thereafter the British Government very definitely declined to strain its resources to care for its American needs. In the next four months there was only a slight increase in gold shipments and there was an absolute cessation of security sales. ⁴⁵

This apparent blow at Allied credit produced a money crisis in the New York market that indicated how irretrievably the American financial and industrial market had become involved in the Allied cause. On December 5, 1916, J.P. Morgan, through Mr. Davinson telegraphed Morgan, Grenfell and Company in London as follows:

J.P. Morgan and Company
Export Department
New York, December 5, 1916

Morgan, London

33036. For E.C. Grenfell. Our exchange purchases this morning aggregate approximately 4,000,000 pounds sterling. We must again reiterate that this feature seems to be the crux of the whole situation. Payments under contracts closed through us are not excessive. We figure them approximately 100,000,000 monthly during the next four months. But the support of the exchange market is the serious feature. In attempting yesterday to participate 1 and 2 loans beyond our own circle, we found reluctance on the part of some institutions naturally due to low reserves and extraordinarily high rates for call money. With this somewhat unexpected obstacle and with the situation as serious as it is, we called groups of confidential leading bankers this morning to point out the necessity of caring for situation and the facility for doing so with such

large amounts of American securities to use pending arrival of sufficient gold. All these bankers most anxious to cooperate and express willingness to reduce their reserves even below legal limit, if necessary, but as one man they asked the question - what are Great Britain's requirements going to be in the next thirty days? We could not answer this question because the handling of exchange makes that feature absolutely uncertain.

It was apparent to us that our inability to answer this specific question or even to place an outside limit upon the exchange item, was very disturbing to these bankers. We feel, therefore, on this and on every other account, that we must have some early expressions as to plans (plan) of authorities on this point. We are not fully acquainted with what is in their minds. Perhaps they have some undisclosed resources that we are not aware of, but at the present rate of going they will soon exhaust all gold available in transit, and also available American securities even going so far as to assume that we can possibly secure loans up to 80 per cent of the value of these securities. We do not presume to suggest the policy of the authorities but our responsibility certainly requires our pointing out the dangers in the situation so that if we should suddenly find that we had exhausted all available resources of this market, the knowledge of that fact would not come as a shock to authorities. Our own interest this morning in numbers one and two loans was \$90,000,000. Owing to previously explained limitations upon amount any one promissor may borrow, it may be necessary for us in the near future ourselves to become the obligor for your account. You can understand our reluctance to do this as fact would almost undoubtedly become known and create bad effect.⁴⁶

On December 7, 1916, J.P. Morgan again wrote to Morgan in London as follows:

J.P.Morgan and Company
Export Dept.,
New York, December 7, 1916

To Morgan, London.

33131. 28017. 28017. As we are now advancing on

loans one and two aggregate of 175,000,000, an additional loan of 150,000,000 during the next three weeks is a very large amount for this market, quite irrespective of the collateral and particularly in view of the fact that we wish to handle the matter quietly and make no public issue. Our talk with the institutions had been along the line that the action of the Federal Reserve Board has given such a set back to the issuing of loans that it has been necessary to make other arrangements pending an improvement in the situation; that we have on hand this large volume of American and foreign securities, and that the shipping of gold to this market is being expedited to the fullest extent; that your estimate is that an additional amount of loans, say \$150,000,000 during December will take care of the entire situation as you see it for that period. Our important banking friends have assured us they will stand by and assist and as a result of various conferences today, we expect that we will be able to carry through the business if no unforeseen obstacles arise. To give you something of the picture this would involve our having a participation in excess of \$100,000,000, the National City Bank, say \$40,000,000, the First National Bank, say \$30,000,000, and so on. Naturally these institutions ask what is going to happen after the first of the year and to that we are unable to reply. We of course cannot encourage an operation which will bind up the New York market without some way of liquidating it. While we now have the authority to pledge all or any part of the collateral in such a manner as in our judgment seems necessary or wise you appreciate that, as the amounts of these loans increase, there will certainly be inquiries from Boards of Directors or bank examiners for some specific evidence of our authority. In order therefore that we may have something to show when required, we suggest that you cable us in substantially the following form: (quote) The Chancellor of the Exchequer and the Bank of England have written us letters instructing us to advise you that for all loans which you have made or may hereafter make either to the British Treasury or the Bank of England, you are authorized to hold as collateral all or any part of the American or other securities in your possession or in transit to you and all or any part of the gold in transit to you, you to

hold or use all or any part of the foregoing collateral in such a manner as in your discretion seems necessary or wise. Your authority continues as heretofore to make such advances either to the British Treasury or to the Bank of England as in your discretion seems necessary or wise.

47
Morgan

Morgan, Grenfell's answering inquiry in regard to exchange indicates further how the fate of the Allied financing would involve the American market. This letter is not given in full, the quotation follows:

"I presume that if a break were allowed in exchange or any cancellation of orders were to begin, there might occasion a big squeeze in your stock market and curtailment of loan facilities by bankers. Do you endorse this opinion?"⁴⁸

There is no answer to the Morgan letter of December 7, 1916. No equities were ever sent. In short, from December 1916 on, that is, after President Wilson's intervention in the Treasury bill episode, the British handled their demand loans at Morgan's in such a way that there was never⁴⁹ any clear way to liquidate them.

A letter from the files of the Federal Reserve bank of New York shows how the lives of thousands of men were laid down to continue the then conditions; how the peace moves of President Wilson were but idle gestures in the face of the trade and finance conditions of the United States.

Excerpt of a letter

Federal Reserve Board
Washington, November 23, 1916

Benj. Strong Jr. Esq.
4100 Montview Boulevard
Denver, Colorado

Dear Strong: I have just finished dictating a letter to

Mr. Treman, in which I gave him the meat of our last conference with the Advisory Council and also of our meeting with Mr. Davinson who was here last Saturday.

Davinson (of Morgans) took the point of view that they only wanted to do what was good for the country, but that the British Government was buying about \$10,000,000 worth a day, and if we did not place these loans were taking the responsibility of cutting down the trade of the country, a very serious responsibility as we were now in a fair way of becoming the masters of the world. The more we stimulated this trade, and the more loans we made to these foreign countries, the more would we increase our predominance.

Governor Harding (who had taken the precaution during these last weeks to place himself in touch with the leading authorities in questions of foreign policy in order to be sure that we were acting in fullest accord with what generally would be considered the best interests of the country) pointed out to Mr. Davinson that there was some danger of a creditor becoming so much involved with one debtor that finally, no matter whether the creditor wanted to or not, he would have to go in deeper and deeper. In other words, while you thought you had the bull by the tail, as a matter of fact that bull had you by the tail. In this case, it is John Bull who would have us by the tail.

England has now outstanding in short loans an amount which must be as large as between one and two billions of pounds. How these are to be funded nobody knows. England's per capita debt next year will have multiplied by seven as against the beginning of the war. The continuation of the war, therefore, appears madness, and as long as nobody knows how long this madness will last, there is no saying in what condition Europe will be when the war ceases. The feeling generally appears to be breaking through here at Washington (and I think also amongst a substantial part of the cooler elements of the country) that the end of this war will be a draw; that the sooner it ends the better and that continuing the war means only a needless and fruitless sacrifice of life and treasures. To think that this war must go on to keep our trade going on is an abomination. To think that it ought to be the duty of the government or the Federal Reserve Board to prevent disastrous economic consequences by prolonging it is unjustifiable. And we said to Mr. Davinson that it was the general feeling that we had grown enough and that we should be in a position of contemplating the "breaking out" of peace without a thought of alarm: that to our mind it was better to let this extraordinary trade gradually down to more nearly normal proportions than to have it stop with a vengeance.

47 Senate Res. 206, No. 944, Part 5, 215-216.

48. Ibid., 68

49. Ibid., 69-70.

Davinson himself said that he thought there were \$500,000,000 or \$800,000,000 which we might still receive in payment of goods that we are sending....

As long as Europe sells us secured investments and as long as the investors take them there is no harm done. Altogether, we do not feel that we have the duty of protecting the investor: but we are concerned in the strength of the banking situation, and it was generally felt that these exchequer bonds while they were made up in a form which made them appear self-liquidating as a matter of fact what in the aggregate would constitute a lock up of the funds of our banks and in the end would probably have to be turned into long term bonds.

