LIBERTY UNIVERSITY

THE MINISTRY OF ECONOMIC WARFARE: ANGLO-AMERICAN RELATIONS FROM 1939-1941

A THESIS SUBMITTED TO

THE DEPARTMENT OF HISTORY

IN CANDIDACY FOR THE DEGREE OF

MASTERS OF HISTORY

BY

JONATHAN M. DAVIS

LYNCHBURG, VIRGINIA

APRIL, 2013

TABLE OF CONTENTS

Introduction

It is a challenge to conceptualize the modern world economy without first acknowledging the leadership and protection provided by the robust transatlantic alliance of Great Britain and the United States. In fact, few Americans alive today can remember a time when these two dominant nations did not maintain a bond of friendship to guide and safeguard the flow of trade within the modern world. It only takes a brief glance at the years leading up to World War II to see that these now steadfast friends once stood as giants leering across the Atlantic, daring the other to assert itself as the global economic leader. Prior to World War II, the world enjoyed the 'Pax Britannica' where Great Britain's Navy insured free trade amongst the global sea lanes.[1] Not only did Great Britain command the world's premier navy, but also possessed an empire spread across seven continents.[2] The United Kingdom of the 1930s had sovereignty over 500 million people within its global territory of 13.6 million square miles.[3] Great Britain rested near the zenith of economic power and influence prior to World War II and saw only the quickly-rebuilding Germany and the United States as its potential competitors for economic dominance.

In July 1938, Great Britain perceived itself as precariously perched between a potential war with Germany, and a hungry United States eager to push its trade influence.[4] The British ambassador throughout the 1920s, Sir Auckland Geddes, expressed this inherent fear of the U.S. push for dominance claiming that, "The central ambition of this realist school of American politicians is to win for America the position of leading nation in the world and also of leader of

[1] Crane Brinton, *The United States and Britain* (Cambridge, MA: Harvard University Press, 1948), 51.

[2] Ibid., 55.

[3] Ibid., 54; U.S. Department of State: Bureau of European and Eurasian Affairs, "United Kingdom of Great Britain and Northern Ireland," http://www.state.gov/r/pa/ei/bgn/3846.htm (Accessed December 20, 2012). This is in comparison to the current U.S. territory of 3.8 million square miles. Current population within Great Britain stands at 63 million.

[4] Robert Divine, *The Illusion of Neutrality* (Chicago: The University of Chicago Press, 1962), 83. Great Britain feared that the United States would trade to both sides as they had done at the outset of World War I. Many in the United States viewed this as an ideal stimulus to pull their nation out of its depression.

English speaking nations."[5] In the event of war, Great Britain hoped to prevent Germany from obtaining vital war supplies to fund its war effort and slow the American climb to economic dominance without antagonizing its neutral status.[6] With these goals in mind Great Britain created the Ministry of Economic Warfare.

Prime Minister Neville Chamberlain[7] authorized the creation of the Ministry of Economic Warfare in the event that war was declared with the objective "to so disorganize the enemy's economy as to prevent him from carrying on the war."[8] The ministry's purpose was to "deprive the enemy of the material means of resistance and war making."[9] This was an important but tricky exercise as it involved not only combatting belligerents but also working with neutrals. The goal with neutrals was to bring about enough, "pressure to bear upon those neutral countries from which the enemy draws his supplies,"[10] without too disagreeable or harsh measures that would push them into the war on the opposition's side.[11] The Ministry of Economic Warfare existed to lead Britain in undermining the ability of the Axis powers' to acquire vital war supplies.[12]

---

[5] Frank Costigliola, "Anglo-American Financial Rivalry in the 1920s" *The Journal of Economic History* 37:4 (Dec. 1977), 913. The realist school of international relations claims that the interest of nations is motivated by competitive self-interest and that pragmatic solutions overrule an overarching moral code to maintain an advantage over other sovereigns.

[6] *The Handbook of Economic Warfare*, London Kew Archives: Papers of the Foreign Office, Box 837, Section 4, page 2. For future references it will cited in this format (FO 837/4), 2.

[7] W.N. Medlicott, *The Economic Blockade: Volume 1*. "History of the Second World War: United Kingdom Civil Series." (London: Her Majesty's Stationery Office and Longmans, Green and Co., 1959), 13. Chamberlain believed that in the event of a war, Britain's navy could utilize a blockade to strangle any European threat by seizing vital resources and destroying the citizens will to continue war-making; *The Handbook of Economic Warfare*. 5. The United States comprises a significant part in the section on neutral pressure in order to avoid the tensions that the countries shared during the early years of the Great War.

[8] *The Handbook of Economic Warfare*. FO 837/4, 2. The Ministry of Economic Warfare's officially came into being on September 2, 1939 under the leadership of Sir Ronald Cross.

[9] Ibid.

[10] Ibid. The ministry desired to encourage neutral countries to stop trading with any nation that the British were fighting.

[11] Medlicott, *The Economic Blockade: Volume 1,* 17; and *The Handbook of Economic Warfare*, 5.

[12] *The Handbook of Economic Warfare,* 6.

The planned use of economic warfare was not a novel idea for the British nor was it a new form of warfare. Economic warfare has enjoyed a storied existence, having been used as a means of limiting combat since before the advent of Rome. Some of the earliest records of economic warfare are detailed in events surrounding the Second Punic War when Roman leaders burned crops as they retreated in an attempt to starve Hannibal's pursuing army.[13] This trend of burning fields to starve enemies is prevalent in American history as well, with two prominent examples being crop burning in the American Revolution as well as Sherman's march that devastated Georgia in the Civil War.[14] Even the concept of economic blockade was not foreign to the United States, as the Union navy had attempted to blockade all southern ports in the Civil War with the goal of preventing foreign neutrals from trading with the Confederates.[15] The British ideal of keeping a powerful neutral from trading with the enemy was not lost on the Americans.

The British considered the United States to be the most important neutral because of its economic capabilities, as well as its natural geographic boundaries that permitted it to be a true neutral that could not be easily goaded into war. However, the barrier that Great Britain hoped to create around Germany needed to be applied with care and firm resolve. It needed to be firm enough to prevent vital war supplies from reaching Germany, but carefully applied to avoid antagonizing American merchants and negatively impacting general public opinion since a long

[13] Theodore Dodge, *Hannibal: A History of the Art of War Among the Carthaginians and Romans Down to the Battle of Pydna, 168 BC* (Toronto: University of Toronto Press, 2011) 25-35.

[14] Alan R. Millett and Peter Maslowski, *For the Common Defense: A Military History of the United States of America* (New York: The Free Press, 1984), 121 and 210.

[15] Ephraim Adams, *Great Britain and The American Civil War* (New York: Russell and Russell Press, 1925); Edwin De Leon, *Secret History of Confederate Diplomacy Abroad*, ed. by William C. Davis (Lawrence, KS: The University of Kansas Press, 2005); Howard Jones, *Blue and Gray Diplomacy: A History of Union and Confederate Foreign Relations* (Chapel Hill: The University of North Carolina Press, 2010); Charles M. Hubbard, *The Burden of Confederate Diplomacy* (Nashville, TN: University of Tennessee Press, 2000); and Frank Owsley, *King Cotton Diplomacy* (Chicago: The University of Chicago Press, 1959).

history of shipping tension existed between the two nations.[16] Neville Chamberlain wrote, "In the absence of a powerful ally, and until our armaments are completed, we must adjust our foreign policy to our circumstances."[17]

Since the American Revolution, the British and Americans have shared a colorful and resentment-filled past over the tumultuous waters of the Atlantic. During the American Revolution, the Americans watched hopelessly as British ships of the line dominated her coastlines. On the other side of the Atlantic, American privateers terrorized British coastal cities and local merchants, causing British citizens to press their government for greater protection.[18] A scant twenty years later when the Napoleonic Wars ravaged Europe, the Americans sought to sell their wares to both the British and French. Though more than happy to buy much needed goods from the Americans, neither the French nor the British wanted the other to receive American trade, and they began to capture American merchants and their goods.[19] These actions did not ingratiate American public opinion to either side; however, the British went a step further and began impressing sailors from these merchant vessels, and putting them to work on their warships.[20] The impressment of American sailors helped motivate the Americans to declare war on the British in 1812.[21]

Americans experienced the other side of the policy of free trade by watching the British deal with both the Union and the Confederacy throughout the Civil War. The Union believed that the Civil War constituted an internal matter and that foreign powers should stay out of the

[16] *The Handbook of Economic Warfare,* 6.

[17] Neville Chamberlain to Mrs. Morton Prince, Jan. 16, 1938, London Kew Archives: Premier Papers, Box 1, Folder 261.

[18] Robert H. Patton, *Patriot Pirates: The Privateer War for Freedom and Fortune in the American Revolution (New York: Pantheon Press, 2008),* 45.

[19] George Daughan, *1812: The Navy's War* (New York: Basic Books Press, 2011), 34.

[20] Walter Borneman, *1812: The War that Forged a Nation* (New York: Harper Perennial Press, 2005), 27.

[21] Ibid., 37.

melee.[22] The Confederacy, however, searched for a foreign power to recognize it as an official sovereign nation.[23] Upon reunification, the U.S. government did not quickly forget the British sympathy towards the Confederacy.

Over the next fifty years, the United States continued to increase its manufacturing and agricultural capabilities. As World War I drew near, the European sovereigns knew that they would need an abundance of war material to gain victory over their rivals. The strategic position that the United States held across the Atlantic, coupled with its production, made it the ideal trading partner for a nation at war.[24] Both Britain and Germany, the respective leaders of both of their alliances, wished to purchase American goods to supply their war efforts.[25] Both accepted the United States position as a neutral and respected her right to trade non-war items to belligerents in the summer of 1914.[26] Total U.S. exports to Germany totaled $345 million in 1914.[27] It was not until the early spring of 1915 that trade dropped sharply with Germany.[28] Over two decades later, Great Britain knew that she would have very little hope of ending a new war quickly if the United States again freely traded with both sides at the outset of war, and the Ministry of Economic Warfare took responsibility for ensuring that this did not happen.

Great Britain believed in the late 1930s that it could obtain a decisive victory over Germany if it established an effective blockade at the outset of the war. In the minds of the British the greatest hope for victory lay in the potential of this blockade. Neville Chamberlain,

---

[22] Jones, *Blue and Gray Diplomacy,* 35.

[23] Frank Owsley, *King Cotton Diplomacy,* 215.

[24] The United States was isolated enough that it was in no real danger of retaliation or intimidation tactics by belligerent Europeans, but it was still close enough that it could transport a massive amount of material aid in a short amount of time.

[25] Robert Divine, *American Foreign Policy* (New York: The World Publishing Company, 1960), 178-179.

[26] Millett and Maslowski, *For the Common Defense,* 370.

[27] Thomas Paterson, Shane Maddock, Deborah Kisatsky and Kenneth Hagan, *American Foreign Relations Since 1895: A History ,* 7th ed., vol. 2. (Boston: Wadsworth Publishing, 2010), 78. This is just over $8 billion in today's currency.

[28] Ibid. Though considerable trade was maintained with Germany in 1914, it did not come close to the volume of exchange between the United States and Great Britain in this same time period.

Winston Churchill, the First Lord of the Admiralty under Neville Chamberlain and future prime minister, Clement Atlee, leader of the opposition and future Labour Prime Minister, and Hugh Dalton, the second Minister of Economic Warfare, believed that Germany remained self-sufficient in few vital resources, and that with the right pressure applied to neutrals in conjunction with a blockade the enemy would not be able to sustain itself.[29] Lord Hankey, the Chancellor of the Duchy of Lancaster and later a minister under Winston Churchill, reported on the operations of the Ministry in 1939-40. His reports stated that a prime directive was to limit Germany's access to oil.[30] Of course, the German *blitkreig* quickly shattered the idea of a phony war, and the hope for a quick end via blockade ended when Britain witnessed Hitler's armies occupying lands in Scandinavia as well as Western Europe.

It is because Germany secured so many vital resources with its early victories that the Ministry of Economic Warfare sees so little attention in contemporary scholarship. World War II scholarship focuses on Britain's desire to secure American aid after the fall of Western Europe, emphasizing that American military and financial assistance made victory possible for the Allied forces and precipitated the formation of the Anglo-American alliance. What is not explored is that Great Britain did not initially desire to ally with the United States, fearing American intervention as happened with Versailles at the end of World War I, and a significant portion of Americans did not want to aid the British war effort because the previous war debt had yet to be paid.[31] The British hoped that the Ministry of Economic Warfare would defeat the German war

[29]Medlicott, *The Economic Blockade Volume 1, 15; Economic Warfare Synopsis,* London Kew Archives, FO 837/1A, Ministry of Economic Warfare Policy, FO 837/5.

[30] *First Report of Lord Hankey: On the Prevention of German Oil Supplies*, October 1939. London Kew Archives, Cabinet Papers (CAB), CAB 66/3/34; *Second Report of Lord Hankey's Committee on Preventing Oil From Reaching Germany*, January 1940, CAB 66/5/38; *Third Report of Lord Hankey's Committee on Preventing Oil From Reaching Germany*, March 1940, CAB 66/6/38.

[31]David Reynolds, *The Creation of the Anglo-American Alliance: A Study in Competitive Cooperation* (Cambridge: The University of Cambridge Press, 1982), 10.

machine, and that peace negotiations could occur without "being bungled by a young ideologue," who did not have as great a stake in the fight.[32] This concept is not generally explored in contemporary scholarship because Germany proved to be a more formidable opponent than had been previously estimated, and winning the war in Western Europe required the combined abilities of the British and American militaries. It is puzzling that historians have paid little attention to the Ministry of Economic Warfare considering the importance that the British government ascribed to strangling the German economy and preventing American shipping from trading with the enemy. Considering the function of the ministry, and the nearly two years from the beginning of the war to when the Americans officially joined the war effort, a comprehensive study of the Ministry of Economic Warfare's efforts related to American shipping and neutrality is needed.

The premier work on the Ministry of Economic Warfare is *The Economic Blockade*, W.N. Medlicott's official history. This work examines the ministry's operations. However, it does not address the problem of American neutrality, nor the historical context of American and British relations in concurrence with the economic blockade and warfare initiatives. As an official history, it gives a broad perspective of the Ministry of Economic Warfare initiatives, primarily focusing on European neutrals and belligerents. Further, since it was published in 1952, it does not utilize all the newly available records now accessible to researchers, such as the Foreign Office records concerning economic warfare released in the early 1990s.

Crane Brinton, in *The United States and Great Britain*, explores the relationship forged by these two nations during World War II, and their hope for the future. His work serves as a cultural guide to Britain, as well as a history of international diplomacy between the two

[32]Neville Chamberlain to Mrs. Norton Prince, 16 Jan. 1938, London Kew Archives, FO 371/21526. Chamberlain was referring to Franklin Roosevelt.

nations.[33] Brinton worked in London as the chief of research and analysis for the U.S. Office of Strategic Services (OSS) throughout the war. It is odd that Brinton does not mention the Ministry of Economic Warfare in his work because the OSS was intricately intertwined with the Special Operations Executive (SOE) whose actions were directly under the Ministry of Economic Warfare. Failing to mention the Ministry of Economic Warfare despite his direct connection to the SOE demonstrates his emphasis on building the Anglo-American relationship and the deficiency of research on this subject.

The SOE is the one function of the Ministry of Economic Warfare that has been thoroughly documented in contemporary history. A number of books including Frederick Boyce's *SOE: Scientific Secrets,* Terry Crowdy's *Secret Agents: Churchill's Secret Warriors,* William Mackenzie's *The Secret History of the SOE: Special Operations Executive 1940-45,* and Troy Thomas' *SOE: An Outline History of the Special Operations Executive 1940-46* document the exploits of the special operations undertaken by the Ministry of Economic Warfare in World War II.[34] Despite the abundance of scholarship dedicated to the spy craft conducted by the Ministry of Economic Warfare, the only mention of British/American competition or cooperation involves the OSS. These books on the SOE ignore the blockade and American neutrality.

A great help in the study of American neutrality is Robert Divine's *The Illusion of American Neutrality.* In this work, Divine describes the American effort in the early 1930s to pass legislation to insure American neutrality and isolation from European wars.[35] He elucidates the arguments of American isolationists and interventionists in their debates as to what role

[33] Brinton, *The United States and Great Britain,* 12.

[34] Troy Thomas, *SOE: An Outline History of the Special Operations Executive 1940-46* (London: Praeger Press, 1984); William Mackenzie, *The Secret History of the SOE: Special Operations Executive 1940-45* (New York: Little Brown Book Publishing, 2002); Frederick Boyce, *SOE: The Scientific Secrets* (New York: The History Press, 2011); and Terry Crowdy, *SOE Agent: Churchill's Secret Warriors* (New York: Osprey Publishing, 2008).

[35] Divine, *The Illusion of Neutrality*, 25.

American should play in the world.[36] He demonstrates the lengths to which the Americans went to stay out of another European war and focuses inward on American domestic issues.[37] Divine also explores the uneasy divide between President Franklin Roosevelt and Congress in the determination of American foreign policy.[38] An important distinction that Divine makes is that the Americans worked diligently to avoid being entangled in another war. However; he notes that they did not take their isolationist policies so far as to cease all trade with warring nations.[39]

Another work that provides a good perspective of the economic competition between Great Britain and the United States is David Reynolds' *The Creation of the Anglo-American Alliance: A Study in Competitive Cooperation 1933-37.* In this work, Reynolds explores the economic tensions that existed preceding World War II and how these affected Anglo-American relations.[40] His work begins by demonstrating the trepidation and misunderstanding with which the two nations viewed each other and explores how economic competition created mistrust between the two nations. Despite these beginnings, Reynolds argues that common interest and culture compelled Americans to relinquish isolationist sentiments when Britain's war situation became dire. Reynolds provides an excellent examination of the economic competition that preceded the war, and the factors that led to the eventual creation of the Anglo-American alliance, but he largely ignores the impact of the Ministry of Economic Warfare.

Not surprisingly, in the general histories of World War II, historians only lightly touch on the Ministry of Economic Warfare, hardly mentioning it, other than a brief acknowledgement

[36] Isolationists were Americans who desired to stay out of European affairs and conflicts. American interventionists desired to increase American influence by interceding in European affairs specifically assisting the allied war effort at the beginning of World War II.

[37] Ibid., 36.

[38] Good works concerning President Roosevelt's foreign policy include Robert Dallek's *The Roosevelt Diplomacy and World War II* (New York: Holt, Rinehart and Winston Press, 1970); and James MacGregor Burns' *Roosevelt: The Lion and the Fox* (New York: Mariner Books, 2002).

[39] Divine, *The Illusion of Neutrality,* 140.

[40] Reynolds, *The Creation of the Anglo-American Alliance*, 115.

that it existed or as a citation in a footnote. Even in works such as in Max Hastings' *Winston's War: Churchill, 1940-1945*, and Thaddeus Holt's expansive work *The Deceivers: Allied Military Deception in the Second World War*, the ministry's actions are omitted.[41] Winston Churchill's own prodigious *The Second World War* ignores many of the actions of the Ministry of Economic Warfare, despite Churchill himself greatly expanding its powers after becoming prime minister.[42]

It is important that the gap in scholarship concerning the Ministry of Economic Warfare's attempts to limit American trade and involvement at the beginning of World War II be filled. This area of study is a key component in understanding the diplomatic history of this era, and a foundation for exploring the beginnings of the Anglo-American alliance. By examining the released records and correspondence from the Ministry of Economic Warfare as well as their counterparts in the United States, historians will have a more nuanced understanding of Anglo-American relations at the beginning of World War II.

[41]Thaddeus Holt, *The Deceivers: Allied Military Deception in the Second World War (*New York: Scribner Press, 2004), 222; and Max Hastings, *Winston's War: Churchill, 1940-1945* (New York: Alfred A. Knopf, 2010), 126 and 230.

[42]Hugh Dalton, *The Fateful Years: Memoirs 1931-1945* (London: Mariner Books, 1986), 313-320.

CHAPTER 1-GOING IT ALONE: GEOGRAPHIC, POLITICAL, AND FISCAL CONSIDERATIONS FOR ECONOMIC WARFARE IN WORLD WAR II

On 3 September 1939, Sir Ronald Cross took the helm of the newly created Ministry of Economic Warfare, whose primary purpose was to strangle the German war effort by preventing vital commodities from reaching the Nazi industrial centers. Cross's ministry formulated the plans of economic warfare against Germany as an endeavor to be primarily conducted by the Royal Navy and ministry personnel. Cross and Prime Minister Chamberlain did not believe that the United States would be willing to provide military aid to Britain in its war, nor did they necessarily desire to have the backing of a nation that demonstrated dramatic shifts in public opinion and unreliability in following through to the end when intervening in European affairs. [1] Immediately preceding World War II, the British believed that help from the United States would not be readily forthcoming. Despite the prospect of no American military aid, the British believed that the economic development it had conducted throughout the interwar period would allow it to orchestrate a successful economic warfare campaign against Germany.

Many factors buoyed the British belief that cooperation from the United States in the event of war would not be immediately available. This belief derived from the increased economic competition between America and Britain throughout the interwar period, the U.S. isolationist sentiments in American legislation throughout the 1930s, the presence of a pro-British president who had lost some support of his Congress immediately preceding the war, and the unwillingness of Britain to yield to American interests, since the United States appeared suspiciously against British imperialism.[2] Though saddened that America, as a burgeoning

[1] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*, London Kew Archives FO 837/5.

[2] David L. Porter, *The Seventy-Sixth Congress and World War II: 1939-1940* (London: The University of Missouri Press, 1979), 26; and Medlicott, *The Economic Blockade, 15.*

power, would not make her money and war material available for another democracy at war,[3] Britain still believed that she could win a war against Germany through economic warfare without U.S. assistance.

The history of World War II dictates that Britain should not have believed that its resources and war making abilities alone could stop the German war machine. The advent of new technologies and tactics proved the British confidence in economic warfare alone as a satisfactory means to defeat Germany was obsolete. Yet by analyzing the blockade tactics of World War I and the development of British territories and infrastructure, the British present a compelling case as to why they believed they could stop Germany by denying it vital war materials. It is evident that 1930s Britain remained in a comfortable economic position by controlling the majority of the world sea lanes and trading corridors. In conjunction with its geographic blessings, the institution of imperial preferences and territorial immigration went a long way in bolstering British confidence in its own self-sufficiency and ability to make war.

An analysis of these interwar policies of imperial preference and immigration are important in understanding the development of economic warfare policies within Great Britain because of the tension they created within Anglo-American relations. These policies heightened the resentment of the American people toward British imperialism and play a large part in British negotiations for American aid following the start of the war. By studying the interwar economies, geopolitical strategy, and political divides both within the British Parliament and American Congress, a better understanding of the Ministry of Economic Warfare's policies towards the United States can be achieved.

[3] The Johnson Act of 1934 forbid the United States from providing additional loans to nations who had defaulted on their war debts. The American neutrality legislation of 1937 instituted an arms embargo to any nations at war.

Immediately after the Great War, the United Kingdom sought to replenish the economic and material losses she had suffered in the conflict. This great clash had dealt an aggravating blow to British preeminence in economic and foreign affairs.[4] However, Britain had maintained her territorial integrity, which would allow her to attempt to reestablish her economic influence over world trade. The British viewed the United States as a powerful impediment to her efforts of restoring her economic influence on the global stage. It was this perception of competition for global trade that would heavily influence the British foreign policy throughout the interwar period, and the Ministry of Economic Warfare's policies would be molded to accommodate these fears in the initial months of the Second World War.

At the turn of the century, Britain had been well aware of the prospect of American economic competition and had been alarmed by its increased production. The end of World War I did alter the economic relationship between Great Britain and the United States. For the first time in U.S. history, America had become a net creditor nation that replaced Britain as the principal source of new investment capital.[5] To overcome its trade deficit at the war's conclusion, Britain liquidated 13% of its overseas assets.[6] Yet, it was the remainder of these overseas assets that would allow Britain to regain its economic preeminence. British leaders believed that if Great Britain was not forced to fight another war in the foreseeable future, the natural geography of its territories would invigorate its trade, power, and overall wealth.[7]

[4] Ian Drummond, *British Economic Policy and the Empire, 1919-1939* (London: George Allen and Unwin LTD, 1972), 22.

[5] Derek H. Aldcroft, *The Inter-War Economy: Britain, 1919-1939* (New York: Columbia University Press, 1971), 264.

[6] Reynolds, *The Creation of the Anglo-American Alliance,* 13.

