

Activity 1: Merchants of Death

Student Name _____ Date _____

Directions: Read the following, carefully considering the authors' thesis of why the United States entered World War I. After you have done so, imagine that you are an average citizen in 1934. Write a five-paragraph letter to your congressman or senator in which you give your reaction to what you have just read, and then suggest some means of ensuring that the United States remain neutral in any future wars.

H.C. Engelbrecht and F.C. Hanighen, *Merchants of Death: A Study of the International Armament Industry*: <http://greatwar.nl/frames/default-merchants.html>

In 1934, H.C. Engelbrecht and F.C. Hanighen published Merchants of Death, in which the authors argued that the international arms industry had played a significant role in starting World War I. The book quickly became a bestseller, but Americans were particularly interested in Chapter XIII, which discussed the role played by arms dealers and bankers in bringing the United States into the war on the side of the Allies.

CHAPTER XIII: THE WORLD WAR — ENTER OLD GLORY

WHEN the World War began in 1914, the President of the United States advised his fellow countrymen to remain neutral even in thought. When the armistice was signed in 1918, there were 21,000 new American millionaires, Du Pont stock had gone from \$20 to \$1,000 a share, and J.P. Morgan was said to have made more money in two years than the elder Morgan made in all his life.

At the outset, Europe was convinced that the war would not last long and that it would be able to supply its own ammunition for the duration of the conflict. For almost a year Europe did manage to fill most of its needs from its reserves. When it became evident, however, that a long war was probable, new sources of supply were eagerly sought.

The one great power which had remained neutral was the United States. Theoretically, according to international law and the Hague Convention of 1907, both sides in the conflict were permitted to buy from a neutral, and the neutral was privileged to sell. It was not a new situation. In many wars the neutrals had sold to both sides.

Now, however, a new factor entered the picture. Germany was blockaded, at least in theory, and the Allies would not permit neutral commerce to pass the blockade. The list of contraband articles was extended until an absolute blockade existed, and, despite the irritation of the United States, the Allies persisted in this policy. In reality, therefore, the United States was arming and supplying only the Allies. There was no great and important buying of war materials in the United States by the Allies until the second half of 1915. Then the traffic began in earnest. The Allies established a central purchasing bureau in the States which soon spent on the average of \$10,000,000 a day. Between August, 1914 and February, 1917 more than \$10,500,000,000 worth of goods were shipped out of America.

Munitions played a prominent part in this traffic. In 1914, exports amounted to \$40,000,000, in 1915, they totaled \$330,000,000, and in 1916 they pyramided to \$1,290,000,000. From 1914 to 1918 the Allies bought \$4,000,000,000 worth of munitions in the United States. But munitions were by no means the only item of commerce. In a long list of exports, the following are included: Iron and steel, explosives, cotton and cotton manufactures, wheat, copper, brass, leather, chemicals, firearms, automobiles, wheat flour, metal-working machinery, corn, horses, wire manufactures, shoes, railway cars, mules, barley, wool manufactures, tires, airplanes, motorcycles, etc.

The war year 1916 was by far the most prosperous in the entire history of American industry and finance. The enormous volume of foreign trade created something like a shortage at home, and as a result domestic prices began to skyrocket. The golden harvest reaped from American pocketbooks far outweighed the profits from the traffic with the Allies.

There was only one cloud on the horizon: the war might end. Every time there was talk of peace, munitions stocks went down from 5 to 40 per cent. War had brought prosperity, peace threatened to bring calamity. Gradually other worries began to trouble American industry and finance. Suppose the Germans won-what then? No, that could never happen. We have the word of A. D. Noyes, financial editor of the New York Times, that Wall Street picked the Allies to win at the very start and never wavered in this firm belief.

Still, one could never tell. The Germans were making an astonishing stand and in many ways they had a decided military advantage. Suppose the war should end in a stalemate suppose a "peace without victory" should be concluded? Thoughts like that made Wall Street shudder. American finance had placed its bet on the Allied horse, and if that should fail to reach the post first, the stakes were so enormous that none dared even think of what might happen.