Always cordially yours,

50

Paul M. Warburg.

The revision of the Federal Reserve Act which changed Regulation J and permitted the renewals of Bankers Acceptances was given to the public on September 7, 1915. It was at this time that the real trade in munitions ⁵¹ began.

On November 27, 1916, the Federal Reserve Board issued a warning to banks and investors in regard to investments in foreign credits. The excerpt from the minutes of the meeting of the Federal Reserve Board on November 27, 1916, is as follows:

"The Board read and again revised the proposed statement for the press regarding foreign credits. In its revised form the statement was approved and ordered furnished for use in the morning newspapers of November 28 as a statement to be issued in the forthcoming number of the Federal Reserve Bulletin.

On Motion it was voted that the Governor send to the firm of J.P. Morgan and Company a short telegram advising them that the board intends to issue today a statement relating to foreign credits.

52

aimed at any foreign government.

Advised him to ask permission of Lansing to talk with Harding. Said question of liquidity first arose in connection with French credits in which Kent pointed out that the acceptances could at once be rediscounted in F.R. banks.

I advised him to talk with Davinson

I referred to N.Y. Tribune statement and said Board felt it must warn banks to keep liquid.

(New York Tribune had said a thousand million bills of the treasury would be issued)

Said he would cable his government that it was a purely internal bank matter

C.S.H. said to Cable nothing until his talk with Lansing and Harding.

Morgan announces loans will be made notwithstanding warning.

November 30, 1916

Said President told him (Harding) at his interview - our relations with England were more strained than with Germany

December 1, 1916

Lamont (of the J.P. Morgan firm) wires British notes plan abandoned.

December 4, 1916

Harding said Spring Rice said no further statement was necessary; that the proposed plan did not meet with his or Sir Richard Crawford's approval, as if only a few notes were sold it would do no good, while if sales were large it would put Great Britain and France at mercy of U.S. Banks.

March 8, 1917

Sec. M. (McAdoo) said Ambassador Page had cabled President that Board's warning had scared investors and injured British credit; that neither Great Britain nor France could continue shipping gold to the U.S.; that if something not done Great Britain would suspend specie payment.

Board prepared new draft with Sec.M's. consent voted to publish it tomorrow."⁵³

Ironically enough it was the deputy governor of the Bank of England, Brien Cokayne, in a letter to Governor Strong of the New York Federal Reserve Bank, on January 15, 1917 in regard to the Reserve Board warning who pointed out very clearly the dangers in the way of the United States as it has proceeded. The letter follows:

(From the files of the Federal Reserve Bank of New York)

Bank of England,
15th January 1917

Benjamin Strong Esq.
Dear Mr. Strong:

As a matter of fact the announcement though premature, was probably useful as it tended to allay the feeling of soreness which has been caused by the Federal Reserve Board's warning against taking either long or short loans of the belligerents. We ourselves while declining to regard that warning as intentionally unfriendly, are still somewhat at a loss to divine its real purpose. I almost wonder that the Board, (Reserve) when it saw that millions of money were being invested in ephemeral works to supply the enormous temporary requirements of the Allies did not issue a warning in time to check such dangerous expansion. And if it had done so a year or two ago it would have benefitted not only the United States but also perhaps, indirectly, ourselves by forcing us to become more self-supporting. When however, the huge outlay had been incurred and the gigantic orders placed, it did seem rather odd that a warning should have been

53 Senate Res. 206, No. 944, Part 5, 206-210.

54 Ibid., 216-217.

given against facilitating the raising of funds with which to pay for them....

Yours sincerely,
54
Brien Cokayne.

It was during this troubled time that John Maynard Keynes, C.B. who was the official representative of the British Treasury at the Peace Conference and a deputy for the Chancellor of the Exchequer on the Supreme Economic Council stated: "The financial history of the six months from the end of the summer of 1916 up to the entry of the United States into the war in April 1917 remains to be written. Very few persons outside the half dozen officials of the British Treasury who lived in daily contact with the immense anxieties and impossible financial requirements of those days, can fully realize what steadfastness and courage were needed and how entirely hopeless the task would soon have become without the assistance of the United States Treasury.

55

In Governor Strong's confidential memorandum of the last months of 1916, he referred to a confidential letter written to him by President Wilson, and commented upon it on November 27, 1916. The letter is not given in Senate Resolution 206 but we do know that it was about this time that President Wilson called upon Secretary of State Lansing for a detailed report on trade and trade conditions. In a document entitled "Summary of Information in Regard to Credits of Foreign Governments in this Country and the Relation to Trade" Lansing set up the conditions as follows: The outbreak of the war found the United States a heavy debtor in short time notes especially to England. The great cotton trade of the South could not be

55 John Maynard Keynes, The Economic Consequences of the Peace. Harcourt, Brace and House, New York, 1920, 272, 273.

used to cancel this indebtedness so trade in the goods the Allies needed was substituted. This trade had been so great that now credits must be established for the Allies in America by means of short time Treasury warrants, Lansing then stated that the securities could be sold abroad or used for collateral in foreign loans and would be paid at maturity in dollars or equivalent exchange.⁵⁶

Wilson was not entirely satisfied by this document and thoroughly agreed to the warning issued by the Federal Reserve Board on November 27, 1916. At the same time he spoke of the danger that might occur if there was a change of Foreign Policy and the country was flooded with unsecured foreign credit.

The fact that all this wealth was passing through one financial channel was also a disturbing factor. Around the middle of 1915, Great Britain and France made J.P. Morgan and Company their purchasing agent in the United States. Morgan's commission on purchases was one percent on all transactions. The Morgan profit on purchases was \$30,000,000. The Morgan Company sold all the British and French bonds to the American people and made much more than they had on the purchasing game. The bond syndicate sold 500 million dollars of Anglo-French bonds in 1915. All the security these bonds had was the word of England and France. Within a year an additional billion dollars of Allied obligations were scattered among American investors.⁵⁷

The force of all this movement was felt in the long settled states of

56 R.S. Baker, Woodrow Wilson's Life and Letters, Vol.5, 186-187.
57 Woodward, 731-732.

the Atlantic Seaboard where society and public life had always been moulded more or less directly by the influence of Europe. Here the thought of the people was colored by the war news and war needs and it was here that the credit movement began.

58

The feeling in England during the troubled period was that the United States authorities would stand by the British Government. Disputes might arise but they felt there was no real disposition to hamper the allied movements.

59

As the evidence developed, it presented a picture of two great forces contending for the power of a peaceful country which in 1916 had two ambitions - to keep out of war and to make money. The President had been elected on the slogan "He kept us out of war." It was quite true that many who voted for the President were also in the group who wished to make money, and it was this element that created the danger. Frank A. Vanderlip of the New York banking group stated that the war would develop a million new springs of wealth. George D. Baldwin said a corporation cannot live on patriotism, because stockholders must have dividends. The DuPont stock had gone from \$20 to \$1,000 a share, and it was said J.P. Morgan had made more money in two years than his father had made in his life. There were 21,000 new American millionaires - each one a warm friend of the then existing conditions.

60

To show how deep rooted and powerful this group felt and where they sensed their power to lie, we present the written words of F. Townsend Martin, a scion of one of the newly enriched Pittsburgh families: "It

58 Manchester Guardian History of the War, John Heywood Ltd., London, 1919, 71

59 The Times History of the War, End of American Neutrality, London, 1917, 388.

60. Englebrecht and Hanighen, 173.

The banks were still carrying their subscriptions to the British loans of September and November 1916, and with the exception of those banks which had sold out at a loss, were still carrying their subscriptions to the Anglo-French loan of October, 1915. By December 22, 1916, the British demand loan at Morgan's amounted to \$258,000,000 with Morgan's carrying \$138,000,000 although back in October, Lamont had cabled Morgan and Davison who were then in London that with the firm's participation at \$98,000,000 they were approaching their proper limit. By January of 1917 they had to go far beyond their proper limit. As to acceptances, of a figure of \$137,000,000 held by the Reserve Banks in December 1916, \$111,000,000 bore the endorsements of only seven banks. The important point here is not the size of the figures but the place of strain. Most of these acceptances were renewal credits which were substantially unsecured, the original goods behind them had long since passed into the normal processes of war, and therefore only as good as the endorsement of the accepting or discounting bank. If anything had happened to the Allies the Reserve Bank of New York which held the bulk of these acceptances, could not have been paid by the seven banks who had done most of the endorsing.⁶⁵

The crumbling of this mountain of debt pointed to disaster. The Federal Reserve Bank represented the best in advanced banking, created by the Wilson Administration.