[7] Drummond, *British Economic Policy and the Empire,* 33.

The British empire bolstered the confidence of the Ministry of Economic Warfare's plans for an economic blockade.[8] By retaining its empire, the United Kingdom effectively controlled roughly 13.5 million square miles and half a billion people.[9] The importance of this was that it fell upon some of the most strategically important land for the control of the sea trade. At the end of the war, Great Britain held the territories and dominions of Australia, Gibraltar, Canada, Newfoundland, Honduras, Ireland, Malaya, New Zealand, India, New Guinea, Brunei, Somalia, South Africa, Rhodesia, Iraq, Suez Canal, Sudan, Somaliland, Kenya, Uganda, the Falkland Islands, British Guyana, as well as many small Caribbean islands.[10] These territories placed Great Britain in position to dominate global trade.[11]

A primary directive of the Ministry of Economic Warfare was the control of territory that permitted trade to enemy belligerents.[12] The key to controlling trade in the 1930s meant control of the seas, specifically the straits that connected the oceans. The British Empire controlled all of these choke points at the end of World War I, and they would be critical to the return to former prosperity and national security. Beginning with the home islands themselves, the British Isles sit strategically above mainland Europe, allowing them to control trade via their naval presence in the North Sea, primarily the ports in Northern France, Germany, Scandinavia and much of middle Europe, which does not have a Mediterranean outlet. This geographic location made the British natural merchants, which necessitated the creation of a strong navy to protect the merchant fleet.[13] In 1711, the British cemented their control of the European trade lanes by

[8] Robert D. Kaplan, *The Revenge of Geography: What the Map Tells Us About Coming Conflicts and the Battle Against Fate* (New York: Random House, 2012), 45.

[9] Brinton, *The United States and Britain,* 54. This roughly translates to one quarter of the world's population residing on a fifth of the total land mass.

[10] Ibid., 55.

[11] Kaplan, *The Revenge of Geography, 33.*

[12] *Handbook of Ministry of Economic Warfare*, 8.

[13] Linda Colley, *Briton's: Forging the Nation 1707-1837* (New Haven, CT: The Yale University Press, 2009), 163.

securing Gibraltar at the end of the war of Spanish succession. Gibraltar sits at the southwest corner of Spain, only ten miles from the coasts of Morocco.[14] This is significant, because Gibraltar is the chokepoint on the Mediterranean Sea. This effectively gave Britain control of trade over Europe and the North African countries that did not have a coast on the Atlantic. This control of chokepoints within Europe would be critical for denying raw materials from reaching belligerent enemies within Europe.

The Suez Canal provided a backdoor entrance to the European continent from the Indian Ocean. If the British did not control this canal, enemy shipping could bypass the blockades instituted in northern Europe and Gibraltar.[15] In 1870, construction began on the Suez Canal to avoid the lengthy trip around the African continent.[16] This canal provided a corridor to ship from the Mediterranean Sea across Egypt into the Red Sea and finally into the Indian Ocean. This effectively cut shipping distance by roughly 75% and provided European nations with a means to avoid British Gibraltar. However, by 1886, the British completed their buyout of the Suez Canal, effectively securing European access to both the Atlantic and the Indian Ocean.[17] If Britain could maintain control of the Suez Canal and Gibraltar while asserting her naval dominance in the North Sea, she could theoretically control all the flow of sea trade into Europe. The Ministry planners counted on this control when war broke out with Germany.

The Arabic Peninsula is already strategically important, because it is the nexus of the Eurasian and African Continents. However, the Middle East takes on greater importance in

[14] *Atlas of the World* (Oxford: Oxford University Press, 2012).

[15] Britain had the ability to supervise and control all trade passing by Africa due to its possession of the Suez Canal, Nile River Delta, South Africa, Rhodesia, and Southern Arabia.

[16] This project was primarily funded by French investors.

[17] Kaplan, *The Revenge of Geography, 46.* In late 1880, at the conclusion of the Boer Wars, Great Britain seized South Africa and Rhodesia from the Dutch. This gave Britain control of the southernmost part of Africa, an ideal platform to monitor shipping that traversed from the Indian Ocean to the Atlantic and vice versa.

modern warfare because of its copious oil reserves. The control of oil was a preeminent concern for the Ministry of Economic Warfare, because it relied on Middle Eastern reserves for its own army, and Germany also lacked resources in this area.[18] To ensure its control of these oil reserves at the conclusion of World War I, Britain simultaneously obtained control of the Strait of Hormuz and the Bab-el-Mandeb.[19] The possession of Bab-el-Mandeb allowed the British to control the trade and oil that passed from the Red Sea to the Indian Ocean.[20] These two territories, coupled with its Iraqi territory, guaranteed that Britain would ultimately determine whether Middle Eastern oil left for foreign ports. This territory would provide Britain with the bulk of its oil reserves, and the possession of this territory would be critical in the Ministry of Economic Warfare's effort to control the movement of petroleum into the Mediterranean Sea and Indian Ocean.[21]

Maintaining control of the Indian Ocean was also critical for British recovery in the inter-war period. The British relied on its Indian Ocean properties for wealth creation and manpower. The most important properties in this territory were India, Australia, Singapore, Brunei, and New Guinea.[22] Britain considered India to be the 'jewel' of its empire. It contained 350 million of the

[18] *First Report of Lord Hankey: On the Prevention of German Oil Supplies, October 1939,* London Kew Archives, CAB 66/3/34.

[19] Drummond, *British Economic Policy and the Empire,* 28.

[20] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (New York: The Free Press, 2008), 223. The Strait of Hormuz is a 21 mile gap between modern day Iran and the United Arab Emirates. The Bab-el-Mandeb strait sits between the Red Sea and the Gulf of Aden, separating Yemen on the Arabian Peninsula, and Northern Somalia on the Horn of Africa.

[21] *First Report of Lord Hankey: On the Prevention of German Oil Supplies, October 1939,* London Kew Archives CAB 66/3/34.

[22] The *strategically* significant territories that Britain possessed on the Indian Ocean and the southwest Pacific were Singapore (Malaya), Brunei, and New Guinea. The territory that it possessed in Singapore fell upon the straits of Malacca, which served as the quickest route to China from European and African nations. Traveling through the strait of Malacca cut out nearly 3,000 miles from traveling to or from China and consequently the Pacific Ocean. Brunei sat across from Singapore and at the exit of the Straits of Malacca. This position allowed Britain to have territories on both entrances to the strait as well as to have a prominent berth on a large Island that faced Hong Kong. The security of these territories would be critical in maintaining dominance within the Indian and the Pacific Ocean.

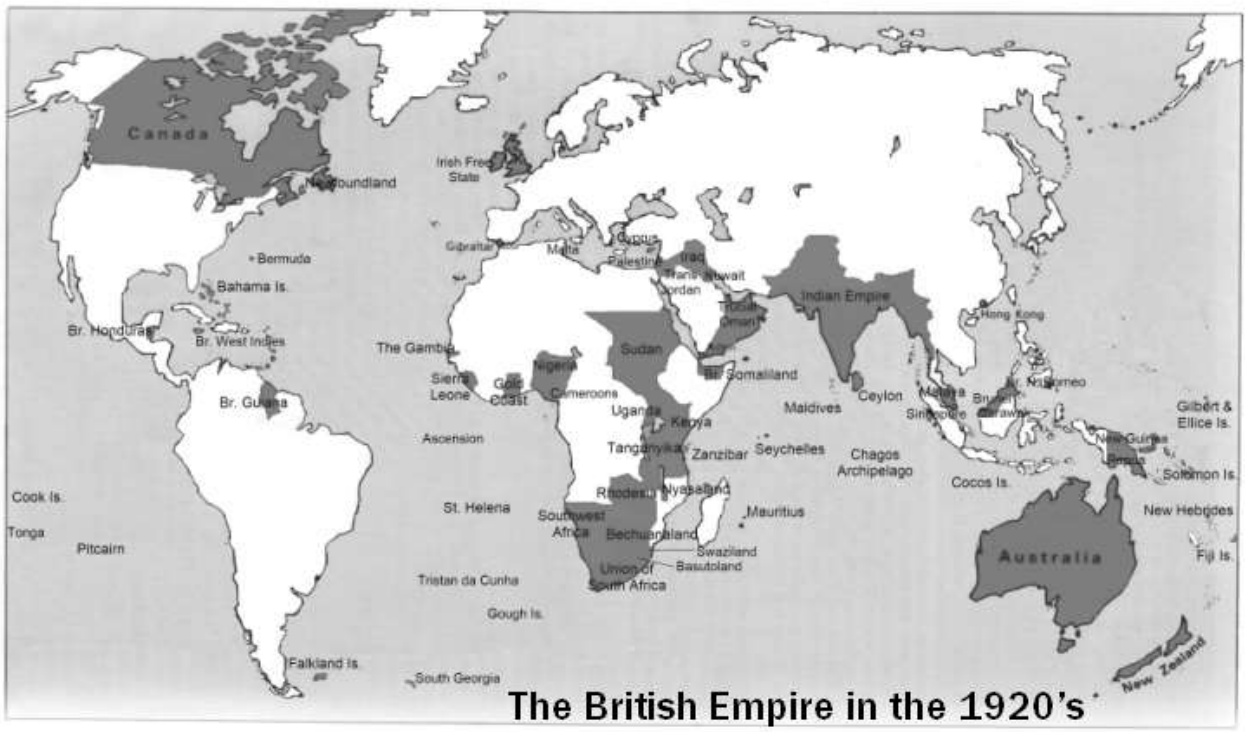
500 million persons within the empire and was responsible for producing much of the material wealth.[23] Australia comprised 3 million of the 13 million total miles within the empire, and it had great natural harbors on the Indian and Pacific Oceans.[24] Though possessing a small population, Australia had a potentially great mineral and agricultural wealth that, if properly managed, could be a great boon to the Empire's economy. Admiral Ernle Chatfield, the First Sea Lord for Neville Chamberlain, puts it best: "We are in the remarkable position of not wanting to quarrel with anybody because we have got most of the world already, or the best parts of it, and we only want keep what we have got and prevent others from taking it away from us."[25] This geographic potency is a primary reason why the ministry believed it could successfully blockade European belligerents without American assistance.[26]

[23] Brinton, *The United States and Britain,* 5.

[24] Robert D. Kaplan *, Monsoon: The Indian Ocean and the Future of American Power* (New York: Random House, 2012), 151. It was generally understood that the Indian Ocean was a British lake and the Pacific Ocean remained under the watchful eyes of the Americans with joint custody being shared on the Atlantic. However, Great Britain possessed a number of Pacific properties that made it a significant presence. New Guinea, New Zealand, and Australia possessed impressive coastlines on the Pacific that could be transformed into naval bases in the advent of a war. This did not immediately alarm the Americans, however, they were intimately aware that British territories surrounded the American Philippines.

[25] Quoted in Reynolds, *The Creation of the Anglo-American Alliance,* 3.

[26] The United States grew increasingly concerned about Britain's territory within the Western Hemisphere. Though wary of becoming involved in European affairs, the United States had a vested interest in the Western Hemisphere and recognized that she was in a vulnerable position in relation to the British positions around America. These properties include Britain's dominion of Canada that sat on top of the United States and the many small Caribbean islands located in the Gulf of Mexico. The Americans did possess an advantage with the possession of the Panama Canal. However, if access was barred from the canal, the British owned the Falkland Islands, which sit at the entrance of the Straits of Magellan. These small islands completed the British control of the seas and world trade.



27

The United Kingdom's emphasis on having a navy second to none generally prevented other nations from attempting to seize British territory. The only threat to this integrity was the glaring trade deficit in its imports and exports.[28] To combat this deficiency, the United Kingdom sought to become more self-sufficient in agricultural production, as well as in the generation of raw materials and manufactured goods. Following the conclusion of World War I, Britain sought to institute policies that would develop its territories in order to make the empire more self-sufficient from foreign trade. Many of these policies would alienate the United States, and throughout the Great Depression, cause resentment from American businesses and agricultural producers, who comprised considerable voting blocs within the United States.[29]

[27] *The British Empire and Commonwealth* (London: W.W. Norton and Company, 1997), found at *http://www.wwnorton.com/college/history/ralph/resource/british. htm (accessed March 4, 2013).*

[28] Aldcroft, *The Inter-War Economy: Britain,* 45.

[29] David L. Porter, *The Seventy-Sixth Congress and World War II: 1939-1940* (London: The University of Missouri Press, 1979), 15.

The lessons learned in World War I demonstrated Britain's glaring deficiencies in resources. To remedy both the prospect of unemployment and its lack of developed resources, the British looked to emigration.[30] L.S. Amery, a member of the House of Commons, addressed this issue in Parliament on April 26, 1922: "Unemployment is an ever haunting spectre."[31] Knowing the general feelings of Parliament, he claimed that, "given adequate resources and a right distribution of population between the areas in which these resources exist, and between primary production and industry, there can be no reason or excuse for permanent under-employment."[32] His primary justification that unemployment existed in large numbers within Great Britain was that "three quarters of our people are penned, confined and congested in this little corner of the empire," when there were "millions of square miles of the richest lands in the world" available, which contained "boundless plains, forests without end, water and coal power without computation."[33] He lamented that, despite having three quarters of the British population at home, Parliament had "so completely lost the true balance of the economic system that we have over 90 percent of city workers here, and fewer white agriculturists in the British Empire than there are in France alone."[34] His solution was to allow excess workers the opportunity to move to a Dominion, where they could develop a trade that could support the empire. The British hoped that this increase in production would decrease the necessity of trade with the United States.[35]

[30] *Members of Government Discuss Unemployment and the State of Trade.* February 25, 1919, London Kew Archives, CAB 24/75.

[31] 153rd House of Commons Debates, April 26, 1922, London Kew Archives, Volume 5, 578.

[32] Ibid., 571.

[33] Ibid., 580.

[34] Ibid., 590.

[35] American industries would naturally clamor for tariff protection against these new subsidized industries.

Stanley Baldwin, the British Prime Minister from 1923-1929 and again 1935-1937, embraced Amery's position on emigration. Amery addressed the Imperial Economic War Conference in 1922 with hope for emigration stating, "The economic condition of Europe makes it essential that we should turn our eyes elsewhere. The resources of our Empire are boundless and the need for rapid development is clamant."[36] He believed that this development would produce an "ample supply of those raw materials on which the trade of the world depends," and that it would incentivize natural British reproduction, because "population necessarily follows such expansion, and that in turn leads to a general expansion of business from which alone can come an improvement in the material condition of people."[37] The British were no strangers to immigrating around the world the main concern with this migration was that the excess home island population would stay within the territory of the British crown.

The return of the young men from the battlefield increased the labor supply beyond what Great Britain was able to absorb.[38] The statistics also showed that the tremendous bloodletting of World War I left far more young women within Britain than available young men. The easy solution was to encourage these young women to settle in the Dominions, where a disproportionately high number of young British men resided, and to encourage unemployed soldiers to take up land in the Dominions as well.[39]

At the Imperial War Committee of April 1917, William Massey, the Prime Minister of New Zealand, argued that it "was impossible for us to expect that other countries should be

[36] Speech by Stanley Baldwin, Imperial Economic Conference Papers, London Kew Archives, 8.
[37] Ibid., 9.
[38] Aldcroft, *The Inter-War Economy: Britain,* 35.
[39] Reconstruction Committee to Colonial Office (CO), December 20, 1918, Colonial Office Papers, London Kew Archives, Box 532, Folder 188,; Reconstruction Committee to Colonial Office., August 11, 1916, letter, London Kew Archives CO 532/89. Britain feared that many of its emigrating citizens would move to the United States. This fear was not unfounded. Between the years 1876-1913 Britain's total net emigration was 5.1 million, with over 2.77 million emigrating to the United States, whose labor would be lost to the British Empire.

content to see the British Empire possessing vast areas which it was not properly occupying."[40] Massey lamented to the Imperial War Committee, which included five Prime Ministers from the British Dominions, including Lloyd George, and eight lower ministers, that "emigration could not be forced to stay within the Empire; what was necessary was to give inducements," and he urged "that the Governments of the Empire should join together to arrange a scheme of financial assistance."[41] In response to many proposals for subsidizing immigration, the British began to provide incentives for their own white population to emigrate within Dominion territory.[42]

Generally, in the 1920s, the British Dominion's were 'development minded'. They desired to develop the scope of their agricultural production and build upon their industrial base.[43] The Dominions believed that they could achieve this through the import of capital funds (primarily through Britain), the natural increase of the white population, and planned migration.[44] Canada accepted any white migrants willing to live within the Dominion, while New Zealand and Australia were primarily interested in British migrants.[45] This push for development within the Dominions became a call for men, money, and markets, and the

[40] Ibid.

[41] War Cabinet and Cabinet Minutes, April 13, 1917, London Kew Archives, CAB 23/41.

[42] Drummond, *British Economic Policy and the Empire,* 73. They especially targeted young women and children, because they believed that children would adjust quickly to the new surroundings, as well as ex-soldiers who they believed would be industrious. After general approval from the Dominions on providing incentives for Empire Settlement, L.S. Amery pushed through his Empire Settlement Act which sprang into action in 1922. Most of the British emigrants were well received by the dominions and over 86,000 families were moved to the Dominions by these subsidies before the bill ended in 1934. From 1922-1929 over 332,000 Brits were assisted, with 50,000 of them moving to Canada on the ten pound subsidy. This immigration program demonstrated a marked success by reducing the percentage of emigrants leaving the Empire for the States. Between 1922-1931, the natural increase in population within the United Kingdom was 2.6 million. However, one quarter of this population increase was lost to immigration, with only a third of the emigrants moving to the United States, a clear reversal of the previous trend. This information is found in : "The United Kingdom asks the Dominions to Help with Empire Settlement, December 21, 1920, London Kew Archives, CO 532/158; The Empire Settlement Act of 1922; L.S. Amery, *My Political Life,* Volume 2 (London: MacMillan, 1940), 185; Drummond, *British Economic Policy and the Empire,* 86.

[43] Drummond, *British Economic Policy and the Empire,* 26.

[44] Ibid., 27.

[45] "The Cabinet Unemployment Committee Urges the Subsidization of Emigrants." November 1920, London Kew Archives, CAB 23/15.

Dominions depended on Britain to provide these to them. The money financed the development of the land, while the men settled the open territory.[46] Many of these new industries threatened competing American industries, and both countries called for tariffs to protect their businesses.[47]

Startup companies entering old markets typically have difficulty competing with the established competitors. In order to overcome this obstacle, the British established the system of Imperial Preference, the tax system that would cause the most economic tension with the United States.[48] In the 19th century, the British navy protected the largest free trade market the world had yet to know, governed by laissez faire ideological policies. This mindset had allowed Britain to naturally develop her industry while subsequently shrinking her agriculture.[49] The invisible hand guided Britain to become the largest importer of food and raw materials, which she drew from all over the world.[50] Parliamentary members who supported these laissez faire policies had not disappeared from government. However, in the new economic environment, Britain found herself with reduced economic power and facing the threat of high unemployment. Soon 'planned economy' supporters obtained a greater voice in Parliament and began to implement policies for greater governmental control of industry, foregoing Adam Smith's free hand when faced with the prospect of fighting a modern war.[51] The guided economy created an Imperial preference system that the Americans viewed as a global tariff.[52]

This Imperial preference system created a global market where all goods within the empire did not have duties levied upon them; so, it incentivized domestic purchase and provided

---

[46] Aldcroft, *The Inter-War Economy: Britain,* 49.

[47] Jim Potter, *The American Economy Between the World Wars* (New York: John Wiley and Sons, 1974), 120.

[48] Drummond, *British Economic Policy and the Empire,* 52.

[49] Ibid., 25.

[50] Aldcroft, *The Inter-War Economy: Britain,* 32. Her food primarily came from the United States, Argentina, Denmark and Continental Europe

[51] Commonwealth and International Conferences: Minutes and Papers, London Kew Archives, CAB 99/14.

[52] Richard Gardner, *Sterling-Dollar Diplomacy: The Origins and the Prospects of Our International Economic Order* (Oxford: Oxford University Press, 1956), 17.

a form of protection against foreign competition.[53] After World War I, the Americans stood vehemently against any policy that appeared to block the flow of free trade and threatened to upset the balance of power.[54] The American government perceived that the increasing development of Imperial preferences would deny it profitable opportunities for foreign trade and investment.[55] It may seem like hypocrisy for the Americans to condemn the British tariff system in light of their own protective tariffs; however, the Americans contended that, due to the size of Imperial territory, this preference system essentially created an exclusive world economy in which all non-British states competed at a distinct disadvantage.[56] In his Fourteen Points, Woodrow Wilson's insistence on an 'open door' policy for trade demonstrates the American insistence on free markets, as he demands "the removal, so far as possible, of all economic barriers and the establishment of an equality of trade conditions among all the nations consenting to the peace and associating themselves for its maintenance."[57]

William Culbertson, the president of the United States Tariff Commission from 1922-25, explained the British position for imposing Imperial preference as "the protection of the home market for the benefit of national industries in an expression of nationalism," with the object of "[diversifying] a nation's economic life."[58] These justifications at first seemed positive, but he contended that this "preference, on the other hand, is an expression of modern imperialism. The contours of the policy of protection are aggressive. In its extreme form, it seeks to extend to new areas, the control of the economic system of the country which happened to have the political

[53] Drummond, *British Economic Policy and the Empire,* 39.
[54] Gardner, *Sterling-Dollar Diplomacy,* 17.
[55] Ibid.
[56] William Smith Culbertson, *International Economic Policies* (New York: Macmillan Press, 1925), 185.
[57] Woodrow Wilson, "Fourteen Points," delivered January 18, 1918 to the joint session of Congress. World War 1 Archive. http://wwi.lib.byu.edu/index.php/President_Wilson's_Fourteen_Points (accessed on February 19, 2013).
[58] Culbertson, *International Economic Policies*, 186.

power to impose the preferential conditions, ultimately excluding other nations from trade."[59] Culbertson cited the Imperial Preferences as a danger to the current peace, because the closed trade areas prevented non-imperial nations their natural rights to obtain raw material, markets, and investment outlets.[60] The Americans believed that the tension caused by this exclusion could lead aggrieved nations to resort to force in order to obtain materials that they would otherwise have obtained through peaceful exchange.[61]

Despite the protest of many nations at the prospect of Imperial preference within the British dominions, Canada, Australia, India, and New Zealand stood eager to utilize these advantages. The British themselves knew of the potential problems that could arise, but nevertheless pushed forward with the preferential tariffs. As Lord Balfour, of the reconstruction committee, argued, "We do not overlook the practical difficulties involved, but we desire to emphasize the fact that for the purpose of recovering trade lost during the war, of securing new markets, and of consolidating the resources of the British Empire, the development throughout the Empire of a System of mutual tariff preferences is a subject which cannot, in our opinion, any longer be neglected."[62] These preferential tariffs did not necessarily mean greater profits for the Dominions; however, it did bring about the ultimate goal of further development.[63] This

[59] Ibid., 192.

[60] Gardner, *Sterling-Dollar Diplomacy,* 18.

[61] Ibid., 19. It should be noted that Culbertson did advocate tariffs for American products but believed the Imperial preference system could lead to another World War.

[62] *Lord Balfour of Burleigh: Reconstruction Committee*, February 2, 1917, London Kew Archives, CAB 24/6.

[63] "The Prime Minister of Canada Explains his Strategy with Respect to Imperial Preference." June 14, 1930, London Kew Archives, William Lyon MacKenzie King Papers; Drummond, *British Economic Policy and the Empire,* 56. It was no coincidence that in the 1920s the countries under protectionist policies were growing, while the industries that Britain did not provide safeguards recovered slowly. This did much to bolster the confidence of those who supported protectionist policies, with many a conservative industrialist promoting the belief that a tariff system would mean more sales and profits, with labor leaders claiming that it created more domestic jobs with no food shortages. These were not the results that proponents of free trade expected, and as the world economies approached the dire economic year of 1929, more and more people came to support protective tariffs.

confidence in self-sufficiency emboldened Britain in its belief that it could win a short war against Germany.[64]

The Great Depression is the most significant event of the interwar period. Despite the institution of Imperial preference, the British economy in 1929 lagged behind those of the other major industrial powers.[65] However, from 1929-1933, the British economy did not contract nearly as drastically as those of Germany and the United States.[66] This meant that British import demand better withstood the depression in comparison to foreign markets. Essentially, the British markets sustained growth by exporting primarily to each other, furthering the perception of the British territories as an isolated economy.[67] With various British industries competing favorably against foreign markets under the Imperial Preferences, the question of whether or not to expand these programs would soon be addressed at the Ottawa Conference of 1932.[68] The Americans carefully watched these developments, hoping that these policies would not affect their attempts at recovery.[69] As President Roosevelt claimed in his State of the Union address in 1938, "We Americans have always believed in freedom of opportunity and equality of opportunity, and what we believe in for individuals, we believe in also for nations. We are opposed to restrictions,

[64] Medlicott, *The Economic Blockade, 21.*

[65] Drummond, *British Economic Policy and the Empire,* 23. Before the inter war period, Britain had largely held to a free trade arrangement with very few tariffs. The Imperial Preference system was a sharp turn from its previous policies.

