The attitudes of the American business community to the Soviet Union, 1917-1933.

Patricia J. Behenna

University of Massachusetts Amherst

Follow this and additional works at: https://scholarworks.umass.edu/theses

https://doi.org/10.7275/7cag-wm71

This thesis is brought to you for free and open access by ScholarWorks@UMass Amherst. It has been accepted for inclusion in Masters Theses 1911 - February 2014 by an authorized administrator of ScholarWorks@UMass Amherst. For more information, please contact scholarworks@library.umass.edu.

BY

PATRICIA J. BEHENNA.

M.A. ORAL: 14 September 1971

Approved as to style and content by:

[Signatures]

(Chairman of Committee)

(Chairman of Department and Member of Committee)

(Member)
CONTENTS.

Introduction.................................................................1.
1. Banking and Business attitudes to the two Russian Revolutions:
   I. Bankers.............................................................5.
   II. Businessmen.....................................................13.
3. American Bankers and Businessmen and Soviet Russia, 1919-1924:
   I. Bankers, 1919-1924.............................................42.
   II. Businessmen, 1919-1924.......................................49.
5. The Ration Years, 1924-1928.........................................67.
8. Business and Recognition, 1933......................................111.
9. Conclusion.............................................................122.

Appendix
A. United States Exports to Russia, 1900-1917..........................126.
B. USA Trade with USSR
   USSR Trade with USA................................................127.
C. Members of the Russian Information Bureau..........................128.
D. Members of the American-Russian Chamber of Commerce.............129.
E. Members of the Committee on Commerce and Navigation................131.
F. Leading American firms sent to Russia by the American-Russian
   Chamber of Commerce................................................133.

Bibliography............................................................134.
Introduction.

Investigation and examination of some American attitudes to the Soviet Union, like all attitudinal studies, pose severe problems for the historian. First, it is difficult to identify members of the business and banking community in any detail, because of the anonymity of much of the source material. It is also difficult to determine how representative were the views expressed, or if certain groups of businessmen preferred one kind of action to another. Even Professor Filene, by analyzing the "opinions and attitudes only of those who made their views known" does not solve the identity problem.¹ Many views on the Soviet Union were anonymously expressed or reported in a business paper like the Wall Street Journal,² making it hard to determine whether these were the opinions of the reporter, editor or editorial board. How many of the newspaper's readers shared these views? Were the readers all businessmen? These remain insoluble problems for the present, since it has been impossible to locate distribution figures for the Journal.

2. Hereafter referred to as "Journal" in the text.
Despite these difficulties, and the obvious limitations inherent in this approach, it is possible to identify one influential group of American businessmen. These were the "big businessmen", the leaders of commercial and financial concerns that either had been connected with the pre-revolutionary Russia or hoped to develop trade relations with the Soviet Union. Many of these firms and financial houses possessed branch offices or headquarters in New York City, were members of various American-Soviet trade organisations, which were also based in New York, and were deeply involved with Wall Street. Other firms, in and out of the Northeast, which traded with the Soviet Union were also linked to New York, since they too had to make contracts through the American-Soviet trade organisations mentioned above. In light of this it seemed logical to concentrate on two business organs, namely, the Wall Street Journal, and the New York Times. The former is particularly stressed, because of its wide daily coverage of specific business and financial news. It is also one significant source apparently not dealt with systematically by Professors Lovenstein and Filene, in their respective studies of American attitudes to
the Soviet Union. 3

Two aspects intrigued me in my examination of the Journal. First, the immediate American business reaction to both revolutions, and second the part played by Amtorg, the trading corporation with headquarters in New York, in moulding American business opinion. In addition, I was interested in discovering how deeply the widespread anti-Soviet feeling of the 1920's affected businessmen and bankers. To what extent were they influenced by the political strictures of successive anti-Soviet administrations? How did their fears, if they had any, affect their business transactions? What were their reactions to the Soviet Five Year Plans? Is there any evidence to show that this business interest group, situated particularly in New York and more generally, in the Northeast, exerted direct pressure on President Roosevelt for recognition of the Soviet Union? To what extent were American businessmen anti-communist? The main events of Soviet history from 1917 to 1933, and American business reaction to them, from which the above questions arise,

will be examined in chronological order.
Chapter 1: Banking and Business attitudes to the two Russian Revolutions.

I. Bankers.

What was the banking community's immediate and spontaneous response to the actual events of the Russian Revolution? Surprisingly, neither Meno Lovenstein nor Peter Filene deal precisely with this question. Yet investigation of the response reveals how poorly acquainted American bankers (and businessmen) often were with internal Russian affairs. Misconceptions formed during this period had a telling effect on later trade relations with the Soviet Union.

Initially, Russian involvement in the 1914-1918 war was the main concern of American bankers. Internal Russian disorders were overlooked or were incomprehensible. When it became obvious that something more than street rioting was in progress in Russia, no one was easily able to gauge the situation accurately, partly from lack of knowledge, partly from the speed of events.

First reports of the March revolution of 1917 understandably stirred Wall Street and the Journal reported that at 1.30 p.m., when news of the Petrograd revolution
came over the tickers, all trading on the floor of the house came to an abrupt halt. At the time, general Wall Street opinion was that the disorders in Russia were mainly expressions of disgust at the supposed pro-German tendencies of the Tzarist government. 4 Affairs on the market soon returned to normal however, since banking circles placidly regarded the overthrow of the autocracy and the eventual emergence of the Provisional government under Prince George Lvov as a positive aid to the allies' cause. It was further thought that the Russians had finally demonstrated their discontent with Tzarist corruption and inefficiency and were paving the way for the establishment of a stable, liberal government. 5 A pessimistic note was sounded by those bankers who feared lest the new Russian administration be socialist in its philosophy. They regarded with suspicion the inclusion of the socialist deputy, Alexander Kerensky, as Minister of Justice. Initially, the alarm felt by American financiers did not go very deep even though some were aware of the prevalence of socialist thinking in some sectors of Russian society.

One banker, obviously cognisant with Marxian

5. WSJ, March 17, 1917.
theory, explained that Russia had to go through the three classic stages before it could become a socialist state. He emphatically stated that the first, if any, change in Russia would be towards a limited monarchy as in England, where order and property rights were still respected. On this basis, he confidently regarded American war loans to Russia as the safest made to any foreign country. Another optimistic banker predicted increased American trade and financial business with Russia after the war. Claiming to speak for New York bankers generally, he intimated that they believed that no Russian abrogation of debts or contracts would occur. These views cannot simply be dismissed as shortsighted. First, it was, at the time, impossible to analyse their full significance for the banking community. Second, the marked distrust and fear of "socialism" reflected the prevalent establishment attitude of the period. Third, an emphatic rule of any banking or business group is to avoid overreaction to events as chaotic and perplexing as these, lest unnecessary financial panic occur, resulting in loss and confusion.

6. WSJ, March 17, 1917.
7. Ibid.
The political structure of Russia underwent severe changes from March to May 1917. Supreme power eventually rested with the Provisional government, after Grand Duke Michael had refused to undertake the task of government. Conflicting opinions over Russia's continued participation in the war gave rise to a new cabinet on May 17, 1917. Foreign Minister Paul Miliukov, representing moderate elements who wanted to continue the war to a victorious conclusion was forced to resign. The effective leader of the new government was the socialist Kerensky, minister of both war and marine. Increasingly, perplexity and anxiety tinged the optimism of American bankers in the eventual emergence of democratic governmental forms in Russia.

Few were as honest as one banker who admitted that no one really knew what was going to happen in Russia. Since this was the case with many banking leaders, they took what comfort they could from their own hesitant and often superficial analyses of the revolution's progress. Even the honest banker above mentioned succumbed to the widely held belief in American financial circles, that the Russian situation was not entirely hopeless. And even

if the internal Russian situation was serious, it was considered that these radical changes were transient phenomena. Hopefully, "time" would erase what an anonymous group of Boston and New York bankers called an "excess of radicalism." Sounding remarkably like authors of a twentieth century version of the Federalist Papers, they continued that it was "...a dangerous thing to give great masses of mankind too much liberty all in one lump dose," especially since liberty often "degenerated into licence." Piously, they recommended the "education of the masses of the people into the use of liberty with restraint." 9 To another outspoken New York banker, it was "beyond belief" that men like Prince Lvov would be unable to hold the reins of power and restore order and stability. 10

This "belief" was subsequently shattered by the Bolshevik coup d'etat on October 25, 1917, and the collapse of the Provisional Government (by that time led by Kerensky). It was several months, however, before the significance of the change in Russian leadership was fully comprehended by American financiers. The American-Russian Chamber of Commerce even felt confident enough to affirm, on the eve of a $100,000,000 American loan to Russia, that the

9. Ibid.
10. Ibid.
that the United States was "in a position to be of the greatest assistance to Russia," through loans and investment of private capital in Russian industrial development.\textsuperscript{11} This statement hints at the prevailing American myth, to be developed later, of a potentially vast, virtually untapped Russian market waiting to be exploited by those with capital and technical know-how. Another popular financial attitude reveals exactly how idealistically the Russian revolution could be contemplated. Bankers looked back into America's collective experience for comparable situations and one of them openly likened Russian events to the American revolution of 1776. Since he also implied the possibility of similar results, he asserted that Russia was better security for a loan than America had been 140 years earlier. Neatly summing up this belief in a "Russian revolution for independence," he ingenuously asked, "what is $100,000,000 to the United States to be spent, however blindly, to help a sister republic fight for Democracy?" \textsuperscript{12}

Perhaps this "blindness" was regretted a year later, when Russia withdrew from World War I and the

\textsuperscript{11} WSJ, May 1917.
\textsuperscript{12} Ibid.
Bolshevik determination to retain power was revealed during a period of bitter Civil War. The possibility of a peace treaty between Russia and Germany irritated American bankers and was a constant source of worry. Prominence was given in business publications to Trotsky's negotiations with Germany and to the Treaty of Brest-Litovsk (which made peace between Russia and Germany an actuality) which was signed March 3rd, 1918. Irritation with Germany also developed out of American envy of the former country's attempts at greater economic links with Russia. Ever present also was American fear of German exploitation of Russian markets in which American bankers and businessmen expected to take first place. To be sure, this fixation with Germany did not only stem from American disapprobation at Russian-German peace moves. From 1890 till 1914 Germany had been the largest market for Russian food and raw and semi-manufactured goods. Germany, in turn, sold Russia 75% of all its metal ores and over 50% of all textile materials. American attitudes therefore, were conditioned by desire to limit German economic competition. "Germany's hand

closing on Siberian gold," and "Must save Russian banks from Germany," were samples of headlines from the Journal for 1918. In the account which followed the first of these headlines, Russia was portrayed as being completely in Germany's exploitative grasp; it was also feared that the war would be prolonged if Germany had access to Russian gold, thus causing a price decline. The awesome consequence would have Germany in control of the "vast resources in Asia" ready for another struggle, while the United States would be plunged into debt. 14

The Bolshevik plan to nationalise the banks also produced American consternation. Frederick M. Corse, General Manager of the New York Life Insurance Company in Russia, reported the fate of the private Volga Kama bank. According to Corse, Russian government officials had deposed the president of the bank and replaced him with the "rear yard man." All private banks, he predicted, would share a similar fate. 15 Not only was nationalization alien to American economic concepts, but it augured badly for American hopes of exploiting the rich Russian market, which they had assured themselves existed. Implicit in this

14. WSJ, July 1, 1918.
15. WSJ Dec. 20, 1918.
statement was the view that America should assume the superior role.

The *Journal*, in sum, presented a predictable picture, given the underlying concepts of American business. There were no surprises. Bankers changed their attitudes as the Russian revolution changed its direction. The March uprising had had promising beginnings: the autocracy had been threatened and was eventually toppled; the path towards democracy seemed unimpeded. The emergence of an aggressive Bolshevism not only shocked bankers' democratic sensibilities, it also made them more acutely aware of additional and peripheral dangers, of which the economic threat of Germany was a case in point. Whether or not Germany, having been badly mauled by war and left with a shaky economy, was an immediate menace to American economic interests in Russia was unimportant for these purposes. American bankers thought the Imperial Reich possessed the potential to harm them, and viewed its relations with both countries in that light.

II. *Businessmen*.

Businessmen, like their banking compatriots, were concerned with the results of both Russian revolutions, and they responded with a similar cautious optimism.
Some business concerns lost no time in revealing their feelings regarding the March revolution. On March 21st, the American-Russian Chamber of Commerce cabled its opposite number in Moscow and the American embassy in Petrograd, expressing its sympathy and extending its goodwill to the Russian government. Then followed what was to be a recurrent theme in business thought: an explanation of the benefits which would accrue to the United States from continued economic contact with Russia. Businessmen exuded an unabashed confidence in the beneficial effects their proposed trading contacts would have on Russia's own development. They showed almost no appreciation of the possible effects that the March and subsequent uprisings would have on the political and economic life of that country. For example, the American-Russian Chamber of Commerce, convinced that events in Russia would benefit American interests, claimed that the "Liberal forces in Russia represented the bulk of the Russian people and are in close sympathy with the aims of the United States." The Chamber fully anticipated that the new Russian government would welcome American capital and enterprise to assist post-war reconstruction.
This was one of the more potent of the prevailing business attitudes and remained so until the intentions of the Bolsheviks were made painfully clear to Americans.  

An example of American economic involvement at the time of the first revolution, was Russian war orders. Naturally, businessmen were concerned with the effects of the revolution on the latter. The *Journal* at first reflected the cautious optimism previously mentioned: in an immediate reaction, a correspondent considered the economic and trading outlook was favorable, but warned that it was too early to make definite statements. Despite this and similar cautions, Americans were confident in their own ability to maintain Russian war orders, and consequently there were frequent reports of such transactions in the *Journal*. One such report explained that the main commodities Russia needed for use in the war were locomotives for transportation and shells for ammunition. Included in one order, the report continued, was a contract assigning 150 locomotive engines each to the Baldwin and American Locomotive Companies, the total cost of which amounted to $11,100,000. Neither firm was said to fear cancellation of the orders by the

new Russian government. Total American shell orders for the Russian army exceeded $200,000,000. The Journal also optimistically stated that several firms would benefit from the removal of previous Russian shell inspection difficulties and from the freeing of working capital tied up in Russian contracts. One such American company, Bethlehem Steel, was already profiting from such a movement of capital.17

Finally, as if to justify the Journal's confident prediction of favorable and beneficial trade relations for the United States, a new agreement was signed in April, 1917, for shell parts. The two companies involved were General Electric which gained $9,000,000 and American Can which gained $5,000,000 in working capital from this contract. The Journal interpreted this Russian eagerness for economic agreements as indicative of a desire to fight a successful war, something which had previously seemed doubtful.18 Since the major European countries were concerned with the depleting task of fighting each other, America became Russia's chief source for war material. American businessmen

17. WSJ, March 20, 1917. Other concerns interested in the shell contracts were American Can, General Electric, Bartlett-Hayward, International Steel and Ordnance, and International Steam Pump Companies. A rifle contract with Russia was also obtained by Westinghouse Electric and Manufacturing Company.
18. WSJ, April 3, 1917.
were persuaded that their own analysis was right and pointed to the phenomenal rise in exports to Russia as proof not only of her desire to win, but also of her wish to extend her markets.\(^\text{19}\) Naturally, much of this Russian desire was engendered by a war-time need for arms, ammunition and other manufactured goods. It did however, encourage businessmen to predict, even on this basis, increased American-Russian trade after the war had ended and the Russian internal situation had resolved itself.