The problem could have been met, only at the beginning of the war.

The time was past for any remedial measure.

64 (continued from p.147) Hopkins Press, Baltimore, 1934, 76-77.

65 Ibid., 79.

66 Senate Res. 206, No. 944, Part 5, 71.

large amounts of American securities to use pending arrival of sufficient gold. All these bankers most anxious to cooperate and express willingness to reduce their reserves even below legal limit, if necessary, but as one man they asked the question - what are Great Britain's requirements going to be in the next thirty days? We could not answer this question because the handling of exchange makes that feature absolutely uncertain.

It was apparent to us that our inability to answer this specific question or even to place an outside limit upon the exchange item, was very disturbing to these bankers. We feel, therefore, on this and on every other account, that we must have some early expressions as to plans (plan) of authorities on this point. We are not fully acquainted with what is in their minds. Perhaps they have some undisclosed resources that we are not aware of, but at the present rate of going they will soon exhaust all gold available in transit, and also available American securities even going so far as to assume that we can possibly secure loans up to 80 per cent of the value of these securities. We do not presume to suggest the policy of the authorities but our responsibility certainly requires our pointing out the dangers in the situation so that if we should suddenly find that we had exhausted all available resources of this market, the knowledge of that fact would not come as a shock to authorities. Our own interest this morning in numbers one and two loans was \$90,000,000. Owing to previously explained limitations upon amount any one promisor may borrow, it may be necessary for us in the near future ourselves to become the obligor for your account. You can understand our reluctance to do this as fact would almost undoubtedly become known and create bad effect.⁴⁶

On December 7, 1916, J.P. Morgan again wrote to Morgan in London as follows:

J.P.Morgan and Company
Export Dept.,
New York, December 7, 1916

To Morgan, London.

33131. 28017. 28017. As we are now advancing on

46 Senate Res. 206, No. 944, Part 5, 214-215.

\$2,768,000,000 in the twelve months ending with June, 1915, rose to \$4,333,000,000 in the fiscal year 1916 and to \$6,290,000,000 in the fiscal year 1917. Our largest surplus of exports over imports in any calendar year before the war had been \$691,421,000 in 1913. The export surplus of 1915 was \$1,776,074,000, and in 1916 it was \$3,089,769,000.⁶³ The forces back of this avalanche of gold was not to be stopped by a lone voice crying in the wilderness.

A growing irritation of the Allied course is evidenced in Wilson's letters at this time. Following the blacklist of American firms in 1916, he wrote as follows:

"I am, I must admit, about at the end of my patience with Great Britain and the Allies. This blacklist business is the last straw. I have told Spring Rice so, and he sees the reason very clearly. Both he and Jusserand think it is a stupid blunder. I am seriously considering asking Congress to authorize me to prohibit loans and restrict exportations to the Allies."⁶⁴

On November 24, 1916, Wilson wrote to House and complained of growing more and more impatient with the intolerable conditions of neutrality. Wilson also said that this feeling was as hot against Great Britain as it was at first against Germany, and that it was likely to grow hotter still against an indefinite continuation of the war.⁶⁵

The situation had long since passed out of the hands of the Government. The choice was bankruptcy or war. Wilson's statements were merely idle words. Acts of Congress were granted, but never invoked. The financial record of January, 1917, showed why.

63 Noyes, 117-118.

64 Charles Seymour, American Diplomacy During the World War, The Johns

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64 (continued from p.147) Hopkins Press, Baltimore, 1934, 76-77.

65 Ibid., 79.

66 Senate Res. 206, No. 944, Part 5, 71.

CHAPTER VI

THE PROPAGANDIST

Long before the last belligerent of Europe had hurled his war defiance, the entire group recognized that the "public opinion" of America was the objective toward which their every effort must be directed. The public opinion of America in 1914 was an elusive quantity which included the sturdy peace loving German who had left his Fatherland because he believed that the United States held that for which his heart longed; here too the Irish had found the liberty and freedom for which they had fought and died; Poland, that had been the plaything of every sordid monarch in Europe, had sent her sons and daughters to our shores; the Latin countries of Southern Europe had contributed their romance and culture; the cold Scandinavian countries had sent the best of their blue eyed sons and daughters to our land; and following the Revolutionary War, the Atlantic seaboard retained most of their English groups. The English group gave us our language and their interpretations of the old Roman law.

The fact that there was a common language to interpret thought to our diversified millions was a direct advantage; the mediums for the communication of thought were powerful weapons in the battle; and with these mediums the United States was well supplied.

The basis of power in a democratic nation is the intelligence and culture of its people. The great free public school system of America produced a population practically ready to receive the information prepared for it. No country on earth had such a powerful press - free to spread

the truth, or lies, as it saw fit. Telephone systems connected the remote village with the great news centers of the country. The radio and wireless were within our grasp and news cables led to every foreign land. The battle of the propagandist would be a battle of note.

The position of America in the battle about to begin had been voiced by Woodrow Wilson in his public utterances prior to the war. "It is not possible or necessary to discuss how far these tenets were accepted by the American people as a whole, for, as the utterances of their legal representative at a supreme moment of world history, they will always retain their value."¹

The position of Great Britain possessed the advantage of a common language but the disadvantage of a bitter memory of a war fought for independence, and though the England of 1914 claimed the democratic motives voiced by Wilson, there were those in the United States who considered England in the light of the eighteenth century.²

The weapon the propagandist uses is propaganda: "Propaganda is a campaign camouflaging its origin, its motive, or both, conducted for the purpose of obtaining a specific objective by manipulating public opinion."³ The definition sets up no quality for the campaign which is to be conducted. The origin and motive is hidden and yet our opinion is to be moulded by this insidious weapon. In such a game it appears to the writer that the general public is left in rather a defenseless position.

1 John H. Latane, A History of American Foreign Policy. Doubleday, Page & Co., Garden City, N.Y. 1927, 597-598.

2 Grey of Fallodon, 87

3 Viereck, 11

An American newspaper man voiced his opinion of propaganda as follows:

"Over the door of an ancient structure in Rome there stood, and still stands, a legend, "College of the Propaganda." For propaganda before the World War meant simply the means which the adherent of a political or religious faith employed to convince the unconverted. A few years later the word had entered into the vocabulary of peasants and ditch diggers and had begun to acquire its miasmatic aura. In loose popular usage, it meant the next thing to a damned lie."⁴

If public opinion was to be formed by lies then the lies must have the quality of artistry about them, and the country whose artistry was the most perfected would win. The historian W.E. Woodward gave the palm to Great Britain, stating as follows: "They were specialists in lying, having lied all over the world - in India, in China, America, South Africa, for a hundred and fifty years. During that time they had encountered many sharp contradictions and were prepared for them."⁵ The artistic imagination of the English and French coined words and phrases which pictured the Germans as impossible. "The Rape of Belgium" sounded better than "Invasion of Belgium," "Hun" brought Attila the Hun out of the dust of ages and placed a spiked helmet on his head, and set him loose with his barbarian hordes.⁶

Having presented the definition of propaganda and suggesting that it might include the quality of falsehood, we must present the falsehood; and as the case is against the English, it must be an English writer who presents the falsehood. Arthur Ponsonby, M.P., investigated the Lusitania

4 Will Irwin, Propaganda and the News. McGraw-Hill Book Co., New York, 1934, 3.

5 Woodward, 741

6. Ibid., 739-740.

medal story and explained as follows: It was stated that the German government had a medal struck and presented it to the submarine crew in commemoration of the sinking of the Lusitania, but after the Armistice it was withdrawn from circulation. The medal was made in Munich by a German named Goetz, whom Ponsonby called a cartoonist in metal. His work was not official and only a very limited number of the medals appeared in Germany. There was no inscription on the original medal, which merely showed the Lusitania carrying munitions.