The terrible years wore on. The seas were crowded with vessels rushing supplies of all kinds to the Allies. Then another nightmare began to trouble Wall Street. How were the Allies to pay for these goods? The credit of the Allies was virtually exhausted. The United States had grown from a debtor nation to one of the greatest creditors of the world. At the beginning of 1917 the Allies had little more to offer than their IOU's. Some of the vast loans already made had virtually been unsecured and the announcement was actually made that henceforth Allied loans would have to be wholly unsecured. No wonder Wall Street was worrying. All the beautifully embossed notes which it held might turn out to be just so many "scraps of paper." The year 1916 had taken American business and finance to the dizzyest peaks. Would 1917 find them shattered and broken at the bottom of the abyss?

But this hour of darkness was also the beginning of the dawn. On April 6, 1917, the United States entered the conflict, and the heart-beats of the war traffickers became normal again. It is not contended here that the United States fought in the World War solely because of its armament makers and their financiers. There were many other factors in the situation. Yet the question of Hamilton Fish, Jr., is more pertinent than is generally admitted: "Is it not a fact that the World War was started by the shipment of munitions? Was not the cause of the war our continued shipping of munitions abroad?" American commitments with the Allies were so enormous that only our entry into the war saved the country from a major economic collapse.

In 1917 on the floor of Congress it was charged that as early as March, 1915, the Morgan interests had organized and financed a huge propaganda machine, including 12 influential publishers and 197 newspapers, for the purpose of "persuading" the American people to join the Allies. Furthermore, the

French historian and politician, Gabriel Hanotaux, tells in his history of the war that in 1914 he and a member of the Morgan firm had drawn up plans for a great war-scare campaign in the United States in order to embroil the country in war. He adds that France was ready for peace in 1914, but that the Morgan partner dissuaded French leaders from talking peace at that time.

When war was actually in the offing, the war traffickers rejoiced. President Wilson had just made his war address to Congress and Wall Street replied. "It was exactly right," said Judge Gary of the Steel Trust. "It was 100 per cent American," said Frank Vanderlip of the National City Bank. "The speech breathes the true spirit of the American people," said Martin Carey of the Standard Oil Company. "The President's address was magnificent," said James Wallace, head of the Guaranty Trust Company. Wait a few days for the break in diplomatic relations. Hardly had the news reached Wall Street, when, according to the New York Times, "Wall Street was bright with the Stars and Stripes floating from banks and brokerage houses. Figuratively, the street gave a concerted sigh of relief." On the Produce Exchange 300 brokers sang The Star-Spangled Banner. And stocks went up immediately.

The United States was in the war from April 7, 1917 to November 11, 1918. During this period it spent \$22,625,252,843 and advanced another \$9,455,014,125 to the Allies. Just as important for Wall Street was the absolute guarantee of Allied credit by the American government. All the reckless financing of the war years was now saved and, above all, the United States had now joined the Allies in placing war orders.

It is really impossible to get an adequate picture of what 22,000,000,000 means. It required two heavy volumes for the Director of Munitions merely to outline the colossal buying of the American government in 1917 and 1918. Spending like this cannot be paid for by a single generation. Nor were these government orders the only factors in the situation. To this \$22,000,000,000 must be added the rise in prices of all goods and commodities. Wheat reached \$3.25, most of which went to others than the farmer, who was paid only 1.30 a bushel for that crop. Cotton touched the highest point in forty-five years. It was the same story with everything that was sold throughout the country.

Exactly what the profits of the American arms merchants and their allies and financiers were in the war will never be accurately known. They realized very shortly that it would never do to let even the approximate amounts of their net gains be known. The Federal Trade Commission characterized the business methods of these groups as "inordinate greed and barefaced fraud." It "exposed many tricks of bookkeeping by the great corporations... Costs were fictitiously enhanced by account juggling. Officers' salaries were increased. The item of depreciation was padded. Interest on investment was included in cost. Fictitious valuations of raw materials were resorted to. Inventories were manipulated."

Despite all this, the profits reported were simply colossal. Du Pont paid a dividend of 100 per cent on its common stock in 1916. The earnings of the United States Steel Corporation for 1917 exceeded by many millions the face value of its common stock, which was largely water. In 1916 this same company reported earnings greater by \$70,000,000 than the combined earnings of 1911, 1912, and 1913. Bethlehem Steel paid a stock dividend of 200 per cent in 1917. U.S. Treasury figures show that during the war period 69,000 men made more than \$3,000,000,000 over and above their normal income.