Transportation was another important area of the Russian war effort and once more American businessmen played a vital role. In May 1917, Daniel Willard, president of the Baltimore and Ohio Railroad and chairman of the advisory board of the Council of National Defence, announced that a railroad commission was being formed at the request of the Russian government.\(^\text{20}\) Two American businesses, namely, American Car and Foundry and Standard Steel Car companies quickly found themselves with orders for 6,500 and 3,500 engines respectively.\(^\text{21}\)

The March revolution, therefore, in its first impact on American business, left the solid economic

\(^{19}\) WSJ, March 21, 1917. Exports to Russia from U.S.A. had risen from a 1915 total of $170,000,000 to $469,000,000 in 1916.

\(^{20}\) WSJ, May 4, 1917.

\(^{21}\) WSJ, May 30, 1917
foundation formed by war virtually untouched. Initially, businessmen regarded the Russian situation as a temporary phenomena. The latter would not last, they imagined: a responsible, democratic government was sure to take over, now that Tzarist tyranny had been effectively overthrown. With hindsight, this may seem to us a naive outlook. But the businessman generally left politics to the politician, and only considered the violent internal Russian events in the context of trade, which, after all, was his primary concern. This attitude was reflected in the Journal. On the one hand, disgust was expressed at the "socialist menace" prevalent in Russia; 22 on the other, business fears were temporarily assuaged by the report that Russia’s commercial dependence would continue. 23

There was no discussion of the reports of the Bolshevik revolution in the Journal and the drama of the coup d'état was completely overlooked. Contracts, contacts and profits were understandably uppermost in the businessman's mind. For example, Kerensky's overthrow brought nothing more than a notice of a New England shoe manufacturer's opening bids for 3,300,000 pairs of shoes for Russia. 24 Similarly, businessmen were relieved to learn that the

22. WSJ, June 16, 1917.
23. WSJ, Oct. 8, 1917
24. WSJ, Nov. 13, 1917.
November 1917 contracts for 648 engines and 30,000 cars, divided between American Car and Foundry, Standard Steel Car, Pressed Steel and Pacific Car companies, remained intact.\(^{25}\) Businessmen ignored the political arena and concentrated all their energies on the lucrative Russian trade. They were justified in so doing. Figures compiled by the National City Bank of New York revealed that export values from 1914-1917 equalled the total for the 50 preceding years, which was estimated at $1,000,000,000.\(^ {26}\) The Journal also supplied its own figures for the years 1900-1917, which amply show the steady rise in value of American exports to Russia.\(^ {27}\) The phenomenal rise in value during the years 1916-1917 was obviously caused by the many large Russian war orders.

The belief that Bolshevik rule, (imperfectly understood by the American business community) would be shortlived, persisted for several years, but was at its most potent from 1917-1918. The chaotic situation in Russia, engendered by the war and revolutions, famine and food shortage, and the discontent bred from years of privation made this attitude seem plausible at the time.

\(^ {25}\) \textit{WSJ}, Nov. 22, 1917.
\(^ {26}\) \textit{WSJ}, June 26, 1917.
\(^ {27}\) \textit{WSJ}, Sept. 11, 1917. For list of figures, see Appendix A.
One article in the *Journal* for December, 1917, bore the heading "Revolution in Russia based on food shortage." There followed a brief report from J. Ralph Pichell, secretary of the Council of Grain Exchanges. In his opinion, Kerensky's overthrow had been due to his gross ineptitude in handling food supplies. It was therefore inevitable, continued Pichell, that Kerensky would be supplanted and that the Bolsheviks would assume "temporary power." 28 Comments and reports in the *Journal* made frequent mention of the supposed transient nature of the Bolshevik government. One such editorial, headed "An awakening Giant" stressed that Russia was becoming a "tremendous force for good" and would continue along this path "if rightly directed." Russia, advised the editor of the *Journal*, needed "sympathy and understanding." He felt that, despite the fact that Russia's governmental experiments seemed to reveal socialist tendencies, "ultimately" the new system would "reflect the true spirit of the Russian people." 29 Although not stated, the inference was that the "true spirit" would not be socialistic. A report in the *Journal* for late November,

---

1917 further illustrated the optimism expressed by businessmen over the Russian situation. In an article enumerating the recent American-Russian contracts, the writer revealed that traders believed the Russian upheavals to be only "temporary" and that "responsible government" would shortly assume control.30

Discovering that Bolshevism was not to be easily ousted from power, the Journal predictably revealed hardened attitudes as former expressions of optimism swiftly disappeared. When the communist aims of the new Russian leaders, particularly Lenin, became more widely known, business leaders grew alarmed. The chilling prospect of having their financial investments and commercial contracts placed in immediate and constant jeopardy made the Russian revolutionaries look like descendants of Machiavelli. Numerous diatribes appeared in the Journal, directed mainly at Trotsky, possibly because of his former American connections. This "arch-villain" was compared to Judas Iscariot, accused of demoralising the Russian army, and condemned as the Kaiser's agent. Far from sympathising with the revolut-

30. WSJ, Nov. 22, 1917.
ions in Russia at this juncture, the Journal abandoned all attempts to view the revolutions in a favorable light and countenanced a return to autocracy as the only way to restore orderly government. 31

The fear of German exploitation of Russian resources bothered businessmen as it had done bankers, and acquired an even more serious nature as the details of Bolshevik government became clearer. Now it seemed to businessmen, the United States had the dual task of saving Russia from herself and from Germany. A 1918 June editorial exhorted the American government to donate money and lend moral support, while Japan supplied the manpower. 32 Ominous reports of the fate of existing American trading ventures in Russia further dampened the commercially acquisitive spirit, formerly heartened by the overthrow of the autocracy. The fate of thriving Russian banking and financial concerns was now mirrored by that of American firms. Made prosperous during the early war years, they were now beginning to suffer at the collectivising hands of the revolutionaries. The Journal reported that the Submarine Boat Corporation

31. WSJ, May 3, 1918.
32. WSJ, June 20, 1918.
was disintegrating, following Russian withdrawal from the war front. Similarly, Bethlehem Steel, Midvale Steel Corporation, Westinghouse, Remington Arms, National City Bank and others, had lost capital and profits.\textsuperscript{33}

Despite these initial setbacks, some businessmen eagerly accepted the legend of the vast potential of the Russian market. Since the situation in post-war Russia made it often difficult for business representatives to obtain first hand information, almost anyone who returned to comment on the Soviet scene was regarded with interest and was heard attentively. One such source, Sterling H. Brunnell, a New York engineer, writing (in the \textit{American Machinist}) on the Russian need for agricultural tools and machinery, gave further credence to the legend. A great opportunity for trade now existed for American machinery manufacturers, he maintained. It was unthinkable, he continued, that American businessmen should allow Germany to exploit Russia's raw materials and markets. Brunnell described the precise nature of the latter, thus giving businessmen an idea of what they could expect to find. The most desirable commodities offered by Russia were, in

\textsuperscript{33} \textit{WSJ}, April 16, 1918.
his opinion, her vast quantities of raw materials—hides, flax, furs, minerals and agricultural products. There was nothing new about this information, yet Brunnell's reiteration of it at this time is typical of those who argued for immediate American commercial intervention in Russia. Brunnell pointed out that American interests would benefit since there was a shortage of these raw materials in the United States. Benefits would be reciprocal, however, and Russia needed all the assistance she could get, since she faced famine, an aftermath of war and internal upheaval. Brunnell therefore urged businessmen to make trading arrangements so that Russian materials could be exported to, and sold in, America, and that the dollars Russia obtained could then be used to buy its much needed machinery.  

Businessmen were assailed from all sides. Edward N. Hurley, chairman of the U.S. Shipping Board, strongly urged the Illinois Manufacturers Association to look for a "world market" after the war. It is highly possible that Soviet Russia was in his thoughts. The American-Russian Chamber of Commerce also took part in building up the hopes of businessmen. It boldly declared

---

34. Literary Digest, April 16, 1918.  
35. WSJ, June 29, 1918.
that there was a market in the United States for $60,000,000 to $75,000,000 worth of Russian raw materials. Thus, the views of men like Sterling Brunnell received official approval. Although businessmen and commentators were aware of the benefits American trade would have for Russia, this was more often implicitly understood than expressly stated. While there is nothing unusual in this response, one might have expected more awareness of the difficulties of capitalist trade with a communist country. But then, businessmen daily expected the overthrow of the Bolsheviks and the return of "responsible" government.

This accelerated interest in Soviet Russia penetrated the administration and reached presidential level. A Russian bureau was formed in the United States called the "War Trade Board of the United States Russian Bureau." Organised at the behest of the President, its purpose was to enable the Russians to gain their own economic stability. It was quite separate from the American Relief Administration, which, under the direction of Herbert Hoover, coordinated American efforts to ease the plight of many starving Russians. The Russian bureau had a capital

stock of $5,000,000, owned and issued by the United States government. Its specific task was to assist in the export of agricultural implements, shoes and clothing to Russia and Siberia. Renewed trading opportunities for American firms and the possibilities of obtaining raw materials were to be America's reward. Although the intention of such a bureau was not solely philanthropic, this bureau and the American Relief Administration were welcomed as humane examples of the potentialities of capitalism in contradistinction to soviet techniques.

To say that the business community of the American Northeast possessed little accurate knowledge of the revolutions in Russia, or could have satisfactorily gauged their outcome, is to say very little. Businessmen were not alone in their hope and belief that the Soviet regime would be short-lived; most of Western Europe held similar views in 1918. American businessmen, while deploring Soviet policies, continued to seek the profitable Russian markets which had become part of the commercially attractive "conventional wisdom" of the time. Businessmen

were not totally unrealistic. They knew that the profitable increase in U.S.-Russian trade had come mainly from enormous war orders. Nevertheless, they intended to capitalise (literally and figurately) on contacts and connections already established.
Chapter 2: Editorial Comment, 1919-1924.

It may seem strange to include opinions from a 'non-businessman' in the strict sense of the word, but it was done for several reasons. First, most businessmen and bankers remain anonymous over their attitudes to Society Union. Business and banking opinion in general was therefore recorded by newspaper editors, like that of the Wall Street Journal, William Peter Hamilton. His editorials give the impression that they were composed not only for the benefit of the big businessmen, but also for lesser business lights who were interested and involved in the financial world of Wall Street. Thus, his editorials were often blunt and direct, couched in non-commercial language, so that everyone could understand. Such importance did he hold among the Journal's staff as their editor-in-chief, that an unprecedented three columns of an inside page were devoted to biographical comments. During the interview, conducted by Thomas H. Ormsby, Mr. Hamilton discussed his projected role for the Journal; although he did not make specific

38. WSJ, Sept. 12, 1922.
reference here to the Soviet Union, knowledge of the aims and attitudes he brought to bear on his editorial subjects helps clarify his later opinions.

Hamilton was fully acquainted with the business world, having been formerly an office-boy to a London stockbroker, before moving into financial journalism in America as editor of the Journal, on January 1, 1908. Writing, he commented, interested him more than "stock-broking and clerking." This experience, however, afforded him an opportunity to learn from the inside the workings and fluctuations of the Stock market. Before coming to America, he travelled widely and remarked on the business genius of the late J. Pierpont Morgan. Only one other man in his opinion, approached Morgan for "intuitive intelligence", and that was Cecil Rhodes, whose "definite ideas and large concepts" were "far above the mere making of money." He arrived in the United States at the outbreak of the Boer War, on the invitation of Thomas P. Woodlock, a partner of Dow, Jones and Company, owners of the Wall Street Journal. Hamilton's duties were to keep Wall Street accurately informed about

39. WSJ, Sept. 12, 1922.
40. Ibid.
the Boer War's progress and "its market importance". His commentaries during 1919-1922 on U.S.-Soviet political and economic relations probably had a similar aim. However, his Boer War reports did not consume all his time, and so he invented for the Dow-Jones Financial News Service, the Stock Market paragraphs, which were speedily incorporated as a standing feature of the Service and of the Wall Street Journal. Hamilton maintained that his information helped active brokerage firms and sustained interest in the market. He then spoke of the close working relationship which had existed for twenty years between him and the proprietor of the Journal, Clarence W. Barron, himself a frequent contributor. The interviewer, Ormsby, described Hamilton's editorials as being "hard-hitting, clearly stated, brief...". Hamilton also believed in "short, pithy editorials" which left the reader with one main idea and not, as he expressed it, a "multiplicity of unrelated ideas." This is closely allied to the chief editor's overall conception as to the way in which one should approach a subject for report. He cautioned thus: "Don't believe the man who tells you that there are two sides to

41. WSJ, Sept. 12, 1922.
42. Ibid.
every question. There is only one side to the truth." 43
Above all, Hamilton concluded, the aim of the Journal, was "to take the quackery and mystery out of Wall Street." 44
From his background and his opinions, I think it is fair to acknowledge the potential competencey of Hamilton in reporting economic and financial affairs. His lengthy tenure in the editor's chair would suggest general (albeit tacit) acceptance of his views and would seem to make him an ideal representative of American big business interests.

Hamilton advocated trade between America and Soviet Russia at an early date, and at a time when this view was unpopular with the Administration in Washington. The United States had participated in the allied embargo on trade with the Soviet Union. First, when the Provisional government was overthrown in November 1917, all unlicensed trade with Russia was stopped. After February 1918, licences were no longer granted without permission from the State Department and by 1919 all export licenses were revoked. Even after these restrictions were lifted (January 16, 1920) official U.S. policy stipulated that Russian trading

43. Ibid.
44. Ibid.
would henceforth be undertaken entirely at the individual's own risk. In one of his first editorials on American-Soviet relations, Hamilton stated: "There may be few things more distasteful than a recognition of the Lenine regime but are there any that promise better and quicker returns to Europe and perhaps to the world? Laying aside natural feelings of revulsion...we may see enough economic and financial arguments for an early resumption of trade with Russia." 45 It is interesting to note the implicit restatement of the American dream of untapped Russian markets, and an acknowledgement that trade must and should continue despite the uncongenial politics.

Men who returned from living and working in Russia frequently reinforced businessmens' optimism on U.S.-Soviet trade. One such American, Albert Coyle, who had been taken prisoner in Russia, had his views published in Nation. He explained that it was judicious for America to take advantage of a new market: the Bolshevik revolution had swept away onerous import duties and had ended previous domination of the Russian market by other countries. Coyle had three positive suggestions for American businessmen:

45. WSJ, Feb. 28, 1920.
they should erect a permanent exhibition of American goods in Moscow, extend short term credit to the Russian government and build cable connections with Northern Europe. He concluded his article with the pithy observation that "communication" was the "life of trade." 46 It can be seen from this and from previous statements of American businessmen, how widespread was the concern for expanding markets abroad, especially into Russia.