Lord Newton was in charge of propaganda in the British Foreign Office in 1916; Newton took one of the medals to a West End store and asked for a reproduction. It was this reproduction which was sold all over the United States and in every neutral country of the world. It therefore became clear that no medal was given to the crew of the U-boat; the German government could not withdraw a medal it never issued; the large number of medals in circulation was due to the reproduction of Goetz's medal in Great Britain. The propaganda value of the medal was great as Lord Newton admitted. The impression it created was absolutely and intentionally
7
false.

Having established the fact that there were falsehoods in propaganda, our next step is to show whether there was British propaganda in the United States between 1914 and 1917 and how it functioned:

"This conspicuous gap in the treatment of propaganda during the recent war is filled by the essay of James Duane Squires. The essay is limited in scope to the books and pamphlets issued by Wellington House. Only the 7 Arthur Ponsonby, Falsehoods in War Time. E.P. Dutton and Co., New York, 1928, 124-125.

books and pamphlets distributed in the United Kingdom or the United States are used. The material closes with the entrance of the United States into the war on April 6, 1917. This act of America marked the achievement of the major goal of British propaganda." ⁸

The study has all the qualifications necessary: It covers the period 1914 to 1917. It deals with the United States and Great Britain, and only with the material used by the two countries.

The war was not a month old before the output of pamphlets and books on it was immense and before a year had passed, the production of such material was torrential in its amount. The flood of material was produced by the official bureau and by volunteer organizations. The unofficial or volunteer organizations in England may be listed as follows: The Oxford University Faculty group whose contributions were known as the Oxford Pamphlets, and had eighty seven titles; The Cobden Club, which claimed a cultural superiority over Germany; the Fight for Right Movement; A group of Anglican clergy who issued material under the caption, Papers for War Time; The council of Loyal British Subjects of Austrian or Hungarian Birth; United Workers, who revealed England's industrial and financial power; the Atlantic Union, which anticipated our entry into the war; and the Overseas Club. ⁹

Three other unofficial British groups deserve more careful attention. The first of these was the Victoria League whose patrons were "H.M. the King and H.M. the Queen." The work of this group antedated the war and was superior to the contemporary propaganda.

8 James Duane Squires, Propaganda at Home and in the United States, Harvard University Press, Cambridge, 1935, X of preface.
9 Squires, 16-18.

The second group was called the Union Democratic Control. The society was formed on November 17, 1914, and included such men as Normal Angell, H.N. Brailsford, J.Ramsay MacDonald, E.D. Morel, Arthur Henderson, J.A. Hobson, Arthur Ponsonby, Bertrand Russell, Charles Trevelyan and Arthur Zangwell. Senator A.J. Beveridge visited this group in March, 1915, and was much impressed with its work. The publications of this group reveal the dishonesty of the propaganda used in war time England between 1914 and 10 1915.

The third propaganda group deserves special mention. It was termed the Central Committee for National Patriotic Organization. Aside from a few discreet references in certain places the very existence of this group has been forgotten. Some years ago the Keeper of the Papers in the British Foreign Office wrote as follows: "In the early days of the war, Prothero and the late Harry Cust formed on their own initiative a small committee for the purpose of sending out to people in neutral countries supplies of literature intended to support the British cause. They interested in their scheme many well known people in this country and were thus able to give a personal touch to what was in essence propaganda, by directing their literature from distinguished people in this country to their distinguished friends abroad. About the same time a more official propaganda organization was arising under government auspices and the two were soon working together. The official body supplied Prothero and Cust with any literature which they required for their purpose." 11

In the autumn of 1914, the Central Committee for National Patriotic

10 Squires, 19-22

11 Ibid., 23

Organizations stressed the need of a propaganda movement in neutral countries. They issued a call for funds which read as follows: Equally important is the task of laying before neutral countries a clear statement of the British case. It is imperative that immediate steps should be taken to present the full evidence on which our case rests in order to enable neutral countries to arrive at an important judgement. With this end in view the Central Committee has proposed a far-reaching scheme for the translation and distribution of suitable literature in these countries."¹²

It is difficult to determine from the material presented whether Asquith or Grey favored Mr. Charles F.G. Masterman to head the propaganda organization when it became official in the autumn of 1914. Sir Gilbert Parker said Lord Grey appointed Masterman.¹³

Ivor Nicholson had this to say "In Great Britain in the early days of the war the late Mr. Asquith, the Prime Minister, detailed his colleague, the later Mr. Charles F.G. Masterman, to make a beginning with the presentation to the world of the British case in the war. A full and authoritative history of British propaganda throughout the war has never been written and perhaps it never will be written now. For three men, any one of whom should have produced this work, are now dead. Mr. Masterman, who died on November 17, 1927, Mr. G.H. Mair, a great journalist who conducted a branch of propaganda work, who died January 2, 1926, or Sir James Headlam-Morley of the Foreign Office and the Board of Education, who died in September, 1929. Personally I shall always regret that Mr. Masterman never tackled it, if anyone can be said to have founded propaganda in this country and to have laid down the lines on which it should be conducted, it was Masterman.¹⁴

In Mr. Squires' investigation, he forms the statement as follows:

"In September 1914, either Prime Minister Asquith or Foreign Minister Grey invited Mr. Charles F.G. Masterman, then a member of the Cabinet to organize and take charge of a propaganda bureau for the British government. There was at that time no such department in existence and its development and use had to be devised as the war progressed. Mr. Masterman, however, was a man of resourcefulness and was on terms of intimacy with Mr. Asquith. Indeed it is noticeable that despite his really remarkable work as chief British propagandist in the first two years of the war, Masterman's importance in the organization speedily diminished after the downfall of his powerful friend in December of 1916."

15

The offices of British Propaganda Bureau were located in a business structure called Wellington House in Buckingham Gate. Masterman established his propaganda headquarters here, and here it remained until its absorption by the Ministry of Information in 1918.

16

Masterman reported that Wellington House was not concerned with the supply of news to newspapers, but with the production, translation and distribution of books, pamphlets, government publications, speeches, and so forth, dealing with the war, its origin, its history and all the varied and difficult questions which arose during its development; assisting in the placing of articles and interviews designed to influence opinion in the world's newspapers and magazines, especially in America; the wide distribution of pictorial matter, cartoons, pictures and drawings, photographs for insertion in newspapers and periodicals, and for exhibition; the

14 (con't from p.155) Ivor Nicholson, "An Aspect of British Wartime Propaganda." Cornhill Magazine, Vol.70, 593-606, (January to June, 1931)
 15 Squires, 25-27. 16. Ibid., 27.

production and distribution of cinematography films; helping to provide information and facilities to the London correspondents of neutral, especially American papers, personal correspondence with influential people abroad, especially in America; arrangements for the interchange of visits, of personal tours to neutral and allied countries and of visits of distinguished neutrals and of representative of the Allies to this country; the production and distribution of maps, diagrams, posters, lantern slides and lectures, picture post-cards, and all other possible means of miscellaneous propaganda.¹⁷

One of the attempts of Wellington House to influence the American people met with defeat. They used the gramophone record and the excellent recording voice of Sir William Robertson. His message to America rang out clear and strong. He told of British achievement and then, in a fine crescendo added "I say to America: send along every man, gun, and aeroplane you can; send them now, and help to finish the business on hand quickly and for all time."¹⁸ The American people did not buy the gramophone records any more than they bought the Allied loans and this form of propaganda was given up.

In "An Analysis of the Hoover WarLibrary" Stanford, California, 1921, E.D. Adams has a footnote on page 30 which gives the reason why there was so much secrecy in connection with British propaganda during 1914-1917. Adams states, "In organizing the British propaganda to be issued by Wellington House, a special effort was made by the Foreign Office to gather enemy propaganda that this might be studied and met in the British publication.