[66] Ibid., 24.

[67] Aldcroft, *The Inter-War Economy: Britain,* 23 and 35.

[68] Gardner, *Sterling-Dollar Diplomacy,* 33. The Ottawa Conference of 1932, or the Imperial Economic Conference, was a gathering of the British Colonies and autonomous Dominions with the purpose of determining Imperial policy in response to the Great Depression. The Dominions pushed for greater Imperial preferences, which would further restrict free trade from outside the Empire. By the joint collaboration of Canada and Australia, these advances for more Imperial Preference resulted in very low tariffs on goods within the Empire but high tariffs placed on foreign nations. The British signified that they believed the best way to beat the depression was by investment in their own territories. This investment involved a stabilization of currencies which emphasized the preeminence of the sterling bloc.

[69] Potter, *The American Economy Between the World Wars,* 120.

whether by public act or private arrangement, which distort and impair commerce, transit and trade."[70]

The further institution of Imperial preferences at the Ottawa Conference compounded the irritation that American policy makers felt at the creation of the Sterling block.[71] By moving off the gold standard, Britain expanded its available money supply and continued to increase investments in Dominion development.[72] This move from the gold standard also prompted its territories to base their currencies on the British pound.[73] This increased the difficulty of American access to Dominion markets.[74] The economic tensions between the United Kingdom and the United States would continue to escalate, as the British sought to increase the self-sufficiency of the Dominions in preparation for the threat of war with the increasingly-aggressive Nazi Germany. The increasingly antagonistic trade policies that the British continued to institute against industries that the Americans had dominated in the early twentieth century frustrated the United States.[75]

The British institution of Imperial Preference, the high tariffs, and the various subsidies provided by the American New Deal programs, heightened the economic competition in the 1930s.[76] The general rise of Adolf Hitler in Germany in the early 1930s heightened the prospect of war for Britain, which enlarged the need for internal development. With the looming war, the British feared that the Americans would take advantage of the escalating tensions in Europe and

[70] Franklin Roosevelt, Annual Message to Congress: State of the Union, 3 January 1938, http://www.presidency.ucsb.edu/ws/index.php?pid=15517

[71] Drummond, *British Economic Policy and the Empire*, 123. The sterling bloc was created after Britain moved off of the Gold standard in 1931.

[72] Ibid., 119.

[73] Financial Situation in Canada, 1936, London Kew Archives ,DO 35/254, 182.

[74] Trade with the Dominions was now largely dictated by the Sterling reserves that the United States possessed, hampering easy trade between corporations.

[75] Potter, *The American Economy Between the World Wars,* 134. This included tobacco, wool, timber, wheat, and a number of nonferrous metalloids. Chapter two will discuss how British preferential treatment affected Anglo-American relations.

[76] Gardner, *Sterling-Dollar Diplomacy,* 50.

force concessions concerning British possessions in the Caribbean.[77] The economic competition would influence the foreign policies of the United States, particularly in the 76th Congress, and push the Ministry of Economic Warfare to plan an economic blockade without the assistance of the United States.[78]

The 76th Congress served from January of 1939 to December of 1940. Due to its proximity to World War II and its decidedly isolationist legislation, the 76th Congress shaped the expectations of the Ministry of Economic Warfare in several critical ways. The arguments within this Congress determined the amount and type of aid the Americans would provide to belligerent powers in September of 1939. The British government would survey the opinions of the congressmen to determine the type of involvement that could be expected from the United States and what steps should be taken to accommodate the United States when instituting a blockade against any potential belligerents.[79]

President Franklin Roosevelt, elected in 1932, enjoyed nearly unprecedented cooperation with the legislative branch throughout the first term of his presidency.[80] However, on 9 March 1937, Roosevelt introduced his 'court packing bill' to the public.[81] The bill garnered a mostly negative response from the public, and many congressmen believed that the president had overstepped his authority in an attempt to increase the power of the executive branch.[82] This effort alienated many of his supporters in Congress and ignited protest amongst his opponents,

[77] Porter, *The Seventy-Sixth Congress and World War II*, 172-173.

[78] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*, London Kew Archives, FO 837/5.

[79] The Ministry of Economic Warfare Organization: 1938-39, Imperial War College Strategy, London Kew Archives, FO 837/1B. The Handbook of Economic Warfare was completed in late July of 1939.

[80] Robert Divine, *Roosevelt and World War II* (Baltimore, MD: The John Hopkins Press, 1969), 22.

[81] Ibid., 49.

[82] Jean Edwards Smith, *FDR* (New York: Random House Publishing, 2008), 620.

specifically the isolationists.[83] The once-great legislative support he enjoyed in his first years of office dissipated with the 76th Congress, whose first session met from January 3, to August 5, 1939—the final session before the start of the Second World War.

This loss of congressional support applied particularly to foreign affairs. This meant that when President Roosevelt told envoys in secret that he would attempt to foster support for the British in their war effort, the British, while thankful for the kind words, doubted his ability to complete his promise.[84] The British war planners knew that in the event of war, the vacillating American Congress would determine whether or not American aid and intervention would be available. Thus, the British closely watched the actions of the 76th Congress.[85] Many decisions that would determine the type and volume of aid would be decided in the first session of Congress, including whether or not the 1937 Cash and Carry initiatives should be renewed, or the Arms Embargo, within the Neutrality Acts of 1937, be lifted.[86] With the trust of President Roosevelt within Congress at a historical low and the prospect of a European war looming over the horizons, isolationist fervor swept through the House and Senate. This newly-reinvigorated resistance to European entanglement made Roosevelt reluctant to publicly commit to the British out of fear of losing public support in the spring of 1939.[87] Key Pittman, a Democratic senator, elaborates this concept when he wrote to Roosevelt, stating that "any such bill or resolution that I

[83] Marian McKenna, *Franklin Roosevelt and the Great Constitutional War: The Court-Packing Crisis of 1937* (New York, NY: Fordham University Press, 1962), 60. The isolationist members of Congress desired to focus upon the Western Hemisphere and domestic issues, and to avoid entanglement in European affairs at all costs. They utilized World War I as the premier example of American blood being sacrificed for European duplicity.

[84] British correspondence with Roosevelt is littered with veiled assurances from President Roosevelt for American economic aid, particularly at the outbreak of war. However, the British learned to respond to actions not words with Roosevelt.

[85] Reynolds, *The Creation of the Anglo-American Alliance,* 19.

[86] Porter, *The Seventy-Sixth Congress and World War II: 1939-1940,* 32.

[87] Franklin Roosevelt to Guy Collette, Letter, September 7, 1939, p. 6176, Roosevelt Papers. The American Presidency Project. http://www.presidency.ucsb.edu/index.php (accessed on March 1, 2013).

introduced would be considered as an administration proposal, and would probably receive the united attack of all those holding diverging views."[88]

Roosevelt's hesitancy to wade into the debate on American neutrality is not unfounded. After the 1938 elections, many conservative Democrats joined the Anti-New Dealers in their open distrust of Roosevelt, and this distrust naturally leaked into their suspicions of his foreign policy.[89] This opposition toward Roosevelt from the conservative Democrats largely sprang from his attempts to purge them from Congress in the 1938 congressional election.[90] The sizeable Republican comeback in the 1938 congressional election further compromised his ability to effectively lead Congress. Republican Representative James W. Wadsworth expressed the general consensus on Capitol Hill as the 76th Congress met in the spring of 1939: "We suffer under a severe handicap in leadership at this time, in that the leadership of the President in Congress has been sadly impaired. His attack upon the Supreme Court, his insistence upon extravagance and the piling up of debt, [and] his attempt to purge some of the very best men in his own party are responsible."[91] On the question of neutrality, President Roosevelt would not enjoy the same influence over Congress he once possessed.

During the spring of 1939, the legislative branch spent more time debating the 'neutrality' question and whether or not American aid should be sent to victims of aggressor nations than any other issue.[92] When the 76th Congress met at the beginning of 1939, Roosevelt's

[88] Key Pittman to Franklin Roosevelt, 11 January 1939, p. 745, Roosevelt Papers, The American Presidency Project.

[89] Divine, *The Illusion of Neutrality,* 143; and James T. Patterson, *Congressional Conservatism and the New Deal* (New York: Praeger Press, 1981), 132.

[90] Porter, *The Seventy-Sixth Congress and World War II,* 21.

[91] James W. Wadsworth, Jr., to Alexander Gordon, 9 March 1939, Library of Congress, Wadsworth Family Papers, Box 27. http://lcweb2.loc.gov/service/mss/eadxmlmss/eadpdfmss/1997/ms997014. pdf (accessed on February 12, 2013).

[92] Porter, *The Seventy-Sixth Congress and World War II,* 3.

Democratic Party held 70% of the Senate and 60% of the House seats.[93] Still preoccupied by the Depression, the isolationists within Congress hoped to avoid European entanglements.[94] As Republican Representative Karl Stefan of Nebraska cautioned in February of 1939, "It is ill time for the United States to meddle in foreign affairs. We should give most of our attention to the rehabilitation of our people."[95] Many congressmen also feared that specific private industries would pull the United States into another European conflict, especially after Republican Senator Gerald P. Nye, of North Dakota conducted a very public Senate investigation in 1934 on why the United States had entered World War I. This study asserted that bankers and the munitions industry, in their efforts for seeking war profits, pushed America into the first conflict.[96] A large section of Congress would do everything that it could to avoid entanglement in any new European wars.[97]

Throughout the 1930s, isolationists in Congress adopted many policies in an attempt to prevent unwilling involvement in European affairs.[98] In 1934, Congress passed the Johnson Act, which barred Americans from loaning money to any foreign nations, including allies from the previous war who had defaulted on their war debts.[99] From 1935-1937, Congress supported additional laws concerning neutrality that prevented the United States from exporting arms, ammunition, and war commodities, to any belligerent nations.[100] However, this statute on non-

[93] Political Statistics are provided by: The Inter-Varsity Consortium for Political Research, University of Michigan. This majority no longer guaranteed that Democratic congressmen would follow the President's demands. Southern Democrats in particular favored an isolationist foreign policy.

[94] Porter, *The Seventy-Sixth Congress and World War II,* 35.

[95] Karl Stefan to Ludwig Stanek, 4 February 1939, Karl Stefan Papers. Nebraska State Historical Society Box 24. Cited in Porter, *The Seventy-Sixth Congress and World War II,* 24.

[96] John Wiltz, *In Search of Peace: The Senate Munitions Inquiry, 1934-36* (Baton Rouge: Louisiana University Press, 1963) 188.

[97] Porter, *The Seventy-Sixth Congress and World War II,* 25.

[98] Robert Divine, *The Reluctant Belligerent: American Entry into World War II* (London: John Whiley and Sons, 1965), 56.

[99] Divine, *The Illusion of Neutrality,* 29.

[100] Porter, *The Seventy-Sixth Congress and World War II,* 20.

combat goods was lifted at the end of 1937, and a 'Cash and Carry' system was implemented that allowed belligerent nations to purchase non-war material from the United States, if they paid for the material and shipped it themselves with their own vessels.[101] Some senators and representatives who held strong isolationist beliefs tried to push through the Ludlow proposal in 1938, which made involvement in war illegal unless an actual invasion of U.S. territory had occurred.[102] Though Congress rejected this amendment 209-188, it demonstrates the lengths to which many of the congressmen were prepared to go in order to avoid unwilling involvement in a new European conflagration.

After the completion of the Munich Conference in September 1938, Roosevelt and the State Department hoped to alter the existing neutrality laws, with the ultimate ambition of giving the president discretionary power to decide whether or not to prevent American ships from sailing through determined combat zones and to reinstate or enforce the arms embargo.[103] Practically, Roosevelt desired to renew the 'Cash and Carry' legislation, which would expire in March 1939, with expanded permissible trade of ammunitions and armaments.[104] At the start of the 76th Congress, Roosevelt addressed both the House and Senate in his annual message, expressing his concerns regarding the expansionist tendencies of Germany, Italy, and Japan, stating that their aggression endangered American sovereignty. He acknowledged that "there are many methods short of war, but stronger and more effective than mere words, of bringing home to aggressor governments the aggregate sentiments of our own people."[105] In speaking of the

[101] Divine, *Roosevelt and World War II*, 18. This Cash and Carry System was reinstated only a week after World War II began. It had been struck down by Congress in the 76th Congress' first session.

[102] Richard Dean Burns and W. Addams Dixon, "Foreign Policy and the Democratic Myth: The Debate on the Ludlow Amendment," *Mid-America* 47 (November 1965): 295.

[103] Porter, *The Seventy-Sixth Congress and World War II,* 21.

[104] Ibid.

[105] Samuel I. Rosenman, ed., *The Public Papers and Addresses of Franklin D. Roosevelt: War and Neutrality,* Volume 8 (New York: Macmillan Press, 1941), *1-4.*

United States, he lamented that "our neutrality laws may operate unevenly and unfairly, and may actually give aid to an aggressor and deny it to the victims."[106] In this, Roosevelt implied that neutrality laws and isolationist sentiment prevented the United States from aiding weak nations against powerful aggressors.

Roosevelt's desire to revise the existing Neutrality Acts alarmed many southern senators, who suspected the president's motives and believed that he deliberately sought to push policies that would entangle the United States in a European war. Senator Carter Glass of Virginia claimed that he feared "that the 'war scare' is to be used as a red herring across the spendthrift record of the administration to divert attention from the reckless expenditures that have already bankrupted the nation."[107] Democrat Josiah Bailey of North Carolina supported Glass's thoughts when he adamantly claimed that he refused "to take any step calculated to get this country into a war," stating "I know that even if we should win the war, we would lose the Republic."[108] It is reasonable to suspect that in January, Congress would have been more likely to undertake neutrality revision if Roosevelt was not president. Generally, most congressmen favored the British over the Germans and would have been inclined to assist Allied efforts in the event of combat.[109] Glass reflected this sentiment in a letter to Charles Stoll, saying "it makes me mad that we did not wipe out the entire crowd of Huns when the Allies had the opportunity to do it!"[110] If the State Department and administration hoped to achieve neutrality revision, it would have to appear to originate from some place other than their office.

---

[106] Ibid.

[107] Carter Glass to Charles Stoll, 9 January 1939, Carter Glass Papers. The University of Virginia, Box 394. http://ead.lib.virginia.edu/vivaxtf/view?docId=uva-sc/viu0082.xml (accessed on February 22, 2013).

[108] Josiah W. Bailey to George C. Warner, letter, 25 March 1939, Personal File, Josiah W. Bailey Papers. Duke University. Cited in Porter, *the 76th Congress,* 33.

[109] Divine, *The Illusion of Neutrality,* 122.

[110] Carter Glass to Charles Stoll, 9 January 1939, Carter Glass Papers, The University of Virginia, Box 394.

The first battle on neutrality legislation involved Roosevelt's push to alter the Neutrality Act of 1937. Internationalist senators such as Key Pittman sought the repeal of the entire bill, while isolationist Republicans, mostly from the western United States, fought any attempt at altering the bill. Many senators did not want to alter the bill, as in the case of Senator Nye from North Dakota, who claimed that "any effort to repeal or emasculate the Neutrality Act, will keep the Senate here all summer."[111] But without changes to the Neutrality Act, Roosevelt believed that, "we'll be on the side of Hitler by invoking the act. If we could get rid of the arms embargo, it wouldn't be so bad."[112] Pittman introduced what he termed the 'Peace Act of 1939'. This compromise bill did not eliminate the law but sought to change two major aspects of the Neutrality Acts. The first sought to eliminate the arms embargo, and the second hoped to authorize the president to declare certain combat zones off limits to American vessels and citizens so as to avoid provocative incidents on the high seas.[113] To appease isolationists, Pittman recommended that the stipulations regarding default of previous war payments be kept in the legislation to prohibit travel with ships belonging to a belligerent nation and to prevent American merchants from arming their vessels.[114] Pittman assured that the cash and carry provision would keep the United States out of any European conflict and that it would provide aid to England and France.[115]

Senator Nye again spoke for the isolationist bloc in protest of the Pittman bill, arguing that "a far better anchor than it is now is against one hundred thirty million people from being

[111] Gerald P. Nye to Walter Lippman, 26 April 1939, Nye Papers, The University of North Dakota, Box 26. Cited in Porter, *The Seventy-Sixth Congress,* 24.

[112] Franklin D. Roosevelt to William G. McAdoo, 9 March 1939, The Huntington Library, William G. McAdoo Papers, Box 468. Cited in Porter, *The 76th Congress*, 36.

[113] Congressional Record (CR), 76th Congress, 1st Session, vol. 84, 20 March 1939, Roosevelt Papers, President's Secretary File, Box 57.

[114] Porter, *The Seventy-Sixth Congress and World War II,* 25.

[115] Congressional Record (CR), 76th Congress, 1st Session, vol. 84, 20 March 1939, Roosevelt Papers, President's Secretary File, Box 57.

drifted into war by an unrestricted conduct of foreign policy by a few administrators."[116] The isolationist bloc of congressmen feared the power that the bill gave to the president in determining foreign policy. They also felt that political legislation should work towards new solutions for domestic purposes rather than to the possibility of foreign wars.[117] Isolationists recalled to their opponents that the United States had spent $33 billion in World War I and lamented that over 100,000 American men had died on European battlefields.[118] This emphasis on the payments of debts flowed from the pens of senators and congressmen in the first session of 1939, Senator Borah of Idaho claimed, "[We] loaned millions of the taxpayer's money to them, and they repudiated their debts."[119] Republican Representative John Schafer of Wisconsin goes a step further, affirming that "[our] Americans will not go to slaughter on foreign battlefields in a tie-up with the ungodly, unchristian, bloody red butchers from Moscow, and the debt-defaulting French."[120] Even Democrats expressed uneasiness about aspects of the bill that could end American neutrality. Senator Rush Holt of West Virginia hinted that "the way to preserve our democracy is to stay out of this insane game of European diplomacy."[121]

Much of the isolationist reluctance to expand the powers of a new Neutrality Act originated from the fear of giving President Roosevelt too much control in foreign affairs. Many congressional figures feared that Roosevelt would utilize the uncertainty in Europe to add to his

[116] Gerald P. Nye to Walter Lippman, 26 April 1939, University of North Dakota, Nye Papers, Box 26. He believed that the system in place would protect them far better from European entanglement than the new Neutrality plans.

[117] Many senators believed that these confrontations between Hitler and other European sovereigns would not result in war but an additional series of appeasements.

[118] Porter, *The Seventy-Sixth Congress and World War II: 1939-1940,* 42.

[119] William E. Borah to Mrs. C. H. Mesling, 16 January 1939, University of Idaho, William E. Borah Papers, Box 426. http://www.lib.uidaho.edu/special-collections/Manuscripts/mg10.html (accessed on February 12, 2013).

[120] John Schafer to Amos Pinchot, 18 April 1939, Library of Congress, Amos Pinchot Papers, Box 66. http://memory.loc.gov/service/mss/eadxmlmss/eadpdfms/2011/ms011103.pdf (accessed on February 13, 2013).

[121] Rush Dew Holt to Herbert O'Brien, 20 April 1939, Rush Dew Holt Papers, West Virginia University, Box 36, Section 1701. Cited in Porter, *The Seventy-Sixth Congress and World War II,* 32.

personal authority.[122] Representative Clifford Hope contended that "it is rather dangerous to have a man at the head of our government in times like these who is as impulsive as the President, and who apparently believes in taking a lot of chances when it comes to international affairs."[123] Many senators believed that war would not occur, and that if it did, that the Atlantic and Pacific Oceans would prevent Axis nations from launching offensives upon the Western Hemisphere.[124] Due to isolationist resistance, the Senate postponed the vote on the Pittman Bill indefinitely, and an irate administration quickly set its sights on the House of Representatives with a milder bill presented by Representative Sol Bloom of New York.[125]

The Bloom Bill ultimately passed through the House of Representatives on the 15 of June 1939, by a margin of 159-157, authorizing the lifting of the ban on ammunitions and the revision of the cash and carry system. However, the president soon lost the ability to declare combat zones, as intense pressure from the isolationists precipitated the removal of this provision from the bill. By June 30, isolationist Representatives easily restored the arms embargo with a vote of 214 to 173.[126] As the end of the session of Congress rapidly approached, Roosevelt attempted to revive the Bloom bill and Cash and Carry system. However, the isolationists again thwarted his efforts and postponed any further neutrality legislation.[127] Congress had not yielded its authority to the executive branch, and the disagreement within American public opinion over the rising tension in Europe caused division in the government.[128] The British did not lose out on the evident distrust that many congressmen held for Roosevelt, and the tumultuous laws passed

[122] Divine, *The Illusion of Neutrality,* 132.

[123] Representative Clifford Hope to Don Shaffer, 25 April 1939, Legislative Correspondence, Kansas Historical Foundation, Clifford R. Hope Papers, Box 150. Cited in Porter, *The Seventy-Sixth Congress and World War II,* 29.

[124] Porter, *The Seventy-Sixth Congress and World War II,* 31. Isolationists held a slim majority in Congress in early 1939.

[125] Divine, *The Illusion of Neutrality,* 252-56.

[126] Congressional Records, 30 June 1939, National Archives, 8511/13.

[127] Porter, *The Seventy-Sixth Congress and World War II,* 48-53.

[128] Ibid., 54.

throughout the 1930s would go a long way in influencing the plans for economic warfare against Germany.

The isolationist tendencies of Congress coupled with the economic competition that existed between the United States and Great Britain pushed the Ministry of Economic Warfare to devise methods of economic attack without depending on U.S. cooperation. Frank Ashton-Gwatkin of the Foreign Office of the United Kingdom stated in July of 1938 that "Anglo-American concord will one day save the world, but that day has not yet arrived. There is still suspicion and hesitation on both sides."[129] Great Britain recognized the power that the United States possessed, but believed them to be unreliable allies at best. Chamberlain expressed this apprehension upon becoming Prime Minister in 1937: "The power that had the greatest strength was the United States, but he would be a rash man who based his calculations on help from that quarter."[130] Few men in Parliament disagreed with Chamberlain's assessment.

The general sentiment within the British Parliament contended that, in the event of a short war, American involvement would be unnecessary, except as a mediator between belligerents.[131] However, if this conflict proved to be a long war, Parliament desired for aid to be forthcoming upon educating the American public of its responsibilities as a world power.[132] The British government resigned themselves to the fact that the Johnson Act made it impossible to secure American loans, while the Neutrality Act of 1937 made it equally impossible to obtain munitions.[133] The British lamented the extent to which public and congressional opinion dictated the government's ability to act. Parliament judged the public opinion to be slightly Anglophobic

[129] Ashton-Gwatkin, Memorandum, 7 July 1938, London Kew Archives, CAB 24/277.
[130] Neville Chamberlain: Cabinet Minutes, 8 December 1937, The London Kew Archives, CAB 23/89.
[131] Reynolds, *The Creation of the Anglo-American Alliance,* 12.
[132] Ibid., 13.
[133] Benjamin D. Rhodes, "Reassessing 'Uncle Shylock': The United States and the French War Debt," *The Journal of American History* 55:44 (March 1969): 795.

and felt that congressmen had become slaves to sectional interests.[134] The British elite[135] resented the Constitution, claiming that it "was outdated and rigid, its eighteenth century theories of balanced government hampering the exercise of firm enlightened leadership."[136]

The controversy over war debts cemented the British perception of America's selfishness within Parliament. In World War I, the Allied war effort depended largely on American supplies and money, from 1916 to the conclusion of the conflict.[137] The British war debts alone came to nearly $4 billion. The common feeling amongst the Allies was that these debts should have been forgiven, because they believed that what the United States had paid in gold, Britain and France had paid in blood.[138] The Johnson Act of 1934 was a slap in the face to the British as it perpetuated the British perception of the United States as a selfish nation who did not know its responsibility as a world power.[139]

A serious diplomatic dispute that further tempered the desire for Americans to provide aid in a potential war involved the British tendency to treat the United States as an inferior nation. The British Ambassador to the United States, Sir Ronald Lyndsay demonstrated this proclivity in a dispatch from 1937 stating that, "The U.S. is still extraordinarily young and sensitive. She resembles a young lady just launched into society and highly susceptible to a little deference from an older man."[140] Lyndsay justified this statement by insisting that any proposal for cooperation by the Americans must be treated with the utmost respect, for an unwillingness

[134] Reynolds, *The Creation of the Anglo-American Alliance,* 10.