Despite Hamilton's enlightened attitude to American-Soviet trade, his attitude hardened on the home front. In his encouragement of inter-continental trade, Hamilton may have envisaged that contact with the Russian communists could demonstrate the superiority of the capitalist system. American influence would therefore be experienced monetarily and morally, to the detriment of communism. At home, he deplored any overt signs of communism. The tendency to attribute internal American disorders during 1919-1920 to communism did not stem solely from Attorney-General Mitchell Palmer. Such also was editor Hamilton's opinion of the 1919 steel strike. 47

47. WSL, Sept. 30, 1919.
To trade with a nation enduring communist rule was permissible (despite the fact that the American government discouraged such activity). Contamination with communist ideology inside one's own country was indefensible. Hamilton admired the article of Clarence W. Barron (proprietor of the Journal) on the effects of Bolshevism as experienced in Soviet Russia. Here, in a dramatic portrayal, "crafty Lenin, Trotsky and other leaders hitched discontent, oppression and poverty to a chariot and were drawn to place, power, loot and lust." Despite the changes wrought in Russian society and the promises of the Bolshevik leaders, Barron continued, "Russia has not seen peace and bread." The Soviet leaders actions' were seen as betrayals and consequently Barron likened them to those of Aaron Burr, Caesar Borgia and Judas Iscariot. 48 No room for reason was allowed in statements such as these. Words which were calculated to inspire fear and hate were used, such as 'loot' and 'lust'.

Barron and Hamilton were both convinced that communism was spreading throughout American society. Capitalist society was seriously threatened, since it was

the "arch-enemy" of the Bolsheviks and the latter wished to destroy it. Nor was this fear totally unreasonable. Soviet theories of world revolution were by this time well known. Barron believed that Russian propaganda had had an effect already, since American manual workers, educated men, graduates and lawyers were, he feared, expounding revolutionary doctrines, including the destruction of the state. A relieved Hamilton noted the Chamber of Commerce meeting of 700, who had met to oppose Bolshevism constructively. At the meeting, the Governor of Massachusetts, Calvin Coolidge, exhorted them to resurrect "americanism". Only this, in his estimation, would counter propaganda that fostered discontent. Hamilton, it will be remembered, believed that there was "only one side to the truth". Therefore, matters were clear-cut: capitalism stood for freedom, whereas communism represented a "return to a discarded system of slavery." 

Hamilton comforted his readers (and presumably himself) with the belief that there was no great cause for alarm, because Bolshevism would disappear of its own

49. WSJ, Oct. 22, 1919.
50. WSJ, Nov. 15, 1919.
51. WSJ, April 17, 1920.
The use of the word 'Bolshevism' continued for several years in the *Journal*'s articles despite the establishment of a potentially permanent Soviet communist government. The word was employed in a derogatory sense and was intended to conjure up an image of a communist similar to that portrayed in many contemporary cartoons. (These cartoons were syndicated and frequently appeared in the *Journal* at this time.) This image was half mythological, half barbarian, intent on wilful destruction of western civilisation. It is true that many of the fears raised by Hamilton and others were legitimate, but it would have been interesting and valuable to have read in the *Journal* a critique of communism in less rhetorical terms. The lack of such analysis is perhaps a reflection only of their greater interest in trade. It also reflects however, their inability to acknowledge the commercial ramifications communism might have on American-Soviet trade. Hamilton personally represented the 'die-hard' attitude, in which everything was either black or white. The majority of his readers, it would be reasonable to

52. *WSJ*, March 30, 1921; June 7, 1922.
assume, preferred business news and the Dow-Jones industrials to lengthy analyses of communist activity. Editorials were therefore kept to a minimum and complex developments reduced to generalisations, subtle nuances enveloped under the various cloaks of "capitalism", "communism", "socialism", "sovietism", and "americanism". Here again, Hamilton was carrying out an intention expressed in his biographical report; editorials should be short and contain one main idea. In this way there was less likelihood of the reader becoming confused. It was also easier (using this method) to persuade the reader that there was no other side to the question worth examining.

Opinions similar to those of the editor appeared elsewhere in the Journal. Frank H. Vanderlip, president of the National City Bank of New York, and H.P. Davison, from J.P. Morgan and Co., included a tour of Soviet Russia on their respective European visits. Both men agreed that America could give assistance only after "stable government" was established.\(^5\) In a special article, Captain Wilfrid E. Playfair, historian with the Canadian Expeditionary Force in Siberia, reassured readers that Bolshevism was

\(^5\) WSJ, May 20, 1919; May 24, 1919.
"doomed". This presumably was why the opinion of a historian found its way into the pages of a business newspaper. This historian continued that in his opinion, a socialist republic would emerge, acceptable because it would be a "democracy", something that the Bolsheviks could not offer. It is difficult to determine upon what exact evidence this assumption was made, but it is true that the early days of the Civil War were confusing. Initially, the anti-Bolshevik forces scored impressive successes under Denikin and Kolchak. However, by the summer of 1919, Kolchak (praised by Playfair as a "democrat") was frequently harassed while leading the White Russians and was ultimately defeated by the Bolsheviks.

American fear of internal Bolshevik influence can be instanced by an advertisement from Swift Company, Union Stock Yards, Chicago, vindicating their packers from what they termed accusations of unjust price-fixing. Implicit in their statement was the belief that any disruption of the economic status quo would inevitably lead to "Bolshevism". The Company claimed that "misunderstanding

of American industrial organization and of its benefits to mankind" lead "to unrest, dissatisfaction and radicalism."55 Warnings of Bolshevik cunning and subtlety were frequent; businessmen were constantly exhorted to beware "insidious" propaganda, the sole aim of which was to discredit American business and capital management. Undermining capitalism at home was intolerable; trading with Communists abroad was not. Commercial profit would help bolster capitalism, thus serving to prove the latter's superiority.

In 1921, yet another occurrence was to convince businessmen of the invincibility of capitalism. Devastation, economic chaos and famine were the legacy of the Russian Civil War. In 1921, Lenin decided that because of the dire situation, a purely socialist form of production would have to be set aside temporarily. It was replaced by a new system of "state capitalism". Unified management of industry gave way to "trusts" and (more importantly and significantly for American traders) the investment of foreign capital was permitted by the introduction of a concessions system. This New Economic Policy led Americans to believe that it was only a matter of time before

55. WSJ, Oct. 7, 1919.
"communism" surrendered to "capitalism". Increased trade might hasten this desired process and at the same time be profitable. Businessmen must have been heartened at the words of Senator Joseph France of Maryland. He unofficially investigated Soviet trading conditions. Travelling via England, he met the Russian Trade Mission and learned that England received valuable trade information from it daily. Senator France rapidly concluded that America should achieve a similar business rapport. He maintained that to trade with Soviet Russia was now the only "wise, humane, and profitable policy." America, he urged, should begin negotiations at once, if only because England and Germany were developing maximum trade connections with Russia. As if to give added emphasis to his exhortations for American-Soviet trade relations, Senator France also mentioned that he was collecting data, during his European visit, in support of his Senate resolution for resumption of relations with Soviet Russia. 56. It is difficult to imagine editor Hamilton concurring in Senator Hamilton's pro-Russian feelings, but he probably sympathised with the idea of trading, since such contact might convince

56. WSJ, May 25, 1921.
the Communists of the strengths and stabilities of the capitalist system. And mention has already been made of Hamilton's belief that an early resumption of trade would be beneficial to the United States.57

Whatever might be said of Hamilton's condescending attitudes to the Soviet regime, he was a realist in economic affairs, and was not afraid to state his views on the business scene. His general attitudes were, in any case, shared by the majority of American businessmen: a confidence in the capitalist system, and the belief that it was possible to divorce economics from politics. Thus, they could afford to exploit the one and ignore (while inwardly deploring) the other.

57. See page 32.
Chapter 3: American Bankers and Businessmen and Soviet Russia, 1919-1924.

I. Bankers, 1919-1924.

One of the most persistent post-war problems given full coverage in the Journal, was that of settling international war debts and bond payments. The Soviet attitude towards the latter was a recurring source of anxiety for American bankers. For example, the month of January 1919 was filled with constant rumour and speculation over the fate of $50,000,000 of Imperial Russian credit certificates. Russian bond issues suffered stock Exchange losses on the New York market and having learnt of Soviet repudiation of external debts, bankers feared default. By July 1919, a newly-formed committee of bankers and financiers drew up a protective agreement to assist those holders affected by the expected default on the $50,000,000 of Imperial credit certificates. As an indication of the gravity of the situation, the committee was composed of some of the financial world's leading bankers. These included John R. Fulton of the National City Bank of New York, Thomas

58. WSI, Jan. 9, 1919
Cochran of J.P. Morgan and Co., N. Dean Jay of the Guaranty Trust Co., and Albert R. Wiggins, vice-president of the Foreign Securities Committee of the Investment Bankers' Association of America.\textsuperscript{59}

Despite anxiety over Russian financial obligations, bankers were loath to let slip any opportunity for fostering possible Russian financial dependency upon the United States. "Bankers to help Build up war-wrecked Europe" was a characteristic headline in the \textit{Journal}. John J. Arnold, vice-president and head of the foreign department of the First National Bank, gave the address before a commission of New York and Chicago bankers, of which he was also a member. In his speech, he exhorted bankers to visit Europe, including Russia, with two aims: one, to help finance rehabilitation programs in European cities; two, to restore connections with their branch banks in these countries.\textsuperscript{60} This meeting was closely followed by one organised by the American Bankers' Association. Once again, its members were told to support by every possible means "...the development of the export trade... and to

\textsuperscript{59} \textit{WSJ}, July, 10, 1919,
\textsuperscript{60} \textit{WSJ}, Jan 20, 1919.
provide as rapidly as possible, adequate facilities for financing export opportunities." 61

1919 was also the year of the 'Red Scare' and, increasingly, official and popular opinion turned against the Soviet government. Although the year had begun with bankers optimistic on re-opening banking channels with Soviet Russia, within three months, a marked change in attitude had occurred. In a curt reply to a rumour that the Soviet government had asked for an American loan, bankers now retorted that it was an "absurd suggestion." Understandably influenced by prevailing sentiments of hostility, bankers could now point out "that it would scarcely be sound or proper to finance a loan for a foreign government that not been recognised by the U.S. government." 62 Seemingly inconsistent with the aforementioned desire to deal financially with Soviet Russia, this attitude may also have been induced by the complicated and frustrating Soviet fiscal policies of revaluation introduced at this time. The Soviet 'rumour' serves as a reminder that the Soviet government was by no means a passive bystander in these events. In March 1921, when

61. WSJ, Jan. 22, 1919.
62. WSJ, March 7, 1919.
leadership of the Administration changed from Wilson to Harding, the Soviet government appealed to President and Congress, making a formal proposal that trade relations with America be resumed. Contained in this formal proposal was the Soviet desire to "break down the "wall" between the United States and Russia." 63 However, the Soviet government soon discovered that the new administration regarded it with disfavor. For instance, post-war economic reconstruction was discussed at the Genoa conference held during April 1922. Two main allied aims predominated: first, a solution to the debt problem and second, resumption and development of trade relations. This was the first international diplomatic gathering to include Soviet representatives. Other war powers of the time included Great Britain, Belgium, France and Italy, but the United States was not represented. American attendance, in the eyes of the Harding administration would have implied de jure recognition, which was still refused. Officially, the United States government merely expressed goodwill and the hope that the debt question would be solved.

63. WSJ, March 24, 1921.
The *Journal* reported all the Soviet moves and countermoves regarding debts with unabating interest, knowing that many interests besides the government's were directly involved. The newspaper's report on April 17, was that Russia would recognise all pre-war debts, but by April 21, this had been altered to a Soviet recognition of pre-war debts and war debts were specifically rejected. By April 22, the Soviet stand had become even more specific. Russia would now recognise only correctly tabulated pre-war debts and demanded allied financial aid and recognition. 64 After all this deliberation and bargaining the Soviet government rounded off its demands by again requesting an American loan. The *Journal* indignantly retorted that the Soviet government had "all the crudity of a thief's disordered mind." The newspaper concluded that this was another example of Soviet audacity, the arch-villains being once again Lenin and Trotsky. On this occasion the *Journal* was glad of governmental support the State department and the President being commended for refusing to "temporise with this evil thing." 65 It is not hard to understand American disgust with the Soviet

64. *WSJ*, April 17, 1922; April 21, 1922; April 22, 1922.
65. *WSJ*, April 18, 1922.
delegation at Genoa, especially since negotiations had not gone in favor of the United States. With American non-cooperation, allied disagreement and a separate Russian treaty with Germany in Rapallo, April 16, 1922, it was not surprising that the Genoa conference failed. The debt problem remained largely unsolved and again American bond holders were placed in jeopardy. The protective committee of prominent American financiers and bankers mentioned before, filed claims on behalf of its depositors with the State department. But any speedy result from this move was not to be expected, since the claims were to be met only when the government obtained Russian payment on defaulted securities.66

American bankers' caution in dealing with the Soviet Union was further increased by the considerable, though not devastating, losses incurred by some American firms in Russia. These, including American government war loans, totalled $500,000,000. Among the most prestigious was the New York Life Insurance Company, whose St. Petersburg branch opened in 1885. After the Russian revolutions and the war, it had lost $33,000,000 of cash and

securities. Combined resources of $34,391,000 from the National City Bank's two branches in Petrograd and Vladivostok were lost after the Soviet bank nationalisation in 1918. Of the big commercial companies, Singer Sewing Machine and General Electric Companies lost investment totals of $98,000,000 and $2,000,000 respectively. Of the more fortunate, the Submarine Boat Company suffered no financial loss, although its contracts were terminated. Standard Oil of New Jersey remained hopeful of acquiring privileges from its pre-revolutionary property.

Considering the financial losses, market dislocation, frequent Soviet efforts to stabilise their monetary system and bank nationalisation, American banking reaction was, though at times inconsistent, understandably cautious and restrained. While there were often pungent American criticisms of the alien system and ideology, there were also those sufficiently well seasoned in fiscal matters who wished to expand their pre-war Russian contacts or boldly, to create new ones. It is also true that, since the Soviet government alternately threatened American capitalists and then

67. WSL, May 29, 1922; R.B. Fisher, American Investments in Pre-Soviet Russia, American Slavic and East European Review, 7-8, 1949, 2:90-- Mr. Fisher notes that by 1918, the Company possessed Russian bonds to the value of about $29,300,000 (mostly in railroad stock).
68. WSL, May 29, 1922.
69. Ibid.
demanded credit facilities and loans from them, many bankers long remained loath to extend credit to the Soviet Union.