17 Squires, 28-29.

18 Nicholson, 602.

There came into existence at the Foreign Office, therefore, a most unique library of enemy propaganda, and into it was gathered also every kind of publication from all the nations at war and even from neutrals, that might by study reveal governmental and popular attitude toward the war. From all this somewhat chaotic material, a special study was made by experts and condensed into a printed confidential analysis of enemy propaganda and for each nation of the world, showing authors, titles of work, character and suggestion as to how British propaganda should meet it."¹⁹

A reorganization of the first propaganda division occurred in 1916. Colonel Buchan was put in command. The new organization consisted of four divisions, as follows: (1) Mr. Masterman's Wellington House handled books and pamphlets; (2) A cinema department under the direction of Masterman's old lieutenant, Mr. Mair. This division also entertained foreign visitors; (3) The Political Intelligence Department, whose primary function was the gathering of evidence on the state of public opinion the world over as it was manifested in the newspaper press; (4) The News Department which was the "Imaginative department."²⁰

Shortly after the war broke out James Davenport Whelpley, a competent English observer, wrote an article for the Fortnightly Review. The subject of the article was "The Courting of America." Two paragraphs from this article are of importance to us at this time. The paragraphs, or their pertinent parts, follow: "It is unfortunate that the British people, officially, semi-officially, or privately, should have deemed it the part of

19 Squires, 29-31.

20 Ibid., 34-35.

wisdom to make any move toward an attempt to influence American public opinion as to matters concerned with the present war. Undue effort to influence public opinion, and more quickly in America than elsewhere, generally reacts unfavorably. The American press and people are suspicious of so-called publicity work.... It must be of the highest order to be of value and carry with it no suggestion of inspiration to work its end.²¹

This highest type of propaganda was in the United States and was placed in the hands of Sir William Wiseman.²² Although he played a momentous part in the history of the World War, his name was almost unknown to the general public. The head of the British Secret Service and secret head of British propaganda in the United States, he was the concealed musician playing the organ of propaganda behind the scene. Manipulating public opinion, he deliberately effaced himself.²³

Sir William Wiseman had absolute authority in America. His nearest superior was in London. No Embassy interfered with him. In spite of unlimited resources, Wiseman did not encourage lavish expenditures. Under Wiseman's guidance, British propaganda dedicated itself to the task of educating "public" opinion and Congress, in order to insure the enormous loans and supplies that Britain required. After 1919 Sir William Wiseman acted as the official adviser of the British delegates at the Peace Conference on all matters pertaining to the United States. He is today a partner in a celebrated international banking house.²⁴

21 James Davenport Whelpley, "The Courting of America." The Fortnightly Review, Vol.102, 682-689 (October 1914)

22 Viereck, 3

23 Ibid., 3.

24 Ibid., 135-136.

When the war broke out there were in Paris three Americans who at one time held the position of American Ambassador to France. They were Robert Bacon, Myron T. Herrick and William Graves Sharp. The last named gentleman was President Wilson's appointee, but did not assume his official duties at the embassy until December 1, 1914. It is with reference to these three Americans that an able French historian wrote as follows:

"One of them who was also an intimate friend of Roosevelt's had with the writer of these words an important conversation worthy of being repeated. He said: 'In the United States there are at present perhaps 50,000 persons who feel that the nation should immediately intervene in the war on your side. But there are over 100,000,000 Americans who do not think so. Our duty is to reverse those figures so that the 50,000 may become 100,000,000.'"²⁵

In a footnote Squires gave this information: The historian was Gabriel Hanotaux. His history is "Historie Illustrée de la guerre de 1914" (Paris 1914-1924) IX, 56. Hanotaux does not give either the time of this conversation or the identity of the American. But in the preface which Hanotaux contributed to the volume by James Brown Scott, Robert Bacon: Life and Letters (New York, 1923) page XVIII, he repeats the conversation, giving Bacon as its author and placing the conversation early in 1915.²⁶

The 100,000,000 appears to have become the "happy hunting ground" of propagandists of every description.

On September 10, 1914, Sir Edward Grey wrote to Ex-President Roosevelt as follows:

²⁵ Squires, 42-43

²⁶ Ibid., 43.

My dear Roosevelt: J.M. Barrie and A.E.W. Mason, some of whose books you have no doubt read, are going to the United States. Their object is, I understand, not to make speeches or give lectures, but to meet people, particularly those connected with Universities, and explain the British case as regards this war and our view of the issues involved.

In case you have not met them before, I wish to tell you that I am sure you would like them, and find them interesting. I have asked Spring Rice to give them letters of introduction to you.

27

E. Grey

Ex-President Roosevelt answered on October 3, 1914. This was not long after President Wilson had called for neutrality of thought as well as of action. To make a mild comment at this point, it would be difficult to claim strict neutrality for the following letter:

Thirty East Forty Second Street
New York City
October 3, 1914

My dear Grey,-

I have just received your letter, and have immediately asked Barrie and Mason to lunch with me.

I am in opposition to the Administration and to say how I myself would have acted, when I am not in power and when the action I would have taken is the reverse of that which the present Administration takes would do harm and not good. This is especially so because the bulk of our people do not understand foreign politics, and have no idea about any impending military danger. When I was president, I really succeeded in educating them to a fairly good understanding of these matters, and I believe that if I had been president at the outset of this war they would have acquiesced in my taking the stand I most assuredly would have taken as the head of a signatory nation of the Hague Treaties in reference to the violation of Belgium neutrality....

28

Theodore Roosevelt

British authors including Kipling, Galsworthy, Hardy, Masfield and

27 Grey of Fallodon, 143-144

28 Ibid., 144-145.

Barrie, who came to visit us, united in a statement showing the righteousness of the Allied cause and its vital import to the world. One hundred and fifty British professors exchanged literary volleys with thirty four German dignitaries. Forty-five British artists and art lovers were pitted against ninety six German professors of art and science.

29

At a dinner given by the Pilgrim Society in New York to Sir Walter Raleigh and Alfred Noyes, the latter solemnly warned his hearers that Germany was contemplating establishing colonies in South America in contravention of the Monroe Doctrine. Noyes told his hearers that he had in his pocket an atlas published in Germany which contained a map of South America with twenty five or thirty places marked in red as German colonies.

30

On February 9, 1917, Representative Callaway inserted in the House Record, with unanimous consent of the members the following report of Mr. Moore of Pennsylvania:

In March, 1915, the J.P. Morgan interests, the steel shipbuilding and powder interests and their subsidiary organizations got together twelve men high up in the newspaper world and employed them to select the most influential numbers of them to control generally the policy of the daily press in the United States.

These twelve men worked the problem out by selecting 179 newspapers, and then began by an elimination process to retain only those necessary for the purpose of controlling the general policy of the daily press throughout the country. They found it was only necessary to purchase the control of twenty five of the greatest papers. The twenty five papers were agreed upon; emissaries were sent to purchase the policy, national and international, of these papers; an agreement was reached; the policy of the papers was bought to be paid for by the month; an editor was furnished for each paper to properly supervise and edit information regarding the question of preparedness, militarism, financial policies and other things of national and international nature considered vital to the interests of the purchasers.

This contract is in existence at the present time, and it accounts for the news columns of the daily press of the country being filled with all sorts of preparedness arguments and misrepresentations as to the present condition of the United States army and navy, and the possibility and probability of the United States being attacked by a foreign foe.

This policy also included the suppression of everything in opposition to the interests served....³¹

The firm of J.P. Morgan Company never claimed to be neutral. It acted as the purchasing agent and chief banker for the British government.³²

There is no complaint to be made of them. The government had the power to curb their activities when they showed the trend they proposed to take.

Our Ambassador in Great Britain openly avowed his belief in the Allied cause and of him the British Foreign Secretary wrote as follows:

From the first he considered that the United States could be brought into the war early on the side of the Allies if the issues were rightly presented to it and a great appeal made by the President. Whether he was right in that opinion does not matter now. What does matter is that his record stands, and will stand, as a conspicuous example of the highest type of patriotism - that patriotism which is not only love of one's country, but belief in it.