[135] Members of Parliament, Lords of Industry, Oxford and Cambridge intelligentsia.

[136] Neville Chamberlain to Mrs. Morton Prince, 16 January 1938, London Kew Archives, Papers of the Premier (PREM) Box 1. Folder 259.

[137] Kathleen Burk, "The Diplomacy of Finance: British Financial Missions to the United States, 1914-1918," *The Historical Journal* 22:02 (June 1979): 356.

[138] Reynolds, *The Creation of the Anglo-American Alliance,* 15.

[139] Ibid., 16.

[140] Ronald Lyndsey to Anthony Eden, Dispatch, 247, 22 March 1937, The London Kew Archives, FO 371/20651.

to cooperate would signify disrespect to American leadership.[141] The British hoped that, in the event of a prolonged war, 'the educative power of events' would prevail on the American people to assist British initiatives.[142]

The lack of understanding of American culture played a considerable role in the resentment that the British felt at American isolationist policies. Many believed that the United States existed as a "land of brash and vulgar people who at best reeked of superficiality."[143] The inaccessibility of the United States to the average Englishman largely contributed to the misjudgment of American character.[144] This belief is evident in the British tendency to utilize the words 'educate' and 'woo' when referring to the American public.[145] This derived largely from the British unwillingness to change their view that the United States was simply an errant Dominion.

The British still tended to conceive the Anglo-American connection as a master to apprentice relationship, viewing the United States as a mix between a Dominion and a foreign country.[146] As Jay Pierrepont Moffat of the U.S. State Department noted, "The British do regard us as a Dominion gone wrong, but if they frankly regarded us as a foreign country, albeit a friendly one, relations would be far better."[147] The slowness of government further propagated the British view of America as a Dominion, seeing that the New Deal policies that Roosevelt instituted, such as unemployment insurance and social security, had long ago been achieved by Great Britain. This promoted a view that the United States lagged behind the European powers in

[141] Reynolds, *The Creation of the Anglo-American Alliance,* 11.

[142] Ronald Lyndsey to Anthony Eden, Dispatch, 247, 22 March 1937, The London Kew Archives, FO 371/20651.

[143] Reynolds, *The Creation of the Anglo-American Alliance,* 13.

[144] Aldcroft, *The Inter-War Economy: Britain,* 47.

[145] Brinton, *The United States and Britain,* 96. The British did not teach American history or culture within their schools. So a general ignorance of the American public is to be expected.

[146] Ibid.

[147] Jay Pierrepont Moffat, Diary, Vol. 42, 16 February 1939, Harvard University, Jay Pierrepont Moffat Papers, http://oasis.lib.harvard.edu/oasis/deliver/moffat/~hou01201 (accessed on February 15, 2013).

being an enlightened government, and that the Roosevelt administration had belatedly pulled the United States out of the 19th century's emphasis on individualism.[148]

British leaders had respected Roosevelt's effort in the New Deal, but believed that he had lost the trust of the American people in his second term, as well as the confidence of American business. They believed that Roosevelt had set America on the right track to recovery, but had lost the necessary support to be an effective leader of his legislative body in 1938. The British Foreign Office expressed their summation of the Roosevelt administration as such: "The New Deal has restored order, but it has not established leadership."[149]

An additional concern for the British is that aid from the United States might compromise British interests and sovereignty amongst its dominions.[150] Throughout the 1930s, due to Britain moving off of the gold standard, many of the Dominions had moved their own currency to sterling, and countries who maintained considerable trade with the British attached their currency to the pound.[151] Though this bloc of trade happened naturally as a result of economic necessity, the Americans viewed this currency conversion as an intentional ploy by the British to establish an Imperial economic bloc. This belief particularly concerned the British because they feared that the United States would go after their Caribbean interests as a stipulation in exchange for war material aid.[152] Because of this increasing commercial rivalry, the British hoped that American intervention would not be needed, and that any conflict would allow for a blockade to be the only necessary strategy.[153]

---

[148] Reynolds, *The Creation of the Anglo-American Alliance,* 12.
[149] Ashton-Gwatkin, Memorandum, 7 July 1938, London Kew Archives, CAB 24/277.
[150] Reynolds, *The Creation of the Anglo-American Alliance,* 11.
[151] Drummond, *British Economic Policy and the Empire, 1919-1939,* 119.
[152] Reynolds, *The Creation of the Anglo-American Alliance,* 14.
[153] Ibid. British and American Naval Strategy will be discussed in greater detail in Chapter 2.

The British ultimately hoped that a war against Hitler's Nazi Germany would not take place, but if it did, that a British economic blockade could lead to victory. Such a blockade would be easier with American cooperation. However, the flurry of isolationist policies enacted by Congress, and the perceived inability of a pro-British president to rally his party to support his initiatives, pushed the British to plan their blockade with French cooperation alone. Not only did the British not expect Americans to readily make aid available at the outset of the war, but they also did not desire American help for fear that the cost would outweigh the benefits gained from alliance with their commercial rival. Yet, the British proceeded with confidence, believing that the nation's geographic position and superior navy would allow her to capably conduct a successful blockade. With this in mind, the British developed the blueprint for economic warfare in case war broke out against Nazi Germany in the foreseeable future.

The prospect of war between Great Britain and Germany brought to light the old adage of the lion versus the whale.[1] The United Kingdom did not desire to fight another war with Germany. However, if Germany chose to make war inevitable, Britain had faith that its navy could contain German expansion and starve its war effort.[2] The Royal Navy played a critical role in the plans for successful economic war. On his ascension to Prime Minister, Neville Chamberlain acknowledged that any agreements with the United States would require careful consideration, due to the potential for war with Germany and the flaring conflicts between Japan and China.[3] Chamberlain expressed this sentiment in light of Roosevelt's insistence that he visit the United States shortly after he assumed his position as prime minister in 1937.[4] Chamberlain refused to accept the invitation, arguing that the trip would receive a high degree of publicity and that expectations for results would be highly anticipated. He also believed that dictators could interpret the trip as an effort to forge an Anglo-American alliance.[5] In a way, the British government felt that greater American involvement might escalate tensions.[6]

The British Cabinet feared Americans meddling again in European affairs. According to Ray Atherton, counselor at the U.S. Embassy in London, the prime minister felt, "that we were still a long way from being able to clean the slate; that in Europe he would like to see parallel action but that if it were a question of the United States going in and then going out, he would

[1] A war involving a great sea power versus a powerful land based military.

[2] *MEW Organization: 1938, Imperial War College Strategy,* The London Kew Archives, FO 837/1B.

[3] Neville Chamberlain to Ida Chamberlain, 4 July 1937, London Kew Archives, PREM 1/261.

[4] Reynolds, *The Creation of the Anglo-American Alliance,* 17.

[5] Neville Chamberlain Personal Correspondence 1937-40, London Kew Archives, PREM 1/261. These justifications were supported by cabinet members as well.

[6] American involvement was unlikely due to isolationist sentiment within Congress and the public at large. However, Chamberlain did not want to give an appearance of Anglo-American unity when there was no guarantee that the Americans would back British initiatives.

rather that we never came in."[7] Chamberlain recalled the feeling of abandonment by the Americans in 1920 and feared that American intervention would prove troublesome and disconcerting, given U.S. unreliability. He explained in 1938 that after "we have done a certain amount of spade-work here, we may want help from the U.S.A. It may well be that a point will be reached when we shall be within sight of an agreement, and yet unable to grasp it without a helping hand. In such an event a friendly and sympathetic President might be able to give the fresh stimulus we require."[8]

In January 1938, President Roosevelt offered to propose a 'peace treaty' with the cooperation of the British government, with the goal of creating an international agreement that would establish the fundamentals of world peace, including arms limitation, equal access to raw materials, and belligerent rights in war.[9] Roosevelt eventually backed down after being advised by the British that such a treaty could unify dictator opinion against Great Britain, but the American president's lack of predictability with wanting to assert himself into European affairs and then rapidly retreat caused great anxiety for the Chamberlain cabinet in their efforts to avoid another war.[10]

The British had two basic options for confronting the increasing collaboration between the dictator-led nations. The first involved the establishment of a unified check against aggressive measures through formation of an alliance with other democracies, such as France and the United States. The second hinged upon the enactment of policies of appeasement in order

[7] Moffat relating a conversation with Atherton, Diary, 29 July 1937, Vol. 39. Harvard University, Jay Pierrepont Moffat Papers.

[8] Neville Chamberlain to Ronald Lyndsay, telegraph 36, 13 January 1938, London Kew Archives FO 371/21526.

[9] Neville Chamberlain to Franklin Roosevelt, Telegraph 35, 13 January 1938, *Foreign Relations of the United States*, The British Commonwealth 1938, I, 118-120. http://images.library.wisc.edu/FRUS/EFacs/1938v02/reference/frus.frus1938v02.i0003.pdf (accessed on March 16, 2013).

[10] Reynolds, *The Creation of the Anglo-American Alliance,* 18.

to avoid war or extend time for rearmament.[11] Chamberlain followed the second course of action in his approach to relations with Germany. The prospect of American aid in the case of war seemed bleak, and the French lagged farther behind in war preparations than Britain.[12] With this in mind, Chamberlain favored appeasement policies in the hopes of satiating Germany and avoiding war.[13]

Despite the prevailing expectations for the economic blockade, the ministry originally maintained an overtly neutral position regarding German capabilities, believing that Germany's industries would "be adequate to equip and maintain in war all the sea, land, and air forces which she planned to put in the field and to maintain the essential services, provided that raw materials and sufficient skilled labor for her industries were available."[14] This meant that the ministry would emphasize commodity control, because they believed that Germany possessed adequate initiative, labor supply, and industrial competency to maintain her war efforts.[15] The ministry's plan for derailing the enemy economy involved the reduction of imports in all forms, including comfort commodities believing that "only by creating a sufficient scarcity of a large number of commodities that significant results could be achieved."[16] If war did become a reality, the British government believed Britain could win, in the case of an extended struggle, due to her reinvigorated infrastructure (which permitted a greater degree of self-sufficiency) and her ability to use her geographical advantage to form blockades against enemy belligerents.[17]

---

[11] Ritchie Ovendale, *Appeasement and the English Speaking World: Britain, The United States, the Dominions, and the Policy of Appeasement, 1937-39* (London: The Whales University Press, 1975), 50-75.

[12] Eleanor M. Gates, *End of the Affair: The Collapse of the Anglo-French Alliance, 1939-40* (London: George Allen & Unwin, 1981), 25.

[13] Ovendale, *Appeasement and the English Speaking World: Britain,* 53.

[14] Medlicott, *The Economic Blockade*, 26.

[15] *Contraband and Enemy Exports Control: American Continent*, London Kew Archives, FO 837/174.

[16] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*.

[17] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*, London Kew Archives, FO 837/5.

This confidence sprang not only from Britain's increased self-sufficiency, but also from the perceived state of German production and finances. Prior to World War I, Germany had established itself as a creditor nation, with many investments abroad, and she had acquired a financial reputation that allowed her to obtain whatever raw materials she needed from neutral nations.[18] In 1939, Germany did not possess the same financial reputation and had little credit.[19] The British pre-war plans for economic warfare on Germany's financial integrity "would be to take all possible steps to prevent this country (Britain) from assisting neutrals to lend to Germany."[20] By refraining from lending to neutral countries that might otherwise lend to Germany, Great Britain hoped that these policies would serve the dual purpose "of conserving our own financial resources for war purposes (and) incidentally have the result … of exercising financial pressure on Germany."[21] Despite the financial pressure that limiting loans to Germany would exert, the United Kingdom also had to prevent Germany from developing foreign currency reserves for trade.

The German shipping insurance industry had surpassed all but that of Great Britain.[22] Many of Germany's insurance companies held offices all over the world, and they served as an avenue for substantial foreign exchange with overseas shippers.[23] Britain realized that shutting down the German insurance companies at the outset of the war would limit German trade to a

[18] Medlicott, *The Economic Blockade,* 38.

[19] Ibid.

[20] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*.

[21] Ibid.

[22] *Intelligence Priorities Committee: Research and Development in German Europe*, The London Kew Archives, FO 935/1; For more information on German supply development see Gerhard Weinberg, *Hitler's Foreign Policy 1933-1939: The Road to World War II* (New York: Enigma Books, 2007).

[23] This exchange of currency incentivized countries to continue trade with each other. If a country has a particularly large reserve of foreign currency, they are more likely to trade with said country because of ease of purchasing power.

strict barter exchange.[24] However, the Ministry of Economic Warfare still needed to determine what types of raw materials Germany needed and to prevent targeted neutral imports from reaching their destination.

The overt optimism in which Chamberlain held the mission of the Ministry of Economic Warfare largely predicated on the numerous German deficiencies in the raw materials vital to a modern war effort. Germany lacked high grade ore for the construction of steel and relied heavily on Scandinavian imports.[25] In order to strengthen steel to armor grade quality, a number of non-ferrous metals needed to be added to the smelting process. These metals included molybdenum, chrome, manganese, tungsten, and titanium. Germany did not have any domestic sources of these metals and therefore relied on adjacent neutrals for supplies.[26] Amongst other major deficiencies, Germany also lacked sufficient domestic production of petroleum or textiles.[27]

The British held the greatest hope for crippling the German war effort through limiting German access to liquid fuels, such as petroleum and natural gas. In peacetime, Germany could only produce half of her civilian demand for crude and synthetic oils, and relied largely on Romania and the United States to make up the deficit.[28] The Ministry assumed that oil consumption would increase in a German war economy, and with overseas transportation eliminated, Romania would serve as the only remaining outside source of oil.[29] Germany also lacked sufficient infrastructure for the efficient transportation of oil to its factories and military.

---

[24] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*. If German trade could be limited to this degree because of its inability to obtain foreign loans, then a blockade of German exports would also serve to limit neutral imports.

[25] Eugene Staley, *Raw Materials in Peace and War* (New York: Arno Press, 1976), 49-56. Its own natural reserves of iron were of lower quality.

[26] Ibid. 58-63.

[27] Ibid.

[28] *First Report of Lord Hankey: On the Prevention of German Oil Supplies*, October 1939, The London Kew Archives, CAB 66/3/34.

[29] Ibid. Romanian oil had to be shipped by land, further delaying Germany's ability to quickly refuel.

The Ministry of Economic Warfare planned for severe shortages within Germany's military and civilian sectors if the ministry could effectively apply its economic initiatives.

At the beginning of the war, no more than 30 percent of German iron, and rubber, derived from domestic production, and its pre-war efforts to stockpile these supplies had achieved only limited success.[30] The Germans did have sufficient supplies of coal, but their economic resources suited them for a quick conflict rather than an extended struggle. The British planned for a war much like the Great War, and with the economic intelligence gathered by Great Britain, the Ministry of Economic Warfare believed it could starve Germany of war resources within a year and a half.[31] Given the expectations for a combat similar to that of World War I, Britain was reasonable to believe that the actions of the Ministry of Economic Warfare could decisively defeat Germany without the assistance of the United States. The new tactics and innovations utilized by Germany in the fall of 1939 and 1940 would take the British by surprise, but in July of 1939, the Chamberlain government had every right to believe that the United Kingdom's Ministry of Economic Warfare would serve as the decisive weapon to frustrate German war efforts. Chamberlain wrote to Roosevelt in October of 1939 that he believed that "they (Germany) could not stand our relentless pressure."[32]

The pre-war plans for the ministry called for the institution of three methods of economic warfare against enemy belligerents. The first involved legislative action to hinder commercial and financial undertakings within the enemy's territory.[33] The second involved manipulating the

[30] *Intelligence Priorities Committee: Research and Development in German Europe,* The London Kew Archives, FO 935/1.

[31] Medlicott, *The Economic Blockade,* 32.

[32] Neville Chamberlain to Franklin Roosevelt, letter, 4 October 1939, *Foreign Relations of the United States: British Commonwealth 1939,* 647. http://images.library.wisc.edu/FRUS/EFacs/1940v03/reference/frus.frus1940v03.i0004.pdf (accessed on March 16, 2013).

[33] *Handbook of Ministry of Economic Warfare*, The London Kew Archives, FO 837/4, 12.

commercial and financial activities of neutral countries who could potentially supply the enemy with blockaded goods.[34] Finally, the third method relied on openly attacking the enemy by disrupting overseas trade before supplies could reach enemy territory.[35] The ability to apply these weapons effectively against neutral and belligerent nations would determine the ministry's success in its economic attack on Nazi Germany.

The primary purpose of legislative action revolved around the ability to pressure neutral countries so that they would cease economic exchange with enemy nations. Legislative action had the potential to control British firms and merchants who might normally ship goods to the enemy.[36] The Ministry of Economic Warfare instituted a Trading with the Enemy Act,[37] which would prohibit all exports to Germany. In general terms, any resident or individual who had established residency in an enemy territory, a governmental agency in an enemy country, a section of a company whose primary control center originated in enemy territory, or any person or company under enemy jurisdiction and law qualified as an enemy.[38] This act stated that any person or company that would willingly collaborate with the enemy became an enemy also, and it permitted British forces to seize the goods of such persons or companies on the high seas.[39] The Ministry of Economic Warfare's 'statutory list' contained the names of enemy traders and companies.[40]

---

[34] *Ministry of Economic Warfare: Organization, 1938*, The London Kew Archives FO 837/2.

[35] *Handbook of Ministry of Economic Warfare*, 8.

[36] *Contraband Control Service Manual,* The London Kew Archives, FO 837/145; and *Contraband Control: Policy and Procedure,* The London Kew Archives, FO 837/147.

[37] The Trading with the Enemy Act was passed September 5, 1939.

[38] *Contraband Control: Policy and Procedure,* The London Kew Archives, FO 837/147.

[39] *Handbook of Ministry of Economic Warfare*, 9.

[40] Ibid.

This Statutory List, later in the war known as the 'black list', served to inform traders in the United Kingdom of the entities with whom they could not conduct business.[41] The British government specifically targeted enemy firms that had established bases in a neutral country's territory but remained under the control of the enemy company, neutral firms who had a vested interest in the enemy's industry, neutral firms whose commercial livelihood relied upon heavy trade with the enemy, and neutral companies who increased their dealings and financial assistance from the peacetime tradition.[42] Britain also hoped that firms in danger of falling under one of these qualifications would work to keep the Ministry of Economic Warfare's satisfied. Britain further penalized companies included on the black list by refusing to allow them to utilize British bunkers, access supply stores, use repair and dry docking facilities, obtain marine insurance, or charter neutral shipping. This restriction carried special weight due to the considerable territories and sea lane control that the British possessed.[43] In all likelihood, being included on this list meant that the company would either go out of business or its profit and trading ability would severely diminish.

The insurance ban from British companies served as the most powerful of the black list penalties.[44] The Ministry of Economic Warfare could request at any time that specific ships be denied insurance for hulls or cargoes from British firms.[45] The effectiveness of this penalty sprang from the fact that "insurance is both directly and indirectly of extreme importance in the conduct of any country's foreign trade."[46] Indirectly, its importance lay in the fact that it

[41] *Ministry of Economic Warfare: Release of Information to Industry*, The London Kew Archives, FO 935/11.

[42] *The Statutory and Black List: General Information,* The London Kew Archives, FO 837/203.

[43] *Handbook of Ministry of Economic Warfare*, 32.

[44] As the most extensive maritime power, Great Britain maintained the greatest number of marine insurance companies in the world

[45] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*.

[46] Medlicott, *The Economic Blockade,* 22.

provided a vital medium of foreign exchange, increasing the purchasing power of the nation.[47] Directly, its importance was tied to the fact that commercial producers demanded insurance for their merchandises, whether in production, transit, or distribution, thus lack of insurance seriously deterred commercial producers from engaging in business operations with a particular shipping company and served as a serious deterrent to shipping operations overall.[48]

These legislative actions required the identification of vessels, including the origin of goods as well as the ultimate destination for sale.[49] As the preeminent power on the world trade lanes, Great Britain hoped to institute this system of identification as quickly as possible at the outset of the war; the British retained the right to seize any ships not possessing this information, and the cargo of such ships would be sent to the prize courts.[50] Primarily, Britain hoped that the legislation would pressure neutral countries directly or indirectly to avoid trade with Britain's enemies and keep them from serving as a corridor of trade.[51] The legislative weapon allowed for the making of special arrangements that would permit allowances to specific countries in order to "ensure that any control imposed on exports will not prejudice our interests or those of our allies more than the enemy's."[52] This allowance permitted the British some flexibility in dealing with countries.[53]

Diplomatic action covered all measures of economic warfare, with the stated purpose of persuading or forcing neutral governments, persons, and companies to abstain from conducting

[47] This was particularly important because of the preeminent spot that Britain traditionally held in world trade and exchange.

[48] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*.

[49] *Handbook of Ministry of Economic Warfare*, 12.

[50] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*. A prize court determines whether a ship has been lawfully seized during wartime and whether or not its cargo and material be legally possessed and sold.

[51] *Handbook of Ministry of Economic Warfare*, 15.

[52] Ibid.

[53] *Economic Warfare Missions*, The London Kew Archives FO 837/1A.

trade that would benefit the enemy's war effort.[54] The diplomatic initiatives conducted by the British government under the direction of the Ministry of Economic Warfare provided for the distinction of overseas neutrals and adjacent neutrals. The British classified overseas neutrals as neutrals separated from the enemy by a sea lane controlled by British naval forces or blocked by British territory.[55] Britain could control the overseas neutrals with greater ease because she controlled the seas. However, she also realized that the primary danger of having overseas neutrals lay in the fact that, if pushed too hard, they could become powerful enemies. The adjacent neutrals included nations that, by geographical proximity, could maintain direct trade lanes and communication with the enemy outside of British control, whether by sea or by land.[56] The approach with which the British treated the neutrals depended on the political sympathies and geographical position of that nation in relation to the enemy.

Overseas neutrals presented a unique challenge, because their interaction with the British blockade would likely cause delays, uncertainties, and potential losses.[57] Britain, therefore, made it a goal to reduce these potential aggravations as much as possible in order to avoid provoking overseas neutrals while still preventing trade from reaching the enemy. The Ministry of Economic Warfare planned to accomplish this objective by explicitly communicating to these neutrals that the British intended only to exercise its legitimate belligerent rights rather than to harm the national prosperity of neutral nations.[58] The primary overseas neutral whom the British

[54] *Handbook of Ministry of Economic Warfare*, 13-15.
[55] Ibid., 16.
[56] Ibid.
[57] Medlicott, *The Economic Blockade,* 19.
[58] *Handbook of Ministry of Economic Warfare*, 22.

did not want to antagonize was the United States.[59] They hoped to assuage any fears by offering to purchase excess goods so that neutrals would not sell to the enemy.[60]

Despite the economic clout possessed by the United States as an overseas neutral, the British believed that neutral adjacent to the enemy posed a bigger threat.[61] The adjacent neutrals provided an added element of difficulty, because geographic proximity and dependence on imported supplies differed between nations, and a single method of action could not be applied to all adjacent neutrals.[62] To accommodate this variation, Britain hoped to negate the adjacent neutrals' willingness to trade with the enemy by disrupting supplies from overseas on the justification that the supplies were suspected to contain contraband.[63] The ministry also hoped that they could entice adjacent neutrals to cooperate by threatening to withhold vital products produced by the United Kingdom.[64] As with overseas neutrals, the Ministry of Economic Warfare had prepared to offer to purchase guaranteed quantities of vital produce in order to stabilize adjacent economies.[65]

Great Britain sought to coordinate diplomatic agreements before the outbreak of war in order to prevent trade to the enemy that might relieve his supply deficiencies.[66] This policy focused on adjacent neutrals that possessed the capability of relieving enemy shortages.[67] The war cabinet frequently discussed the likelihood that British influence could control specific

---

[59] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*.

[60] *Contraband Control: Minutes of Meetings, November 1939*, The London Kew Archive, FO 837/133. The purchase of excess goods was not always feasible due to budgetary concerns. Control at Source meant that the British hoped to institute diplomatic pressure as a preemptive measure so that neutral nations would not export banned goods so that the British Navy did not have to intercept their ships.