II. Businessmen, 1919-1924.

The outlook for trading with the Soviet Union during this period was inauspicious. Although trade restrictions were lifted in 1920, the State department refused to extend its official and powerful support to collective trading with the Soviet Union. The Administration would not recognise the Soviet government; many in American government circles and in business, refused to give up the hope that somehow the Soviet government would collapse. Consequently, an ambivalent attitude can be detected in the business world. On the one hand, lay the obstacles to easy trade and the innate hostility of the Soviet government to the capitalist system; on the other, lay the persistent lure of Russian markets. Since the State department had no objection to businessmen trading at their own risk, and the Soviet policy towards foreign trade softened with the inception of the New Economic Policy (NEP), various American advances were made.
Under NEP, the Soviet government granted trading concessions to foreign countries, so that the skills of the latter could materially assist the rebuilding of the Soviet state. There were several kinds of concessions and they operated within all sectors of the economy. The largest single group numerically was concerned with the development of raw materials. The "pure" concession was an agreement between the Soviet government and a foreign enterprise whereby the foreign firm was permitted to develop and exploit a carefully selected opportunity within the USSR. The foreign concern could not obtain property rights under this scheme. It was positively obligated to invest capital, introduce Western technology, and give royalty payments to the Soviet government. There were also less comprehensive, but nonetheless valuable, technical assistance contracts, in which foreign countries were invited to participate. It has been felt necessary to include this brief description of the Soviet concessions policy, to show that not all the American advances were the result of exploitative greed, (although they may have sometimes sounded so) but were frequently

the result of a joint agreement.

One such private concern favored by the Soviet Union was the Hammer family. Perhaps one reason for this was the fact that Dr. Julius Hammer (born in Russia 1874, died in the United States 1948) had been a founding member of the Communist Party of the United States in June 1919. In 1923, the Hammer family operated jointly with the Russians, the Allied American Corporation (Alamerico) sharing both capital and profits on a fifty-fifty basis. In addition, the Hammers were granted (also in 1923) a general trading concession, which gave them the right to establish an office in Moscow and to represent a large number of American companies.71

Nor did this concession policy concern itself solely with ideologically sympathetic customers. For instance, during this period, Standard Oil of New Jersey negotiated with the USSR for concessions in the Caucasus. The company hoped to regain its pre-war output and to develop new fields in this area.72 General attention focused on oil concessions, and these were among the important issues discussed at the Genoa Conference, which began while NEP was getting under

71. Ibid., pp. 268-269.
way in the Soviet Union. The Journal carefully reported the oil debates, sensing that they were a target for international concern and rivalry, which would inevitably involve the United States. For example, Britain’s representative at the Genoa meetings, Lloyd George, had attempted by direct agreement with the Russians, to obtain an oil monopoly for the Royal Dutch-Shell Company. Krassin, Soviet Commissary for Foreign Trade, also a delegate at Genoa, emphatically denied that the contract signed with the abovementioned Shell Company in any way constituted an oil monopoly. It was, he argued, a 'selling' contract, by which the company and the Soviet government arranged a partnership for selling oil on a fifty-fifty basis, with divided profits. This altercation led Krassin to encourage Standard Oil Company to apply for a concession. Eventually, it succeeded. By the agreement, Standard Oil became part owner in large oil properties in the Baku region of Russia. Another beneficial American contract was that made between the International Barnsdall Corporation and the trans-Caucasian states for rights to develop natural resources and handle all products, particularly in the Baku area. The hold on these contracts, however, was tenuous and could

73. WJ, May 3, 1922.
74. WJ, May 13, 1922.
be withdrawn instantly by the Soviet government. Investing in such a project could be costly, therefore, and involved considerable risk. For instance, Soviet officials ordered the Barnsdall Corporation to halt all drilling operations in 1924. 75 Nevertheless, opportunity for contact and contract now existed on a fairly firm basis and many American firms, heartened by the initial success of their pace-setting compatriots, took advantage of this. Zinoviev, representing Lenin at the 1922 Communist Congress, mentioned 460 concessions applicants, of whom 56 were American. He further reported that concessions had already been granted to 26 of the American contingent. 76

Drawbacks existed, but the majority of contracts apparently were honored by both sides. If not, then the Journal failed to report them. One of the most valuable American concessions was that gained by the Harriman group. This consisted of a 20 year manganese mining concession, centered in the Tchiatori beds in Georgia. The Journal delightedly claimed this as a gain at the expense of the Germans, since the latter had absorbed 42% of the exports during their exploitation of the beds, the American share then being only 4%. 77

75. WSL, April 8, 1922; Oct. 11, 1924.
76. WSL, May 23, 1923.
77. WSL, Dec. 31, 1924.
Many American trade unionists shared big business's ambiguity over relations with the Soviet Union. There were some, like the vociferous Samuel Gompers, who steadfastly rejected economic links of any kind and who regarded the Soviet government as treacherous and brutal. Others, whatever their private feelings, may have been willing to attempt economic cooperation, as were many businessmen. The Amalgamated Clothing Workers Union, for example, endeavoured to enter Soviet markets by forming the Russian-American Industrial Corporation. This project was engineered and the concession obtained by, Sidney Hillman, the union's president. Capitalisation for this venture was set at $1,000,000; 7 cloth factories and 2 cotton mills were to be operated in Moscow and Petrograd. Hillman expected a yearly turnover of $40,000,000 and the profits were to be divided between the Soviet government and the Corporation, according to the investment made by each. A former president of the American Cotton Company, William C. Thompson, was employed to see that business and building arrangements were carried out efficiently. Although the Corporation was ostensibly formed to assist Russian reconstruction, the
Journal firmly reminded its readers that the new venture would not be run "philanthropically", but rather, for the "stockholders benefit." 78 Such a statement shows that former hopes that the Soviet system would speedily disintegrate were fading and being replaced with more concrete, realistic aspirations.

Which firms rejected or abandoned trade relations for ideological or other reasons? Unfortunately, the Journal yields no information. The idea of a considerable and lucrative Russian market remained and conceivably induced American businessmen to examine the possibilities. No reports of small firms taking part in the concessions policy have been found, presumably because they could not supply the capital requirements of the Soviet Union. A further inducement to big business could have been the fact that by 1924, a number of countries had officially recognised the Soviet Union. These included Britain, France, Italy, Norway, Austria, Greece and Sweden. Thus, as E.M. Miller, statistician to the National Bank of Commerce in New York, pointed out, emphasis had shifted from Russian politics to Russian business. American businessmen might

78. WSJ, June 9, 1922.
have felt the need to enter Soviet markets in order to keep out undesirable competition. Mr. Miller was pessimistic about the future of American-Russian trade. Commenting that commerce with Russia was of small importance to overall US exports before 1914, he could see little in Soviet economic policies which would improve this situation. This dismal prophecy was, fortunately, unfulfilled. It is true that the rise in US-Soviet trade was hardly meteoric, but there was a steady increase, especially from 1929-1931. Such relations as individual firms did have with their government's official enemy cannot always be measured in dollars and cents, or in import and export figures. There is, even in the bleak and uninformative trade reports of the Journal and in some business magazine literature, a firm realisation that the problem of the Soviet Union would have to be tackled by other methods than physical suppression, as in the Civil War period, or by simply ignoring it, as in the policy of non-recognition.

79. E.M. Miller, "Place of Russia in International Trade," Commerce Monthly, VI, 1924, pp. 3-15. For USA/USSR trade figures, see Appendix B.
Chapter 4: Big Business and Trade Organisations, 1916-1924.

Many American businessmen may have had their ideas of Russia and then the Soviet State formed, modified, and altered by one or other of the trading organisations which facilitated trade between the two countries. This is (at the moment) difficult to prove, but a survey of these organisations and some of their members will, at least, show that American businessmen and bankers did not operate in a complete vacuum. The non-recognition policy of the American government did not prevent Russia from establishing trade organisations in America, nor from operating through individual American companies in a way denied the United States in the Soviet Union. These organisations and the opportunities for contact they offered, may have fostered mutual understanding between the two nations. Certain it is that many American companies availed themselves of the services these bodies offered, thereby extending commercial links with the Soviet Union.

Two of the earliest trading corporations in this period were the Russian Information Bureau and the American-Russian Chamber of Commerce, both founded in 1916. Their professed aim was to foster trade and promote good economic
and commercial relations between the United States and Russia. For this reason, personnel was drawn from political, industrial, and financial circles. The Bureau initially included Russian government officials and representatives from the All-Zemstvos Union, an association of local government advisory bodies established in Russia in the late 1860's. From the political world came the redoubtable ex-president Theodore Roosevelt, and business and banking were represented by the heads of some of the leading industrial and financial concerns. The sheer involvement of these men in all aspects of the business world shows that they have a substantial claim to be regarded as leaders in their respective vocations. For example, Edward Nash Hurley, originated and developed the pneumatic tool industry in the United States and Europe. From July 1917 until July 1919 he was simultaneously chairman of the United States Shipping Board and President of the Emergency Fleet Corporation. He rose to be a director of the Chamber of Commerce of the United States and president of the American Manufacturers Export Association. His interest

81. For a list of the members of the Russian Information Bureau, see Appendix C.
in foreign trade is revealed by his membership of the Chicago Council on Foreign Relations and his involvement, as a director, in the National Foreign Trade Council. Another member of the Bureau, Charles Albert Coyle was a financier and manufacturer. His offices included presidency of the General Electric Company from its origin until June 1913, and chairmanship of the Board until May, 1922. Most of the other members of the Bureau were similarly engaged in business or finance, particularly three men involved with the commercial life of New York City. The first, Darwin Pearl Kingsley, was a life underwriter. He rose to be president of the New York Chamber of Commerce in 1920-1921, and became chairman of the Board of the New York Life Insurance Company in 1931. The second, Charles Hamilton Sabin, was a banker and director of numerous companies. He was president of the National Copper Bank of New York, 1907-1910, vice-president of the Mechanics and Metals National Bank 1910, and rose to chairmanship of the board in 1930. He was also president of the Guaranty Trust Company, as listed in the Appendix. The third, Jacob Henry Schiff, not only had varied financial interests but also

personal interests in Russian affairs. Born in Germany in 1847, he eventually came to America and married Theresa Loeb. This was for him a significant step, since Kuhn, Loeb and Company was one of the well-established banking concerns in the City. Schiff soon became a partner in the firm, as well as holding directorships in three companies, the Central Trust, Western Union Telegraph and Wells Fargo.  

Schiff's interest in Russia did not stem primarily from a desire to increase financial contact, but rather from a deep-seated conviction that he, as a Jew, should do all in his power to assist Russian Jews. In the early 1900's, Schiff had been spending his own money to help Russian pogrom victims and when the Russo-Japanese war of 1904 broke out, he did even more. Japan went to great lengths to justify her actions to the world, and this entailed assisting Russian Jews. Jacob Schiff was gratified and impressed, and to spur the Japanese to greater efforts, he floated a $25 million loan for the Tokyo government. Other loans granted by Schiff amounted to $200 million and were thus responsible for subsidizing half the war effort against Russia. His continued efforts on behalf

85. Ibid.
of Russian Jews were determined and even embarrassing to the administration of Theodore Roosevelt. It was Schiff who founded the National Committee for Relief of Sufferers by Russian Massacres, and his efforts helped raise over $1 million to aid Russian Jews. A man with such connections and such interests as Schiff would therefore be an obvious choice for a Russian Information Bureau. Another Bureau member, who also worked in New York, was Oscar Straus, appointed chairman of the Public Service Commission in 1916. Whether he had any personal interest in Russia is difficult to establish, but he must have acquired useful economic and trading knowledge since he had served as Roosevelt's Secretary of Commerce and Labor from 1906-1909. Slight acknowledgement was given to professions other than that of finance. Apart from Theodore Roosevelt, there were only two other members whose main interest was not finance. One was Lawrence Fraser Abbott, president of the The Outlook [publishing] Company, from 1891 until 1923. He did have some financial interests however, being a trustee of the New York Life Insurance Company from 1918 until 1931, when he became secretary of that body. He knew Theodore Roosevelt fairly

well, since the latter wrote for *Outlook.* Abbott had also edited Roosevelt's African and European Addresses and was to be author of a book entitled *Impressions of Theodore Roosevelt,* written in 1919.\(^8\) The second member was Dr. Nicholas Murray Butler, who spent most of his working life as president of Columbia. His broad range of interests, especially in international affairs, must have made him a most useful member of the Bureau.\(^9\) Although no direct link can be proved at the moment, between the Bureau's activities and the eventual official recognition of the Soviet Union, it is possible that such a group of men, over a period of time, could influence effectively the opinions of reluctant businessmen and stubborn politicians.

The second organisation founded in 1916 was the American-Russian Chamber of Commerce. Its counterpart, the Russian-American Chamber, had been established in Moscow under the chairmanship of the Russian industrialist, N.I. Cuchkov. The American Chamber was composed of financiers and businessmen from nearly 50 major manufacturing and financial institutions interested in trading with Russia. Its president was Reeve Schley, a

---


vice-president of Chase National Bank, one of the major institutions financing US-USSR trade. It later became a powerful lobby in the campaign for recognition of the Soviet Union, and resumption of full trade with credits. The Chamber's attitude towards the USSR was, on the whole, one of optimism and it gave a realistic appraisal of the current economic situation. Official government policy was viewed with disfavor, since it did little to facilitate trade between the two countries. Nor did the Chamber hesitate to give voice to its dissatisfaction with government policy. For example, the Chamber, in a statement to the Secretary of State in 1922, asked under what conditions the Department would agree to accelerating American-Soviet commerce. As a pressure point, it emphasized that American failure to capture Soviet markets would leave a void which would be filled only too willingly by Germany. 90 This representation had no success, but it is indicative of the seriousness with which leading American businessmen and bankers viewed the American - Soviet situation.

Two other organisations should be mentioned here. The first is the Committee of Commerce and Marine, appointed

by the annual convention of the American Bankers Association in 1919. Robert F. Maddox, president of the latter body and of the Atlanta National Bank, chaired the first committee meeting. The purpose of this fifteen-man committee, composed of some of the leading bankers, was to gather ideas and to decide policy on foreign, including Soviet, trade. The committee also intended to make recommendations to Congress, supporting enlarged and official trade relations, hence the need for influential and outspoken members.91

The second of these organisations founded in 1919, was the American Commercial Association, which aimed at promoting trade with Russia. It was established by a group of American manufacturers (representing over 100 firms) and included members of the Le High Machine Company, Bebroff Foreign Trading Company, New Hide Manufacturing Company, Fairbanks Company, and the Morris Company of Chicago. As one of its first goals, the association called for removal of restrictions on financial restrictions with the USSR. Not satisfied, the president, Emerson P. Jennings, visited the Soviet Union in 1921 to examine the situation firsthand.