The forces that made for dangerous trouble between Britain and the United States were often formidable in the first two years of the war. Page was earnest and active in advice to us and by all persuasion and influence that he could use at Washington, to counteract and foil these forces. The comfort, support and encouragement that his presence was to the Secretary for Foreign Affairs in London may be imagined but cannot be overestimated.³³

With one of the most powerful banking institutions in our country to lead the financial interests in the Allied Channels, with his Ambassador openly hostile to the neutrality which he had declared, and with the trade directed into the channels of war supplies, the hope for neutrality grew dim. There was no neutrality about the munitions group that had been ably

31 Congressional Record, 64 Cong., 2 sess., Vol. 54, 2947-2948.

32 Senate Res. 206, No. 944, Part 5, 75.

pointed out by George H. Perris of London. The statement was made at a Peace Conference at the Hague shortly before the war. The firm in question later became the celebrated "Vickers and Armstrong." The statement of Perris follows:

I will take the case of Messrs. Armstrong, Whitworth and company, as a sample of the patriotism of these traders' firms. The chairman is one Sir Andrew Noble, and I beg you to note the impartiality of his patriotism. He is a baronet, and a knight commander of the Bath of Great Britain, a member of the Order of Jesus Christ of Portugal, and a knight of the Order of Charles the Third of Spain. He is also a first class of the Sacred Treasury of Japan, a grand cross of the Crown of Italy, and is decorated with Turkish and Chilean and Brazilian honours. His patriotism is truly the large patriotism. But unlike our patriotism it has a strict cash basis. Messrs. Armstrong will build warships for any country in the world; they are quite impartial.³⁴

The writer hopes that the large patriotism of the gentleman, above described, which transcended nationality, religion or race may be exercised by the peoples whose hates are aroused only to destroy themselves. If the munition maker's patriotism is on a cash basis only, let us put ours on a common sense basis only.

The claim is made that as soon as the war broke out, Sir Gilbert Parker seized the reins of British propaganda in the United States. The statement is rather confusing, as it refers only to his work in England which was the development of an unheard of American correspondence and the arrangement of interviews for American newspaper men with such figures as Lloyd George, Viscount Grey, Balfour, Bonar Law, the Archbishop of Canterbury, Sir Edward Carson, Lord Robert Cecil, Austen Chamberlain, Lord Cromer, Lord Curzon, Lord Gladstone, Lord Haldane, Henry James, John Redmond,

33 Grey of Fallodon, 101-102

34 Seldes, 25.

Mr. Selfridge, the Department store king, Israel Zangwell, Mrs. Humphry Ward, and fully a hundred others.

35

Another department of British propaganda was to supply 360 newspapers in the United States with an English newspaper which gave a weekly review and comment on the affairs of the war. It established contacts with the man on the street through moving pictures of the army and navy. Sir Gilbert cultivated the article and the pamphlet. He made a point of sending letters to the editor in reply to individual American critics. These letters were printed in the chief newspapers in the cities in which the critics lived and were frequently copied elsewhere.

36

Sir Gilbert enlisted the cooperation of the Society of Pilgrims. He helped to establish the American Officers Club in an aristocratic mansion in London. This club was under the auspices of the Duke of Connaught. It was Sir Gilbert Parker who was instrumental in assuring the success of the Honorable James M. Beck's pilgrimage to England in 1916. Beck went with the avowed object of working for unity between the United States and England. Ten years after the war closed Sir Gilbert Parker stated that every penny of this expense was paid by the British government except the contributions received from the Americans.

37

James Montgomery Beck was a congressman from the first Pennsylvania District - he filled the unexpired term of James M. Hazlitt and was re-elected to the 71 and 72 Congress. In 1914, he wrote a book entitled "The Evidence in the Case." The book was pro-ally, as was his next volume

35 Viereck, 127

36 Ibid., 127-128

37 Ibid., 128-129.

"War and Humanity," which he put upon the market in 1916. It was during 1916 that he visited England. He was entertained royally while abroad and was made an Honorable Bencher, Greys Inn in England and Officer of the Legion of Honor in France. Loyola University conferred the degree of LL.D. on him in 1931.³⁸

Beck's book, "The Evidence in the Case," passed through twelve editions within the year. It purported to be a careful examination of all the evidence and resulted in an overwhelming verdict of war guilt against Germany.³⁹

Sir Gilbert Parker did not come to the United States until early in 1917. It was during this time that Sir William Wiseman carried on quietly in the United States. The references are scant but they show a very close connection between ourselves and England.⁴⁰

Sir William Wiseman regarded his work during 1914-1917 as counter-propaganda or unofficial propaganda. Unofficial activities are at times more important than official activities. If Colonel House was the unofficial Secretary of State, Sir William Wiseman was the secret Ambassador of Great Britain. Both House and Wiseman had the key to the White House and both consulted almost daily in 1917. A private wire ran from the study of Colonel House to the State Department and all House had to do was to lift the receiver and he could communicate with Mr. Polk, the Counsellor for the State Department. In one of Lord Northcliff's flying visits to the United States, he cabled Winston Churchill as follows: "Sir William Wiseman is the

³⁸ A.N. Marquis. Who's Who in America. A.N. Marquis Company, Chicago, 1932, Vol. 7, 276

³⁹ Squires, 58-59

⁴⁰ Ibid., 56

only person who has access to Wilson and House at all times. He had an hour and a half with Wilson last week and a day with House. The administration is entirely run by these two men. Wilson's power is absolute and House is a wise assistant. Both are pro-English."⁴¹

The two letters which follow are offered without comment.

New York, January 23, 1917

Dear Governor:

The echoes of the speech sound increasingly good. The Manchester Guardian, so far, has the best comment and warns the British Government in no uncertain terms.

Hoover was with me again today, and I extracted this suggestion from him which seems worth consideration. It is that the next move should be to ask each of the belligerent governments whether they agree to the principles laid down in your speech. If not to what do they object? If they agree then it is well within your province to ask them to meet in conference.

Sir William Wiseman has not returned from Washington as he thought it best to remain there today in order to get the full opinion of the Allied group.

Whitehouse (A British liberal M.P.) is tremendously pleased.

Yours affectionately

E.M. House⁴²

On January 25, 1917, Colonel House wrote to the President again:

New York, January 25, 1917

Dear Governor:

Wiseman brought a depressing story from Washington. He said that on the surface and officially your address was accepted with cordiality, but that underneath there was a deep feeling of resentment. The underlying feeling was that you

41 Viereck, 125-126

42 Seymour, The Intimate Papers of Colonel House, 419.

were making a proposal to enforce arbitration in the future while the Allies were giving up both blood and treasure now for the same purpose. If Germany had arbitrated as Grey demanded, this war could not have happened. Germany refused, and the Allies are doing exactly what you suggested should be done in the future; that since they are doing now what you suggest for the future, we should have more sympathy in their present undertaking. They consider it "inconsistent for us to want to let Germany go free from punishment for breaking the very rules we wish to lay down for the future.

He says this is the consensus of the Allied view at Washington.

Wiseman's individual view is that in pressing the Allies too hard for peace, at this time you will be doing the cause of Democracy harm. He asserts every belligerent government is now in the hands of the reactionaries and must necessarily be in their hands when the war ends. He believes if we are not careful we will find that these forces in the belligerent Governments will all come together when peace is made, and it is not at all unlikely that their concentrated hate for Democracy will be centered upon this country.

Peace, he says, must come first, and then a plan to enforce arbitration afterwards. He thinks it is possible that after peace is signed, and before the arbitration agreement is made, the reactionary forces might refuse to go into any league for future peace and make some pretext to turn upon us in order to save autocracy.

This seems to be a remote contingency, but nevertheless if I were you I would speed up the army and navy plans as a matter of precaution.

We are in deep and troubled waters, but I have an abiding faith in the ultimate good that will come from your noble effort.

Your affectionate
43
E.M. House

In an effort to be a fair and impartial recorder of the Diplomatic events and the results which flowed from the events, I insert the following portion of a personal letter from Colonel House. It is his statement and

43 Seymour, The Intimate Papers of Colonel House, 420-421

the only one which has any bearing on the material in this paper.