[61] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*.

[62] *MEW Organization: 1938, Imperial War College Strategy*.

[63] *Government Trading and Organization: Purchases and Supply, September-December 1939,* The London Kew Archives, FO 837/272.

[64] Ibid.

[65] Ibid.

[66] These 'pre-war' trade agreements would hopefully sway the adjacent neutrals favor towards the British.

[67] *MEW Organization: 1938, Imperial War College Strategy*.

adjacent neutrals.[68] The Balkan nations concerned Britain the most, because it could not physically pressure them with blockade due to their geographic isolation. Further, the enemy sat in a position to exert immediate force on them.[69] The Balkans also contained rich resources that had the potential to alleviate many of the enemy's resource deficiencies. The cabinet hoped that the lessons of war could teach the Balkan states that cooperation with the Allies would serve their best interests.[70]

If negotiations failed with adjacent neutrals or overseas neutrals, Britain planned to take advantage of its control of the seas to pressure neutrals into conforming to British desires by withholding financial aid, shipping protection, and by cutting off sea trade routes and essential commodities under British jurisdiction.[71] This financial pressure could function as a double measure to decrease material assistance to the enemy and incentivize the disenfranchised neutral trader to coordinate with allied initiatives.[72] Britain could also accomplish this by withholding credit from the Bank of England in a not-so-discreet warning to discontinue unusual commercial conduct with the enemy.[73]

The Ministry of Economic Warfare also planned to use forced rationing as an additional weapon against troublesome neutrals.[74] The ministry planned to gather data on national needs for certain war materials and prohibit neutrals from importing a greater amount of raw material than had been needed for peace time. The Ministry of Economic Warfare did this to prevent neutrals

[68] Ibid.

[69] *Government Trading Organization: Purchase and Supply Mission to Balkans,* The London Kew Archives, FO 837/271.

[70] *Questions of Blockade and Contraband Control Discussed at Cabinet in Absence of MEW,* The London Kew Archives, ADMI 1/10855.

[71] Ibid.

[72] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*.

[73] Medlicott, The Economic Blockade, 22. This reduction of credit lending to suspected companies also prevented Great Britain from inadvertently funding the enemy war effort.

[74] *Handbook of Ministry of Economic Warfare*, 22.

from converting surplus materials into war supplies or trade surplus material to the enemy.[75] However, before implementing such a policy, the British had to determine that the added diplomatic tension would not favor enemy initiatives over the Allied or British purpose. This meant that the Ministry of Economic Warfare could only impose rationing, after receiving the approval of the War Cabinet.[76]

Many of these weapons of legislative and diplomatic power within the Ministry of Economic Warfare could lead to violent confrontations between neutral shipping and the Royal Navy. However, the military initiatives, as detailed by the ministry, included the use of armed forces to deter commodities destined for enemy use.[77] The primary role of the Ministry of Economic Warfare in military action would be to provide information to the British military in order to effectively conduct the blockade.[78] With the use of armed forces, the military action within the economic blockade could take many forms. The blockade essentially served as a military endeavor to capture enemy ships and their cargo. This action involved the blockade of the enemy's coast, direct attack on enemy ports or land by invasion of economically critical areas, attacks on enemy shipping, establishing control of choke points on trade routes, and the coordinated destruction of centers of storage manufacturing and distribution.[79] Britain's greatest hope for a quick end to German aggression lay in her military enforcement of an economic blockade.[80]

---

[75] *Intelligence Priorities Committee: Research and Development in German Europe*, The London Kew Archives, FO 935/1.

[76] *Questions of Blockade and Contraband Control Discussed at Cabinet in Absence of MEW,* The London Kew Archives, ADMI 1/10855.

[77] *Handbook of Ministry of Economic Warfare*, The London Kew Archives FO 837/4, 7.

[78] Ibid.

[79] Ibid.; *Economic Warfare Policy of the United Kingdom, 1939: General Strategy*.

[80] It is of note that the plans for economic warfare were specifically tailored to a war against Germany

The plans for economic warfare necessitated the gathering of information before war began in order to ascertain the enemy's war-making capabilities and identify any supply deficiencies within the enemy nation. Utilizing this information, the Ministry of Economic Warfare would then identify probable origins from which the enemy currently acquired or might acquire his supplies to make up for this deficiency. [81] Britain had access to general information about the makeup of the German economy prior to the beginning of the war, including data concerning its assets and deficiencies.[82] However, secret stockpiling and covert technologies could only be estimated by British observers, and the Ministry of Economic Warfare had to coordinate its actions based upon this guesswork.[83]

As explored in the previous chapter, the United States retained her position as the most powerful and challenging overseas neutral for the ministry to influence. As the most productive and potent neutral economy with isolationist tendencies at the outbreak of the war, the ministry had to be very careful in how it handled American shipping rights in European waters. Britain realized that the U.S. insistence on its right to trade did not stem from an ancient grudge, but a unified resistance to entanglement in foreign wars. However, by the end of the first year, the United States would become the ministry's greatest target in its legislative and diplomatic negotiations, as the previous adjacent neutrals quickly disappeared under direct German control.[84]

---

[81] *Intelligence Priorities Committee: Research and Development in German Europe,* The London Kew Archives, FO 935/1.

[82] Ibid.

[83] Ibid. The experts were knowledgeable of the hypothetical nature of their estimates of German economic strength.

[84] *Statutory and Black Lists: Cooperation with the United States Government,* London Kew Archives, FO 837/196. This adjustment to focusing on overseas neutrals, specifically the United States, did not indicate that Britain planned to forfeit its rights as a belligerent.

The primary diplomatic weapon used by Britain to reduce potential tension with the United States involved the establishment of the "navicert system"—a commercial passport given to companies who had exercised good faith and a willingness to permit manual verification of their cargo. The Ministry of Economic Warfare viewed the navicert as a means of facilitating trade with overseas neutrals in order to avoid economic tension due to delays from searches and seizures.[85] Similar arrangements had been utilized in the British economic blockade in World War I and had worked well to reduce delays to shipping. [86] The navicert system had the additional benefit of providing advanced data on shipments—information which proved useful for statistical enforcement. Also, it incentivized neutral shippers to only export cargo for which they could receive a navicert to ship.[87] This pleased the British, because the neutrals requested navicerts voluntarily; thus, neutral shippers could not claim that the British had unfairly promoted their own trade against the interest of the neutrals, since no coercion or show of force precipitated the adoption of these commercial passports.[88]

This, in theory, would facilitate what the British considered the 'right' kind of trade. However, many companies did not wish to have their cargoes searched by a foreign country, and every section of cargo had to have a navicert or it would still undergo a search. The Americans, recalling the delays in shipping and expensive port charges from previous instances where U.S. shipping had been forced to submit to former contraband and control regulations, did not want to suffer a repeat of past grievances.[89] Not only did American traders naturally seek to throw off

[85] *Navicerts: Procedure and Instructions to Customs Collectors*, London Kew Archives FO 837/249.

[86] *Economic Warfare Policy of the United Kingdom, 1939: General Strategy,* London Kew Archives FO 837/5.

[87] This created a system of shippers leaving product behind that could not receive a navicert out of convenience so that they were not delayed by a British search.

[88] *MEW Organization: 1938, Imperial War College Strategy*.

[89] "The Department of State to British Embassy", Memo, 18 January 1940, *The Foreign Relations of the United States*: *British Commonwealth, 1940*, 83-84.

British trading pressure, this war involved the added complication of dealing with the American Neutrality Acts, which forbid American ships to travel through combat zones designated by the State Department and the president. If the British compelled American ships to dock in waters located in combat zones, forcing American traders to break the law risked pushing American public opinion against the United Kingdom.[90]

To circumvent this issue, the British proposed authorization of a base in Canada to search American cargo before allowing the ships to sail across the Atlantic, in order to prevent drawing American shipping into combat zones.[91] Many in the U.S. government appreciated Britain efforts to establish a North American base for issuing navicerts, as well as the importance of the blockade in limiting German military capabilities.[92] Despite the empathy with the British situation, the concept of American citizens and merchants being forced to accommodate a foreign belligerent in order to conduct trade did not win the favor of many congressmen.[93] As Senator Warren Austin of Vermont argued in October of 1939, "We cannot be bound by rules imposed upon us by belligerents elsewhere on earth."[94] The State Department, however, while protesting against such restriction in public, privately advised many shipping firms to utilize

---

http://images.library.wisc.edu/FRUS/EFacs/1940v03/reference/frus.frus1940v03.i0004.pdf (accessed on March 20, 2013).

[90] Neutrality Acts of 1937.

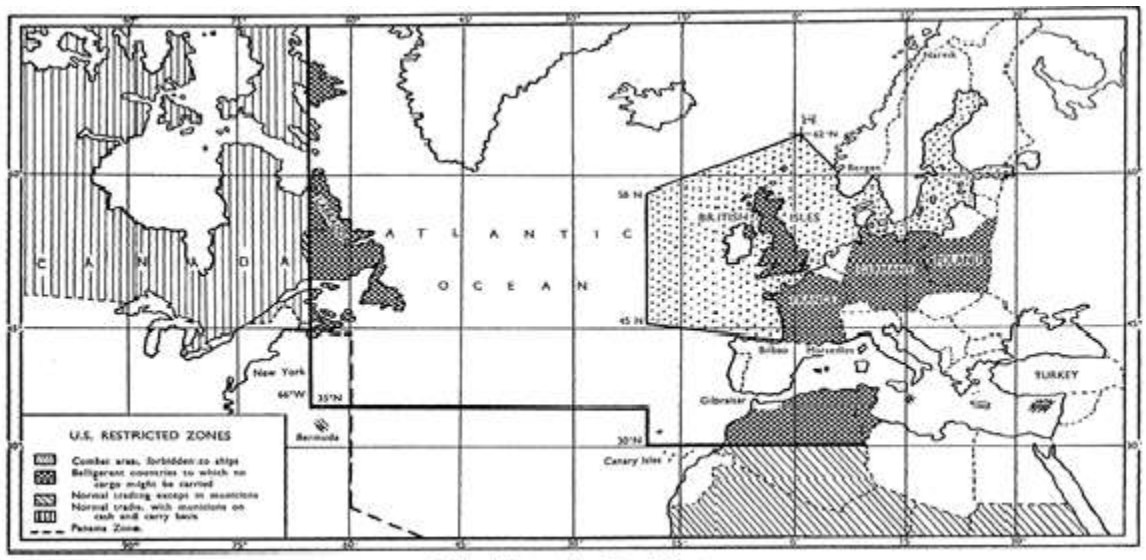
[91] *Contraband and Enemy Exports Control: American Continent,* The London Kew Archives FO 837/174.

[92] Porter, *The Seventy-Sixth Congress and World War II,* 20.

[93] Ibid.

[94] Warren R. Austin to W. S. Kies, 11 October 1939, Warren R. Austin Papers, Senatorial Correspondence, Section 21, The University of Vermont. Cited in Porter, *The Seventy-Sixth Congress and World War II,* 34.

British navicerts in order to ease trade.[95]



United States Restricted Zones 96

Throughout 1939, the Ministry of Economic Warfare utilized preferred purchases to either manipulate neutrals into trading with the British or to incentivize neutrals that were more inclined to trade with the German's unless monetarily persuaded to do otherwise.[97] It focused primarily on adjacent neutrals, with a particular emphasis on Turkey.[98] Turkey sits in a strategically significant position that puts it firmly within the nexus of European, Asian, and African trade. Sitting above Egypt on the Mediterranean Sea, Turkish shipping could transport its goods over the Black Sea into neutral countries that favored Germany, or it could trade directly to Italy without bypassing any British territories. The production capabilities of Turkey,

[95] Cordell Hull to Ambassador Kennedy, Letter, 24 November 1939. *Foreign Relations of the United States: British Correspondence, 1939*, 231-232; "The Department of State to British Embassy", Memo, 18 January 1940, *The Foreign Relations of the United States: British Commonwealth, 1940*, 83-84. http://images.library.wisc.edu/FRUS/EFacs/1940v03/reference/frus.frus1940v03.i0004.pdf (accessed on March 16, 2013).

[96] Medlicott, *The Economic Blockade*, 364.

[97] *Handbook of Ministry of Economic Warfare*, 30.

[98] *Balkan States: War Trade Negotiations with the United Kingdom,* The London Kew Archives, FO 837/332.

coupled with its location to serve as a center of trade for three continents, made it very important to the Ministry of Economic Warfare.[99]

Since Great Britain could not easily pressure Turkey economically or with military forces, the primary alternative lay in appealing to Turkey to trade with Britain. In dealing with Turkey, the Ministry of Economic Warfare had three main goals. The first involved obtaining an agreement that war materials imported from oversea neutrals would not be re-exported to belligerents. The second goal included the containment of Turkish shipping in order to avoid exports to the enemy, and then, finally, to limit key commodities from going to neutral European nations.[100] In August 1939, Turkey ended its trade agreement with Germany, in light of the new Russo-German pact. This transformed the relationship of German and Turkish trade into a strict exchange basis, with no loans or credit.[101] Yet, this did not resolve the British concerns for Turkish trade, because Turkey had grown into one of the world's largest producers of tobacco, chrome, and cotton, all important supplies for making war.[102] The surplus of unclaimed trade that resulted from the nullification of the German trade agreement meant that Turkish producers were looking to ship their product to any willing buyers, including adjacent neutrals that would most likely resell these goods to Germany. If these surplus goods could not find a market, popular opinion in Turkey threatened to turn against the allied-friendly government. Churchill warned Roosevelt that unless Britain ensured certain accommodations, "Turkey would have to…reopen German trade and oil supplies from the Black Sea."[103]

---

[99] Ibid.
[100] Ibid.
[101] Medlicott, *The Economic Blockade,* 271.
[102] Ibid.
[103] Winston Churchill to Franklin Roosevelt, letter, 1 February 1941, *Foreign Relations of the United States: British Commonwealth1941,* 387-388. http://images.library.wisc.edu/FRUS/EFacs/1941v03/reference/frus.frus1941v03.i0004.pdf (accessed March 16, 2013).

To combat the increasing demand by Turkish producers for a market in which to sell their product, Great Britain agreed to purchase twenty percent of Turkish supplies of tobacco and cotton for the next twenty years if the Turkish government agreed to withhold the trade of these supplies to Germany, as well as the sale of chrome.[104] The problem with this type of purchasing agreements lay in the fact that Great Britain had historically procured much of its supplies of tobacco and cotton from the United States, and thus the loss of British purchasing looked to the United States like a bullying technique implemented in order to secure greater cooperation from the American government. The U.S. Congress watched these developments with increasing agitation, especially those members of Congress who hailed from constituencies that relied on the sale of these products for their economic well-being.[105]

Even the State Department expressed its displeasure with the British embassy upon learning of these proposed trade agreements. Cordell Hull, the Secretary of State, ordered a "note to the Foreign Office…protesting in the strongest possible terms against the discriminatory policies of the Board of Trade with respect to tobacco purchases, pointing out that the Government of the United States considers these policies to be incompatible with British obligations under the trade agreement."[106] Hull recognized that many of these new British purchase agreements contravened the Anglo-American Trade Agreement of 1938, and he feared that Congress might decline to renew the trade agreement.[107] Henry Morgenthau, the Secretary of the Treasury, summarized many of the congressional fears, by arguing that the British

[104] The Charge (Johnson) in the United Kingdom to Cordell Hull, telegram, 20 December 1939, *Foreign Relations of the United States: British Commonwealth 1939*, 232.

[105] The thumb in the eye to these senators was that the trade agreements extended much longer than a World War would last.

[106] Cordell Hull to Charge in UK, telegram, 22 December 1939, *Foreign Relations of the United States: British Commonwealth 1939*, 233. http://images.library.wisc.edu/FRUS/EFacs/1940v03/reference/frus.frus1940v03.i0004.pdf (accessed on March 16, 2013).

[107] Ibid.

'preferred purchases' in Turkey, Greece, and Latin America make British competition a far greater threat than a Nazi occupied Europe.[108]

The general public was well aware of the preferred purchases conducted by the Ministry of Economic Warfare and the consequent reduction in trade. The New York Produce Exchange complained about the British Food ministry's message, which emphasized that "Britain can hardly squander her foreign currencies in fruit when there are such things as war materials to be bought for in America."[109] Many companies complained to Secretary Hull that "We and other legitimate business firms, as well as American agriculture, are being penalized for the lifting of the arms embargo."[110] They desired that his department "modify the embargo otherwise we and our growers and packers will most certainly bring pressure to bear upon our congressional representatives in order to obtain a correction of this situation."[111] Many of the American producers did not believe the war between Britain and Germany was serious enough to warrant the economic measures being utilized against American agriculture, stating "we are convinced that the British Empire, as well as France, are not in such desperate straits at this time as to force them to take such a step."[112]

Despite the good will expressed by the Roosevelt administration for the British war effort, the American shipping industry could not shake the impression that British blockade policies, orchestrated by the Ministry of Economic Warfare, treated U.S. shipping unfairly in regards to European neutrals. Jay Pierrepont Moffat, of the State Department, expressed this

---

[108] Henry Morgenthau Diary, microfilm, December 1939, The Library of Congress, 297.

[109] Cordell Hull to Joseph Kennedy, Letter, 24 November 1939, *Foreign Relations of the United States (FRUS): British Commonwealth 1939*, 231. http://images.library.wisc.edu/FRUS/EFacs/1940v03/reference/frus.frus1940v03.i0004.pdf (accessed on March 16, 2013).

[110] Ibid.

[111] Ibid.

[112] Ibid. The 'Phony War' was utilized to describe the World War II in the fall of 1939 and the Spring of 1940.

uneasy feeling in his diary in November 1939, stating that "increasing evidence suggested that Britain was planning a huge trading orbit within the pound-franc area designed to exclude us"[113] Adolf Berle, a member of President Roosevelt's brain trust, collaborated this sentiment when he claimed "the hard boiled element in the British government is getting into an ascendancy in all trade matters and trying to create a great closed Anglo-French trading area which would be little different from the German *Grossraumwirtschaft."*[114]

The Ministry of Economic Warfare's navicert system also seemed to treat American shipping unfairly, with American ships being held at inspection station on average for nearly twelve days, while Italian shipping was held only four.[115] The State Department publicly insisted that these fears be addressed by British officials, and lack of response to requests sent in November of 1939 prompted the State Department in early 1940 to desire "to jolt the English into a fairer frame of mind and to satisfy the public that this Government was not a mere appendage of the British government."[116] If these concerns were not addressed, particularly in the perceived slights of agricultural tobacco and cotton, the British government would be quickly reminded of the number of southern congressmen, such as Ellison Smith and Carter Glass, who served on important congressional committees and whose primary concern related to foreign and military policy.[117] What particularly worried President Roosevelt was that even with the slights on American commercial commodities, the British did not purchase significant amounts of ammunition and aircraft from the United States throughout the first winter of the war—purchases

[113] James Pierrepont Moffat Diary, 22 November 1939, Vol. 43, Harvard University, James Pierrepont Moffat Papers. http://oasis.lib.harvard.edu/oasis/deliver/moffat/~hou01201 (accessed on February 15, 2013).
[114] Adolf Berle, *Navigating the Rapids: 1918-1971* (New York: Houghton Mifflin Publishers, 1973), 220.
[115] *Delays to Shipping: Complaints By Neutrals.* The London Kew Archives, FO 837/149.
[116] James Pierrepont Moffat Diary, 24 January 1940, Vol. 43, James Pierrepont Moffat Papers, Harvard University. http://oasis.lib.harvard.edu/oasis/deliver/~hou01201.
[117] Porter, *The Seventy-Sixth Congress and World War II,* 43.

on which Roosevelt had relied to incentivize certain industries within the United States to war production.[118]

The United Kingdom controlled many of the chokepoints of trade around the globe. However, it did not control the most important chokepoint in the Western Hemisphere: the Panama Canal. The Panama Conference in October of 1939 established a 500 mile neutrality zone around the canal that established American control of the Canal Zone.[119] By and large, the establishment of this neutrality zone made the American navy responsible for patrolling and ensuring neutral behavior, but the British lamented the lack of ability to assert control of contraband in this area.[120]

The lack of contraband control reached such problematic levels throughout 1939 and 1940 in the Panama Canal Zone that Britain demanded joint action with the United States in order to stymy the trade that had consistently found its way to Germany. Britain railed against the American insistence that "American countries, while maintaining positions of neutrality, are of right entitled to pursue their normal peacetime trade and commerce in waters adjacent to their shores."[121] In November 1940, the British embassy insisted that Japan and Russia be forced to adhere to the same quantity of trade that each had conducted between 1936-1938, and the Embassy further insisted that severe restrictions be placed on scrap metals and non-ferrous

---

[118] Reynolds,*The Creation of the Anglo-American Alliance,* 69.

[119] "Violations of Security Zone" Memorandum of Conversation Sumner Welles, Memorandum, 14 November 1939, *Foreign Relations of the United States: American Republics*, *1939*, 87-88. http://images.library.wisc.edu/FRUS/EFacs/1939v02/reference/frus.frus1939v02.i0013.pdf (accessed on March 16, 2013).

[120] Ibid., 92. This should have in theory helped Great Britain because it permitted British naval vessels to be utilized elsewhere. However, much of the American Navy remained in the Pacific and did little to enforce contraband control. As explored earlier, the United Kingdom did possess a number of territories in the Caribbean Sea, near the east end of the Panama Canal entrance. However, once a ship passed through the Panama Canal to the Pacific Ocean, Great Britain had very little control over the contraband if it was destined for Japan or Russia.

[121] "Violations of Security Zone" Admiral Phillips to Cordell Hull and Sumner Welles, Memorandum, 14 November 1939, *Foreign Relations of the United States American Republics, 1939*, 89-91. http://images.library.wisc.edu/FRUS/EFacs/1940v03/reference/frus.frus1940v03.i0004.pdf (accessed on March 16, 2013).

metals such as zinc, molybdenum, and cobalt.[122] These emphasized restrictions occurred in response to countries from the Western Hemisphere trading their surplus supplies to Russia and Japan in an attempt to maintain their economies after the loss of the Western European market.

As examined earlier, the British sat strategically over Western Europe and could prevent nearly all shipping using the Atlantic from reaching Germany.[123] The primary gap in the economic blockade of Europe was the Pacific Eurasian front, primarily Russia and Japan. Despite declaring war on Germany in September 1939 after the invasion of Poland, Great Britain did not declare war on Hitler's close collaborators on the Pacific Ocean. Consequently, since the United States and Great Britain had not technically declared Russia and Japan to be belligerents, American exports continued to flow to these nations as a commercial portal to Germany.[124]

The Ministry of Economic Warfare believed with relative certainty that Germany had a marked shortage of lubricating oils and cotton.[125] This shortage of cotton was particularly important to Great Britain because the United States produced more cotton than any other nation in the world.[126] The primary problem for Britain lay in the fact that the United States still perceived cotton as one of its greatest cash crops.[127] Contraband control of American cotton would have proved difficult enough for the Ministry of Economic Warfare under normal circumstances. However, the presidential election would take place in 1940, and Roosevelt knew that he needed the support of southern Democrats to secure his reelection, which meant that for

---

[122] *Contraband Control: Correspondence with Embassies, America*, The London Kew Archives, FO 837/146.

[123] The British did not have the naval power to blockade East Asia from passing supplies through Russia to Germany.

[124] *Ministry of Economic Warfare: Release of Information to Industry*, The London Kew Archives, FO 935/11. With the preferential purchases affecting trade in Europe, American producers were eager to find alternate destinations for their products such as Russia.

[125] Ibid.

[126] *Intelligence Priorities Committee: Research and Development in German Europe*, The London Kew Archives FO 935/1. The Germans would try to make up for this deficiency by creating artificial fibers. This did help bridge the gap in cotton shortage. However, the Germans quickly discovered upon their invasion of Russia that the artificial fibers did not insulate them from the cold nearly as well as cotton would have.