91. WSJ, Jan. 22, 1919. For list of members, see Appendix E.
Not unexpectedly, he returned disillusioned and wrote a strong condemnation of Soviet rule. After this development, emphasis returned to the internal American scene and the need to extend American-Soviet business facilities. Jennings frequently urged the United States government to advance credits to the Soviet Union for the benefit of American manufacturers. 92

These organisations are indicative of the intense American business interest in the Soviet Union and the efforts made to reopen trade relations. It is difficult to establish direct links between organisations, but there was some overlap in membership. From the Appendices it can be seen that Messrs. McRoberts and Kingsley were both members of the Russian Information Bureau and the American-Russian Chamber of Commerce; Donald Wing belonged to the latter and to the Committee on Commerce and Marine; Charles Sabin belonged to all three bodies. Thus, there were opportunities for exchange of useful material and comparison of trading prospects among members of these various groups. Moreover, several of these men represented companies which had had commercial relations with Russia before the Revol-

ution and which were still trying to maintain contact. Their experience with Russian methods would have been useful and may have partially accounted for the membership overlap. By no means did all the firms represented come from New York City, although they may have maintained offices there. Thus, although the hub of American-Soviet trade and commercial activities was New York City, business concerns and their representatives from all over the United States were involved in these operations.
The year 1924 was a turning point in American-Soviet trade relations, for it was during this year that Amtorg, one of the most important and influential trading organisations, was formed. Slowly improving trade between the two countries probably influenced its foundation. For example, American exports to the Soviet Union rose from $24.6 million in 1913, to $42.1 million and $68.9 million in 1924 and 1925 respectively. On the Soviet side, the continuation of NEP kept demands for American goods at a high level. Also, United States businessmen had been heartened by the reestablishment of the Russian State Bank in 1921, and the attempt to produce a stable monetary system. As a result, a new currency, chevronets bank notes, was issued in 1922 and the demise of the old currency set for May 10, 1924. American bankers, thus feeling considerably more secure, began to cooperate with the Soviet State Bank. Five banking concerns, including the Guaranty and Equitable Trust Companies, and the Public National Bank, all of New York City, agreed to act as agents for the State Bank of the USSR. So, despite what the New York

93. See Appendix B, no. 1.
The New York Times has been used here and in the following pages almost exclusively, since the Journal contains no substantive reference to the new organisation, nor does it possess detailed accounts of the continuing progress of American-Soviet trade during this period.

94. The New York Times will hereafter be footnoted NYT and referred to in the text as the Times. The Times has been used here and in the following pages almost exclusively, since the Journal contains no substantive reference to the new organisation, not does it possess detailed accounts of the continuing progress of American-Soviet trade during this period.

95. NYT, Nov. 16, 1924.
and ours" could "do business on a considerable scale."

It was in such a favorable business and commercial climate that Amtorg was formed. Amtorg, essentially a consolidation of Arcos America Inc. and the Products Exchange Corporation, was organised according to New York State law and capitalised at $1,000,000. Its main function was to act as the exclusive representative in the United States, of the Russian Gostorg, or State Export and Import Department. It was also the sole representative of Arcos Ltd. of London, the selling and buying agent for the Soviet government in Great Britain. In 1924, both sides were represented on Amtorg's board of directors by Messers. Hoorgin (Chairman) and Ziev (President) for the Soviet Union and by one Mr. Ohsol, for the United States. The Manual for Soviet-American Trading defined the Amtorg Trading Corporation as the "agent for most of the foreign trade organisations of the USSR in transacting and carrying out operations connected with the import of goods from the USSR into the US and with the export of goods from the US to the USSR." Forwarding agents and shipping brokers were the Deutsch-Russische Transport Gesellschaft, or "Deruta",

96. NYT, Nov. 16, 1924.
97. Ibid.
in which W. A. Harriman and the Hamburg-American line had 50% control, the other half passing to the Soviet Union. Amtorg's formation exemplifies the growing contact between American and Soviet commercial and financial authorities. Amtorg increasingly acquired the role of a commercial "clearing-house" for trading and industrial contracts. Prior to Amtorg's formation, for example, the All Russian Textile Syndicate bought its cotton through the Chase National Bank of New York. After 1924, Amtorg took over the responsibility for exporting cotton, agricultural machinery, electrical supplies and leather goods, and importing flax, furs and ore. Chairman Isaiah Hoorgin confidently predicted that America could easily and profitably acquire a Russian market. Indicative of the possibilities, in his opinion, was the Russian purchase of $35,000,000 to $40,000,000 worth of American cotton. He implied, as had previous business articles since 1917, that a large Russian market awaited American traders. Perhaps as an incentive to hesitant American businessmen, Hoorgin declared that this new corporation could easily exceed the $1,000,000 monthly trade average of the two:

99 _NYT_, June 19, 1924.
concerns which had been merged to form Amtorg. 100

The extent to which Amtorg's activities were reported in the press reveals its wide connections with American business and the recurrent ideological problems it posed for others and faced itself. An example of its commercial dealings can be given from a trade report by Leon Talmy, director of Amtorg's Information Bureau. This document showed that, in 1924, America had sent a large export of tractors and cotton to the Soviet Union and had granted six month credit facilities to expedite trade. For its part, the Soviet Union had permitted its Oil Trust to trade through Amtorg, and had sent A.P. Serebrovsky, president of the Azerbaijan Oil Trust to the United States to study American oil-refining methods. 101 Despite these hopeful signs, the Times was careful to steer a middle course between undue optimism and unnecessary pessimism regarding US-USSR relations as a whole. The truism that businessmen were notoriously conservative and would thus hesitate before becoming deeply involved in Russian affairs, although modified, still merited attention. A Wall Street representative, concerned at the apparent apathy of some

100. NYT, June 19, 1924.
101. NYT, Nov. 16, 1924.
businessmen, openly accused the government of leaning over "backwards to prevent Americans dealing with Russia." It was obvious that many business and financial concerns would feel apprehensive about making contact with the Soviet Union, fearing possibly that official disapproval might reveal itself in other ways. Consequently, an "official" as opposed to a "personal" view was expressed on trading possibilities. For example, a representative of one of the Trust companies, who was also the New York agent for the Soviet Bank, told the Times that he "officially" advised customers that they traded at their own risk. His own feelings were that Soviet trade was no more hazardous than that of many other countries. He considered the danger of the Soviet Union defaulting to be minimal, since it knew that any credit facilities received were dependent upon a stable financial system. 102 His point was well made, for the procuration of American credit proved a constant source of anxiety for the Soviet Union, despite the fact that it did not default on payments.

There were other sources of potential influence on businessmens' behaviour towards American-Soviet trade.

102. NYT, Nov. 16, 1924.
In an Outlook article, headed "Business with the Bolsheviks," Stanley High firmly declared that the NEP was "not communism." He discerned several indications that the Soviet Union was "prepared to make many of the necessary concessions to private trade." Later, in Nation, Harry F. Ward, head of the Methodist Federation for Social Service, cautiously argued that NEP in no way indicated that the Soviet Union had given up its hostile attitude towards private trade. Ward stated that he had even tried to evaluate the situation from a Soviet viewpoint, but could only come to the conclusion that the Russians were willing to move slowly towards their economic aims. NEP, therefore, did not represent a total change of policy, at least in Ward's opinion, merely an adjustment which could ultimately be used to fulfill previous communist claims. He acknowledged that this policy did not conform to the tempo of the profit-making system, but declared that as long as the Soviet government was satisfied with the country's progress, there would be "no return to private capitalism."

The Soviet Union, reasoned Ward, was clearly moving in the opposite direction. The differences in these two

104. Nation, July 8, 1925, pp. 64-67.
opinions, represent the confusion into which American businessmen and business commentators were thrown, by the Soviet adoption of NEP. Professor Peter Filene has adequately demonstrated the misinterpretation and misunderstanding of American capitalists on this subject. 105 Although individual documentation is not readily forthcoming, it would seem that the majority of businessmen and bankers favoured the opinion expressed by High. They honestly believed, and fervently hoped, that NEP would move the Soviet Union closer to the kind of capitalist and profit oriented system of the United States. Moreover, since capitalism and civilisation were synonymous to most American businessmen, their reaction to NEP, (which they understood to be a negation of communism) can more easily be appreciated. Two other factors motivated the commercial world to consider the USSR as a serious business proposition: first, the perennial lure of Russian markets, and second, the belief that the more contact Soviet officials had with the West, the more they might be influenced away from communism. Professor Filene has already pointed to the American mistake of putting too much emphasis on the "retreat"

and too little on the "strategic" in response in response to Lenin's characterisation of NEP as a "strategic retreat."^106 

Mention has previously been made of the "official" and "personal" reactions businessmen might alternatively express on US-USSR trading relations. These "public" and "private" attitudes persisted. A Nation editorial, headed "Russia in Wall Street", supported the attempts at economic rapprochement, and in doing so, referred to this dual attitude. The editorial claimed that "while the business world as a whole has maintained its suspicions of the terrible Bolsheviki, here and there experimenters have entered on pioneer path of friendly and normal trade relations."^107:

The progress of Amtorg itself is indicative of the widening trading interests between the two countries and indirectly, of a willingness to submerge political differences and concentrate on commerce. 1925, for example, saw the acceleration of agricultural machine shipments to the Soviet Union. One such shipment, amounting to $2,000,000 was arranged through Amtorg and sent to the Black Sea ports.108

The Yuba Manufacturing Company of San Francisco obtained

106. Ibid., p. 109.
108. NYT, March 24, 1925.
through Amtorg, a contract for $1,200,000 worth of electrically driven mining dredgers for the Ural Platinum Trust; an important concession in manganese, a necessity for the steel industry, was obtained by the W.A. Harriman group. Most of the contracts were large, both in quantity and cost, and many proved mutually beneficial. Amtorg's chairman, Isaiah Koorgin enthusiastically reported a $1,000,000 turnover for 1924-25, and foresaw increased Russian expenditure in America because of the rapidity of Soviet reconstruction and the need for tools and equipment.

That Amtorg and its operations were respected, can be seen by the kind of business concerns that chose to work with it. This fact had greatly impressed an editorial writer of the Nation, who made special mention of the fact that no "outside speculators and concessions hunters" were opening trading contracts with the USSR. On the contrary, he concluded that the several incursions into the Soviet market were made by the familiar and well-established business and financial bodies, like the Guaranty Trust Company, the Equitable Trust Company and the Irving Bank-Columbia Trust Company. Mention was also

109. NYT, April 18, 1925.
110. NYT, June 16, 1925
111. NYT, June 2, 1925.
made of the large investments, particularly by the Chase Manhattan Bank and the Equitable Trust Company. Professor Antony Sutton has also categorised the aforementioned financial houses as being leaders in the Soviet credit business. Something more of Amtorg's effectiveness in softening US-USSR economic relations, can be seen in the Times's report of a tragedy that befell the trading company in August, 1925. Chairman Hoargin and a Soviet representative, George Slankey, were drowned in Long Lake, New York City. The Times's obituary was informative, and cordial in tone. It sketched Hoargin's early life as a Polish Jew, and his activities since 1921, when he became a member of the Soviet Legation in Warsaw. From this point, he had increasingly involved himself in Russian economic policy. Hoargin was credited with Amtorg's phenomenal rise in business; from its 1924 capitalisation of $1,000,000 to $50,000,000 in one year. The Times also praised his "proverbial courtesy" and gave the impression that American businessmen in general, liked and respected him. There is nothing extraordinary about this obituary. Nevertheless,

it illustrates the fact that Soviet representatives were beginning to be treated and judged as individuals, and that ideological differences could be excluded. The very fact that ideology was not mentioned was some evidence of the importance of American-Soviet trade, and showed an almost conscious desire not to rupture the advancing, but always delicate, trade relations.

American banking arrangements with the Soviet Union greatly improved once it became evident that the Russians could avoid defaulting on credits. One result was that financial houses such as the Chase National Bank and the Equitable Trust Company granted more liberal credits for cotton purchases. The Times was quick to note this positive reaction and reported "as evidence of the increasing Wall Street interest in the Russian situation," that a discussion of further trade possibilities included "...some of the most prominent men listed in the Directory of Directors." Unfortunately, it did not specify who these were. However, despite the Soviet Union's proven ability to meet all her trade commitments, the pace at

115. NYT, Oct. 6, 1925
which America extended credit facilities did not match the accelerated growth in Soviet reconstruction and her consequent industrial needs. As a result, the USSR turned to Europe, where the Germans in particular, offered credit on preferable terms. Some $20 million worth of Soviet business had been diverted to Germany from the United States, for this reason. Other European countries also benefited from American reticence in credit donation. J.A. Poliakoff, an Amtorg representative, complained that the "whole credit business" was the real stumbling block to swift and increased trade. He confessed that the American autobus was superior in quality to that of British Leyland, but the latter's credit offer was more generous: American manufacturers could only offer a few months credit, while Leyland offered two years. Poliakoff maintained that the Soviet Union was "still too poor to pay cash for American goods when European countries" offered "long credits." 116

Nevertheless, American-Soviet trade increased, as many including the new chairman of Amtorg, Saul G. Ern, foresaw. Credit difficulties notwithstanding, important

116. NYT, May 23, 1926.
contracts for American farm machinery, tools of all descriptions, automobiles, tractors, and all manner of factory equipment were obtained through the offices of Amtorg. The foundation of this trading corporation was a significant step in the progress of trade relations. Some such official body was necessary to demonstrate to businessmen that good faith was possible on both sides, and that commercial contracts could be honored, despite the inhibiting factor of conflicting political ideologies. Also, Amtorg was useful in that it gave American businessmen an opportunity to meet with Soviet trade representatives and to discuss pressing matters at first hand. Gradually, therefore, businessmen could accustom themselves to Soviet bargaining practices and arguments, something which many diplomats and politicians did not enjoy until after 1933. By the early 1930's, so much progress had been made that not only were American goods going to the Soviet Union, but also American manpower, in the form of technicians and industrialists of all kinds.
Chapter 6: American Manpower in the Soviet Union

As the 1930's progressed and the United States found itself in the throes of an unprecedently damaging economic depression, businessmen who had previously scorned the communist system, now gave serious consideration to the Five Year Plan. The interest in Soviet markets was developed not so much for the beneficial effect it was imagined that the USSR would derive from contact with a successful capitalist system, as for the welcome boost communist economic demands gave to the American market. The magnitude of this boost can be seen by the rise in US exports to the Soviet Union from a value of $84 million in 1929, to $114 million in 1930.117 Another area of American-Soviet business expanded greatly during the 1930's and that was technical assistance. Among the first Americans to leave for the USSR were technicians from Hugh L. Cooper and Company. Their services were used in the construction of the Dnieper River power plant. Colonel Cooper's services were evidently highly regarded, since he was involved in several conferences with Stalin himself.118 The Soviet Union also sent many of

117. See Appendix E, no. 1.
its own industrialists to America to study method and
technique. In 1928-29, for example, 133 special
Soviet delegations comprising 431 delegations and rep-
resenting every important industry visited America. 119
Saul Bron, one-time chairman of Amtorg's board of di-
rectors, commented favourably on the rise in number of
individual engineers and foremen sent to the USSR. The
1927-28 figure of 400 rose to 800 in 1929. "This did not
include a delegation of nearly 100 American businessmen sent
to the USSR under the auspices of the American-Russian
Chamber of Commerce. Furthermore, in 1928, the Soviet
Republic was visited by representatives of over 150 Ameri-
can firms, many of them leaders in their respective fields. 120
It is difficult to be precise about the number of American
engineers and technicians employed in Russia at any one
time but Professor Filene has noted that in 1931, more than
1000 Americans were working for the Soviets. 121 What were
the attitudes of these industrialists and businessmen to
the Soviet system?