Manchester, Massachusetts
August 2, 1935

My dear Miss Pyne:

If you will read the Intimate Papers of Colonel House by Professor Charles Seymour, you will find that he treats all such matters in detail, and you will have the answers you desire.

With all good wishes

Sincerely yours,

⁴⁴
C.M. House

The summer of 1916 was clouded by the Rebellion in Ireland and the execution of Irish political prisoners. The United States Senate had adopted a resolution asking for clemency for Sir Roger Casement therefore the question became a diplomatic one. The Foreign Relations of 1916 contain the following correspondence.

In the Senate of the United States July 29, 1916:
Resolved, That the Senate express the hope that the British government may exercise clemency in the treatment of Irish political prisoners; and that the President be requested to transmit this resolution to the government.

On August 2, 1916, the following appears in the Foreign Relations:

Acting Secretary of State to Ambassador in Great Britain (Page)
(Telegram, Washington, August 2, 1P.M.)
3606. Please transmit textually to Foreign Office the following resolution:

In the Senate of the United States, July 29, 1916
Resolved, That the Senate express the hope that the British government may exercise clemency in the treatment of Irish political prisoners; and that the President be requested to transmit this resolution to that government.

⁴⁵
Polk

44 A personal letter from Col. House.

45 F.R. 1916 Supp. 870, Doc. No. 841.00/20

At the bottom of the page occurs the following notation: "The resolution was received from the White House August 2, 1916 after 11 A.M."⁴⁶

Telegram) Washington, August 2, 1916, 5 P.M.

3608 Departments 3606 August 2. Please report immediately if Senate Resolution presented to Foreign Office, and also any further details on Casement Case.

⁴⁷

Folk

Charge' in Great Britain (Laughlin) to Secretary of State (Telegram) London, August 3, 1916, 4 P.M. (Rec'd. 3:40) 4654. Your 3608 August 2, 5 P.M. I delivered to Lord Grey today your 3606 which reached me this morning. He did not promise an answer but said he would communicate the Senate Resolution to the Prime Minister and probably lay it before the cabinet.

Casement was executed early this morning.

⁴⁸

American Embassy

On August 28, 1916, Grey of the Foreign Office wrote to House:

London, August 28, 1916

Dear Colonel House:

I hope the United States will make it clear that in all questions of International Law taken up by them, it is the merit of the question and not the unpopularity of Great Britain or Anti British feeling that is the motive of force.

We are not favorably impressed by the action of the Senate in having passed a resolution about the Irish prisoners though they have taken no notice of the outrages in Belgium and massacres of Armenians. These latter were outrageous and unprovoked, whereas the only unprovoked thing in the recent Irish affairs was the rising itself which for a few days was a formidable danger. I enclose a short summary

46 F.R. 1916 Supp. 870, Doc. No. 841.00/20

47 Ibid. 870

48 Ibid., 871, Doc.No. 841.00/21

that was drawn up here as relevant to the Senate resolution though we have not yet sent it to the President. The natural question on the action of the Senate is, if humanity is their motive, why do they ignore the real outrages in Belgium?

Sincerely yours,

49

Grey of Fallodon

Wilbur Forrest tells of the anxiety of the British Government to get their side of the Irish trouble to the United States. The Admiralty in London found out that two American correspondents were in Holyhead demanding navy transportation to the Emerald Isle, the British naval authorities said:

What an excellent chance! Let us send down all the American correspondents to Ireland. The United States is not in the war, and there are millions of Irish Americans whose sympathies will be with the Sein Feiners. It is essential to get the British point of view over to the Americans who are not of Irish extraction and the more American correspondents get to Dublin, the greater weight will the British viewpoint have in the United States.

Forthwith the Admiralty began to telephone every American correspondent within reach. Nine out of ten agreed to go. Captain Butler was in charge. The party consisted of twenty persons, including Augustus Birrell, the British Cabinet's Secretary for Ireland. They were taken from Holyhead to Ireland on a British Destroyer.⁵⁰

Forrest sat in the High Court of Justice in Fleet Street in London while Sir Roger was tried for high treason. He heard the Lord Chief Justice proclaim Casement guilty and sentence him to be hanged with a silken cord, an honor which the British law allows titled persons at their execution. Sir Roger complained in a voice as calm as it might have been at an afternoon tea. He objected to conviction under a statute eight hundred years old. Forrest sat a few feet from him and prepared a minute description. The 49 Seymour, The Intimate Papers of Colonel House, 317-318
50 Wilbur Forrest, Behind the Front Page. D. Appleton-Century Co. New York, 52-3

British censor declined to pass it. Forrest's message never reached New York.⁵¹

There was a strange blend of pure Americanism in Page which at times overshadowed his intense pro-English feeling. On August 1, 1916, he records the following memorandum:

I lunched with Mr. Asquith.... He showed a very eager interest in the President's campaign, and he confessed that he felt some anxiety about the Anti-British feeling in the United States. This led him to tell me that he could not in good conscience interfere with Casement's execution, in spite of the shoals of telegrams that he was receiving from the United States. Then he asked me about Mexico, as he usually does when I talk with him. I gave him as good a report as I could, reminding him of the great change in attitude of all Latin America caused by the President's patient policy with Mexico. When he said 'Mexico is a bad problem,' I couldn't resist the impulse to reply: 'When Mexico troubles you, think of Ireland.' Ireland and Mexico have each given trouble for two centuries.⁵²

The sands were running low in the glass of American neutrality when Sir Gilbert Parker came to us in January of 1917. Sir Gilbert tells the story himself as follows:

"Perhaps here I may be permitted to say a few words concerning my own work since the beginning of the war. It is in a way a story by itself but I feel justified in writing one or two paragraphs about it. Practically since the day that war broke out between England and the Central Powers I became responsible for American publicity. I need hardly say that the scope of my department was very extensive and its activities widely ranged."⁵³

51 Forrest, 64-65

52 Hendrick, Vol.2, 168-169

53 Sir Gilbert Parker, "The United States and the War." Harper's Monthly Magazine, Vol. 136, 521-530 (December 1917 to May 1918)

Since 1914, the American people through their Press which had become a formidable power for moulding public opinion to suit national policy: 54 by personal appeal as noted in our Ambassador; by books and pamphlets; and by cinema and radio, were led to the slaughter.

Farther on in his article Sir Gilbert Parker sets up the paragraph which reveals so much and hurts so deeply.

I had been in America through all these months of developing purpose and sentiment and I had seen a whole people, who in January last had appeared to have grown indifferent to horror, suddenly amalgamate themselves, strip themselves of levity and indifference and the dangerous and insidious security of peace, into a great fighting force which is not the less a fighting force because down underneath everything in the United States is a love of peace and devotion to the acquisition of wealth.⁵⁵

Just possibly Sir Gilbert's contacts had given him an insight into a class of Americans whose ignoble purposes are no more representative of the great body of Americans than would a like group be representative of the great hordes of Englishmen.

There is not to be found in the whole panorama of modern history a more perfect example of a great and powerful nation being used as a cat's paw. When we finally went into the war in a military sense, after being in it all along in an economic sense, the Allied chestnuts were burned to a crisp and of course, every one knows that the American paw was badly 56
singed in pulling them out.

54 A.L. Kennedy, M.C. Old Diplomacy and New, 1876-1922. D. Appleton and Company, New York, 1923, 194.

55 Parker, 523

56 Woodward, 729-730

The English had one inestimable advantage in the battle of propaganda. They spoke our language. They could travel beside us in the crowd and pass as Americans. They controlled the news centers of the world. The common bond of language was the magic touch. From this bond ran the spoken and written appeal that touched the heart of the world's greatest democracy.

When we read their poetic appeals, the propaganda was covered by the sense of right and justice which it carried. Robert Bridges, the Poet Laureate of England, wrote in "Wake Up, England:"

Up carelsss, awake!

Ye peacemaker's, fight!

England stands for Honour:

God defend the right!⁵⁷

Laurence Benyon contributed "The Fourth of August." The appeal of this poem is great after twenty years of disillusionment.

Now in thy splendour go before us,

Spirit of England, ardent-eyed!

Enkindle this dear earth that bore us,

In the hour of peril purified.

For us the glorious dead have striven;

They battled that we might be free.

We to that living cause are giving,

We arm for men that are to be.⁵⁸

Alfred Noyes who carried the Atlas, marked in red, to show the German colonies established in South America when he visited the United States in 1914, contributed "The Fourth of August." The appeal of this poem is great after twenty years of disillusionment.

States, voiced his emotions in "The United Front."

It is God's answer. Though for many a year,
 This land forgot the faith that made her great,
 Now, as her fleets cast off the North Sea foam,
 Casting aside all faction and all fear,
 Thrice armed in all the majesty of her fate,
 Britain remembers, and her sword strikes home. 59

The spirit of Drake and other English pirates and buccaneers is in the poem by R.E. Vernede's "England to the Sea:"

Hearken, O Mother, hearken to thy daughter!
 Fain would I tell thee what men tell to me,
 Saying that I henceforth no more or any water
 Shall I be first or great or loved or free.

Wherefore, O Sea, I stand thus before thee
 Stretch forth my hands unto thy surge and say:
 "When they come forth who seek their empire o'er thee
 And I go forth to meet them - on that day.

God grant to us the old Armada weather,
 The winds that rip, the heavens that stoop and lour
 Not till the Sea and England sink together,
 Shall they be masters! Let them boast that hour! 60

58 (continued from p.174) Poems of the Great War. Published on behalf of the Prince of Wales' National Relief Fund, Chatto and Windus, London, 1914, 13-14.

59 Ibid., 15-17.

60 Ibid., 18-20.

John Drinkwater contributed "We Willed It Not" in which he voices the peaceful pursuits of England and states the quarrel had been thrust upon her. G.K. Chesterton set up the position of England in "The Wife of Flanders" as follows:

How should I pay for one poor graven steeple
 Whereon you shattered what you shall now know?
 How should I pay you miserable people.
 How should I pay you everything you owe?

Unhappy, can I give you back your honor?
 Though I forgave, would any man forget?
 While all the great green land has trampled on her
 The treason and the terror of the night we met. ⁶¹

All the trade dispute between England and the United States is voiced in the verses of the poem which follows. The floating mines, the Orders in Council, the trade agreements, all flowed from this action "The Hour" by James Bernard Fagan:

We've shut the gates by Dover Straits,
 And North where the tides run free,
 Cheek by jowl, our watchdog's prowl,
 Grey hulks in a greyer sea.
 And the prayer that England prays tonight -
 O Lord of our destiny!
 As the foam of our plunging prows is white;
 We have stood for peace and we war for right,
 God give us victory! ⁶²

Strange to say, it was Kipling who struck the note dear to Catholicity the world over, in his "Hymn Before Action." Humble and tender were the words of the old warrior poet, with a mute appeal to the broken hearts of the womanhood who waited:

Ah! Mary, pierced with sorrow,
 Remember, reach and save
 The soul that comes tomorrow
 Before the God that gave;
 Since each was born of woman,
 For each at utter need -
 True comrade and true foeman -
 63
 Madonna, intercede!

There was another group of English poets. They sang another song; a song which explained the economic tie up with the military glory. The daily papers announced that the shares of the Bethlehem Steel Company had risen rapidly in consequence of the war, and W.N. Ewer wrote "Bethlehem"

A.D.1

Seraphs hymn the Saviour's birth:
 Over the manger hangs a gem,
 A pledge of peace to all the earth,
 The risen star of Bethlehem.

61 Poems of the Great War, 23-24

62 Ibid., 21-22

63 Ibid., 37-38.

A. D. 1915

Mars and Mammon laugh to see
 Over the ruin wrought by them,
 The symbol of their sovereignty
 The risen shares of Bethlehem.⁶⁴

Lord Northcliffe arrived here in 1917. England owed the private bankers of America \$400,000,000. She was unable to pay this except with American aid. It was necessary to conciliate American public opinion with the idea of financing the British Empire. The lords of British propaganda thought America underestimated England's sacrifices.

Northcliffe cabled Balfour: "You may rely on me never to use minatory language. I have been dealing with these people for thirty years. Nothing can be gained here by threats, much by flattery and self abnegation."⁶⁵

Northcliffe endeavored to see Ford but Ford put him off. Northcliffe wrote as follows: "It may be necessary for me to go to Detroit and eat humble pie, and if so, I will do so gladly. Ford is entirely indifferent to financial consideration."

The two men met. Ford is charmed. "Ford" says Northcliffe, with uncanny intuition, "who looks like the Bishop of London, is an anti-militarist, an ascetic, and must not be treated as a commercial man." Northcliffe advised the Prime Minister to be cinematographed with the Ford Tractor, because he knows Ford will appreciate the compliment. Northcliffe ordered a copy of Cabbet's Rural Rides and one of Tennyson's Letters sent to Ford. Northcliffe cabled, with equal shrewdness, to "Please send the
 64 Bertram Lloyd, An Anthology: Poems Written During the Great War. G. Allen and Unwin, London, 1918, 39
 65 Viereck, 140-141.

books directly to him in Detroit with my compliments." ⁶⁶

The sands are out. One by one they fell, unseen and unattended. The slight modification of the Declaration of London, the mine fields of the North Sea, the Orders in Council, the blockade, the sea lanes, the controlled trade, the cry of the neutral world for help, the vast loans, the coldly calculated propaganda that plumbed our every strength and weakness.

The Man, who on an August day in 1914, had called for a neutrality of thought as well as of deed, on an April morning in 1917, called for the same nation to follow him in war "for God helping him he could do no other," What of him?

66 Viereck, 141-142

THE MAN

Woodrow Wilson was pro-English. On that point we may all agree. Here the writer departs from the beaten path and sets up the following qualifications. The England that Wilson had in mind was an intellectual England. The home of a race of men who had produced Mills, Burke, Bright, Cobden, Bagehot and Gladstone, Shakespeare and Wordsworth. It was the country whose tradition and greatness had been developed in his home.

The England that Wilson faced was the England that had forced a government on Egypt, India and Africa; it was the England that had become the financial center of the world; the England that was mistress of the sea lanes of all the oceans; the country that had developed the most powerful school of propaganda in the world.

Wilson was a slow thinker. He admitted that he had a greater sense of power when dealing with men collectively than singly. Singly he felt a sacrifice of pride. Collectively he possessed a matchless skill. He had ideas which touched the hearts of the people. Those ideas were not of recent development. He had carried them with him from boyhood. He intended that America should return to the spirit of the Constitution. Like Thomas Jefferson he believed that the people were reasonable human beings; that right and justice must triumph in the end.

Wilson hated war. He never intended that this country should enter the war. Neither did he intend that German militarism should rule in Europe. Wilson intended to force a peace between the exhausted belligerents.

He intended to come in as a powerful neutral and set up a peace without victorious terms. The League of Nations was to enforce that peace. England wanted a victorious peace forced on the Central Powers and a League of Nations to forever enforce its terms.

Wilson could assume a position and refuse to budge, but he had no other mode of defense, and it needed as a rule, but little maneuvering by his opponents to prevent matters from coming to a climax. By pleasantries and an appearance of conciliation, Wilson was maneuvered off his ground and missed the great moment of opportunity.

On April 6, 1917, he faced two problems that demanded an instant answer: (1) He could remain a neutral. Result: Utter collapse of the Allies; and with them the trade and finance of the United States; also Wilson's chance to appear as a member of the Peace Conference, for a victorious Entente would make his participation in peace parleys impossible. (2) He could join the Allies. Result - The German Military Government would be destroyed. The war would be prolonged, but Wilson would be a member of the Peace Conference on equal terms with the rest of the Allies.

Ironies:

- 1) Wilson did not want to enter the war.
- 2) The Allies did not want him in the Peace Conference as a neutral.
- 3) Wilson wanted to stop the war and if he entered it the war would be prolonged.
- 4) Wilson wanted to lead the neutrals in the Peace Conference, but step by step he had been skillfully maneuvered out of his position by the present reality of the England of his dreams, and the

cooperation of Americans who cared more for "gold" than for the country of their birth or the lives of the young manhood of America.

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