Activity 2: The Neutrality Acts, 1935-1937

Student Name _____ Date _____

Directions: Read the documents below, using the following questions to guide your reading. Be prepared to discuss your answers in class.

Question	Answer
<p>What were the key provisions of the Neutrality Act of 1935? Why do you think they were included?</p>	
<p>Why did Bennett Champ Clark believe that the Neutrality Act was necessary?</p>	
<p>Who, according to Clark, would lose if the Neutrality Act was passed and why?</p>	
<p>What problem did Senator Connally and President Roosevelt see in the 1935 Neutrality Act? Why do you think Roosevelt signed it, in spite of this problem?</p>	

<p>What provisions were added by the Neutrality Act of 1936? Why do you think these were included?</p>	
<p>What provisions were added by the Neutrality Act of 1937? Why do you think these were included?</p>	

Neutrality Act of August 31, 1935: <http://www.ibiblio.org/pha/paw/049.html>

Providing for the prohibition of the export of arms, ammunition, and implements of war to belligerent countries; the prohibition of the transportation of arms, ammunition, and implements of war by vessels of the United States for the use of belligerent states; for the registration and licensing of persons engaged in the business of manufacturing, exporting, or importing arms, ammunition, or implements of war; and restricting travel by American citizens on belligerent ships during war.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That upon the outbreak or during the progress of war between, or among, two or more foreign states, the President shall proclaim such fact, and it shall thereafter be unlawful to export arms, ammunition, or implements of war from any place in the United States, or possessions of the United States, to any port of such belligerent states, or to any neutral port for transshipment to, or for the use of, a belligerent country....

Whoever, in violation of any of the provisions of this section, shall export, or attempt to export, or cause to be exported, arms, ammunition, or implements of war from the United States, or any of its possessions, shall be fined not more than \$10,000 or imprisoned not more than five years, or both, and the property, vessel, or vehicle containing the same shall be subject to the provisions of sections 1 to 8, inclusive, title 6, chapter 30, of the Act approved June 15, 1917 (40 Stat. 223-225; U. S. C., title 22, secs. 238-245)....

SEC. 3. Whenever the President shall issue the proclamation provided for in section 1 of this Act, thereafter it shall be unlawful for any American vessel to carry any arms, ammunition, or implements of war to any port of the belligerent countries named in such proclamation as being at war, or to any neutral port for transshipment to, or for the use of, a belligerent country....

SEC. 6. Whenever, during any war in which the United States is neutral, the President shall find that the maintenance of peace between the United States and foreign nations, or the protection of the lives of citizens of the United States, or the protection of the commercial interests of the United States and its citizens, or the security of the United States requires that the American citizens should refrain from

traveling as passengers on the vessels of any belligerent nation, he shall so proclaim, and thereafter no citizen of the United States shall travel on any vessel of any belligerent nation except at his own risk, unless in accordance with such rules and regulations as the President shall prescribe....

Bennett Champ Clark's Defense of the First Neutrality Act, December 1935:

<http://www.teachingamericanhistory.org/library/index.asp?document=1502>

Bennett Champ Clark was a Democratic Senator from Missouri from 1932 to 1945 and the primary sponsor of the Neutrality Act of 1935. The following article appeared in Harper's Magazine in December 1935.

At the present the desire to keep the United States from becoming involved in any war between foreign nations seems practically unanimous among the rank and file of American citizens; but it must be remembered there was an almost equally strong demand to keep us out of the last war. In August, 1914, few could have conceived that America would be dragged into a European conflict in which we had no original part and the ramifications of which we did not even understand. Even as late as November, 1916, President Wilson was reelected because he "kept us out of war." Yet five months later we were fighting to "save the world for democracy" in the "war to end war."

In the light of that experience, and in the red glow of war fires burning in the old countries, it is high time we gave some thought to the hard, practical question of just how we propose to stay out of present and future international conflicts. No one who has made an honest attempt to face the issue will assert that there is an easy answer. But if we have learned anything at all, we know the inevitable and tragic end to a policy of drifting and trusting to luck. We know that however strong is the will of the American people to refrain from mixing in other people's quarrels, that will can be made effective only if we have a sound, definite policy from the beginning....

Some of us in the Senate, particularly the members of the Munitions Investigation Committee, have delved rather deeply into the matter of how the United States has been drawn into past wars, and what forces are at work to frighten us again into the traps set by Mars. As a result of these studies, Senator [Gerald P.] Nye [Republican of North Dakota, cosponsor of the resolution] and I introduced the three proposals for neutrality legislation which were debated so vigorously in the last session of the Congress. A part of that legislative program was battered through both houses in the closing hours of the session late in August; a very vital part of it was held in abeyance.

Senator Nye and I made no claims then, and make none now, that the neutrality proposals will provide an absolute and infallible guarantee against our involvement in war. But we do believe that the United States can stay out of war if it wants to, and if its citizens understand what is necessary to preserve our neutrality. We feel that the temporary legislation already passed and the legislation we shall vigorously push at the coming session of the Congress point the only practical way....

The act is to terminate February 29, 1936. It is a stop-gap only. But it is pointing the way we intend to go....

I have called the present neutrality act a stop-gap. But it has not stopped the activities of our American war-munitions makers anxious for profits from imminent conflicts. Reports from centers of manufacturing and exporting of war implements all tell the same story: there is a boom in war preparations. Chambers of commerce in cities with large war-materials plants proudly report

reemployment of skilled munitions makers in large numbers, the stepping up of output to as high as three hundred per cent, the rushing to completion of new additions to plants. Day-and-night shifts in the brass and copper mills, rising prices and large shipments of these metals, and the acquisition of large capital for immediate wartime scale production, all indicate that Mars [the Roman god of war] has waved his magic wand in our direction.

Where are these war-implements shipments going? There is no proof that the munitions makers are trying to "beat the embargo" which will prohibit shipments to belligerents after November 29th, but it stands to reason they are making hay while the sun shines. Our Munitions Investigation Committee has not had time to look into immediate developments, but it needs no stretch of imagination to contemplate the rich profits that would flow from an Italian-Ethiopian war, with England jumping into the fray against Italy, and other European nations following suit on one side or the other.

And, of course, there's lots of war business right here at home. We have increased our expenditures on our Army and Navy in preparation for another and more dreadful war more rapidly than any European country in the period since the World War....

"But, think of the profits!" cry our theorists. "America will never give up her lucrative trade in munitions and necessities of life when war starts!"....

Just who profited from the last war? Labor got some of the crumbs in the form of high wages and steady jobs. But where is labor to-day with its fourteen million unemployed? Agriculture received high prices for its products during the period of the War and has been paying the price of that brief inflation in the worst and longest agricultural depression in all history. Industry made billions in furnishing the necessities of war to the belligerents and then suffered terrific re-action like the dope addict's morning after. War and depression—ugly, misshapen inseparable twins—must be considered together. Each is a catapult for the other. The present world-wide depression is a direct result of the World War. Every war in modern history has been followed by a major depression.

Therefore I say, let the man seeking profits from war or the war-torn countries do so at his own risk.... If there are those so brave as to risk getting us into war by traveling in the war zones—if there are those so valiant that they do not care how many people are killed as a result of their traveling, let us tell them, and let us tell the world that from now on their deaths will be a misfortune to their own families alone, not to the whole nation...

From an address to the Senate by Tom Connally (D-TX), August 24, 1935

Is it an expression of neutrality to say to two warring nations, one of which has ambitions for territorial conquest, the other unprepared, the other weak, the other trying to pursue its own destiny—is it neutral to say to those nations, "We shall give arms to neither of you," thereby insuring the triumph of the prepared nation, the covetous nation, the ambitious nation, the nation which seeks by force of arms to impose its will on a weaker and defenseless nation?

Mr. President, that is not neutrality; that is a form of unneutrality. That is a form of declaration which announces that the United States will take the side of the strong and powerful against the weak, the unprepared, and the defenseless. Why not leave that determination to the President of the United States when and if, in his conduct of our foreign relations, it becomes a sound American policy for him to take a position in a crisis of that kind?

We cannot now put the United States into an international strait jacket and thereby keep out of war. We cannot by an act of Congress put the United States into a concrete cast internationally which will fit all future occasions and solve all future problems.

Statement by President Roosevelt, August 31, 1935: <http://www.ibiblio.org/pha/paw/050.html>

I have given my approval to...the neutrality legislation which passed the Congress last week.

I have approved this joint resolution because it was intended as an expression of the fixed desire of the Government and the people of the United States to avoid any action which might involve us in war. The purpose is wholly excellent, and this joint resolution will to a considerable degree serve that end.

It provides for...the restriction of travel by American citizens on vessels of belligerent nations, and for the embargo of the export of arms, et cetera, to both belligerent nations.

The latter section [the arms embargo provision] terminates at the end of February 1936. This section requires further and more complete consideration between now and that date. Here again the objective is wholly good. It is the policy of this Government to avoid being drawn into wars between other nations, but it is a fact that no Congress and no Executive can foresee all possible future situations. History is filled with unforeseeable situations that call for some flexibility of action. It is conceivable that situations may arise in which the wholly inflexible provisions of section I of this act might have exactly the opposite effect from that which was intended. In other words, the inflexible provisions might drag us into war instead of keeping us out. The policy of the Government is definitely committed to the maintenance of peace and the avoidance of any entanglements which would lead us into conflict. At the same time it is the policy of the Government by every peaceful means and without entanglement to cooperate with other similarly minded governments to promote peace.

In several aspects further careful consideration of neutrality needs is most desirable, and there can well be an expansion to include provisions dealing with other important aspects of our neutrality policy which have not been dealt with in this temporary measure.

Neutrality Act of February 29, 1936: <http://ibiblio.org/pha/paw/068.html>

Extending and amending the joint resolution (Public Resolution Numbered 67 Seventy-fourth Congress), approved August 31, 1935.

..."SEC. 1a. Whenever the President shall have issued his proclamation as provided for in section 1 of this Act, it shall thereafter during the period of the war be unlawful for any person within the United States to purchase, sell, or exchange bonds, securities, or other obligations of the government of any belligerent country, or of any political subdivision thereof, or of any person acting for or on behalf of such government, issued after the date of such proclamation, or to make any loan or extend any credit to any such government or person: *Provided*, That if the President shall find that such action will serve to protect the commercial or other interests of the United States or its nationals, he may, in his discretion, and to such extent and under such regulation as he may prescribe, except from the operation of this section ordinary commercial credits and short-time obligations in aid of legal transactions and of a character customarily used in normal peace-time commercial transactions....

"Whoever shall violate the provisions of this section or of any regulations issued hereunder shall, upon conviction thereof, be fined not more than \$50,000 or imprisoned for not more than five years, or both. Should the violation be by a corporation, organization, or association, each officer or agent thereof participating in the violation may be liable to the penalty herein prescribed....

"SEC. 1b. This Act shall not apply to an American republic or republics engaged in war against a non-American state or states, provided the American republic is not cooperating with a non-American state or states in such war."

Neutrality Act of May 1, 1937: <http://teachingamericanhistory.org/library/index.asp?document=1564>

JOINT RESOLUTION

To amend the joint resolution entitled "Joint resolution providing for the prohibition of the export of arms, ammunition, and implements of war to belligerent countries; the prohibition of the transportation of arms, ammunition, and implements of war by vessels of the United States for the use of belligerent states; for the registration and licensing of persons engaged in the business of manufacturing, exporting, or importing arms, ammunition, or implements of war; and restricting travel by American citizens on belligerent ships during war", approved August 31, 1935, as amended.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the joint resolution entitled "Joint resolution providing for the prohibition of the export of arms, ammunition, and implements of war to belligerent countries; the prohibition of the transportation of arms, ammunition, and implements of war by vessels of the United States for the use of belligerent states; for the registration and licensing of persons engaged in the business of manufacturing, exporting, or importing arms, ammunition, or implements of war; and restricting travel by American citizens on belligerent ships during war", approved August 31, 1935, as amended, is amended to read as follows: [...]

"EXPORT OF OTHER ARTICLES AND MATERIALS

SEC. 2. (a) Whenever the President shall have issued a proclamation under the authority of section 1 of this Act and he shall thereafter find that the placing of restrictions on the shipment of certain articles or materials in addition to arms, ammunition, and implements of war from the United States to belligerent states, or to a state wherein civil strife exists, is necessary to promote the security or preserve the peace of the United States or to protect the lives of citizens of the United States, he shall so proclaim, and it shall thereafter be unlawful...for any American vessel to carry such articles or materials to any belligerent state, or to any state wherein civil strife exists, named in such proclamation issued under the authority of section 1 of this Act, or to any neutral state for transshipment to, or for the use of, any such belligerent state or any such state wherein civil strife exists. The President shall by proclamation from time to time definitely enumerate the articles and materials which it shall be unlawful for American vessels to so transport....

"AMERICAN VESSELS PROHIBITED FROM CARRYING ARMS TO BELLIGERENT STATES

"SEC. 6. (a) Whenever the President shall have issued a proclamation under the authority of section 1 of this Act, it shall thereafter be unlawful, until such proclamation is revoked, for any American vessel to

carry any arms, ammunition, or implements of war to any belligerent state, or to any state wherein civil strife exists, named in such proclamation, or to any neutral state for transshipment to, or for the use of, any such belligerent state or any such state wherein civil strife exists.

"(b) Whoever, in violation of the provisions of this section shall take, or attempt to take, or shall authorize, hire, or solicit another to take, any American vessel carrying such cargo out of port or from the jurisdiction of the United States shall be fined not more than \$10,000, or imprisoned not more than five years, or both; and, in addition, such vessel, and her tackle, apparel, furniture, and equipment, and the arms, ammunition, and implements of war on board, shall be forfeited to the United States....

"TRAVEL ON VESSELS OF BELLIGERENT STATES

"SEC. 9. Whenever the President shall have issued a proclamation under the authority of section 1 of this Act it shall thereafter be unlawful for any citizen of the United States to travel on any vessel of the state or states named in such proclamation, except in accordance with such rules and regulations as the President shall prescribe: Provided, however, That the provisions of this section shall not apply to a citizen of the United States traveling on a vessel whose voyage was begun in advance of the date of the President's proclamation, and who had no opportunity to discontinue his voyage after that date: and provided: further, That they shall not apply under ninety days after the date of the President's proclamation to a citizen of the United States returning from a foreign state to the United States. Whenever, in the President's judgment, the conditions which have caused him to issue his proclamation have ceased to exist, he shall revoke his proclamation and the provisions of this section shall thereupon cease to apply with respect to the state or states named in such proclamation, except with respect to offenses committed prior to such revocation.

"ARMING OF AMERICAN MERCHANT VESSELS PROHIBITED

"SEC. 10. Whenever the President shall have issued a proclamation under the authority of section 1, it shall thereafter be unlawful, until such proclamation is revoked, for any American vessel engaged in commerce with any belligerent state, or any state wherein civil strife exists, named in such proclamation, to be armed or to carry any armament, arms, ammunition, or implements of war, except small arms and ammunition therefor which the President may deem necessary and shall publicly designate for the preservation of discipline aboard such vessels."

Activity 2: The Neutrality Acts, 1935-1937

Student Name _____ Date _____

Directions: Consult the interactive timeline “America on the Sidelines,” located at <http://www.teachingamericanhistory.org/neh/interactives/neutrality/>, and examine the events that took place in Europe from 1933 through 1939. For each event read the overview, then, on a blank map of Europe in the 1930s, mark the locations that are shown on the map to the left. When you are finished, click on “Select a Course of Action.” This will produce a menu of options on the right-hand side of the page; select the one that you think the Roosevelt administration actually chose. After you have chosen the correct option, read the paragraph at the bottom of the page before moving on to the next event. For a deeper understanding of these events, read the materials that appear when you click on the line “Click to read a contemporary document.”

Using the documents you have already read for this activity, plus the information gleaned from the interactive timeline, answer the following questions. Be prepared to discuss these answers with the class.

Question	Answer
<p>How successful were the Neutrality Acts in keeping the United States out of war in the 1930s?</p>	
<p>How might the events of the 1930s have worked out differently if Americans had <i>not</i> been prohibited from selling arms or extending loans to belligerents?</p>	