In general, it would seem that, while admiring
the fortitude and persistence of Soviet workers, most of

119. Saul Bron, Soviet Economic Development and American
120. Ibid. Also, for a partial list of visiting business rep-
resentatives, see Appendix F.
121. Peter Filene, Americans and the Soviet Experiment, 1917-
the engineers and technicians disliked the autocratic methods and preferred the consumer benefits and civic freedoms of the United States. For example, in a conversation between Mr. John Calder and Walter Duranty, recorded in the magazine *Fortune*, the former, employed in the USSR with the McKee Company of Cleveland, was quoted as having said: "In America on a big steel job we know at the start that some of us won't live to see the finish, but we have been lucky at Magnitogorsk—how lucky!—and we have got the furnaces built a few days ahead of schedule. I tell you that no engineer in America would believe such a job possible with unskilled labor." 122 This appeared in one of a number of very detailed articles on the progress of the Soviet Union after the Revolution, printed in *Fortune* magazine. In fact, they were printed, as the preface in *Fortune* explained, to try and combat what that magazine characterised as "American ignorance on Russia". Not only was the diligence of the Russian worker admired, but the Soviet Five Year Plan itself was lauded as being better, "in theory at least," than an unplanned economic system.123 Clearly, *Fortune*, one of the most prominent business journals, was inferring that American Businessmen

123. Ibid.
might do well to examine some aspects of a planned economy.

The article cited as an example of the "profound" changes wrought by the Plan, the 700 new Russian factories, equipped with American machinery, 124 This magazine, like many others of a similar nature, was commenting under the pall of the depression and apparently failed to see the irony of that last statement. For surely it is ironic that a nation undergoing severe financial and commercial dislocation should be able to assist materially the industrialization of another. Undoubtedly, American industries were stimulated by Russian orders, but these were hardly sufficient to conquer the effects of a depression. One of the main reasons why the Soviet Union preferred American machinery and other goods to those of Europe was because of their superior quality. This fact in itself was an indicator of American abilities. Naturally, few American commentators or businessmen were able to view the situation in such a favourable light, although most undoubtedly believed that recovery was possible.

What of the quality of Soviet life? Here the general consensus was that it was very much below American standards

124. Ibid.
and had, in fact, made little progress since the Revolution. The *Fortune* article, for example, conceded that the USSR had gained by the Plan in oil, industrialisation and agriculture, but asserted that the general living standard had declined from 1928 to 1930. It acknowledged a rise in 1931, but maintained that the living standard was still below the 1927 levels. Since the article gave no definition of what was meant by "levels", the comparisons are useless; however, the statement itself is indicative of the general feeling in American business circles that the Russian people were paying a great personal price for industrialisation.

According to the same *Fortune* article, the Five Year Plan had so tightened its "iron belt" that until 1931, "only 8% of Russia's imports could be eaten, worn or enjoyed." And then in graphic tones the article went on to give an example of deprivations experienced by the Russian people: "...1,500,000 sweet and juicy tangerines—which Russians would love to eat—literally were taken by the State out of their watering mouths last year, and sold abroad."

It is not a little ironic that such sentences could be written at a time when many Americans were enduring overwhelming personal hardships.

126. Ibid.
as the result of deficiencies in the economic, industrial
and commercial sectors.

The underlying hostility to Soviet methods of
government apparent in the above statement was reflected
in the testimony of Phillip J. Harty of New Jersey, given
before the House of Representatives Committee on Ways and
Means in 1931. The Committee was conducting hearings on the
proposed bill to place an American embargo on Soviet goods,
and Harty testified at the request of the initiator of the
embargo bill, William Williamson, Representative for South
Dakota. Harty is an excellent example of the large number
of American engineers who eventually returned to the United
States with a strengthened belief in the capitalist system
and its values. Representative Williamson introduced Harty
to the Committee as an engineer who had spent "some consider-
able time in Russia." Williamson also confidently claimed
that Harty was "perhaps more familiar with Russian conditions
... than any other man in this country." This was undoubt-
edly an exaggeration since many engineers had had experiences
similar to those of Harty, but Williamson was required to

127. Other examples are given in Peter Filene, Americans and
the Soviet Experiment, 1917-1933 (Cambridge, Mass., Harvard

128. Embargo on Soviet Products: Hearings before the Committee
on Ways and Means, House of Representatives, 71st, Congress
3rd. on H.R. 16035, (February 19, 20, 21, 1931) Washington

129. Ibid.
prove his case in a convincing manner.

In his opening statements to the Committee, Harty declared that he had been sent to Russia under the auspices of Amtorg, with which he had signed a contract to supervise the rolling operations of a mill in one of the plants of "Stal" in Russia, for a two year period. Almost all Harty's comparisons between American and Soviet conditions were invidious; his only favourable comment was that the younger Russian workers were "enthusiastic" about their work. Harty appears to have entered the USSR with a firm idea of what he would find there; however, his extended travels did nothing to assuage his earlier convictions. This was clearly discernible in his testimony, which began: "The minute I arrived in Russia my impression of the people was they were like so many thousands of mechanical men, directed and operated by one great dynamo or electric switch. No matter where one goes he sees poverty and filth, and this is more noticeable in the small villages than it is in the larger cities. During my stay of five or six months in Russia I did considerable traveling, and I found terrible conditions everywhere. I have been in Leningrad, Moscow,
Mokoevka, Kharkoff, Meriopol, and Stalin, Russia and Kuznets, Siberia....From experience in Russia, in my opinion, there are two classes of labor, conscript and convict. The only difference is that the former receives a small wage and have to feed themselves, while the latter are fed by the soviet....Living conditions in the small towns are bad; food is scarce; workers are dressed in rags. Most everything saleable that is produced is exported." 130

In this recital of personal impressions, there existed little magnanimity. No allowance was made for the fact that in a twenty year period, from 1900 to 1920, the Russians had endured two devastating wars and a tremendous social, political and economic internal revolution. The methods of Soviet communism may have been inferior to those of a capitalist system in dealing with these internal problems, but the period of the Depression was hardly the time to so argue. What we find in Harty's testimony, then, is the impact of a first encounter with what was to become an alien culture. The attitudes and first impressions of visiting American businessmen and industrialists and technicians filtered through the business journals; magazine articles and newspapers, to

130. Ibid.
the American reading public, and may have been instrumental in some small way in bolstering a waning belief in the total efficacy of the capitalist system. Despite the human suffering engendered by the Five Year Plans, the acknowledged technical and industrial success of this economic planning achieved two things: first, it formed a background against which American failures could be critically examined; second, it provided a spur to the adventurous businessman, anxious to expand his markets.

Apart from individual engineers and technicians, many important American firms became involved in business deals and contracts with the Soviet Union. These included Westinghouse Electric, International Harvester Company, General Electric and the company which perhaps had the most impact on Russia, that of Henry Ford. Entitling a column "Henry Ford conquers Russia", Maurice Hindus wrote enthusiastically of Soviet pride in Fordson tractors. Quoting Izvestia, Hindus reported that Leningrad metal and electrical factories had now introduced "fordism" into their plants. Furthermore, Hindus optimistically wrote, it was a personal victory for Henry Ford himself: "...Next to Lenin, Trotsky and Kalinin, Ford is possibly the most
widely known personage in Russia.\(^1\) It might seem incongruous that a capitalist should achieve so much popularity in a Communist country, but Professor Nevins has suggested that the Soviet leaders regarded Henry Ford not as a capitalist, but as an economic revolutionary.\(^2\)

Ford's involvement in Soviet reconstruction, combined with his predilection for offering opinions on a variety of subjects, make him an admirable example of American business initiative. Naturally, his attitudes towards the USSR are not entirely representative of the whole business community; they do however, give an insight into the ideas of at least one important businessman, who not only had contact with Russia, but also was a moulder of American public opinion.

As Professor Nevins has succinctly pointed out,

"The initial relationship was purely commercial: Russia bought and Ford sold." \(^3\) Soviet interest in Ford's technical assistance occurred in 1926. The Ford Company was invited to send a delegation to the Soviet Union to examine the servicing of the 20,000 odd tractors in the country and to begin training Russians to use Ford techniques. Henry Ford accepted and five men were sent to the

\(^1\) The Outlook, June 29, 1927, pp. 280-283.


\(^3\) Ibid., p. 673.
Soviet Union, including William G. Collins of the Italian Ford Company and an engineer named Braco H. Berghoff. After extensive travelling and investigation, during which the delegation was given ample opportunity to see Fordson tractors operating on Russian soil, the five technicians were unimpressed with Soviet managerial talent. Regarding general industrial methods as inefficient, they decided not to set up a Ford factory in Russia, since they had concluded that the Soviet Union was not sufficiently well equipped for such an innovation. However, when Soviet officials approached the Ford Company in 1928, their efforts met with success. The final contract was signed by Henry Ford, Valery Meshlauk, vice-chairman of the Supreme Economic Council, (for the Soviet Union) and Saul G. Bron, for Amtorg. The agreement included the exportation of $30,000,000 worth of Ford cars to the Soviet Union and the construction of a Ford foundry under the auspices of the Soviet government.134

This contract involved much more than simply purchasing machinery. Henry Ford agreed to give the USSR the rights to make, sell and use Ford machinery; Russian

engineers were granted access to American plants; and Ford's own engineers, it was also agreed, would be sent to the Soviet Union to help with plant installations and training. Superficially, this was an extensive business deal. Underneath, however, Henry Ford had a two-fold aim as outlined in one of his publications. First, he believed that such an action would improve international relations; second, he was convinced that an advanced nation should be prepared to assist others, for "industrialisation meant prosperity and prosperity advanced world peace." For all his desire to assist Russia industrially, Henry Ford himself was in no way sympathetic towards communism. He abhorred the system as one which "sought to deny Nature." And it was his conviction that Nature had, in retaliation, rejected the USSR. Ford held strong views on the relative positions of American and Soviet workers: in comparison to the United States, the Russian worker had no individual freedom, and was treated as a slave. Freedom he defined as "the right to work a decent length of time and to get a decent living for doing so... it is the aggregate of these and many other items of freedom which makes up the great idealistic Freedom."

136. Ibid.
Hailing the superiority of the American's working conditions over those of his Russian counterpart, Ford was simply echoing the opinions of many of the American engineers and technicians who visited the USSR. While it is difficult to say exactly why Henry Ford made this and other commercial arrangements with the Soviet Union, some of his statements quoted above reveal a surprisingly idealistic outlook. Yet it can hardly be said that all his ventures were undertaken from either this or from a profit motive. In fact, Ford did not profit financially from the above-mentioned contract: he lost $573,000. He had, however, gained an important foothold in the Soviet market, and the ground was laid for future contracts. By no means all was lost, and as Professor Nevins had pointed out, such a deficit was bearable.\footnote{A. Nevins and F. Hill, Ford: Expansion and Challenge, 1915-1932, (New York: Charles Scribner's Sons, 1957) p. 682-693.} The Soviet contract gave Ford an enviable opportunity to prove that, despite the current American financial crisis, capitalism could produce valuable techniques and quality goods. Moreover, Ford had been able to put some of his own ideas into action and the \textit{Times} caught something of his many-sidedness when it quoted him as
saying, "No matter where industry prospers, whether in India, in China or Russia, all the world is bound to catch some good from it."\(^{138}\)
Chapter 7: Pre-Recognition Difficulties—Duping and Embargo Threats, 1930-1932.

The years 1930-1932 proved to be a testing period both for Amtorg and for the American businessmen who traded with the Soviet Union. Despite the beneficial growth in trading contacts by companies like Ford, counteracting forces emerged during the early thirties which had unpleasant and debilitating effects on American-Soviet trade relations. In America, the Wall Street crash and the economic depression had reinforced the feeling of being threatened from within, which Americans had had since the end of World War I. Just as the period covered in this thesis began with the fear of aliens, as demonstrated in the "Red Scare", so it ended with a further outburst of anti-sovietism. This suspicion of communism was kindled also by those who resented the apparent success of the Soviet Union's Five Year Plan, while the United States suffered an economic slump. Considerable pressure, therefore, was brought to bear on business and labor leaders to find the causes for the nation's economic malaise. In large part, this investigation sought a scapegoat, and communism conveniently was held to be at the root of some of the
problems. The events of these years were not only important for their effect on the American business attitude to the USSR. It can also be argued that they were, indirectly, partly responsible for bringing American-Soviet economic relations violently into the foreground, at a time when political and diplomatic recognition of the USSR was being proposed openly in many quarters. The re-emergence of a vociferous anti-communist movement propelled Amtorg, ostensibly an economic organisation, directly into the political arena, with two significant results. First, it revealed some of the difficulties which could arise when there were no suitable diplomatic channels through which resolution of problems might be sought. Second, pro-recognitionists were greatly aided by Amtorg's eventual vindication both by American government officials and businessmen. Thus, publicity had been given to the 'cause' and a more favourable climate attained for the consideration of recognition.

At first, the virulent anti-communist campaign seems incomprehensible. The Depression had made the Soviet market an attractive one to American businessmen. Persistent efforts had been made to maintain and expand commercial contacts; and in 1930, American exports to the USSR had
reached their peak. But so had Soviet exports to the United States. And it was around this fact that animosity grew.

The Soviet, as well as the American, economy had been badly shaken by the Depression. World price levels had plummeted, thus forcing the USSR to increase greatly its exports in order to maintain its customary rate of machinery and industrial purchases. Western nations, including the United States, desperately beset with their own economic problems, seized upon this Soviet action as a useful explanation for their own economic shortcomings. The Russians were charged with attempting to monopolize markets and of destroying competitors, and particularly, by "dumping". The rise in American-Soviet trade which had been formerly so enthusiastically received was now berated by many American businessmen as an attempt to overthrow capitalism. Professor Filene has accurately explained something of the true situation: in reality, many of the accusations levelled at Soviet policy were not completely fair, since a socialist economy operates by methods

139. See Appendix B, No. 1.
140. See Appendix B, No. 2.
different from those of a capitalist system. Also the Russian government was not trying to monopolize markets; it had been forced to lower its prices in order to sell more goods. However, each country perceived and interpreted these Soviet actions in various ways, and misinterpretation became the reality of the moment. Furthermore, the arguments became shrouded in ideological warfare and propagandist terminology. Hostile American businessmen consequently came to consider the economic question of 'dumping' in a political context. Thus, it is not enough to point out the ironies and misunderstandings of this particular situation; one must also follow the arguments of the protagonists in their own words. From them one can obtain an insight into the hysteria aroused by the dumping accusations and of the hypocrisy that resulted.

Early in 1930, Amtorg was forced to digress from the path of trade and follow that of politics, in a more pronounced manner than heretofore. One of the prime movers behind this development was Matthew Woll, vice-president of the American Federation of Labor, and acting president of the National Civic Federation. Stating his particular concern to be the 'subversive activities of Communists'
in the United States, he singled outAmtorgfor special attention. Well charged that Amtorg was a "cover for Communist agents and propagandists." \(^{140}\) He inveighed against those "few industrialists and commercial men" who were trading with the Soviet Union. These men, having been "beguiled by Soviet economic concessions and prompted by the desire of private profit and exploitation of Russian resources," were advocating recognition. This Well opposed. Moreover, he demanded eradication of such noxious contacts by means of a trade embargo on the Soviet Union. \(^{141}\) The attacks on Amtorg and the requests for an embargo were to continue intermittently for the next two years.