[127] Potter, *The American Economy Between the World Wars,* 35.

the Ministry of Economic Warfare, the normal sympathy they could have expected from the Roosevelt administration would not be forthcoming in regards to cotton control.[128]

A succession of large cotton crops, promoted by government subsidies, did not encourage the U.S. willingness to restrict its own imports, when it had flooded the European market with cotton throughout the 1930s.[129] The United States did reduce its cotton trade with Europe throughout 1940, largely because of British preferred purchasing agreements, but she continued to trade cotton heavily with Russia.[130] This again presented a problem for the Ministry of Economic Warfare, because it perceived that Russia's cotton purchasing had far exceeded the amount that they had previously needed. However, to continue to infringe on the U.S. effort to export one of its staple crops could prove to be a major issue.[131]

In February of 1941, at the conclusion of the presidential election, Lord Halifax confronted President Roosevelt about the sale of cotton to Russia.[132] Halifax argued that Russia had begun to serve as a Pacific trade corridor for Germany and that continued trade of war commodities, such as cotton, would fuel Germany's war effort.[133] Halifax argued that in the last quarter of 1940, the United States had shipped nearly 30,000 tons of cotton to Russia, despite record years in its own production, and with no reduction of Russian imports from neighboring Asian countries.[134] He lamented that "My government has definite evidence of actual shipments (of cotton) from Russia to Germany of over 60,000 tons of cotton in the first ten months of 1940."[135] After Russia joined the allied cause, the Ministry of Economic Warfare discovered that

[128] Porter, *The Seventy-Sixth Congress and World War II,* 42. A forced reduction in cotton exports would not be well received by the Southeastern United States.
[129] Potter, *The American Economy Between the World Wars,* 50.
[130] *Ministry of Economic Warfare: Release of Information to Industry*.
[131] Ibid.
[132] *Contraband Control: Correspondence with Embassies, America*, The London Kew Archives, FO 837/146.
[133] Ibid.
[134] Ibid.
[135] Ibid.

a trade agreement existed between Russia and Germany that guaranteed that Russia would provide Germany with 90,000 tons of cotton per annum.[136] This meant that the United States had inadvertently assisted the German war effort through its cotton exports.

From the outbreak of war through February of 1940, Britain treated German aggression as an attempt to regain national prestige tainted by defeat in the First World War, and she believed that, with proper economic sanctions established, the German civilian population would call for an end of the conflict and the 'phony war' would end. Based on this belief, the Ministry of Economic Warfare enforced policies that favored adjacent neutrals in Europe, with American sentiment placed in a secondary priority so long as they continued to cater to British sympathies. Instead of cultivating British sympathies within the American public, Great Britain and the Ministry of Economic Warfare conducted diplomatic initiatives that aggravated congressional sympathies and public opinion by enforcing delays in shipping and forging commercial agreements with European neutrals that hindered American trade and influence. Britain would learn that Americans would not let their produce rot in their harbors, as they watched the U.S. seek out alternate markets in which to sell her wares throughout 1940, with some of the largest purchasers including Russia and Japan. The initiatives conducted by the Ministry of Economic Warfare would change in the spring of 1940 to focus on American appeasement as European neutrals quickly fell before German influence.

[136] *Ministry of Economic Warfare: Release of Information to Industry*.

CHAPTER 3- THE MINISTRY OF ECONOMIC WARFARE: ADJUSTING TO A NEW WAR

The spring of 1940 signaled an escalation of hostilities in the war between Great Britain and Germany. The war in 1939 closely resembled a chess match between the two belligerents, as both sides made efforts to influence adjacent neutrals to strengthen their own war efforts. Great Britain and France expected this conflict to follow tactics similar to those utilized in the Great War, and both planned for an extended struggle with heavy human attrition, extensive consumption of material resources, and a general stalemate after the first invasion. The allies believed that the economic stability of their national economies, coupled with their ability to provide their militaries with the necessary supplies to outlast enemy attacks, would serve as the decisive factor in determining the outcome of the war. The Ministry of Economic Warfare conducted its diplomatic and legislative operations with the object of weakening the enemy's economy so that it could no longer fund a military effort.

Instead of a long, drawn-out conflict in the hinterlands of Germany and France, the German military quickly and efficiently defeated the French army in the spring of 1940, occupying Paris in June. The loss of France, coupled with the Nazi occupation of Norway, shook the confidence of the British government and ultimately resulted in the replacement of Neville Chamberlain with Winston Churchill as the British prime minister.[1] With the ascent of Winston Churchill to the premiership, a veritable 'house cleaning' of the cabinet took place, including the Ministry of Economic Warfare.

One day after Churchill assumed the mantle of the prime minister, he replaced the first Minister of Economic Warfare, Sir Ronald Cross, with Hugh Dalton, a prominent Labour

[1] B. H. Liddell Hart, *History of the Second World War* (New York: G.P. Putnam's Son's, 1970), 65.

politician.[2] An examination of this change in leadership within the British government and the Ministry of Economic Warfare helps to shed light on the factors that caused shifts in British diplomacy with the United States, as well as helping to explain the overall shift in Congressional and public opinion regarding the issue of sending aid to Great Britain. Shifts in British military strategy following the Nazi conquest of France merit examination as well, since these new tactics illustrate the acute desperation that Great Britain felt in the face of the Nazi onslaught—a desperation which they demonstrated in the Destroyers for Bases deal. The German conquests in the spring of 1940 drastically altered the British approach to war with Germany and the Ministry of Economic Warfare's diplomacy with the United States.

A semblance of a cold war existed between Germany and Great Britain from October of 1939 through April of 1940. Both Chamberlain and the French Prime Minister, Edouard Daladier, agreed that time favored the side of the Allies and decided that the British and French should adopt a defensive strategy, rather than seeking the occupation of Germany.[3] This overarching strategy meant that the first eight months of the war took place relatively quietly, and the preparations conducted by the Ministry of Economic Warfare involved courting adjacent neutrals to favor the British as soon as the 'hot war' began while dissuading overseas neutrals from trading with Germany.[4] This emphasis on a defensive war in Europe demonstrates the belief by Britain that this new war would implement old war strategies, similar to tactics utilized in the Great War. William Bullitt, the American ambassador to France in 1940, summarized the allied position, stating that "whichever army attacks first the line of fortifications that now divide France and Germany will be defeated," adding that it would be a shame if the allies "dashed their

[2] Medlicott, *The Economic Blockade,* 169.

[3] Joseph P. Lash, *The Partnership that Saved the West: Roosevelt and Churchill, 1939-1941* (New York: W.W. Norton and Company, 1976), 77.

[4] Medlicott, *The Economic Blockade, 13.*

heads against the western wall and slaughtered perhaps two million men on both sides in an effort to invade and capture Germany."[5]

Because of this daunting prospect of massive potential bloodshed, many within the British government hoped for the establishment of a peace agreement before the dreaded spring offensive could take place. Britain believed that Germany would sue for peace when she discovered that she could not win the war, agreeing to end the offensive if Germany could keep her Czechoslovakian possessions.[6] Chamberlain expressed these thoughts to Roosevelt in a letter in October of 1939, stating that his "own view is that we shall win, not by a complete and spectacular military victory, which is unlikely under modern conditions, but by convincing the Germans that they cannot win."[7] He believed that if the belligerents reached a stalemate in Europe, and Britain showed herself superior in her ability to provide for her military and prevent German rearmament, Germany would seek peace. He argued, "once [the Germans] have arrived at that conclusion, I do not believe they can stand our relentless pressure, for they have not started this war with the enthusiasm or confidence of 1914."[8]

Chamberlain believed that lifting the arms embargo instituted against European belligerents by the United State in the Neutrality legislation of 1937 would administer a significant blow to German morale, stating, "if the Embargo is repealed this month, I am

---

[5] William C. Bullitt to Franklin Roosevelt, Letter, 1 November 1939, cited in Orville H. Bullitt, *For the President-Personal and Secret: Correspondence between Franklin D. Roosevelt and William C. Bullitt* (Boston: Houghton Mifflin, 1972), 381. http://images.library.wisc.edu/FRUS/EFacs/1939v02/reference/frus.frus1939v02.i0013.pdf (accessed on March 16, 2013).

[6] Lash, *The Partnership that Saved the West,* 74.

[7] Neville Chamberlain to Franklin Roosevelt, letter, 4 October 1939, *Foreign Relations of the United States: British Commonwealth 1939,* 647. http://images.library.wisc.edu/FRUS/EFacs/1939v02/reference/frus.frus1939v02.i0013.pdf (accessed on March 16, 2013).

[8] Ibid.

convinced that the effect on the German morale will be devastating."[9] Joseph Kennedy, the U.S. ambassador to Great Britain, did not believe the sincerity of the British and insisted that, "they all contend that all they want is revision of the Neutrality Act to give them an opportunity to buy in America, but…If Germany does not break and throw Hitler out after the repeal of the acts… they will spend every hour figuring out how to get us in."[10] Of course, one of Roosevelt's primary goals involved the repeal of the arms embargo, and Chamberlain's request only further emboldened the president's resolve.[11]

After careful consideration of Congressional sentiment, Roosevelt reconvened Congress in a special session to reevaluate the neutrality legislation, which Congress had previously reaffirmed in the spring session of 1939.[12] In this special session, the Senate voted 66 to 31 to remove the clause instituting the arms embargo, and the House of Representatives supported the amendment by a majority of 61 votes.[13] Roosevelt's efforts against the arms embargo had finally succeeded. Churchill believed that the availability of arms for purchase from the United States by Great Britain signified that America stood ready to back Great Britain in her war effort, and he felt that this support would prove sufficient to unsettle Germany and curb her desire to continue the war. Churchill contended that "If we come through this winter without any large or important event occurring, we shall in fact have gained the first campaign of the war… because we are all the time moving forward towards greater war strength, and because Germany is, all the time, under the grip of our economic warfare, falling back in oil and other essential war

[9] Ibid.

[10] Joseph Kennedy to Franklin Roosevelt, telegram, 2 October 1939, *Foreign Relations of the United States: British Commonwealth 1939,* 499-500. http://images.library.wisc.edu/FRUS/EFacs/1939v02/reference/frus.frus1939v02.i0013.pdf (accessed on March 16, 2013).

[11] Porter, *The 76th Congress,* 68.

[12] Ibid. 32.

[13] Lash, *The Partnership that Saved the West,* 68.

supplies."[14] Churchill believed that the repeal of the arms embargo signified that "the whole world is against Hitler and Hitlerism."[15]

Roosevelt had had a dual motive for repealing the arms embargo. The first involved the desire for America to have the ability to lend her military aid to favored belligerents and potential allies. The second stemmed from the fact that Roosevelt wanted to begin transforming the U.S. industrial economy into a war economy.[16] However, in order to accomplish this, Europe would have to order armaments in a sufficient quantity to make conversion economically feasible, since converting private plants into large manufacturers of military goods required substantial equity. Despite Chamberlain's suggestion that lifting the arms embargo would result in Britain purchasing greater quantities of American goods, Joseph Kennedy's words proved to be prophetic, in that European purchases did not substantially increase immediately after its repeal.[17]

With the abolishment of the arms embargo in the Cash and Carry initiatives, Roosevelt expected that the orders for American armaments would expand. He particularly hoped that the British and French would utilize the Cash and Carry initiatives as an opportunity to begin to remediate the gap in aeronautic development that existed between the Allied forces and the German Luftwaffe. However, by the end of 1939, Great Britain had not placed a single order for an American airplane, and the United States would have to wait until March of 1940 for the British to place their first order.[18] Roosevelt even prepared the U.S. Army Air Corps, warning them that in the event that both militaries needed aircraft, "Up to a certain number, we would let

[14] Winston Churchill, "Ten Weeks of War," radio broadcast, London, 12 November 1939, http://archive.org/details/WinstonS.ChurchillsWarSpeeches (accessed on March 20, 2013).

[15] Ibid.

[16] Reynolds,*The Creation of the Anglo-American Alliance,* 69.

[17] Ibid., 70.

[18] Lash, *The Partnership that Saved the West,* 81. This joint order by the British and French in March of 1940 would be the single largest order of American military planes since 1918.

England and France have the first call."[19] But by failing to augment its own air production or place orders for American military planes, the British forfeited their opportunity to achieve parity with the German air power until much later in the conflict. British reluctance to escalate military production, particularly in the Royal Air Force, demonstrates the misplaced confidence that Great Britain had in their expectation regarding the Ministry of Economic Warfare, as well as their misunderstanding of modern air capabilities.

Ambassador Bullitt grew frustrated at the lack of orders for British and French rearmament and warned Roosevelt "that there is an enormous danger that the German Air Force will be able to win the war for Germany before the planes can begin to come out of our plants in quantity."[20] Bullitt believed that the U.S. government needed "[to] encourage the French and British in every way possible to place the largest conceivable orders."[21] Ever the pragmatist, Bullitt reasoned that "[even] if, before these orders are completed, the French and British shall have been defeated, we shall need the planes for our own defense."[22] Sir Samuel Hoare, the Home Secretary under Neville Chamberlain, argued that purchases required regulation, because he believed that the British should aim "for a long war, (and) if we go for a long war it is obviously unwise to risk our resources, particularly in the air and on the sea, until we reach a decisive moment."[23] The primary problem with this reasoning lay in the fact that the British had ordered no air fleets and could not act with strength on a decisive moment.

The British did not undertake significant orders initially within the United States, because they desired to conserve their dollar reserves and feared the implications of an increased reliance

[19] Ibid.

[20] William C. Bullitt to Franklin Roosevelt, telegram, 18 October 1939, cited in Bullitt, *For the President-Personal and Secret*, 381.

[21] Ibid.

[22] Ibid.

[23] Samuel Hoare to Lord Lothian, letter, 25 September 1939, London Kew Archives, CAB 66/3/22.

on U.S. production for the prosperity of British industry. Also, they believed that the Ministry of Economic Warfare would slowly debilitate the German military resources, as a stalemate on the western front would force Germany to exhaust their active military material.[24] Again, Hoare provides the military expectations before the conquest of Norway and France, speculating that, "Everyone will be expecting dramatic events, but instead there will be a war of nerves constantly playing upon us, and in this line we must hold."[25] The British very much possessed a siege mentality, believing that their naval strength and the English Channel would protect them from the German military initiatives.[26]

The Ministry of Economic Warfare, as a siege weapon, would face its first real test in the Winter War between Russia and Finland.[27] As the likelihood that Russia would conquer Finland grew, both Britain and Germany turned a watchful eye to the Scandinavian Gallivare ore fields.[28] As examined previously, the Germans had a severe deficiency in high quality ore, and thus depended heavily on the Gallivare ore fields in Sweden and Norway to supply nearly 300,000 tons of ore per month for its military rearmament and war effort.[29] With Britain hoping to close off this supply chain, Germany addressed this threat to their resources with greater determination to secure its supply. The Germans had previously shipped this ore back to Germany by sailing through waters claimed by the Norwegian government, outside the jurisdiction of the Ministry of Economic Warfare.[30] Churchill lamented that these Norwegian waters "were being used by the Germans to obtain supplies, to forward munitions to Russia, and for the passage of warships."[31]

---

[24] Medlicott, *The Economic Blockade, 54.*

[25] Hoare to Lord Lothian, 25 September 1939.

[26] The British believed that much of the army versus army action would primarily involve French troops, and that the British military contribution would include Naval power and the economic blockade.

[27] Medlicott, *The Economic Blockade,* 620.

[28] Ibid., 622.

[29] *Ministry of Economic Warfare: Release of Information to Industry*.

[30] Roy Douglas, *The Advent of War 1939-1940* (New York: St. Martin's Press, 1978), 83.

[31] Winston Churchill, War Cabinet Minutes, 19 February 1940, The London Kew Archives, CAB 65/11.

He believed that Norway alone could not assist in the task of blockade, stating that "the whole responsibility for stopping this action rested upon a small Power, which had shown itself unable to resist threats."[32] The vulnerability of Norway to German intimidations strongly pushed the British and the Ministry of Economic Warfare to increase its efforts.

The British hoped that Norway and Sweden would aid Finland against Russia, and by utilizing their ore reserves for their own military effort, they would thus force Germany to act, which would then bring the Scandinavian countries into the war on the side of the allied powers.[33] Churchill expressed this hope for the Scandinavian countries: "I think it would be to our advantage if the trend of events in Scandinavia brought it about that Norway and Sweden were forced into war with Russia… We would then be able to gain a foothold in Scandinavia with the object of helping them."[34] If Norway and Sweden requested help in this conflict, the allies could gain credibility and trust with these nations "without having to go to the extent of ourselves declaring war on Russia."[35] Churchill believed that "[s]uch a situation would open prospects in the naval war which might prove most useful."[36]

Germany refused to stand idle as Allied forces attempted to coerce the remaining Scandinavian powers into their alliance. Germany preemptively invaded Norway through the port of Narvik on 9 April 1940.[37] The greatest concern for Scandinavian, as well as Russian, commercial shippers involved the weather surrounding their commercial ports. The proximity to the Gallivare ore fields made Narvik particularly important, in addition to the fact that the port

[32] Ibid.
[33] Ibid. 84.
[34] Roger Parkinson, *Peace for Our Time* (New York: David McKay Publishing, 1971), 278-280.
[35] Ibid.
[36] Ibid.
[37] Douglas, *The Advent of War 1939-1940,* 86.

did not freeze in winter despite its northern location.[38] The Ministry of Economic Warfare had the responsibility of preventing the German military and commercial shipping from reaching Narvik in April of 1940.[39] Their 'major' project involved completely cutting off the passage of all commercial goods to Germany through neutral Norwegian waters, and the second minor goal pertained to stopping Germany from obtaining any high quality ore from the Gallivare ore fields.[40] Despite British utilization of extensive minefields, the Germans undertook Operation *Weserubung*, deploying an expeditionary force to occupy Narvik, Trondheim, and Oslo, and thus preempting Allied efforts to control the Gallivare ore fields.[41]

To secure these holdings, Germany had tricked the Royal Navy into believing that a major naval engagement would take place within the North Sea. Eager to engage in a naval battle, many British forces abandoned their defensive positions in order to meet the prospective enemy, leaving the Norwegian coastlines relatively undefended.[42] While the British navy searched in vain for a gathering of Nazi Germany's naval forces, troop ships disguised as merchant transports arrived on the coasts of Norway, allowing Germany to successfully occupy many of the key cities.[43] The British and French quickly organized a joint counterforce to dislodge the German hold on northern Norway, but the entrenchment of German forces meant that the allied military effort could only secure a small foothold outside Narvik.[44] The reality of defeat quickly dawned on the war cabinet, and the British government ordered all forces but those in Narvik to evacuate. The successful subterfuge conducted by the Germans in occupying

[38] Ibid., 87. Its Swedish counterpoint of Lulea typically froze throughout the winter making Narvik vital to German material procurement.
[39] Medlicott, *The Economic Blockade*, 657.
[40] *Economic Warfare Missions*, The London Kew Archives, FO 837/1A.
[41] Lash, *The Partnership that Saved the West,* 89.
[42] Douglas, *The Advent of War 1939-1940,* 92.
[43] Ibid., 94.
[44] Ibid., 105.

Norway subdued Chamberlain's optimism regarding the war effort, and he later declared, "This has been one of the worst, if not the worst, weeks of the war."[45]

The Parliamentary optimism regarding the outcome of a naval engagement between Britain and Germany quickly subsided as the successful invasion of Norway by the German forces became known. The Ministry of Economic Warfare felt considerably deflated, because Germany had succeeded in overcoming its deficiencies in iron ore by gaining possession of the Scandinavian ore fields.[46] The loss of Norway to the British was compounded a month later by the defeat of the French army and the British expeditionary force in Belgium, which resulted in the evacuation of the allied army at Dunkirk.[47] This overwhelming defeat demonstrated the abilities of the German military, as its lightning tactics essentially knocked France out of the war in six weeks.[48] This turn of events left the British with shaken confidence, and Parliament demanded new leadership for the war effort.

The speed with which Germany conducted the invasion of Norway and Western Europe surprised the allies. These had previously predicted that a war of attrition in Western Europe, much like the Great War, would see the Germans defeated at the hands of allied forces after a drawn-out stalemate had worn away the Nazi will to fight. However, the rapid occupation of territory startled the British out of their comfortable expectations. The six-month respite between the Polish campaign and the invasion of Norway would prove to be a rude awakening for the United Kingdom, as they hunkered down to endure new Nazi onslaughts. Chamberlain's lack of foresight and leadership with regard to his expectations for the Ministry of Economic

[45] Cited in Keith Feiling, *The Life of Neville Chamberlain* (London, Shoe String Press, 1946), 437-438.
[46] *General Information of Enemy Import Control: Ministry of Economic Warfare*, The London Kew Archives, FO 837/248.
[47] Douglas, *The Advent of War 1939-1940,* 102.
[48] Hart, *History of the Second World War,* 66.

Warfare and his underestimation of the Nazi capabilities left his countrymen in a tough spot and a call for new leadership arose in May of 1940.[49]

Nearly a week before the Norwegian invasion by Germany, Chamberlain declared on April 3, 1940 that, "After seven months of war, I feel ten times as confident of victory. I feel that during the seven months, our relative position towards the enemy has become a great deal stronger than ever."[50] Britain's dramatic losses led to Winston Churchill assuming leadership of Britain in May. Churchill's rise to the Prime Minister's office represented an awakening within the British government to the serious nature of this 'phony war'. British society ridiculed Churchill in the 1930s for his condemnation of Hitler's armament practices and said that he intended to go to war against Europe. Despite this ridicule, when Chamberlain resigned as Prime Minister, the Labour Party declared that Churchill would be the only acceptable replacement, despite Churchill being a staunch Conservative. Churchill's rise to prime minister gave him unprecedented control of the government for the duration of the war.[51]

After the disastrous results of the intervention in Norway, Churchill believed that leadership in many of the military departments needed to change, including leadership within the Ministry of Economic Warfare. Sir Ronald Cross' tenure as Minister of Economic Warfare began September 3, 1939 and ended on May 14, 1940.[52] His removal from office can be attributed equally to the abysmal performance of the Ministry of Economic Warfare in limiting Germany's access to vital war supplies at the outset of the war, as well as to the changing of the guard for the Churchill government. The performance of the ministry in Norway made it

[49] Ibid., 77.

[50] Lash, *The Partnership that Saved the West,* 94.

[51] Paul Johnson, *Churchill* (New York: Penguin Group, 2009), 100.

[52] Sir Ronald Cross was not simply discarded from government. He moved to the position of Minister of Shipping. However, the Ministry of Shipping was discontinued within a year and Cross went to Australia for the duration of the war.

especially easy for Churchill to justify a change in ministers, and, on May 15, 1940, Hugh Dalton, later known as Lord Dalton, became the second Minister of Economic Warfare.[53]

This appointment does beg the question: why Hugh Dalton? To an Imperialistic Conservative like Churchill, appointing Dalton as the Minister of Economic Warfare does not seem like an obvious choice. Dalton, a known Socialist and a party line member of the Labour Party, is known today as one of the five giants of the British Labour movement. Despite this fact, Dalton worked furiously to make himself an expert in Economic Warfare throughout the 1930s, and he had actively criticized the operations of the first Ministry of Economic Warfare. His expertise, in conjunction with his avid support of Churchill when conservatives called for appeasement, supplemented by a dazzling recommendation from Clement Atlee,[54] confirmed Dalton's suitability to the position in Churchill's mind.[55]

Dalton recorded in his memoirs the conversation he had had with Churchill upon his appointment, recalling that Churchill queried, "Your friends tell me that you have been making a considerable study of economic warfare. And I think you have been a keen critic of our economic warfare policy. Will you take that Ministry?" To which Dalton replied, "I should be very glad to. I think I could do that."[56] Churchill believed that the Ministry of Economic Warfare had only utilized half of its potential, and he saw to it that Dalton utilized the ministry's potential to its fullest. With Churchill's backing, and with access to greater staffing and resources than the former prime minister had permitted, Dalton set to work to reform the Ministry.

---

[53] Medlicott, W.N, *The Economic Blockade: Volume 1,* 59.

[54]Clement Atlee served as Churchill's Deputy Prime Minister throughout the Second World War, and succeeded him as Prime Minister at the war's conclusion. Atlee was a prominent member of the Labour party as well.

[55] Hugh Dalton, *The Fateful Years: Memoirs 1931-1945* (London: Mariner Books, 1986), 315.

[56]Ibid., 317. Dalton did believe that there was some unrest amongst Churchill's Conservative constituency that he had been appointed as minister. He suspected that some desired to see him replaced.

Despite the glut of German victories in the spring of 1940, a month after Dalton took office, the Ministry of Economic Warfare had begun to demonstrate a new vigor in its operations, proving that, without a doubt, there was "[n]o mood of defeatism in the Ministry of Economic Warfare; the mood was far rather one of fresh confidence and release, with the opportunity of total economic war opened up by the new reality of total danger."[57] With this newly-kindled passion urged by Churchill, Dalton reorganized the makeup of the Ministry, establishing the Special Operations Executive, or the SOE, which functioned primarily to provide reconnaissance, espionage, and sabotage missions, while also serving to create guerrilla movements behind enemy lines for the benefit of the allied cause.[58] This covert arm of the Ministry of Economic Warfare added a new hindrance to the enemy, as the British continued their efforts to break the Axis economies.