When called before a Congressional Committee investigating Communism in the United States, Well castigated the government for jeopardising the safety of the state for the sake of "helping American corporations do business with Russia." He considered that the Hoover Administration had been "too lenient with Amtorg officials", who should be carefully watched and preferably banned from the country. \(^{142}\) Well was supported by the chairman

\(^{140}\) *NYT*, March 4, 1930  
\(^{141}\) *Ibid*.  
\(^{142}\) *NYT*, July 18, 1930
of the Committee, Hamilton Fish, Congressman of New York, who saw no reason why Russians should be "allowed the hospitality of our free country" simply because they spent money in the United States. Woll warned American capitalists that in trading with the Soviet Union they were "setting up a Frankenstein" which would "some day come to plague them." 143 Much of Woll's testimony had the aura of crude sensationalism about it and he admitted that he could not point to any specific Communist activities of which he disapproved. He believed it was the administration's duty to discover them.

Some American businessmen were prepared to support Woll's speculations and accusations with facts. For example, the president of the American Manganese Producers Association, John Carson Adkerson, called for an embargo on Soviet manganese. Besides the now familiar accusation of 'dumping', Adkerson used what was to become a principle argument for the imposition of an embargo: the so-called 'slave labor' in Soviet industry. Slave labor, Adkerson maintained, enabled Russia to produce manganese ore more cheaply than American dealers, thereby

143. Ibid.
creating unfair competition. The USSR's manganese price was $26 per ton, as against the American price of $34 per ton. Predictably, Amtorg's representatives denied the accusations. The president of Rudo-Export, the ore exporting corporation of the USSR, argued that the United States Steel Corporation and Bethlehem Steel had used manganese from the Chiaturi mines since 1886, because American output was insufficient to meet the demands of the steel industry. He pointed out that the United States required 800,000 tons of ore a year but only produced 46,000 tons. This need alone, he contended, would disprove the accusation of dumping and unfair competition. Moreover, the Soviet ore president argued that, since Russian manganese was sold on long-term contracts, dumping could hardly be involved. Two members of Amtorg, J. Budish and S. Shipman took the Times to task for its statement that Soviet manganese was about to "strangle an infant industry". How they asked, could imports totalling half of one per cent of total production harm or destroy American industry? To support their argument, they stated that manganese was not an "infant industry"; American production had begun

144. NYT, July 26, 1930
145. NYT July 27, 1930.
as early as 1932. As for the direct 'dumping' charges, Budish and Shipman argued that the American Anti-Dumping Act of 1922 had defined dumping as selling merchandise at less than its fair value (as tabulated by the foreign market value). Since, they continued, the prices of Soviet ore in other countries were less than those in the United States, the USSR could not be accused of unfair price fixing.147

Nor were they any less critical of American attempts to establish a pulpwood embargo. According to Budish and Shipman, American imports of one eighth of one per cent of the domestic consumption could not possibly harm domestic output. Furthermore, the only Soviet lumber exported to the United States was spruce, which was scarce in America. Even then, they maintained, it was sold at higher prices than American spruce of domestic production or that imported from Canada.148

They found corroboration for this contention in the statement of H.H. Oxholm, Director of the Lumber Division of the U.S. Department of Commerce. In a letter to the New York Lumber Trade Association, dated April 18, 1930,

147. Ibid., pp. 42-49.
148. Ibid., pp. 72-74.
Oxholm denied that the Russians were underselling their lumber. In fact, more money had been paid for Soviet lumber than for similar kinds from eastern Canada. In his opinion, Soviet lumber did not come into direct competition with American wood. 149

American business opinion was divided on the issue of dumping, but at the outset the accusers were more vociferous than the defenders. The Times feared for the health of American markets: 150 Assistant Secretary of the Treasury, Seymour Lowman engaged in bitter altercations with Peter Bogdanov, Chairman of Amtorg; American manganese producers repeatedly demanded an embargo. As if to highlight the intense suspicion into which Amtorg had fallen, Federal authorities obtained evidence of smuggling by an alleged employee of the Company. The proverbial "little black book", supposedly containing the names and addresses of 25 Soviet agents working in the USA and Japan had also been discovered. 151 The affair acquired the aspects of a grand fiasco. Heatedly, Chairman Bogdanov protested Amtorg's innocence. Attorney General J.C.

149. Ibid., p. 72.
150. NYT, July 26, 1930
151. NYT, July 27, 1930
Tuttle lamely admitted that he had "not decided whether... the man arrested had been associated... with... Amtorg". His only justification for his earlier conclusion was that he had merely quoted from the testimony of the suspect. Nevertheless, Federal investigations continued and within the same week Federal agents from Attorney General J.P. Tuttle's office descended upon the drug store of Joseph P. Schafran of New York City. Their intention was to uncover what they had been led to believe was a centre of secret Communist activity. The raid was embarrassingly abortive. Schafran stated that he was not a Communist, but a "Tammany man and a member of the Pontiac Democratic Club." Understandably irritated, Schafran queried, "Why don't they go after Henry Ford? He too does business with Soviet Russia. The only difference between him and me is that he sells them automobiles and tractors and all I sell Amtorg is herbs and toothpaste." Revelations such as these did more harm than good to the anti-communist cause. Situations initially built up to appear formidable were discovered in reality to be ludicrous. The investigations were almost an instinctive

152. *NYT*, July 29, 1930
action on the part of the administration, harassed as it was by daily protest of Soviet underselling. Gradually, it became apparent to many, including businessmen, that not only was the evidence of the Communist activities flimsy and untrustworthy, but also that suspected activities had been blown up out of all proportion. And just as the Federal investigation of Schafran had failed to reveal any evidence of a communist plot or conspiracy, so too did the hearings conducted by Assistant Secretary S. Lowman fail to provide conclusive evidence, either that pulpwood was being processed by convict labor, or that the Soviets were underselling it in the American market. Consequently, the embargo was lifted on August 1st, 1930; a similar decision was reached by Secretary of the Treasury Andrew W. Mellon, regarding Soviet export of manganese on February 24, 1931.

Despite official negation of an embargo policy, attempts were made periodically by the anti-communists to obtain one. Many American businessmen, however, rejected this uncompromising position and continued to believe that improved US-Soviet relations would lead to a profitable

increase in trade. During the embargo crisis, several business spokesmen stressed that Soviet cooperation with American industries was essential. For example, George W. Sisson, who was closely connected with the timber industry, pointed out that since the pulpwood from the Adirondack forests was nearly exhausted, supplies had to come from somewhere. Almost 40% of Canadian wood was unexportable and if Soviet pulpwood could not be imported then his company's paper plant would be forced to close. Other industries were also adversely affected by the embargo, while representatives of the New York Stevedores Union complained of unemployment, since they were forbidden by the embargo to unload and reload Soviet pulpwood. Everything seemed to suggest that the latter had not injured American labor or industry, but that it was in fact a necessity. The threat of unemployment was undoubtedly instrumental in making the People's Lobby severely criticise Matthew Woll's repeated requests for a general


156. Ibid., pp. 94-95.
embargo on Soviet goods. The Lobby caustically declared that Woll could not possibly speak for all organised labor, since his organisation represented only 3,100,000 of 47,000,000 employed Americans. Businessmen also became more outspoken in their opposition to embargoes in general. For example, a group of Brooklyn businessmen, who had had direct contacts with Amtorg, quickly came to the defence of the Russians as traders. The Export Steamship Company (a Brooklyn line) operating between New York and Leningrad, reported excellent business relations. C.B. Whittaker, of Sperry Gyroscope Company, which had a technical assistance contract with a Russian Electric trust, was even more specific. He stated that his company had "never had any grievance against the gentlemen of the USSR" with whom they had traded, neither did they expect any. He complemented Soviet traders by saying "...Their word is good and they scarcely resemble the moving picture notion of whiskered anarchists."

Official administration policy since 1917 had always been to acknowledge a separation between politics and economics when discussing the Soviet Union. This facade

157. NYT, July 29, 1930
158. NYT, August 1, 1930
was maintained during the embargo crisis. For example, the *Times* quoted an "authoritative White House source" as stating that the government's attitude to "Russian business" was "not based on its official attitude towards the character of the Soviet government." This enabled President Hoover to oppose the destruction of all American-Soviet trade, while deploring communism and the Soviet system. Moreover, the crisis demonstrated that this division was unrealistic, since many who supported the embargo policy did so for political as well as economic reasons. The pro-Russian traders also had something else working in their favor. The financial and economic situation in America was such that few could afford to turn down orders and contracts that came their way. Presumably facts such as these account for the reluctance of President Hoover to support the embargo efforts wholeheartedly and for the rapid modification in the attitudes of Assistant Secretary Seymour Lowman. Formerly a vehement antagonist of Amtorg, and its president Bogdanov, Lowman by early 1931, considered that an embargo policy "would mean the loss of about $120,000,000 a year in trade with this nation, for they [the

159. *NYT*, July 30, 1930.
Russians] are human in spite of all the stories...to the contrary, and they will certainly not buy from a country that does not buy from them." Despite its official policy therefore, the Hoover Administration acknowledged the importance of overseas trade with the USSR and we can discern the initial stages of official acceptance of an economic and political fact of life.

By 1931, the commercial aspect also dominated the minds of Congressional circles. At a hearing in 1931 before the House Committee on Ways and Means on a proposed embargo on Soviet goods, John B. Trevor of the American Coalition of Patriotic Societies got short shrift from the members. In his testimony, Trevor had argued that a comprehensive embargo would be a useful means of arresting the advance of communism in the United States. He was, he stated, concerned with the "principle" of the matter, whereas he considered that the committee were concerned merely with the possibility of losing export trade. In this Mr. Trevor showed considerable prescience, for trade did emerge as the dominant consideration of the Committee.

160. NYT, Jan. 19, 1931.
The responses of one Committee member, Congressman Heartsill Ragon, from Arkansas, is worth quoting in full, since it reveals to what extent the commercial aspects of the embargo crisis had permeated national politics. His words also adequately sum up the position of many of the 'pro-Soviet' businessmen. "While I do not approve of the Russian form of government," said Ragon, "yet what we are interested in here is the economic effect that a thing like this [an embargo] would have. We cannot afford to sacrifice the interests of this country in the economic condition that it is in now, in order to be patriotic, and patriotic societies have no monopoly on patriotism in this country. Politically we are against them, but are we against them commercially? That is the question." 161

Thus, the convenient division between politics and economics was maintained, but events had shown that in many areas economic problems could not be left to the individual businessman to solve. The power and machinery of the state was needed and inevitably American-Russian trade and commerce entered the realm of national politics.

Chapter 8: Business and Recognition, 1932.

The 'dumping' and embargo campaigns of the early 1930's had had an adverse effect on American-Soviet trade relations. From a peak of over $11½ million of US exports in 1930, there had been a drop in 1931 to $102 million, $12 million in 1932 and $8 million in 1933. There were other important reasons for the decline: commercial bills of Amtorg could not be discounted and re-discounted by banks of the Federal Reserve system; Soviet organisations had no judicial status in America, and therefore had no right to court protection; absence of consuls meant difficulties over authenticating legal documents; Soviet gold was not allowed into the United States, thereby handicapping the Soviet Union in covering her unfavorable trade balance. But by far the greatest Soviet grievance was the difficulty in obtaining extended American credits. The situation became serious and both sides appeared to be caught in a vicious circle. The Russians could not trade freely without credits; the Americans were reluctant to extend long-term credits because trade relations were not officially regulated. The hope that official recognition of the USSR
would help place trade on an organised, legitimate basis provided some of the momentum behind the recognition movement.

Calls for recognition greatly accelerated during the 1930's but a considerable body of opinion had advocated such action in the mid-1920's. Most of the articles and statements made some reference to the trading advantages that recognition might bring to both countries. For example, an editorial in the Nation maintained that large credits would be impossible to grant to the USSR "until official recognition" gave a "new and evident stability to the situation." The article pointed out that the largest American credits received by the Russians came indirectly through British and German agents; direct contact would speed up communication and would assist in reducing European competition for the Soviet market. This article also predicted prophetically, that a time would come when "Big Business" would "force the Government to recognise the Bolsheviks." The hope of increased trade and an improved world market for American goods was undoubtedly one of the factors which prompted recognition.

163. Ibid.
Increasingly it was realised that credit difficulties were the main obstacles to closer trade. American businessmen knew that larger credits were the answer, but many remained distrustful of the Russians, and fearful of debt repudiation and the possibility of having contracts invalidated.\(^{164}\) These fears endured for at least two decades, despite the fact that Soviet organisations in the United States had always met their financial and contractual obligations. A residue of suspicion lingered on in financial minds, nurtured by propaganda on both sides. In addition, American businessmen who found themselves in commercial or financial difficulties with the Soviet Union had no recourse to assistance from their own government.

These themes were developed in an article published in the *Literary Digest* in August 1929. Here it was argued that the most potent reason for official recognition of the Soviet Union was that "American dollars" were already "recognising Russia quite thoroughly".\(^{165}\) The author listed four other reasons for diplomatic contact: first, the United States was Russia's second best customer; second, Russian purchases from the United States amounted to $100,000,000

\(^{164}\) *NYT*, Oct. 24, 1928

a year; third, the Soviet Union thought highly of American technical abilities and used it to develop its own industry; fourth, commercial contacts provided welcome customers for hard-pressed American manufacturers. ¹⁶⁶ That ever-recurring belief in the extent and importance of the Soviet markets was clearly shown in quotations from various newspapers and journals reprinted in the same Literary Digest article. The New York World considered it not at all surprising that businessmen should favor recognition, especially when one acknowledged the "peculiar situation of a growing foreign trade without benefit of consular service, commercial attaches or any other agency of the American government."¹⁶⁷ "Business", remarked the Charleston News and Courier "does not care how the Soviet Government came into power."¹⁶⁸ The New York Journal of Commerce, urging that America should take advantage of the opportunities offered by the Soviet markets, added, "We are not likely to do so in the fullest degree, so long as our Government insists that no such thing exists as Soviet Russia."¹⁶⁹ This call for a realistic attitude to what, after all, was now an established

¹⁶⁶. Literary Digest, August 17, 1929, pp. 8-9.
¹⁶⁷. Ibid.
¹⁶⁸. Ibid.
¹⁶⁹. Ibid.
fact of life, coupled with the fact that the economic situation did not allow America the luxury of selecting its trading partners, greatly reduced the effectiveness of the opponents of recognition.