Despite the best efforts of the Ministry of Economic Warfare, both covert and visible, the tide had not turned in favor of the allies, and for a time, Britain stood alone against the Axis powers. The Ministry of Economic Warfare, under Cross and Chamberlain, emphasized the treatment of adjacent European neutrals over the interests of overseas neutrals, placing a considerable amount of faith in the British navy's ability to maintain a blockade to keep vital war materials from reaching the Axis powers—particularly war materials from neutrals that had to cross the Atlantic Ocean.[59] This belief explained the audacious manner in which the Ministry of Economic Warfare conducted its preferential purchases in the face of American industry, as Britain hoped to cut off any opportunity for German resupply.

[57]Medlicott, *The Economic Blockade: Volume 1,* 62.

[58]Ibid., 75. The SOE was known as the 'Ministry of Ungentlemanly warfare', however, it was one of Churchill's favorite organizations, especially the weapons development program.

[59] Medlicott, The Economic Blockade, 89.

The success of the German lightning war in toppling the French military altered the expectations of the Ministry of Economic Warfare.[60] The belief that the rigid lines of trench warfare would exist in the Second World War quickly disappeared, as Hitler's armies seized an undefended Paris in little more than a month.[61] This new-found German access to raw and manufactured materials gathered by the French further complicated the ministry's intentions to starve the German war effort. The Ministry of Economic Warfare, under Dalton and Churchill, did not abandon the economic blockade aspects of the ministry's initial plan of action.[62] Instead, they expanded the ministry's objectives to account for the greater material access that the German military now possessed and implemented strategies to diminish the German gains in the spring of 1940.

This expansion of objectives manifested in two ways. The first involved increasing military action to the point of performing active missions of sabotage and guerrilla warfare against economically vital targets within enemy occupied territory. As explored previously, many of these missions fell under the jurisdiction of the SOE.[63] This increase of the ministry's military jurisdiction, as well as the rapid rearmament undertaken by Britain in the spring of 1940, signified Britain's realization that the warfare had evolved and would require active combat from British soldiers, as well as economic pressure, to bring about victory. The second change in policy for the Ministry of Economic Warfare involved the new willingness to accommodate the U.S. government in any way that it could in order to encourage American aid and involvement in the European conflict.[64] Since the beginning of the war, rearmament initiatives in Great Britain had lagged sorely behind Germany, especially considering Britain's increased expectations for

[60] Ibid., 62.
[61] Hart, *History of the Second World War,* 92.
[62] Medlicott, *The Economic Blockade, 88.*
[63] Ibid., 93.
[64] *War Trade Lists: Cooperation with the United States 1941,* The London Kew Archives, FO 837/310.

Military involvement. Churchill hoped to make up this deficiency by convincing the U.S. government to allow Britain to purchase the American destroyers that had served in the Great War. Churchill believed that American sympathy for the dire position in which Britain now found herself would compel the United States to sell the destroyers in order to bolster the British war effort.[65]

Churchill understood that some of the economic actions conducted by the Ministry of Economic Warfare at the outset of the war had heightened tensions between the British and Americans. He ordered the Ministry of Economic Warfare to make an effort to heal the shipping tensions that had existed between the United States and Britain prior to the fall of France. The British government naturally could not default on preferred purchase agreements she had made with nations that remained under their own sovereignty, in fear of losing favor with the adjacent neutrals or suggesting to the minds of the ever-watchful Americans that Britain considered it an option to renege on commercial agreements and refuse to pay back debts.[66] However, the Ministry of Economic Warfare could communicate to the American government through government officials that the British ministry did not intend to take advantage of the good will of the American people through unfair trade, and that Britain hoped to utilize its dollar reserves in the near future to make up for the previous lack of standard British purchases through future acquisition of American war material.[67]

In addition to allaying American concerns regarding unfair British trade, the Ministry of Economic Warfare, endeavored to expedite the navicert system for American shipping in order to avoid the shipping and commercial tensions that had existed between the two nations in the

[65] Lash, *The Partnership that Saved the West,* 150.

[66] *War Trade and Contraband Control: Balkan States Payments and Agreements,* The London Kew Archives, FO 837/325.

[67] Medlicott, *The Economic Blockade,* 342.

fall of 1939. Dalton's initiatives dramatically reduced the amount of time that naval vessels had to detain American ships in their route to existing European neutrals, cutting the number of days of detainment by nearly eight.[68] This concerted effort by the ministry to alleviate previous tensions facilitated a willingness, on the part of the Americans, to aid the British later in the war.[69] With commercial tensions lessened, the only other concern the British had to worry about related to helping Americans understand the fact that, if Britain fell, America would fight alone against Nazi expansion.

Unlike Franklin Roosevelt, the American public generally did not view the British as the primary defense of American interests against the fascist onslaught of Nazi Germany in the fall of 1939 and spring 1940.[70] The fall of France and the failure of the joint force to prevent the German occupation of Norway did not necessarily instill confidence in Britain's ability to win the war, and many congressmen did not wish to lend substantial material aid, such as destroyers, to Britain, in case she fell to the Germans within the next three months.[71] Roosevelt desired to help the British, but he could not openly do so with the 1940 presidential election rapidly approaching. He could not give the British substantial material aid without receiving in return something that would satisfy Congress.[72] This lack of faith in Britain's war-making ability, coupled with lack of American enthusiasm regarding Winston Churchill's ascension to the premiership, made many in the United States disinclined to willingly lend substantial aid to Britain.

---

[68] *Navicerts: General Information April 1940-November 15,* The London Kew Archives, FO 837/252.

[69] *Contraband and Enemy Export Control on the American Continent: 1940,* The London Kew Archives, FO 837/174.

[70] Porter, *The 76th Congress, 78.*

[71] Lash, *The Partnership that Saved the West,* 162.

[72] Ibid.

Americans generally attributed much of the blame for Allied failure on poor executive leadership, and Churchill's promotion to the premiership received a less-than-enthusiastic reaction from the United States.[73] Churchill, at 65 years of age, appeared to be past his prime—a relic of the old war. This staunch conservative and defender of imperialism did not seem to fit diplomatically with Roosevelt, the New Dealer, and Churchill's propensity to drink hardly ingratiated him to his American cousins.[74] Berle claimed that a rumor, which flitted back from Britain, asserted that "Churchill is drunk all the time," and, Sumner Welles, the Undersecretary of State, reported that, "on the first two evenings he saw Churchill, he was quite drunk."[75] Berle had then asked Welles whether or not he believed that Churchill possessed satisfactory leadership skills to lead Britain out of her current mess, and Welles replied that "he saw none."[76] Even Roosevelt, although many historical works testify to the extraordinary relationship that these two world leaders maintained, expressed doubt when he learned of Churchill's promotion to the Head of State, claiming that he "assumed that Churchill would be charged with the duty of organizing a new Cabinet, and that he supposed Churchill was the best man that England had, even if he was drunk half of his time."[77] Roosevelt made a particular note of the fact that "apparently Churchill is very unreliable when under the influence of drink."[78] This perceived lack of leadership on the British side somewhat dampened Roosevelt's willingness to commit American resources to the British war effort.[79]

---

[73] Reynolds, *The Creation of the Anglo-American Alliance,* 114.
[74] Ibid.
[75] Adolf Berle, *Navigating the Rapids: 1918-1971* (New York: Houghton Mifflin Publishers, 1973), 310.
[76] Ibid.
[77] Harold L. Ickes, *The Secret Diary of Harold L. Ickes: The First 1000 Days* (New York: De Capo Publishers, 1974), 176.
[78] Ibid.
[79] Reynolds, *The Creation of the Anglo-American Alliance,* 114.

Roosevelt would, of course, change his opinion of Churchill, but initial perceptions of Churchill's leadership abilities did not incline the American people to jump at the opportunity to aid the British. In Churchill's first letter to Roosevelt, on May 15, his first request involved "the loan of forty or fifty of your older destroyers to bridge the gap between what we have now and the large new construction we put in hand at the beginning of the war."[80] This call for destroyers illustrates the desperate situation in which the British now found themselves: Churchill's letter requested the use of warships that the United States had designated for decommissioning before the war began.[81] However, to Churchill and the British, the utility of these warships outweighed the disadvantage posed by their age, since the warships would serve to guard convoys of merchant shipping and patrols against possible submarine attack. Roosevelt initially declined the sale of these destroyers to the British in May 1940, because he believed that a sale of this magnitude would require approval from Congress, and he also felt that the Americans might need these vessels if the British should surrender in the near future.[82] Lord Lothian, the British ambassador to the United States, countered Roosevelt's arguments, pointing out that if the Americans did not act soon and that if "the Royal Navy lost control of the Atlantic… America would be left with a 'one ocean' navy facing threats in both the Atlantic and the Pacific." Roosevelt responded to this by replying that, in the event that Britain fell, the Royal Navy should cross the Atlantic and fall under the control of the United States or Canada. [83]

This conversation summarized a considerable problem between the new-found British desire to take advantage of the Cash and Carry policies and America's unwillingness to allow valuable war material to leave American possession. Britain used the threat of the Royal Navy

[80] Winston Churchill to Franklin Roosevelt, letter, 15 May 1940, The London Kew Archives, FO 371/24192.
[81] Lash, *The Partnership that Saved the West,* 152.
[82] Reynolds, *The Creation of the Anglo-American Alliance,* 94.
[83] Conversation cited in Ibid.,114-115.

falling into Nazi hands as a consequence of British defeat or a negotiated peace to compel the Americans into action.[84] However, some Americans felt that Britain had used this as a bullying technique to force the United States into war and saw it as an opportunity for the Americans to gain possession of the leaderless British Empire. Churchill lamented to the Canadian Prime Minister Mackenzie King that, "We must be careful not to let Americans view too complacently the prospect of a British collapse out of which they would get the British Fleet and the guardianship of the British Empire, minus Great Britain."[85] The British had to proceed with caution as they could not afford to portray their situation as so dire that their defeat appeared likely.

Churchill generally addressed the public with great optimism, suggesting that American aid would be available to the British very soon.[86] However, his private notes reveal that he felt discouraged by the apathy with which the United States regarded Britain's plight, and he wished for greater American aid.[87] Churchill could not get rid of the suspicion that America's insistence on remaining neutral actually served her as a stalling tactic to postpone direct involvement in the war, in the hope that Britain would fall and the United States would stand to pick up the pieces.[88] Churchill did not find relief in American writings from men such as Adolf Berle, who remarked, "essentially, Britain is a small country of 45 million population and may not be able to hold the far –flung empire together. Should it go under, it is a very fair question whether the United States might not have to take them all over, in some fashion or other."[89] These fears moved Churchill to maintain a hard bargaining position with the United States, insisting that any British concessions

[84] Douglas, *The Advent of War,* 122.
[85] Winston Churchill to Mackenzie King, telegram, 5 June 1940, The London Kew Archives, PREM 4/43B/1.
[86] Lash, *The Partnership that Saved the West,* 120.
[87] Reynolds, *The Creation of the Anglo American Alliance,* 117.
[88] Ibid.
[89] Berle, *Navigating the Rapids: 1918-1971,* 21 March 1941.

of wealth or information to the United States should receive tangible compensation in the form of American aid.[90]

Roosevelt did not desire to conquer the British Empire. He continued to maintain the belief that the United Kingdom stood as the last buffer against the grim prospect of America facing a war, alone, against Nazi Germany. However, typically Congress and much of the general public did not agree with Roosevelt's point of view, which posed a problem for the president.[91] Roosevelt had the task of convincing the American people to reject the approach of complete neutrality and to abandon the mindset of "patting itself on the back every morning and thanking God for the Atlantic Ocean, and Roosevelt… who no matter what happens… will keep us out of war."[92] Roosevelt lamented that his "problem was to get the American people to think of conceivable consequences without scaring the American people into thinking they are going to be dragged into the war."[93]

The likelihood of British procurement decreased in the summer of 1940, when Congress passed the Walsh amendment, which established the largest naval procurement program in U.S. history, increasing the size of the American navy by nearly 70%.[94] The resulting rush to expand the fleet diminished the likelihood that Congress would approve the transfer of 50 American destroyers into British custody. However, in order to earn the good will of the American people, Parliament prepared, in August of 1940, to offer the Americans authority to build military bases on British holdings in the Caribbean Sea in exchange for the American destroyers.[95] Lord

[90] Reynolds, *The Creation of the Anglo American Alliance,* 117.

[91] Porter, *The 76th Congress,* 95. The American people overwhelmingly favored the British but did not want to go to war.

[92] Franklin Roosevelt to Allen White, 14 December 1939, in Franklin Roosevelt, *FDR: His Personal Letters* (New York: Duell, Sloan, and Peirce, 1950), 967-968.

[93] Ibid.

[94] Douglas, *The Advent of War,* 125.

[95] Lash, *The Partnership that Saved the West,* 150.

Lothian suggested that Britain should offer her land for American bases in the Caribbean as a show of good will, hoping to earn favor amongst the members of Congress who desired to strengthen the American position in the Western Hemisphere.[96] Lothian believed that, aside from the goodwill that this move would create, giving land to America to build bases in the western Atlantic would strengthen the defenses of the American east coast and Panama Canal, while also preventing Germany from obtaining the British Caribbean colonies.[97] Lothian understood that this would also preempt any American attempt to forcibly seize these possessions due to the weakened state of Great Britain. Churchill disagreed with this sentiment, claiming that Britain should make no offers unless a deal could be struck that guaranteed British gains.[98]

Churchill balked at Lothian's suggestion of offering British possessions and secrets as a show of good will to the Americans. He condemned this growing sentiment in Parliament with a question: "Are we going to throw all our secrets into the American lap, and see what they give us in exchange?"[99] He did not believe that the United States valued Britain enough to go to war on her behalf, and he also believed that what the British Parliament wished to offer the United States far exceeded in value any paltry aid the Americans might give. Churchill affirmed that he "[w]as against it…Generally speaking, I am not in a hurry to give our secrets until the United States is much nearer war than she is now."[100]

Howard Ickes, the U.S. Secretary of the Interior, consulted Roosevelt on his position regarding the sale of destroyers in July, and Roosevelt replied, "I always have to think of the possibility that if these destroyers were sold to Great Britain, and if, thereupon, Great Britain

[96] Reynolds, *The Creation of the Anglo-American Alliance,* 118.
[97] Ibid., 119.
[98] Discussion between Winston Churchill and the British Admiralty, 29 May 1940, The London Kew Archives, FO 371/24255/6.
[99] Winston Churchill to Lord Ismay, 17 July 1940, The London Kew Archives PREM 3/475/1.
[100] Ibid.

should be overwhelmed by Germany, they might fall into the hands of the Germans and be used against us."[101] Roosevelt and Churchill did not communicate for nearly two months throughout June and July of 1940 as Roosevelt dealt with the Democratic primaries, and Britain watched the dismantling of France. The British isolation from the United States alarmed Churchill. He later recalled that the six weeks following the fall of France felt as if "the Americans treated us in that rather distant and sympathetic manner one adopts towards a friend one knows is suffering from cancer."[102]

Roosevelt successfully won the Democratic primary, and he then returned his attention to foreign affairs in the European conflict. The beginning of the month of August marked a breakthrough in the stalemate on the destroyer question, as both the Americans and the British decided to negotiate. It took nearly a month of negotiations to come to final terms, but the Destroyer for Bases agreement, signed 2 September 1940, marks the beginning of the Anglo-American alliance.[103] As part of the 'Destroyer Deal,' Britain received fifty American World War I era destroyers in exchange for eight land leases on British possessions in the Caribbean Sea and the Western Atlantic.[104] The third element of the Destroyer Deal involved a written statement by the British, conceding that, if the British Isles fell, the Royal Navy would not be sunk or surrendered.[105]

The Destroyer Deal represented a changing of the guard, as America stepped in to become the defender of the English-speaking people. Under Lothian's supervision, the Foreign Office compiled a document, throughout July 1940, that spoke of a transition of power between

[101] Ickes, *The Secret Diary of Harold L. Ickes*, 233.
[102] Winston Churchill, *The Second World War,* vol. VI (London: Mariner Books, 1986), 414.
[103] Reynolds, *The Creation of the Anglo-American Alliance,* 121.
[104] James Leutze, *Bargaining for Supremacy: Anglo-American Naval Cooperation, 1937-1941* (Chapel Hill, NC: The University of North Carolina Press, 1977), 220-241. The land was given for the purpose of allowing America to construct air and naval bases
[105] Ibid.

Great Britain and the United States.[106] The document read that "the future of our widely scattered Empire is likely to depend on the evolution of an effective and enduring collaboration between ourselves and the United States."[107] The British justified their concession by rationalizing that if the United States hoped to fight for the English speaking people, then Britain must give America access to British defense facilities. Roosevelt believed that the possession of new bases in the Caribbean would satiate a number of congressmen who normally would have opposed selling American destroyers to Great Britain. However, Roosevelt's primary goal had been to insure that the Royal Navy would remain intact if Britain fell.[108]

Roosevelt did not know if Britain would hold out against the German attack that commenced that summer, but he believed that the transfer of American ships "is a risk that has to be taken. The feeling was that the one preoccupying thought on the Hill is what may happen to the British Navy."[109] William Allen White, renowned newspaper editor for the Emporia Gazette and head of the Committee to Defend America by Aiding the Allies, summed up the shifting American opinion regarding supplying the British war effort, contending that Americans

> had no great love for the British ruling classes. We have not relented in our general theory that George III was a stupid old fuddy duddy with instincts of a tyrant and a brain corroded and cheesy with the arrogance and ignorance which go with the exercise of tyranny. Yet I think I am safe in saying that our whole group felt… that if Great Britain were inhabited by a group of red Indians under the command of Sitting Bull, Crazy Horse and Geronimo, so long as Great Britain had command of the British fleet, we should try to arm her and keep that fleet afloat.[110]

---

[106] Reynolds, *The Creation of the Anglo-American Alliance,* 122.

[107] *War Cabinet and Cabinet Memoranda,* The London Kew Archives, CAB 66/10.

[108] Reynolds, *The Creation of the Anglo-American Alliance,* 124.

[109] Ickes, *The Secret Diary of Harold L. Ickes*, 293-294; and Roosevelt to Lothian, telegram 1606, 3 August 1940, The London Kew Archives, FO 371/24241.

[110] Mark Chadwin, *The Warhawks: American Interventionists before Pearl Harbor* (New York: W. W. Norton and Company, 1968) 40-1, 288.

Less than a month after the completion of the Destroyer Deal, Germany, Japan, and Italy, signed the Tripartite agreement, officially establishing the Axis powers of World War II.[111] With this declaration, the Ministry of Economic Warfare publically expressed its hope that the United States would exert its economic strength against the belligerents. However, the ministry made little headway with regard to this objective in 1940, as Britain continued to struggle against the American reluctance to be pulled into the war. In January of 1941, the Ministry of Economic Warfare explained to the United States what it needed from America, saying, "what is needed is a fundamental decision that, on all occasions, the possibilities of economic action should be taken into account as a vital element in the scheme of defense, and that no purchase of a strategic material should be made, no ships and no tankers should be chartered to a neutral power.. without extracting the maximum benefit from the point of view of Economic Defense."[112]

The Americans had pleased the Ministry with their efforts to work with the physical blockade and increase their cooperation with the navicert system, as well as demonstrating greater toleration of mail seizure and cooperating in ship searches. Yet the Ministry hoped that the United States would make the full power of their economic resources available to help limit the new Axis alliance.[113] Most of the interplay in 1940 between Britain and America concerning economic warfare took place under the name of 'hemisphere defense', which the United States could justify under the Panama declaration.[114] This emphasis did accomplish some of the initiatives that the Ministry of Economic Warfare had established, such as achieving greater control of Latin American countries, which fell under the influence of the United States.[115]

---

[111] Robert Divine, *The Reluctant Belligerent: American Entry into World War II* (London: John Whiley and Sons, 1965), 36.

[112] *Pre-emption: General Policy 1941-1942,* The London Kew Archives, FO 837/286.

[113] Medlicott, *The Economic Blockade,* 485.

[114] Ibid.

[115] *Contraband Control: Latin America*, The London Kew Archives, FO 837/324 and FO 837/350.

Despite British success in securing the Destroyer Deal, real participation from the United States in Britain's economic warfare efforts did not take place until the passage of the Lend-Lease Act.[116]

President Roosevelt oversaw the passage of the Lend-Lease Act on the 11 March 1940. This act, officially titled *An Act to Further Promote the Defense of the United States*, pushed the United States out of its position of neutrality.[117] Congress passed the Lend-Lease Act nine months before officially declaring war on Japan, but the act permitted the United States to give aid to allied initiatives.[118] This American endeavor demonstrated its support for the allied war effort more fully, and it also marked the newfound commitment of the United States to join the British in conducting its economic war.

In accordance with promptings and suggestions from the Ministry, the United States began a concerted effort to eliminate the shipments of war material after the spring of 1941, not only to Germany, but also to Japan and Italy.[119] This included American efforts to prevent the shipment of scrap steel to Japan in September, as well as the blockade of oil—an action that arguably led to the bombardment at Pearl Harbor and the American decision to actively join the war effort.

The Destroyer Deal, and the Lend Lease legislation served as significant landmarks in the development of Anglo-American relations and highlighted the role that the Ministry of Economic Warfare played in bringing America into the war. The Destroyer Deal signified the British recognition of the dire military straits in which they found themselves. The new

---

[116] Medlicott, *The Economic Blockade,* 500.

[117] Warren F. Kimball, *The Most Unsordid Act: Lend Lease, 1939-1941* (Baltimore: The John Hopkins Press, 1969), 217.

[118] Under cash and carry the allies had been paying for goods with gold, but by spring of 1941 the British were dangerously low on capital to purchase supplies.

[119] *Blocking of Assets by USA: 1941,* The London Kew Archives, FO 837/292.

innovations of this modern war made seeking American military aid inevitable if Britain hoped to survive the Nazi onslaught, and winning the war would require full American intervention.

After Great Britain and the United States forged their informal alliance, the role of the Ministry of Economic Warfare shifted to address the new strategies of war and effectively hindered the Nazi effort to completely dominate the European continent. The SOE conducted covert operations within occupied countries, leading to the formation of resistance groups and carrying out economic sabotage to limit the Nazi's ability to expand to new fronts. Meanwhile, the economic blockade remained in place in order to increase the financial pressure of the war economy's demands on Germany. The British still placed high expectations on the impact of the Ministry of Economic Warfare to alter the outcome of the war, although the ministry's role appeared to diminish somewhat following its removal from the forefront of British war planning.

CONCLUSION

The actions of the Ministry of Economic Warfare early in World War II serve as a poignant reminder of the fact that fervid economic tensions existed between the United States and Great Britain during the inter-war period and lasting through the first eight months of the conflict. As a result of the emphasis placed on Anglo-American unity in the works of contemporary scholarship, post-war historical accounts largely omit the actions of the Ministry of Economic Warfare. The harmony that existed between Great Britain and the United States could have hardly been predicted during the summer of 1939. Britain stood aloof as a strong and seasoned imperial power at the outset of the Second World War, while America waited on the outskirts, poised and ready to take advantage if Britain's power should wane. However, Britain would not easily yield her global position and economic standing to the United States. The British Ministry of Economic Warfare existed, at least in part, in order to protect British interests against a potentially encroaching United States. A study of the diplomatic initiatives instituted by the Ministry of Economic Warfare reveal the tensions that existed between the two nations prior to World War II and shed light on the turn of events that led to the formation of the Anglo-American alliance in existence today.

The United Kingdom did not expect that, within a year of the invasion of Poland, Germany would have conquered Norway and France and that Germany would have begun to gather its military forces to begin a campaign against London itself. Most members of parliament would have scoffed if someone had predicted that the British war effort would eventually rely on American material and warships in order to continue its resistance against Nazi pressure against the home islands. Despite the tremendous human losses in World War I, Great Britain had not lost a great deal of its economic capability or its territorial integrity. The British position after the Great War permitted her to recover far more swiftly than many of the other European powers

that had engaged in the conflict. The preservation of the British Commonwealth had instilled great confidence in the British people, and its continued existence, compounded with its control of the majority of the world's sea lanes, reassured many of those in Parliament that Lady Britannia would again assume her role as the lord of trade in short order. The British did not see the United States as the inevitable economic powerhouse of the twentieth century, believing that, despite significant losses sustained during the Great War, they could restore their previous Imperial glory.

The preservation of British Imperial territorial integrity bolstered the British nerve, empowering her to pursue significant measures in her attempts to retain her status as a Great power. The British had discovered that a global war taxed national resources far more than expected, and they also realized that Britain could not produce many raw materials and agriculture commodities in sufficient quantity to maintain a steady war effort. Within a year of the 1918 armistice, members of Parliament had already formulated a solution to the difficulties faced in the war, and they stood ready to implement new initiatives. To combat the lack of British self-sufficiency highlighted by the Great War, the United Kingdom developed a comprehensive emigration program. She developed this program partially to combat the increase in unemployment that occurred in Britain with the return of her soldiers from the war. However, Britain also wanted to export laborers to the underdeveloped territories and Dominions of Britain in order to begin to cultivate new industries and encourage agricultural advancements in order to remediate the weaknesses in self-sufficiency that the British Isles had discovered while at war.

To protect these new industries from being destroyed by outside competition, the British Parliament instituted a system of Imperial preferences that would incentivize the growth of startup industries within British territories while simultaneously protecting these industries from

cheaper products produced by nations outside of the preference system. Due to the vast size of the British territories, the Imperial Preference system essentially created a separate world economy within which other nations—specifically the United States—had trouble both in accessing Britain's natural resources and in attempting to sell goods within the territories. The Imperial preference system created economic tension with the United States, because Americans believed that this system served as an intentional impediment to free trade. Though actually created by the British to develop Britain's self-sufficiency and encourage the development of its territories, the Americans did not appreciate the preference system and would willingly have undermined it, if given the opportunity.

In the midst of this tension, Adolf Hitler rose to lead Germany. Britain did not want another global conflict to disrupt the progress of its own national development, but the British also believed that, in the event of another war, they could vanquish Germany through the implementation of an economic blockade. Economic blockade had previously worked in World War I, and the British saw no reason to believe that the same tactic would not work, especially considering the British geographic possessions.

Many of her land holdings dominated strategic chokepoints of trade and permitted Britain to regulate trade within its territory. Britain's possession of key strategic geographic assets around Europe allowed for complete control of the sea lanes, both those entering into the Mediterranean Sea and those of the northern Atlantic. However, Britain faced a decidedly different scenario when implementing the economic blockade of World War II than they had during the Great War, because during the second conflict, they would conduct the blockade without a guarantee of financial or military assistance from the United States.

Great Britain did not expect any assistance from the United States, because the isolationist tendencies and recent neutrality legislation within the American Congress made it unlikely that the United States would provide war materials or money to belligerent nations. Even so, the British felt that the extensive investments they had made within their Dominions in order to increase British self-sufficiency in the supply of raw materials would enable Britain to sustain herself during the next world war. Some British leaders also believed that they would be better off if the United States did not intervene in the peace settlement. The memory of Woodrow Wilson establishing an unrealistic expectation for peace at the conclusion of World War I and then withdrawing from the global institution expected to enforce the peace haunted British thinking. This behavior influenced Neville Chamberlain to work towards achieving American cooperation with his blockade schemes while excluding it from direct intervention in the European conflict. Despite having received considerable economic aid from the United States in World War I, Britain believed that it could successfully conduct an economic blockade against Germany without the material assistance of the United States if necessary.

The British believed that World War II would proceed in much the same way as World War I. This meant that British strategists expected an extended struggle, with heavy human attrition, extensive consumption of material resources, and a general stalemate after the first invasion. The Allies believed that the economic stability of the national economies, as well as their ability to provide their militaries with the necessary supplies to outlast the enemy, would become the decisive factor in determining the outcome for the war. To ensure that the British maintained the best possible position for enforcing an economic blockade against Germany, therefore, they made sure to provide a clear strategy for the Ministry of Economic Warfare to implement as soon as war broke out.

The pre-war plans called for the ministry to implement three methods of economic warfare against enemy belligerents. The first involved the use of legislative action to hinder commercial and financial undertakings within the enemy's territory. The second option was a diplomatic action designed to influence the commercial and financial activities of neutral countries that had the capability to provide the enemy with restricted goods. Thirdly, Britain openly attacked the enemy by disrupting overseas trade and confiscating supplies before they reached enemy territory.

Because the United States did not ally herself with Great Britain at the outset of the war, she became a target for the offices of the Ministry of Economic Warfare. For the first eight months of World War II, the Ministry of Economic Warfare examined neutral shipping to insure that no illegal contraband would reach an enemy belligerent, and these ships included those coming from the United States. This limitation imposed on American shipping rankled American businessman and politicians, who believed that no other country had the right to regulate American commerce. The delays in shipping caused by the Ministry of Economic Warfare's examination sometimes exceeded twelve days. Other irritations caused by the Ministry of Economic Warfare included the preferential purchase agreement made with Turkey concerning cotton. Britain's apparent disregard of the market for important American cash crops created resentment within the southern members of Congress. The Ministry of Economic Warfare's primary objective revolved around the strangling of the German economy, rather than the accommodation of American agricultural demands.

The prominent role played by the Ministry of Economic Warfare in determining British war plans quickly diminished during the spring of 1940, when Germany successfully launched its lightning war against France and Norway. With the rapid German occupation of the greater

portion of Western Europe, the Nazis gained access to a wealth of new resources, and Britain quickly realized that using the ministry as her primary weapon to defeat the German military effort was impracticable, precipitating a sudden drop in the Ministry's importance.

This did not mean that the Ministry of Economic Warfare became irrelevant after Great Britain and the United States formed their informal alliance. The role of the Ministry of Economic Warfare adapted to the new strategies of war and effectively hindered the Nazi's plan to take over the rest of Europe. The covert operations of the SOE, helped limit the Nazi's ability to expand to new fronts, while the economic blockade remained in place in order to pressure the German economy.

The incorporation of the Ministry of Economic Warfare into the dialogue of Anglo-American foreign relations is vital to understanding how Great Britain waged World War II. The Ministry of Economic Warfare significantly impacted British relations with the United States, and its actions in shipping policies and preferred purchasing influenced Congressional opinion. However, the Ministry did not live up to its reputation as the decisive instrument which Britain would ultimately use to defeat the German threat. To its credit, the Ministry of Economic Warfare adjusted to the new demands of war under Churchill, and its greatest successes in carrying out a material embargo and contributing to economic destabilization in Germany came in the last years of the war. Contemporary work largely ignores the impact of the Ministry on the overall war effort, partially due to the existence of greater military initiatives and battles, which overshadow the Ministry's missions. This thesis fills a gap in the historiography by examining the actions of the Ministry of Economic Warfare from 1939 through 1941 encompassing elements of diplomatic, economic, and political history, making it a compelling and multifaceted subject deserving of greater attention in contemporary scholarship.

Bibliography

Primary Sources

Books and Memoirs:

Amery, L.S. *My Political Life,* Volume 2. London: Macmillan, 1940.

Berle, Adolf. *Navigating the Rapids: 1918-1971.* New York: Houghton Mifflin Publishers, 1973.

Brinton, Crane. *The United States and Britain.* Cambridge MA: Harvard University Press, 1948.

Bullitt, Orville H. *For the President-Person and Secret: Correspondence Between Franklin D. Roosevelt and William C. Bullitt.* Boston: Houghton Mifflin, 1972.

Churchill, Winston. *The Second World War:* Volumes 1-6. London: Mariner Books, 1986.

Dalton, Hugh. *The Fateful Years: Memoirs 1931-1945.* London: Frederick Muller LTD, 1957.

De Leon, Edwin. *Secret History of Confederate Diplomacy Abroad*. Edited by William C. Davis. Lawrence, KS: The University of Kansas Press, 2005.

Garrett, Garet. *Defend America First: The Antiwar Editorials of the Saturday Evening Post 1939-1942.* New York: The Caxton Press, 2003.

George, David Lloyd. *The Truth About the Peace Treaties*. London: Victor Gollancz Limited, 1938.

Ickes, Harold L. *The Secret Diary of Harold L. Ickes: The First 1000 Days*. New York: De Capo Publishers, 1974.

Keynes, John Maynard. *The Economic Consequences of Peace.* New York: The Dover Press, 2004.

Mayo, Bernard, ed, *Jefferson Himself: The Personal Narrative of a Many Sided American.* Charlottesville, VA: The University of Virginia Press, 1970.

Medlicott, W.N., *The Economic Blockade:* Volume 1. *History of the Second World War: United Kingdom Civil Series.* London: Her Majesty's Stationery Office and Longmans, Green and Co, 1959.

_____, *The Economic Blockade:* Volume 2. *History of the Second World War: United Kingdom Civil Series.* London: Her Majesty's Stationery Office and Longmans, Green and Co, 1959.

Roosevelt, Elliot ed. *FDR: His Personal Letters.* New York: Duell, Sloan, and Peirce, 1950.

Government Records:

Congressional Records. The 76th Congress. January-August 1939. Library of Congress.

Foreign Relations of the United States

The United States and the British Commonwealth: 1938.
http://images.library.wisc.edu/FRUS/EFacs/1938v02/reference/frus.frus1938v02.i0003.pdf

The United States and the British Commonwealth: 1939.
http://images.library.wisc.edu/FRUS/EFacs/1939v02/reference/frus.frus1939v02.i0013.pdf

The United States and the British Commonwealth: 1940.
http://images.library.wisc.edu/FRUS/EFacs/1938v02/reference/frus.frus1938v02.i0003.pdf

The United States and the British Commonwealth: 1941.
http://images.library.wisc.edu/FRUS/EFacs/1941v03/reference/frus.frus1941v03.i0004.pdf

London Kew Archives

Admiralty Papers ADMI 1/10855-Questions of Blockade and Contraband Control Discussed at Cabinet in Absence of MEW.

Cabinet Papers CAB 23/115- The Cabinet Unemployment Committee Urges the Subsidization of Emigrants.

CAB 24/6- Lord Balfour of Burleigh: Reconstruction Committee, February 1919.

CAB 24/75- Members of Government Discuss Unemployment and the State of Trade, February 1919.

CAB 24/277- Ashton-Gwatkin Memorandum.

CAB 66/20- War Cabinet and Cabinet Memoranda July 1940..

CAB 65/11- War Cabinet Minutes: February 1940.

CAB 66/3/34- First Report of Lord Hankey: On the Prevention of German Oil Supplies, October 1939.

CAB 66/5/6- Second Report of Lord Hankey's Committee on Preventing Oil From Reaching Germany, January 1940.

CAB 66/6/38- Third Report of Lord Hankey's Committee on Preventing Oil From Reaching Germany, March 1940.

Colonial Office Papers 532: Reconstruction Committee.

Dominion Office Papers 114: Canadian Papers.

Foreign Office Papers FO 371/21526- Political Departments: General Correspondence from 1938.

FO 371/24192-Maritime Security Zone and exercise by H.M. Ships of belligerent activities within the Zone: Rio Conference: naval actions.

FO 837/2- Ministry of Economic Warfare: Organization.

FO 837/1A- Economic Warfare Missions.

FO 837/1B- Ministry of Economic Warfare Organization: 1938-39, Imperial War College Strategy.

FO 837/4- Handbook of Economic Warfare.

FO 837/5- Economic Warfare Policy of the United Kingdom, 1939: General Strategy.

FO 837/133-Contraband Control: Minutes of Meetings, November 1939.

FO 837/145- Contraband Control Service Manual.

FO 837/146-Contraband Control: Correspondence with Embassies, America.

FO 837/147-Contraband Control: Policy and Procedure.

FO 837/149-Delays to Shipping: Complaints By Neutrals.

FO 837/170-Contraband and Enemy Export Control.

FO 837/174- Contraband and Enemy Export Control: American Continents.

FO 837/203-The Statutory and Black List: General Information.

FO 837/196-Statutory and Black Lists: Cooperation with the United States Government.

FO 837/248-General Information of Enemy Import Control: Ministry of Economic Warfare.

FO 837/249-Navicerts: Procedure and Instructions to Customs Collectors.

FO 837/252-Navicerts: General Information April 1940-November 15.

FO 837/271-Government Trading Organization: Purchase and Supply Mission to Balkans.

FO 837/272-Government Trading and Organization: Purchases and Supply, September-December 1939.

FO 837/325-War Trade and Contraband Control: Balkan States Payments and Agreements.

FO 837/332-Balkan States: War Trade Negotiations with the United Kingdom.

FO 935/1-Intelligence Priorities Committee: Research and Development in German Europe.

FO 935/2-Combined Intelligence Objectives Sub-Committee: Enquiries on non-working Party D Items.

FO 935/11-Ministry of Economic Warfare: Release of Information to Industry.

Premier Papers PREM 1/259- The Neville Chamberlain Diary.

PREM 4/43B/1-Telegrams Exchanged with Dominion Prime Ministers.

Treasury Papers 209/7- The Ministry of Economic Warfare later Economic Warfare Department, Foreign Office.

153rd House of Commons Debates, Volume 5.

Special Records of SOE Headquarters (HS) 8- Ministry of Economic Warfare: SOE Operations.

US Department of State: Bureau of European and Eurasian Affairs, "United Kingdom of Great Britain and Northern Ireland," http://www.state.gov/r/pa/ei/bgn/3846.htm (Accessed December 20, 2012).

Washington, George. "George Washington's Farewell Address" 1796. http://avalon.law.yale.edu/18th_century/washing.asp

Woodrow Wilson, *Fourteen Points,* delivered January 18, 1918 to the joint session of Congress. World War 1 Archive. http://wwi.lib.byu.edu/index.php/President_Wilson's_Fourteen_Points

Personal Papers:

Josiah W. Bailey Papers. Duke University. http://library.duke.edu/rubenstein/findingaids/baileyjw/#c01_0

The Adolf Berle Papers. The Library of Congress.

William E. Borah Papers. University of Idaho, Box 426. http://www.lib.uidaho.edu/special-collections/Manuscripts/mg010.html

Winston Churchill, "Ten Weeks of War," radio broadcast, London, 12 November 1939, http://archive.org/details/WinstonS.ChurchillsWarSpeeches.

The Carter Glass Papers. The University of Virginia Library. http://ead.lib.virginia.edu/vivaxtf/view?docId=uva-sc/viu00825.xml

William G. McAdoo Papers. The Huntington Library. http://www.oac.cdlib.org/findaid/ark:/13030/tf029000mf/admin/#did-1.8.1

Gerald P. Nye Papers. The Library of Congress.

The James Pierrepont Moffat Papers, Harvard University. http://oasis.lib.harvard.edu/oasis/deliver/~hou01201.

Amos Pinchot Papers. Library of Congress, Box 66. http://memory.loc.gov/service/mss/eadxmlmss/eadpdfmss/2011/ms011103.pdf

Roosevelt, Franklin. Annual Message to Congress: State of the Union, 3 January 1938, http://www.presidency.ucsb.edu/ws/index.php?pid=15517

Roosevelt, Franklin. The Papers of Franklin Roosevelt, The American Presidency Project. http://www.presidency.ucsb.edu/index.php

Rosenman, Samuel, Ed., *The Public Papers and Addresses of Franklin D. Roosevelt: War and Neutrality*, Volume 8. New York: Macmillan Press, 1941.

The Karl Stefan Papers. The Library of Congress.

Wadsworth Family Papers. Library of Congress. http://lcweb2.loc.gov/service/mss/eadxmlmss/eadpdfmss/1997/ms997014.pdf

Secondary Sources

Adams, Ephraim Douglass. *Great Britain and The American Civil War*. New York: Russell and Russell Press, 1925.

Aldcroft, Derek H., *The Inter-War Economy: Britain 1919-1939.* New York: Columbia University Press, 1971.

Atlas of the World, 19th edition. Oxford: Oxford University Press, 2012.

Borneman, Walter. *1812: The Navy's War.* New York: Basic Book Press, 2011.

Boyce, Frederick. *SOE: The Scientific Secrets.* New York: The History Press, 2011.

Burk, Kathleen, "The Diplomacy of Finance: British Financial Missions to the United States, 1914-1918." *The Historical Journal* 22: 02 (June 1979), 351-372.

Burns, James MacGregor. *Roosevelt: The Lion and the Fox.* New York: Mariner Books, 2002.

Burns, Richard Dean and W. Addams Dixon, "Foreign Policy and the Democratic Myth: The Debate on the Ludlow Amendment." *Mid-America* 47 (November 1965), 288-306.

Chadwin, Mark Lincoln. *The Warhawks: American Interventionists before Pearl Harbor*, New York: W. W. Norton and Company, 1968.

Cole, Wayne S., *America First: The Battle Against Intervention*. Madison, WI: The University of Wisconsin Press, 1953.

Colley, Linda. *Briton's: Forging the Nation 1707-1837.* New Haven, CT: The Yale University Press, 2009.

Colvin, Ian G., *The Chamberlain Cabinet: How the Meetings in 10 Downing Street, 1937-1939, Led to the Second World War: Told for the First Time From Cabinet Papers.* New York: Taplinger Publishing Co., 1970.

Costigliola, Frank, "Anglo-American Financial Rivalry in the 1920s." *The Journal of Economic History* 37:4 (Dec. 1977), 911-934.

Crowdy, Terry. *SOE Agent: Churchill's Secret Warriors*. New York: Osprey Publishing, 2008.

Culbertson, William Smith. *International Economic Policies.* New York: Macmillan Press, 1925.

Dallek, Robert, *The Roosevelt Diplomacy and World War II.* New York: Holt, Rinehart and Winston Press, 1970.

Divine, Robert A. *The Reluctant Belligerent: American Entry into World War II.* London: John Whiley and Sons, 1965.

_____. *The Illusion of Neutrality.* Chicago: The University of Chicago Press, 1962.

_____. *Roosevelt and World War II.* Baltimore, MD: The John Hopkins Press, 1969.

_____. *Second Chance: The Triumph of Internationalism in America During World War II.* Kingsport, TN: Kingsport Press Inc., 1967.

_____. *American Foreign Policy*. New York: The World Publishing Company, 1960.

Dodge, Theodore. *Hannibal: A History of the Art of War Among the Carthaginians and Romans Down to the Battle of Pydna, 168 BC.* Toronto: University of Toronto Press, 2011.

Doenecke, Justus D. and Mark A. Stoler. *Debating Franklin D. Roosevelt's Foreign Policies 1933-1945.* New York: Rowman and Littlefield Publishers Inc., 2005.

Douglas, Roy. *The Advent of War 1939-1940.* New York: St. Martin's Press, 1978.

Drummond, Ian M., *British Economic Policy and the Empire, 1919-1939.* London: George Allen and Unwin LTD, 1972.

Gardner, Richard N., *Sterling-Dollar Diplomacy: The Origins and the Prospects of Our International Economic Order.* Oxford: Oxford University Press, 1956.

Gates, Eleanor M., *End of the Affair: The Collapse of the Anglo-French Alliance, 1939-40.* London: George Allen & Unwin, 1981.

Feiling, Keith. *The Life of Neville Chamberlain.* London: Shoe String Publisher, 1970.

Fischer, David H., *Albion's Seed: Four British Folkways in America.* Oxford: The Oxford University Press, 1989.

Hart, B.H. Liddell. *History of the Second World War.* New York: G.P. Putnam Son's, 1970.

Hastings, Max. *Winston's War: Churchill, 1940-1945.* New York: Alfred A. Knopf, 2010.

Holt, Thaddeus. *The Deceivers: Allied Military Deception in the Second World War.* New York: Scribner Press, 2004.

Hubbard, Charles M. *The Burden of Confederate Diplomacy*. Nashville, TN: University of Tennessee Press, 2000.

Johnson, Paul. *Churchill.* New York: Penguin Press, 2009.

Jones, Howard. *Blue and Gray Diplomacy: A History of Union and Confederate Foreign Relations*. Chapel Hill: The University of North Carolina Press, 2010.

Kaplan, Robert D. *The Revenge of Geography: What the Map Tells Us About Coming Conflicts and the Battle Against Fate.* New York: Random House, 2012.

_____. *Monsoon: The Indian Ocean and the Future of American Power*. New York: Random House, 2012.

Kimball, Warren F. *The Most Unsordid Act: Lend Lease, 1939-1940.* Baltimore, MD: The John Hopkins University Press, 1969.

Larres, Klaus. *Churchill's Cold War: The Politics of Personal Diplomacy*. New Haven: Yale University Press, 2002.

Lash, Joseph P. *The Partnership that Saved the West: Roosevelt and Churchill 1939-1941.* New York: W.W. Norton and Company, 1976.

Leutze, James. *Bargaining for Supremacy: Anglo-American Naval Cooperation 1937-1941.* Chapel Hill: The University of North Carolina Press, 1977.

Mackenzie, William. *The Secret History of the SOE: Special Operations Executive 1940-45.* New York: Little Brown Book Publishing, 2002.

MacMillan, Harold. *The Blast of War 1939-1945*. New York: Harper & Row Publishers, 1967.

Manchester, William. *The Last Lion: Winston Spencer Churchill.* Boston: Little, Brown and Company, 1983.

McKenna, Marian C. *Franklin Roosevelt and the Great Constitutional War: The Court-Packing Crisis of 1937*. New York, NY: Fordham University Press.

Merriman, John. *A History of Modern Europe: From the French Revolution to the Present,* 3rd Edition. New York: W.W. Norton & Company, 2010.

Millett, Alan R. and Peter Maslowski. *For the Common Defense: A Military History of the United States of America.* New York: The Free Press, 1984.

Ovendale, Ritchie. *Appeasement and the English Speaking World: Britain, The United States, the Dominions, and the Policy of Appeasement 1937-39.* London: The Whales University Press, 1975.

Owsley, Frank. *King Cotton Diplomacy*. Chicago: The University of Chicago Press, 1959.

Parkinson, Roger. *Peace for Our Time.* New York: David McKay Publishing, 1971.

Paterson, Thomas and Shane Maddock, Deborah Kisatsky, Kenneth Hagan. *American Foreign Relations Since 1895: A History* , 7th Ed., Volume 2. Boston: Wadsworth Publishing, 2010.

Patton, Robert H. *Patriot Pirates: The Privateer War for Freedom and Fortune in the American Revolution.* New York: Pantheon Press, 2008

Pimlott, Ben. *Hugh Dalton: A Life.* New York: Harper Collins Press, 1995.

Porter, David L. *The Seventy-Sixth Congress and World War II: 1939-1940.* London: The University of Missouri Press, 1979.

Potter, Jim. *The American Economy Between the World Wars.* New York: John Wiley and Sons, 1974.

Pumphrey, Lowell M., "Planning For Economic Warfare." *Military Affairs* 5:3 (Sept. 1989): 145-151.

Reynolds, David. *From World War to Cold War: Churchill, Roosevelt, and the International History of the 1940's.* Oxford: Oxford University Press, 2006.

_____. *The Creation of the Anglo-American Alliance, 1937-41: A Study of Competitive Co-Operation.* Chapel Hill, NC: The University of North Carolina Press, 1982.

Rhodes, Benjamin D. "Reassessing 'Uncle Shylock': The United States and the French War Debt" *The Journal of American History.* 55, 44, (March 1969), 787-803

Roskill, Stephen. *Naval Policy Between the Wars: The Period of Anglo American Antagonism 1919-1929.* New York: Walker Press, 1968.

Smith, Jean Edwards. *FDR.* New York: Random House Publishing, 2008.

Snell, John L., *Illusion and Necessity: The Diplomacy of Global War, 1939-1945.* Boston: Houghton Mifflin Company, 1963.

Staley, Eugene. *Raw Materials in Peace and War.* New York: Arno Press, 1976.

Stevens, Donald G., "World War II Economic Warfare: The United States, Britain, and Portuguese Wolfram." *The Historian* 61 (1999): 539-556.

Thomas, Troy. *SOE: An Outline History of the Special Operations Executive 1940-46.* London: Praeger Press, 1984.

Thompson, Kenneth. *Winston Churchill's Worldview: Statesmanship and Power*. Baton Rogue, LA: Louisiana State University Press, 1983.

Thorne, Christopher. *Allies of a Kind: The United States Britain, and the War Against Japan, 1941-1945.* New York: Oxford University Press, 1978.

Timmins, Nicholas. *The Five Giants: A Biography of the Welfare State.* New York: Harper Collins, 2001.

Wiltz, John. *In Search of Peace: The Senate Munitions Inquiry, 1934-36.* Baton Rouge, LA: The Louisiana University Press, 1963.

Yergin, Daniel. *The Prize: The Epic Quest for Oil, Money & Power.* New York: The Free Press, 2008.