To what extent did the pro-recognition attitudes of many businessmen and financiers influence Administration policy in the question of the Soviet Union? While it is difficult to be specific, the potential influence appeared great. It had been demonstrated that American-Soviet trade could flourish and expand without governmental sanctions. What might it not do with the confidence of the Administration and with the comforting knowledge that diplomatic assistance might be called in to serve in an emergency? To increase public receptivity of recognition, general articles on Russia began to appear; these stressed many of the problems faced by businessmen which hopefully would be eradicated by official recognition. Two such articles appeared in Asia, and in Fortune. In the former, William C. White produced a careful history of Soviet-American trade relations from the end of World War I, covering the part played by Antorg and emphasizing the Soviet need for American credits. 170 White

regarded credits as most "vital and complicated in the whole field of Soviet-American relations." He added that 80% of all orders placed by Amtorg were on a credit basis, and that the terms of credit varied considerably. He declared that manufacturers were finding it difficult to sell to the USSR, partly from uncertainty about the security of the Soviet economic system and partly "because of a lack of some form of American recognition." The writer of the Fortune article was concerned with what he described as American ignorance about the Soviet Union. The journal considered it had a responsibility to overcome the recurrent "waves and winds of misconception" surrounding the Soviet Union. In an effort to overcome the "ignorance complex", several articles followed, variously titled "The Soviet State", the "Russian Peasant", and the "Five Year Plan". Liberally interspersed with photographs and vivid illustrations of Soviet posters, the articles were devoted to the explosion of the current American myths. A further means of attracting attention to the recognition issue was to publicise the difficulties being experienced at this time by Amtorg. The company's

171. Ibid.
172. Ibid.
chief problem, of course, was that of credits. It was reported that whereas Europeans were offering 22-30 month credit to the Soviet Union, many American firms offered only 6 months. It was inferred that if official recognition took place, American financiers would be more willing to offer favorable and competitive credits. Non-recognition was beginning to have far-reaching consequences, particularly in two areas. First, lack of official reassurance and a sluggish economy prevented many American businessmen from even entering US-USSR commerce, let alone providing adequate credits for Soviet traders. Second, (and a reflection of the first) Amtorg was unable to maintain its previous levels of business. 1931 saw a drop in purchasing power from $88,400,000 to $48,500,000; in an economy move, Amtorg's staff was cut back by 50%. 174

Professor Robert Browder has argued that economic concerns were not the primary motive behind American recognition of the Soviet Union, in November, 1933. 175 He has stated that Russia had a greater desire for political than economic relations and that it was fundamentally concerned with political recognition by the USA, although it used trade

174. NYT, Sept. 26, 1931; Nov., 18, 1931.
as a weapon. The impetus for Russian overtures to the United States, according to Browder, was the Japanese entry into Manchuria. This development, he declared, made the Soviet Union seek political rapprochement with the United States with an urgency trade could not produce. And what of the Americans? Here Professor Browder has maintained that United States' businessmen reached the peak of interest in economic relations only at the end of the period, when the depression deepened and Soviet orders declined. Furthermore, he has pointed out that the high hopes fostered by the business community for increased trade were delusions; the anticipated commercial expansion with Russia did not come.\textsuperscript{176}

It is true that, on the eve of recognition, political and diplomatic considerations did supersede those of trade, particularly in governmental circles. However, interest in American-Soviet trade had been sustained and increased, as Professor Browder has indicated, through the years 1930-1933. The domination of political and diplomatic factors arose because it became obvious, especially to concerned American businessmen, that only

\textsuperscript{176} Ibid.
be means of formal recognition could the numerous credit and legal problems arising from American-Soviet trade be solved. It is also true that the expected surge in United States' exports to the Soviet Union did not materialize. On the other hand, the business community thought that exports would undoubtedly increase and that recognition would further this end. Merely because American industrialists and financiers may have been over-optimistic in their estimates of potential Russian trade, it does not follow that their arguments for recognition were any less telling at the time.

Official recognition of the Soviet Union may have proved a mixed blessing, but surely it was not a curse. If it is difficult to establish trade as the main motive behind recognition, American business interests were nevertheless well attended to in the terms of the final document. For example, a trade agreement was reached between the two countries in 1935. Tariff reductions were extended to the Soviet Union, which in turn agreed to purchase $30,000,000 worth of goods from the United States in 1936. The success of this agreement led to its renewal up to 1940, and the guaranteed sum rose to $40,000,000 after 1937.
These sums were much less than those of the early thirties, and indeed, much less than predicted, but perhaps this was to be expected. Both countries now dealt with each other on a different level and both deemed it prudent to progress cautiously. Apart from this, the recent dumping and embargo crisis had created much ill feeling and, consequently, had dislocated trade. It would take time for businessmen of both countries to regain their confidence. And in time, advances were made. In 1937 the United States overtook Germany as first exporter to the Soviet Union. Thus, recurrent American fears of German infiltration into the Russian market were dispelled. As for Amtorg, preparations for its enlargement were under way only one month after President Roosevelt had made his agreement with Maxim Litvinov, Soviet Foreign Minister. Plans were also made to resume publication of the monthly periodical, Catalogue of American Industry and Trade in Russia, produced by Amtorg for the benefit of American exporters. Much of this progress was made possible by official recognition: the Soviet promise contained an agreement to cease revolutionary propaganda in the United States, and an agreement to discuss a debt settlement. In return, the United States granted de jure

177. NYT, Dec. 3, 1933.
recognition to the Soviet Union. Treaties could now be made, and agreements reached on economic and trading matters which were to be of mutual benefit.
Conclusion

The American business community, throughout the period 1917-1933, regarded the Soviet Union with ambivalence. In the realm of finance and commerce, its aim had been to explore and exploit a Russian market predicted to be of rich potential. In so doing, businessmen and bankers hoped to oust European countries, especially Germany, from their preferred trading positions with the Soviet Union. These aims were maintained, despite initial American confusion about, and subsequent abhorrence of, the Bolshevik revolution. In the two decades following 1917, the Bolsheviks, particularly Trotsky, were presented in business papers and journals as "bogey-men". Bolshevism itself was regarded as essentially evil and a menace to Western capitalism and democracy as a whole and to the American versions in particular. And these attitudes rarely changed, despite the grudging respect of American business for the Five Year Plans and the desire for increased trade during the depression years. In many respects, the increased personal contact wrought by the technical assistance program, reinforced these attitudes.
In historical analysis it is best to omit that kind of adjectival qualification that makes everything good or bad, black or white. This however was not always possible at the time and hardly to be expected. Newspapers are largely unconcerned with historical analysis and some of the opinions expressed appear, in retrospect, entirely subjective. Moreover, many of the events of the period, especially the Russian revolutions and the economic depression were cataclysmic in their effects and produced "extremes" of reaction. Nevertheless, many business articles, particularly those of the Journal, were essentially objective. Business editors and magazine writers were every bit as hard-headed and realistic as the members of the commercial community they quoted or wrote about. The writers were all primarily interested in how the American businessman could make more money. Hence their columns were more commercially, than politically, oriented, and journalists exerted every effort to promote American-Soviet trade.

It is possible now to say that many of the fears and doubts of the business community towards Soviet Russia were unfounded. But this can only be seen in the light of time, not during the actual event. However, it must be
admitted that most businessmen were probably only interested in the political upheavals of the time as they affected commerce and finance. This may explain why reports were often not carried through to a satisfactory conclusion and why one has to look elsewhere for the results of, or sequel to, one particular story. One conclusion that can be drawn from this study is that trade, its extension and profits, was the base from which the attitudes of the business community of the United States were formed. In this period, lip service was paid to the ideals of "Americanism" and the horrors of "Bolshevism"; although there may have been many who also believed them. An average businessman's reaction was that if the Russian market was profitable, if debts were honored and contracts fair, politics could be left to the politicians (and the newspapers) while he undertook commerce to the benefit of both countries. And this was well understood at the time. A cartoon accurately emphasizes the point. It appeared in the Literary Digest, in 1929, and pictured a hostile "Uncle Sam" refusing a cake on which was written "Bolshevism". When it was returned to him covered with icing and decorated with
the word "trade", he brightened considerably, saying: "Just put it down, I may change my mind." The caption underneath summed up the underlying meaning of the cartoon with the words, "Cake looks better when it's frosted." In short, Communist traders were regarded as businessmen first, and Communists second, and were judged according to the rules of the trade.

178. Literary Digest, August 17, 1929, p.8-9.
### Appendix A.

**United States exports to Russia, 1900-1917.**

<table>
<thead>
<tr>
<th>YEAR</th>
<th>DOLLARS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1900</td>
<td>10,000,000</td>
</tr>
<tr>
<td>1910</td>
<td>18,000,000</td>
</tr>
<tr>
<td>1912</td>
<td>23,000,000</td>
</tr>
<tr>
<td>1913</td>
<td>26,000,000</td>
</tr>
<tr>
<td>1914</td>
<td>31,000,000</td>
</tr>
<tr>
<td>1915</td>
<td>61,000,000</td>
</tr>
<tr>
<td>1916</td>
<td>310,000,000</td>
</tr>
<tr>
<td>1917</td>
<td>558,584,000</td>
</tr>
</tbody>
</table>

*Source: (Wall Street Journal, September 11, 1917)*


<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>% of Total Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Exports</td>
</tr>
<tr>
<td>1913</td>
<td>24.6</td>
<td>20.8</td>
<td>1.1</td>
</tr>
<tr>
<td>1924</td>
<td>42.1</td>
<td>8.1</td>
<td>0.9</td>
</tr>
<tr>
<td>1925</td>
<td>68.9</td>
<td>13.1</td>
<td>1.4</td>
</tr>
<tr>
<td>1926</td>
<td>49.9</td>
<td>14.1</td>
<td>1.0</td>
</tr>
<tr>
<td>1927</td>
<td>64.9</td>
<td>12.8</td>
<td>1.3</td>
</tr>
<tr>
<td>1928</td>
<td>74.1</td>
<td>14.0</td>
<td>1.4</td>
</tr>
<tr>
<td>1929</td>
<td>84.0</td>
<td>22.5</td>
<td>1.6</td>
</tr>
<tr>
<td>1930</td>
<td>114.4</td>
<td>24.3</td>
<td>3.0</td>
</tr>
<tr>
<td>1931</td>
<td>103.7</td>
<td>13.2</td>
<td>4.3</td>
</tr>
<tr>
<td>1932</td>
<td>12.6</td>
<td>9.7</td>
<td>0.8</td>
</tr>
<tr>
<td>1933</td>
<td>8.9</td>
<td>12.1</td>
<td>0.5</td>
</tr>
</tbody>
</table>

2. **U.S.S.R. TRADE WITH U.S.A.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>% of Total Trade</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Exports</td>
</tr>
<tr>
<td>1913</td>
<td>20.0</td>
<td>24.0</td>
<td>5.8</td>
</tr>
<tr>
<td>1924</td>
<td>10.0</td>
<td>42.0</td>
<td>3.9</td>
</tr>
<tr>
<td>1925</td>
<td>12.0</td>
<td>68.9</td>
<td>4.5</td>
</tr>
<tr>
<td>1926</td>
<td>15.8</td>
<td>62.9</td>
<td>3.0</td>
</tr>
<tr>
<td>1927</td>
<td>11.9</td>
<td>75.0</td>
<td>3.2</td>
</tr>
<tr>
<td>1928</td>
<td>13.8</td>
<td>96.7</td>
<td>5.5</td>
</tr>
<tr>
<td>1929</td>
<td>21.9</td>
<td>91.2</td>
<td>3.9</td>
</tr>
<tr>
<td>1930</td>
<td>21.0</td>
<td>136.1</td>
<td>2.8</td>
</tr>
<tr>
<td>1931</td>
<td>11.6</td>
<td>118.4</td>
<td>3.0</td>
</tr>
<tr>
<td>1932</td>
<td>8.8</td>
<td>16.3</td>
<td>2.8</td>
</tr>
<tr>
<td>1933</td>
<td>7.2</td>
<td>8.5</td>
<td></td>
</tr>
</tbody>
</table>

*Exports of one country do not always equal imports of the other country due to time lags in reporting and slight differences in custom appraisals.*
APPENDIX C.

Members of the Russian Information Bureau.

ex-President Theodore Roosevelt.
Edward N. Hurley: Chairman of the United States Shipping Board.

Dr. N.M. Butler.
Lawrence F. Abbott: editor of Outlook.
Samuel McRoberts: executive manager of the National City Bank.
Charles H. Sabin: president of Guaranty Trust Co.
Jacob Schiff.

Source:
( George Kennan, The Decision To Intervene (Princeton, 1958) p. 322-323.)
APPENDIX D

Members of the American-Russian Chamber of Commerce.

Reeve Schley................vice-president of Chase
National Bank and of Consolidated Coppermines Company.

E. Chappell Porter..............executive secretary, formerly
director of the N.Y. office of
Federal Bureau of Foreign and
Domestic Commerce.

Samuel McRoberts...............executive manager of National
City Bank.

Darwin F. Kingsley..............president of New York Life
Insurance Company.

Charles H. Sabin...............president of Guaranty Trust Co.

A. Barton Hepburn..............chairman, Chase National Bank's
Board of Directors.

Donald G. Wing................president of First National
Bank of Boston.

Firms represented included:

Kidder, Peabody and Co.,

Deere and Co.,

National Carbon Co.,

Shawmut National Bank

Guaranty Trust Co.,

Worthington Pump Co.,

Russian Singer Co.,

Mercantile Trust Co.,

International Fur Exchange
International Harvester
Lucey Manufacturing Co.,
American Locomotive Co.,
International General Electric Co.,
Westinghouse Air Brake Co.,
American Car and Foundry.
APPENDIX D, cont.

Sources:

APPENDIX E.

Members of the Committee on Commerce and Marine.

Robert F. Maddox.............. president of the American Bankers' Association and Atlanta National Bank.

Lewis E. Pierson............... chairman of the Irving National Bank, New York City.

Charles E. Sabin.............. president of the Guaranty Trust Company.

John McHugh................... vice-president of the Mechanics and Metals National Bank, N.Y.C.

Donald G. Wing................ president of First National Bank, Boston.


F.O. Watts.................... president of the Third National Bank, St. Louis.

Charles H. Hinsch............. president of the Third National Bank, Cincinnati.

Thomas B. McAdams............ vice-president of the Merchants National Bank, Richmond.

John E. Borden, Jr.,.......... president of the Whiney-Central National Bank, New Orleans.

APPENDIX E cont.

Robert N. Harper.......................... president of the District
National Bank, Wash., D.C.

John L. Hamilton.......................... president of the American
Guaranty Company, Columbus.

Senator Joseph France, of Maryland.

Source:
(Wall Street Journal, January 22, 1919.)
APPENDIX F.

(Source: S. Bron, Soviet Economic Development and American Business, p. 58)

List of some of the leading American firms which sent representatives to the Soviet Union in 1928, under the auspices of the American-Russian Chamber of Commerce.

Ford Motor Company
General Motor Corporation
Studebaker Motor Company
Willys-Knight Company
Nash Corporation
Standard Oil of New York
Texax Oil Company
Bucyrus -Erie Company
Sullivan Machinery Company
Foster Wheeler Corporation
Caterpillar Tractor Company
Cleveland Tractor Company
International Harvester Company
Allis-Chalmers Manufacturing Company
Dwight P. Robinson and Company
Morison Steam Shovel Company
Austin Company
International General Electric Company
National City Bank
Chase National Bank
Equitable Trust Company
United States National Bank.
BIBLIOGRAPHY

PRIMARY SOURCES.


Government Documents.


Magazines.
American Economic Review.
American Slavic and East European Review.
Commerce Monthly.
Fortune.
Harper's Magazine.
Literary Digest.
Nation.
Nation's Business.
New Republic.
North American Review.
Outlook.
Review of Reviews.
Saturday Evening Post.
Scribner's Magazine.

SECONDARY SOURCES.


Condoide, M. V. "Russian-American Trade," Columbus, Ohio: The Bureau of Business Research, College of Commerce and Administration, Ohio State University, 1946.

Dubofsky, M. "When Workers Organize," Amherst, Mass.: University of Massachusetts, 1968.


Nevins, A. and
Thomson, A.W. and


Bibliographical Aids.


Readers Guide to Periodical Literature.

Reference work:
