

LAURENCE A. STEINHARDT;
NEW DEAL DIPLOMAT;
1933-45

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This is to certify that the

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NEW DEAL DIPLOMAT,
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LAURENCE A. STEINHARDT: NEW DEAL DIPLOMAT,

1933-45

By Ralph Robert Stackman

Laurence Adolph Steinhardt (1892-1950) was one of the early supporters of Franklin D. Roosevelt's presidential bid in 1932. His support (mainly financial) was rewarded with various diplomatic appointments. The only political appointee to serve in the foreign service throughout Roosevelt's more than twelve years in office, the New York City attorney received diplomatic assignments to Sweden, Peru, the Soviet Union, and Turkey.

Although it contains a brief biographical sketch of Steinhardt, the study is intended as an investigation of New Deal diplomacy. The Steinhardt Papers in the Library of Congress, Washington, D. C., was the writer's major source. Both published and unpublished documents from the Department of State were used extensively.

As Minister to Sweden, Steinhardt negotiated one of the first reciprocal trade agreements of the New Deal's

trade program. Negotiations emphasized the Administration's determination to include the most-favored-nation principle in the treaty. Although not actively involved in the litigation surrounding the Kreuger-Toll proceedings, Steinhardt was interested in seeing that American stock and bondholders were treated equitably. Brought to successful conclusion was the legally entangled lawsuit between the American firm, Dexter & Carpenter against the Swedish Railways.

When in 1938 Steinhardt was transferred to the American Embassy in Peru, the Good Neighbor Policy was already in transition. Originally conceived with economic overtones, the policy in the late 1930's emphasized hemispheric solidarity. Peru, under the dictatorship of Oscar Benavides, was a hotbed of fascist activity. Nevertheless, Steinhardt successfully negotiated the assignment of an American Naval Mission to Peru and outbid the Italians in the sale of airplanes to the Peruvian Government. The most significant event during Steinhardt's tour of duty in Peru was the Eighth Pan-American Conference held in Lima, December 9-24, 1938. Although a delegate, Steinhardt's role was completely overshadowed by that played by Secretary of State Cordell Hull.

Appointed Ambassador to the Soviet Union, Steinhardt arrived in Moscow in August, 1939, immediately preceding the signing of the Nazi-Soviet Pact. Convinced that the Soviets signed the Pact as more than an expediency, Steinhardt favored treating the Russians as belligerents in the European war. Unlike some Kremlinologists, the New Deal diplomat argued that Soviet territorial expansion into Finland, Eastern Europe, and the Balkans was imperialistic rather than defensive vis-a-vis Germany.

As the European war progressed, the Allied position became increasingly desperate. In view of the situation, some British policymakers advocated appeasing the Russians in an effort to drive a wedge between the Soviets and Germans. Steinhardt violently disapproved this policy and advocated that the United States adhere to reciprocal relations with the Soviet Union. Referred to as the tit-for-tat policy, Steinhardt suggested that no favor be accorded the Soviets unless returned in kind, that every discourtesy be returned with similar treatment. Still in Moscow when the Germans attacked Russia, the Ambassador expected neither Moscow nor Leningrad to long withstand Nazi assault. Even so, he maintained that the Soviets would retreat and fight from the

Urals if necessary. He suggested that Kremlin leaders would capitulate under no circumstances.

Steinhardt served as wartime ambassador to Turkey. He was charged in Ankara with the tasks of keeping that nation neutral, ameliorating Russo-Turkish relations, and keeping vital Turkish economic material (chiefly chromium) from reaching the Axis. Through preclusive and preemptive purchasing programs, the war in Turkey was largely fought on the economic battleground. Steinhardt resisted Russo-British efforts to force Turkey into the war as an active belligerent. He contended that the ill-equipped Turks could not enter the war without serious domestic economic dislocation.

As a political appointee, Steinhardt served creditably the nation and the New Deal.

LAURENCE A. STEINHARDT:

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PREFACE

New Deal diplomacy falls neatly into three contrasting periods. Dominating the first was the Great Depression. The Roosevelt Administration, geared to solving domestic problems, relied chiefly on lower tariffs and trade reciprocity. While foreign affairs in the early New Deal took a place subordinate to economic and social reform, a few Americans, among whom was President Franklin D. Roosevelt, alerted themselves to the holocaust that was preparing in Europe. The task of awakening the country to the dangers of the European dictators and, thus, into a different aspect of New Deal diplomacy, rested largely with those in the White House. After the European war broke out in September, 1939, and in response thereafter to the desperate position of the Allies, an unneutral policy took America to the brink of war. Yet war, when it came, did not arise from our European policy, but came suddenly despite what the Administration considered a careful and correct policy in Asia. Following the Japanese

attack at Pearl Harbor on December 7, 1941, New Deal military and civilian strategists were charged with the responsibility of leading the nation to victory. Wartime relations marked the third period of New Deal diplomacy.

Among the multitude of ministers and ambassadors associated with New Deal diplomacy, only a few names come readily to mind. One instantly recalls the names of William Bullitt, Joseph Kennedy, William E. Dodd, Joseph Davies, Claude Bowers, Joseph Grew, and, perhaps, J. Carlton Hayes. While not depreciating those mentioned, none of these statesmen typify New Deal diplomacy to the extent that does the relatively little known Laurence A. Steinhardt. A member of the "Before Chicago" club, Steinhardt like most of those already named, was a political appointee. But unlike the others, the New Yorker remained an official member of the New Deal administration throughout Roosevelt's more than twelve years in office. Not only was Steinhardt's length of service longer, he was the only American ambassador to serve in as many as three theaters--European, Latin American, and Mid Eastern. As head of the United States mission in Sweden, Steinhardt was instrumental in the signing of a

reciprocal trade agreement with that country. In Peru, Steinhardt while serving yet another facet of New Deal diplomacy--the Good Neighbor policy--was there when the spectre of Fascism began overriding economic relations in importance in Administrative thinking. Steinhardt served in Moscow in the period from the signing of the ill-fated Nazi-Soviet pact to the bombing at Pearl Harbor. During this period Allied leaders sought to sway the Soviet Union from their sworn neutrality. During World War II, the Administration assigned the New Deal diplomat to Turkey. It was his responsibility to keep the Turks neutral and prevent vital raw materials from reaching the Axis warlords.

Although this study makes no pretension of being a biography, it is apparent that the study of an individual can accord different views and perspectives of time and events. As a study in diplomacy, the writer has attempted to evaluate the service of an individual who received his diplomatic appointment as a "political plum." It does not appear that the lack of specific State Department training necessarily impairs the efficiency of our representatives

abroad. Although sounding trite, it seems that the deficiency can be remedied by hard work, willingness to learn, and an open mind.

This study is the result of many people's efforts. Dean Paul A. Varg, under whose direction this work has been written, gave unselfishly of his time and criticism. The author records his appreciation to Professor Charles C. Cumberland, who read the chapter concerning Steinhardt's mission to Peru, and to Professor Arthur E. Adams who not only read the two chapters concerning the New Deal diplomat's service in Moscow but kindled the original interest in the study. The writer wishes to thank Eugene Jacobson and the International Programs at Michigan State University for its grant.

Individuals in various libraries have been courteous and helpful. The author expresses his appreciation to staff members of Michigan State University Library, the State of Michigan Library, the Library of Congress, and the National Archives. Special gratitude is extended to Eleanor J. Boyles of the Michigan State University's Document Division and Elizabeth B. Drewry of the Franklin D. Roosevelt Library.

In a special manner I wish to express appreciation for the tireless assistance of my wife, Joan M. Stackman. Her enduring cooperation made it possible for me to complete my work.

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Chapter 1

PATRONAGE AND POLITICS

Organizers of the Franklin D. Roosevelt-for-President movement formulated their strategy well in advance of the 1932 Democratic Convention. By the spring of 1931 supporters opened small but busy headquarters at 331 Madison Avenue, New York City. The beginnings of the campaign fund came from contributions of individuals whose names are scattered throughout the history of the New Deal. Collectively they formed what became known in Democratic political circles as the "Before Chicago Club." Included in this early group of contributors were Frank C. Walker, Henry Morgenthau, Sr., William Woodin, William Julian, Edward J. Flynn, Jesse I. Straus, Herbert Lehman, Joseph P. Kennedy, Robert W. Bingham, Basil O'Connor, and Laurence A. Steinhardt.¹

In American politics the spoils belong to the victors. The members of the "Before Chicago Club" received their rewards--high government positions, Cabinet posts,

¹James Farley, Jim Farley's Story: The Roosevelt Years (New York: McGraw-Hill Book Company, 1948), pp. 9-10.

and appointments in the diplomatic service. All played vital and important roles in the New Deal. All their names are indelibly linked with the era of Franklin D. Roosevelt.

The least familiar name in this exclusive but informal club is that of Laurence A. Steinhardt. This in spite of the fact that he was a frequent caller at the White House and that he held office at the President's pleasure throughout FDR's tenure.

The Steinhardts were an old New York City family. The paternal grandparents, German Jews, had emigrated from Hamburg in 1848. Laurence's father, Adolph M., was an industrialist and co-founder of the National Enameling and Stamping Company. For many years he served the firm as secretary-treasurer. Adolph's untimely death in 1914 (he suffered a heart attack while shoveling snow) left Laurence fatherless while still in college.

The maternal side, however, wielded greater influence on the development and shaping of young Laurence's life. His mother, Adelaide (affectionately called "Addie"), was of the prominent Untermyer family of Lynchburg, Virginia. Samuel Untermyer, Addie's brother, was one of the nation's most outstanding attorneys and international financiers.

His law firm, Guggenheimer, Untermyer and Marshall, was long established and one of New York City's better known firms specializing in corporate matters.

As counsel to the Pujo "Money Trust" Committee, Untermyer became a well-known figure in national as well as international circles. During Woodrow Wilson's Administration, the Jewish barrister criticized the original Clayton Bill, helped shape the Federal Reserve Act, and called for stringent regulation of the stock exchange. Untermyer's name carried considerable weight in the higher echelon of the Democratic party. A strong advocate of fiscal responsibility, both in the public and private sector, Untermyer remained a strong Wilsonian Democrat. As an elder statesman his advice and counsel was sought until his death in 1940. Both his political affiliation and economic philosophy were accepted and deeply ingrained in his young nephew.

Laurence Adolph Steinhardt, born October 6, 1892, was the only son of Adolph and Adelaide's three children. A close relationship existed between mother and son; it was not until after her death in 1920 that he freed himself to marry. As the only surviving male after the father's death, young Laurence became the family's patriarch, its leader and

advisor. After their respective marriages, the Steinhardt daughters relied on their brother for advice in both private and financial matters. Generally sympathetic, his recommendations were unemotional, detached, and frank.

Privately tutored in his early years, Steinhardt attended the exclusive Franklin School in New York City. His earliest ambition was to become a surgeon. Realizing that this profession required many years of training and preparation, he quite naturally decided on a career in law. Even so, he retained an abiding interest in the medical profession throughout his life. In the 1920's he wrote a series of unpublished articles on "Medical Jurisprudence" and mention of these articles are made in all of his biographical sketches. As an amateur student of medicine, he was jokingly referred to by his friends as "Doctor" Steinhardt.²

Steinhardt in 1913 received his bachelor's degree from Columbia University. He was awarded the A.M. and LL.B. two years later by the same school. J. Carlton Hayes, one of Steinhardt's Columbia instructors, crossed diplomatic paths with his pupil during the 1930's. One of his instructors

²Personal interview with Mrs. Dulcie Ann Steinhardt Sherlock, Washington, D. C., February 22, 1967.

in law school was the later Supreme Court Justice Harlan Stone. Among his classmates was his life long friend Cyrus Hay Sulzberger, later publisher of the New York Times. As an alumnus Steinhardt remained actively interested in the affairs of Columbia University.

In the same year, 1915, in which he took his last degree from Columbia, Steinhardt authored an unpublished booklet, A Survey of the Legal Status of the Trade Union, Its Origins and Developments.³ Labor unions at this moment were a popular item of discussion. Just the previous year the Clayton Act provided that "the labor of human beings is not a commodity or article of commerce." Although the phrase was nothing more than a pious expression of senatorial opinion and did not change labor's standing before the law, it apparently pleased everyone. Labor hailed it as their "Magna Carta"; on the other extreme, the general counsel of the American Anti-Boycott Association was entirely satisfied with the legislation.⁴

³ Copy of booklet in hands of Mrs. Dulcie Ann Steinhardt Sherlock, Washington, D. C.

⁴ Arthur S. Link, Woodrow Wilson and the Progressive Era, 1910-1917 (New York: Harper and Row, 1954), pp. 73-74.

So it was with Steinhardt's treatise. Characteristically he refrained from expounding his own personal views. He limited it to a study of the courts' and judges' views of the problem. Notwithstanding that, he earnestly recognized "the irksome yoke which labor still bears in some of the industries of our nation," In reviewing the doctrine of the "right to combine," boycotts, strikes, and picketing, he came down on the side of neither labor nor management. Legally, as he saw it, there were no absolute rights and wrongs involved. For in essence, he concluded by quoting the bench in *Curran vs. Galen* (152 NY 33): "If organization of working men is in line with good government it is because it is intended as a legitimate instrumentality to promote the common good of its members. If it militates against the general public interest, if its powers are directed towards the repression of individual freedom, upon what principle shall it be justified?" Thus, as it was with the Clayton Act, both employer and employee could find gratification in Steinhardt's efforts.

After graduation, Steinhardt took employment as an accountant with Deloitte, Pender, and Griffiths, British chartered accountants in New York City. His ability to cope

with details should have made him a valuable asset to the accounting firm. Although he did not remain long on this first job, the ability to deal in minutiae became second-nature to the young attorney. In a sense it became a way of life, for Steinhardt found it difficult to operate without looking at things in their most minimal form.

Steinhardt in 1916 served as counsel to Waslaw Nijinsky, the Russian dancer, in the Metropolitan Opera affair. Russian authorities demanded the extradition of Nijinsky for having evaded the Czar's army. Steinhardt was successful in having the deportation proceedings set aside.

Two years later with the United States at war with the Central Powers, Steinhardt entered the Army as a private. Rising to the rank of sergeant, he was honorably discharged in the same year. His service was limited to duty in the United States. In 1919 he served as counsel for the Housing and Health Division of the War Department. The few brief months spent with this agency was the only governmental experience Steinhardt possessed before accepting employment under the New Deal.

Shortly after his return to civilian life, Steinhardt joined his Uncle Sam Untermeyer's law firm located on Pine

Street in the heart of Manhattan. With improved finances and a modest legacy from his mother's estate, Steinhardt exchanged wedding vows on January 15, 1923, with Dulcie Yates Hoffmann. The young, attractive Mrs. Steinhardt was the only daughter of Henry and Ida M. Hoffmann. The bride's father, a retired New York banker, however, had previously been killed in an avalanche while skiing in the Swiss Alps.

The mixed marriage uniting a Jew with an Episcopalian was not a new thing in the Steinhardt family. An unbroken Jewish strain was lacking on each his paternal and maternal side. Although he never renounced his Jewish faith neither did he remain a strond adherent. A non-joiner of Jewish and Zionist organizations, he on occasion worshipped alongside his wife in the latter's church. This religious toleration widened the gulf between himself and the radical Zionists in New York City. Furthermore, having been born of German ancestry, Steinhardt found little in common with the masses of Eastern European Jews congregated in New York. As will be shown later, his matter of fact approach to "Jewish problems" caused him considerable annoyance. He was shrewd enough to recognize the strength of the Jewish vote in the Empire State and the expediency to do their calling.

At the same time he seldom allowed his religious affiliation to determine decisions. In a crucial time when history dealt harshly with Jews all over the world, Steinhardt had a spiritual tightrope to walk. In his mind Jewish and Zionist demands were not always consistent with what he believed to be in the best interest of the United States.

Marriage changed Steinhardt in yet another way. Although the international aspect of his law practice forced him to look beyond the seas, his marriage into the Hoffmann family required frequent visits to Europe. Likewise the personal finances of the two families took on an international character; both Mrs. Hoffmann and the Steinhardts held considerable stocks and bonds in European and South American concerns which required periodic personal attention. Both Laurence and Dulcie Steinhardt readily accepted European culture. Unable to reach the linguistic accomplishments of his mate, Laurence did, however, master French and German.

Life in the late twenties was rather serene for the newlyweds. There were few financial problems. Sound investments afforded a bountiful life for them in their Park Avenue apartment. Distraction in their home, however,

came from the wails and screams of baby Dulcie Ann born in 1925. She was the only child to be born to the couple.

Storm clouds were gathering in other parts of the country. The heaviest was about to unload on Wall Street. Steinhardt had felt the first few drops. In the spring of 1929 following a slight dip in the prices of stocks, he thought them still "inordinately high." Accordingly, in his view, "the true values must be measured over a period of years not weeks."⁵ A disbeliever in speculative profits, Steinhardt withdrew from the market and fortified himself against the inevitable storm that raged in the fall of 1929. The only thing that amazed the New York attorney about the storm was its tardiness.⁶ To him, the economic barometer had called for a severe downfall that summer.

Coming through the Great Crash virtually unscathed, Steinhardt had little sympathy for those less fortunate. For those who had used Wall Street as a gambling establishment and a "get rich" scheme, he held contempt.

⁵ Laurence A. Steinhardt to Mrs. Ella H. Sullivan, March 26, 1929, Library of Congress, Laurence A. Steinhardt Papers. Hereafter cited as Steinhardt MSS.

⁶ Steinhardt to Mary B. Hinckley, December 2, 1929, Steinhardt MSS.

Why should they have sympathy when they had violated "the fundamental laws of economics and finance, and were engaging in a highly technical field about which they knew nothing?"⁷ Personally there was a sense of satisfaction for having been correct in his predictions. He hoped that the people had learned their lesson.

The depression that followed the storm was no surprise to Steinhardt. In the last month of 1929 the only question concerning the depression unanswered in Steinhardt's mind was its depth and duration.⁸ Only time and patience would lend him that answer. Meanwhile the business spiral sped downward until it became an international calamity. In the spring of 1931 he thought he saw signs of an economic renaissance in Europe, "the beginning of which cannot be much longer deferred--not more than another year."⁹ By summer of the same year, he revised his thinking. The situation in Germany appeared to him as "extremely ominous. Things

⁷ Steinhardt to Ina M. Hoffmann, October 29, 1929, Steinhardt MSS.

⁸ Steinhardt to Ina M. Hoffmann, December 2, 1929, Steinhardt MSS.

⁹ Steinhardt to Madeline Partridge, March 15, 1931, Steinhardt MSS.

were allowed to drift to a point where I am doubtful as to their ability to pull out" ¹⁰ Always a great admirer of Germany and things Germanic, he thought they could survive; "there is always a chance for Germany, with its extraordinary sense of order and discipline, to pull through a crisis which no other country could survive."

At this moment the survival of the United States rested squarely on the shoulders of the Hoover Administration. The machinery of the Federal Government was set in motion in order to pull the American people out of economic chaos and ruin. President Herbert Hoover for his part disliked direct involvement in federal relief programs and direct dole. He encouraged the States and private organizations to initiate programs to relieve the discomfort and distress among the unemployed. Such an organization was the Emergency Unemployment Relief Committee functioning in the State of New York. This Committee operated through the use of private donations.

Such was the situation when in the winter of 1931-1932 the Committee solicited a donation from Laurence Steinhardt.

¹⁰ Steinhardt to Mrs. Dulcie Steinhardt, July 15, 1931, Steinhardt MSS.

He turned them down flatly but, so he thought, justifiably. New York had already passed a law increasing the income tax fifty percent for emergency unemployment relief. This additional tax, he averred, was levied on but 60 to 70,000 families of the States's ten-million population. Furthermore, so he claimed, he owned stock in corporations already making large contributions. To make matters worse, unnecessary spending by the federal government for new roads and canals served only "to destroy the value of our railroad stocks."¹¹

Steinhardt disliked government interference in the nation's economy. He reminded his correspondent that "experiments with huge unemployment funds in England, Australia, Germany, and Russia have pauperized the people and bankrupted the governments."¹² He was also disdainful of those caught in the nation's economic catastrophe. They deserved to suffer because they had lived high without saving for the rainy day. "These people by their votes are coercing an

¹¹Steinhardt to Mrs. J. Ernest Stern, November 2, 1931, Steinhardt MSS.

¹²Steinhardt to Mrs. J. Ernest Stern, November 11, 1931, Steinhardt MSS.

increase in socialism and paternalism. The unemployed refuse to give up the movies and the flivver and the lights of Broadway for the farm."¹³ Needless to say, he did not suggest where or how these people were to obtain these farms.

There was in Laurence Steinhardt a broad, strong streak of rugged individualism. No doubt he felt that he was a self-made man. A true believer in the American capitalistic system, he looked back at the Golden Twenties with shock and disbelief and, yet, a feeling of satisfaction. He had played the game and won. By his own strength he had stood against the reckless wave of frivolity, nonsense, and waste that swept the nation against the rocks of ruin. While the rest of the nation had played, Steinhardt had worked; while the rest of the nation had spent, Steinhardt had saved.

To him, his nearly one-hundred thousand dollar annual income in the early 1930's was reward for hard work, frugality, and wisdom. It was not uncommon for the rugged six-footer to work ten to fourteen hours a day. He seemed to thrive on a work schedule few men could physically or mentally endure. However, he seemed to pay the price in his inability

¹³Ibid.

to relax. Small, trivial things upset him. He became unreasonably irritated and annoyed by rattling radiators in his Park Avenue apartment. Where another person might have dismissed it as a minor disturbance, Steinhardt felt compelled to make it a major issue. He threatened to terminate his lease, suggested that the building superintendent be fired, and in a small peevish way kept a daily time table of the "rattles." Annoyed and bothered by a busload of chattering school children, he lodged his complaint in a letter to the school's headmaster. To Steinhardt individual freedom ended when it impinged on the rights of others. Furthermore he was always the best guardian of his own individual rights.

He was likewise the sole guardian of his economic rights. It was Laurence Steinhardt pitted against the entire economic structure of the United States. By wit and cunning one could survive in the economic jungle. The amount of money involved in a transaction meant little. Steinhardt could argue just as strenuously over what he considered to be an unfair price of a gallon of gasoline as he did over the price of stocks and bonds. Perhaps he sharpened his wit on those things that others considered trifling. Such was a five dollar bill found in Gimbel's Department Store by Mrs. Steinhardt. Since

the bill was unclaimed and the statutory period had passed, Steinhardt wrote a letter to the store setting out all of his legal claims to the lost object. This was one of New York's highest paid attorneys in action. The value of the bill meant little, it was the principle involved.

And Steinhardt was highly principled. He was impeccably honest, straightforward, and scrupulous. So much was this true that seemingly minor things were magnified beyond their relative importance. Where these characteristics should have gained Steinhardt esteem and creditability they frequently did not. Instead the results often appeared as picayune and petty.

Nonetheless the creators of the Puritan ethic would have been proud of this American Jew. He was an ardent disciple of diligence, hard work, and thrift. Not only did he hold these to be good for the individual but held them to be just as valid for use by the federal government. The depth and length of the depression, he thought, "could have been very definitely curtailed, and the country put back on the track towards reasonably prosperous times, if the American people had not consigned thrift to the winds and gone

on an insane orgy of over-valuation, speculation, mortgaging their expected future income for present luxuries."¹⁴

The real culprit and profligate in Steinhardt's mind was the Hoover Administration. To his way of thinking they had thrown all laws of economics to the winds. It was indeed happy for him to see conservatives elected to Congress.¹⁵

As the depression deepened and the Republicans continued to flounder, Steinhardt's mind turned increasingly to politics. Already in 1931 he had become one of Franklin Roosevelt's financial contributors. Early in 1932 he wrote a stinging rebuke of the Hoover Administration.¹⁶ Put in pamphlet form and mailed to over five hundred people, Steinhardt challenged the Republicans for violation of elementary economic laws. In November, 1929, Hoover called leaders of business and labor to a series of conferences. He urged them to maintain production and to avoid wage cuts or increases, and he obtained promises that they would do so.

¹⁴ Steinhardt to Mrs. Irving McGeahy, January 16, 1932, Steinhardt MSS.

¹⁵ Steinhardt to Percy H. Stewart, December 4, 1931, Steinhardt MSS.

¹⁶ The Truth, The Whole Truth, and Nothing But The Truth, January 5, 1932, Steinhardt MSS.

Said Steinhardt, "During a period of declining business and diminishing gross receipts, expenditures should be curtailed. . . . it seems elementary in business that expenditures should not exceed income, and promises of good business in the future, when improvidently made, fail to eliminate operating deficits." He called administrative efforts to prevent wage reduction as "a mere vote-catching device." According to Steinhardt it was plain that America was suffering from excess plant and excess productive capacity. The law of supply and demand, he thought, would eliminate many factories that had no right to existence.

Through the reconstruction Finance Corporation, President Hoover as part of the total program hoped to encourage home building. Steinhardt scoffed at the idea as "but another manifestation of the failure to recognize the present debacle." His rejoinder was that the country was already overbuilt.

Along with other leading Democrats, Steinhardt called for less rather than greater government spending. Accordingly he deplored the growth in the number of federal employees and the increase of public works. Public funds were being allocated for "thousands of miles of utterly

unnecessary roads." Instead of spending money, he thought the government should economize, reduce its expenditures, pay its debts, and save. So too should the government change its taxing program. "The taxing of only four million taxpayers out of a population of 123,000,000 is unsound, unjust, and dangerous"

Steinhardt also hit hard Hoover's agricultural policy. He called the attempt to stabilize American wheat prices at a level above the world market, in the face of a huge crop and world overproduction, as "perhaps unexampled in world history." The real answer, he stated, could be found in the workings of the law of supply and demand, lower prices with greater consumption, and lower production.

There was really nothing unorthodox about Steinhardt's economic thinking. It appealed to many. One such admirer wrote Basil O'Connor (Roosevelt's law partner) and suggested that the Governor make Steinhardt his legal advisor.¹⁷ Steinhardt, in the writer's mind was a "shrewd, natural born politician" with a "keen mind and an unusual understanding of finance, economics, and particularly,

¹⁷Unknown author to Basil O'Connor, March 12, 1932, Steinhardt MSS.

international affairs." Not only would Steinhardt be a heavy contributor but as the "potential" international leader of the Jews could deliver a large bloc of votes. Steinhardt, the anonymous letter stated, would be "highly acceptable to Tammany without carrying the Tammany label." The emerging politician may have been puzzled by the reference to Tammany for he considered himself a lifelong member of that New York Democratic organization.¹⁸

Meanwhile Steinhardt himself set out to improve his own political fortunes. No doubt his \$7500 contribution brought cheers in the Madison Avenue headquarters. As a heavy contributor, Steinhardt automatically became an important member of the "team." The Pine Street attorney desired, however, a more active role commensurate with his ability. As a keen observer of the American economy, he felt confident that he could provide Roosevelt with the economic tools with which to carve a victory in the November elections. The party needed the ward-healer and backroom politician, he surmised, but so too did it need the financial and economic expert.

¹⁸ Steinhardt to Lawrence Hills, October 5, 1933, Steinhardt MSS.

Steinhardt was convinced that the national campaign would be fought on the economic battleground. He feared "the uneducated order of intelligence which comes to the surface in politics, the lack of original thinking, and processes of mind which calculate only in the number of votes," ¹⁹ He charged the Republicans with providing no real leadership instead of "leading the people over the thorny path of reduced expenditures, thrift, and time-tried methods of government, . . .," they resorted to, "time-tried socialistic failures. Sad though it may be, our so-called leaders seem to learn nothing from the socialistic experiments which have brought the rest of the world to its present sad pass." ²⁰ He believed the Democratic Party should form sort of a cabinet to serve in an advisory capacity to the nominee. It would debate national and international issues on various angles of addresses before they were released to the press. ²¹ More than likely he envisaged himself on the cabinet.

¹⁹ Steinhardt to Frederick H. Allen, April 28, 1932, Steinhardt MSS.

²⁰ Ibid.

²¹ Steinhardt to W. Forbes Morgan, April 12, 1932, Steinhardt MSS.

Already he had sent a copy of the The Truth, The Whole Truth to the Governor's Mansion in Albany. Roosevelt answered appreciatively that notwithstanding the fact that he had not read it thoroughly, he found it "interesting."²² Steinhardt followed this with a 12-point "National Economic Program."²³ Briefly stated, it included:

1. Crop reduction necessary to acquire loans from Federal Farm Loan Banks.
2. Unemployment insurance and Old Age Pensions:
 - a. Tax should enter into the cost of the finished product and not become a governmental or State burden or dole.
3. Natural resources belong to the people.
4. Federal Budget and Federal taxation:
 - a. Budget should be immediately balanced and all appropriations be set by the Bureau of the Budget.
 - b. Eliminate direct taxation and substitute indirect taxation.
 - c. Reduce expenditures of Veterans Bureau.
5. Federal Administration:
 - a. Same wages and hours for government

²² Franklin D. Roosevelt to Steinhardt, January 12, 1932, Roosevelt Memorial Library, Hyde Park, New York.

²³ Steinhardt to Roosevelt, March 28, 1932, Steinhardt MSS.

employees as the taxpayers who pay their wages.

- b. Reduce bureaucracy and overlapping.
 - c. Liquidation of governmental agencies in competition with private industries.
6. Federal and State coordination in construction of roads and public buildings and the financing of unemployment relief.

7. Inter-Governmental Debts:

That a corporation organized by the United States Government accept merchandise of the categories specified in the schedules and dispose of the same in American markets to the extent of their absorptive capacity at the price fixed by the foreign governments, and that the proceeds of such sales be credited on the account of its annual indebtedness to the United States Treasury.

8. Creation of an independent and non-political Tariff Commission.
9. Railroads:
 - a. Repeal of the recapture clause.
 - b. Control and regulation of trucks, buses, pipelines, and other methods of transportation which unfairly compete with railroads.
 - c. Relief from economic and burdensome taxation.
10. Business and industry in general:
 - a. Business be emancipated as soon and as much as possible; urged to go forward with the promise that no wild, socialistic, or economically unsound legislation will be recommended.

11. Labor must be patient until industry has been rehabilitated.
12. Prohibition question to be submitted to the people in a national referendum.

Although Roosevelt certainly agreed with portions of the program, there is no indication that he found it more than "interesting." Steinhardt received no hurried call hastening him to Albany.

About this time Roosevelt interested himself in the political mileage to be gained from an attack on the Republican's handling of the Reconstruction Finance Corporation. In an early April radio broadcast the Governor lashed out. The RFC, he insisted, had aided banks, railroads, and large corporations but had failed to ameliorate the conditions of the owners of small homes and farms. It added fuel to the growing public impression that the Hoover Administration cared only to succor big business and was doing little or nothing to relieve the suffering of the hungry or to help the small businessman.

Roosevelt's attack on the Reconstruction Finance Corporation met with Steinhardt's approval. He thought that the corporation would be an important campaign issue and

wrote Roosevelt accordingly.²⁴ When George B. McLaughlin, former New York State Bank Commissioner, replied to Roosevelt's charges, Steinhardt urged his candidate to return the fire. The young politician pointed out that "though banks have been getting funds, banks still continue to press small farmers and home owners." In short, he accused the banks of possessing a mania for liquidity. Roosevelt did not want to be drawn into a worthless debate with McLaughlin but requested Steinhardt to keep him advised on the activities of the Reconstruction Finance Corporation.

Roosevelt sought Steinhardt's advice on other matters as well. In early June the Governor requested the "latest information of the bank and gold situation."²⁵ But there was still no request to go to Albany. Obviously Roosevelt treated Steinhardt's economic proposals with high regard and respect and, yet, kept the man at arm's length. Was Roosevelt, the master politician, merely keeping all channels of communication and information open? Quite likely, for already a group of economic advisors--known early as the "brains

²⁴ Steinhardt to Roosevelt, April 11, 1932, Steinhardt MSS.

²⁵ Roosevelt to Steinhardt, June 7, 1932. Roosevelt MSS.

trust"--argued through long evenings at the Governor's fire-side in Albany, held audiences for economists in a hotel suite in New York City, and wrangled over drafts of campaign speeches. As the Democratic Convention approached Steinhardt still failed to occupy a chair he desired near the seat of power. He found it already occupied. In this situation Steinhardt had to content himself with a lesser but still important role in the making of the president, 1932.

Unquestionably Roosevelt made Steinhardt feel that the latter was an important member of the Roosevelt-for-President team. Steinhardt remained faithfully committed to the Governor's nomination. The Democratic Party Convention met on June 27, 1932, in Chicago. Like all Democratic delegates, Steinhardt arrived cheerful and confident. As a member of the New York delegation he probably joined in the singing of "Happy Days Are Here Again." Certainly he approved of the platform that blamed the depression on Republican policies: economic nationalism, business monopoly, and credit inflation. Likewise, he more than likely found satisfaction with planks that called for 25 percent reduction in the federal budget, a competitive tariff for revenue, regulation of holding companies and stock and commodity exchanges, and control of farm surpluses.

The real drama of the convention was in nominating the Democratic candidate for president. For a while it appeared as if the Democratic Party would engage itself in an inextinguishable deadlock as it did in 1924. The politically astute Roosevelt campaign manager, James A. Farley, saved the day. Snatching victory from possible defeat, Farley engineered Roosevelt's nomination on the fourth ballot. Steinhardt had backed a winner.

Returning to New York City Steinhardt was still limp from the excitement. To the Democratic nominee he wrote: "I would not exchange the experience of that week in Chicago for any other experience in life. There was more real fight and excitement packed into those few days, and particularly in holding some of our wavering delegates in line between midnight and 10:00 A.M. Friday, than I have enjoyed in a long time."²⁶ Much of the bitter feeling generated by the Al Smith forces toward Roosevelt's nomination "was largely stimulated by a packed hostile gallery."

As the summer waned, so too did Steinhardt's political enthusiasm. Apparently accepting his consignment to a

²⁶ Steinhardt to Roosevelt, July 5, 1932, Roosevelt MSS.

minor political role, he sailed for Europe where he remained throughout the month of September. Even though victory was almost a certainty in the fall elections, it is doubtful if those in command of the Democratic campaign would have permitted this from a member of the power elite. Had Steinhardt considered himself a member of that group it is unlikely that at such a crucial time he would have departed from the scene of the battle.

Steinhardt returned to the United States during the dying days of the campaign. It gave him time to throw at least one more thrust at the Republican Party. Roosevelt had intimated in a speech that the Supreme Court during Hoover's stay in the White House had made decisions favorable to Republican legislation. Hoover counterattacked and denied that the Republican Party dominated the Court. Writing to Louis M. Howe, Steinhardt stated: "It has been unwritten law in the United States that the Supreme Court . . . shall be as evenly balanced as between political faiths as possible, which means five to four."²⁷ He averred that when Hoover took office the division between the two parties stood at six-to-three.

²⁷ Steinhardt to Louis M. Howe, October 29, 1932, Steinhardt MSS.

In spite of vacancies caused by death, he continued, Hoover chose to keep the same six-to-three ratio. In effect, as he saw it, it was a Republican Court.

Election Day brought victory to Franklin Roosevelt and office-hungry Democrats. Losing a one-hundred dollar bet, a Hoover-stalwart provided Laurence Steinhardt an extra bonus.²⁸ National campaigns, he mused, "are not won by luck, but by strategy; not by money, but by brains."²⁹ How much, other than money, Steinhardt provided to the Democratic victory is open to speculation. Presumably it was less than he would have others believe but large enough to warrant early consideration in the division of the political spoils. He would have to wait until Spring.

Participation in the Roosevelt campaign did more than take Steinhardt into government service. It whetted his appetite for more politics. Assuring his uncle, Samuel Untermyer, that he had no intentions of making politics a

²⁸ Edwin M. Berolzimmer to Steinhardt, November 9, 1932, Steinhardt MSS.

²⁹ Steinhardt to Louis M. Howe, November 9, 1932, Steinhardt MSS.

career,³⁰ he must have been bitten unknowingly by the political bug. For throughout his service abroad he assiduously followed the American political scene and kept his political fences mended.³¹

Steinhardt kept a particularly watchful eye on the political developments in his home State of New York. Although he held onto his connections with Tammany, he now considered himself a "Roosevelt Democrat." It was his view that he owed nothing to the old leaders of Tammany who, he ruefully said, had done nothing for him. His loyalty belonged to the Roosevelt Democrats who had jumped him into "national politics overnight and without having to go through the slow tedious path of city and state politics."³²

Roosevelt had sparked a political ambition inside the young Steinhardt. Though the roads of government service were to take Steinhardt across oceans and continents, there came a time when he wanted most to travel the road that led

³⁰ Steinhardt to Samuel Untermyer, February 23, 1933, Steinhardt MSS.

³¹ Personal interview with George V. Allen, (Washington, D. C.), February 21, 1967.

³² Steinhardt to Joseph Johnson, October 30, 1933, Steinhardt MSS.

to Albany and the Governor's Mansion. He considered himself a fitting successor to the man who was now vacating it for the White House in Washington.

Chapter 2

STEINHARDT AND RECIPROCAL TRADE WITH SWEDEN

The interval between Roosevelt's election in November, 1932, and his inauguration in March, 1933, proved the most incongruous four months of the entire depression. As the nation teetered on the brink of disaster, the President-elect was everywhere--grinning, joking, waving his cigarette holder, giving the impression that he had not a care in the world. To millions he appeared enjoying the cat-and-mouse game being played with the out-going Hoover Administration. This outward appearance was deceiving, for Roosevelt, operating behind this facade, was quietly going about the business of shaping "New Deal" legislation. One of his primary considerations was the welding of a political team to carry the program to fruition.

A few Democrats received their future assignments during the interregnum. Party chieftans kept most of their followers waiting and guessing. Laurence Steinhardt, stating

that he was "by nature a pessimist,"¹ was not certain that anything was coming his way. "There are too many slips between the cup and the lip," he continued in like vein. An appointment was possible, he confided, but not probable. If anything were to come his way, it was certain that his influential uncle, Samuel Untermyer, would be among the first to know.

In a long letter to his uncle, Steinhardt surveyed the entire political range.² First of all, he wrote, "In none of my talks with Roosevelt at any time, either before his nomination or since his election, has he given the slightest intimation to me that he contemplated my appointment to any post." The closest approximation, Steinhardt continued, was a remark Roosevelt made before he was nominated, in which he said that every dollar contributed towards his personal preconvention fund would count as \$10 with him if he were elected.

Yet Steinhardt knew that he stood in high favor. While Roosevelt was in Warm Springs resting from the ordeals of the campaign, Steinhardt related to his uncle, the President-elect summoned Farley, Frank C. Walker, and Edward J. Flynn. He asked them to bring with them three lists of

¹Steinhardt to Mrs. Molly McAdoo, January 17, 1933, Steinhardt MSS.

²Steinhardt to Samuel Untermyer, February 23, 1933, Steinhardt MSS.

individuals to whom he was under obligation. List "number one" was the "Preferred List"--nineteen to twenty-one names of those who had supported Roosevelt throughout and who had contributed substantially to his preconvention fund. List "number two" included names of those Roosevelt felt under obligation to for assistance, not necessarily financial. This list was to be entirely subordinate to the "Preferred List." List "number three" included names of prominent people who had not necessarily supported the Governor before the convention but had supported him during the campaign. Steinhardt assured Undermyer that names on the "Preferred List" would not necessarily be considered for the Cabinet, as Roosevelt proposed "to name his Cabinet without regard to politics." Steinhardt's name stood high on the "Preferred List."

Samuel Undermyer had already advised his nephew on various positions he considered suitable for the young attorney. Heading the list was that of Commissioner of Internal Revenue; second, United States District Attorney; and, third, Ministerial appointment to either Switzerland or Sweden. Steinhardt discounted the first two. In one of the few instances where he showed lack of self-confidence, he pointed

out that there were too many candidates for Commissioner of Internal Revenue for him to be considered. The position as United States District Attorney, he directed, was a matter of political bargaining between Tammany, Flynn, and Farley.

This situation left only Undermyer's third suggestion--Switzerland or Sweden. "Everyone agreed that Switzerland was by far more important," Steinhardt wrote, "but this was held by a career diplomat, Hugh Wilson, and he [Roosevelt] had not yet decided how to handle the career situation." The retention of Norman Davis as chief delegate at Geneva, he thought, would probably hurt him, "as none of his crowd are too friendly towards us." Furthermore, he had no doubt "that the clique which constitutes the permanent service will fight tooth and nail against the displacement of [Hugh S.] Gibson in Belgium, [Hugh R.] Wilson in Switzerland, [Joseph C.] Grew in Japan, and [Robert W.] Bliss in Argentina who are their pets and their first line of defense."

Nevertheless Steinhardt did not think the situation hopeless. He thought Raymond Moley might help. In Jacksonville the Barnard College professor, so Steinhardt wrote

his uncle, had expressed himself as being bitterly opposed to the permanent career service. Then too Steinhardt had been busy "trying to map out an attack with all the necessary outposts and allies, so that when the time comes to call upon you [Samuel Untermyer] for help it would not appear that you were engaged in a purely 'nepotistic' attempt." He cautioned his uncle that he had received "repeated warnings from those close to the Governor that he hates or refuses to be pushed or crowded by influence into making any appointment. I sincerely believe that if he felt that you were trying to choke me down his throat he would turn against me."

In due time Roosevelt and his political potentates considered Steinhardt's appointment. As related in another letter to his uncle, Steinhardt reported that his status had been discussed in a meeting attended by the newly sworn-in President, Louis Howe, Farley, Flynn, and Walker.³ "It appears as if Roosevelt expressed himself as being willing to send me to Switzerland, but did not think it fair to send me--as he put it 'cold.'" The group agreed to keep Hugh Wilson, for the time being, in Switzerland. It was agreed

³ Steinhardt to Samuel Untermyer, March 21, 1933, Steinhardt MSS.

to offer Steinhardt the post of Assistant Secretary of State under Cordell Hull. In this position the New York lawyer was to reorganize the legal department. After a year's apprenticeship, so to speak, in the Department of State, Steinhardt was to be sent to the coveted post in Switzerland.

Confident that something was about to materialize, Steinhardt remained uncertain as to what he would be offered. Anxiously awaiting word from Washington, he was, as he suggested to Moley, "on pins and needles."⁴ Then word came; a wonderful relief after weeks and months of anxiety and anticipation. Not completely unexpected, he was offered the position as United States Minister and Envoy Extraordinary to Sweden.

If he were disappointed, it was never apparent. He welcomed the opportunity to get away from his New York law practice. The assignment, he wrote his sister, would give him a chance to relax and regain some of the health he had lost during "the last hard fifteen years."⁵ He assured her

⁴ Steinhardt to Raymond Moley, March 28, 1933, Steinhardt MSS.

⁵ Steinhardt to Mrs. Frederic F. Partridge, April 27, 1933, Steinhardt MSS.

that the post should not be difficult since "our relations with Sweden are excellent."

As presaged by Steinhardt the Swedish appointment was to be nothing more than a brief interlude. His stay was to be short, possibly eighteen months or two years.⁶

"I expect to be quite an opportunist about it," he assured his uncle. "I would stay in the post the shortest period of time necessary to make the available connections and to obtain what prestige it may lend."⁷ He went on to say, "I have not the faintest intention of making either politics or diplomacy a career but merely a means to an end, that end being the practice of law."

Meanwhile the Administration through the American Legation in Stockholm inquired as to Steinhardt's acceptability to the Swedish Government. The American Chargé d'Affaires was the first to raise the question of Steinhardt's fitness for the appointment.⁸ He reminded the Department

⁶Steinhardt to Samuel Untermyer, February 23, 1933; Steinhardt to Douglas L. Elliman, April 28, 1933, Steinhardt MSS.

⁷Steinhardt to Samuel Untermyer, February 23, 1933, Steinhardt MSS.

⁸Charles Crocker to Hull, April 19, Department of State Archives, 123 Steinhardt/4.

that Steinhardt was a member of a firm "representing a group of American holders of bonds secured by some fifty million dollars worth of collateral at present in Sweden and subject to Swedish jurisdiction." Hull informed the Legation that following the usual practice Steinhardt had resigned from his firm.⁹ To an acquaintance, Steinhardt lamented, ". . . I am resigning my partnership with the firm and becoming a 'poor diplomat'" ¹⁰

President Roosevelt sent to the Senate on April 26 the nomination of Laurence A. Steinhardt to be Minister to Sweden. Without a dissenting vote he was confirmed on May 4.

The confirmation, however, did not receive unanimous approval from the American press. At least one newspaper questioned Steinhardt's fitness for office. Hitting the newly designated Minister to Sweden in a sensitive spot, it called him "a dabbler in stocks." Offended, Steinhardt could not let the attack go unanswered.

⁹Hull to Charles Crocker, April 19, 1933, Department of State Archives, 123 Steinhardt/5.

¹⁰Steinhardt to Charles Ritz, April 29, 1933, Steinhardt MSS.

Firing off a letter to the editor, Steinhardt set out his personal history in the stock market.¹¹ He vehemently denied ever buying a share of stock on margin in his life. The bulk of the securities he sold in the spring of 1929, he asserted, he had owned, outright, for many years. When they had reached levels which he felt were vastly in excess of their intrinsic value, he disposed of them and put the proceeds into more secure holdings.

This letter afforded Steinhardt an opportunity to vent other feelings. In it he castigated the practice of certain American bankers. At this particular moment, his outpouring was not unusual. His voice was merely added to popular outcry against Wall Street. In Washington the Pecora Committee had just completed its dramatic investigation which, in turn, made possible the adoption of the Securities Act late in May, 1933.

Not unlike his famous uncle, Steinhardt, too, held a deep-seated suspicion of the money-lenders. To the editor he stated that "billions of dollars of foreign securities

¹¹Steinhardt to Editor, Springfield Journal [sic.] June 24, 1933, Steinhardt MSS. (N. W. Ayer and Son's Directory of Newspapers and Periodicals [Philadelphia, 1936] lists no such newspaper.)

were sold to the American public by so-called bankers with not the slightest prospect that the interest or principal could ever be repaid, the motive being the large underwriting commissions collected by those bankers." It was his opinion that a banker was under a solemn obligation to regard the welfare of the purchaser of the security offered by him at least in the amount which the banks received for affecting the sale. It would appear that in Steinhardt's thinking, the Securities Act was a step in the right direction.

Even while serving abroad, Steinhardt maintained an interest in banks and securities. As a part of international relations, some of the interest was in response to duty. Aside from that, for self-preservation he had to be interested. As an underpaid United States diplomat, Steinhardt had to depend on his own private resources to make up the difference between outlay and government income. Never did the two meet. Following the appointment of Sweden and his resignation from his law firm, Steinhardt's major source of income was derived from securities he held. Regardless of where he served, he necessarily had to keep a sharp eye on the American stock market.

Finances, in any case, were a secondary consideration to Steinhardt as the weeks reached toward summer. More and more his thoughts turned toward Sweden. Even before his confirmation by the Senate, he had addressed the Swedish Chamber of Commerce advocating the elimination of many of the trade barriers existing between the United States and Sweden.¹²

In May he was the guest of honor at a luncheon given by the American-Scandinavian Club.¹³ At this gathering the newly appointed Minister promised to encourage trade relations and tourist movements between Sweden and the United States.

Praising the foundation's object, "to keep the lamp of international friendship burning," he said he could conceive of "no better method of bringing friendship and understanding from one nation to another than by the interchange of students and establishment of fellowships."

His social whirl of Swedish-American societies continued. He and his wife attended the dinner-dance celebrating the formal opening of a new club--The American Society of

¹²New York Times, April 21, 1933.

¹³New York Times, May 13, 1933.

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Swedish Engineers.¹⁴ Sandwiched between such social engagements, Steinhardt read The History of Sweden by Carl Hollendorff and Adolf Schück. As a courtesy, he attended on June 16 the Swedish Evangelical Lutheran Gustavus Adolphus Church's "Te Deum" celebrating the seventy-fifth anniversary of the birth of His Highest Majesty the King of Sweden.¹⁵

Steinhardt found it a hectic experience preparing for his new venture. With irregular meals, he had to close his apartment, move his effects, purchase clothing, attend to his cases and clients, and prepare for the long stay abroad.¹⁶ He complained of having at the same time "a lot of intergovernmental matters dropped in his lap" long before he was prepared or anyone had a right to expect him to take them up. With all this to do, he had to make interminable trips to Washington and the Department of State.

¹⁴New York Times, May 20, 1933.

¹⁵New York Times, June 17, 1933.

¹⁶Steinhardt to Andre Mertznanoff, June 13, 1933, Steinhardt MSS.

At the Department Steinhardt found already in progress study on a proposed trade agreement between the United States and Sweden. No one was more committed to the lowering of tariff barriers than the new Secretary of State Cordell Hull. As a member of Congress he had opposed the high tariff rates imposed by the Republicans in 1909, 1922, and 1930. He envisaged "a liberal system of international trade not only as a remedy of the world's economic ill, but also as one of the chief pillars of peace."¹⁷ With huge Democratic majorities in both chambers of the 72nd Congress, Hull had every reason to expect the passage of a trade liberalization program. Of all the instructions given the new Minister to Sweden none was more important nor dear to the heart of Hull than the one concerning the trade agreement. No one was more in agreement with his proposals than Steinhardt.

While in Washington Steinhardt also called on the new President. Roosevelt asked him to go to the

¹⁷ Julius Pratt, Cordell Hull, 1933-1944, 2 vols. (New York: Cooper Square Publishers, 1964), vol. 1, p. 107.

World Economic Conference in London before proceeding to Stockholm.¹⁸ The new minister advised a friend to watch the Economic Conference carefully.¹⁹ "If the results are not important," he warned him, "I think you can expect a very definite and very substantial inflation in the Fall, which would make it most unwise, in my opinion, to part with equities. If on the other hand, the results are really substantial--which I am beginning to doubt--then I should not expect any serious inflation, and we might have substantial corrective reaction."

According to Steinhardt Europe would confront a different type of American president. "For the first time in this century they are dealing with a man who has American interests in his heart first, last, and all the time."²⁰ Roosevelt, he thought, would be a poor student of history had he not learned something from Wilson's experiences. The Conference, in his opinion, would last

¹⁸ New York Times, May 9, 1933.

¹⁹ Steinhardt to Milton Steindler, June 12, 1933, Steinhardt MSS.

²⁰ Steinhardt to William Rosenblatt, June 24, 1933, Steinhardt MSS.

through the summer, and the President's policy would be one of constantly shifting and changing his representatives. Steinhardt called it a new type of diplomacy-- "borrowed more or less from the football field."

Time was growing short and there were other preparations to be made. Small but important things had to be done. Although insignificant, it more than likely thrilled Steinhardt to have the United States coat of arms painted on the sides of his \$20,000 Isotta Fraschini. For a second car he purchased a Packard Waterhouse Convertible formerly owned by Damon Runyan. The day of departure approached.

A Bon Voyage dinner honoring the new American diplomat and his wife was held at the Waldorf-Astoria. With Frank C. Walker presiding and Eddie Dowling as master of ceremony, over two-hundred friends hailed Steinhardt as a "human and regular fellow."²¹ Richard H. Waldo of McClure's Magazine described the guest of honor as "wise, farsighted, marvelously analytical, endowed with good taste, and an excellent judge." Steinhardt

²¹ New York Times, June 20, 1933.

told of his good fortune in going to Sweden. He expressed the belief that Sweden was at or near the head of all civilized countries because of her 116 years of peace through crises that would have thrown almost any other country into war. Others present to bid the Steinhardt's "farewell" besides Walker, Dowling, and Waldo were:

W. Forbes Morgan, Gene Tunney, Edward J. Flynn, Basil O'Connor, Daniel Tobin, Robert Jackson, and Samuel Untermyer.

To the press Steinhardt denied he would carry "last minute" instructions to the American delegation at the World Economic Conference. (Although Steinhardt did stop in London on his way to Stockholm, it appears that Roosevelt intended to use him only as a "decoy." He was instructed "to mix around for a few days or a week with the conference crowd.")²² Stockholm being considered a vantage point for a clear view of Russia, the Minister was asked if he might not make valuable scrutinies of the Soviet Union.²³ He replied: "I should

²²J.R.M. to Hengstler, May 12, 1933, Department of State Archives, 123 Steinhardt/14.

²³New York Times, July 7, 1933.

say that Stockholm is an advantageous point from which to observe Russia. I shall certainly report back to the President from time to time on these observations." In his original instructions, Steinhardt was ordered to report on the Soviet Union. When the Department concluded that Riga was a better listening post than Stockholm, the order was countermanded.²⁴ The Minister even when taking a small holiday to the Soviet Union in 1934 did not formally report his findings to the Department.

The new Minister and his family departed New York for Sweden on the first day of summer, 1933. After a brief stop in Paris, they spent a few days "mixing with the Conference crowd in London." They reached their destination, Stockholm, July 25. The United States at this time owned no residence for its Minister in Sweden. It was up to each member of the Legation to shift for himself. Eventually the Steinhardts found suitable residence at Nobelgatan 2 where they remained throughout the Minister's service in Sweden.

²⁴Personal interview with Loy Henderson, Washington, D. C., February 9, 1967.

The Steinhardts desired a dwelling befitting a representative of the world's greatest power. In time, Mrs. Steinhardt had it elegantly, but tastefully, furnished. The lawn and shrubbery were carefully manicured; the house surrounded with flowers planted by the Minister and his wife. American tourists could point to it with pride. Life in Stockholm set a pattern for the Steinhardts; no matter where the diplomatic service took them, it became necessary for them to live in the dignity which, in their minds, was the American way. They were respected and comfortable but not, necessarily, ostentatious.

During this period, the manner in which American diplomats lived was left to the individual's personal ability and efforts. The United States Government provided little or no financial help. The Department refused to grant Steinhardt a \$25 allowance to purchase a flagpole for the Legation! Diplomats had to ship their own furniture and furnishings. The Government furnished no automobiles; there was no such thing as

a "gasoline allowance." In a word, the United States behaved "niggardly."²⁵

The Government's impecuniosity forced diplomats with limited finances to be careful with expenses. So it was with Laurence Steinhardt. But above and beyond the Minister's need for ordinary prudence was his mania for details and exactitude; financial transactions, no matter how small, were wars of nerve. Soon after he settled in Stockholm he let the local butcher know that he (Steinhardt) ran his household "on a business basis, exactly the same as I have run my business."²⁶ He would not tolerate price-gouging and expected "to pay the prevailing prices as quoted by other butchers." Never one to be cheated, Steinhardt threatened to check the weights -- "prices will be checked twice a week against prevailing prices."

The new American Minister and Envoy Extraordinary to Sweden presented his credentials to King Gustavus V

²⁵ Ibid.

²⁶ Steinhardt to Carl Larssons, November 4, 1933, Steinhardt MSS.

on August 29. After welcoming the American diplomat to Sweden, "the King expressed himself as disappointed in the outcome of the London Conference" The King said he regarded the present conditions of the world as pitiful, that commerce had been strangled, and that communism was a definite menace. He stated that communism was a real danger to Sweden and that lately, on several occasions, he had urged the Government to take more drastic steps to deal with the subject, adding that the Russians were carrying on a great deal of pro-communistic propaganda in Sweden."²⁷

The King's concern about communism no doubt stemmed in part from the fact that the Social Democratic Party had recently taken control of the Swedish Government. On September 29, 1932, Per Albin Hansson, who considered himself a good (but practical) Marxist,²⁸

²⁷ Steinhardt to Hull, August 29, 1933, Department of State Archives, 123 Steinhardt/19.

²⁸ Marquis W. Childs, This is Democracy: Collective Bargaining in Scandinavia (New Haven: Yale University Press, 1938), p. 65.

was requested by the King to form a cabinet. Hansson had risen from the ranks of labor. Cautious and unimpulsive, he was built with a round and open face with large eyes that sparkled with humor. Slow to anger and sure of himself, he led Sweden to accept him as its symbol. Long before he became prime minister, the workers had called him "our Per Albin," and soon he was Sweden's "Per Albin." In time the King, too, claimed the Prime Minister's friendship.²⁹

The election of 1932 was so favorable to the Social Democrats that the public expected much from it. The Party had won so much support in addition to that of organized labor that it was almost a people's party. While the Social Democratic Party of Sweden was nominally socialist, it had become in reality a party of reform. After 1920 they deserted a program of nationalization of production to favor nationalization of consumption, through the growth

²⁹O. Fritiof Ander, The Building of Modern Sweden: The Reign of Gustav V, 1907-1950 (Rock Island, Illinois: American Book Concern, 1958), p. 168.

of cooperatives.³⁰ The chief aim of the party was a higher living standard for all people. The Social Democratic social welfare program in time and purpose approximated Roosevelt's New Deal in America.

After getting settled in Stockholm, it did not take the new United States Minister long to grab hold of the diplomatic reins. Rickard Sandler, Swedish Minister of Foreign Affairs, who had been absent from Stockholm when Steinhardt first arrived, remarked that it took him only a few hours to hear about the new Minister's activities. Asked whether the reports were favorable or unfavorable, Sandler laughingly replied that he was referring to the Dexter & Carpenter negotiations.³¹

The case involving the American firm, Dexter & Carpenter, had languished for years in the diplomatic channels between the United States and Sweden. The claim arose out of a contract entered into by Dexter & Carpenter with Kunglig Järnvagsstyrelsen, also known as the Royal Administration of the Swedish Railways, for the sale by the former to the

³⁰Childs, This is Democracy, p. 65.

³¹Steinhardt to Hull, August 22, 1933, Department of State Archives, 123 Steinhardt/18.

latter of a quantity of coal. In 1922 the State Railways brought suit in the District Court for the Southern District of New York, describing itself as a corporation under the laws of Sweden, and sought to recover \$125,000 for an alleged breach of contract by the Dexter & Carpenter Company, Incorporated. The case passed through various stages of trial in the District Court, the Circuit Court of Appeals, and was twice presented to the Supreme Court on petitions for writs of certiorari, and on each occasion the Court declined to review the case. The claim by the State Railways was rejected by the Courts, and judgment for \$411,203.72 was given in favor of the American corporation on their counter claim.

Action was then brought in the United States District Court to execute the judgment by attachment of certain property in New York belonging to the Kingdom of Sweden. This was denied since it was contended that the property of the Swedish Government was immune from court process. The case was then presented to the Department of State as a diplomatic claim against Sweden, and correspondence between the two Governments ensued. Dexter & Carpenter agreed to settle the claim for \$150,000. However, the Swedish Government

over a period of eleven years had refused to take any action in settlement of the claim.

Dexter & Carpenter in the summer of 1933 sent their counsel, Charles Haight, to Sweden. Up to the time Steinhardt arrived there, Haight had made little or no progress. The two attorneys shortly got together and went over the details of the litigation. Haight confided that his client's actual out of pocket loss was "approximately \$70,000" and in addition the disbursements incurred in carrying on the lawsuit, Steinhardt set at \$15,000. The latter amount included stenographic charges, depositions, and the printing of briefs and records. Haight generalized as to the attorneys' fees actually paid by his client and without Haight saying so, Steinhardt deduced that the fees of his (Haight's) firm were on a contingency basis. From Haight's statements, Steinhardt judged that the total monetary cost of the case to Dexter & Carpenter, including the actual financial loss sustained by them, was approximately not less than \$85,000 and not more than \$90,000. Haight frankly admitted that the bulk of the judgment consisted of prospective or speculative damages or what might properly be referred to as potential profits under the contract.³²

³² Steinhardt to Hull, August 18, 1933, Department of State Archives, 458.11 Dexter & Carpenter/184.

Accompanied by Haight, the United States Minister hastened to see Swedish officials. Steinhardt thought that a settlement was still possible; Haight had serious doubts.³³ Steinhardt, in the discussion with Östen Unden, Acting Minister of Foreign Affairs, invited Haight to take the initiative in the talks, "thus leaving him [Steinhardt] free from any commitments in connection with future negotiations." Soon Steinhardt entered the conversation. He explained to Unden that the theory of agency in the United States was totally different from the theory of agency in Sweden. Continuing, Steinhardt explained to Unden the American theory of undisclosed principal as well as the theory of ratification of the acts of others. This seemed to occasion considerable surprise to Unden as it did considerable surprise to Steinhardt "that after eleven years of litigation the fundamental differences in the legal principles of the two countries should not have been brought to the attention of the Foreign Office."³⁴

³³ Haight to Green H. Hackworth, August 18, 1933, Department of State Archives, 458.11 Dexter & Carpenter/184.

³⁴ Steinhardt to Hull, August 18, 1933, Department of State Archives, 458.11 Dexter & Carpenter/184.

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Legal weapons were not the only instruments at Steinhardt's disposal. He told Unden that Haight and Dexter & Carpenter had brought a very considerable amount of pressure to bear with certain members of Congress forbidding governmental or private loans in the United States to any government or agency of any government against which an unsatisfied judgment of the United States Supreme Court was outstanding. The Minister also pointed out to Unden that judgments of the United States Supreme Court were invariably respected and said that the failure of the Swedish Government to remove the existing judgment by settlement or payment would cause extensive comment and might reflect upon the Swedish Government and Swedish credit. How much pressure Haight and Dexter & Carpenter brought on Congress is conjectural; there is no evidence to support the fact they brought any. Therefore, it is uncertain how much of this was an invention of Steinhardt's mind but, according to the American Minister, "it was unmistakable that they left a marked impression with him [Unden]." ³⁵

If Steinhardt had resorted to subterfuge, it nevertheless brought results. Though Haight in confidential

³⁵Ibid.

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discussions with Steinhardt agreed to reduce the amount of his claim, the Swedish Government on September 30 agreed to pay Dexter & Carpenter \$150,000. It afforded Steinhardt immense satisfaction to confirm the report that the longstanding controversy and litigation arising out of the so-called Dexter & Carpenter claims against the Swedish State Railways had been full and finally disposed of to the satisfaction of both Swedish and American Governments. "Obviously the continued existence of so fertile a source of irritation," he concluded, "was not conducive to improving the relations between the two Governments. The complete and satisfactory settlement of these claims removes the only serious issue between Sweden and the United States."³⁶

However, there were some Americans, more interested in other Swedish litigation. In March, 1932, the Swedish match king, Ivar Kreuger, shot himself in a Paris apartment. Mourned at the time of his death as a financial titan, he was revealed a month later to have been a swindler who had forged \$100,000,000 in bonds. Many Americans were

³⁶ Steinhardt to Hull, October 12, 1933, Department of State Archives, 458.11 Dexter & Carpenter/206.

victims of Kreuger's deception. Already in July, the month of Steinhardt's arrival, auditors from all over the world were busy at work in the Swedish capital. Steinhardt witnessed for the next several months the unraveling of one of the world's most notorious swindles.

To a few fellow-Americans, Steinhardt was more than a casual witness. From time to time both President Roosevelt and the Department of State received letters complaining of Steinhardt's, along with others, activities in connection with the Kreuger affair.³⁷

Circumstances, family ties, previous connections, and ignorance fathered the complaints. The situation of Norman H. Davis was one such example. The American Protective Association represented a large majority of the bondholders, American citizens for the most part. It created in July, 1933, an International Committee to study the position of the three Kreuger Companies, namely International Match, Kreuger & Toll, and Swedish Match with a view of

³⁷ Hull to John Bradford, December 29, 1934, Department of State Archives, 858.659 Matches/227; Bradford to Franklin Roosevelt, November 17, 1934, Department of State Archives, 858.659 Matches/219; C. Palmgren to Hull, July 21, 1935, Department of State Archives, 123 Steinhardt/60.

finding some solution of their difficulties for the benefit of their respective creditors and investors. The Protective Committee asked Davis, American member of the Disarmament Commission at Geneva, to head the International Committee. Receiving Presidential approval, Davis took a leave of absence (without pay) from his public duties and went to Stockholm. The fact that Davis in performing his functions as head of the Committee was acting in a private capacity, escaped consideration by the uninformed.

Davis, as head of the Committee, would have conferred with America's diplomatic representative in Sweden no matter who occupied that position. In like manner the American minister, no matter who, would have interested himself in the Kreuger proceedings. However, Steinhardt, as a former member of one of the country's leading firms dealing in international finances, was in a sensitive position. Some critics seemingly were unaware that he had severed connections with the New York City law firm headed by his uncle, Samuel Untermyer.

It is true that Untermyer was interested in the Kreuger litigation. As early as July, 1932, the Jewish financier had expressed a desire to go to Sweden "in

connection with the Kreuger & Toll matter."³⁸ In the fall of 1934, twenty-four American and foreign businessmen and economists interested in the reorganization of properties of the late Ivar Kreuger were guests of Samuel Untermyer at his country estate.³⁹ Laurence Steinhardt, United States Minister was among those present.

Steinhardt did not necessarily feel obligated to his uncle's business. In Steinhardt's mind the greater interest of America transcended any self-centered interest held by small, independently minded groups. If Untermyer's interest was compatible with that of most other Americans, there was no inconsistency in Steinhardt's thinking.

Admitting no rationalization, Steinhardt thought that as foreign diplomat his service should be in the interests of the United States. In his view since American capital represented the largest investment in the various Kreuger enterprises, American interests ought to play an important and perhaps determining role in any plan of reorganization that might be proposed.⁴⁰ He disliked attempts

³⁸ Steinhardt to Mrs. Madeline Partridge, July 6, 1932, Steinhardt MSS.

³⁹ New York Times, November 10, 1934.

⁴⁰ Steinhardt to Hull, March 14, 1934, Department of State Archives.

by the Swedish interests, both public and private, to gain an advantage over the Anglo-American interests.

Neither did he like the selfish interests which he imagined at work within the United States. In Stockholm he observed the activity of the American match industry that hopefully desired the emasculation of Swedish competition. To Steinhardt it was "reflective of the personal and selfish point of view which the country [the United States] has had such ample evidence in recent years, particularly in so far as it overlooks the greater interests of the greater number of our fellow Americans."⁴¹ In the same despatch Steinhardt stated that the American public had invested approximately \$350,000,000 in the various Kreuger & Toll enterprises. The total investment within the United States in the domestic match industry, he continued, amounted to less than \$40,000,000. It was the idea of those interested in the domestic match industry, Steinhardt wrote, "that the \$350,000,000 investment of tens and thousands of Americans should be sacrificed in order that the earnings of the industry within the United

⁴¹ Steinhardt to William Phillips, November 18, 1934, Department of State Archives, 858.659 Matches/229.

states, in which there is invested not much more than ten percent of the \$350,000,000 investment in the same industry abroad, may not be adversely affected."

The American match industry was also under the impression that both Davis and Steinhardt had recommended to the Department of State or were seeking a reduction of the American tariff on matches. Arthur Rosenborough, a member of the Davis International Kreuger Committee, assured Steinhardt that "there was no desire for any such reduction" and that he was inclined to believe that the coincidence of the trade treaty negotiations taking place at the same time as the attempts to rehabilitate the Kreuger companies must have led someone to jump at the erroneous conclusion.⁴² A reduction in the American tariff on matches, he went on, was not in the slightest degree essential to the Kreuger reorganization plans and that there was nothing in common between the American tariff on matches and the attempts to salvage for the American public a part of their investment in the Kreuger Companies.

No doubt Steinhardt thought he served the interest of the greater number of Americans. However, the degree of

⁴²Steinhardt to Hull, February 8, 1935, Department of State Archives, 858.659 Matches/247.

influence he had upon the Committee is open to speculation. According to Cordell Hull, Steinhardt was in no way connected with the reorganization of Kreuger & Toll.⁴³ And contrary to later statements, Steinhardt stated that he had not at any time taken part in any of the negotiations of the Davis Committee.⁴⁴ Furthermore, he suggested, it would have been quite absurd for him to do so, as the Davis Committee had at all times been represented in Stockholm by the most eminent counsel, who would have deeply resented any meddling on his part. It is a fact, notwithstanding, that these gentlemen discussed from time to time their problems with him privately, and he, in turn, endeavored to assist them--particularly in the social field--wherever he thought he could properly do so within the regulations of the Department. As United States Minister to Sweden, he "endeavored to maintain a spirit of harmony between all the parties interested" in what he regarded

⁴³Hull to John Bradford, December 29, 1934, Department of State Archives, 858.659 Matches/227.

⁴⁴Steinhardt to William Phillips, November 18, 1924, Department of State Archives, 858.659 Matches/229.

to be "a most constructive piece of work looking to the protection of American interest in Sweden."⁴⁵

Firsthand viewing of selfish motives evidenced in the Kreuger affair heightened Steinhardt's regard for American interests abroad. This regard was not only for private capital investment but also for the broader spectrum of international relations. He had already come to the conclusion that there was "only one way for the United States to deal with Europe" and that was "by adopting their own methods. They merely take advantage of our idealism and have no sense of reciprocity. We have spread our wealth over the four corners of the world by gifts, other charities, and loans and in return have nothing but ill-will, envy, and an ill-concealed desire to hurt us whenever possible."⁴⁶

The United States' policy in foreign affairs, Steinhardt thought, "should be nothing for nothing."⁴⁷ Having been too generous and charitable in our dealings

⁴⁵ Ibid.

⁴⁶ Steinhardt to Frank C. Walker, September 26, 1933, Steinhardt MSS.

⁴⁷ Steinhardt to Richard Waldo, January 4, 1934, Steinhardt MSS.

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with the rest of the world, he stated to the same correspondent, "they have taken advantage of us without so much as a thank you." In his view, we had failed to raise the rest of the world to the standard of American ideals. Consequently, the United States should retain its ideals domestically but in foreign dealings trade with others on the basis which they themselves have established, to wit: "we give nothing unless we get its equivalent in value to ourselves."

Such a course, he said, would shock Europe. However, over a period of years the policy would "result in greater respect for the United States and its citizens than the policies of the past under which we have not only been but have rightly been laughed at in Europe as suckers."⁴⁸

New Deal diplomacy, according to the Minister, was a move in the right direction. Every step taken by the President he asserted, was examined in Europe from a selfish European point of view. He was satisfied that at last "the American Santa Claus had closed shop."⁴⁹

⁴⁸ Ibid.

⁴⁹ Steinhardt to Frank C. Walker, January 20, 1934, Steinhardt MSS.

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Moreover, Steinhardt considered the diplomacy of the nineteenth century unsuitable for that of the twentieth century. New Deal diplomacy, he alleged, recognized the problems inherent in modern warfare, the ever increasing necessity for international trade, economic unsettlement, and political unrest. As far as it affected American diplomacy the New Deal called for "more work and less play; greater frankness and less formality; more action and less pomp; and above all honesty of purpose without mental reservation."⁵⁰ The old school of diplomacy is dead, Steinhardt announced, and in its place is rising a new school founded upon a standard of ethics which demands as between governments at least as high a standard as that required by upright business men in dealing with one another. "Only by a world wide acceptance of these principles can the nations expect or even hope for international trade relations and the abolition of war."

Steinhardt doubted, however, Europe's willingness and ability to adapt itself to this new diplomacy. As he saw it, there were fundamental differences between Europeans

⁵⁰ From Steinhardt address on unknown date in Sweden, 1934, Steinhardt MSS.

and Americans in their outlook on life. Whereas he saw Americans as optimistic, democratic, hospitable, generous, frank, and cordial, he depicted Europeans as having a natural bent for hereditary tightness, selfish, suspicious, formal, worshipful of station in life, and aloof.⁵¹ Europe suffered, as a consequence, from inefficiency; labor was impotent, lazy, and unable to compete with America's superior productiveness. As a result, he concluded, Europe looked to the United States for not much more than a dole and a handout.⁵²

These rather parochial and nationalistic views did not mean that he was anti-foreign, but his generalizations could scarcely have been supported by objective evidence. Steinhardt's state of mind led him to express the view that only the United States, with its intrinsic virtue, possessed the necessary economic skills. When the depression halted America's industrial machine, Europeans resented "the failure of the United States to maintain a

⁵¹ Steinhardt to Richard H. Waldo, June 28, 1934, Steinhardt MSS.

⁵² Steinhardt to Richard H. Waldo, May 9, 1934, Steinhardt MSS.

peak of prosperity for the benefit of Europe."⁵³ The rest of the world, he continued, was entitled to suffer from periods of depression, bad business, speculation, or other unhealthy outbreaks but the United States was supposed to be immune. He added; "Strangely this mental condition is not the result of any charitable or generous instinct toward the United States but rather that of the poor relation who has been supported by a rich relative all his life only to turn on his benefactor in a rage on learning that he is no longer wealthy and unable to continue his benefactions." Quoting an old adage, Steinhardt expressed to a fellow minister what he (Steinhardt) thought Europe's attitude was towards the United States:

The devil was sick, a monk would be--
The devil got well, the devil a monk was he.⁵⁴

Europe's ingratitude as reflected in the press disturbed the American emissary. In Sweden, news concerning the United States was received chiefly from English or German sources. "The news so received here is frequently distorted by these agencies foreign to the United States for

⁵³ Steinhardt to Hoggman Philip, May 3, 1934, Steinhardt MSS.

⁵⁴ Steinhardt to Ruth Bryan Owen, September 19, 1935, Steinhardt MSS.

their selfish national political or trade purposes. A vein of disbelief, sarcasm, exaggeration, and at times contempt permeates the news . . . This practice which is now of long standing has materially diminished the prestige of the United States in the Northern Countries and is seriously affecting our exports."⁵⁵ The prevalent notion in Europe that the United States was a lawless country annoyed him.⁵⁶

Steinhardt responded to what he considered journalistic perversion. As a private citizen he would have been stimulated to do so--as a representative of the United States he accepted it as a duty and obligation. Realizing that a managed press was incompatible with a free democratic society, he thought that "some means be provided, through existing agencies if possible, such as the Associated Press and the United Press, of furnishing news . . . more independent of the foreign agencies which persist in carrying anti-American news."⁵⁷ Likewise, he thought American-made

⁵⁵ Joint report of American Ministers; Mrs. Ruth Bryan Owen (Denmark), Edward Albright (Finland), and Laurence A. Steinhardt (Sweden) to Franklin D. Roosevelt, March 1, 1934, Roosevelt MSS.

⁵⁶ Steinhardt to Richard H. Waldo, June 28, 1934, Steinhardt MSS.

⁵⁷ Joint report of American Ministers to Franklin D. Roosevelt, March 1, 1934, Roosevelt MSS.

motion pictures should be regulated. The unsupervised export of movies, in his opinion, had "done great harm to the prestige of our country."⁵⁸ In a one-man campaign he set out to uproot the poor image of America in Sweden; the Swedes, from Malmö to Karuna, heard the story of American might and virtue. Thus disposed, he was determined to press his point in Washington. Steinhardt and Mrs. Ruth Bryan Owen, United States Minister to Denmark, collaborated on the creation of a scrapbook for the Department of State's use concerning newspaper accounts of American life as depicted in the Scandinavian press.⁵⁹

As a New Deal diplomat, Steinhardt also felt obligated to defend Roosevelt's recovery program from foreign misunderstanding. Using prepared speeches and statements, the American envoy protected the Administration's position on gold,⁶⁰ deficit financing and the national debt,⁶¹

⁵⁸ Ibid.

⁵⁹ Steinhardt to Mrs. Ruth Bryan Owen, October 27, 1934, Steinhardt MSS.

⁶⁰ Steinhardt to Hull, September 26, 1933, Department of State Archives, 123 Steinhardt/20; Steinhardt to Laurence Hills, October 12, 1933, Steinhardt MSS.

⁶¹ Steinhardt to Hull, October 4, 1934, Department of State Archives, 123 Steinhardt/43.

social legislation,⁶² agriculture,⁶³ and international trade.⁶⁴ Interestingly, Steinhardt found he could dance to the tune of the New Deal. As the tempo of Roosevelt's legislative agenda shifted from a conservative to a more liberal score, Steinhardt was seldom found out of step with the music. In a real sense, the shift in Steinhardt's thinking matched that of his Commander-in-Chief's.

Perplexingly, Steinhardt was all but oblivious to the extensive Social Democratic program designed to deal with the depression crisis in Sweden. It was during Steinhardt's stay in Sweden that--thanks partly to the publicity given to her by writers such as American journalist Marquis Childs, whose book, Sweden: The Middle Way,⁶⁵ was first published--she came to be regarded as an ideal state, which achieved social security, equality, and economic prosperity while remaining a liberal democracy. In

⁶²Ibid.

⁶³Steinhardt to Hull, March 1, 1935, Department of State Archives, 123 Steinhardt/51.

⁶⁴Steinhardt to Hull, February 5, 1936, Department of State Archives, 123 Steinhardt/71.

⁶⁵Marquis W. Childs, Sweden: The Middle Way (New Haven: Yale University Press, 1936.)

the 1933 Riksdag, Per Albin Hansson presented an extensive program designed to deal with the crisis; public works were to be undertaken by workers paid at market rates, agriculture was to receive more assistance, and an attempt was to be made by a bold financial policy to overcome the depression and pave the way for new recovery.⁶⁶ The new government came to the aid of the farmers by retaining controls already imposed by its predecessors and raised the fixed minimum prices of farm produce. Industry was encouraged by devaluing the krona to discourage imports.

Conditions improved rapidly in Sweden during 1933. Production and real wages rose, and unemployment sank; a period of prosperity greater even than that of the 1920's got into full swing. The situation was favorable for the introduction of further social legislation; unemployment insurance came in 1935 and old age pensions were raised appreciably in 1936.⁶⁷ During Hansson's first two years

⁶⁶ Ingvar Andersson, A History of Sweden, translated by Carolyn Hanney (New York: Frederick Praeger Co., 1956), pp. 438-39.

⁶⁷ Oakley Stewart, A Short History of Sweden (New York: Frederick A. Praeger, 1966), pp. 243-44. See also Franklin Scott, The United States and Scandinavia (Cambridge: Harvard University Press, 1950).

the government resorted to deficit financing; the two years following were sufficiently prosperous to balance the budget and pay off the previously accumulated debt. President Roosevelt in 1936 sent a special mission to observe and report on Swedish recovery programs.⁶⁸ Roosevelt's actions, however, were prompted more by Child's book than by the reports and observations of the American Minister in Sweden. Even though social legislation was the hallmark of the New Deal, Steinhardt failed to evince much enthusiasm for such programs in Sweden. It goes without saying that the Roosevelt Administration would have benefited from on-the-spot reports from Sweden.

Like the Social Democrats in Sweden, the early New Dealers in the United States concerned themselves more with domestic problems than with foreign affairs. When Roosevelt refused to submit a new tariff bill to the special session of Congress in the spring of 1933, it was a setback to the program espoused by Secretary of State Cordell Hull. The President mindful of Hull's unrelenting desire for a trade liberalization program, assured the Secretary that

⁶⁸ Hudson Strode, Model for a World (New York: Harcourt, Brace and Company, 1944), p. xix.

the chief executive had the power to negotiate reciprocal trade agreements. However, Hull knew the Senate's record in rejecting such treaties. Deeply hurt, he threatened to quit.⁶⁹ Roosevelt, in an attempt to soothe the Secretary's ruffled feathers, authorized the Department of State to sound out several countries on the possibility of negotiating reciprocal trade agreements.⁷⁰

One such possibility was a Swedish-American treaty. The depression had caused a marked decline in the exchange of goods between the two countries. After the Swedes abandoned the gold standard in September, 1931, the cost of American goods became excessive and diverted the requirements of Sweden to other sources of supply which were available. Violent fluctuations in the dollar exchange made Swedish importers extremely cautious and prevented them from buying in the United States. When America went off the gold standard a certain degree of the same uncertainty had the same bad effect. Reported refusal of American

⁶⁹ Cordell Hull, The Memoirs of Cordell Hull, 2 vols. (New York: The Macmillan Company, 1948), I, p. 42.

⁷⁰ Julius Pratt, Cordell Hull, 1933-1944, 2 vols. (New York: Cooper Square Publishers, 1964), I, pp. 108-10.

banking concerns to grant ordinary commercial credit facilities to finance export sales had the effect of forcing Swedish commercial interests to turn to other financial centers for such accommodations, primarily to London.⁷¹

Sweden was the first European country approached regarding a reciprocal trade agreement.⁷² In Stockholm, Steinhardt confirmed the report that he had received general instructions to initiate negotiations with the Swedish Government for a trade agreement.⁷³ The Swedish Minister in Washington, Wollmar Bostrom, received similar instructions from his government. The Department assured him that it would be glad to negotiate with Sweden promptly in order that there would be no discrimination against Swedish trade with the United States. The United States would accord Sweden, so the Treaty Division informed Bostrom, most-favored-nation treatment and later if desirable it would be incorporated into a reciprocity treaty.

⁷¹T. O. Klath to Hull, January 19, 1934, Department of State Archives, 611.5831/85.

⁷²William Phillips memorandum of conversation with Swedish Charge d'Affaires, July 13, 1933, Department of State Archives, 611.5831/50.

⁷³New York Times, July 27, 1933.

In the past the United States had incorporated the most-favored-nation principle in most of its commercial treaties. Its inclusion in various New Deal reciprocal trade agreements was not, therefore, a departure from American practice. With reduction of duties on a commodity imported from a country with which the United States made an agreement, the most-favored-nation principle operated to accord reduction on the same commodity when imported from other countries. As a low tariff country, its inclusion had particular significance for Sweden.

The indefiniteness of the development of prices of American commodities due to the National Recovery Act was another deterrent to Swedish-American trade. Bostrom feared that the Act would serve to increase import duties on Swedish products.⁷⁴ He was assured that his fears had no basis.

The National Recovery Act proved embarrassing in another way. American negotiators in preliminary discussions had promised the Swedes that pulp wood and newsprint would be exempt from import duties. Concurrently both commodities received protection under Section 3e of the

⁷⁴William Phillips memorandum of talk with Bostrom, October 18, 1933, Department of State Archives, 611.5831/69.

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National Industrial Recovery Act. The Executive Council meeting at the White House in January, 1934, discussed this ambiguity together with the general status of reciprocal negotiations with Sweden. President Roosevelt thought it unnecessary to hold up negotiations in spite of Section 3e. Roosevelt opined that there would be no great protest against continuing the commodities on the free list except in Maine and the Northwest. Inasmuch as he was willing "to stand the gaff," other members of the Council were willing to proceed with the negotiations.⁷⁵

Steinhardt on several occasions requested the Department to hasten the agreement.⁷⁶ In the summer of 1934 he sent a revised list on which tariff concessions might be asked of the Swedes.⁷⁷ Included on the list were: fresh fruit, automobiles, automotive parts and accessories, motion pictures, and silk manufactures. The Minister

⁷⁵William Phillips to Francis Sayre, January 16, 1934, Department of State Archives, 611.5831/91.

⁷⁶Steinhardt to Herbert Feis, January 22, 1934, February 20, 1934; March 20, 1934 in Steinhardt MSS. See also Ministers Report, March 1, 1934, Roosevelt MSS.

⁷⁷Steinhardt to Hull, August 9, 1934, Department of State Archives, 611.5831/116. For earlier list see Steinhardt to Hull, August 11, 1933, Department of State Archives, 611.583/54.

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thought that impediments existed in form of excise tax on tires and gasoline, stringent pharmaceutical and grain mixing regulations. Further impediments, he pointed out, were the possibilities of future Swedish laws requiring compulsory mixing of alcohol with gasoline, a threatened Governmental monopoly of motor fuel distribution, and extensive dumping by the Soviet Union of petroleum products. Steinhardt suggested that Swedish objectives would be to retain wood pulp, newsprint, and paper on the free list without reduction of quantity. In turn, the Swedes would ask for lower rates on iron, high grade steel and steel products, granite, matches, and industrial art products, particularly glassware and pewter.

Steinhardt concluded, however, that the most essential concession upon which the United States should insist was extraneous to tariff and rate changes. "If the object of the proposed treaty be the increased sale of American products," he asserted, "there is a basic obstacle which must first be removed and which is a more serious deterrent to the sale of American products than any tariff schedule could possibly be."⁷⁸ He had in mind the practice in Sweden

⁷⁸Ibid.

whereby individuals either imitated American products or pirated American trade-names and trademarks. The Swedish laws, reported Steinhardt, were antiquated and provided no relief to the offended. He considered it wise to protect American business by incorporating suitable provisions in the proposed treaty.

Although he favored government sponsored assistance to commerce, Steinhardt thought that American business ignored international trade. In Sweden they refused to take advantage of the excellent market that awaited them.⁷⁹ Instead, they contented themselves with inept franchises and one-time sales. Generally speaking, he thought, American products were over-priced with nothing but short term profits in mind. American businessmen, in his opinion, had to set long-range goals if they were to corner successfully their share of world trade.

The Department of State concluded its investigatory studies. In accordance with requirements specified in the Reciprocal Trade Act, the Department on September 10, 1934, gave public notice of its intention to negotiate a

⁷⁹ Steinhardt to Hull, December 11, 1934, Department of State Archives, 611.583/215.

trade agreement with Sweden. As anticipated most of the critics represented American match, wood pulp, paper, iron, and steel industries. Their effect on the draftings of the agreement was minimal.

Swedish intractability delayed the signing of the treaty. Notwithstanding obstructive tactics by Swedish Minister Bostrom in Washington,⁸⁰ Steinhardt urged patience. Confident that the two countries would eventually come to terms, the New Deal diplomat referred "to the fact that a disposition to bargain is inherent in the Swedish character. It is not a Swedish characteristic to strike a bargain quickly. The Swedes have a penchant for prolonged trading. They are a slow moving conservative people who . . . seem to believe that the length of time of a negotiation consumes bears some relation to the ultimate result arrived at."⁸¹

According to Swedish negotiators, they had good reason to forestall the agreement. The Swedish Government desired a clause written in the treaty which could

⁸⁰ Steinhardt to Hull, August 9, 1934, Department of State Archives,

⁸¹ Steinhardt to Hull, December 11, 1934, Department of State Archives, 611.583/215.

be construed as a recognition by the United States that Sweden pursued a low tariff and liberal trade policy. For that reason, they concluded, there was not available the same possibilities for bargaining and reduction of rates as with other higher tariff countries. They were particularly anxious for such a clause, partly for domestic political effect and partly because they thought that it would enable Sweden to better resist the pressure from other European countries.⁸²

This failed to satisfy Secretary Hull. He suggested that Steinhardt have "a frank talk" with either the Prime Minister or Minister of Foreign Affairs. Hull requested his Minister to inform Swedish authorities that United States policy tended toward lower tariffs and hoped to be able to grant liberal concessions, "but not without reciprocity, for it is the only way we can mutually increase trade."⁸³

⁸² Pierrepont Moffat memorandum of telephone address with Per Wijkman, October 23, 1934, Department of State Archives, 611.5831/187.

⁸³ Hull to Steinhardt, December 6, 1934, Department of State Archives, 611.5831/193a.

Steinhardt found nothing but cooperation in the Swedish Foreign Office. He assured Hull that Rickard Sandler, who as Minister of Foreign Affairs served also as President of the League of Nations, was sympathetic toward the Secretary's attempt to remove international trade barriers. Hereafter, he confided, specific items would be relegated to a place of secondary importance. According to Steinhardt, the Swedish Minister of Foreign Affairs was "engaged in the ambitious project of endeavoring to negotiate a treaty with the United States which he can hold before the eyes of the world as a 'model treaty' aiming at the destruction of trade barriers."⁸⁴

It appeared for the next several months that authorities had shelved the agreement. Suddenly in May, 1935, with no forewarning, Hull announced that negotiations had been completed and the treaty was ready to be signed. He cabled Steinhardt in Stockholm: "The negotiations have gone so fast that it has not been possible to telegraph you day to day developments. We do not want you to think, however, that we did not rely greatly on

⁸⁴ Steinhardt to Hull, December 22, 1934, Department of State Archives, 611.5831/216.

your excellent reports, and want you to know that we feel that your share in the conclusion of the agreement is a large one."⁸⁵ Officials in Washington signed the treaty on May 25; it became effective on June 7 when ratified by the Swedish Riksdag.

Steinhardt, for the most part, was satisfied. Undoubtedly he was disappointed that the treaty had no provision protecting American products, copyrights, and patents in Swedish courts. Taken as a whole, he regarded the treaty as very satisfactory. In a letter he stated his convictions: "I have no present intention of sending any formal despatch with respect to the provisions of the treaty. The matter is closed and I have never been given to wasting much time on that which no longer can be changed. Obviously, in any contract each side strives to get as much as it can and to give as little in return as possible."⁸⁶ Efforts on behalf of the treaty proved to be Steinhardt's most significant contribution as Minister to Sweden. It established him as a partner along with

⁸⁵ Hull to Steinhardt, May 23, 1935, Department of State Archives, 611.5831/245a.

⁸⁶ Steinhardt to T. O. Klath, June 12, 1935, Steinhardt MSS.

Secretary Hull in the New Deal's design to remove the world's tariff barriers. When in 1936 American exports to Sweden increased by nearly fourfold over what they had been in 1933, both Steinhardt and the Department hailed the Reciprocal Trade Treaty signed with Sweden in 1935 as the impelling factor.

Efforts on behalf of the treaty did not consume all of Steinhardt's time. He still found time to fulfill his reasons, in part, for accepting the ministerial position; he relaxed by sailing, fishing, skiing, playing tennis and bridge. In between activities he promptly and methodically sent bi-monthly post reports to Washington. Primarily the reports were gleanings from Swedish newspapers covering a wide range of activities. Seldom, if ever, did the Minister incorporate his own personal views in these reports. He left interpretation for those at the European desk in the Department of State.

On occasion he found time (from his northern outpost) to write friends his views of Europe. Like other diplomats of the time, Steinhardt was slow in recognizing the inherent danger in the Nazi regime in Germany. In the fall of 1932 while on his pre-election trip to Europe, Steinhardt

doubted Hitler's ability to take over the government.⁸⁷ In speaking of anti-Semitism, Steinhardt thought it "primarily a political expedient of the Nazis. The closer they come to the real accession of power, the less palatable anti-Semitism will be to them." Once in power, he said, Hitler would find himself "in the position of having to suppress anti-Semitism as much as possible." Even when Hitler acceded to power and increased rather than lessened his attack on the Jews, Steinhardt was of the opinion that Hitler had "done a great deal for the German people; if nothing else he as given them back their self-respect."⁸⁸ Although Steinhardt foresaw no trouble between France and Germany "for along time," he thought Hitler would be more acceptable "if some of his satelllites were of a different type or if he himself had not been so extreme in certain of his policies--particularly anti-Semitism--and did show a greater knowledge of government and

⁸⁷ Steinhardt to Jacob Landau, September 13, 1932, Steinhardt MSS.

⁸⁸ Steinhardt to Robert Davis, December 4, 1933, Steinhardt MSS.

economics and respect for world opinion" Had Hitler fulfilled these qualifications, Steinhardt could have said "a great many good things for his movement."

Steinhardt, on the other hand, was cognizant of Hitler's mishandling of foreign affairs. He thought that the Germans blundered badly regarding Anschluss between Austria and Germany.⁸⁹ "They have antagonized at least half of the Austrian people, have spoiled their chances of ever gaining English or French consent, have made the Little Entente extremely nervous, and have even alienated Italian sympathy on this point." In his opinion there could be no Anschluss between Germany and Austria "unless Germany attempts to bring it about by force which could easily precipitate a war in which even Italy could not be expected to side with Germany." Because of "the great hostility to Germany" rising from "commercial and financial mistreatment," Steinhardt predicted that the Swedes in the event of war would turn toward Britain and the British Colonies.⁹⁰ A long-time antipathy toward Russia, "the

⁸⁹ Steinhardt to John A. Hinckley, February 14, 1934, Steinhardt MSS.

⁹⁰ Steinhardt to Robert Pell, January 29, 1934, Department of State Archives, 123 Steinhardt/39.

traditional enemy," he thought would leave Sweden no other choice.

However, it was Swedish-American relations that dominated Steinhardt's thinking during his stay in Stockholm. Appreciating the magnetism of Anglo-Swedish relations, he did not desire English monopoly of Sweden's trade. Consequently, he urged Roosevelt and others to enter the psychological battle for Scandinavian markets. He implored the Department of State to display American prestige by sending war ships, air squadrons, famous individuals and athletic teams to Scandinavia.⁹¹

Ordinarily, Steinhardt had good, amicable relations with the Swedish press. It was events surrounding a visiting team of American athletes that presented him with his only real embarrassment during his stay in Sweden. The newspaper Idrottsbladet, leading Swedish sports journal, rebuked Steinhardt for a speech he was alleged to have made at a reception for visiting American athletes.⁹² The newspaper quoted Steinhardt as saying: "Be on your

⁹¹ Steinhardt to Roosevelt, January 24, 1935, Steinhardt MSS.

⁹² New York Times, July 19, 1934.

watch; the Swedes are a jealous nation and do not like to see foreign sportsmen triumph." Steinhardt denied the story stating that he had only advised American athletes to "comply strictly with the rules."⁹³ Later T. Tegner, proprietor and editor of Idrottsbladet, apologized to the New Deal diplomat: "We know you as the friend of Swedish sport in the Corps Diplomatique of Stockholm. What pains me more than the distortion is the violation of your hospitality."⁹⁴ The sincerity of the apology and the esteem in which Steinhardt was held by the Swedish press are best indicated by the correspondence he maintained with various individuals throughout the American's entire diplomatic career. Steinhardt, for his part, continued an acute awareness of the power of the press.

As America's quadrennial elections drew closer, Steinhardt's thoughts turned increasingly to politics. During his ministry he kept abreast of political developments. On home leaves he activated his political image, never failing to make a personal call at the White House

⁹³ Ibid., July 20, 1934.

⁹⁴ Ibid., August 29, 1934.

or Hyde Park. From Stockholm he sent the President an expensive crystal vase engraved with the seals of the Navy Department, State of New York, National Recovery act, and the Presidential seal.

Along with other diplomats, Steinhardt returned home for the Presidential campaign. A cartoon by T. E. Powers in a New York newspaper depicted the diplomats (Steinhardt among them) swimming home to help in Roosevelt's "Raw Deal" re-election.⁹⁵ It piqued Steinhardt. Steinhardt explained that such procedure had been common practice for years, the government paid only for the diplomat's first and last trip, and the expenses for absences beyond sixty days came from the diplomat's own pocket and resulted in an actual savings to the taxpayers.⁹⁶

Steinhardt was uncertain of the election's outcome. In June he thought Roosevelt's chances for re-election no better than 50-50.⁹⁷ He found it difficult

⁹⁵ New York Evening Journal, July 17, 1936.

⁹⁶ Steinhardt to Charles Michelson, July 14, 1936. Steinhardt MSS.

⁹⁷ Steinhardt to Mrs. Ina M. Hoffman, June 17, 1933, Steinhardt MSS.

to appraise the violent campaign against the President that had "emanated from Wall Street and the big investor interests."⁹⁸ The outcome of the election, he thought, "would depend primarily on which side makes the worst blunders."⁹⁹ This was true, he continued, because "in the United States . . . the masses vote against rather than for individual candidates--and pay very little attention to platforms or politics." Even so, he had no fears that the country would go radical.¹⁰⁰ Furthermore, he assured his correspondent, there are "some elements at the Republican Convention . . . so liberal (or even radical)" to make the Roosevelt Administration appear conservative by comparison.¹⁰¹

One such Republican "radical" Steinhardt had in mind was the popular Fiorello LaGuardia of New York.

⁹⁸ Steinhardt to James E. Brown, Jr., June 28, 1936, Steinhardt MSS.

⁹⁹ Steinhardt to James E. Brown, Jr., June 16, 1936, Steinhardt MSS.

¹⁰⁰ Steinhardt to Alfred Oste, July 28, 1936, Steinhardt MSS.

¹⁰¹ Steinhardt to Alfred Oste, May 15, 1936, Steinhardt MSS.

steinhardt as a Democrat was innately suspicious of the "Little Flower." But he imagined himself joined in this attitude with "conservative Republicans, in fact all Republicans outside the small" who had no use for LaGuardia.¹⁰² "They regard him as a demagogue and a wild radical--a politician to the finger tips with no knowledge of government and still less disposition to learn anything about government or finances."

The political situation in New York forced Steinhardt to look at his own future with reluctance. Early in the year Governor Herbert Lehman announced that he would not run for re-election. The declaration increased anxiety among Democrats in the Empire State. Steinhardt refused to commit himself or be nominated on the New York State ticket.¹⁰³ To his mother-in-law he wrote: "I have no intention, if I can avoid it, of running the risk of defeat at my age. If I were fifteen years older I would be forced to take a chance, but at my age I feel that I can afford to stand back, and if I run for office do so at a

¹⁰² Steinhardt to Laurence Hills, October 5, 1933, Steinhardt MSS.

¹⁰³ Steinhardt to Mrs. Ina M. Hoffman, June 17, 1936, Steinhardt MSS.

time when the election for a Democrat is better than it appears this fall."¹⁰⁴ The overcautious Steinhardt must have been astonished with the November results. Ultimately, Lehman decided for re-election and won handily; Roosevelt carried New York with a million vote plurality. Steinhardt was to wait for another day and another opportunity.

Pushing aside the politics of 1936, Steinhardt contemplated his immediate future. The prime consideration was whether to remain in government service or return to his private law practice. Having stayed in Sweden longer than he had originally intended, Steinhardt necessarily found an attraction in the diplomatic service. Was he now ready to trade in the excitement, power, and public attention of an American diplomat for the routine and obscure life of a Pine Street attorney? Which of the two would present the best opportunity to fulfill his still unsatisfied political ambitions?

One decision had already been made. Steinhardt would not return to Stockholm; there would be nothing to be gained by doing so.¹⁰⁵ In April he had informed the

¹⁰⁵ Steinhardt to Mrs. Ina M. Hoffmann, October 9, 1936, Steinhardt MSS.

president accordingly. He had made up his mind that he would not stay in government service unless offered "a cabinet post or one of the important Embassies in Europe or South America."¹⁰⁶ These were the only two continents that interested him and having had a legation, he did "not care for anything less than one of our important Embassies. . . ."¹⁰⁷ Thus, to a large extent, Steinhardt's immediate future lay in the hands of the man in the White House, President Franklin Roosevelt.

¹⁰⁶ Steinhardt to Major Frederic A..Partridge, November 20, 1936, Steinhardt MSS.

¹⁰⁷ Ibid.

Chapter 3

GOOD NEIGHBOR AMBASSADOR TO PERU

Following his bitterly fought but relatively easy victory in the 1936 election, President Roosevelt left Washington for well-earned and much needed rest. With the New Deal at high tide, the President swam lustily, bathed himself in the tropical sun, and fished. However, it was not all play. Aboard the yacht Potomac, Roosevelt and advisors mapped strategy for the next round of New Deal legislation, discussed international affairs, and dealt with domestic political problems.

At some moment aboard the Potomac Roosevelt considered the future of Laurence A. Steinhardt. As he had done in 1932, Steinhardt again had made generous campaign contributions. In addition to donating money, Steinhardt had influenced his friend, Arthur H. Sulzberger of the New York Times into a more conciliatory attitude toward Roosevelt's campaign.¹ Shortly before the election, the Democratic

¹Steinhardt to Marvin McIntyre, June 15, 1936, and July 20, 1936, Roosevelt MSS.

candidate and Steinhardt had discussed future possibilities. Knowing that Steinhardt desired not to return to Sweden, Roosevelt intimated that a post might be found for the New Deal diplomat in South America.² Having found time to deliberate on the matter, Roosevelt became convinced that the American Embassy in Peru ideally suited the talents of the ambitious diplomat. Peru had already been chosen to host the next Pan-American Conference; its success, in part, depended upon having a reliable American representative there during the preparatory stages. Pleased to be elevated to ambassadorial rank, Steinhardt agreed to serve in Peru through the Conference.³

Shortly after Roosevelt's second inauguration, Steinhardt returned to Sweden. Aware of his impending appointment to Peru, he knew his stay in Stockholm would be brief. Between caring for routine diplomatic affairs, he arranged personal matters, tended to the shipment of furniture and personal effects, and made preparations for his successor. The Administration had already determined his replacement.

²Steinhardt to Mrs. Ina M. Hoffmann, November 28, 1936, Steinhardt MSS.

³Steinhardt to Charles S. Guggenheimer, April 1, 1936, Steinhardt MSS.

The present ambassador to Peru, Fred H. Dearing, and Steinhardt would trade assignments.

Steinhardt spent his last several weeks in Sweden exchanging farewells with acquaintances and friends. Aristocratic-minded, Steinhardt had limited his acquaintances to members of Sweden's upper class: industrialists, business leaders, and professional people. He was assured, however, that his friendship with these people did not stem from his diplomatic position.⁴ "It is almost as difficult for a diplomat to get into the circles of these business people as it is for a camel to get through a needle's eye," The writer informed the American Minister that the ability "to get into touch with people" depended "exclusively" on the diplomat's personality rather than position. "I go so far as to say that you became popular notwithstanding you were a diplomat." The correspondent neglected the fact that Steinhardt, through Samuel Untermyer's international financing (as already witnessed in the Kreuger affair), had a "ready-made" audience. It is significant that he failed to reach beyond the class of people involved in the litigation.

⁴Carl Trygger to Steinhardt, January 11, 1937, Steinhardt MSS.

The Swedish press was expansive and complimentary. The Svenska Dagbladet, the leading conservative newspaper, after applauding Steinhardt's contribution in connection with the Dexter & Carpenter Case, the Kreuger affair, and the Swedish-American Trade Agreement, concluded:

Minister Steinhardt has devoted much interest and great effort toward increasing in Sweden knowledge of American conditions. In so doing he has led diplomatic activities into paths not heretofore followed in this country. For example, he has delivered lectures in different parts of Sweden, and he is believed to be the first foreign envoy who has delivered a lecture before the Swedish Society of Economists.⁵

The Nya Dagliegt Allehanda was just as effusive. In respect to the development of Swedish-American cultural relations, it said, one finds traces of Steinhardt's work everywhere. "Mr. Laurence Steinhardt will leave a void and will be missed here in Sweden. But such is life in the diplomatic world. Faced with the unavoidable parting, Sweden can only express its appreciation and say 'Good Luck' to this friend of Sweden" ⁶ No compliment could have been more meaningful to the departing Minister than that from his own

⁵The Svenska Dagbladet, June 25, 1937, as translated in Steinhardt MSS.

⁶The Nya Dagliegt Allehanda, June 25, 1937, as translated in Steinhardt MSS.

Commercial Attaché: ". . . your work here will never, I am certain, be forgotten and the more I think of it the more I am convinced no pettiness can possibly injure the position you built up here for the United States and for yourself personally."⁷

The cordiality of the Swedish press toward the American Minister and the country he represented resulted from Steinhardt's personal efforts. Since arriving in 1933 he had turned an unfavorable press into one that upon his leaving showed "a strong American attitude."⁸ It had taken cultivation. According to Steinhardt a diplomat generally had no control over the time or place of an interview; caught off-guard, he might have other things on his mind. If the diplomat avoided or refused an interview, the press immediately presumed that he concealed something. Such being the case, Steinhardt made it a practice to grant the interview, in this way, obtaining some inkling what the particular publication was likely to print. Even by using such precaution, Steinhardt was aware that a single word in translation might

⁷ Charles E. Dickerson, Jr. to Steinhardt, June 26, 1937, Steinhardt MSS.

⁸ Avra M. Warren to Rudolf E. Schonfeld, unknown date, 1937, Steinhardt MSS.

change the whole meaning; or a reporter, with his ideas on a subject, might alter the interview to correspond with his own views.⁹

The time arrived, however, to set aside the problems of Sweden for those of Peru. Confirmed by the Senate on April 19, 1937, Steinhardt busied himself gathering information concerning the country to which he had been assigned. Peru, like other Latin American countries, had undergone a series of difficulties following the world depression. Much of the Peruvian problem stemmed from the dictatorial regime of Augusto Leguiva who had governed the country from 1919 to 1930. He initiated in the early twenties a reform program which included modern public works, pavements, immense reclamation projects in the interior of the country, enlargement of the public school system, and protection of the Indians. When it became evident that his program of improvements involved immense graft and mortgaging, the best citizens began to criticize. Forthwith, the critics were ruthlessly imprisoned or sent into exile. Meanwhile, the president continued to float more loans by giving liens on petroleum,

⁹ Steinhardt to Carl Trygger, February 3, 1937, Steinhardt MSS.

guano, and customs, even granting to a foreign-controlled board the right of collecting taxes.¹⁰

American investment in Peru increased substantially during the Leguiva period. About one-third of this investment was in the nature of loans; the money was to be spent for public improvements, but actually much of it went for graft, for buying immunity from crime, and for preparation for war. Loans to Leguiva were given with severe mortgage conditions, and caused deep resentment among the helpless Peruvians who saw the future of their country thus pawned by the dictator.¹¹ A military coup in 1930 overthrew the regime.

The men Leguiva had hounded out of the country came back. Victor Raul Haya de la Torre, the leader of APRA, (alianza popular revolucionaria americana), stood for the presidency and lost the vote to Sanchez Cerro, a second-rate soldier who was not equipped to meet the problems which came with the worldwide financial collapse. While disorder spread throughout Peru, with violent anti-foreign feeling, a moratorium was declared on all foreign debts. Bonds sold to

¹⁰Samuel Guy Inman, Latin America: Its Place in World Life (New York: Harcourt, Brace and Co., 1937), pp. 149-168.

¹¹Ibid.

American investors fell from \$97 to \$7. The American public lost almost \$100,000,000.¹²

Sanchez Cerro was assassinated in 1933 and General Oscar Benavides took over. The plump Benavides--called "Waterbelly" by his political opponents--was educated at St. Cyr, the West Point of France, and served as ambassador to Rome where he became the friend of Mussolini. Soon after becoming president, Benavides released Haya de la Torre from prison. Two years later when the country was clearly behind Haya de la Torre, Benavides ordered his arrest and proscribed APRA. The President-Dictator of Peru ruled by force and not by law. When in 1936, Haya de la Torre's candidate was clearly elected after only eighty percent of the ballots had been counted, Benavides stopped the counting and declared the election illegal.¹³ Thereafter he ruled without a congress.

Benavides liked to think of himself as a benevolent dictator who used force only when it was necessary. In Peru, he considered himself taking the middle course between the extremes of Aprism and the outright fascist reactionaries

¹² John T. Whitaker, Americas to the South (New York: The Macmillan Company, 1939), pp. 19-20.

¹³ Ibid., p. 18

who owned El Comercio, the country's leading newspaper.¹⁴

Not unlike the New Deal, he initiated a vast public works program: the building of highways, workers' homes, and schools. A social program included paid vacations and compulsory social insurance. To finance these programs Benavides borrowed money from the International Petroleum Company (which belonged to Standard Oil of New Jersey) in return for a promise not to increase duties levied against the Company.¹⁵

Benavides benefited from boom times. Roosevelt's curtailment program opened up markets for Peru's high grade long-staple cotton. Simultaneously, copper and other mines benefited from world rearmament. The Fascist countries with their expansion of war industries put forth strenuous efforts in Peru to sell munitions, war vessels, and airplanes. The selling of such products necessitated the sending of experts, which increased economic and political influence and insured further orders.¹⁶ In four years,

¹⁴Ibid., p. 22.

¹⁵Ibid., p. 23.

¹⁶America Carleton Beals, The Coming Struggle for Latin (New York: J. B. Lippincott Company, 1938), p. 99.

1934 through 1937, Hitler moved German exports up from nine to approximately twenty percent. Even so, the United States retained roughly thirty-six percent of Peruvian exports. German gains were largely at the expense of the British.¹⁷

The fact that Peru was economically a colonial country added to its problems and served to complicate the picture. Sixty percent of the Peruvian railroads were owned in perpetuity by the British. A German family owned Casa Grande, which produced forty-five percent of Peru's sugar crop. Italians owned a bank and electric power, light, and trolley monopolies in Lima. United States capital was represented by the Cerro de Pasco Copper Corporation which mined ninety-five percent of the copper and more than half of the country's large supply of silver and gold. Other important United States firms with investments in Peru were International Petroleum Company and W. P. Grace and Company which had a virtual monopoly on shipping between the United States and Peru.¹⁸

¹⁷Whitaker, Americas to the South, pp. 36-38.

¹⁸Inman, Latin America: Its Place in World Life, pp. 166-167.

Steinhardt should not have been surprised when Under Secretary of State Sumner Welles, at the latter's Oxon Hill Manor, informed the new Ambassador that Peru was "the particular sore spot for us in Central and South America at the present time."¹⁹ Although torn by both domestic and foreign dissension in the 1930's, Peru had not known political unity since the time of the Incas. The Andes divide Peru into three distinct areas; the coast, the intermontane plateaus, and the jungle east of the mountains. Each of these three parts had its own problems and its own way of living.²⁰ The struggles between Benavides and anti-Government forces, the fascists and anti-fascists increased this "natural" disunity. Undaunted by Peruvian problems, Steinhardt admitted that he was not optimistic about his chances to improve matters but "as the situation could not be much worse there was little room for failure and a possibility of at least some degree of success" if he received any

¹⁹ Steinhardt to Rudolf E. Schonfeld, August 4, 1937, Steinhardt MSS.

²⁰ Harry Kantor, The Ideology and Program of the Peruvian Aprista Movement (Berkeley, California: University of California Press, 1953), p. 4.

kind of a break.²¹ In similar manner, he was warned by his predecessor at Lima that the post in South America would be "quite different from the one in Stockholm."²² The Peruvian post involved, he was told, "of being a 'good neighbor' to people who aren't always as sincere about being good neighbors as we ourselves."

The "Good Neighbor" policy of the early New Deal had been motivated by the desire to promote hemispheric economic recovery, which in turn would help the United States fulfill its domestic recovery program. The Roosevelt Administration later showed an interest in maintaining a policy of non-intervention and in concluding dollar diplomacy. At Montevideo, Uruguay, in 1933, Secretary Hull gained tacit support for reciprocity and he prevailed upon the other republics to endorse several commitments to outlaw war. The most important action of the meeting was to approve Article VIII: "No State has a right to intervene in the internal or external affairs of another." The pronouncement

²¹ Steinhardt to Rudolf E. Schonfeld, August 4, 1937, Steinhardt MSS.

²² Fred M. Dearing to Steinhardt, May 1, 1937, Steinhardt MSS.

marked an end "to that interpretation of the Monroe Doctrine which justified and gave sanction to the intervention of the United States in the affairs of the states of the New World."²³

It became evident by the time Steinhardt associated himself with the policy in 1937 that there was more to world unrest than simply monetary and commercial dislocation. Alarming developments in Europe--the increasing aggressiveness of Nazi Germany and Fascist Italy, the penetration of German and Italian influence into Latin America--seemed to menace the peace of the New World as well as the Old. As American Ambassador to Peru, Steinhardt had two diplomatic courses to steer: the first, a continuation of efforts to increase American recovery; the second, a diplomatic policy designed to promote hemispheric solidarity.

However, Steinhardt's first concern after arriving in Lima was related neither to economic recovery nor hemispheric solidarity. As was the case in Sweden, his first concern dealt with housing and American physical properties. To a person sensitive to America's image abroad, the physical

²³ Dexter Perkins, A History of the Monroe Doctrine (Boston: Little, Brown and Company, 1963), p. 347.

condition of the United States Embassy was deplorable. In a long letter to Sumner Welles, the Ambassador described not only the physical status of the Embassy but set forth his views regarding the morale of the employees. In making the disclosures it became necessary to reveal the names of those he thought responsible for the sad plight of the United States Embassy in Peru.²⁴ Realizing this could not be done without some embarrassment, Steinhardt was firm but discreet. Above all else, he felt it an obligation owed to the United States.

The physical condition of the Embassy was enough to cause poor worker morale. It was shocking! Steinhardt found the equipment and furniture disgraceful, typewriters in need of repair, and index cards filed in shoe boxes. There were no lamps, hat racks, nor tables; the floor coverings were an "eye sore." Inasmuch as there was no heating system in the chancery, employees used an old kerosene stove to take off the dampness. At his own expense, Steinhardt purchased electric heaters.

The staff was demoralized. Women employees in the chill of the chancery worked in their coats. Employees

²⁴Steinhardt to Sumner Welles, September 29, 1937, Steinhardt MSS.

had no respect for their former chief and were indifferent to the Government's business. The staff, short two employees, was inadequate. Of the three stenographers, Steinhardt noted that two were married and "much more interested in domestic affairs and social engagements" than in their jobs. The other he described as "a jittery neurotic spinster of nearly sixty."

The United States owned neither the Embassy nor chancery. It so happened that the owner of the property was Mme. Benavides, wife of the Peruvian dictator. Both husband and wife were displeased with their tenants; so much so that they tacitly refused "to accomodate the embassy in the most trivial respects." Steinhardt found them so wrathful that he thought it "a waste of time to endeavor to accomplish anything . . . until the President and Mrs. Benavides are first put in a more conciliatory frame of mind."

Much of the Benavides's unhappiness resulted from financial dealings with Steinhardt's predecessor, Fred M. Dearing. Out of an annual rental of \$7200 paid by the United States Government, Dearing, a career diplomat nearing retirement age, had demanded and received from Mrs. Benavides a monthly refund of \$100, or \$1200 a year. According to

Steinhardt, "Mrs. Benavides's fury knew no bounds when Dearing, who sailed June 3, demanded and received advance payments for June and July." Further investigation by the new Ambassador revealed that Dearing had consistently opposed the erection of a residency by the United States Government claiming that the location was unhealthy. This, in spite of the fact, as reported by Steinhardt, that the British Government had built within three-hundred yards of the proposed site. Carrying his investigation further, Steinhardt disclosed that his predecessor entertained to a negligible extent; this in turn being supported by the fact that no part of Dearing's salary of \$17,500 was used in Peru, being deposited in New York and retained there virtually in its entirety. Also, Steinhardt continued, Dearing had an overdraft of approximately \$3000 at the Lima Branch of the National City Bank which had been running for a period of over three years.

Steinhardt carried his investigation of Dearing into yet another area. There was a "compulsory payment for a brief period to a Mr. de Silva of \$71.50 monthly out of \$96.50 salary of a clerk in the Embassy." The records of the Embassy indicated that de Silva came to Lima from Portugal after Dearing was transferred from Lisbon. After working

for the Embassy (and living with the Dearings), de Silva resigned and went into the liquor importing business. Steinhardt was "satisfied without a reasonable doubt" that his predecessor had "imported liquor duty free under his diplomatic privilege, Mr. de Silva paying for the shipment and receiving one-half thereof--the Ambassador receiving the other half free of charge."

The Department of State investigated the charges. In essence it confirmed the allegations made by the New Deal diplomat. Suffice it to say that after the gossip died down, Dearing, on the grounds of his wife's health and that of her parents',²⁵ after more than thirty years of service, was allowed to resign. Steinhardt was relieved that the investigatory report confirmed his letter to Welles; " . . . it is renewed evidence of the confidence and respect which the State Department appears to have for my judgment," he wrote his wife.²⁶

With alacrity Steinhardt set out on the task of restoring confidence in and creating correct image of the

²⁵Charles E. Dickerson, Jr. to Steinhardt, June 14, 1938, Steinhardt MSS.

²⁶Steinhardt to Mrs. Dulcie Steinhardt, June 21, 1938, Steinhardt MSS.

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American Embassy in Peru. It necessarily required a shifting of some personnel. Mme. Benavides, with renewed faith in the Americans, consented to minor repairs on the Embassy. Located in the suburb of Miraflores, the Embassy was old but rich in legend.²⁷ The Steinhardts surrounded it with gardens teeming with flowers. In view of the forthcoming Pan-American Conference it was necessary to modestly refurnish the interior. As was the case when the Steinhardts occupied the United States Legation in Stockholm, so too could Americans now point to their Embassy in Lima with pride.

It amazed the new Ambassador that the world knew so little about Peru. Overstating reality, he declared that the country was "probably the richest in the world" in natural resources. True, Peru was rich in gold, silver, copper, vanadium, and oil but it lacked the coal and iron necessary for industrial development in the Twentieth Century. Sadly, too, the riches of the country had fallen into the hands of foreigners. Appalled by his own ignorance, he speculated on increasing American visits to this Latin American neighbor. Peru was, in his thinking, "indescribable for its archeological

²⁷ Unknown author, "A Day at the United States Embassy in Lima," 1938, Steinhardt MSS.

wonders that make Egypt a joke." Peruvian natives were more picturesque than in any country of the world; anyone who had "not seen the Andes had not lived."²⁸ This was a superficial view. Seventy percent of Peru's 6,000,000 population were Indians living under the conqueror's heel. In this country inhabited by Indians and owned by foreigners, the native did his work and fought his wars; he endured his dire poverty by crunching the cocaine out of the cocoa leaf.²⁹ "The picturesque native" as perceived by Steinhardt actually existed in infinitesimal small numbers. Workers on government projects received two sols (forty cents) a day, barely enough to keep body and soul together.

Tourism, according to the American Ambassador, was a business that needed cultivating. He voiced his views on the subject in a radio broadcast to the Peruvian people.³⁰ Tourism, Steinhardt stated, was "an industry guided by the laws of supply and demand which obey the well-known rules

²⁸ Steinhardt to Axel Wennergren, March 27, 1938, Steinhardt MSS.

²⁹ Whitaker, Americas to the South, pp. 14-15.

³⁰ Steinhardt to Hull, November 18, 1937, Department of State Archives, 823.111/99.

of a return on invested capital like any other general business activities." He thought it necessary to offer the tourist sufficient attraction to induce him to come; and once he had come, to surround him with conditions which would make the tourist--once he returned home--a steady propagandist for the visited country. He explained the irritations affecting a tourist; with particular reference to Peru, he emphasized the unnecessary friction arising out of the passport system.

The advice did not go unheeded. In fact, Benavides had built several new hotels facing the ocean along the newly constructed Pan-American highway. Within a matter of weeks the Peruvian authorities took steps to ameliorate inconveniences to foreigners entering Peru. Steinhardt assured the Department in Washington that visitors "would be treated in the future with more consideration, particularly in respect of the immediate return of their passports and a less rigorous examination of their baggage."³¹ He was confident that members of the Peruvian Government who had "the vision to appreciate what an increased tourist movement could mean to

³¹Steinhardt to Hull, December 7, 1937, Department of State Archives, 823.111/100.

Peru," would correct the situation. An American newspaper correspondent soon noted a changed Peruvian attitude:

Lunch and siesta hours of the custom inspectors are being staggered nowadays so that no one is kept waiting; examination of baggage is much more casual than it used to be; interpreters have been assigned to all posts where they might be needed, and everything is being done to make the visitor feel at home.³²

A trade agreement between Peru and the United States as contemplated by Steinhardt would stimulate the Peruvian economy even more than increased tourism. In Steinhardt's mind a third party stood, however, as an insuperable impediment to the success of the treaty unless corrective steps be taken. W. R. Grace and Company, as previously mentioned, had a virtual monopoly on both freight and passenger movement between the United States and Peru. As a consequence, the envoy pointed out, Grace and Company was in a "position to absorb for itself practically all of the benefits the Department desires to accord American agriculture and industry as the result of a trade agreement."³³ Any agreement effecting the reduction in tariffs or eliminating other impediments to

³² Chicago Tribune, "Detour" by Frederic Babcock, March 27, 1938.

³³ Steinhardt to Hull, November 30, 1937, Department of State Archives, 611.2331/80.

trade, he thought, would assist the steamship lines in the maintenance of present excessive rates or be seized upon as the basis for further increases. Grace and Company were not unaware of Steinhardt's thinking; he had personally complained of what he considered to be excessive charges in transporting his personal effects, household goods, and automobiles to Peru. Hull, in accordance with established practice, submitted Steinhardt's report "confidentially" to the Maritime Commission.³⁴

Steinhardt did not long delay preliminary talks concerning the treaty. Immediately after Dr. Carlos Concha took up his duties as Foreign Minister, the American Ambassador called at his office. Concha expressed himself as desirous of negotiating such an agreement but informed the American that President Benavides "had the last word in such matters."³⁵ Under the circumstances, Steinhardt suggested immediate action on the proposed treaty because, as he put it, the rapidity with which expediency caused changes in Peru's government policy. "If the contemplated trade

³⁴Foreign Relations of the United States Diplomatic Papers: 1938 (5 vols., Washington, 1956), V, p. 835. This and other volumes of the series hereafter cited as Foreign Relations.

³⁵Ibid., p. 831.

agreement has not been concluded before a business recession becomes apparent to the general public, the chances of negotiating any such agreement will be materially diminished."³⁶ Government revenues, he asserted, which were derived from both import and export duties, would probably soon commence to decline.

The Department, nevertheless, desired fundamental assurances from the Peruvian Government. They would have to negotiate upon the basis of the unconditional most-favored-nation principle as applied to all forms of trade and payment. The Department requested the American statesman to make it "clear that the acceptance of this basis for negotiation would involve the removal of any discrimination against the trade of this country that might exist."³⁷ It was suggested that Steinhardt might state that the prompt removal by Peru of any discrimination that then existed would greatly facilitate the progress of exploratory conversations.

Peru had in the past neither accepted nor practiced the unconditional most-favored-nation principle. Steinhardt

³⁶ Steinhardt to Hull, December 3, 1937, Department of State Archives, 611.2331/83.

³⁷ Foreign Relations: 1938, V, pp. 832-33.

thought the required informal assurance of the acceptance of the principle might constitute an insurmountable barrier. Dr. Concha, although not opposed to the acceptance of this basis of negotiation, indicated to Steinhardt that he (Concha) "might find himself confronted with practical difficulties arising out of the existing commercial agreement with Chile."³⁸ Concha made particular reference to the free entry of Chilean wheat. Similarly, Steinhardt thought it inexpedient to urge Concha to take immediate steps toward the removal by Peru of the discrimination that existed against United States trade. If the Ambassador succeeded in persuading Concha to take such steps, Steinhardt conjectured that the Foreign Minister would meet great resistance which might seriously imperil the successful outcome of the negotiations. "Peruvian mentality, coupled with the psychology of the individuals whose cooperation he (Concha) would require, and those most affected by such action," the New Deal diplomat suggested, "would demand immediate disclosure of the concessions to be made by the United States in return for the removal of existing discriminations. In the absence of Dr. Concha's ability

³⁸Ibid., pp 835-38.

to state just what concessions are to be received from the United States, his position would be materially weakened"

The existing trade agreement between Peru and Chile was an impediment in Peruvian-American negotiations. Concha informed Steinhardt that although Peru might be prepared to give the informal assurance required by the Department, Peru desired to make a reservation in respect of its trade agreement with Chile.³⁹ Secretary of State Hull informed Steinhardt that the Department opposed exceptions to the most-favored-nation principle which were not founded upon such special conditions as to permit them to be generally recognized as long standing and legitimate.⁴⁰

The Peruvians delayed negotiations. Concha reported the Peruvian President "jittery" about governmental income for 1938; that between the financial conservatism of Benavides and Benjamin Roca, Minister of Finance, it had become necessary for him to satisfy them that the budget would not be seriously affected by the acceptance of the unconditional most-favored-nation clause as a basis for a trade agreement

³⁹ Steinhardt to Hull, January 15, 1938, Department of State Archives, 611.2331/87.

⁴⁰ Foreign Relations: 1938, V, pp. 840-42.

with the United States.⁴¹ He observed that there had been a substantial loss of revenue to Peru following that country's treaty with Great Britain in 1936. Steinhardt attempted to allay the Foreign Minister's fears. He pointed out to Concha that the desirability of the proposed trade treaty did not rest solely with import and export duties or other tax revenues, but that if the general level of the economy of the country was raised by such agreement, the resultant greater assurance of political stability, general contentment, increase in all values, and economic improvement must eventually be reflected in expanded government revenues.⁴² "It is important to bear in mind," Steinhardt exhorted, "that with very few exceptions, most Peruvian Government officials have only most rudimentary knowledge of economics or finance. The lack of understanding of the most elementary principles of taxation, trade, and economics of several high officials who are at present gathering data for Dr. Concha is pathetic."⁴³

⁴¹Ibid., pp. 842-43.

⁴²Ibid.

⁴³Steinhardt to Hull, March 11, 1938, Department of State Archives, 611.2331/92.

The Department suggested that Steinhardt assure Concha with respect to possible revenue loss through tariff reductions, that the United States Government would not expect concessions from Peru which would seriously affect customs revenues. According to Hull, preliminary analyses indicated that United States requests of Peru would in a majority of cases probably be for bindings rather than reductions in import charges.⁴⁴

During the summer 1938, Steinhardt returned to the United States on annual leave. At the Division of Trade Agreements, he reiterated his belief that Peru would negotiate upon the basis of the unconditional most-favored-nation clause but with exceptions in the case of trade between that country and Chile.⁴⁵ At the same time he reported that President Benavides had indicated a strong personal interest in "having something done" for Peruvian silver and cotton. Silver, he was told, was a question for the Treasury Department; the possibility of providing a separate classification for Peruvian cotton involved our trade relations and a possible trade agreement with Egypt. All parties agreed that the need to provide relief for Peruvian sugar was more

⁴⁴Foreign Relations: 1938, V, p. 844.

⁴⁵Ibid., pp. 844-845.

important than "doing something" for either silver or cotton. They reaffirmed the desire to negotiate a trade agreement with Peru.

In Steinhardt's absence the Peruvians became increasingly circuitous. Concha informed the American Chargé Louis G. Dreyfus, Jr. "that Chile was putting a great deal of pressure on Peru; that she bought 120,000 tons of Peruvian sugar each year (against 50,000 by the United States) and that she had suggested some kind of clearing or compensating arrangement . . ." Peru had rejected any such plan, Concha declared, but "if Chile stopped buying from them, it would mean a commercial and possibly a social crisis in Peru." If only the United States could purchase 200,000, or even 100,000 tons of sugar each year, he lamented, Peru "would be relieved of the dependence on the Chilean market, and hence the necessity of granting special concessions to the most-favored-nation clause."⁴⁶

Without prior notice, the Peruvians suddenly increased their exceptions to the most-favored-nation principle. After consulting with his advisory committee, Concha asked that

⁴⁶Ibid., pp. 852-53.

all countries contiguous to Peru be excepted from the operation of the most-favored-nation clause.⁴⁷ Challenged on the demand, the Minister naively explained "that it was his policy to ask for the maximum concessions even if it should develop later that they could not be obtained." Steinhardt upon his return to Peru questioned the Minister about the turn-about; the Peruvian had only a smile to offer.⁴⁸ Thereupon Concha assured the American Ambassador that Peru would insist on only the Chilean exception to the clause.

The Peruvians were puzzled about American insistence on limiting exceptions to be granted Chile. The Peruvian Foreign Minister noted that Chilean industrial products were, to use his expression, "mostly junk" and in that sense not competitive with American products on either a basis of quality or price. He insisted that a general exception in the case of Chile would not have the slightest effect on American exports to Peru. Steinhardt was inclined to agree. In answer to Concha's question, Steinhardt told him that the

⁴⁷Ibid., pp. 855-56.

⁴⁸Steinhardt to Hull, November 9, 1938, Department of State Archives, 611.2331/119.

Department's position was based "on principle rather than on fear of Chilean competition"; as the result of the large number of trade agreements already negotiated by the United States, certain set principles and policies had been established from which the Department could not deviate, excepting to a limited extent in the face of the most urgent considerations. The Ambassador asserted that "the Department's position regarding most-favored-nation treatment had not and was not being advanced as a bargaining position, but had for its foundation the principles and policies on which the entire trade agreement program of the United States rested."⁴⁹

Chilean reaction continued to plague American-Peruvian negotiations. Concha reasserted his claim that the entire Peruvian sugar industry would be thrown into a state of chaos were Chilean purchases of Peruvian sugar to be discontinued or materially reduced, with disastrous consequences to the extensive employment in the sugar growing districts. Steinhardt thereupon asked the Minister for a memorandum of the exceptions, including sugar, which Peru would desire in the case of Chile. Concha stated that this could not be done

⁴⁹Foreign Relations: 1938, V, pp. 864-67.

for he did not know what Chilean demands would be from time to time; that Chile as part of its threat had been keeping the Peruvian-Chilean demands on a year-to-year basis but had now reduced this basis to six months. Therefore, the Foreign Minister concluded, it was impossible for him to anticipate the demands which would be made by Chileans from time to time for concessions by Peru in consideration of the continued acceptance of Peruvian sugar.⁵⁰ Steinhardt thought Concha "rather convincing" and was satisfied by the Minister's sincerity.

Preparations for the Eighth Pan-American Conference disrupted Peruvian-American trade agreement negotiations. Once put aside, negotiations drifted into oblivion. Ambassador Steinhardt, soon to leave Peru, never again seriously took up the problems connected with the agreement. He left the task of bringing them to fruition to another day and another diplomat.⁵¹

Steinhardt did resolve, however, a couple of minor economic problems existing between the two countries. The

⁵⁰ Ibid.

⁵¹ A trade agreement was eventually effected between the United States and Peru on May 7, 1942.

United Aircraft and the Electric Boat Company, United States corporations, had sold in the 1920's military equipment to the Leguiva regime. As previously mentioned, the Peruvian Government in 1931, in response to the financial depression suspended payment, the American companies accepting the moratorium. After the period of the moratorium had expired and the Peruvian economy had improved, the American companies requested a resumption of payment. The Peruvian Congress in 1933 included in its budget a sum to pay off the debt; even so, the companies received nothing. It was not until 1938, through the efforts of Ambassador Steinhardt that the Peruvian Government decided to satisfy the claims.⁵²

The American Ambassador in Peru concerned himself with problems other than those involved in economic relations. The Benavides Government was a dictatorial regime leaning toward fascism and unconcerned about being a Good Neighbor. As Minister to Spain in the Cerro Government, Benavides declared that "the people can be saved only by men identified

⁵²Whitaker, America to the South, p. 39; see also Henry R. Sutphen to Steinhardt, May 11, 1938, Steinhardt MSS; Sutphen to Laurence Duggan, June 16, 1938, Department of State Archives 123 Steinhardt 178.

with Fascist doctrines."⁵³ For a time, especially during the Leticia trouble,⁵⁴ Benavides courted the United States "but angered by our apparent partiality toward Colombia, he later let out several loud blasts against American tariffs and loan retirement terms."⁵⁵ Even though his displeasure with the United States diminished in time, he remained very much under the thumbs of the fascists. Steinhardt as Ambassador was charged with the responsibility of preventing further fascist expansion, and if possible, bringing Peru into a hemispheric alliance. He was to obtain for the United States, in a sense, the good will of that Latin American country.

Through no fault of his own, he received at the beginning what in his mind was a setback. In January, 1938,

⁵³Beals, The Coming Struggle for Latin America, p. 101.

⁵⁴The Leticia controversy was a territorial dispute between Peru and Colombia concerning the "Leticia trapezium," a 4,000-square-mile enclave of almost impenetrable and undeveloped jungle land. On May 24, 1934, the Protocol of Peace, Friendship, and Cooperation was signed by the plenipotentiaries of Colombia and Peru, ending the Leticia incident. See J. Lloyd Meham, The United States and Inter-American Security, 1889-1960 (Austin, Texas: University of Texas Press, 1961), pp. 159-166.

⁵⁵Beals, The Coming Struggle for Latin America, p. 44.

Fortune Magazine published an article unfriendly to the Benavides regime.⁵⁶ It came at a time when the contract for the Naval Mission was to be submitted to President Benavides, United Aircraft was to receive a settlement to its seven year old claim, negotiations for the proposed trade agreement were to be discussed, Peruvian cooperation was being sought to help solve the problem arising under the International Sugar Agreement, and lastly, the Peruvian Government had just recently announced their intent to nominate Secretary Cordell Hull for the Nobel Peace Prize.⁵⁷ The article set off a furor in Peru; few were more infuriated than Ambassador Steinhardt. In his opinion "the article did great disservice to the United States."⁵⁸ The magazine, he thought, had "little consideration for the position of the United States abroad, its vast investments and commercial interests, and the efforts of its representatives to obtain for the United States the good will of the country to which they are accredited" He did not argue against the content of the article which

⁵⁶"South America II: Peru," Fortune Magazine, XVII (January, 1938).

⁵⁷Steinhardt to Hull, January 6, 1938, Department of State Archives, 811.91223/42.

⁵⁸Ibid.

was a fairly accurate description of the country; in fact, he may have agreed with it. However, with various negotiations at a precipitous stage, he was well aware that Benavides might grasp at any straw to break them off. The Peruvian dictator, if of the mind, would not differentiate between official government and private opinion. As a pragmatist, Steinhardt had to deal with the government as it existed; the Benavides Government was such that it had to be "treated with kid gloves."

Steinhardt alerted himself to the printed word.

However, in Peru the envoy confronted a press different from any he had previously encountered. The problems involved in converting an anti-American press to one with a pro-American bias were far different from the Swedish situation. In Peru the newspapers, operated by political rivals, were dictatorially operated and rigidly censored. Coupled with the internal political intrigue was the international battle of the press being played in Peru: fascist against anti-fascist, communist against anti-communist, Italian-German against Anglo-French-American forces. The largest daily newspaper in Lima, El Comercio, was decidedly pro-fascist. Of the foreign presses none were more influential than "Agencia Italia." Competition between two American news

gathering rivals, United Press and Associated Press, according to Steinhardt, diminished rather than enhanced American prestige in Peru.⁵⁹

Fascist influence pervaded other sectors of Peruvian affairs. While the Italians supposedly enjoyed sufficient influence with President Benavides to select cabinet officials,⁶⁰ it was rumored that a German Economic Mission advised the Peruvian Government on taxes, budget affairs, and foreign debts.⁶¹ Italians operated and controlled the country's largest and most important banking entity. Italian officers directed Peru's civil guard and police force. The Peruvian Air corps received instructions from an Italian Air Mission; in turn, Peruvian pilots flew Italian-made planes. Italian money built a Peruvian airdrome and airplane factory. When the gold-braided Benavides stepped out on official business, he was usually accompanied "on the one hand by the Italian

⁵⁹ Steinhardt to Hull, February 19, 1938, 811.91223/46; Steinhardt to Hull, March 11, 1938, 811.91/48 both in the Department of State Archives; see also Steinhardt to Laurence Duggan, May 6, 1938, Steinhardt MSS.

⁶⁰ Steinhardt to Hull, June 12, 1937, Department of State Archives, 723.65/4.

⁶¹ Open letter to Steinhardt, no date, 1938, Steinhardt MSS.

minister; on the other hand, by the Japanese minister."⁶²

It pleased Steinhardt to announce that a contract to provide a naval mission to Peru had been awarded to the United States. He requested that the Department of State in Washington promptly inform the Embassy on the conclusion of the contract "so it could arrange for adequate publicity."⁶³ He thought it would permit him to offset, to some extent, Italian propaganda. This would, he thought, "stand out in sharp contrast with the extensive publicity which was carefully arranged by the Italian Legation with the Lima newspapers on the occasion when the Italian police mission and subsequently the Italian aviation mission were announced."

That same year Italian prestige suffered another setback. In a Peruvian contract for the purchase of airplanes, the United States won the bulk of the order. As part of the agreement, the Navy Department agreed to cooperate in the inspection of the planes. The War Department, however, declared that it was contrary to its policy to use government personnel for this purpose. Later, the Department

⁶²Beals, The Coming Struggle for Latin America, p. 44.

⁶³Steinhardt to Hull, January 17, 1938, Department of State Archives, 823.30/224.

changed its position to allow inspection, and then shifted again disallowing it. President Benavides complained to Steinhardt; Steinhardt complained to the Department of State:

There is a sharp contrast between what the Italian Government is prepared to do, and is doing, for Peruvian aviation, and the attitude of our War Department. If we are to hold our own in Peru and throughout Latin America against the totalitarian states, we would be well advised to talk less on the air and in the newspapers about fascist progress in this hemisphere to the detriment of our trade interests and political philosophy and show more signs of prompt cooperation by the War and Navy Departments with the State Department than has thus far been exhibited in the present case.⁶⁴

The oscillation of the War Department came at a time when Benavides, according to Steinhardt, "might now be described as anti-Japanese, anti-German, pro-Italian, and leaning more and more towards the United States."⁶⁵ The view, as will be shown later, did not square with the facts. Nevertheless, the situation increased the Ambassador's anxiety. In the end the War Department saw fit to allow government personnel to proceed with the inspection.

⁶⁴ Steinhardt to Hull, November 21, 1938, Department of State Archives, 823.248/164.

⁶⁵ Steinhardt to Hull, November 16, 1938, Department of State Archives, 823.248/170.

Of all the contending political forces in Peru, none was more disconcerting than the Aprista. Steinhardt thought the line separating Aprista and Communist ideals as very finely drawn.⁶⁶ "The general objectives seem to be the same," he stated, "but Aprism tends to confine its objectives to Latin America, and to the most part to Peru, whereas Communism directs its energies towards the whole world." This was a puerile view. The Aprista movement, or Aprismo, found its early origins in Latin American protest literature of the nineteenth and early twentieth century.⁶⁷ It came formally into existence following World War I as the outgrowth of student unrest in Lima. Workers supported the strike; the alliance between worker and student became the basis of the Peruvian Aprista movement.⁶⁸ Led by Haya de la Torre, the Apristas viewed Peru as a class state employed by exploiters to dominate and oppress the masses. Peru, with little industrialization, had no

⁶⁶ Steinhardt to Hull, March 26, 1938, Department of State Archives, 823.00B/107.

⁶⁷ William S. Stokes, Latin American Politics (New York: Thomas Y. Crowell Co., 1959), pp. 282-285.

⁶⁸ Kantor, The Ideology and Program of the Peruvian Aprista Movement, pp. 7-8.

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proletariat in the Communist sense. An indigenous Peruvian political party, Aprismo opposed Yankee imperialism, appealed for Latin American political unity, advocated the nationalization of land and industry, favored the internationalization of the Panama Canal, and pleaded for solidarity with all peoples and all oppressed classes.⁶⁹ Even though Aprismo was influenced strongly by Marxism, more than "a finely drawn line" separated Aprismo and Communism. Harry Kantor, who has written the standard work on Aprismo says that ". . . Aprismo or Marxian-Aprismo is a combination of Marxian socialism and the reality of America."⁷⁰ In addition, there is evidence that Haya de la Torre was impressed with what he saw in Nazi Germany and took from Nazism such ideas as hierarchy, the power to command, the authority of the leader, marching ranks, and the salute.⁷¹

It was true, as Steinhardt observed, that the Peruvian oligarchy, whether in the government or oppositional, saw

⁶⁹ Stokes, Latin American Politics, pp. 282-85.

⁷⁰ Kantor, The Ideology and Program of the Peruvian Aprista Movement, p. 29.

⁷¹ Stokes, Latin American Politics, pp. 282-285.

Aprism as Communist inspired. Peruvian leaders generally made no distinctions between the terms: communist, bolshevist, red, socialist, and Aprista. To further discredit Haya de la Torre the Benavides regime fostered the untrue belief that the Third International, Russia, and right-wing political opponents gave both orders and money to the Apristas.⁷² The American Ambassador found no evidence to support the charge. He observed that the Peruvian Government intentionally tried to substitute the word "communism" for "aprism." The Government in October, 1936, held in accordance with the constitutional provision prohibiting members of international political organizations from holding office in Peru, that APRA was barred from any participation in the elections. In the same year, when a Haya de la Torre-backed candidate was clearly elected with but eighty percent of the ballots counted, Benavides stopped the counting and declared the election illegal. The spirit of Aprismo, notwithstanding, remained very much alive.⁷³

⁷² Steinhardt to Hull, March 26, 1938, Department of State Archives, 823.00B/107; Steinhardt to Hull, December 31, 1938, Department of State Archives, 823.00/1328.

⁷³ Steinhardt to Hull, March 8, 1938, Department of State Archives, 823.00/1301.

Its existence in the midst of the Peruvian political turmoil added confusion to the democracies' struggle with the fascists. Had the American Ambassador more affinity to the lower classes and their social problems, it is probable that he would not have been so confused by Aprismo. The United States could scarcely have intervened on behalf of Aprism; even Haya de la Torre would not have welcomed such intervention.⁷⁴ Even so, as American Ambassador to Peru, Steinhardt should have better understood such an important movement.

Japanese in Peru were also troublesome. The most serious charge against the Japanese immigrants in Peru was that they constituted a state within a state, a self-continuing group of unassimilable and permanent aliens. Japanese men rarely consorted or married Peruvian women; instead they had brides brought from Japan. Their children were purely Japanese in blood, went to Japanese school where they were inculcated with Japanese culture, racial pride, and reverence for the Emperor. A chief concern of the Peruvians was the Japanese control exercised over the

⁷⁴Whitaker, Americas to the South, p. 31.

small businesses of Lima: cafes, bakeries, restaurants, barber shops. grocery stores, and jewelry stores. Ninety percent of the Huaral Valley was in Japanese hands and they were also getting possession of the Chancay Valley, one of the principal cotton regions of Peru. Peruvian leaders were disturbed by Japanese military and naval actions in China; they wondered what would happen if the Japanese Admiralty decided Peru offered a good field for Japanese expansion.⁷⁵ Although the Rome-Berlin Axis received the most attention for its subversive activity in South America, Japan was the chief propagandist in Peru.⁷⁶

Japanese settlement in Peru had historical antecedents. Peru had a long tradition of close relationships with the Orient. The country was at the American end of the China trade through much of the Spanish colonial period. All during the independence period Peru traded heavily with Japan. The long dangerous trip around the Straits of Magellan made Peru's access to Europe difficult. Not

⁷⁵Steinhardt to Hull, January 31, 1938, Department of State Archives, 894.20223/35.

⁷⁶Steinhardt to Hull, December 2, 1938, Department of State Archives, 800.20210/203.

until the Panama Canal was opened in 1914 did she come close to European markets and influence. Nevertheless, friendly relations with Japan continued. The low cost of products permitted the Japanese to tap markets never before reached by European or American goods. Much of the animosity toward the Japanese, both within and outside Peru, stemmed from their ability to undersell competitors. Arriving as poor immigrants, the Japanese did not remain underprivileged. Competent, industrious, frugal, loyal to each other, as a rule they rose rapidly.⁷⁷

The rise of fascism in South America aroused much hysteria. Many Americans considered every Japanese merchant, barber, and fisherman a spy for the Imperial Government. Such was not the case. No doubt Japan employed, along with other nations, spies in Latin America. Nevertheless, the bulk of the Japanese in Peru were honest, hardworking individuals. They were, like Japanese-Americans in World War II, the victims of international machinations over which they exercised little or no control. In the 1930's they were the victims of the international trade war; increasing trade

⁷⁷ Beals, The Coming Struggle for Latin America, pp. 14-44.

meant increasing emigration, financial penetration, and political influence. Trade could not be disassociated from political pressure and dogmas. Not only did the world powers actively promote trade at all costs, but they tried to create friendly governments imbued with similar economic and political philosophy. Fascists employed economic penetration and trade manipulation in the hope of eventual political domination. Even so, there is no evidence to support the charge that Japanese residents in Peru actively supported the grandiose schemes of the Tokyo Warlords.

By the time winter 1938 arrived, Austria, Czechoslovakia, Spain, and China had fallen victims to the irresponsible might of the fascist aggressors. It was apparent at least by then that the fascists had no intentions to confine their activities to Europe and Asia. The struggle had already been extended to South America; there, by use of typical totalitarian practices, the Axis hoped to "soften up" and "condition" American States for eventual political domination.

President Roosevelt was one of the first to recognize the impending danger. On October 5, 1937, in Chicago, Roosevelt warned that if aggression triumphed elsewhere in the world, America could expect no mercy and, in a striking phrase

which immediately caught the attention of the world, proposed a "quarantine" of the war contagion. Later, on the occasion of Pan-American Day (April 14, 1938), he urged upon the nations of the Western Hemisphere the necessity of strengthening their collective will if their "good fortune was to continue."⁷⁸

Steinhardt in Lima echoed the President's sentiments. In a radio broadcast, the New Deal diplomat urged the American nations to present a united front against Old World "predatory forces" seeking "new or lost fields to conquer."

Amidst political turmoil and fascist propaganda, Peruvian authorities prepared for the Eighth Pan-American Conference to commence in Lima on December 9, 1938. The Peruvian Government spared no effort to crown the Conference with success; they beautified public buildings and parks, rushed to completion many new buildings, and urged the citizens of Lima to cooperate by repairing and painting their homes. Officials had the city festooned with flags and bunting during the period of the Conference.⁸⁰ What

⁷⁸ New York Times, April 15, 1938.

⁷⁹ Ibid.

⁸⁰ Steinhardt to Hull, November 5, 1938, Department of State Archives, 710.H/171.

Steinhardt failed to report was the fact that along the flag bedecked streets of Lima, those most in evidence, next to the flag of Peru, were the banners of Germany, Italy, and Japan.⁸¹ The secretary on arriving in Peru must have been shocked to have been greeted by the swastika and rising sun. It is also evident that Benavides had not become "anti-German and anti-Japanese" as had been previously claimed by the American Ambassador.

It was rumored in Lima that the Apristas contemplated disturbances at the time of the opening of the Conference. Such Aprista disturbances, Steinhardt surmised, would be for the purpose of attracting attention to their cause and impressing visiting delegates with the repressive measures that would be necessary for the Government to take in order to preserve public order.⁸² Such disturbances, he continued, would "do the Apristas' cause a great deal more harm than good." He thought that Peruvian authorities would deal summarily with the disturbances and, in such a way, that visiting

⁸¹ Mecham, The United States and Inter-American Security, 1889-1960, p. 139.

⁸² Steinhardt to Hull, November 30, 1938, Department of State Archives, 823.00/1322.

delegates would not even know that such disturbances took place. The authorities, he determined, would unquestionably exercise press censorship to see that no reference to any bomb explosion would appear in Peruvian newspapers. Though the Lima Conference passed off without great demonstrations threatened by the Apristas, they were not completely ignored. A telegram of protest (dated December 24) was addressed to Benavides by five ex-Presidents of South American Republics making a plea for amnesty toward political prisoners.⁸³ The protest accomplished nothing. Notwithstanding, the Aprista movement, according to Steinhardt, continued "to seethe and to be a real, though apparently remote, threat against public order."

As host to the American delegation, Steinhardt moved quietly but unobtrusively in his preparations. Disappointed that President Roosevelt would not attend the Conference,⁸⁴ the American Ambassador ordered pictures of the

⁸³ Steinhardt to Hull, December 31, 1938, Department of State Archives, 823.00/1328.

⁸⁴ Roosevelt attended the Seventh Pan-American Conference held in Buenos Aires in 1936; he did not want to start a precedent of having the President of the United States open every Pan-American Conference, thus, he declined the offer to attend the Lima Conference. See Steinhardt to Major Robert E. Cummings, July 1, 1938, Steinhardt MSS.

President and Secretary Hull; the latter as head of the American delegation was also to be the ranking United States official. On the eve of the convention, in an international broadcast, Steinhardt assured his listeners "that in spite of propaganda to the contrary, Latin-American countries are friendly to the United States."⁸⁵

The fascists moved to subvert the Conference. Fascist agents arrived on nearly every plane and ship. They circulated among groups of delegates, handshaking and saying a few words in favor of totalitarianism as against democracy wherever opportunity afforded. They argued that Latin-American countries needed a stonger system of government to control or prevent frequent political uprisings and a strong man with a strong hand was the only solution.⁸⁶ Fascists spread reports that the United States sought a military alliance in the hope that when such an alliance did not materialize that it be construed as a defeat for the United States.

Fascist charges that the United States desired a military alliance was not without basis. Meham states that

⁸⁵ New York Times, December 7, 1938.

⁸⁶ Washington Post, December 7, 1938.

"the American delegation had originally favored an outright mutual defense pact, but when Hull realized that there was too much opposition to put this through, he hastened to sponsor a strong resolution proclaiming the common disposition of the American republics to defend their liberties and independence on all fronts against non-American aggressors."⁸⁷ Hull, the author writes, later denied that he ever favored a political or military alliance at Lima, although a military alliance was desired, the Secretary said, by some of the Latin-American delegations.

It was not easy for the assembled American delegations to demonstrate enough solidarity to give pause to potential foreign aggressors when a group of South American nations, headed by Argentina, did not share the alarm of the United States concerning the immediacy of the Nazi-Fascist menace. Argentina remained unalterably opposed to a formal pact because of her attachment to a traditional policy of no entangling engagements. Jose Cantilo, Argentine Foreign Minister, stated his belief in "continental solidarity, but

⁸⁷ Meham, The United States and Inter-American Solidarity, 1889-1960, p. 141.

individual policy."⁸⁸ In spite of overwhelming opinion among the delegates for unification of ideals and efforts, Cantilo reminded them that European markets were important to River Plate countries, and that those interests had to be considered in their international policies; that European immigration and capital had developed their resources; that Spanish blood and religion, French culture, and even Italy and Germany contributed to important aspects of America's evolution.⁸⁹ Other delegates considered United States alarm over the fascists' penetration as a "smoke screen" to increase Yankee imperialism by driving the Europeans out.

The Eighth International Conference of American States met in Lima from December 9-27. It was unique in several respects: it was the shortest in the history of the Pan-American movement; it negotiated not a single treaty nor convention, although it approved 112 declarations, resolutions, recommendations, and agreements; the assemblage met in the Peruvian Legislative Chamber from which the national deputies had been ejected by the Peruvian dictator.

⁸⁸ Ibid., p. 140.

⁸⁹ Ibid.

Steinhardt, as United States Ambassador to Peru and delegate to the Conference, played only a minor role in the actual proceedings. The pressing problem at Peru was that presented by the activities of the Axis nations. There was, according to Mecham, "neither time nor disposition to take up the subject of the improvement and coordination of the inter-American peace instruments."⁹⁰ With the possibility of acrimonious debate arising from discussions on lesser problems, Secretary Hull frowned on anything that in his opinion would "rock the boat." Steinhardt served on two committees: the committee on Civil and Political Rights for Women; and as reporter for the subcommittee, Inter-American Communications. The Ambassador's presence on the latter Committee is readily apparent in its report to the Conference.⁹¹ Among other recommendations, the Committee proposed "that the governments consider the reduction or elimination of barriers to increase tourist travel" and urged the Pan-American states to adopt measures designed to encourage such travel.

⁹⁰ Ibid., p. 147.

⁹¹ Report of the Delegation of the United States of America to the Eighth International Conference of American States (Washington; Government Printing Office, 1941), p. 24.

No individual American, South or North, received the publicity and limelight that followed Cordell Hull. As the ranking official and head delegate from the hemisphere's leading power, it was as it should have been. Not even Alf Landon, Republican presidential candidate in 1936 and a "good will" delegate to the Conference, aroused much attention in comparison. In truth, it was the Judge's show.

Hull was neither complacent nor blind to the objections surrounding the proposed mutual defense pact. Foreign Minister Cantilo of Argentina declared that such a pact pointed too directly at the totalitarian states; he was fearful it would give them offense. Cantilo proposed instead an affirmation of common allegiance to American ideals and a determination to consult at the threat of menace from any source (which would include the United States). Since Argentina stood adamant, and since the conference could not afford to split over the issue and thus exhibit a lack of solidarity before the Axis, "twenty nations bowed to the demands of one."⁹² Argentina's devitalized proposal, called the "Declaration of Lima," was adopted.

⁹² Mecham, The United States and Inter-American Solidarity, 1889-1960, p. 142.

The Declaration was the most significant achievement of the Lima Conference. It can be divided into two parts: an affirmation of solidarity, and a declaration of purpose for supporting it. In somewhat extravagant terms the principles upon which American solidarity was established were enumerated: spiritual unity through republican institutions, unshakable will for peace, sentiments of humanity and tolerance, absolute adherence to international law, equal sovereignty of states, and individual liberty without religious or racial prejudices. In enumerating and affirming these principles, it might be construed as a challenge to the totalitarian regimes. The Conference announced to the world that henceforth the American republics agreed to defend their independence "against all foreign intervention" whenever "acts of any nature" might menace their peace, security, and territorial integrity.⁹³ Fresh from his "victory" at Munich, Hitler was flatly informed that he could expect no such appeasement in the Americas.

The fact that the Declaration of Lima was not a formal convention, as was the Consultation Pact of Buenos Aires in 1936, was so noteworthy that it elicited comment from Hull.

⁹³Washington Post, December 25, 1938.

He emphasized the wisdom of incorporating agreements in declarations rather than treaties "when the matters dealt with are of general character and of political nature."⁹⁴

The real reason, as pointed out by Mecham and not mentioned by Hull, "was the dilatoriness on the part of Latin-American governments in ratifying treaties."⁹⁵ For example, when the Lima Conference convened the Buenos Aires Consultation Pact had not yet been ratified by four countries. Because of the rapidly gathering war clouds over Europe, it was thought expedient to resort to a declaration, less binding than a treaty, in order to anticipate the expected crisis.

Hull appraised the Declaration of Lima as a great advance over previous Pan-American agreements, for according to the Secretary it provided for joint action not only against a military assault but also against the underground infiltration methods pursued by the Axis. Henceforward, the defense of the Western Hemisphere became the joint responsibility of all American republics.⁹⁶ Despite the fact that the

⁹⁴Department of State, Press Release, December 27, 1938.

⁹⁵Mecham, The United States and Inter-American Security, 1889-1960, p. 145.

⁹⁶Hull, The Memoirs of Cordell Hull, p. 608.

Declaration of Lima made much of common action, it was weakened by the announcement that the governments of the American republics would act in their individual capacity, recognizing fully their juridical equality as sovereign states. They were, therefore, bound to nothing more than to consult, a rather far cry from defensive alliances and mutual security pacts.⁹⁷ Nor did the Declaration "Pan-Americanize" the Monroe Doctrine, as has been held by some authorities. Dr. Leo S. Rowe, director-general of the Pan-American Union, declared that "the Conference transformed the Monroe Doctrine into a continental doctrine." Charles G. Fenwick held that we took the Monroe Doctrine, a unilateral declaration by the United States and a cornerstone of our foreign policy for 115 years, and converted it "from a unilateral into a multilateral policy."⁹⁸ Dexter Perkins, the American authority on the Monroe Doctrine is willing to concede only that the Lima Declaration marked a step "toward international

⁹⁷ Meham, The United States and Inter-American Security, 1889-1960, p. 145.

⁹⁸ Charles G. Fenwick, "Lima Conference in Relation to World Peace," The Annals of the American Academy of Political Science, Vol. 204, (July, 1939), pp. 119-121.

action in the defense of the principles of 1823."⁹⁹ Although the Declaration and the provision for the consultative meetings of the foreign ministers evidently proved their worth during World War II, it is doubtful whether it deserved all the praise bestowed upon it by some writers.

The Conference was the pinnacle of Ambassador Steinhardt's tour of duty in Peru. In spite of the apparent insignificant role he played in the parley, his efforts as host to the American delegation were not unappreciated nor completely unnoticed.¹⁰⁰ That he went out of his way to provide the delegation with assistance, hospitality, and physical comfort is not doubted. One such example of his thoughtfulness was the "old-fashioned Christmas dinner" provided by the American Embassy in which the guest list included "everyone from the Secretary of State to the humblest night working code clerk."¹⁰¹ Furthermore, the Conference afforded Hull a first-hand opportunity to size

⁹⁹ Dexter Perkins, A History of the Monroe Doctrine (Little, Brown and Company, 1963), p. 353.

¹⁰⁰ Alexander V. Dye to Steinhardt, December 30, 1938, Steinhardt MSS.

¹⁰¹ New York Times, December 26, 1938.

up the New Deal diplomat. That Steinhardt made a favorable impression is without question.

Aside from the Conference, Steinhardt had reason to believe his Ambassadorial stay in Peru a success. True, the same dictatorial regime headed by Oscar Benavides still exercised absolute control over the country. Though Steinhardt desired to impress others by playing down fascist influence, there is no doubt that the Axis were still very active in Peru. Yet, no matter how distasteful the American Ambassador found the Peruvian Government, it was not his responsibility to alter or change it; least of all, to overthrow it. On the contrary, at least in the latter stages of Roosevelt's Good Neighbor Policy, it was considered ill-advised to meddle in the internal affairs of a Latin American country. (The Mexican decision in March, 1938, to nationalize the oil industry and expropriate the property of the large foreign companies, is an example of such restraint.) Aside from Steinhardt's depreciation of fascist influence in Peru, the fact remains that the United States had made inroads. The United States continued to dominate Peruvian trade; German gains were largely at the expense of the British and not America. In the first half

of 1938, the United States' share of Peruvian exports was thirty-six percent as compared to Germany's twenty percent. This, in spite of the fact that Peru found natural markets in Europe; it remained a truism that to sell one must buy. The Ambassador used his influence to facilitate the selection of an American Naval Mission and persuaded the Peruvian Government to renew payments to the United Aircraft and the Electric Boat Company; other American missions sought the same thing but had failed. The better relations he had established with the Benavides regime were also responsible, no doubt, for the fact that Peru purchased a number of American planes after Benavides had already drafted a contract with the Italian Government.

American prestige in Peru had been elevated in other respects. The Peruvian Government selected American scientists for its Department of Public Health, awarded contracts for important governmental buildings to American architects, and hired American instructors to stimulate athletics in Peru. In addition, Steinhardt was instrumental in the formation of a cultural society known as the "Institute Cultural Peruano-Norteamericano" (Peruvian-

American Cultural Society).¹⁰² Though its chief objects were educational and cultural, it offset, in part, influence of the Peruvian-German, Peruvian-Italian, Peruvian-Japanese, and Peruvian-British Societies. One bit of unfinished business was the proposed Peruvian-American trade agreement which continued to linger.

The emergency confronting Roosevelt's Good Neighbor Policy in the years 1937 and 1938 was the fascist invasion of the Western Hemisphere. In a sense, everything else was of secondary importance. If battling fascism was the primary function of the Steinhardt mission to Peru, the Ambassador's presence there was meaningful. Even though Nazis and Black Shirts were still very much in evidence, America, through Steinhardt, noticeably cut into fascist influence. This, in spite of the fact that Benavides, as Peruvian dictator, favored authoritarian government of the fascist type. Fascist ideas were much more welcomed by the Peruvian Government than any unpleasant prattle about democracy. Under these circumstances, the mission must be judged.

¹⁰²Whitaker, Americas to the South, p. 43.

Although fascism was the immediate problem in Peru, America in the long range faced other Peruvian difficulties. Certainly the Peruvians would not forever be satisfied with their "colonial" status; the seething poverty-stricken masses would not always be content with foreign expropriation of the country's riches. The popularity of the Aprista movement was built on such discontent. As a man of wealth and high position, Steinhardt made no effort to understand the social problems confronting the country to which he was assigned. In reporting on Aprista activity he never bothered to diagnose its source of strength. He was not a person of large social consciousness and was, consequently, unable to see the inherent problems besetting the country. It is correct, however, that for the next several years following the Steinhardt mission, the United States was in no position to aid in the solution of Peru's internal problems. Even so, when the United States found itself in the situation of rendering help, the Department of State should have found reports on Peru's internal problems in the late thirties invaluable.

Having stayed on through the Lima Conference, Steinhardt had fulfilled his pledge made to President Roosevelt. The Ambassadorial post in Lima had afforded Steinhardt the

opportunity of serving the President's Good Neighbor policy and another phase of New Deal foreign policy. The fascists were in 1939 moving the world closer to disaster. The Administration would be able to use Steinhardt's experience in battling fascism in the larger arena of international affairs.

In early 1939 Steinhardt's mind turned to politics. Soon to enter the final two years of his second term, Roosevelt had not yet indicated that he would seek a third term. As a Roosevelt political appointee, and a Roosevelt-democrat by his own admission, Steinhardt must have recognized that his future rode heavily on the whims of politics. It was also clear to him that either a Republican or anti-Roosevelt Democratic victory in the 1940 presidential sweepstakes would cut him adrift and force him to fall back on his New York law practice as a base for future political activity. He must have concluded that what he needed most at this juncture was an appointment to an important diplomatic position. As holder of such a post it was possible that he would be catapulted into the limelight along with New Deal diplomats Joseph Kennedy, William Bullitt, and Joseph Davies. It was worth a try.

Chapter 4

IN MOSCOW FROM THE SIGNING OF THE NAZI- SOVIET PACT THROUGH THE RUSSO-FINNISH WINTER WAR

The world depression of the 1930's grievously affected every capitalistic country of the world. Among the few beneficiaries of the economic wreckage were sundry fascist leaders. Fascism had already, in 1922 under the leadership of Benito Mussolini, conquered Italy. In Germany on January 30, 1933, Adolf Hitler became Reichs Chancellor and proceeded in six months to do what Mussolini had taken three years to accomplish: the suppression of all parties, the creation of a totalitarian dictatorship, and the restoration of prosperity through public spending on armaments in preparation for wars of conquests to come. Frightened industrialists and aristocrats supported by insecure and neurotic masses of the lower middle class hypnotically followed the Pied Pipers of despotism to the

brink of disaster and beyond. The warlords of Japan effected, more slowly, a like transfer of power in Tokyo. Similar groups flourished in Austria, Hungary, the Balkans, Spain, France, and elsewhere.

In America the collapse of the stock market ended inflationary prosperity through stock speculation and installment buying. Franklin D. Roosevelt in 1933 assumed the presidency of an ill-fed, ill-clad country with thirteen million unemployed. The richest country of the world was reduced to beggary. From the beginning the New Deal was confronted with the spectre of fascism abroad while attempting to solve a desperate economic situation at home.

As a partial solution to the domestic economic situation, many American businessmen, hopeful of recovering lost foreign markets, advocated the recognition of Soviet Russia. Since 1917 the Washington government had consistently refused to accord diplomatic recognition to the Moscow regime, chiefly because the Communist government refused to honor the debt of the earlier regime to the United States, confiscated American-owned property, denied religious freedom to Americans in the USSR, and waged covert warfare against American institutions through the Comintern and its branch in the United

States. Heartened by the shift of depression sentiment, Roosevelt began to investigate the possibilities of renewed relations with Russia.

International circumstances in 1933 made both Russia and the United States more amenable to a diplomatic agreement. In that year the Soviet Union feared a Japanese attack against the Maritime Province, and the Soviet authorities now wanted American friendship and the right to purchase supplies on credit in the United States. Sharing the Kremlin's fear of Japan's aggressive intentions, Roosevelt, perhaps with no illusions about the nature of the Communist system nor the lure of a trade boom, desired that the Soviet Union serve as a buffer to Japanese and Nazi expansion.

The rise of fascism and the advent of the New Deal, coupled with mutual Soviet-American anxiety over Japan, contributed to Washington's belated recognition of the USSR. After long discussions, unhappily lacking in precision, texts of accord were issued on November 16, 1933. In return for American recognition, the Soviet Union agreed to abstain from carrying on propaganda activity in the United States, to guarantee religious freedom and fair trials to Americans in the USSR, and to negotiate a settlement of the Czarist

debts to the United States. President Roosevelt and Commissar Josef Stalin agreed to exchange ambassadors and expressed the hope that the diplomatic exchange would lead to cooperation for mutual benefit and for preservation of the peace of the world.

The President's action won wide support. However, subsequent events disappointed advocates of recognition. By 1936 it was apparent that benefits anticipated from the Soviet-American agreement would not materialize. There was no substantial increase in trade, the Russians did not noticeably curb their propaganda, nor was their cooperation against the rising tide of fascism, equally menacing to the Soviet Union and America. Under the circumstances the Administration abandoned efforts to collect the old Czarist debts. Likewise it discontinued all outward attempts to drag the Russian bear into the family of nations governed by international law.¹

Shift in Administration attitude toward the Soviet Union followed on the heels of William Bullitt's mission to

¹Personal interview with Loy Henderson, Washington, D. C., February 9, 1967.

Moscow. Bullitt had been a popular choice as America's first ambassador to the Soviet Union; considered pro-Russian, he had unstintingly advocated American recognition. Protracted dealings with Kremlin leaders cooled his ardor. Vain and self-confident, Bullitt proved unable to compromise the debt claims and reduce Comintern activities. Sensitive to his own inability to bring the Soviet to terms, Bullitt on leaving Russia was hurt, disillusioned and bitter. Transferred in 1936 to Paris as American Ambassador, Bullitt became a leading spokesman for the Anti-Communists.²

American relations with Russia as determined by President Roosevelt, henceforth, would be "correct but cool." The only specific instructions given Joseph E. Davies, Bullitt's replacement in Moscow, was to negotiate the annual renewal of the trade treaty and to size up the position of the Soviet Union as a military power. He was

²William W. Kaufmann, "Two American Ambassadors: Bullitt and Kennedy," in The Diplomats, ed. by Gordon A. Craig and Felix Gilbert (Princeton, New Jersey: Princeton University Press, 1953), pp. 666-71. See also Gordon Wright, "Ambassador Bullitt and the Fall of France," World Politics, vol. X (October, 1957); William E. Dodd, Jr. and Martha Dodd (eds.), Ambassador Dodd's Diary (New York: Harcourt, Brace, and Co., 1941), p. 242.

to report his impressions of Russia's military, economic, and political strength; in a sense he was to be the Administration's eyes and ears in the Soviet Union.³ However, his mistake was to use rose-colored glasses. Unlike Bullitt, America's second ambassador to the Soviet Union saw little but virtue in the Communist regime. Contrariwise, when Davies left Moscow for the Brussels post, he continued championing the Soviet cause. Critics have suggested that Davies was naive, gullible, and unperceiving.⁴ In the end he was right on some things but for "the wrong reasons."

American-Soviet relations reached their nadir in years 1938-1939. Simultaneously nervous war-jitters pervaded European capitals. As Hitler put the finishing touches on his war machine, British, French, and German diplomats fought each other for a Russian alliance. In spite of the situation's urgency, the Roosevelt Administration had no ready successor for the Moscow post when Davies vacated it

³ Joseph E. Davies, Mission to Moscow (New York: Simon and Schuster, 1941), pp. 5-6.

⁴ Richard H. Ullman, "The Davies Mission and the United States-Soviet relations, 1937-1941," World Politics, "Russia Blasted Hitler's Spy Machine," American Magazine, CXXXIII, no. 6 (December, 1941).

in June, 1938. Davies suggested that the appointment "be tendered to a man of the successful business or banking type who would be characterized not only by a familiarity with industrial and business problems but who was also known to be liberal in his political ideology, although not swayed by a communistic or extreme leftist attitude" ⁵ Mentioned as a possible successor of Davies at Moscow was Floyd B. Odium, president of the Atlas Corporation, a contributor to President Roosevelt's 1936 campaign and an avowed New Dealer. ⁶ Apparently Odium found it inconsistent with his personal business interests to accept. Thus unable to come up with a fresh, rich, free-to-travel Democrat, circumstances forced Secretary Hull to dip into his own bag of tried and trusted diplomats.

The Eighth Pan-American Conference at Lima had enabled Hull to better size-up the diplomat Steinhardt. He liked what he saw. Speaking of Steinhardt, Hull stated in his Memoirs: "His record was so creditable that I later suggested to the President that he be transferred to the higher and more responsible post at Moscow, to which Mr.

⁵ FR: Soviet Union, 1933-1939, p. 598.

⁶ Washington Star, December 12, 1937.

Roosevelt agreed. I always found Steinhardt to be alert and very efficient as a diplomatic reporter, especially during perilous times."⁷ No doubt Steinhardt was pleased when his name was sent on March 5, 1939, to the Senate for confirmation. After nearly six years service in the Department he was finally assigned to a really important post.

The fact that President Roosevelt permitted the Moscow post to remain vacant for ten months caused frequent conjectures as to whether there was a coolness in relations between the two countries. The Department of State denied any frigid attitude on its part. It nevertheless appeared that the leisurely posture that was adopted reflected a feeling that little could be accomplished diplomatically. The New York Times thought the Administration had selected the right diplomat to diminish any coolness that existed.⁸ In speaking of Steinhardt, the newspaper stated: "His liberal views commend him to the Soviet Foreign Office. He is a skillful and friendly conciliator."

⁷Hull, The Memoirs of Cordell Hull, pp. 603-04.

⁸New York Times, March 6, 1939.

Across the ocean, however, the Voelkischer Beobachter thundered its disapproval of the nomination. The German newspaper reported that the selection of Steinhardt threw "a revealing light on American diplomacy," indicating that anyone giving financial support to the presidential candidates in the United States could expect an ambassadorship.⁹ The paper characterized Steinhardt and his two predecessors in the Soviet Union, Bullitt and Davies, as rich Jews rewarded for their support of President Roosevelt while professional diplomats received lesser posts. It is true that in sending Steinhardt to the Soviet Union, Roosevelt continued his practice of sending political appointees to Moscow. However, neither Bullitt nor Davies were Jews, nor is there any indication that Steinhardt's religion was a factor in his selection. Curiously, Stalin on May 3, 1939, removed Maxim Litvinov, a Jew, as Soviet Foreign Commissar. It is generally accepted that Stalin's action presaged Soviet determination to align itself with the German Reich. The two affairs appear distinctly isolated from one another.

Leaving his Peruvian post, Steinhardt enjoyed a dawdling trip back home. Remarking that he had seen little

⁹ New York Times, April 24, 1939.

of South America during his stay in Lima, he requested and received permission to return the long way around Cape Horn and up the eastern seaboard. Inasmuch as the trip and time were at Steinhardt's personal expense, the Department considered it a saving. It would keep him off the payroll that much longer. There was no urgency in getting him to the Soviet Union.

In Washington Steinhardt spent considerable time preparing himself for his tour of duty in Moscow. Briefed by the Department on various Russian individuals and their characteristics, Steinhardt remarked that he would "have some mighty interesting but extremely difficult nuts to crack."¹⁰ The assignment, he was told, would require considerable energy but results would be more than likely negligible. He would face the challenge. In his mind, Moscow was "becoming more and more the pivotal post"; the role the Russians were destined to play during the next few years, both in Europe and the Orient, could hardly be over-estimated. Looking forward to his new assignment, Steinhardt thought the experience unique and something he would remember the rest of his life.

¹⁰ Steinhardt to William Cochran, June 23, 1939, Steinhardt MSS.

Among those with whom Steinhardt conferred at the Department was Loy Henderson, Assistant Chief of European Affairs. Henderson had been Chargé d'Affaires at Moscow under both Bullitt and Davies. He arranged that Steinhardt meet his Russian counterpart, Soviet Ambassador to the United States Constantine Oumansky, at the Soviet pavillion at the New York World's Fair. The two Ambassadors exchanged pleasantries and expressed views. Later, scratching his head, Oumansky informed Henderson that he (Oumansky) was puzzled by Steinhardt, he did not know what to make of him. Relaying the report of Oumansky's perplexity on to Steinhardt, Henderson, noting the new Ambassador's apparent pleasure, was informed that it was his (Steinhardt's) desire to keep the Russians guessing and off-balance.¹¹

Steinhardt was already formulating an over-all policy in dealing with Soviet authorities. More than likely it originated with Henderson. Having been involved in American-Soviet affairs during the 1920's when relations between the two countries were virtually non-existent,

¹¹Personal interview with Loy Henderson, Washington, D. C., February 9, 1967.

Henderson was an old Russian hand. From his experiences he had concluded that the Russians, unlike other civilized people, were not influenced by social amenities; they looked upon foreign concessions as signs of weakness. The Russians were, in his thinking, pragmatic Oriental horse-traders--something for something, nothing for nothing. Steinhardt convinced himself that the Russians would receive no concession without their paying an equivalent price, that every Russian abuse would be met with similar treatment. It was a "tit-for-tat" policy.

Even before embarking for the Soviet Union, Steinhardt inquired about living conditions in Moscow. Having just shipped his household goods and personal effects from Peru, it would require some time before they arrived in Moscow. In spite of the sparseness of furnishings in Spaso House, the Ambassador's residence in Moscow, he was informed that even if he had to "camp out there a bit at first," it would be preferable to any of the Moscow hotels.¹² His correspondent also recommended that he fill his "key household positions" with non-Russians. Steinhardt, in

¹²Stuart E. Grummon to Steinhardt, June 15, 1939, Steinhardt MSS.

turn requested the Department to assign a Naval radio operator to the Moscow Embassy.¹³ It was his view that the Embassy in Moscow in the event of a European war "would unquestionably be more or less cut off from the Department" If war broke out, he continued, Poland was likely to be the seat of the conflict, at least during the early stages. He thought that the whole Baltic area would be more than likely involved, at least during the early stages, and that the Ukraine and Romania would almost certainly be implicated, "for obvious reasons--principally the necessity for the Germans to obtain oil."

Meantime, the world in the summer of 1939 edged closer to global disaster. In Asia, Japan, having violated Chinese neutrality in 1937, not only drove deeper the forces of Chiang Kai-shek but moved southward toward Indochina, the Philippines, and Dutch West Indies threatening French, Dutch, British, and American territory. In Europe, Hitler destroyed what remained of Czechoslovakia; Mussolini added Albania to the Italian empire. At the same time, the Fuehrer directed a "war of nerves" against Poland demanding that she surrender the city of Danzig to Germany.

¹³ Steinhardt to Loy Henderson, July 5, 1939, Steinhardt MSS.

These last acts of violence forced Britain and France to reverse their policy of appeasing Hitler. In the spring they had guaranteed aid to Poland if Hitler attacked; two weeks later they made a similar pledge to Greece and Albania. The two Allies tried to bolster their guarantee to Poland with an alliance with the Soviet Union. The Soviets, notwithstanding the fact that they had been ignored at Munich, had offered the European democracies a defensive treaty against Hitler. British and French negotiations with the Russians proved indecisive because Poland, Romania, and the Baltic States feared Russia as much as they did Germany. Distrusting the European democracies, the Russians opened parallel negotiations with the Germans.

The world situation alarmed President Roosevelt. He requested Hitler and Mussolini to demonstrate their oft-repeated desire for peace by giving thirty-one nations in Europe and the Middle East guarantees against attack for at least ten years; Mussolini did not reply, and Hitler denied any aggressive intentions. In view of the situation Roosevelt continued asking for repeal of the neutrality law of 1937 so that we could make American arms available

to friendly nations. (A new law repealing the arms embargo did not become law until November 4, 1939.)

Reports reaching President Roosevelt from European capitals in late July, 1939, indicated that the crisis between Poland and Germany would probably come to a head within a month or six weeks.¹⁴ Steinhardt had already left for Moscow. Enroute he stopped in Paris where he undoubtedly received further encouragement from Ambassador Bullitt to take a "hard line" with the Soviets. Meantime the President decided to throw his personal influence on the scales. He hoped to forestall a Nazi-Soviet agreement. He began by reviewing the situation with Ambassador Oumansky who was preparing to leave for Moscow. Roosevelt requested the Ambassador to tell Stalin that if the Russians joined up with Hitler it would be to no avail--that once the Germans conquered France, they would then turn on the Soviet Union. The substance of these remarks was at once sent by Sumner Welles to Steinhardt who had just arrived in Moscow. The message was cabled to Paris and from there

¹⁴William L. Langer and S. Everett Gleason, The Challenge to Isolation (New York: Harper and Brothers Publishers, 1952), pp. 161-62.

taken by special courier, Second Secretary in the United States Embassy Douglas MacArthur II, to Moscow in order to obviate any chance of interception.

Before receiving these instructions, Ambassador Steinhardt had already paid a visit to Vyacheslav Molotov, Soviet Foreign Commissar (August 10) and had presented his credentials to President Mikhail Kalinin (August 11). These high officials of the Kremlin had by this time received a telegraph from Oumansky and therefore, were prepared. Some importance may thus be attached to the lengthy remarks of Kalinin, unusual on such occasion. The Soviet President spoke frankly and cordially, but about the Far Eastern situation rather than the European circumstances.¹⁵ Steinhardt obtained the impression that the Kremlin felt secure in Europe; "they thoroughly appreciate the fact that Germany cannot attack Russia without inevitably involving Poland or Romania, or probably both. They seem to feel that they are assured of Anglo-French military assistance in the event of a world war and appear to be disposed on this front and await

¹⁵Foreign Relations: The Soviet Union, 1933-1939, pp. 775-79.

further developments." Steinhardt thought that any influence the American Government desired to bring to bear could be best accomplished by expressing a greater interest in the issues of the Far East than Europe.

Steinhardt on August 16 presented Roosevelt's letter to Molotov. The letter stated that the American President was looking at the world situation in an objective manner, that "if war were now to break out in Europe and the Far East and were the Axis powers to gain a victory, the position of both the United States and the Soviet Union would inevitably be immediately and materially affected thereby."¹⁶ The president suggested that if a satisfactory agreement among the Europeans could be reached, it would prove to have an effect in the interest of world peace, in the maintenance of which, of course, the United States as well as the Soviet Union had a fundamental interest.

Steinhardt was far too shrewd to think he had the key to Soviet policy.¹⁷ In his report he made careful

¹⁶ Sumner Welles to Steinhardt, August 4, 1939, Steinhardt MSS.

¹⁷ Langer and Gleason, The Challenge to Isolation, pp. 162-164.

reservations on this score, but ventured the opinion that the Soviet authorities were genuinely desirous that peace should be preserved and particularly anxious to avoid being drawn into any European conflict, at least in the beginning, if only because of internal problems and difficulties. Under the circumstances, Steinhardt averred, their guiding principle was to assure nonviolation of their frontiers. The Soviets were deliberately carrying on negotiations with the French and British on the one hand and the Germans on the other, he asserted, in the hope of thereby avoiding the outbreak of war before the beginning of October; that with this object in view they intentionally dragged out the negotiations with the hope of finding Japan in a weaker position by spring, 1940, and the British and French rearmament progressed to the point where they no longer had need to fear Germany.

Steinhardt thought the Soviet point of view not only readily understandable but also thoroughly sound. He wrote the Department:

While circumstances may force the Soviets into a military alliance with Britain and France at any moment, it seems to me that unless there is a material change in the present situation between now and the first of October, the Soviets

while keeping the negotiations alive and holding them over Hitler's head as a threat, will not enter into any more far-reaching agreement during the next six weeks than circumstances necessitate. They will probably be disposed to keep the negotiations alive as a threat against Hitler and thus avert war this fall, for there is nothing that the Soviets desire more than to avoid being in a European war at this time.¹⁸

In Steinhardt's opinion the Soviet authorities were playing "a very shrewd game in international politics, that from the point of view of their interests they are playing the game intelligently and successfully, . . ." So shrewd was the Russian game played that even Steinhardt was taken off-balance when on August 23, 1939, Kremlin leaders signed the Nazi-Soviet Pact.

Why was Steinhardt fooled? According to Hull, the prospect of a German-Russian pact had long been in the minds of those at the Department.¹⁹ They gave due significance to the replacement of Litvinov by Molotov; "the former was known as an apostle of cooperation with the Western Democracies and as anti-Hitler, the latter was believed much less

¹⁸ Foreign Relations: The Soviet Union, 1933-1939, pp. 778-79.

¹⁹ Hull, Memoirs of Cordell Hull, pp. 655-56.

favorably disposed toward the democracies." The Department knew, the Secretary claimed, of the many difficulties the British and the French experienced in their negotiations for an alliance with the Soviet Union. It can be assumed that Steinhardt was instructed concerning these developments. So too can it be assumed that he was instructed in regard to Soviet preoccupation with Far Eastern affairs. Mutual Russo-American uneasiness over Japan's aggressive intentions had been a major consideration in the United States' belated recognition of the Soviet Union. Ambassador Bullitt while serving in Russia underscored this anxiety vis-a-vis Japan.²⁰ There were also those in the Department who were convinced that Soviet diplomacy committed itself to the duo-policy of involving the United States in war with Japan in Asia while entangling France and Britain in a European war with Germany.²¹ Remaining neutral, the Soviet Union, so those Kremlinologists believed, was to be free to "grab territory" in both the East and West. Supposing that

²⁰ Foreign Relations: The Soviet Union, 1933-1939, p. 227.

²¹ Personal interview with Loy Henderson, Washington, D. C., February 9, 1967.

Steinhardt was instructed concerning Soviet-Japanese relations, his talks with Kalinin did not lessen his belief that Soviet fears lay in the East rather than in the West.

Apparently he knew that Franco-British negotiations were floundering. Steinhardt sent a series of cables to the Department concerning negotiations between Berlin and Moscow. He reported that steady progress could be noted; that he had every reason to believe that the Soviet Union had not informed the French and British of these conversations.²² In view of this, why did the Ambassador believe, as stated earlier, that "circumstances may force the Soviets into a military alliance with Britain and France at any moment?" In reality, circumstances suggested that the Soviet Union would make every effort to remain neutral. A pragmatist himself, Steinhardt should have recognized that the political realists in the Kremlin held the winning hand. The only explanation appears to be his faith in Roosevelt's power to convince the Kremlin leaders that he (Roosevelt) knew the best policy for Russia to follow. Roosevelt's letter pointed out to the Soviets his belief

²²Hull, Memoirs of Cordell Hull, p. 656.

that Germany was the potential enemy for all. Its logic seemingly convinced Steinhardt; it failed to do likewise with the Russians. However, while the ink dried on the Nazi-Soviet pact, Russian policymakers could content themselves with the idea that their country could remain neutral while Germany, France, and Britain bled each other white in a repeat performance of World War I. The one thing that Kremlin leaders failed to perceive in the summer of 1939 was the speed and destruction of the German Wehrmacht. The Nazi-Soviet pact was a calculated risk.

Of lesser importance than the diplomatic problems greeting Steinhardt in Russia were the tasks of settling himself and family at Spaso House and adjusting to life in the Soviet Union. He discovered life in the Russian capital both difficult and trying. This, in spite of the fact that he found "a great improvement in Moscow" since his abbreviated visit in 1934 while Minister to Sweden.²³ The people, he thought, were better clothed and food better distributed. There had been, he suggested,

²³ Steinhardt to Loy Henderson, August 11, 1939, Steinhardt MSS.

a substantial improvement in building and construction. Nevertheless, he found food prices exorbitant.²⁴ Due to the large numbers of servants necessary to maintain the Embassy and in order to reduce expenses, he set two meals: one for the Russian servants, the other for the Ambassador's table. Even so, Steinhardt thought he fed the Russians better than they were accustomed; American food at the cheapest price and worst quality was better, he said, than that sold locally "at any price."

More importantly, Steinhardt thought diplomats confronted incredible difficulties in Moscow. Soviet authorities throughout the diplomatic colony, he complained, opened mail, tapped phones, and bugged Embassies.²⁵ With a sense of humor, he reported that OGPU agents followed each Ambassador "at such propinquity that I had to suggest to one of them a few days ago in having my photograph taken for a carnet that only my photograph was desired." Living conditions, he thought, were "frightfully hard," contact with the Russians virtually

²⁴ Steinhardt to Loy Henderson, August 11, 1939, Steinhardt MSS.

²⁵ Steinhardt to John W. Browning, August 22, 1939, Steinhardt MSS.

forbidden, and the authorities anything but obliging towards foreigners including diplomats.²⁶ At the Embassy, he worked fifteen hour days, seven days a week. But he was encouraged with his staff; taken as a whole, he said, it was "by far the most intelligent, able, cooperative, and personally agreeable staff" that he had known in the Service.²⁷

It was the affairs of a staff member that afforded Steinhardt his first opportunity to put the "tit-for-tat" policy to a test. Dr. Walter G. Nelson, Public Health Surgeon attached to the Moscow Embassy, prepared to leave the Soviet Union. Soviet authorities, however, refused to inspect his household goods, medical supplies, and instruments at the Doctor's apartment but insisted that the examination take place in a Moscow custom house.²⁸ The procedure would have inconvenienced Dr. Nelson; it piqued Steinhardt.

²⁶ Steinhardt to Charles S. Guggenheimer, September 15, 1939, Steinhardt MSS.

²⁷ Steinhardt to Loy Henderson, August 11, 1939, Steinhardt MSS.

²⁸ Foreign Relations: Soviet Union, 1933-1939, pp. 845-46.

Circumstances afforded the New Deal diplomat an opportunity to retaliate. First, the Red Army Choir and Ensemble had recently left the Soviet Union for the United States in order to appear at the New York World's Fair.²⁹ Hull suggested that steps could be taken by American customs to inconvenience their entry.³⁰ Secondly, the Soviet steamer Kim, without a proper bill as recently required (August 15) by Canal authorities, approached the Panama Canal. The Soviet Foreign Office had requested that the Kim, in spite of its deficiency, be allowed to pass;³¹ Steinhardt informed the Russians that no action regarding the Kim would be taken until proper treatment was accorded Dr. Nelson. Steinhardt had no special interest in Dr. Nelson; his interest stemmed from his desire to improve the treatment of his entire staff.

The Department in Washington backed the American Ambassador. Hull was agreeable to either alternative. Henderson at the European desk thought the Department

²⁹Ibid., p. 844.

³⁰Ibid., p. 846.

³¹Ibid., p. 846-54.

had to back Steinhardt "to the full."³² Otherwise, he stated, the Embassy was almost certain to be more harrassed by Soviet customs and other authorities in the future than it had been in the past. Steinhardt agreed. Notwithstanding, the repeated courtesies extended by the Embassy and the Department to the Soviet authorities during past years, he said, "the deliberate refusal of the Soviet authorities to reciprocate or to extend even common courtesies to the Embassy and the members of its staff persists"³³ He suggested that Dr. Nelson be permitted to remain in Moscow until the matter was settled. Otherwise, he thought the Embassy would be deprived of the argument that the delay in furnishing a customs official constituted a hindrance to the performance of the duties of the Embassy.³⁴ The "tit-for-tat" policy received its first dividends. The Soviet Foreign Office informed Steinhardt that as an exception not to be taken as precedent, a customs inspector was being sent to Dr. Nelson's apartment.

³² Ibid., pp. 847-50.

³³ Ibid., pp. 850-52.

³⁴ Ibid., p. 852.

³⁵ Ibid., p. 854.

Steinhardt thereupon requested that the Kim be permitted to proceed and the usual custom facilities be accorded the Red Army troupe.

However, Steinhardt was in no mood to allow things to rest. The Soviet Foreign Office requested the issuance of a diplomatic visa and laissez-passer to Dmitri Zaikine, Soviet Vice Consul at New York, and his wife, Klavdia, bearers of diplomatic passports. Steinhardt informed the Soviet authorities that the laissez-passer would be issued the Zaikines provided Soviet laissez-passer were henceforth issued American Consular officers and their families.³⁶ The Department of State fully supported his view. Reasoning that American customs treatment was granted on the basis of reciprocity,³⁷ the Collector of Customs at New York was advised to search the baggage of the Vice Consul and his wife. Ambassador Oumansky in Washington complained. He argued that the Soviet treatment of Americans had nothing to do with treatment of Russians in the United States; that in

³⁶ Ibid., pp. 857-58.

³⁷ Ibid., p. 858.

the Soviet Union, Americans were treated in accordance with the most-favored-nation principle and the United States should apply the same doctrine.³⁸ Neither the Department nor Steinhardt, however, would budge. President Roosevelt supported both; he stated, ". . . I think we should match every Soviet annoyance by a similar annoyance here against them. When it comes to the larger questions of downright rudeness on the part of Stalin, Kalinin, or Molotov we cannot afford to repay such rudeness with equivalent rudeness over here. But I am inclined to think that the day may come soon when it will be advisable to bring the situation of the direct attention of Oumansky."³⁹ However, authorities in the Soviet Union were unwilling to loosen their control over foreigners in their country; an exception could not be made for America. A draw was the best Steinhardt was able to gain from this round of the "tit-for-tat" policy. Nonetheless he had gained support for the policy from both the Department and the President.

³⁸Ibid., pp. 862-64.

³⁹Ibid., pp. 868-69.

Meantime, Hitler's Wehrmacht in September had rolled eastward across the Polish plains and cannon thundered across Europe. With the contents of the Nazi-Soviet pact unknown to the world, few people knew what to expect from the Russians. Even Soviet militarists were caught off-guard; not expecting a German advance of the rapidity which actually occurred, the Russians were neither eager nor ready to move. On its march into Poland, the Red Army was ignorant of its final destination; many of its ranks were under the impression that they were on their way to fight the Germans.⁴⁰ Possessing no more information on the contents of the pact than any other American, Steinhardt doubted that the Soviet Union had committed itself to military operations against Poland.⁴¹ The pact recognized, he speculated, certain areas in Eastern Europe as vital to the interests of the Soviet Union which Germany would refrain from entering. "It is my opinion," the Ambassador stated, "that the Soviet

⁴⁰David J. Dallin, Soviet Russia's Foreign Policy, (New Haven: Yale University Press, 1942), p. 73.

⁴¹Steinhardt to Hull, September 1, 1939, Department of State Archives, 761.6211/158.

Union will pursue an opportunistic policy based entirely upon the developments arising out of any conflict in Eastern Europe."

The Department of State closely watched the developments. Hull suspected that the Soviet Union "would invade Poland so as to obtain her share of that country, and to keep Hitler's legions from approaching too close to Russia."⁴² On September 17 Steinhardt cabled from Moscow the text of a note from Foreign Commissar Molotov announcing that Soviet troops had entered East Poland to protect the lives and property of the population of the western Ukraine and western White Russia in the absence of any Polish government, and that both Poland and the Polish Government ceased to exist. It added that the Soviet Union would pursue a policy of neutrality in its relations with the United States.⁴³ Late in September, Joachim von Ribbentrop, German Foreign Minister, went to Moscow for the purpose of ironing-out difficulties that had arisen between Germany and the

⁴²Hull, Memoirs of Cordell Hull, p. 685.

⁴³Ibid.

Soviet Union. The two countries agreed to a treaty of friendship supplemented by a separate boundary protocol providing for the exchange of German and Russian nationalists; a provision not to tolerate any Polish agitation concerning territory occupied by the other; and, a secret protocol which provided for the exchange of territory. Ribbentrop and Molotov announced the demarcation of their new frontier in Poland, and in a joint statement on behalf of their governments declared that their definitive settlement of the Polish question had created a basis for an end to the war between Germany and the Western Powers.⁴⁴ Britain and France, by this time, were too far committed to turn back.

The United States could have construed the Russian invasion of Poland as an act of war. Roosevelt and Hull chose not to include the Soviet Union in the application of the Neutrality Act. To do so, they reasoned, would place her on the same belligerent footing as Germany and "might thrust her further into

⁴⁴Dallin, Soviet Russia's Foreign Policy, p. 130.

Hitler's arms.⁴⁵ They felt, the Secretary asserted, that Russia and Germany would not become full allies, and that the Fuehrer had not abandoned his ambitions with Russia. When the Soviet Union moved troops into the Baltic States, Hull looked upon it as a movement to outline new strategic borders. Russia, according to Hull, was evidently seeking to increase her protection against foreign nations; but an estimate of the military situation disproved that it could be the Allies.⁴⁶ Hull remained unconvinced of a lasting Nazi-Soviet friendship.

Both France and Britain were reluctant to declare war against the Soviet Union. They thought that the more effective measures against the Soviet Union which would be made possible by a state of war would be more than offset by the danger of precipitating complete military and economic cooperation between Germany and Russia.⁴⁷ Steinhardt reported a

⁴⁵Hull, Memoirs of Cordell Hull, p. 685.

⁴⁶Ibid., p. 701.

⁴⁷Steinhardt to Hull, September 17, 1939, Department of State Archives, 740.0011 European War 1939/353.

view already expressed in British and French circles that "friction has or will shortly arise" between Germany and the Soviet Union.⁴⁸ Steinhardt not only disagreed with the French and British, but he also disagreed with Hull. He did not believe the Nazi-Soviet alliance a mere marriage of convenience. Although he did not believe the Soviets would take an active part in the war, he thought the USSR would "divide the spoils and do everything within her power to assist the Nazis."⁴⁹ The Soviet Union's demands from Estonia to increase transit and storage facilities, he suggested, was "an effort to aid the Nazis."⁵⁰ Thus, from the beginning of the European war, Steinhardt's view of the Nazi-Soviet agreement was at variance with those held by the American Secretary of State and certain policymakers in Britain and France. However, Steinhardt was not without supporters in the Department of State who

⁴⁸ Steinhardt to Hull, September 27, 1939, Department of State Archives, 740.0011 European War 1939/587.

⁴⁹ Steinhardt to Hull, September 17, 1939, Department of State Archives, 740.0011 European War 1939/352.

⁵⁰ Steinhardt to Hull, September 27, 1939, Department of State Archives, 740.0011 European War/587.

looked upon the Soviets as opportunistic imperialists.⁵¹

Steinhardt thought the war could not last long. The internal structure in Germany, he thought, was weaker than many people thought it was, which was offset by the lack of preparedness on the part of the British and the unpopularity of the war in England and France. Russian participation, he continued, was "likely to be more economic than military, and not too much of the former."⁵² All reliable information, he asserted, pointed to the fact that Hitler and the entire Nazi regime had not only lost their popularity with the German masses but were suspected of having led Germany into an unnecessary war of which the outcome could only be disaster for Germany.⁵³ The best opinion, Steinhardt said, was that the outcome would be a negotiated peace, not in the immediate future but before the war had run the lengths of the last war--

⁵¹Personal interview with Loy Henderson, Washington, D. C., February 9, 1967.

⁵²Steinhardt to Alvin Untermeyer, October 19, 1939, Steinhardt MSS.

⁵³Steinhardt to John W. Browning, September 26, 1939, Steinhardt MSS.

that is, complete exhaustion. At the end of two years, or perhaps somewhat longer, he thought the Germans would be about ready to accept such a negotiated peace, one that would not be regarded as a German victory. The situation, he opined, might boil down to the efficacy of the British blockade, which in turn would rest in large part on the extent to which the British were prepared to aggravate the neutral powers--as against the willingness of the German masses to support Hitler for an indefinite period of time.

As it turned out, American neutrality was first tested by the Axis rather than by the British. The City of Flint, an American freighter carrying a mixed cargo to Britain, was captured on October 9 by the German pocket battleship Deutschland. The Germans put aboard a prize crew and took the ship to Tromsø, Norway on October 21. After two hours in port to take on water, the City of Flint instead of proceeding to a German port as expected, departed for Murmansk and entered the Russian harbor three days later. Under the rules of war governing maritime warfare, a prize ship could be brought into a neutral port only on account of unseaworthiness,

stress of weather, or want of fuel or provisions. Failure to leave obliged the neutral country (the Soviet Union in this instance) to release the ship with its original crew and to intern the prize crew.⁵⁴ The Department of State instructed Steinhardt to notify the Soviet authorities that the United States Government assumed that such action would be taken at once, since failure to act would compromise the neutrality of the Soviet Government as previously announced. Although giving conflicting reasons, both the Germans and the Soviets indicated that the vessel was brought into Murmansk by reasons making it impossible for the City of Flint to remain at sea; German authorities alleged that the ship was non-navigible because no suitable charts were aboard, whereas the Soviets claimed that the ship had damaged machinery. Both reasons fell within the scope of Articles 21 and 22 of the Hague Convention of 1907.⁵⁵

Inability to contact members of the interned American crew irritated both Steinhardt and the Department.

⁵⁴Hull, Memoirs of Cordell Hull, pp. 704-05.

⁵⁵Foreign Relations: Soviet Union, 1933-1939, p. 992.

On two different occasions the Captain of the City of Flint failed to appear at the phone in Murmansk at the appointed hour. Steinhardt was likewise unable to get Soviet permission to charter a plane to send a member of the Embassy to Murmansk. Successfully preventing American contact with the crew, the Soviet Government on October 26 issued a statement that the City of Flint was being released on condition she leave Murmansk immediately.

Steinhardt drew his own conclusions surrounding the City of Flint episode. It was his opinion that when the City of Flint was brought into Murmansk and claimed the right of entry, the Russian port authorities there were ignorant of international law and proceeded to intern the German prize crew. Thereupon the German Embassy stepped in to the matter and "counseled the Soviet Government not to challenge the grounds of entry, even though they might not be sound or sufficient, but to release the German prize crew and permit them to take the vessel to sea."⁵⁶ In pursuance of the plan, he said,

⁵⁶Ibid., pp. 1003-05.

it was necessary to keep the American crew on board and prevent its communication with the American Embassy; such communication, he thought, might have exposed the entire scheme. Falling back on the "tit-for-tat" policy, Steinhardt suggested that the only factor which tended to influence the action of the Soviet Government in such cases as that of the City of Flint was the "fear of retaliation directly affecting some Soviet interest."⁵⁷ In view of the close collaboration of the Soviet Union with Germany which was based on self-preservation and fear of German armed might, the Soviet Union, in Steinhardt's view, had demonstrated by its actions surrounding the City of Flint affair that it clearly preferred to remain in the good grace of Germany even at the expense of the impairment of its relations with the United States; Kremlin leaders chose the lesser of the two evils. The American public, already dubious of Soviet motives after the signing of the Hitler-Stalin pact, increased its apprehension of the USSR. Meantime the City of Flint had put into the Norwegian port of

⁵⁷Ibid., p. 999.

Haugesund on a false pretext. This time the Norwegian authorities, on December 3, interned the German crew and freed the vessel in charge of the American crew.⁵⁸

Already in the making was an affair that would serve only to increase the flow of anti-Russian adrenalin in the United States. The secret protocol of the Nazi-Soviet pact defined both Russia's and Germany's "sphere of influence." No surprise was occasioned when the Kremlin summoned the Finns to Moscow to discuss certain "concrete" questions. As early as October 5, Finnish Minister Hjalmer Procope sought a promise from Secretary Hull that the United States would say something to the Soviet Government in the event that Russia made demands on Finland.⁵⁹ Hull informed the Minister that the United States would not project itself into political controversies of two other countries; that because of unfavorable action in the Soviet Union, it "might do more harm than good."

⁵⁸Hull, Memoirs of Cordell Hull, pp. 704-05.

⁵⁹Ibid., p. 702.

The Finns had a foretaste of the Soviet claims likely to be advanced. Soviet leaders desired two things: first, to push the frontier on the Karelian Isthmus back a substantial distance from its closest approach to Leningrad; and second, to establish a naval base on the Finnish coast at Hango. The Soviet negotiators did not bully. Restrained in manner, the Russians nevertheless were determined to get what they wanted. The fact that Josef Stalin himself participated in all stages of the negotiations indicates the importance that the Russians attached to them. Although the Russians presented their original points as "minimum demands," they were prepared to compromise on details.⁶⁰ There was no such elasticity on the Finnish side. Finnish politicians believed that since "they entertained no aggressive ambitions and were simply insisting on retaining what belonged to them by right, they could somehow withstand Soviet pressure."⁶¹ Finnish negotiators sent to Moscow enjoyed almost no freedom to maneuver. Strict

⁶⁰C. Leonard Lundin, Finland in the Second World War (Bloomington, Indiana: Indiana University Press, 1957), p. 52.

⁶¹Ibid.

orders from Helsinki shackled them. The sense of urgency which the delegates received in the course of the conversations failed to impress politicians back in Finland.

Nor was Steinhardt able to foresee Soviet determination. Throughout October and most of November, he thought the Finns and Russians would settle their differences without war. Both the French and German Embassies in Moscow informed Steinhardt that they thought the Soviet Union would modify their demands vis-a-vis Finland in order to achieve "an amicable and peaceful solution."⁶² From Paris, Ambassador Bullitt informed him and the Department of State that "the Soviet Union was bluffing and would not attack."⁶³ A talk with the Finnish Minister in Moscow, who set forth the terms of Soviet demands and Molotov's review of foreign affairs before the Supreme Soviet, did not alter the Ambassador's opinion.⁶⁴

⁶² Steinhardt to Hull, October 28, 1939, Department of State Archives, 760D61/361; Steinhardt to Hull, November 4, 1939, Department of State Archives, 760D61/402.

⁶³ Bullitt to Hull, November 27, 1939, Department of State Archives, 760D/486.

⁶⁴ Steinhardt to Hull, November 1, 1939, Department of State Archives, 760D/486.

He deduced from Molotov's speech that the Soviets had given up their demands for the naval base at Hango. Furthermore, Steinhardt thought that the internal economic situation in the Soviet Union "still so fundamentally weak as to cause the Kremlin to proceed with extreme caution in the execution of its present foreign policy."⁶⁵ He thought the disposition of troops so few and in such position that an attack on Finland was "highly improbable"; sleeping car accommodations were still available from Moscow to Leningrad.⁶⁶ Certain that peace would prevail, and in need of dental care, Steinhardt left Moscow for Stockholm in mid-November.

However, Soviet leaders had made up their minds to the contrary. Molotov informed the Finnish Minister in Moscow on November 28 that the Soviet Union considered itself released from its obligations under the 1932 pact on non-aggression; on November 29 the Soviets severed diplomatic relations. Friends and neighbors of Finland found

⁶⁵ Steinhardt to Hull, November 9, 1939, Department of State Archives, 861.50/298.

⁶⁶ Steinhardt to Hull, November 14, 1939, Department of State Archives, 760D61/441.

it impossible to credit what was happening in the final days before the Red Army marched. The Swedes and French refused to believe that the Kremlin would actually resort to war against its small neighbor. The United States Government shared this incredulity.⁶⁷

Fired on November 26 was "the shot at Mainila" which Moscow used as an excuse for precipitating the crisis that followed. On November 30 without the formality of a declaration of war, Russian troops crossed the Finnish frontier. Steinhardt and other foreign diplomats were caught completely unaware. According to Steinhardt the Soviet decision to wage war "was made abruptly and carried out almost instantly, constituting a complete reversal of the Government's intentions."⁶⁸ Two or three days before the attack, according to Steinhardt, the Soviet Government had no intention of invading Finland.

Why the sudden reversal? One possibility as determined by Steinhardt was a Soviet effort to recoup

⁶⁷Langer and Gleason, The Challenge to Isolation, p. 327.

⁶⁸Steinhardt to Loy Henderson, December 4, 1939, Steinhardt MSS.

world prestige. He pointed out that reports from different parts of the world believed the Soviets were bluffing, with a resulting loss of prestige. "As they had taken one rebuff from the Turks and unquestionably have ambitions in the Black Sea area and the Balkans," he wrote, "I am inclined to regard this as the controlling motive." However, he did not disregard the rumor that Stalin had been misled by the Governor of the Leningrad District, Andrei Zhdanov. Supposedly Zhdanov informed Stalin that a Soviet revolution was brewing in Finland and that the troops of the Leningrad Command--poorly trained and equipped as they were--would be able to take over the whole country in fourteen days. "Every army officer of the slightest rank," Steinhardt said, "was here in Moscow. Some of them did not get to the Finnish frontier until several days after the invasion began." If this situation prevailed, Steinhardt's latter explanation has merit. How else would Russia's lack of preparedness be explained? If Soviet prestige depended on a quick victory, Stalin must have been convinced that the Leningrad Command was capable of producing it. If Stalin was misled, as we may presume

that he was, either Zhdanov or someone else had to do it. With prestige at stake, Stalin would not have otherwise sent his troops to battle. No matter what determined the decision, we can be sure that it was Stalin acting alone who gave the green light.

Upon the opening of hostilities the United States offered to mediate the dispute. It was welcomed by Finland but rejected by the Soviet Union.⁶⁹ After receiving word from the American Legation in Finland that Helsinki had been bombed, President Roosevelt stated publicly that all "peace-loving peoples" condemned this new resort to force.⁷⁰ He followed this with an appeal, tactfully issued to both powers, not to bomb civilian populations or unfortified cities, and requested an immediate reply. Steinhardt cabled that when he presented the appeal to Molotov, the latter categorically denied that Soviet air forces had bombed civilian populations or unfortified cities or had any intentions of doing so.⁷¹ Steinhardt

⁶⁹Hull, Memoirs of Cordell Hull, pp. 706-07.

⁷⁰Langer and Gleason, Challenge to Isolation, p. 330.

⁷¹Hull, Memoirs of Cordell Hull, pp. 706-07.

received the impression that the Foreign Commissar wanted no third party mediation, and that Russia began the war to liquidate the Finnish question at the earliest possible moment and be free for developments in the Balkans and Black Sea area.

Most Americans from the beginning sympathized wholeheartedly with the Finns. It was a natural expression to root for the underdog, but many Americans fondly thought of the tiny Northern country as "the one honorable nation that paid its debts when others did not." There was considerable hue and cry against our continuing diplomatic relations with the Soviet Union. Former President Herbert Hoover, in protest against the war on Finnish civilians, urged the recall of our envoy.⁷² Under Secretary Sumner Welles heartily favored an immediate break, if only as a demonstration to Nazi-Soviet partnership.⁷³ In a tense session of the House of Representatives, Representative John W. McCormack of Massachusetts proposed an amendment to the State Department Supply Bill cutting out the

⁷²New York Times, December 3, 1939.

⁷³Langer and Gleason, Challenge to Isolation, p. 332.

annual salary of \$17,500 for the American Ambassador to Moscow.⁷⁴ The amendment was defeated by three votes --108 to 105--but only after the Administration had brought pressure to bear upon its supporters in Congress. The fact that the legislators considered it provides an emphatic illustration of the depths to which American relations with the Soviet Union had sunk.

However, Steinhardt thought little good could be accomplished by severing relations. Just two weeks before the outbreak of hostilities, Gordon Vereker, Counselor of the British Embassy, had informed Steinhardt that insofar as his (Vereker's) Government was concerned, its experience in 1927⁷⁵ had been very unsatisfactory--that his Government suffered all the disadvantages without any compensating advantages.⁷⁶ Vereker added that since the Soviet Government did not recognize what he described as the customary social amenities of

⁷⁴Dallin, Russia's Foreign Policy, p. 179.

⁷⁵Relations between Great Britain and the Soviet Union were broken off on May 26, 1927, after evidence had been uncovered suggesting Soviet espionage and revolutionary activities. Diplomatic relations were restored on October 1, 1929.

⁷⁶Foreign Relations: Soviet Union, 1933-1939, pp. 793-4.

diplomatic intercourse, including rebuke, his Government had come to the conclusion that mere rupture of diplomatic relations was pointless. He suggested that it was impossible to obtain any information on any Soviet subject without a diplomatic establishment and that the Soviet Foreign Office was unwilling to receive diplomats of lower rank than chief of mission. Steinhardt thought his "recall without complete breach of diplomatic relations would be about the most idle gesture our Government could make."⁷⁷ Kremlin authorities, he pointed out, would be vastly amused at such a move; they were not interested in gestures, morality, ethics, or anything else. Recalling the "tit-for-tat" policy, Steinhardt added: "The only language that they understand is that of action, retaliation, and force. One might just as well strike an elephant with a feather as to believe that the Kremlin is responsive to gestures."

Refusing to recall Steinhardt, the Administration moved in other directions. On December 2 it placed a moral embargo on the export of airplanes to the Soviet

⁷⁷ Steinhardt to Loy Henderson, December 13, 1939, Steinhardt MSS.

Union; on the 15th the embargo was extended to include aluminum and molybdenum. Ambassador Bullitt from Paris urged the Administration to support a movement working for the ouster of the Soviet Union from the League of Nations.⁷⁸ Roosevelt wisely declined. Not only did Roosevelt and Hull refuse to go along with the Bullitt proposal, they abstained from applying the Neutrality Act to the Russo-Finnish conflict. As a Government, the United States could not send arms to Finland but the Administration did not wish to prevent the sale of arms by private exporters. Furthermore, the combat zone, as proclaimed in the European war, prevented American shipping from entering the Baltic area. Finally, the United States did not desire to make Russia a legal belligerent. According to Hull, he still felt that the basic antagonisms between Communist Russia and Nazi Germany were so deep, and Hitler's ambitions so boundless, that eventually Russia would come over to the side of the Allies. He concluded, "We had to be careful not to push her in the other direction."⁷⁹

⁷⁸Gordon Wright, "Ambassador Bullitt and the Fall of France," World Politics, vol. X (October, 1957), pp. 76-77.

⁷⁹Hull, Memoirs of Cordell Hull, pp. 706-07.

Steinhardt, like most Americans, sympathized with the Finns. The outcome, he thought, depended on the ability of the Finns to make a real resistance for sixty or ninety days. If they accomplish that, he said, "the Soviets may lose a good deal of their Hitler complex for they seem to think they can 'clean up' as the Germans did in Poland in about three weeks."⁸⁰ A determined effort by the Finns, he thought, might cause the Russians to reflect. He believed, however, that the Russians were relying more for the accomplishment of their objective on internal dissension in Finland and the establishment of a puppet government which would be subservient to Soviet wishes than on a mass attack. Nevertheless, he did not discount the use of Soviet armed forces to aid bringing about this subservient government.

In the early days of the war Finland attempted to renew negotiations and restore peace. When Finland took the problem to the League, the Russians refused to appear and on December 14 the world organization expelled the Soviets from membership. In turn, the Finns sought German

⁸⁰ Steinhardt to Authur Schoenfield, December 2, 1939, Steinhardt MSS.

mediation. But the Russians by an extraordinarily stupid move rendered negotiations impossible. Hardly had war begun when Moscow recognized a "Democratic Government of Finland," known as the "Terjioki Government," headed by Otto W. Kuusinen, a Communist exile resident in the Soviet Union since 1918. With this shadow government set up in the hamlet of Terjioki on the Karelian Isthmus just across the boundary from Russia, Moscow concluded a mutual-aid treaty on December 2. Consequently, so long as the Soviet Union clung to the fiction that the puppet regime was sovereign in Finland it could not recognize or deal with the Helsinki regime. After a talk with a member of the German Embassy, Steinhardt reported that the Germans considered the Soviet recognition of the Kuusinen Government as a "bad blunder on the part of Stalin."⁸¹ The prospect of such a government, the Germans thought, would only stiffen Finnish resistance and, in consequence, the Soviet Union committed itself to a complete military conquest of Finland. Taking it one step further, Steinhardt considered the initial attack on Finland a major blunder on the part

⁸¹ Steinhardt to Hull, December 7, 1939, Department of State Archives, 760D61/664.

of Stalin; "it is apparent that he was thoroughly misled as to the efficiency of the Finnish army and to the extent of Finnish resistance" ⁸² The formation of the Kuusinen Government, in his opinion, "was the greatest of all blunders"

Unable to effect a peaceful settlement, Finland plunged earnestly into the Winter War. The attackers had vast reserves of manpower and equipment; the Finns deficient of both. Favored by terrain and possessing skillful officers and astounding courage, the Finns were able to make the utmost of their advantages. They appealed for aid through various diplomatic channels; Sweden, Great Britain, France, and the United States offered guns and credit. When the promised war material failed to arrive, Finland's chances for victory became hopeless and futile. Distressed Finnish leaders faced a perplexing situation. On the one hand, Finnish leaders envisaged an expedition with the aid of the Western Allies to Murmansk; on the other hand, Finnish leaders confronted the reality of the situation and requested Stockholm to seek peace negotiations with the enemy.

⁸² Steinhardt to Loy Henderson, December 9, 1939, Steinhardt MSS.

Finland's position was in a precarious if not bewildering balance. Whichever way the scale might tip, the decision would not only affect the Finnish position but the course of the European war. In determining the amount and kind of aid to be sent to Finland, the Allies had to weigh strategic considerations. So long as Finland kept Russia occupied in the north, Romania and Turkey, allies of France and Britain, were free from Soviet threat. Also the Allies hoped to draw Sweden and Norway over to the anti-German coalition. If either country permitted the transit of troops across its territory, the act would commit that country to the Allied side. With Sweden committed to the Allies, Germany in turn would lose a valuable source of iron ore. Finally, the strategists recognized that a Scandinavian front would relieve German pressure on the French front.⁸³

Just as importantly, the Allies had to determine whether involvement in the Winter War was worth the risk of war with the Soviet Union. The Allies vacillated throughout the war on this serious question. Not so Steinhardt.

⁸³ Andrew J. Schwartz, America and the Russo-Finnish War (Washington, D. C.: Public Affairs Press, 1960), p. 23.

Inasmuch as the Russians were "in full alliance with Germany," he thought France and Britain ought to treat the Soviet Union as a belligerent.⁸⁴ The weak link in the Russo-German partnership, he suggested, was Russian economic aid; if France and Britain aided Finland, they might cripple Russian aid to Germany. He disagreed with those who thought that an attack on Russia would cement the Nazi-Soviet alliance. Anybody who presumed that there would be a conflict between Russia and Germany, in his opinion, were indulging themselves with "wishful thinking." Russia, he thought, would next turn to the acquisition of Bessarabia. If the Germans also harbored an interest in the Balkans, Steinhardt thought the two partners would reach a peaceful solution.

As the Winter War progressed, Finland found herself in an increasingly perilous position. Allied promises remained vague and casual. One unexpected problem confronted by the Allies was the refusal by Sweden and Norway to allow the transit of troops across their territories. Sweden, perhaps under Nazi threat and reluctant to see

⁸⁴ Steinhardt to Rudolf E. Schoenfeld, December 9, 1939, Steinhardt MSS.

Scandinavia serve as a battleground, notified Helsinki that she would not respect the Allied demarché. With the prospect of Allied troops landing in Scandinavia thus removed by Sweden, Finland intensified its efforts to bring about a peace. Prime Minister Risto Ryti of Finland on December 28 requested the American Minister at Helsinki to inquire of Washington its willingness to initiate peace overtures with a view to stopping hostilities. In turn, the Department of State asked Steinhardt for his views. He responded that he found no evidence that the time was propitious to approach the Soviet Government for the purpose of bringing about negotiations with the Finnish Government.⁸⁵ There was no sign, he said, of any desire on the part of the Soviet Union to extricate itself from the difficulties which it had encountered in the prosecution of the war with Finland. The Soviets he suggested, were too far involved to change their course.

In spite of no outward manifestation discernible by Steinhardt, Kremlin leaders were concerned about the situation. Prolongation of the war had stirred up all sorts of

⁸⁵ Steinhardt to Hull, December 31, 1939, Department of State Archives, 769D61/890.

dangers. Unable to effect a swift victory in Finland, the Soviet Union confronted the real danger of an Allied invasion of Scandinavia and a threat to the Caucasus. They also ran the chance of losing the United States as a source for certain economic products they were unable to get elsewhere. Recognizing the Soviet desire to keep the American economic door open, Roosevelt in late January suggested that serious consideration be given to the curtailment of gasoline and scrap iron shipments to the Soviet Union.⁸⁶ The time might be right, the President said, "where one or two comparatively minor matters may tip the scale toward unofficial considerations in the direction of peace." It is doubtful that an embargo on oil or scrap iron would have had any effect; the President was later informed that oil shipments in 1939 to the USSR were about one-half what they had been in 1938 and that no scrap iron was shipped either year.⁸⁷

⁸⁶ Roosevelt to Adolf Berle, January 27, 1940, Department of State Archives, 700.00116 Moral Embargo/14.

⁸⁷ Joseph C. Green to Adolf Berle, January 30, 1940, Department of State Archives, 700.00116 Moral Embargo/14.

Roosevelt's proposed embargo was not the only attempt made by the Administration to end the Finnish-Soviet conflict. On the same day that the President inquired about embargoing oil and scrap iron, Secretary Hull authorized Steinhardt to seek an interview with Molotov.⁸⁸ The Secretary instructed Steinhardt to inform the Foreign Commissar that various neutral non-Baltic governments had suggested that the United States approach the Finnish and Soviet Governments in the hope that some means might be found for a cessation of the conflict without further bloodshed. Throughout the lengthy interview, Steinhardt reported, Molotov avoided giving any indication as to whether the Soviet Government was prepared to treat with an independent Finnish Government.⁸⁹ Steinhardt thought it significant that Molotov did not at once reaffirm the previous Soviet position that the Kuusinen Government was the only one with which the Soviets would deal. The American Ambassador thought that Molotov's cordial attitude was due less to the purpose of Steinhardt's visit

⁸⁸ Foreign Relations: 1940, I, p. 281.

⁸⁹ Ibid.

than a desire not to impose by an abrupt rejection any further strain on Soviet-American relations. He suggested that it was not unlikely "that the Kremlin may see certain advantages in keeping the door open for the good offices of the United States at some future time."

For the next several weeks the Soviets appeased the American Embassy. The climax was the "cordial but informal" luncheon Molotov gave in honor of the American Ambassador.⁹⁰ Molotov informed Steinhardt that the Kremlin was "acutely aware of the present anti-Soviet sentiment in the United States" and was both annoyed and disturbed thereby.⁹¹ Molotov indicated that the Soviet Government was interested in relaxing relations between the two countries.

Meantime, when well-founded rumors leaked out that Finland was attempting to come to terms with the Soviets, the Allies made a last effort to prevent it. The French on March 1 promised to dispatch immediately 50,000 troops to Finland. Again Sweden balked at

⁹⁰New York Times, February 8, 1940.

⁹¹Foreign Relations: 1940, I, pp. 295-96.

consenting to the passage of Allied troops; conversely, it advised the Finnish Government to make peace.⁹² The Allied effort to keep the Russo-Finnish war alive most likely was a singular act by the French; the British by this time, according to Steinhardt, "considered aid to Finland large enough to stop Russia but decided that the Baltic was not the place to fight out the war."⁹³ This did not mean, however, that the British along with the French, so Steinhardt stated, did not share his opinion that Stalin was "definitely committed to a German victory and that the Soviets will do everything within their power to aid and abet Germany." The French, he said, referred to the Soviet Union as Germany's "Achilles' heel" and were gradually persuading the British to accept the same view. "I think," the American Ambassador concluded, "the French and British have been seriously tempted to go to the assistance of Finland ever since they arrived at the conclusion that they must defeat the Soviets before they can defeat Germany, but that for

⁹²Ibid., p. 296.

⁹³Steinhardt to Loy Henderson, March 2, 1940, Steinhardt MSS.

various reasons--principally strategic--they have come to the final conclusion that the place to defeat Russia is in the Black Sea area." He was convinced that an Anglo-French fleet would soon enter the Black Sea and launch an attack against Baku and Batum.

By the beginning of March, 1940, Finland was in desperate military straits. Finnish Foreign Minister Vaino Tanner on March 4 informed Secretary Hull that soundings had been going on with Russia.⁹⁴ Steinhardt thought the opening of informal discussions of "considerable significance."⁹⁵ The obvious explanation, Steinhardt ventured, was that the coming thaw would render military operations virtually impossible for at least one or two months. Without having obtained a final military decision, the Soviet Government, he continued, would be compelled to maintain "a force believed to approximate 1,000,000 under arms on the Finnish front with the consequent drain on Soviet internal economy, complicated by the possibility of serious developments in the Black Sea area" Though the Soviet Government no doubt was concerned about possible

⁹⁴Hull, Memoirs of Cordell Hull, p. 742.

⁹⁵Foreign Relations: 1940, I, pp. 297-98.

developments in the Black Sea area, Steinhardt took a very narrow view concerning Soviet military posture and economy. There is little doubt that Soviet military power could have annihilated the Finnish. What he failed to perceive was the Soviet desire to extricate itself from a hazardous situation. Instead of continuing the war, Soviet leaders chose to gamble on the proposition that militarily the Finns could not go on, that the Swedes and Norwegians would continue to refuse passage for Western troops, and that if the Allies nevertheless invaded Scandinavia, the Germans would intervene before effective aid could reach the Finns.⁹⁶ From the Kremlin's point of view, a peace settlement was worth the risks involved.

From the Finnish viewpoint, the Soviet terms were unduly harsh. Nevertheless, the Finnish Government thought it better to submit than have Finland wiped off the face of the map.⁹⁷ The Finns were bitter at Sweden's attitude not only for failing to come to Finland's aid but for using strong pressure on Finland to make terms at almost any price.

⁹⁶ Langer and Gleason, The Challenge to Isolation, pp. 404-05.

⁹⁷ Foreign Relations: 1940, I, pp. 298-99.

Hull on March 7 cabled Steinhardt to inform Commissar Molotov that although the United States Government had no desire to intervene in the negotiations, America was interested, and a deep impression would be made on our public opinion if the Soviet Union took a generous attitude toward the Finns.⁹⁸ The Secretary authorized Steinhardt, if the Ambassador thought wise, to imply that the moral embargo might be relaxed to the same degree to which the Soviets abated the severity of their demands on Finland. Steinhardt reported that Molotov, upon receiving Hull's plea for moderation, was "effusively cordial and expressed great satisfaction for the friendly interest now and heretofore shown by the President and the United States Government in the restoration of peace between Finland and the Soviet Union."⁹⁹ Molotov gave the Ambassador the terms of the treaty; pressed on the formation of the Finnish Government, Molotov retorted, "The Soviet Union is not interested in the composition of the Finnish Government." Steinhardt was unconvinced. The

⁹⁸ Hull, Memoirs of Cordell Hull, p. 742.

⁹⁹ Foreign Relations: 1940, I, pp. 305-06.

Russo-Finnish peace treaty was signed in Moscow on March 12. Though it contained several harsh measures, at least in ending the war it left Finland an independent country free to choose its own government, Steinhardt's doubts notwithstanding.

Steinhardt had the good fortune to have as his colleague and friend in Moscow, the same man who was the Swedish Minister to Lima. In consequence, according to Steinhardt, "Washington was the only capital outside of Moscow, Helsinki, and Stockholm which was correctly advised of what was going on."¹⁰⁰ Hull suggested, however, that the Ambassador ". . . take care to avoid creating the impression that the Finns are obtaining advice from you, in view of Russian assertion that their real grievance against Finland was the use of Finland by non-Baltics in a manner disliked by Russia."¹⁰¹ In speaking of the negotiations, Steinhardt stated that the Germans were very quiet throughout the whole course of the proceedings. They went out of their way, he said, to let everyone know that

¹⁰⁰ Steinhardt to Mrs. William Rosenblatt, June 11, 1940, Steinhardt MSS.

¹⁰¹ Foreign Relations: 1940, I, p. 301.

they had nothing to do with the negotiations and pretended not to be interested. On the other hand, the French used "every instrumentality available to cause the peace negotiations to collapse."¹⁰² According to the New Deal diplomat, it was necessary for the Department of State to "sit on" the French Foreign Office. "In the light of what we all know now," Steinhardt wrote, "the peace should be marked 'Made in Sweden.' It was unquestionably acquiesced in by the Finns under considerable pressure from Sweden."¹⁰³ In turn, the French, he said, felt betrayed by the Swedes. Steinhardt felt the same way. The Swedes, he stated, "are about the most selfish people on earth"; all their efforts were "directed toward a single goal, to keep Sweden out of the war and preserve her territorial integrity."¹⁰⁴ It was a naive view; under the circumstances Sweden, as a small and insignificant country in the European power structure, had no room for choice. It is evident that the

¹⁰² Steinhardt to Mrs. William Rosenblatt, June 11, 1940, Steinhardt MSS.

¹⁰³ Steinhardt to Loy Henderson, March 16, 1940, Steinhardt MSS.

¹⁰⁴ Steinhardt to Loy Henderson, February 23, 1940, Steinhardt MSS.

American Ambassador regretted the fact that the Allies were unable to have their military showdown with the Soviet Union during the Soviet-Finnish war.

Following the termination of the Russo-Finnish war, Steinhardt advanced observations on the general position of the Soviet Union and the probable lines of its policy in the immediate future. "The conclusion of peace with Finland," Steinhardt explained, "testifies to the policy of realism and prudence which on the whole has been characteristic of Stalin's conduct of Soviet foreign affairs."¹⁰⁵ He suggested that it was Stalin's personal decision, against the opposition of the Red Army and certain members of the Politburo (Political Bureau of the Central Committee of the All-Union Communist Party), to conclude a negotiated peace with Finland. Stalin, the Ambassador continued, realized that "extended military operations would be required to achieve maximum aims and that such continuation would involve serious risk of war with England and France." The Soviet Union, free of northern complications, Steinhardt conjectured, would move to safeguard its frontiers in the

¹⁰⁵Foreign Relations: 1940, III, pp. 188-190.

Caucusus and Black Sea areas against the anticipated Anglo-French assault. Even so, in his judgment, Russia desired to avoid war with France and Britain; since the conclusion of the war the Soviet Union had curtailed violent press attack against the Allies. However, Steinhardt regarded this changed attitude "solely as a maneuver rather than an expressed change of policy" It was still his firm conviction that the Soviet Union did not intend "in any way to alter its basic policy of collaboration with Germany ."

During the first half of 1940, Steinhardt had two opportunities to view first-hand Russian life away from the Soviet capital. On both trips he was impressed by the poor condition of the Soviet railway system; he found rundown roadbeds, single tracks existing at strategic points, and negligible maintenance of existing lines. On the first trip, taken under war conditions, Steinhardt visited Leningrad, Latvia, and Estonia.¹⁰⁶ In the Baltic States, he observed that Soviet influence was great and steadily increasing; the Soviets, he conjectured,

¹⁰⁶Foreign Relations: 1940, I, pp. 360-61.

constituted "virtually an army of occupation." He found living conditions in Leningrad "decidedly improved."

The second trip--to the Caucasus, Black Sea area, Crimea, and the Ukraine--followed the conclusion of the war and afforded him an opportunity to investigate Soviet military posture in that area.¹⁰⁷ Traveling in a "special green saloon coach with a private dining room and equipped with radio," Steinhardt visited Rostov, Baku, Batum, Sochi, Crimea, Odessa, and Kiev.¹⁰⁸ The Ambassador made most of his observations from the train windows. Surprisingly, he found no extraordinary military activity in the area and concluded that the Soviets contemplated no offensive military venture. In his subsequent intelligence report, he observed that the Soviet Union was "extremely vulnerable to naval and air attack in this region." He noted a serious food shortage; "attributable to a considerable degree of faulty distribution facilities and methods." He indicated inadequate shipping and port facilities in the Black Sea.

¹⁰⁷Foreign Relations: 1940, III, pp. 195-96.

¹⁰⁸New York Times, March 28, 1940.

During the war Steinhardt favored the restriction of American passports to the Soviet Union to members of the Foreign Service and accredited newspaper correspondents.¹⁰⁹ He pointed to the known sympathies of Americans with the Finnish cause and the increasing irritation of the Soviet authorities at the anti-Soviet manifestation in the United States. The presence of additional Americans in the Soviet Union, he thought might be seized upon by the Soviets to create incidents. Not only were travel and living conditions difficult, he said, but the Embassy was unable to maintain contact with American citizens in the country. In addition, he concluded, it was becoming increasingly difficult for aliens to obtain exit visas.

Steinhardt found the life of a diplomat difficult and trying in the Soviet Union. As the winter snows disappeared in Moscow, he eagerly anticipated his annual leave. Most of all, he was "thoroughly tired out."¹¹⁰ Complaining that life in Moscow under general conditions was "unbearable," he found that war conditions increased the difficulties and

¹⁰⁹ Foreign Relations: 1940, III, p. 252.

¹¹⁰ Steinhardt to Loy Henderson, March 2, 1940, Steinhardt MSS.

strain. The "steady course of truculent arrogance" of Soviet officials, he observed, annoyed foreign diplomats. He thought the Russian attitude was evidence that they lacked "that which they boast of possessing--Kultur." The Ambassador chided American author Theodore Dreiser for having lauded the Russians' high standard of living. "When I read this," Steinhardt snorted, "I felt like kidnapping Dreiser and making him live here thirty days--not under the wing of Intourist but merely as a foreign ambassador."

Steinhardt characterized the Moscow post as "the most important and yet the most treacherous" ¹¹¹ He assured Henderson that the Soviet Government was no longer the same as that with which the assistant Chief had to deal. ¹¹² The Stalin regime, he disclosed, had "gone imperialist in a distinctly parvenu manner, lacking even the finesse of the so-called capitalist imperialist governments. What counts now is the territorial extension of the Soviet empire." All other aims and pretenses, he

¹¹¹ Steinhardt to John H. Browning, December 19, 1939, Steinhardt MSS.

¹¹² Steinhardt to Loy Henderson, January 29, 1940, Steinhardt MSS.

continued, were subordinated internally for that purpose. Externally, he proceeded, the bluff of "safeguarding" small countries was still maintained for its effect on the "stupid masses" in other countries, because camp followers, particularly if attached to the enemy camp, were still useful. Henderson, however, encouraged the Ambassador. He informed Steinhardt that the prestige of the Embassy in Moscow, in so far as the Department was concerned, had never been higher.¹¹³ "You may be interested to know that Mr. Bullitt, who had always kept a weather eye on Moscow, has become one of your most ardent admirers," Henderson disclosed. In spite of these accolades, Steinhardt bemoaned the publicity received during the past few months by Joseph Kennedy, William Bullitt, and Joseph Davies.¹¹⁴ "Joking aside," he wrote, "I am getting tired of being ignored, first because I don't hire the corps of publicity agents."

Before leaving Moscow for a rest in the United States, Steinhardt made a final report on Nazi-Soviet

¹¹³ Loy Henderson to Steinhardt, April 5, 1940, Steinhardt MSS.

¹¹⁴ Steinhardt to Willis Thornton, March 8, 1940, Steinhardt MSS.

relations. In his view, Marxian ideology had ceased to be a determining factor in the formulation of Soviet policy but the belief in the fundamental hostility of other countries toward the Soviet Union in large measure retained its vigor. In spite of enormous efforts of industrialization and rearmament on the part of the Russians, it was his belief that the Communists were neither politically, economically, nor militarily prepared to undergo without serious risk to the regime the extensive efforts such a conflict would require. Soviet foreign policy, he ascertained, was predicated on two principles: protection against Soviet involvement in a major war; and prevention of a coalition of the western European powers excluding the Soviet Union. The Nazi-Soviet pact, he explained, placed the Soviet Union in the position of ostensible neutrality but in reality in a position more closely approaching that of an associate of Germany. He looked upon the Nazi-Soviet pact as one based on mutual interest; Germany's interests were best served with a neutral Soviet Union. The Soviet Union, Steinhardt speculated, did not want a quick and overwhelming German victory which would revive the possibility of Nazi menace to the Soviet Union.

On April 25 Steinhardt left Moscow for home leave. Less than two months later on June 13 the German war machine rolled into Paris. Most historians suggest that the Kremlin underwent a change in policy from that date. It would appear from evidence given by Steinhardt (i.e. the curtailment of the press attack on the Allies) that a more realistic date would be that coinciding with the German occupation of Norway and Denmark in early April, 1940. It might also be reasonably argued that the Soviets' willingness to conclude the Finnish war was based not so much on the fear of Allied mischief in the Black Sea area as it was a concern with an eventual attack from Nazi Germany. How else would one explain Steinhardt's inability to see a military build-up in southern Russia? His restricted viewing of the area should not have prevented him from seeing a military build-up of the magnitude necessary to prevent an Allied attack.

The hard line and "tit-for-tat" policy employed by Steinhardt might have been used successfully in peaceful times; it is doubtful it would enjoy the same degree of success in an emergency situation.

Chapter 5

DIPLOMACY ON THE HIGHWAY TO WAR

Ambassador Steinhardt returned to the United States from his first nine gruelling months in the Soviet Union physically tired and mentally depressed. His spirits were no doubt noticeably uplifted when at the Department of State Secretary Hull and Under Secretary Welles lauded the Ambassador's work in the Soviet Union.¹ In like manner it must have encouraged Steinhardt upon being informed that George P. Brill, President of the Macmillan Company and a recent visitor to the Soviet Union, thought it "a joy to meet an Ambassador with such lively personality, with such a wholesome whole-hearted interest in his job."² Brill observed that Steinhardt was a "fount of information, a real

¹Steinhardt to Mrs. Dulcie Steinhardt, June 6, 1940, Steinhardt MSS.

²George P. Brill to Richard Waldo, July 1, 1940, Steinhardt MSS.

worker, and a brilliant intelligent one." The foreign world would surely get the proper perspective of America, he stated, "if all our Ambassadors were as keen as Laurence Steinhardt."

Nothing did more to lift Steinhardt's sagging morale than the Ambassador's call at the White House. The President was effervescent. Invited to luncheon, the New Deal diplomat was astonished to find no one else present but the President and himself. Roosevelt greeted Steinhardt with the statement: "You have done a 100% job. You have kept your head under the most trying conditions, and I am proud of you!"³ Roosevelt informed the envoy that beginning in September, he (Roosevelt) had requested the Department of State to place every telegram from Moscow on his desk; moreover, he stated, he had read everyone of them. Roosevelt disclosed to the undoubted pleasure of Steinhardt, that even the "career boys" admitted that the diplomat had done "a magnificent job." The President impishly concluded: "When the career boys praise one of my political appointees to me, he must be good!" The President's glowing praise was

sufficient reason for the Ambassador to jump and click his heels together as he left the Executive Mansion.

However, there was little occasion for joy in the troubled world of spring, 1940. After a winter lull in the European war that cynics called the "phony war," Hitler loosed his armour divisions against the western powers. Between April 9 and June 22 he taught the world the awful meaning of Blitzkrieg--lightening war: Denmark, Norway, Netherlands, Belgium, and France were successfully battered into submission. The British army at Dunkirk saved itself from annihilation only by fleeing across the English Channel. When the French submitted to Hitler's harsh terms on June 22 at Campiegne, outside Paris, the Fuehrer controlled nearly all of western Europe.

Roosevelt responded to these disasters in a variety of ways. Even while the British and the French were retreating, he sold them, without legal authority, surplus government arms. When Italy entered the war against France while the nation was reeling before the force of Hitler's military juggernaut, the President cast aside all pretense of impartiality and characterized the

invasion as a stab in the back. He also froze the American assets of the conquered nations to keep them out of German hands and maintained diplomatic relations with the exile governments. During the first four months of 1940 he asked Congress to appropriate \$4 billion for national defense.

In England's desperate hour, Winston Churchill in May, 1940, succeeded the discredited Neville Chamberlain as British prime minister. Churchill stiffened Britain's national backbone with his indomitable spirit and eloquent words. "I have nothing to offer but blood, toil, tears, and sweat," he told Parliament on May 13. Soon thereafter France fell victim to the Nazis and Britain became the sole survivor among the western Allies. However, all was not hopeless. Churchill and other British strategists, chiefly Sir Stafford Cripps, sensed a shift in Soviet policy. It seemed to them that the Soviet Union, alarmed by the overwhelming German victories in France and the Low Countries, was beginning to shift toward a policy of active defense which recognized that Hitler might at some time turn his might eastward.

Various strategic moves on the part of the Russians indicated that Stalin wanted a better defensive position with regard to Germany. Stalin demanded from Estonia, Latvia, and Lithuania that Soviet troops be permitted to occupy these countries fully, and that their governments be reorganized so as to be more friendly to Russia. (The Baltic countries had to accede and the Soviet occupation began on June 15.) Within a fortnight Russia occupied Bessarabia and part of Bukovina. It provided the Soviet Union a more defensible southwestern frontier. The occupation of the Baltic States and the Romanian territory straightened the curve in her western border.⁴

Churchill instructed British Ambassador Lord Lothian (Philip Kerr) to discuss the British position regarding the Soviet Union with the Americans. At the White House, with Under Secretary Welles present, Lord Lothian informed Roosevelt that his Government now supported the view taken by Cripps; namely, that while there was no indication that the Soviet Union was as yet prepared to break away from her agreements with Germany, there was a very

⁴Hull, Memoirs of Cordell Hull, p. 810.

clear indication that increasing apprehension existed on the part of Molotov and the Soviet Government with regard to the unexpected German victories and the strengthening of Germany's position vis-a-vis Russia as a result thereof. Lord Lothian suggested that inasmuch as Russia was believed to be very anxious to improve her relations with the United States, it would be most helpful if the United States would indicate to Russia its desire that the equilibrium in Europe be maintained and that closer relations between the British and Soviet Union would do much to accomplish this end.⁵

The United States Government had previously considered a rapprochement with the Soviets. Shortly after the cessation of Russo-Finnish hostilities, Ambassador Steinhardt had dispatched from Moscow a list of Soviet grievances against the United States. They included: a speech by Assistant Secretary of War Louis Johnson at a dinner of the Bankers Association on January 15, 1940, in which the Secretary made several "unfriendly" remarks concerning the Soviet Union; humiliation by American authorities of Soviet citizens whose documents and visas were in

⁵Foreign Relations: 1940, III, pp. 321-22.

order but still investigated at Ellis Island; disruption of commercial agreements between Soviet economic organizations and American firms encouraged by United States Government; the Moral Embargo; banking restriction on Amtorg; visits by Soviet citizens to American plants made difficult and sometimes impossible; Soviet citizens and institutions (Bookniga, Amkino, and New York Intourist office) were persecuted and court proceedings were instituted against organizations connected with the Soviet Union; and, the American Merchant Marine placed difficulties in the way of the chartering of steamers designated to export goods to the Soviet Union.⁶ The United States, for its part, objected to the numerous impediments and difficulties confronted by the American Embassy, Soviet refusal to grant an American Consulate in Vladivostok, and the unwillingness of Kremlin officials to grant visa and passports to American citizens trapped by the war in Eastern Europe.

American policy was influenced by the desire to do nothing that would drive Russia further into closer

⁶Ibid., pp. 259-63.

relations with the Germans. Yet, at the same time, the Administration wanted to limit exports to Russia so as not to afford her surpluses of strategic materials that could be sent on to Germany.⁷ The Soviet Union, cut off by the war from access to a variety of strategic materials, was intent on keeping open her trade channels with the United States. At times, according to Secretary Hull, the Soviet Union wanted the impossible. Such were her efforts to buy a complete battleship. Although the Administration was willing that one should be built for her, the Soviets insisted, however, that the latest American devices and inventions be incorporated in it. This, the Administration could not or would not do; the Soviets, in turn, bristled with indignation.

Relations between Washington and Moscow had reached their low point during the Soviet-Finnish war. In mid-1940 the Moral Embargo continued in force even after the main reason for it--Russian bombardment of Finnish cities and towns--ceased to exist. Although the Administration had been pursuing a cautious policy with the

⁷Hull, Memoirs of Cordell Hull, p. 743.

Soviet Union and desired better relations with the Russians, it appears as if the British position as given by Lord Lothian provided the impetus for real effort by the United States to effect an American settlement with Russia.

Throughout the summer of 1940, Under Secretary of State Sumner Welles and Soviet Ambassador Oumansky conferred on Soviet-American relations. The parleys failed to produce any tangible results. In part, this was due to the personality of the Soviet Ambassador who at times was difficult, irascible, and arrogant; at other times he was downright rude and ill-mannered. Disliked by various Department of State officials, he served poorly the cause of the Soviet Union. It was rumored that he failed to keep the Soviet Foreign Office informed and desired to catapult himself into the Communist hierarchy.⁸

Ambassador Steinhardt absented himself from his post during four critical months. In late August he left the United States via Japan on his return to Moscow. In Tokyo he conferred with American Ambassador Joseph Grew who arranged a dinner meeting for Steinhardt and Japanese Foreign

⁸Foreign Relations: 1940, III, pp. 406-08.

Minister Yosuke Matsuoka. The latter informed Steinhardt that Japan favored a Japanese-Soviet rapprochement. Matsuoka stated that if Russia and Japan would be able to compose their differences, the Japanese position in the Far East would be "much easier." The Foreign Minister questioned Steinhardt as to the strength of the Soviet army and was told that the army was very effective. Ambassador Steinhardt gained the impression that up to that time, little if any progress had been made towards an amelioration of the strain on Russo-Japanese relations.⁹ Steinhardt's visit with Grew also afforded the New Deal diplomat the opportunity to speak with the Soviet Ambassador to Japan who informed Steinhardt that at "the present time there could not be anticipated any improvements between Soviet Russia and Japan."¹⁰ The Russian also said that there would be no immediate change in the policy of his government in rendering aid to Chiang Kai-shek. Steinhardt added that the Soviet Ambassador "either unaware that the Japanese and other Embassies in Moscow operate under similar conditions

⁹ Foreign Relations: 1940, I, pp. 643-45.

¹⁰ Ibid.

or ignoring the humorous aspects of his objections . . . complained with bitterness of the surveillance which he and his staff were subjected to in Japan."

Leaving Tokyo, Steinhardt traveled the Trans-Siberian Railroad back to Moscow. He observed that on both sides of the Soviet-Manchurian frontier extreme measures had been taken by both the Japanese and Soviet authorities to conceal fairly extensive military measures. He reported that there was a large number of soldiers and officers in evidence from Ootphor to Moscow, that planes and hangars viewed from the train were antiquated and in a state of disrepair, and the the railway bore evidence of heavy wear with little maintenance work in progress. He observed a shortage of food in Eastern Siberia but thought the food condition somewhat better in Central Siberia.

In Steinhardt's absence from the Soviet Union, Prime Minister Churchill had dispatched Sir Stafford Cripps to Moscow with instructions to labor unceasingly for an Anglo-Russian rapprochement. Arriving back in Moscow, Steinhardt found Cripps "extremely gloomy and disappointed" ¹¹

¹¹ Ibid., p. 611.

Cripps, in an interview with Stalin, had been told that the Kremlin's policy was designed to avoid the involvement of the Soviet Union in the war and, in particular, to avoid a conflict with the German army. Stalin informed Cripps that he (Stalin) preferred to run the risk of war without Allies in the event of a British defeat, because he believed that even should Germany be victorious over Great Britain, German military power would be weakened appreciably. In addition, so Stalin told Cripps, after the efforts involved in the war, it would be very difficult for the Nazi leaders to persuade the German people to embark on a new major military victory. Furthermore, Cripps was told that the Soviets would not continue trade negotiations unless the British Government released the gold and ships which had been sequestered following the incorporation of the Baltic States. Stalin also let the British statesman know that the Soviet Union wanted a voice in the control of the Dardanelles; he preferred joint Turkish-Soviet control of the Straits and possibly one or more bases in the vicinity but implied that the Soviet Government would be satisfied with a commitment on the part of the Turkish Government to consult the Soviets before

taking any action under the Montreaux Convention. Cripps concluded, following his conversations with Stalin, that any alternative of Soviet policy toward Germany would only occur when the military power of Germany had been sufficiently impaired to obviate the possibility of a German invasion of Russia. Consequently, Cripps thought that any hope of even indirect Soviet assistance in the immediate future would depend on the ability of Great Britain to withstand the German attack and by so doing to seriously impair German military power.

Steinhardt found an "extremely cordial" Molotov at the Soviet Foreign Office. He reminded the Commissar that Washington had exhibited a desire in the Welles-Oumansky talks to improve relations between the two countries.¹² Still an advocate of the "tit-for-tat" policy, Steinhardt suggested that the Soviet Union demonstrate like goodwill. The Ambassador pointed out that a favorite accusation of the Soviet Government against the United States was that the Soviets were being discriminated against. Thereupon, Steinhardt produced a list of acts of discrimination by the Soviet Government against the United States.

¹²Foreign Relations: 1940, III, 376-68.

He invited Molotov's attention to a number of obstacles encountered by the Embassy during recent months and asked him to remove them "as a first evidence of goodwill." Steinhardt thought the American armament program "not at all displeasing to the Soviet Union." According to Steinhardt, the Commissar gave "every indication of a desire to see an improvement in our relations and indicated clearly that if the American Government should show a desire to improve relations his Government would be glad to cooperate."

On the Following day, September 27, 1940, Germany, Japan, and Italy signed in Berlin a Tripartite Pact. Steinhardt reported that a Pravda editorial in speaking of the German-Italian-Japanese agreement stated "that the United States is now making common cause in a military sense with Great Britain and that the pact presages the development of war on a world-wide stage between Germany, Italy, and Japan on the one hand and England and the United States on the other."¹³ Steinhardt suggested that the Soviet Union would not be displeased with such a development. The general

¹³Foreign Relations: 1940, I, p. 654.

tone of the editorial in Steinhardt's opinion indicated that the Soviet attitude in that respect had undergone no change and that the possibility of a Japanese-Soviet agreement had been enhanced rather than diminished by the Tripartite Pact. As a result of the alliance, Steinhardt said, the Soviet Union was now precluded from taking any advantage by hostile action of any difficulties which Japan might encounter in the Far East, without running the risk of becoming involved in war with Germany and Italy. He thought it possible that the Soviet Government might be prepared to make greater concessions than heretofore, particularly in respect to its assistance to China in an endeavor to reach an agreement with the Japanese.

These conclusions indicate that Steinhardt had not yet read the terms of the Pact. In Article Three of the pact the signators agreed:

to assist one another with all political, economic and military means when one of the three contracting powers is attacked by a power at present not involved in the European war or in the Chinese-Japanese conflict.

Since another article specifically excluded Russia from its application, the article was obviously aimed at the United States. The terms of the contract did not, as

determined by Steinhardt, compel the members of the pact to "assist one another with all political, economic and military means" with respect to the Soviet Union. However, on the other hand, it did not immunize the Soviets from attack in event of war with one of the partners. Moreover, the pact increased Soviet bargaining power vis-a-vis Japan rather than decreasing it.

Japan became increasingly anxious to make a treaty of non-aggression and friendship with the Soviet Union, this to be followed by negotiations on specific issues such as Japanese oil concessions in northern Sakhalin, fishing rights, frontier incidents, and Soviet aid to Nationalist China. Steinhardt's counterpart from Japan, Yoshitsugu Tatekawa, stated to the American that Japan was willing to make greater concessions to attain its end; Japan was ready to recognize Soviet control of Outer Mongolia and Soviet special interests in Sinkiang, and trusted that in return the Kremlin would recognize the Japanese position in Manchuria and at least publicly renounce aid to Chiang Kai-shek.¹⁴

¹⁴William L. Langer and S. Everett Gleason, The Undeclared War, 1940-1941 (New York: Harper & Brothers Publishers), p. 121.

However, the Japanese Ambassador had no opportunity to present the Japanese terms, for Commissar Molotov waved the whole matter aside with the remark that the question of an agreement with Japan was "under study."

The possibility of a Soviet-Japanese rapprochement set off a flurry of diplomatic activity both in Washington and London. In the United States Welles renewed conversations with Soviet Ambassador Oumansky. The British Foreign Office hastened Cripps to the Kremlin with an offer to open the Burma Road. Molotov, for his part, was surprised to hear that the Burma Road was not a railroad.¹⁵ Cripps expressed the view to the Foreign Commissar that the southward course of Japanese aggression would not remove a future threat to the Soviet Union and Soviet interests on the Asian continent which a powerful Japan would present. Unable to impress Molotov with this line of argument, Cripps recklessly and improvidentially dangled the United States as bait. He informed Molotov that a Russo-Japanese agreement "would unquestionably affect the United States to the

¹⁵Foreign Relations: 1940, I, p. 614.

extent that should the Japanese aggression at some time in the future be directed against the Soviet Union it was not unlikely that the United States would feel called upon to take a strong position against Japan."

Steinhardt thought the opening of the Burma Road or any other concession in the Far East would have little material bearing on the general course of Soviet policy.¹⁶ The greatest potential threat to the Soviet Union, he surmised, remained the possibility of an attack by the German army in the west. The fundamental error of Allied diplomacy in respect to the Soviet Union in his opinion was the attempt "to persuade the Soviet Union to undertake positive action which if not leading immediately to an armed conflict with Germany would at least involve the risk of such contingency." On the other hand, he suggested, the German policy had been directed toward assuring the neutrality of the Soviet Union and the adoption by that country of a passive role in the war. This was his explanation as to why British diplomacy had thus far failed and German diplomacy succeeded in their respective approaches

¹⁶Ibid., pp. 615-17.

to the Soviet Union. Soviet policy, he pointed out, was still basically motivated by an intense desire to avoid involvement in the European war. The Tripartite Pact, he said, accentuated rather than diminished the Soviet fear of an armed conflict with the Nazis. He saw two possibilities arising from the pact: one, German desire to impede further Soviet expansion in the west and at the same time assure Germany means of pressure on the Soviet Union for increased economic assistance; and two, Germany, Italy, and Japan definitely planned military action against the Soviet Union. If the first possibility were correct, he did not think the Soviets through negotiation would provoke the very event which its policy was designed to prevent, namely, involvement in war with the Axis Powers. If the second alternative were correct, he ventured the opinion that the Kremlin realized that in the event of an attack by Germany, the Soviet Union would automatically become a British ally.

The British, however, continued their efforts to prevent a Japanese-Soviet agreement. Having failed in previous efforts to effect an Anglo-Russian accord, Downing Street decided to "sweeten" its offer. Cripps presented

to Andrei Vishinsky, Assistant Foreign Commissar, a proposal in which the British Government promised to conclude no peace without prior consultation with the Soviet Union; neither would it make agreements with third parties aimed at the Soviet Union; neither would it attack Baku or Batum. Furthermore, the British Government would conclude a commercial agreement with the Soviet Union for the delivery by Great Britain of rubber, tin, and other commodities required by the Soviet Union. In return, the Soviet Union was to observe genuine neutrality in the war between Germany and Great Britain; to adopt a policy of benevolent neutrality in the event of involvement of Turkey or Iran if either became involved in the war with the Axis; to continue aid and support of Nationalist China; and to sign a non-aggression pact with Britain at a propitious moment after conclusion of the trade agreement.¹⁷ Cripps evidently enlarged the British offer to include de facto recognition to the Soviet acquisition of the three Baltic States, Eastern Poland, Bessarabia, and Bukovina pending the consultations provided for at the end of the war.¹⁸

¹⁷ Foreign Relations: 1940, III, pp. 406-08.

¹⁸ Langer and Gleason, The Undeclared War, p. 124.

Meantime, Welles and Oumansky carried on negotiations in Washington. On October 12, the State Department made a concession to the Soviets by releasing all suspended shipments of machine tools. It was presumed that negotiations thenceforth would make better progress.

Ambassador Steinhardt was highly critical of British as well as American attempts to court the Soviets. He recognized that the Nazi-Soviet relationship had changed, but assailed British attempts to create a "wedge" in Nazi-Soviet relations. He reserved his sharpest criticism for British efforts to involve the United States in their own particular appeasement policy.¹⁹ Such efforts to make the United States a "wet nurse" in weaning Soviet Russia from Germany, he said, were destined to failure. Furthermore, he thought newspaper talk of British plans were bound to react unfavorably on the Kremlin because of its effect on the Germans. Steinhardt realized that the Department of State's support of Cripps' program stemmed from anxiety to prevent a rapprochement between Soviet Russia and Japan, which policymakers thought could prove highly dangerous to American interests in the

¹⁹Foreign Relations: 1940, III, pp. 406-08.

Far East. However, there is no indication to justify their uneasiness. It is doubtful if the Soviet Union, regardless of what she did, could have prevented Japanese expansion into south Asia. Already the die had been cast; Japan was determined to create what they euphemistically called a Greater East Asia Co-Prosperity Sphere.

Even so, Steinhardt felt extremely pessimistic about the chances of preventing a Russo-Japanese agreement. He thought it obvious that the Kremlin had decided that its purposes would be best served with such an accord. Once the Far East conflict had begun, however, he thought the Kremlin would probably withhold assistance from Japan in the hope that that power would be defeated by the United States and that the Soviet Union could reap the harvest without military effort on its part. "It is difficult," he conjectured, "to envisage a Japanese-American naval war, the ultimate outcome of which will not be of material value to the Soviet Union, for should Japanese naval power be destroyed, it would inevitably result in a Japanese collapse which would allow the Soviet Union to re-occupy sufficient territory to assure the safety of Vladivostok."

As for resumption of the Welles-Oumansky talks and the concessions made by the Department of State, Steinhardt thought they produced little but ill-effects in the Kremlin. In the past few weeks, he stated, Soviet authorities had changed in their attitude toward the Embassy, the United States, and Great Britain. Before the resumption of the talks, Steinhardt reported that instructions had been given to the Soviet press and radio not to publish or broadcast statements hostile to the United States.²⁰ In like manner, Steinhardt observed that the Soviet correspondent in London gave a favorable impression on the ability of the English to withstand German bombing; Pravda likewise emphasized the democratic character of the British army in contrast to its previous references to the army as imperialist and plutocratic.²¹ Ever since concessions had been granted the Soviet Union, Steinhardt found Soviet authorities "recalcitrant and uncooperative." They were not offering the United States any significant quid pro quo.

²⁰ Steinhardt to Hull, September 25, 1940, Department of State Archives, 711.61/753-54.

²¹ Steinhardt to Hull, October 5, 1940, Department of State Archives, 740.0011 European War/5859.

Steinhardt thought that Oumansky undoubtedly represented to Molotov that Washington was seeking the good graces of Moscow in anticipation of war with Japan. He concluded his long despatch by saying:

. . . I assume that the "higher ups" regarded international "policies" as more important than profitable results and are still fooling themselves into believing the Soviet Union responds to kindness or evidences of goodwill. My experience has been that they respond only to force and if force cannot be applied, then to straight oriental bartering or trading methods they understand and the only language productive of results. It also has the advantage of gaining their respect. In my opinion, our prestige here has not been at all enhanced by the concessions made to Oumansky,"22

Irrespective of the appeasement policies being pursued in Washington and London, Steinhardt clung to his "tit-for-tat" policy. When Solomon Lozovsky, Assistant Commissar for Foreign Affairs, related to the American Ambassador a list of concessions still sought by the Soviet Union, Steinhardt candidly informed him that he (Steinhardt) would oppose any further concessions in Washington until the Soviet Government "had given tangible evidence of its appreciation of those already granted by removing the grievances"

²²Foreign Relations: 1940, III, pp. 406-08.

cited by the Embassy.²³ Thereupon, according to Steinhardt, Lozovsky adopted "a more reasonable attitude." Similarly, after delivering an official Government message requesting greater cooperation between the two governments, Steinhardt informed the Department that he was more than ever of the opinion "that any concessions made to the Soviet Union in administrative and commercial fields should be effected on the basis of strict reciprocity and with no expectation that they will in the slightest degree affect the political policy of the Soviet Union."²⁴

It is difficult even in historical perspective to add much to Steinhardt's contemporary estimate of Soviet policy in the weeks following the conclusion of the Tripartite Pact. His conviction that the Soviets desired an American-Japanese conflict appears dubious. It appears more probable that the Kremlin looked upon the situation created by Japan's association with the Axis as another providential opportunity to exploit international

²³Foreign Relations: 1940, III, pp. 405-06.

²⁴Ibid., pp. 400-03.

tension in Soviet interest. The Russians found themselves in the enviable position of having their traditional Japanese enemy soliciting for an agreement and anxious to offer highly attractive terms. Simultaneously the British, supported by the Americans, were figuratively falling over their own feet in their efforts to dissuade the Soviets from concluding an agreement with Tokyo, and submitting exceedingly generous terms. Steinhardt, as noted, bitterly opposed this appeasement policy.

Not long after the signing of the Tripartite Pact, Hitler invited the Soviets to become full fledged members of the agreement. News of Molotov's impending visit to Berlin was made on Moscow radio on November 9. Cripps "was not only surprised but shocked by the news."²⁵ He told Steinhardt that the "possibility could not be excluded that should Molotov's visit to Berlin result in more extensive collaboration between the Soviet Union and Germany, influential circles in Great Britain might begin to press for peace with Germany on an anti-Soviet basis." Steinhardt observed "that British diplomacy had again failed to evaluate

²⁵Ibid., pp. 573-74.

properly the basic facts motivating Soviet foreign policy" In view of the recent British attempts to drive a wedge between the Soviet Union and Germany, he thought it only "natural that Germany desire a public reaffirmation of Soviet loyalty to its existing agreements with Germany" ²⁶ Pending the outcome of the Berlin parley, Steinhardt thought it "inadvisable for us to make any concession to the Soviet Government in respect of administrative or commercial matters," ²⁷ Expecting greater Soviet economic and political collaboration with Germany as a result of the Berlin conference, Steinhardt thought the Soviet Union "would endeavor to utilize its purchases in the United States for the purpose of defeating the British blockade."

In reality the Berlin meeting of November 12 and 13, 1940, decreased rather than increased Nazi-Soviet cooperation. Inviting the Soviets to become partners to the Tripartite Pact, Hitler sketched an alluring future for the Soviet Union, as for the Axis: "After the conquest of

²⁶ Ibid., pp. 580-81.

²⁷ Ibid., pp. 573-74.

England, the British Empire would be apportioned as a gigantic world-wide estate in bankruptcy of forty million square kilometers." In this bankrupt estate there would be for Russia access to the ice-free and really open ocean. Now was not the time, according to Hitler, to engage in altercations about "insignificant revisions" of existing arrangements. However, Molotov was unimpressed by the vagary of such phrases as "the New Order in Europe" and the "Greater Eastern Asian Sphere." He demanded attention to the delimitation of sphere of influence as between Germany and Russia and queried the Fuehrer concerning German troop movements in Finland and the Axis guarantee. Hitler countered with a query concerning Soviet seizure of part of Bukovina.

Molotov left Berlin without promising Soviet support to Hitler's grandiose schemes. The Soviet Foreign Minister gave the German Ambassador on November 25 a message for Hitler accepting the draft of the Four Power Pact subject to the following conditions: one, that German troops be immediately withdrawn from Finland; two, a mutual assistance pact between the Soviet Union and Bulgaria securing Russian access to the Straits; three, the area south of Batum and Baku in the general direction of the Persian Gulf be recognized

as the center of the aspirations of the Soviet Union; and four, Japan renounce her rights to concessions for coal and oil in northern Sakhalin.²⁸ Hitler's reaction is suppositional. It is probable that the Soviet demands increased his anxieties and convinced him that the Kremlin was actually plotting war. Possessing his own plans concerning the fate of the Balkans, Hitler became determined that nothing would deter them; the Soviets, he concluded, would have to be eliminated. Thus Operation Barbarossa on December 18 became a reality.

Meanwhile, unaware of the discord in the Berlin proceedings, Washington awaited further developments. Steinhardt was assured by the Department's European desk "that if the after effects of the Molotov visit do not throw the Soviet Union further into the German sphere, more sweeping concessions may be made as a sort of reward to the Soviet Union."²⁹ One had to admire, Henderson informed Steinhardt, the success of the Soviet policy. "By remaining non-committal and whispering here and there by back door methods," he continued,

²⁸Langer and Gleason, The Undeclared War, pp. 136-46.

²⁹Loy Henderson to Steinhardt, December 13, 1940, Steinhardt MSS.

"it is able to gain concession after concession from all quarters without sacrificing anything." Henderson doubted if the so-called appeasement policy would get us any place; however, "as long as that is our policy I am endeavoring loyally to cooperate in carrying it out and I sincerely hope that my misgivings are without basis." The obvious conclusion to be drawn from these remarks is the recognition that the policy being pursued by the Roosevelt Administration was in variance with that being formulated by the Department of State. It is probable that Roosevelt, through correspondence with Prime Minister Churchill, was influenced more by British policy. Inasmuch as the United States was supposedly a neutral and Britain a combatant in the European struggle, it is apparent that the two policies would not necessarily coincide. To some extent, Steinhardt was caught in the crossfire of diplomacy; he could not serve both policies. It was not out-of-character for Steinhardt to follow that policy which he determined to be in America's best interest. To a degree, he was disinterested in British problems. Unable to see that ultimately America's future was intertwined with other countries, it was necessarily a narrow view. Steinhardt determined,

nevertheless, that from his own experience and from others who had served in the Soviet Union, the "tit-for-tat" policy best served America's interest.

Henderson praised Steinhardt's despatches. He thought, and said that others agreed, that the telegrams received from the Moscow Embassy were "so far as clarity and style concerned . . . the best we are receiving from any post in the world" ³⁰ What the Department received from Moscow, Henderson said, assisted them more in their endeavors "to decide what is going on in the Balkans and the Near East, as well as the Far East, than messages which have been received from all other parts of the world put together." He was convinced that "an active Ambassador" was needed in Moscow during the period of international trouble.

Nevertheless, Steinhardt complained that the Moscow Embassy was overworked and understaffed. He was much annoyed when the Department late in 1940 transferred Charles "Chip" Bohlen from Moscow to Tokyo; Bohlen was one of the few at the Moscow Embassy who had any real expertness on Soviet

³⁰ Loy Henderson to Steinhardt, December 13, 1940, Steinhardt MSS.

affairs.³¹ The staff was deluged with thousands of visa and refugee cases. Thousands of letters from the United States inquiring about visas, whereabouts, welfare, immigration, and relief inundated the Embassy.³²

The refugee problem proved to be one of Steinhardt's thorniest problems in the Soviet Union. Soviet authorities were at all times obstinate, contrary, and uncooperative in the most routine cases. Under a Department circular of June, 1940, it was stated that in view of the international situation admission into the United States be examined with the greatest care and that all applicants should be carefully scrutinized in the light of war conditions and other factors and that a visa should be issued only when the applicant conclusively established a legitimate reason or a reasonable need for his presence in the United States rather than for his departure abroad.³³ William Green of the American Federation of Labor and various members of

³¹ Henry C. Cassidy, Moscow Dateline: 1941-1943 (Boston: Houghton Mifflin Company, 1943), p. 76. See also Henderson to Steinhardt, December 13, 1940, Steinhardt MSS.

³² Steinhardt to Hull, September 27, 1940, Department of State Archives, 124.613/1076.

³³ Congressional Record, June 5, 1941, pp. 4754-55.

Jewish organizations interested themselves in the plight of so-called well-known refugee intellectuals and labor leaders trapped by the vicissitudes of war in Eastern Europe. They appealed to the Department to relax its visa requirements. The Department complied and on September 26 sent telegrams to its consuls saying that applications for visitor's visas should be granted "in the absence of reason to believe they will engage in activities inimical to the United States." Clearance of certain applications took place in the United States after the State Department had investigated information made available by labor and rescue committees.

Steinhardt objected to the new procedure. He stated that he was unable to comprehend such reliance on alleged information said to be available in the United States in regard to large numbers of individuals residing thousands of miles away, virtually none of whom were personally known to their sponsors.³⁴ Steinhardt objected that the Department was acting contrary to law in saying (as it did in the September 26 telegram) that such visas

³⁴Isadore F. Stone, New York PM, October 3, 1943.

were to be granted "in the absence of reason to believe they will engage in activities inimical to the United States."

"It would appear from the wording of the telegram," Steinhardt argued, "that the Department shifted the burden of proof from the applicant to the consular officer to establish the admissibility of the alien, although Section 23 of the Act of 1924 provides that the burden of proof is on the alien to show that he is not excludable under any provision of our immigration laws." It would be virtually impossible, he continued, for the examining officer to obtain specific information regarding the possible future activities of these individuals in the United States and in order to be able to assume that, there is reason to believe that they will engage in activities inimical to the United States.

In the same message, Steinhardt took exception to some rabbis whose names had been cleared for visas by the Department in Washington. "Some of the alleged rabbis," Steinhardt objected, "never had congregations outside their own families." Of far greater concern to the Ambassador was "a common practice long known to the Department and recently applied in the Baltic States" which indicated that

visa applicants were being solicited by the Soviet Government to sign an agreement to undertake espionage work in the United States as condition precedent to the issuance of visas.³⁵ Nearly all of these individuals, he said, had relatives remaining in Soviet territory and were therefore subject to pressure in the United States if they failed to carry out their agreement. Alexander Hafftka, one of the refugees recommended by the President's Advisory Committee, confirmed Steinhardt's suspicions. Hafftka informed Steinhardt that from ten to twenty percent of all those individuals (refugees in the Lithuanian area) had been or were being solicited by the Soviet Commissariat for Internal Affairs (OGPU) to act as its agents after their arrival in the United States.³⁶ Hafftka added that OGPU solicited the most presentable and intelligent men and the most attractive women, and those selected were almost invariably individuals having relatives within the Soviet Union or Soviet-occupied territories.

In the end, Secretary Hull acceded to Steinhardt's demands. Although each case was to be determined on its

³⁵ Foreign Relations: 1940, III, pp. 234-35.

³⁶ Foreign Relations: 1940, I, p. 598.

merits, the Department thought it advisable as a general rule to withhold visas in all cases in which the applicant had children, parents, husband, wife, brothers, or sisters still remaining in controlled territory.³⁷ If the circumstances in any case strongly indicated applicant could safely be granted a visa although some close relative resided in controlled territory, the facts thereof were to be reported to the Department with a request for an advisory opinion.

The refugee problem proved to be an embarrassment to the New Deal diplomat. News of Steinhardt's cable in which he objected to the Department's relaxed visa requirements was leaked to Senator Robert Reynolds, Democrat of North Carolina.³⁸ An apologist for Hitler before the war, Reynolds was then campaigning for a ten year ban on all immigration. "I desire to acquaint the members of this body," Reynolds said on the Senate floor of Steinhardt, "with the fact that we have at least one representative in that section of the world [Eastern

³⁷ Ibid., p. 603.

³⁸ New York PM, October 3, 1943.

Europe] whose prime interest is the interest of this country, the United States of America, and is not interested in providing protection against firing squads in Europe to thousands of refugees who are securing tourist visas to come to this country. . . ." ³⁹ In 1943 while Steinhardt was in Turkey and in the midst of further refugee problems, the speech was amplified in the New York press by Isodore Stone. ⁴⁰ The article portrayed Steinhardt as both heartless and anti-Semitic; a crushing blow to anyone aspiring for a political career in the Empire State. Both Reynolds and Stone perverted the truth and in doing so discredited Ambassador Steinhardt. Although a Jew himself, Steinhardt was no Zionist. He was, however, an ardent believer in America; as such, he would do everything within reason to protect the security of the country. Humanitarian considerations, he thought, "should be subordinated to the best interests and public welfare of the United States." ⁴¹ It was his

³⁹ Congressional Record, June 5, 1941, pp. 4754-55.

⁴⁰ New York PM, October 3, 1943.

⁴¹ Foreign Relations: 1940, I, p. 617.

opinion that pressure of sponsoring organizations and individuals in the United States resulted in the admission of a substantial number of refugees "whose activities after their arrival in the United States . . . bade no good for the immediate future of our country." Even though he was a man without large social consciousness, he was not calloused toward the plight of the refugees. The fact that the Department of State heeded his warnings testifies, in part, to the validity of his claim that there were inherent problems in the refugee situation.

Meantime, in the weeks and months following Molotov's Berlin visit, Japan on the one hand and the United States and Britain on the other continued courting the Russian bear. Steinhardt reported to the Department a late November conference between Japanese Ambassador Tatekawa and Commissar Molotov.⁴² Tatekawa informed the American that he (Tatekawa) had inquired of Molotov as to the Soviet Government's disposition toward the Japanese proposal of a non-aggression pact. Thereupon,

⁴²Ibid., p. 676.

according to Tatekawa, the Commissar replied that after the Nazi-Soviet non-aggression pact, Germany had "made the Soviet Union a present" in the form of half of Poland and that he was curious to know what "present" the Japanese Government proposed to make in exchange for a non-aggression pact. In reply to Molotov's reference to the lower half of Sakhalin and "some islands," Tatekawa asked Molotov why the Soviet Union which was already so huge desired additional territory. Molotov replied, "You have so many islands you could give us a few." Japan was still unwilling to make "a present" large enough to satisfy the appetites of those in the Kremlin.

Steinhardt thought the mere fact that the Soviet Government showed a disposition to conclude a political agreement with Japan indicated a general Soviet policy.⁴³ He thought the Soviet Government had sought and was seeking to exploit, for its own immediate self interest, as a means of exacting a higher price from Japan, the situation in the Far East and in particular the existing tension between the United States and Japan. It appeared to him that the Soviets

⁴³Ibid., p. 680.

confidently believed that as Japanese difficulties increased, the Japanese Government would eventually decide to "pay the price" and that in consequence the Soviet Government had "every reason to adopt a waiting attitude."⁴⁴ He advised the Department to bear in mind this aspect of Soviet policy in the Far East when considering "the dubious possibility of any cooperation between the Soviet Union and ourselves"⁴⁵ The possibility and probability could not be excluded, he suggested, that in the event of a continued refusal by the Japanese Government to satisfy Soviet demands, the Kremlin would "attempt to create the impression of increasing collaboration with the United States in the Far East solely for the purpose of endeavoring to force the Japanese to accept its terms." He thought Soviet aims and tactics in the Far East similar to those in which it thus far successfully pursued in relation to western Europe and the European war, "with Japan in Soviet eyes playing the part of Germany and United States and Britain in the Far East the role of France and Britain in Europe."

⁴⁴Foreign Relations: 1941, IV, p. 232.

⁴⁵Foreign Relations: 1940, I, p. 680.

Prime Minister Churchill, as Hitler suspected, never abandoned hope that the Soviet Union would come to see that its own interest lay in reducing aid and drawing closer to Britain. Intent on driving a wedge between Russians and the Germans, the British Foreign Office instructed Ambassador Cripps to inform the Soviets of Britain's willingness (if not eagerness) to negotiate a trade agreement with the Soviet Union. However, the Kremlin was disinterested. After waiting for nearly a month for the Russian reply, Cripps adopted a policy of "aloofness" toward the Soviets.⁴⁶ Steinhardt thought the British diplomat "had finally become convinced that the Soviet authorities were more amenable to retaliatory action than to the customary diplomatic methods." The American envoy must have determined that another convert had been won for the "tit-for-tat" policy. Cripps' state of mind, concluded Steinhardt, was "characteristic of that of virtually every chief of mission whose initial approach to the Soviet Government had been one of belief in its sincerity, integrity, or honesty of purpose and has invariably eventually resulted in a

⁴⁶ Steinhardt to Hull, December 16, 1940, Department of State Archives, 741.61/915.

deep-seated bitterness and hatred as distinguished from those individuals who have never had illusions about the character of the Soviet Government."⁴⁷

In spite of the Soviet rebuff in respect to the trade agreement, London still continued in early 1941 its efforts to line up Russia against the Axis. The principal bait was to be an offer to release funds of the Baltic States which were still blocked in London. Britain was agreeably surprised that Secretary Hull had no objections.⁴⁸ However, Steinhardt did object. He thought that any concession Soviet Russia gained from the United States or Great Britain would be used by the Kremlin to relieve German demands. The Soviet Union, he said, endeavored to extract concessions from the United States and Great Britain by holding out the hope that such concessions would "result in driving a wedge between the Soviet Union and Germany without any real intention at the present time on the part of the Soviet Union to depart from its policy of cooperation with Germany."⁴⁹ Russia, he declared, hoped

⁴⁷ Steinhardt to Hull, February 8, 1941, Department of State Archives, 741.61/920.

⁴⁸ Langer and Gleason, The Undeclared War, pp. 121-23.

⁴⁹ Foreign Relations: 1941, I, pp. 117-18.

by these means to gain concessions from the United States and Great Britain without giving anything in return other than "wishful thinking." In a sense, the Russians fulfilled Steinhardt's doubts when on January 10, 1940, they signed an economic agreement with the Germans promising a speed-up of increased oil, mineral, and grain deliveries.

Soon thereafter the United States tried its hand at driving the wedge in Nazi-Soviet relations. On January 21 Under Secretary Welles notified Soviet Ambassador Oumansky that the United States Government had decided that the policies set forth in the statement issued to the press by the President on December 9, 1939, and generally referred to as the "moral embargo," were no longer applicable to the Union of Soviet Socialist Republics.⁵⁰ Steinhardt feared that Soviet authorities would carry out their obligations to Germany with the aid of increased exports from the United States.⁵¹ However, he thought Soviet authorities "too astute and too alive" to repercussions likely to ensue in the United States to transport American

⁵⁰Foreign Relations: 1941, I, p. 696.

⁵¹Ibid., pp. 126-27.

imports directly to Germany. The Soviets could attain the same end, Steinhardt suggested, by the delivery to Germany of the Soviet commodities contracted for and replace them with purchases in the United States for Soviet consumption. He proposed that Soviet purchases in the United States or elsewhere in the Western Hemisphere "be scrutinized with the utmost care." He advised the Department to watch Soviet gold shipment.⁵²

Ambassador Steinhardt confronted diversionary problems in the early months of 1941. The only foreign church in Moscow, a Catholic Church known as "Saint Louis des Francais" and in the charge of an American (Father Leopold Braun), had been the victim of a series of desecrations and robberies. In a note protesting discrimination against the church, Steinhardt cited the agreement reached in 1933 by the Soviet Union and the United States whereby the Soviets agreed to the maintenance of appropriate religious institutions.⁵³ In the note to the authorities, Steinhardt

⁵² Steinhardt to Hull, March 7, 1941, Department of States Archives, 861.24/446.

⁵³ Steinhardt to Hull, February 17, 1941, Department of State Archives, 861.404/437.

did not restrict his complaints to the robberies but mentioned other vexations accorded the Church: excessively high income taxes, electric light and property tax assessments, and the coercion of the Church's altar boys to the point where they feared to officiate. In its reply, the Soviet Foreign Office stated that the members of the Church had been negligent in their duties; under agreement with the Soviet Government the congregation obligated itself to "safeguard the church and its property and to bear financial responsibility in the event of loss or damage." Further strain in the relations between the United States and the Soviet governments was obviated with the apprehension of "professional thieves" who had committed the robberies. There is no evidence that the Church was relieved of the other disturbances. After the fortunes of war in the same year altered international relations, the United States ironically saw fit to publicize the fact that Russia had churches and permitted religious worship under the 1936 Constitution.

So too did problems involving exit visas continue to plague the Ambassador. Numerous Americans were trapped and unlawfully detained; another was in prison and sentenced

to death for espionage. When the State Department released Mikhail N. Gorin, a Soviet citizen arrested in 1939 in the United States for violating espionage laws, Steinhardt was enraged. He was "stunned by the Department's action" without affording him the "slightest opportunity of capitalizing on the Soviet Government's intense desire for his release, . . ."⁵⁴ The Department's precipitous action, without giving him forewarning, he thought denied him the use of a "tit-for-tat" and destroyed his bargaining position for he had intended to make Gorin's release contingent on the release of Soviet-held Americans. Because of Steinhardt's intervention, however, the Americans were later released and at least one saved from the Russian firing squad.⁵⁵

Churchill dealing in his memoirs with Soviet policy in the spring of 1941, wrote scathingly in condemnation of the Kremlin's course. "So far as strategy, policy, foresight, and competence are arbiters," he exclaimed, "Stalin and his commissars showed themselves at this moment the most completely outwitted bunglers of the Second World War."

⁵⁴ Steinhardt to Hull, March 23, 1941, Department of State Archives, 311.6121 Gorin, M.N./40.

⁵⁵ New York Times, May 10, 1941.

The British statesman based his strictures on the proposition that the Soviet leaders, after Molotov's visit to Berlin in November, 1940, could not possibly have been unaware of the antagonism that had developed between the two partners of August, 1939, and that they must have realized that Hitler's objectives and intentions with respect to the Balkans ran directly counter to Soviet interests. According to Churchill, nothing would have made better sense, from the Kremlin's standpoint, than for Soviet Russia to have joined the British in an effort to strengthen the Balkan States, so as to enable them to resist the anticipated Nazi advance.

On March 1, 1941, Hull advised Steinhardt to inform Molotov that the United States Government "while endeavoring to estimate the developing world situation, had come into possession of information which it regards as authentic, clearly indicating that it is the intention of Germany to attack the Soviet Union in the not too distant future."⁵⁶ Steinhardt thought the deliverance of such a message would be useless. "The cynical reaction of the

⁵⁶Foreign Relations: 1941, I, p. 712.

Soviet Government to approaches of this character," he said, "would lead it to regard the gesture as neither sincere nor independent, and my visit to Molotov might be made the subject of a TASS [Telegraphic Agency of the Soviet Union] communique or be imparted to the German Government, notwithstanding any previous assurances to the contrary."⁵⁷ In his opinion, if the Soviet Government had no evidence confirming the information, its release would be regarded by the Soviets as an American attempt, at British instigation, to drive a wedge between the Soviet Union and Germany.

On the other hand, should the Soviet Government possess information of that character, Steinhardt thought the Kremlin would treat the news as confirmatory. If this were the case, Steinhardt thought it might bear the following consequences: one, it might hasten the conclusion of a Soviet-Japanese political agreement; two, it might cause the Soviets to consider a deal with Germany at Turkey's expense; three, in view of the large number of German troops in northern Norway, it might tempt the Soviets to consider the occupation of Finland; four, it probably would be availed

⁵⁷Ibid., pp. 713-14.

to justify renewed demands by the Soviet Government on the United States for further concessions and increased assistance; and five, it might accelerate Soviet assistance to Germany in an endeavor to avoid or postpone a German attack. Steinhardt deferred requesting an interview with Molotov; on March 3 in Washington, Welles told Oumansky that the United States had such information. The Soviet response, as Steinhardt had expected, was one of disbelief; in turn, as the Ambassador predicted, the Soviets believed it to be British inspired. Even so the Soviets hastened to compromise an agreement with Japan and accelerated aid to Germany in an effort to avoid the inevitable truth.

The weeks immediately preceding the Nazi invasion of Russia constituted one of the most perplexing periods of World War II. Rumors and conflicting stories pervaded Embassies the world over. Soon after receiving word from Washington of the impending invasion, Steinhardt reported speeches having been made by Communist Party officials at factory meetings in Moscow in which speakers alluded to the possibility of conflict between the Soviet Union and

Germany.⁵⁸ Of greater significance, he wrote, was the alleged statement by "a Party official" implying that Germany was attempting to get control of the Dardanelles and that would not be permitted. The official, according to the Ambassador, declared that Germany was maintaining a one-million man army on the Soviet Union's western frontier and warned his audience that Russia had to be ready for any aggression. Steinhardt reported that "all competent observers in Moscow" remained convinced that the Soviet Union would not consider attacking a "strong Germany," and that statements of the above character were intended to prepare the population for eventualities, and that "they be taken to indicate fear of a German attack."

From Washington, Henderson wrote that everyone there was interested in "the growing coolness between Germany and the Soviet Union" and that there was "a certain amount of wishful thinking on the subject."⁵⁹ Henderson hoped that he (Henderson) was "too much of a pessimist" but found it difficult to believe "that after all that has

⁵⁸ Ibid., pp. 132-33.

⁵⁹ Loy Henderson to Steinhardt, March 31, 1941, Steinhardt MSS.

happened, they will entirely terminate cooperation, let alone enter into conflict with each other." It was his opinion that if a conflict did break out, "it would be of Germany's choosing, not as a result of any desire on the part of the Soviet Union." He assured Steinhardt that the Ambassador's letters were valuable in serving as "a check on too much hopefulness" in so far as Soviet-German relations were concerned.

Meanwhile, Steinhardt heeded the Department's warning and prepared for evacuation. The American Embassy, located exactly across the street from the Kremlin, was in the best possible position to catch any bombs that missed their primary objective. Spaso House (irreverently referred to as "Spasm House"), the Ambassador's residence, became the embassy proper. A second embassy was established at Terasovka, twenty miles northeast of Moscow, on a bluff overlooking the Kliasma River. He imported tents from the United States and prepared to set them to house needy Americans who might be blasted out of their hotels if the action started. "The Refuge," as it was called, was equipped and provisioned to maintain one hundred persons for at least two months. A vegetable

garden was planted, and a small portable power unit was installed which could operate the pump of an artesian well and provide power for the radio. Steinhardt did not know, until it was too late to change, that the spot selected for this safe retreat was close to a group of munitions factories. It was said that more dogfights were held over "The Refuge" than over Red Square.⁶⁰

As Steinhardt prepared for evacuation from the Soviet capital, Japanese Minister of Foreign Affairs Matsuoka stopped in Moscow enroute to a meeting in Berlin with Adolf Hitler. Matsuoka informed Steinhardt that he (Matsuoka) intended to ask Hitler "point blank" whether the Nazis intended an invasion of the Soviet Union. The New Deal diplomat concluded from Matsuoka's remarks that any Japanese decision as to an agreement with Russia would be "predicated on the information given him [Matsuoka] in Berlin as to whether or not Germany contemplated an attack on the Soviet Union." To Steinhardt, Matsuoka cunningly denounced communism and said "that under no circumstances

⁶⁰ Margaret Bourke-White, Shooting the Russian War (New York: Simon & Schuster, 1943), pp. 31-83. See also Alice-Leone Moats, Blind Date with Mars (New York: Doubleday, Doran and Company, 1943), p. 210; Steinhardt to Hull, March 20, 1941, Department of State Archives, 124.61/166.

would the Japanese ever accept communism."⁶¹ Hoping to drive his own wedge between the United States and the Soviet Union, Matsuoka informed the American "that any clash between Japan and the United States could only benefit the Soviet Union and would unquestionably result in the 'communization' of China and probably all of the continental Far East." He admitted that it was his intention to reach a political agreement with the Soviet Government but would not "pay an excessive price"; that he had "little confidence the Soviet Government would keep any such agreement longer than suited its purpose."

Uncertain as to what was to follow, Matsuoka left Moscow for Berlin. In the conference that took place, it is impossible with any degree of certainty to discover exactly what information Matsuoka received concerning the impending German assault on the Soviet Union. Isaac Deutscher in his description of the deterioration of Nazi-Soviet relations suggests that Hitler and Ribbentrop gave Matsuoka "broad hints" of the forthcoming attack.⁶²

⁶¹Foreign Relations: 1941, IV, p. 921.

⁶²Isaac Deutscher, Stalin: A Political Biography (New York: Oxford University Press, Inc., 1949), pp. 441-60.

Others claim that Matsuoka was told nothing.⁶³ Most writers agree, however, that Hitler, at this time, opposed a Japanese-Soviet agreement. Nevertheless, Matsuoka upon arriving back in Moscow informed Steinhardt "that the Germans were fully prepared to invade the Soviet Union but had no intentions of doing so unless the Soviets substantially reduced deliveries to Germany" and expressed the opinion that the rumors of a German attack on the Soviet Union had been given out by the Germans in order to frighten the Soviets into deliveries.⁶⁴ Matsuoka further stated that both Hitler and Ribbentrop had urged him to come to some agreement with the Soviets and he told them that he was desirous of doing so but would not "pay an excessive price." The truth is that neither Hitler nor Ribbentrop encouraged Matsuoka to come to terms with the Soviets; both were displeased with the signing of the pact. In Berlin, Hitler had encouraged the Japanese to move into South Asia and attack Singapore and pledged his support if the Soviets attacked Japan. Acting independently, Matsuoka attempted,

⁶³ F. C. Jones, Japan's New Order in East Asia, 1937-1945 (New York: Oxford University Press, Inc., 1954), pp. 210-20.

⁶⁴ Foreign Relations: 1941, IV, pp. 932-34.

through a Japanese-Soviet accord, to protect Japan's northern flank. His statement to Steinhardt can only be interpreted as an effort to display "Tripartite" solidarity. However, Matsuoka was a devious statesman. After signing the pact with Russia and following the German invasion of Russia, he wished to violate the agreement and join the war against the Soviets.

On April 13, 1941, in Moscow, Matsuoka signed with Molotov a five-year treaty of neutrality, pledging each party to remain neutral if the other should become involved in war. Russia agreed to respect the territorial integrity of Manchukuo, and Japan gave a similar pledge in respect to Outer Mongolia, which had fallen under Soviet influence. Matsuoka, believing that Japan's southward drive might bring conflict with Great Britain or the United States or both, thought the promise of Russia's neutrality worth a price. He promised surrender of Japanese economic concessions in North Sakhalin (a promise that was not carried out). Stalin was happy that the possibility of a two-front war had been eliminated. On the day of Matsuoka's departure from Moscow, the Red leader at the railway station made an ostentatious display of his

pleasure. It was there that Stalin, placing his arms around the shoulders of Friederich Schulenburg, German Ambassador to the Soviet Union, remarked: "We must remain friends and you must do everything to that end."

Steinhardt thought that Germany would hail the treaty as a successful result of its effort to bring about a Japanese-Soviet agreement. However, he thought the treaty was brought about less by German influence than by the fear of Japan that it might become involved in hostilities with the United States and the desire of the Soviet Government to prepare itself against a possible German attack. At the same time, he determined that Matsuka wanted to indicate to Germany that the Japanese did not consider themselves bound under the Tripartite Pact to go to war either with the United States or the Soviet Union in the event that Germany declared war or took offensive action against either country.⁶⁵

In the early months of 1941 Germany completely squeezed Russia out of the Balkans. The Kremlin vented its displeasure. It announced in January that the Nazis had

⁶⁵Steinhardt to Hull, April 13, 1941, Department of State Archives, 761.941/81.

failed to consult them about the entry of German troops into Bulgaria and had not agreed to it. On April 4 Molotov summoned Schulenburg, the German Ambassador, to his office and informed him that the Yugoslav Government had proposed to the Soviet Government a treaty of non-aggression and friendship, and that the Soviets had decided to accept and were about to sign the treaty. Molotov told the Ambassador that he expected Germany to keep peace with the southern Slavs; two days later German bombs dropped in Belgrade. Steinhardt thought the Soviet-Yugoslavia pact a Russian effort to insure Yugoslav resistance to German aggression. It is, however, too much to assume that Moscow was deliberately encouraging the Yugoslavs to stand up to the Axis; at best, it was a reminder to Berlin that Moscow was still interested in the Balkans. Steinhardt thought the Soviets contemplated no action under the pact other than the possible furnishing of supplies to Yugoslavia.⁶⁶ The Soviet Union, he said would still continue to furnish and transport raw materials to Germany and would "be careful to avoid any action which would be likely to

⁶⁶Foreign Relations: 1941, I, p. 136.

provoke a German attack." He steadfastly adhered to the belief that Soviet-German relations, despite occasional strains, would prevail until such time "as either the Soviet Union no longer had occasion to fear Germany or Germany might consider it advantageous to direct its activities away from Western Europe toward the East or until one party took action clearly inimical to the vital interest of the other."⁶⁷ Nevertheless, he thought the relationship was in the process of change; this did not mean, however, that "an immediate clash between the two countries must occur."

On May 6 Moscow was startled by the news that Stalin had become Prime Minister. What made him step out of the General Secretariat, for the first time since 1923, and assume direct responsibility for the Government? Steinhardt thought Stalin became head of the government in name as well as in fact. It was, in his opinion, a logical development in the fusion of party and Government which was begun in the purges of 1936. From the time of the purges, he said, the rank and file of the party diminished in

⁶⁷ Ibid., p. 137.

importance in the actual governing of the country, while the party leaders began to assume the responsible government positions. On the other hand, he suggested, the timing of Stalin's move was significant and was determined by the international situation in which the Soviet Union was facing one of its most critical periods in history.

Although preoccupied with invasion rumors, Steinhardt took time to study the effect of Russian peasantry on Soviet foreign policy. The Government, he said, could not ignore the importance of peasant morale and loyalty. A serious problem confronting the Kremlin in the event of a German invasion, he suggested, was the disaffection of the underprivileged Soviet peasants as a result of forced Government policies of industrialization, collectivization, high taxes, unreasonable requisitions, confiscations, artificially organized famines, labor discipline, purges, low wages, and extortionary price fixing. Steinhardt thought the peasantry "bitterly hostile" to the central government. A fundamental difference, he pointed out, existed in the peasants' mind between the Stalinist regime on the one hand and the fatherland, the village, and soil on the other, the Russian peasant being deeply and patriotically attached to

the latter. A Russia in the hands of the Nazis with crops intact, farms fully equipped, and the peasants actively sympathetic or even passive, would be a far different conquest than a Russia burnt to the ground, with farms deserted, and the countryside filled with roaming bands of peasant guerillas. Stalin, he mused, aware of the disloyalty among his subjects, must have "given serious consideration to the mind of the masses in resolving fundamental problems of foreign policy" ⁶⁸ Steinhardt, in conclusion, thought it not improbable that the Stalinist regime would be overthrown "although such invasion would perhaps meet the same fate eventually as did the invasion of 1918."

Until almost the eve of the Nazi offensive Washington continued to be baffled by conflicting intelligence. Reliable and accurate reports came in from Berlin, Stockholm, and Bucharest in early June. However, Steinhardt in Moscow remained convinced that Stalin, in order to avoid war, was willing to make any concession to the Nazis so long as it did not impair the Soviet Union's ability to defend itself. ⁶⁹ As late as May 25 Vishinsky assured Steinhardt

⁶⁸ Steinhardt to Hull, June 4, 1941, Department of State Archives, 861.00/11891.

⁶⁹ Foreign Relations: 1941, I, p. 754.

that Nazi-Soviet relations were friendly and that, if trouble arose, Soviet Russia was quite capable of defending itself. Prime Minister Churchill, in speaking of the days immediately preceding the Nazi invasion of Russia, stated: "Nothing that any of us could do pierced the purblind prejudice and fixed ideas which Stalin had raised between himself and the terrible truth."

While adopting a wait and see attitude, the State formulated a policy for dealing with the Soviet Union. It embraced the following points: make no approaches to Russia; treat any approaches with reserve until the Russians satisfied the Department that they were not maneuvering merely to obtain unilateral concessions for themselves; reject any Soviet suggestion that the United States make concessions for the sake of improving American-Soviet relations, and require a strict quid pro quo; make no sacrifice of principles in order to better relations; make the principle of reciprocity the basis of day-to-day relations.⁷⁰

The newly formulated Departmental plan of dealing with Russia amounted to a virtual adoption of the "tit-for-tat"

⁷⁰ Hull, Memoirs of Cordell Hull, pp. 972-73.

policy. In Moscow, Steinhardt was satisfied. He wrote Hull:

. . .I have been convinced for quite some time that a firm policy such as outlined is best calculated to maintain our prestige in Moscow and to prepare the ground for the important developments with which we will ultimately be confronted. My observation of the psychology of the individuals who are conducting Soviet foreign policy has long convinced me that they do not and cannot be induced to respond to the customary amenities, that it is not possible to create "international goodwill" with them, that they will always sacrifice the future in favor of an immediate gain, and that they are not affected by ethical or moral considerations, nor guided by the relationships which are customary between individuals of culture and breeding. Their psychology recognizes only firmness, power, and force, and reflects primitive instincts and reactions entirely devoid of restraints of civilization. I am of the opinion that they must be dealt with on this basis and this basis alone⁷¹

He stated that he found no evidence of resentment on the part of the Russians to reciprocal relations. As in the case of all primitive people, he added, it is important that reciprocity and retaliation not be carried to the point where it might be considered as provocation; every act should be clearly identifiable in each instance. If so identifiable, he concluded, it did not appear to provoke further retaliation, but on the contrary, frequently resulted in a relaxation or complete withdrawal of the action which provoked the retaliation.

⁷¹Foreign Relations: 1941, I, pp. 758-60.

One June 22, 1941, Hitler unleashed his war machine against the Soviet Union. In a radio broadcast, Molotov in announcing the German invasion stated: "We must unite around our brilliant Bolshevik Party, around our Government, around our great leader, Comrade Stalin. Our cause is just. Victory will be for us." He assured his listeners that the fight was not being made against the German people, German workers, intelligentsia, and peasant but against "the blood-thirsty leaders of Fascism."⁷² Nevertheless, Cripps found the Foreign Commissar "pale, nervous, and obviously shaken."⁷³ Cripps reported that the Russians had been taken by surprise. The Russians, he said, had considered the German moves as a preparation for negotiations which the Kremlin felt confident they could prolong sufficiently to cover their final preparations. Steinhardt related that a member of the American Embassy had just returned from Sochi, a resort town on the Black Sea, and reported having seen "several thousand Soviet army officers there on vacation" when the war began. Whereby Cripps did not contemplate the fall of Moscow under sixty days,

⁷²Ibid., p. 625.

⁷³ Steinhardt to Hull, June 28, 1941, Department of State Archives, 740.0011 European War/12615.

Steinhardt thought it not impossible that its collapse occur before then.

The United States joined Britain in welcoming Russia into the fellowship of the nations engaged in combating totalitarianism. Secretary Hull, ill at home, phoned the President: "We must give Russia all aid to the hilt. We have repeatedly said we will give all the help we can to any nation resisting the Axis."⁷⁴ Steinhardt, when informing Molotov of the Administration's decision to aid the Soviet Union, found the Foreign Commissar "more interested in the attitude of the United States."⁷⁵ Steinhardt read into Molotov's remarks "a tinge of skepticism" with respect to United States willingness and ability to furnish essential war materials. Steinhardt suggested that the Soviet Union would receive more encouragement from immediate shipments of almost any kind of military supplies than it would promises for future deliveries. The Soviet emphasis on plant equipment, Steinhardt thought indicated an intention to continue resistance even if most of Western Russia had to be abandoned.⁷⁶

⁷⁴Hull, Memoirs of Cordell Hull, p. 967.

⁷⁵Steinhardt to Hull, June 29, 1941, Department of State Archives, 740.0011 European war/12617.

⁷⁶Steinhardt to Hull, June 30, 1941, Department of State Archives, 740.0011 European War/ 12646.

Steinhardt reported that the German push had not been as rapid as was expected. This, he attributed less to the capacities of the Red Army than to "the careful, conservative, long range plan of the German offensive."⁷⁷ There was, he said, in the second week of the war, little to indicate which direction the main German effort would take after consolidation had been accomplished. While Cripps evinced considerable optimism concerning Soviet ability to prevent the fall of Moscow, Steinhardt did not share the same feeling. The seizure of Moscow, he predicted would be decided according to the general strategy of the campaign by the German General Staff rather than by the defensive strength of the Soviet armies.⁷⁸ Steinhardt's pessimism regarding the fate of Moscow does not mean that he foresaw a Russian collapse. Contrarily, he held the view that the Stalinist regime was not likely to make peace with Germany "so long as sufficient power of resistance remains to ensure the grip of the Government on the unoccupied areas of the country,"⁷⁹ He thought the

⁷⁷ Steinhardt to Hull, July 2, 1941, Department of State Archives, 740.0011 European War/12741.

⁷⁸ Steinhardt to Hull, July 9, 1941, Department of State Archives , 740.0011 European War/12955.

⁷⁹ Foreign Relations: 1941, I, pp. 640-41.

Soviets, if needed, would drop back and fight from the Urals.

Steinhardt predicted German difficulties in organizing Russian occupied territory. The Germans, he said, would have difficulty in filling administrative positions and would have to set up a semi-military regime. Agricultural problems, he forecasted, would baffle the Nazis: land distribution, requiring German administration, would be of no consequence because the peasant in the end would still be dissatisfied and resentful; collective farm machinery was unsuitable for small farms; and, the peasants would demand a greater amount of consumer goods than the Nazis would be willing or able to provide.⁸⁰ He thought Stalin need not worry about disaffection if OGPU continued to exercise the same control as it had in the past, the people were fed, and the army remained loyal.

The military experts, almost to a man, agreed that the Red Army would be crushed in three months. Henderson was surprised that Steinhardt was still in Moscow.⁸¹

⁸⁰ Steinhardt to Hull, July 14, 1941, Department of State Archives, 740.0011 European war/13127.

⁸¹ Henderson to Steinhardt, August 18, 1941, Steinhardt MSS.

Military people in Washington, he said, "were convinced that Moscow would fall by the first of August. Now no one seems to know anything about anything." Under these conditions, Roosevelt moved cautiously. On June 26 he announced that the neutrality law would not be invoked against Russia because the security of the United States was not imperiled by the conflict. Slowly steps were taken to facilitate purchases of American goods, and on July 26 the President authorized Harry Hopkins to fly to Moscow as his personal representative to discover just what Stalin needed. Hopkins, according to Steinhardt, was received by Stalin who granted him very extended interviews and discussed "with a frankness unparalleled . . . in recent Soviet history the subject of his mission and the Soviet position."⁸² Steinhardt thought the visit "extremely gratifying to the Soviet Union" and that it would prove to have exercised a most beneficial effect upon Soviet-American relations in general and particularly to have greatly encouraged Soviet war effort. As the staying power of the Red Army became evident, the

⁸² Steinhardt to the President, Secretary, and Under Secretary, August 1, 1941, Department of State Archives, 740.0011 European War/13605.

United States promised on August 2 "to give all economic assistance practicable for the purpose of strengthening the Soviet Union in its struggle against armed aggression." Not until November 7, however, did Roosevelt declare the defense of Russia vital to the security of his own country and thus make it eligible for Lend-Lease materials.

During the months of August and September the Soviet military position deteriorated rapidly. Kiev was being surrounded, the Nazi armies were on the point of over-running the important Donetz Basin, and Leningrad was already under siege. While the encirclement of Leningrad appeared to be virtually complete, Steinhardt doubted that the city would fall as soon as generally expected; its eventual capture, he thought, was more likely to result from the shortage of food than from German military efforts.⁸³ It appeared to him that it was the Soviet policy to defend and hold each large city as long as possible irrespective of the cost of lives and damage to the city. According to Steinhardt, Soviet authorities planned the total destruction of cities behind German armies in an effort

⁸³ Steinhardt to Hull, September 10, 1941, Department of State Archives, 740.0011 European War/14914.

to impede their progress and interfere with Nazi communications.

Steinhardt thought the morale in Moscow was exceptionally good during the early portions of the war.⁸⁴ The Nazis incessantly rained bombs and propaganda leaflets. The propaganda urged the Russians to cast off their Bolshevik masters and commissars, to rid the regime of Jews, and to have no fear of the impending occupation by the Germans who would see to it that their land was restored to them. Steinhardt thought the leaflets received favorable reception, particularly by the rural population. He drove around the city and found little evidence of important damage done to military objectives. However, when the Nazi armies in the first days of October opened their great drive to smash the core of Soviet resistance and capture the historic city, the citizens of Moscow became alarmed; public concern over the procurement of food increased and the morale of the population badly shaken by the flight of factory managers, some of whom absconded the wages of the employees.⁸⁵

⁸⁴Foreign Relations: 1941, I, pp. 642-43.

⁸⁵Steinhardt to Hull, October 28, 1941, Department of State Archives, 740.0011 European War/16219.

Steinhardt requested a leave for the United States but was informed by Secretary Hull that he did not think the time propitious since already the Germans had reports to the effect that Steinhardt was leaving the Soviet Union "because of the hopelessness of the situation."⁸⁶

The Moscow population became more panic stricken, when on October 15 orders were issued to move government offices and foreign embassies eastward to Kuibyshev. The American Embassy in Kuibyshev looked as though it might once have been an apartment house; it boasted six kitchens, a pair on each floor. The Ambassador had two tiny rooms. One he used for storage purposes and the other his bedroom which also served as a sitting room and, on occasion, even as a dining room. There were several bathrooms in which the plumbing seldom worked. Steinhardt reached his peak as a diplomat when one day he told the telephone operator: "Call Vishinsky and tell him if he doesn't get a plumber over here within half an hour to repair the toilet, I'll go over and use his!"⁸⁷

⁸⁶ Hull to Steinhardt, October 9, 1941, Department of State Archives, 123 Steinhardt/363.

⁸⁷ Cassidy, Moscow Dateline: 1941-1943, p. 76; see also Moats, Blind Date with Mars, p. 420.

In Kuibyshev Steinhardt anxiously awaited his return to the United States. He complained in a letter to Hull of having been kept at his desk night and day seven days a week without interruption during the past fourteen months. "The mental and physical strain that has resulted from this," he wrote the Judge, "has been aggravated by the extraordinary disagreeable conditions of life in Moscow even under normal conditions not to speak of the past four months of war conditions and particularly by the temperament of the officials with whom I have had to deal."⁸⁸

Finally word came granting the Ambassador permission to return home. President Roosevelt informed Steinhardt that it appeared as if "in the immediate future at any rate it would now seem that Soviet-American relations will consist almost exclusively of matters pertaining to the furnishing of equipment and supplies to the Soviet Union in order that it may be able to continue its resistance to Germany."⁸⁹ The President instructed Steinhardt to place Major-General James H. Burns, "who is fully

⁸⁸ Steinhardt to Hull, November 3, 1941, Steinhardt MSS.

⁸⁹ Franklin D. Roosevelt to Steinhardt, November 5, 1941, Steinhardt MSS.

acquainted with the detailed problems of American supply and production," in charge. Roosevelt suggested that the New Deal diplomat "make immediate preparations to return to the United States" so that he (Roosevelt) might "have an opportunity to talk of a new post" and discuss "recent developments in the Soviet Union."

Henderson at the European desk offered his moral support to the returning diplomat. "Be sure not to take an attitude with anyone," he wrote Steinhardt, "that there is anything for which you can be reproached or that you are under any shadow in any way."⁹⁰ Henderson stated emphatically that the situation was to the contrary. He assured the New Deal diplomat that in his (Henderson's) mind Steinhardt had done "a first class job" and had consistently sacrificed his personal interests. Everyone, Henderson asserted, was pleased with Steinhardt's work in the Soviet Union. "Just be your old confident self," he concluded, "and everything will work out beautifully. I don't need to tell you that the Secretary has a deep affection for you and that neither he nor the President,

⁹⁰ Loy Henderson to Steinhardt, November 26, 1941, Steinhardt MSS.

nor anyone else, so far as I know, has any intention of letting you down."

Steinhardt had no reason for misgivings. Under trying war conditions the Ambassador performed a commendable job in the Soviet Union. Life as a diplomat in Moscow was no vacation. Soviet officials made life difficult and exasperating; Americans faced problems with Soviet police, exchange rates, and unwarranted searches. Authorities obstructed normal working procedure with minor irritations, impediments, and delays.

Unlike his predecessors, Bullitt and Davies, the third American ambassador to the Soviet Union was not swayed by personal feelings. Every bit as anti-Communist as Bullitt, the New Deal diplomat became neither exasperated nor ruffled by adversities. So, too, Kremlin leaders found the resolute and iron-willed Steinhardt (unlike Davies) completely oblivious to flattery and blandishment. Although Steinhardt was no favorite among Communist authorities, it can be said, however, that he was respected; this was really more important in the long run for American interests. According to

Henderson, who was in a position to know, Steinhardt was "the best" of America's three ambassadors to the Soviet Union.⁹¹

It would be an over-simplification to claim that Ambassador Steinhardt understood all facets of Communist Russia. As early as January, 1940,⁹² Steinhardt dismissed Marxian ideology as a factor in Soviet foreign policy. In attributing Soviet territorial expansion solely to imperialistic designs, the American Ambassador dismissed altogether Communist obsession with "capitalist encirclement" and the division of the world into "two hostile camps." To what extent Communistic ideology in the late 1930's was a factor in Soviet ideology is indeterminable--to dismiss it entirely, as did Steinhardt, was wrong. In the more than two years that Ambassador Steinhardt served in the Soviet Union, there is no evidence to suggest that he fully understood Communist

⁹¹Personal interview with Loy Henderson, February 9, 1967, Washington, D. C.

⁹²Steinhardt to Loy Henderson, January 29, 1940, Steinhardt MSS.

ideology, party hierarchy, or political structure. To reject these various aspects of Soviet life was foolish and short-sighted.

Ambassadorial life in Moscow would have been enigmatic, difficult, and vexing even in peacetime. The war magnified and increased the tension even though both the United States and the Soviet Union were neutral throughout the first stages of the European war, each had a different objective. While Russia desperately strove to stay out of the war, America veered a course just short of involvement. Dissimilar to the Soviet Union, the United States had early committed itself to the side of one of the belligerents.

America's unwritten pledge for an Allied victory necessarily complicated United States policy. With their backs against the wall, the British, unlike the Americans, were naturally more willing to appease the Russians than the Roosevelt Administration. It is difficult to determine whether the prevalent British view concerning the eventual Nazi-Soviet break-up was one of omniscience or the result of wishful thinking. Even so, Steinhardt steadfastly claimed that this split would not occur--

he was totally unable to see and penetrate the "unholy" alliance. However, he cannot be completely faulted, for even the omnipotent Stalin was unable to foresee the inevitable clash. Even had Steinhardt been able to appreciate the inherent discord in the agreement, it is extremely doubtful that he would have prevailed upon the Soviets to change their neutralist policy.

Under the circumstances, the diplomatic strategy best serving the interests of the United States in dealing with the Soviet Union was the one of maintaining reciprocal relations; in other words, the "tit-for-tat" policy pursued by the New Deal diplomat. In the days and months preceding the Japanese attack at Pearl Harbor, there was no single policy that satisfied the interests of the United States, the Soviet Union, and Britain. In reality, it took nothing less than Hitler's Wehrmacht to force the Kremlin to abandon its neutralist policy. Following United States entrance into the war it was inevitable that the Americans and Russians cement their international relations. Thereafter the Soviet Union and the United States joined in a single course--that of defeating the Axis warlords. Undoubtedly, the

years 1942 and 1943 marked the zenith of Russo-American relations. Amicable relations persisted so long as each country had need of the other. As hostilities waned, however, the two countries returned to their pre-World War II relationship that, in a real sense, characterized the mission of Ambassador Steinhardt.

Chapter 6

WARTIME AMBASSADOR TO TURKEY

Ambassador Steinhardt arrived back in the United States from the Soviet Union on November 26, 1941. Less than two weeks later the Japanese attacked Pearl Harbor. Congress responded the next day, December 8, with a declaration of war against Japan. Germany and Italy honored their treaty obligations to Japan and on December 11 declared war against the United States. America was in the war "up to its neck" in both Asia and Europe.

Had Steinhardt come home to resign from the service, the bombs dropped by the Japanese in Hawaii resolved the decision. He would not desert his country in its hour of peril. After consultation at the White House, it was decided that the New Deal diplomat would be shifted to the Embassy in Turkey. Rumors had persisted for weeks that German forces might try to drive eastward through Turkey to form a junction with the Japanese moving through the Indian Ocean. Because the Turkish course was not yet fixed,

Ankara was considered at that time a more important post than Moscow.¹ Steinhardt was fascinated with his new assignment. He believed it held "the key" to the whole Near and Middle East. "What the Turks do or do not do during the next few months," he asserted, "will have a tremendous bearing on the duration of the war."²

Turkey was the observation tower into the Balkans. It was a window; what we tried to do was to make it a door. Steinhardt had two principle missions in Turkey. He was sent to reassert American prestige in that key nation and to smoothe out relations between Turkey and the Soviet Union.

After almost two decades of friendship in which Moscow had on more than one occasion come to the aid of the Ankara government, relations between Russia and Turkey became estranged and confused. At the outbreak of war official relations between Turkey and Soviet Russia depended upon the 1925 Treaty of Neutrality and Non-Aggression which had been renewed in 1935 for a further period of ten years. After the rise of the Nazi regime, however, there was a lessening of Soviet-Turkish cordiality, partly owing to "a natural

¹New York Times, January 8, 1942.

²Steinhardt to Mrs. Lola Cintron, January 10, 1942, Steinhardt MSS.

Turkish tendency" to look upon Berlin as their benefactor.³ Turkish feeling was that the most immediate threat to Turkey's security came not from Germany but from Mediterranean Italy, with her strategic outpost in the Dodecanese and her old ambitions to annex the Antalya district of southern Anatolia.

The formation of the Rome-Berlin Axis and Italian penetration of Albania and the Balkans in 1939 forced Turkey to search for new allies. Since the problem was one of relative naval strength in the Mediterranean, her natural supporters could only be Britain and France. Under the circumstances, even if Moscow had been willing to extend military assistance, Russian support was not within the realm of military possibility. Even so, Moscow contemplated the signing of a mutual assistance agreement between the two countries. This was to be followed by closer collaboration--to be achieved with the aid of Turkey--with the other Balkan countries, thus forming a "block of neutral Balkan States." Happily for Germany, this bloc was intended to weaken Anglo-French strength in the Balkans.

³George Kirk, Survey of International Affairs, 1939-1946: The Middle East in the War (London: Oxford University Press, 1952), p. 443.

Turkey's approach to England and France in May, 1939, fell nicely with the policies of the latter who were at that moment busily seeking agreements with Poland, Romania, and other small states against Axis aggression. To Moscow's chagrin, Turkey turned a deaf ear to the overtures emanating from the Kremlin. Turkish Foreign Minister Sükrü Saracoglu gave a negative reply to Soviet proposals and on October 19, 1939, signed the agreements with England and France. Even though the agreement contained a clause stipulating that under no circumstances was Turkey to go to war with Russia, it was a defeat for both Soviet and German diplomacy.⁴

The Nazi-Soviet Pact, signed on the eve of the outbreak of European hostilities, complicated Turkey's position enormously. With the Soviets directing their propaganda against the "warmongers" in Britain and France, Turkey could no longer remain both pro-Ally and pro-Russian. Meanwhile, Russia's foreign policy was being determined by the new international situation created by the Pact. Moscow desired within the immediate future to settle her differences with Romania over Bessarabia. However, Soviet ambitions were

⁴David J. Dallin, Soviet Russia's Foreign Policy, 1939-1942 (New Haven: Yale University Press, 1942), pp. 105-07.

ensnarled by the fact that Great Britain and France in April, 1939, had guaranteed Romanian independence and integrity. In the tense situation following Hitler's invasion of Poland, a diplomatic clash between Russia and Rumania might have produced sufficient spark to ignite a war between the Western Allies and the Soviet Union. The Anglo-French-Rumanian accord obligated the western powers to extend unlimited military aid to Romania, particularly with their fleets, provided they could pass the Dardanelles into the Black Sea.⁵

Under the circumstances everything depended on Turkey. The Montreaux Convention of 1936, which regulated the international status of the Dardanelles--particularly, according to Article 19 of this Convention, which, incidentally had been inserted on the insistence of the Soviet Union--obligated Turkey to permit passage through the Dardanelles of the fleets of those powers which were to assist Romania against aggression. Therefore, the Convention required Turkey to permit the passage of Allied vessels through the straits. It was only natural that Russia should look with disfavor on the appearance of an Allied fleet in the Black Sea. Thereupon,

⁵ Ibid.

the Kremlin began to press Turkey to close the Dardanelles to ships that did not belong to Black Sea powers notwithstanding the terms of the Montreaux Convention. The Turks abjured Soviet pleadings and Russo-Turkish relations continued on a cool footing.

In mid-1940 after the fall of France and renewed German interest in the Balkans, a Russian-Turkish rapprochement seemed possible. However, the Germans found in the archives seized at the French Foreign Office a report from the French Ambassador in Ankara. Published as a part of the sixth German White Book in July, 1940, the reports revealed anti-Soviet plans which had been discussed in the Cabinet of the Turkish Foreign Minister Saracoglu.⁶ The official documents, referring to the Allied plans for an attack on the Russian oil fields, provoked a storm in the Soviet press. While concentrating its attacks on the Western powers, Pravda also accused Turkey and Persia of "allowing themselves to be harnessed to the chariot of foreign imperialism."⁷ To

⁶Franz von Papen, Memoirs, translated by Brian Connell (New York: E. P. Dutton & Co., Inc., 1953), pp. 463-64. See also Kirk, Survey of International Affairs, 1939-1946, pp. 447-48; Dallin, Soviet Russia's Foreign Policy, pp. 306-14.

⁷Pravda, July 5, 1940, as quoted in Kirk, Survey of International Affairs, 1939-1946, pp. 447-48.

widen Russo-Turkish breach still further, Berlin embarked on an energetic propaganda campaign in Turkey. Franz von Papen, German Ambassador to Turkey, hinted to the Turks that British Secretary of Foreign Affairs, Anthony Eden, had promised Russia the Dardanelles. The German Foreign Office also informed Ankara of Molotov's alleged demand for naval and military bases on the Dardanelles and Bosphorus.⁸

Turkish foreign policy by April 1, 1941, made a complete about-face. Both Russian and British influence diminished in Ankara. On the heels of the issuance of the sixth German White Book, Turkey signed a trade agreement with the Nazis. Even so, Hitler failed in his main objective which was to entice Turkey into the Axis military bloc and thus enable German troops and aviation to strike at Russia from the south.⁹ In a German-Turkish Non-Aggression Pact, signed just five days before Hitler marched his troops on the Soviet Union, Turkey refused to tear up her treaty with England, and in the course of negotiations it was categorically stated that all existing agreements remained in force. Aware of Hitler's

⁸Dallin, Soviet Russia's Foreign Policy, pp. 306-14.

⁹Ibid.

future aims, Ankara was cognizant of the anti-Soviet implications of the new pact. Moscow interpreted the treaty as a stab in the back by Turkey.

The German attack on Russia meant a lessening of pressure on Turkey. When that attack began, Turkey at once proclaimed her neutrality, and followed this with a reaffirmation of her neutrality pact with Germany. Britain and Russia in August, 1941, guaranteed aid to Turkey in the event of an Axis attack. This was followed in October by a German-Turkish Economic Pact. Turkey's neutrality became valuable to both sides, or at least each side had determined that Turkey would likely not be of immediate aid to it as a belligerent. The British, under the standing Anglo-Turkish Alliance, gave increasing aid to the Turks: planes, special training and equipment, funds, and were also in the position to grant or deny vital imports to Turkey. The entire situation in which the Allies strove to strengthen Turkey and enable her to maintain her position of armed neutrality (plus sympathy toward and aid for the anti-Axis countries) was formalized on December 3--just before Pearl Harbor--when President Roosevelt declared the defense of

Turkey vital to the security of the United States and thereby extended lend-lease to cover Turkey's needs.¹⁰

As the radius of military operations widened, Turkey came to be almost at the mid-point of the everspreading conflict. Ankara and Istanbul became important political centers, at times the most important of European diplomacy. They seethed with political intrigues, with information and, very often, misinformation. The warring powers attributed great importance to their diplomatic missions in Turkey. Germany, constantly agitating Russo-Turco relations, sent there her star diplomat Franz von Papen, who, before going to Turkey, had been famous for his undercover work in the United States in 1914 and 1915, and for his role in Hitler's rise to power in 1933. Von Papen on January 5, 1942, stated that President Ismet İnönü had recently assured him that Turkey was interested to the highest degree in the "destruction of the Russian colossus" and that Turkey's present neutrality was in the Axis interest, as otherwise the British navy would be able to support the Russians in the Black

¹⁰ Lewis V. Thomas and Richard N. Frye, The United States and Turkey and Iran (Cambridge, Mass.: Harvard University Press, 1952), pp. 93-94.

Sea.¹¹ When Steinhardt arrived in Ankara on March 3, 1942, von Papen was at the height of his influence and the Turks, allies of Germany in the first World War, were making every effort to remain neutral.

While the Turkish Government was thus delicately walking the tight-rope of not becoming involved with either of the two warring blocs, on February 24 a man was killed by the explosion of a bomb he was carrying in an Ankara street while von Papen and his wife were walking only eighteen yards away. The Department of State notified Steinhardt that Berlin contacts claimed that the attempt on von Papen's life was organized by Gestapo chief Heinrich Himmler with Hitler's approval.¹² Nazi leadership, according to the information, tried to make it appear that the Russians actually organized the attempt on von Papen's life hoping thereby to lighten the task of inducing Turkey to renounce completely Anglo-American-Russian friendship and permit passage of German troops through Turkey. Turkish authorities on March 5 announced that the dead man was Ömar

¹¹Kirk, Survey of International Affairs, p. 450.

¹²Sumner Welles to Steinhardt, March 14, 1942, Department of State Archives, 740.0011 European War/20247.

Takat, a (Muslim) Macedonian Communist; his accomplices, also Macedonian Communists, had been arrested. On the night of March 5 and 6 the police raided Soviet non-diplomatic offices in Ankara and called on the Soviet Consul-General at Istanbul to give up a suspect who was in his consulate. On his refusal, a police cordon was thrown around the Consulate with the threat that they would force an entry if the man was not surrendered within forty-eight hours; he was given up within the time limit. On April 1 the four accused, two of whom were Soviet citizens connected with the Soviet trade mission in Istanbul, were placed on trial. The two Turks stated that they had acted as Communist couriers and had received lessons in revolver firing from the two Russians for the purpose of assassinating an important German and so provoking war between Germany and Turkey.¹³

Before the trial opened the Soviet Embassy exerted strong pressure for the release of the two Russians, and made it clear that their Government would regard the trial as an unfriendly act. The Turkish Government refused to back down and the Soviets recalled their Ambassador for

¹³ Kirk, Survey of International Affairs, pp. 453-54.

consultation. Steinhardt pleaded with both the Soviet Ambassador and Turkish Foreign Minister Saracoglu for moderation and the undesirability of permitting the trial to impair relations between the Soviet Union and Turkey.¹⁴ Saracoglu informed Steinhardt that the Turkish Government had warned Istanbul editors "to be on their guard and to maintain a scrupulously correct attitude toward the Soviet Union advising that under no circumstances should comments be made which could even be construed as reflecting unfavorably on the Soviet Union."¹⁵ The Foreign Minister criticized the unfavorable atmosphere surrounding the trial of the Russian defendants and the favoritism shown Turkish defendants which had developed in the court room, pointing out that the condition held "disagreeable possibilities." He concluded with the statement that he was fearful that the proceedings might affect vital interests of Turkey.

Steinhardt disagreed with the decision of the Turkish Court. It was his opinion that the State had not only failed to establish guilt of the Soviet citizens beyond a

¹⁴ Steinhardt to Hull, April 17, 1942, Department of State Archives, 867.00/3139 and 867.00/3140.

¹⁵ Steinhardt to Hull, April 21, 1942, Department of State Archives, 867.00/3144.

reasonable doubt but had not even made a prima facie case against them.¹⁶ He noted that the prosecution's entire case rested on the testimony of the co-defendants and "several none too reliable witnesses." Though the Turkish officials permitted the case to run its course, they attempted to assuage Soviet feelings when on July 1 Cevat Acikalin, one of Turkey's most distinguished diplomats, was sent to Moscow as Ambassador. The two Russians were sentenced to twenty years' imprisonment; on a retrial in December, 1942, the terms were reduced to sixteen years, eight months. (On August 9, 1944, a week after the Turks broke off relations with Germany, the two Russians were released.)

Meantime, Steinhardt confronted problems surrounding Lend-Lease aid to Turkey. While the Ambassador was still in Washington, the question arose as to the desirability of continuing shipments of military supplies to that country. The Administration did not wish to send the equipment if there was a possibility that the Turks would join the Axis. Although the Division of Near Eastern Affairs claimed "no basis for a categorical opinion" regarding

¹⁶ Steinhardt to Hull, May 4, 1942, Department of State Archives, 867.00/3151.

what Turkey would do, it thought late developments indicated a willingness on the part of the Turks to defy Axis attack.¹⁷ Thereupon, it was concluded that Lend-Lease aid to Turkey be continued. Steinhardt thought that both our Lend-Lease effort and defense program should be well advertised in Turkey. He solicited the cooperation of American broadcasting to combat German propaganda claims that there was little likelihood that the program would continue to operate.¹⁸

Steinhardt found general dissatisfaction with the Lend-Lease program in Turkey. Prior to our entry into the war, Turkey received material and supplies from the United States under what was known as the re-transfer basis. The Turks made known their desires or needs to the British, who then made the necessary requisitions under Lend-Lease and then re-transferred the goods to Turkey. The British received no direct payment from the Turks for such materials; such shipments were applied against the obligations of the British Government under the terms of the British-Turkish alliance.

¹⁷ Foreign Relations: 1942, IV, p. 677.

¹⁸ Steinhardt to John F. Royal, February 7, 1942, Steinhardt MSS.

After the United States entry into the war Lend-Lease aid to Turkey became more confused. In some instances the Turkish Ambassador in London placed orders with Britain. In others the Turkish Ambassador in Washington placed orders in the United States. There were cases in which British firms in Turkey placed orders in London on behalf of the Turkish Government, and others again where Turkish Government departments placed orders with British or American agents in Turkey. To alleviate the confusion and duplication a Coordinating Committee, supplemented by the addition of United States representatives (including Ambassador Steinhardt), was formed in Ankara. Henceforth, all Turkish Government requirements, civilian and military, were initiated by the Coordinating Committee and passed on to London. Shipment of material was continued on the re-transfer basis.¹⁹

In spite of the efforts of the Coordinating Committee, Turkish displeasure with Lend-Lease aid continued unabated. Government officials complained that Britain diverted material

¹⁹ Steinhardt to Hull, May 18, 1942, Department of State Archives, 811.20 Defense (M)/6788. See also Foreign Relations: 1942, IV, pp. 677; 681-86.

intended for Turkey to its own use. President İnönü informed Steinhardt that Turkey had not as yet been attacked by Germany because the Turkish Government had made it clear to the German Government that it would resist attack. The President did not know how long this position would be effective unless Britain and the United States furnished at least a limited amount of war material with which to implement the Turkish intention to resist aggression. Steinhardt recommended "the actual physical arrival in Turkey of even a few hundred tons of war material in the immediate future." It would have, he said, "an effect on the morale of the Turkish Government out of all proportion to the tonnage involved and that conversely a continuance of the delays and diversions of the past few months may have a decidedly adverse effect on the willingness of the Turkish Government to resist a German attack."²⁰

Steinhardt was caught in the middle of the British-Turkish squabble over Lend-Lease. The British Ambassador in Washington, Viscount Halifax, complained to Under Secretary Welles that his "supply people" had informed him that Steinhardt had reported to the United States Government

²⁰ Foreign Relations: 1942, IV, pp. 683-84.

that Lend-Lease goods destined for Turkey had been taken by British authorities for their own use and had been charged against the Turkish loan.²¹ Halifax stated that this information was untrue. Welles replied that he was surprised by the information that Halifax had given since he (Welles) understood that Ambassador Steinhardt "maintained close and friendly cooperative relations with the British Ambassador [Sir Hughe Knatchbull-Hugessen] in Turkey." Welles informed the British Ambassador that in his judgment "Steinhardt had already, in the short time he had been in Turkey, proven himself to be an exceptionally helpful and capable representative of the United States." He went on to say that reports of the New Deal diplomat had been of the greatest value to the Department and his relations and close friendship with the Turkish Foreign Minister made him a particularly valuable contact at this time. Welles stated that he felt that Steinhardt was entirely right in reporting to his own Government information of any character, which in his own judgment, he felt it should possess, and that he (Welles) "would not feel disposed to give Mr. Steinhardt instructions which would in

²¹Memorandum of conversation between British Ambassador Viscount Halifax and Under Secretary Sumner Welles, June 30, 1942, Department of State Archives, 867.24/338.

any sense limit his entire freedom of action with regard to his reporting to this Government on what he saw fit."

Because the Turks did not understand the terms of Lend-Lease, Steinhardt advised a master Lend-Lease Agreement be negotiated with Turkey.²² Welles advised the Ambassador that it was important that no erroneous impression be given the Turkish authorities as to the obligations and responsibilities assumed by a country receiving Lend-Lease assistance. "There is," the Under Secretary stated, "a distinct obligation on the part of the recipient to pay in money or repay in kind or property or any benefit that the President of the United States may deem satisfactory. There is a further responsibility to the handling of the goods received. This Government will also expect a commitment in favor of liberal trade and commercial policies after the war."²³ Steinhardt, in turn, assured the Under Secretary that the Turkish authorities did not regard Lend-Lease supplies as gifts; that on the contrary, on learning of greatly increased shipments of Lend-Lease material, Turkish officials were apprehensive lest immediate payment in cash

²²Foreign Relations: 1942, IV, p. 690.

²³Ibid., p. 691.

might be sought.²⁴ He suggested that the following stipulations be included in any master Lend-Lease agreement negotiated with Turkey: that because of re-transfer through Britain, it be clearly specified in the agreement that the materials previously received by Turkey was actually American Lend-Lease material delivered through the British as a matter of convenience; require Turkey to deliver to the United States specified quantities of the products (" . . . the most important of these articles is chrome; other articles in which we are interested are copper, opium, and antimony.") which America considered essential; urge Turkey to pay cash in dollars for an amount of American deliveries which would correspond approximately to the value of the Turkish products which the United States bought in its preclusive purchasing program in Turkey; and, compel Turkey to make payment out of frozen American funds in Turkey.

Contending forces in World War II fought in Turkey largely on an economic battleground. The Axis hoped to use neutralist Turkey as a source for vital raw materials. On the other hand, the Allies, not nearly as dependent on Turkish material, resorted to preclusive and preemptive purchasing

²⁴Ibid., p. 692.

in an effort to prevent such raw material from reaching Germany. Allied negotiators concentrated chiefly on such Turkish commodities as: hemp, vegetable oils, woolen rags, flax, chromium, copper, antimony, and opium. Of these materials, chrome received top consideration. Chrome was not only important for Allied military use but beyond that, if kept from German hands, it provided a definite opportunity of hurting Axis military capacity. Allied officials demanded the complete and minute watch over the course of Turkish chrome, both production and shipment, as well as negotiations.

Berlin knew that Turkish chrome was essential to German armament business. Germany had always been the principal purchaser of Turkish chrome, but Britain had made it a condition of her alliance with Turkey in October, 1939, that further sales be prohibited to the Axis. This condition applied only until the end of 1941. However, the Western Powers could prevent Turkish chrome from reaching Germany throughout 1942 by exercising their option to continue exclusive purchases throughout that year. Apparently, Germany had stockpiled sufficient chrome for short-term needs. But as the Wehrmacht began to falter, conditions

forced Nazi leaders to look beyond immediate requirements. As early as 1941, Germany (cut-off from Turkish chrome through 1942) negotiated for 1943 and 1944 chrome deliveries. By the terms of the Clodius Agreement (so named because Dr. Carl Clodius was the German negotiator) of October, 1941, Turkey obligated herself to sell 90,000 tons of chromium to Germany in 1943 and again in 1944. Evidently, Germany's stockpile of chrome was reduced sooner than Nazi planners had anticipated. On June 2, 1942, Germany requested and Turkey agreed to ship 45,000 tons (one-half of the total amount to be shipped to Germany in 1943) of this vital ore to Germany between January 15 and March 31, 1943. As this was Germany's only available source, it was urgently necessary for the Nazis to avail themselves of the Turkish supply. The tussle with the Allies in Turkey over chrome caused von Papen "endless troubles."²⁵

Allied leaders become increasingly disturbed with Turkey's willingness to consort with the Germans. Turkey's record, they said, was "difficult to reconcile with the attitude to be expected in a country which is allied to Great Britain and the recipient of Lend-Lease" from the

²⁵ Von Papen, Memoirs, p. 475.

United States.²⁶ However, from Turkey's point of view, a refusal to ship chrome to Germany would be clearly an un-neutral act. Fearful of Nazi invasion and having thus far received minimal Lend-Lease materials, Turkish authorities claimed that the country could not defend itself. Furthermore, inasmuch as the Allies found it impossible to supply all of Turkey's domestic needs, Government officials asserted Turkey's continued dependency on Axis trade.

Throughout 1942 Allied strategists considered various schemes for keeping chrome from the Germans. Hull suggested that the destruction, by bombing or sabotage, of the railway bridges across the Maritza River would "stop about eighty-five percent of chrome ore deliveries to Germany."²⁷ In the event of Axis invasion of Turkey, Steinhardt was ordered to formulate measures, including destruction, of all materials owned by the United States Government which could not be moved out of the country. Special reference was made to chrome; regardless of the expense involved,

²⁶ Foreign Relations: 1942, IV, pp. 763-64.

²⁷ Memorandum for the President from Hull, March 22, 1942, Department of State Archives, 811.20 Defense (M) Turkey/6692.

either dumped into deep water or otherwise destroyed, it was not to fall to the Germans.²⁸

However, the major problem concerned transportation. Inadequate Turkish ports and railways hampered the movement of chrome. There was considerable fear late in 1942 that the Germans, who had previously contracted for the deliverance of Turkish chrome for 1943 under the terms of the Clodius Agreement, would lay claim to ore already mined. If the Allies, because of the lack of transportation, could not move the chrome from Turkey before the end of the year (1942), Steinhardt offered the following alternatives: reduce output for the remainder of the year, render unusable or unavailable the ore unable to be moved, move ore out on rafts and dump in deep water, or persuade the Turks to furnish Allies high grade ore, the Germans low grade ore.²⁹

When Steinhardt arrived in Turkey the Clodius Agreement was a fait accompli. Therefore, it became necessary after January 15, 1943, to attack the Agreement itself.

²⁸Hull to Steinhardt, July 2, 1942, Department of State Archives, 811.20 Defense (M) Turkey/15a.

²⁹Foreign Relations: 1942, IV, p. 742.

Under the terms of the Clodius Agreement, he had no chance of preventing all shipment of chrome to Germany. Nonetheless, he did manage to purchase 2,000 tons of blister copper even though under the Clodius Agreement virtually all of its production in Turkey was consigned to Germany.³⁰ He had similar success in his dealings with antimony,³¹ oil seeds, and woolen rags.³³ He thought the Germans had been "seriously inconvenienced" by their inability to obtain woolen rags in Turkey. He was informed that Germany had exhausted their stocks of woolen rags and had counted on utilizing Turkish rags for the manufacture of uniforms and blankets for the winter's campaign in Russia. Both Hungary and Romania, he said, were offering lucrative compensation to the Turks for woolen rags.

Economic competition between the Allies and Axis had, in the long run, dire effect on the Turkish economy. With

³⁰ Steinhardt to Hull, May 18, 1942, Department of State Archives, 811.20 Defense (M) Turkey/6788.

³¹ Steinhardt to Hull, May 19, 1942, Department of State Archives, 811.20 Defense (M)/6790.

³² Foreign Relations: 1942, IV, p. 744.

³³ Steinhardt to Hull, December 17, 1942, Department of State Archives, 811.20 Defense (M) Turkey/198.

both sides active in preemptive buying, Turkey turned it to her own advantage without paying much heed to its possible long-term effect upon prices, or the inflation which began to appear. Essential imports ceased, and for want of them essential services began to dwindle. Serious shortages appeared; replacements for overstrained machines were almost unobtainable from abroad and could not be produced at home. Turks were unable to purchase spark plugs, tires, or light bulbs. Shortages extended to the food supply which was worsened by 1941's poor crop. Food rationing that was introduced was consistently avoided and circumvented; the black market became an accepted feature of normal life. In consequence, the gap between rich and not-rich was further widened, while many previously quite prosperous people were reduced to misery, especially in the cities. At the same time, the class of newly-rich war-profiteers stirred up general resentment. Each week the Government imposed new restrictions and controls. However, each attempt was promptly perverted so that in the end it frequently worked against the interests of those it was designed to protect.³⁴

³⁴ Thomas and Frye, The United States and Turkey and Iran, pp. 93-95.

It was in this atmosphere that President İnönü's administration attempted a Varlık or capital levy tax. In general design the tax was entirely defensible, quite comparable to measures resorted to in other war-distracted countries. The ordinary tax collection machinery, always poor at best and now widely evaded, was entirely unable to reach the war profiteers. Hence, extraordinary machinery was set up. In each community or administrative subdivision of a community, a local committee was chosen. This committee considered the available tax lists and other pertinent information, and on that basis levied an assessment upon each man's wealth, the tax to be paid in cash within a relatively short period and under heavy penalty.

While the economy had been going from bad to worse under the war's impact, older Moslem Turkish concepts of full and second-class citizenship, inherited from the Ottoman Empire and only nominally superseded by the Republican principle of laïcism, began to reëmerge. In the situation, "the minorities"--the Turkish-citizen Greek, Armenian, and Jew--became the scapegoats and held responsible for all of Turkey's wartime economic ills. Although not stipulated in the law, only Moslem Turks sat on the tax boards. With

the final posting of the Varlık Vergisi in Istanbul, pandemonium broke out. The law was imposed by old and supposedly discarded methods; many persons made a partial payment and then sat tight to await developments.

The capital levy tax caused both Steinhardt and the Department of State to be uneasy. Although Washington considered the tax a matter of internal concern, it thought "considerable damage might be done American-Turkish relations."³⁵ The Greek Archbishop in America informed Hull that many Greek-Americans were disturbed over the difficulties the Patriarchate faced as a result of the tax. In like manner, Jewish leaders in America, who had been pressing for a more lenient attitude toward Jewish refugees, evidenced latent anti-Turkish feelings.

Foreign businesses were also ill-treated under the tax. More concerned with American businesses than with Turkish minorities, Steinhardt thought the tax would "probably result in the ruin of most of the businesses representing American manufactures"; thus he suggested that American shippers "be warned of the advisability of communicating

³⁵ Hull to Steinhardt, January 11, 1943, Department of State Archives, 867.512/210.

again with their Turkish customers before actually affecting shipment."³⁶ He presented three notes of protest to the Turkish Government and handled the matter particularly well. "Without requiring instructions from the Department," he promptly represented "the American interest in an able and forthright manner."³⁷ Not only did Ambassador Steinhardt make firm representations, but when the Turkish Foreign Office came back with a stereotyped reply, the Ambassador went back at the Turks with a forceful rejoinder, reiterating his arguments concerning discriminations against American business. In the end, the envoy prevented discriminatory taxes from being levied against American commercial interests.

Meantime Steinhardt faced war-time problems that were not of Turkish making. When the forty-nine year old non-careerist had arrived in Ankara, he complained that he had "expected to find an Embassy" but instead "found a second-class Consulate consisting of a much smaller villa than the plans in the department indicated"³⁸ He

³⁶ Foreign Relations: 1942, IV, p. 1079.

³⁷ Ibid., p. 1084.

³⁸ Steinhardt to Monnett B. Davis, May 8, 1942, Steinhardt MSS.

complained that the Embassy was understaffed. Within a matter of months, however, the situation underwent a drastic change. After the United States became actively involved in the war, American personnel streamed into Turkey. The following American agencies had representatives in Turkey: Lend-Lease, Office of Strategic Services, Office of War Information, War Shipping Administration, and the United States Commercial Corporation.³⁹

As a war-time Ambassador, Steinhardt had to coordinate the various activities. With representatives of United States Government agencies in Turkey, Steinhardt's effectiveness as chief of mission could have been materially reduced if he had not exercised full authority. A case in point was that of the Office of War Information. Steinhardt compiled a list of grievances against OWI and its senior representative, Robert B. Parker: use of Embassy seal without Embassy's knowledge; persistence in flying American flag over its Istanbul office after the Turkish Government had protested to the Embassy; ordering personal supplies, such as liquor and cigarettes, in the Ambassador's name without

³⁹ Steinhardt to Colvin W. Brown, June 17, 1943, Steinhardt MSS.

Steinhardt's knowledge or consent; importing radio transmitting apparatus by subterfuge and delivering same to Turkish press under "Lend-Lease" without knowledge of Lend-Lease representative in Ankara; forcibly breaking into Embassy's confidential mail room; and, most importantly, consistent refusal to seek or be guided by the Embassy's advice concerning OWI activities in Turkey.⁴⁰

Steinhardt and OWI representatives feuded openly for several months. It was reported that Parker, who had returned to Washington, was spreading rumors that Steinhardt would be recalled.⁴¹ Steinhardt, for his part, did not want Parker back in Turkey.⁴² Although the Steinhardt-Parker fracas generated ill-feelings on both sides, it was a minor skirmish. The real tug-of-war over the control of propaganda and psychological war activities was between the Department of State and the Office of War Information. The State Department strongly opposed the complete militarization

⁴⁰Paul Alling to Sumner Welles, February 5, 1943, Steinhardt MSS.

⁴¹George V. Allen to Steinhardt, January 16, 1943, Steinhardt MSS.

⁴²Steinhardt to George V. Allen, March 12, 1943, Steinhardt MSS.

of all United States information services and refused to accede to OWI demands.⁴³ Steinhardt believed that OWI had indoctrinated their men to undermine the State Department, that interference was world wide and relations in Turkey no worse than elsewhere.⁴⁴ He thought that he would be "an ingrate" and "derelict" if he failed to support the members of his staff in their refusal "to be humiliated by a small group of individuals who have deliberately embarked on a course of undermining the prestige of the State Department as well as authority in foreign affairs." In his words, he had an "intense loyalty to the State Department."

Similarly, President Roosevelt in a meeting with Prime Minister Churchill at Casablanca, January 14-24, 1943, used imprecise language that might well have undermined the effectiveness of the American Embassy in Turkey. In discussing the Turkish question, the President gave the British the responsibility of "playing the cards" in Turkey in the same way that all matters connected with China were to be handled by the United States.⁴⁵ Churchill interpreted "playing the

⁴³ George V. Allen to Steinhardt, January 16, 1943, Steinhardt MSS.

⁴⁴ Steinhardt to Paul H. Alling, May 22, 1943, Steinhardt MSS.

⁴⁵ Foreign Relations: 1943, IV, p. 1098.

cards" as meaning that Britain should take the lead in munitions as well as diplomacy.⁴⁶ Consequently, some British officials were under the impression that the Casablanca understandings limited the independence of action by the United States in the political and economic as well as the military spheres in Turkey. Inasmuch as the phrase was capable of wide interpretation, the Department desired a clarification. Peculiarly, Roosevelt had failed to send the State Department a copy of the agreement; it was therefore necessary for Hull to obtain a copy of the Minutes of the Casablanca meeting from Admiral William D. Leahy, Roosevelt's adviser.⁴⁷

The Department of State refused to accept the British interpretation of "playing the cards" in Turkey. While the Casablanca decision was not questioned, the Department thought it related purely to the prosecution of the war, and did not imply any agreement that Turkey was to be considered within a predominantly British sphere nor a forerunner to a broader "handing over Turkey to the British."⁴⁸

⁴⁶ Winston Churchill, The Second World War: The Hinge of Fate, Vol. IV (London: Cassell & Co., Ltd., 1951), p. 626.

⁴⁷ Hull, Memoirs of Cordell, II, pp. 1366-67.

⁴⁸ Foreign Relations: 1943, IV, p. 1099.

If the United States Government placed itself in the position of renouncing all right of direct diplomatic relations with the Turkish Government, there would have been, of course, no need of maintaining an American Embassy at Ankara. After considerable haggling, it was decided that only in the area of militarily equipping and supplying Turkey was the British to hold the trump.

Despite the confusion caused by Roosevelt's inopportune choice of words, Steinhardt thought the Turks regarded the Casablanca Conference as the turning point in the war.⁴⁹ Turkish leaders, he observed, showed no reluctance to appear in public with Prime Minister Churchill who had flown to Turkey shortly after his meeting with Roosevelt. The Ambassador considered the Turkish acceptance of Churchill as "an open slap at Germany."

For two days, January 30-31, Churchill and other British officials huddled in conference with Turkish authorities at Adana. During the military conversations two main points were considered: the provision of equipment for Turkish forces prior and subsequent to any political move by Turkey; and, the preparation of plans for the reinforcement

⁴⁹ Steinhardt to Harry Hopkins, February 15, 1943, Steinhardt MSS.

of the Turkish forces by British units in the event of their coming into the war.⁵⁰ The British assured the Turks that they would ask nothing of Turkey that was not in her (Turkey's) interest and would never ask Turkey to enter the war if such action would lead to disaster. They reminded the Turks that the German need for oil might cause the Axis in desperation to attack Turkey; that Turkey must be strong and armaments increased. Even if the Germans did not attack, the British cajoled, Turkish interests might dictate she intervene to prevent anarchy in the Balkans. There was little doubt but that Britain wanted the Turks as active Allied participants. Dropping yet another lure, the British hinted how important it would be for Turkey to be on the winning side. After the Conference, a confident Churchill wrote Stalin:

I have not asked for any precise political engagement or promise about entering the war on our side, but it is my opinion that they will do so before the year is out, and that probably earlier, by a strained interpretation of neutrality similar to that of the United States before she came in, they may allow us to use their airfields for refuelling for British and American bombing attacks on the Ploesti oil-wells,

⁵⁰ Churchill, *Hinge of Fate*, pp. 635-640. See also Sir Hughe Knatchbull-Huggessen, Diplomat in Peace and War (London: John Murray, 1949), pp. 188-89.

which are of vital importance to Germany, especially now that your armies have recovered Maikop.⁵¹

Premier Stalin was not very hopeful.

However, the Turks were as much concerned about their future relations with Russia as they were about participation in the war. It is probable that Turkish leaders viewed with alarm the complete annihilation of Germany. For as a small nation, they undoubtedly looked upon a balance of power situation in Eastern Europe as serving their best interests. Steinhardt thought that Turkey's "only salvation from Russian aggression" lay in such protection as she would be able to obtain from the United States and Britain.⁵² He thought there was "no longer the remotest possibility of their going over to the Axis."⁵³ Turkish concern, he stated, was that the Russians might try to gain control of the Balkans and dominate the Straits. In his opinion the Turks would be willing to enter the war at the right time provided they were certain that they would run

⁵¹ Ibid.

⁵² Steinhardt to Hull, February 3, 1943, Department of State Archives, 740.0011 European War 1939/27663-1/2.

⁵³ Steinhardt to Franklin D. Roosevelt, March 5, 1943, Roosevelt MSS.

no serious risks. Turkish conception of no serious risks, he asserted, would be an Allied landing in force in the Balkans or sufficient Anglo-American forces, principally tanks, anti-tank guns, and aircraft, close enough to the Turkish frontier to assure their own forces adequate support. He assured the President that American prestige in Turkey was "at the highest point in many years"

Steinhardt considered the Adana Conference a success. George V. Allen, Chief of the Near East Division, informed the Ambassador that American newspapers had given him (Steinhardt) "the major credit not only for marked improvement in Soviet-Turkish relations, but also for arranging the Adana Conference."⁵⁴ Admitting that commentators sometimes exaggerate with regard to details, Allen suggested, "there is of course an over-all basis of truth in what they say, whether you actually discussed the arrangements for the Churchill-Inönü meeting in advance or not." Steinhardt expressed his astonishment "at the exaggerated credit" he had received for arranging the Adana Conference; he admitted no part in the arrangements whatsoever.⁵⁵ He acknowledged,

⁵⁴George V. Allen to Steinhardt, February 20, 1943, Steinhardt MSS.

⁵⁵Steinhardt to George V. Allen, March 12, 1943, Steinhardt MSS.

however, his efforts to improve Soviet-Turkish relations. Following several months struggle without much headway, he stated that "favorable events [Anglo-American landings in Africa, Russian successes, and increasing difficulties for the Axis in the Balkans] opened up the path since which time the going has been much easier." One is blamed frequently for something for which one was not responsible, he concluded, "so that a little credit here and there for something with which one had no connection, gets things in balance."

Following the Adana Conference, the British suggested a relaxation of preemptive operations in Turkey. They reasoned that Germany's financial embarrassment made it unnecessary to carry on such extensive activities. Also, in view of the fact that the Turkish Government had protested unauthorized purchasing by the Allies, the British suggested that its continuation might possibly upset Turkish good will. Steinhardt disagreed on both counts. He thought it unwise to relax British-American preemptive operations because Germany lacked purchasing power.⁵⁶ He argued that a relaxation of Allied purchases "would in all probability result in

⁵⁶Foreign Relations: 1943, IV, p. 1117.

price decreases which would obviously be of great assistance to enemy buyers whereas by continuing in the market and maintaining or even temporarily increasing prices would render the German shortage of funds more acute." As for Turkish protestations concerning unauthorized purchasing, he reasoned that the warning would have come from a higher level than the Minister of Commerce if the Government had been sincere; the protest, he said, was for the record.⁵⁷ He suggested continuance of buying until Turkish investigations had been made. Steinhardt's arguments prevailed. Eventually London and Washington adopted a "New Plan" under which preemptive purchases were to be made in Turkey.⁵⁸ The newly adopted plan granted the British and American Ambassadors more latitude: each was supplied funds to be spent on preemption as agreed between themselves, they were authorized to purchase upon agreement a commodity in any amount and by any means they saw fit; and, each Ambassador was permitted to employ the United Kingdom Commercial Corporation and the United States Commercial

⁵⁷ Ibid., p. 1120.

⁵⁸ Hull to Steinhardt, August 21, 1943, Department of State Archives, 811.20 Defense (M) Turkey/841.

Corporation as they thought best in determining the strategy of purchases. Preemption purchasing in Turkey was successful largely because the Allies were in a stronger financial position than the Axis. America and Britain's chief--almost only--weapon was the ability to pay higher prices and give better conditions of payment than the Germans.⁵⁹ In view of Axis competition it was impossible to employ normal business methods.

On April 18, 1943, the Turks signed an economic agreement with the Germans based essentially upon their previous pact of October, 1941. Both the Department of State and the British Foreign Office viewed it with consternation. As a sovereign and neutral state, the Turkish Government desired and intended to carry on trade with both the Axis and the Allies. While Turkey's leanings were toward the Allies, Steinhardt pointed out that the Turkish authorities were vitally concerned with their country's economy, particularly as long as the country remained neutral.⁶⁰ Turkey, he said, was not an industrial state and was absolutely dependent

⁵⁹Chargé Robert F. Kelley to Hull, October 9, 1943, Department of State Archives, 811.20 Defense (M) Turkey/841.

⁶⁰Steinhardt to Livingston Merchant, May 12, 1943, Steinhardt MSS.

for imports of vital commodities such as newsprint, oil and petroleum, machinery, and virtually all manufactured products, and at times, even cereal. The Allies, he remarked, were either unwilling to furnish these items, or were unable to deliver them because of inadequate transportation. If the Turkish economy was "to survive for even sixty days" many of these commodities, the Ambassador suggested, had to be imported from the Axis. The Axis, Steinhardt continued, being aware of this fact, set the terms on which it was willing to provide these items, and the Turks had no alternative but to provide in exchange the commodities desired by the Axis. It was, in his opinion, "useless for us--as well as unfair and even dangerous to our future ally--to precipitate a breakdown in the country's economy by insisting that the Turks refuse limited shipments to the Axis in exchange for which they received products which we either cannot or will not deliver." In conclusion, the New Deal diplomat stated "that in cooperation with the British we have been more successful in reducing and impeding deliveries to the Axis than we have any right to expect by reason of the foregoing position." It was one of the Ambassador's more perceptive observations.

Nevertheless, Allied policy makers continued to be disturbed over the shipment of Turkish chrome to Germany. Once again, Steinhardt did not share their concern. In spite of the Turco-German trade agreement, he determined that the Turks were not filling the terms of the contract to the letter. "If the Turks had really wanted to do so," he asserted, "they could have completed the delivery of 45,000 tons They could have used, for example, some of the boats which they have continued to assign to us as it is easy for these boats to slide from Hydraapasha to a southern Bulgarian port under escort where they cannot be touched by the Russians."⁶¹ On the other hand, Ambassador Steinhardt did not expect the Turks to be "so bare-faced" as not to give the Germans any chrome. When the Germans, he said, applied sufficient pressure "they will suddenly get a few tons." The Germans, he estimated, needed 150,000 tons of chrome from Turkey in 1943; anything less than 25,000 tons, he determined "a substantial victory for us." Furthermore, he added, the Germans were not getting the best quality and were having difficulty in

⁶¹ Steinhardt to George V. Allen, May 10, 1943, Steinhardt MSS.

extracting the quantity and quality of chrome hoped for from the ore they were receiving; there were even cases of substitution of a poorer quality of ore and "a ceaseless stream of complaints from the Germans."

However, this line of reasoning failed to quiet the Department's solicitude over increased shipments of chrome to Germany. The Ambassador suggested that increased chrome deliveries resulted from the leverage Germany had recently gained. Steinhardt pointed out that the Germans had recently re-established control over the means of transportation in the Balkans and were thus in a position to increase their deliveries to Turkey. He suggested that the effectiveness of the Allied blockade had forced Germany to depend more heavily on Turkish commodities. Then too, he said, Turkey in order to sustain their own national economy necessarily depended on Axis' products. Furthermore, he stated, it would be just as logical "to contend that the rate of movement of chrome to Germany on April 19 (3,175 tons that day) if sustained would yield Germany over a twelve month period 1,158,875 tons, as it would be to reason that if sustained, the rate of chrome in April and May would yield Germany the entire

amount for which it qualifies."⁶² It appeared to Steinhardt that Minister of Foreign Affairs Numan Menemencioglu had "fully redeemed his promise to place every obstacle in the way of chrome deliveries to the Axis; "obstacle," as defined by Webster's dictionary, he suggested, was "anything that hinders progress."⁶³ He regretted that the Office of Economic Warfare did not appreciate or understand "what has been accomplished during the past six months both in respect of impeding deliveries of chrome to Germany or of holding to a minimum exports of other strategic materials to the Axis in face of the difficulties which have confronted us in a sovereign neutral country." Nevertheless, the New Deal diplomat remained confident that he was winning, slowly but surely, the battle over Turkish chrome.

The British, in turn, became dissatisfied with the unshakeable Turkish affection for neutrality. Once again Ambassador Steinhardt arose in defense of the Turks. He was convinced that negative Turk reaction to British suggestions resulted from lack of major military operations on the

⁶² Steinhardt to Hull, July 27, 1943, Department of State Archives, 811.20 Defense (M) Turkey/708.

⁶³ Ibid.

Eastern front and the progressive accumulation of Axis forces in the Balkans, sincerely believed by Turkish authorities to be far superior in number to any Allied forces immediately available for the defense of Turkey.⁶⁴ It was his judgment that the Turk Government would continue a policy of self-interest; that Turkey's abandonment of neutrality would not be brought about solely by British pressure or persuasion, but rather by the conviction of Turkish leaders that the European war had "reached a stage at which Turkey's entry would no longer entail serious risks." In addition, according to Steinhardt, the Allied over-all European military strategy had not been disclosed to the Turks; with no assurance that powerful Allied forces would enter the eastern Mediterranean and the Balkans, the Turks hesitated on any departure from neutrality. Rather than an independent British policy toward Turkey, he thought that plans should depend primarily on Allied military strategy and, in particular, the importance and role which the chiefs of staff attached to Turkey.

The Combined Chiefs of Staff at the Quebec Conference in August, 1943, formulated a Turkish policy. From a military

⁶⁴ Steinhardt to Hull, July 4, 1943, Department of State Archives, 7400.0011 European War 1939/30012.

point of view, they decided that the time was not right for Turkey to enter the war on the Allied side. They determined that the Allies should continue efforts to equip Turkey and increase her military effectiveness, with particular reference to stopping the passage of all German shipping of military value throughout the Dardanelles and the supplying of Turkish chrome to Germany.⁶⁵

That fall Steinhardt decided to take leave from the many pressing Turkish problems. Much to his discomfiture, however, he was greeted back in the United States with at least two hostile newspaper articles. Drew Pearson in "Washington Merry-Go-Round" accused the Ambassador, among other things, of attempting to suppress a Turkish newspaper and proposing that issues of two nationally distributed magazines be censored and pay duty when imported into Turkey.⁶⁶ According to Pearson, the New Deal diplomat refused to let the United States Military and Naval Attachés, the Office of

⁶⁵ Hull, Memoirs of Cordell Hull, II, p. 1368.

⁶⁶ Drew Pearson, "Washington Merry-Go-Round," New York Daily Mirror, October 2, 1943.

Strategic Services, and Office of War Information have offices in the Embassy building in Istanbul "which stands empty all but a few weeks of the year" Steinhardt, the article continued, had himself photographed presenting Lend-Lease shipments to the Turkish Minister of Foreign Affairs. He was also accused of presenting Lend-Lease hair nets and nylon stockings to the wives of Turkish deputies. The Ambassador denied the whole bundle of Pearson's charges and suggested that the attack was inspired by his old OWI foe, Robert B. Parker.⁶⁷ In connection with the article, Steinhardt thought it proved how unreliable Pearson was, and "how right the President was in calling him a chronic liar." Pearson, he said, made no effort to communicate either with himself or the Department of State to check upon the validity of the statements. Later, he lamented that Pearson, after learning that not a single one of the alleged statements were true, had "neither character nor courage" to apologize.⁶⁸

⁶⁷ Steinhardt to Eugene Meyer, October 8, 1943, Steinhardt MSS.

⁶⁸ Steinhardt to Theresa Rosenblatt, January 24, 1944, Steinhardt MSS.

It was during this same interlude that the article (discussed in the previous chapter) by Isadore F. Stone appeared charging the envoy with anti-refugee policies.⁶⁹ the diplomat opined that there had "been some misunderstanding in certain quarters in the United States on this subject."⁷⁰ The fact that his intervention had been of "an informal nature" and had not been publicized either in Turkey or the United States, he thought had given rise "to the unfortunate mistaken belief" that he was neither interested in the fate of the unfortunate Jewish refugees nor that he "had not taken every action on their behalf consistent with the proper discharge" of his functions as the United States Ambassador to Turkey. With the exception of the high Turkish officials with who he had discussed "the subject on innumerable occasions" and a few informed representatives of various Jewish agencies, he deduced that probably no one else was "aware of the strenuous and persistent unofficial efforts" that he had made "to aid not only Jewish refugees but the lot of the

⁶⁹ New York PM, October 3, 1943.

⁷⁰ Steinhardt to Charles Barlas, December 22, 1943, Steinhardt MSS.

minorities under the tax on fortunes." Charles Barlas, of the Jewish Agency for Palestine, wrote a letter to the Department defending the New Deal diplomat. Steinhardt thought there might be "some discreet way of bringing Mr. Barlas's letter to the attention of 'smarty pants' Stone."⁷¹ He desired that Stone be informed that appropriate steps had been taken to alleviate the plight of Jewish refugees "long before he [Stone] burst into print in October and nearly upset the applecart This was important, he concluded, "lest a megalomaniac of his type harbor any illusions that it was his article that caused me to 'repent' on my return to Ankara."

Meantime in the autumn of 1943 a series of conferences were held to take stock of the general war position and to decide on the course to pursue. The first of these was held at Moscow in October. During the conference, Commissar Molotov proposed that the three powers --Britain, the United States, and the Soviet Union--"suggest" to Turkey that she come into the war, but this meant to suggest peremptorily; in other words, a command.

⁷¹ Steinhardt to George V. Allen, December 22, 1943, Steinhardt MSS.

Secretary Hull, regarding this as purely a military matter, cabled the President for advice. Inasmuch as the Allies were straining their resources for the invasion of northern France and supporting the Italian offensive, Roosevelt did not think the time favorable to induce Turkey to declare war.⁷²

During this period, British Foreign Minister Eden had raised the question of acquiring air bases in Turkey. The British had landed forces on the Italian island of Leros, one of the Dodecanese group, but were endangered by German counter-attacks. Also, Churchill wanted the Turks to allow British submarines and merchant vessels to pass through the Dardanelles. Eden suggested that Hull take the question up with Molotov. The Soviet Commissar at first objected because he felt this was "a mild move and wanted the three powers to go all out in bringing pressure on Turkey to come into the war as a full-scale belligerent."⁷³ They compromised, however, on an agreement that Eden would make a request of Turkey to come for the immediate use of air bases, while Britain and Russia

⁷²Hull, Memoirs of Cordell Hull, II, p. 1301.

⁷³Ibid., p. 1312.

join at a later date in requesting Turkey's entry into the war before the end of 1943.

On the way home from the Moscow Conference, Eden met at Cairo with Turkish Foreign Minister Menemencioglu. The British Minister raised the question of Turkey's immediately making air bases available to the Allies and entering the war. Returning to Turkey, Menemencioglu met with forty-five party leaders whereupon they drafted a reply to Eden's proposals. The Turks rejected the Allied request for use of Turkish air bases on the grounds that it would inevitably involve her in war with Germany. Likewise, Turkey refused to budge from her neutral position claiming lack of military preparedness; that Britain had not adequately supplied the Turks with military material.⁷⁴ Steinhardt was impressed with the Turks' frankness. He suggested that the Turks had decided "in principle" to enter the war and cooperate with the Allies.⁷⁵ However, he stated that "certain conditions were precedent to its entry, and were vital not only to Turkey but to the Allies."

⁷⁴ Steinhardt to Hull, November 19, 1943, Department of State Archives, 740.0011 European War 1939/32004.

⁷⁵ Steinhardt to Hull, November 14, 1943, Department of State Archives, 740.0011 European War 1939/31932.

Turkey, he said, recognized its military and economic weaknesses and its need of Allied military support. The Turkish Government, he concluded, was quite prepared "to make its contributions in blood and suffering to the Allied cause," but wished such contribution to further the Allied cause rather than entail needless suffering which might result from premature action, resulting in Turkey becoming a liability rather than an asset.

The Teheran Conference, November 28-December 1, 1943, the first three-power conference on the highest level, was attended by Roosevelt, Churchill, and Stalin. Among other things, such as a plan for an international organization to keep the peace, the three heads of state discussed the Turkish situation. Stalin favored bringing Turkey into the war "by the scruff of the neck if necessary"; but he had little confidence in her coming into the war voluntarily and opposed any diversion of Anglo-American resources from the intended offensive in Western Europe.⁷⁶ To Churchill's chagrin, Roosevelt supported Stalin's arguments, for the United States Chiefs

⁷⁶Kirk, Survey of International Relations, pp. 459-60.

of Staff disliked the prospect of an entanglement in the Balkans. Also, the President, zealous in winning the confidence of the Soviet rulers, did not wish to arouse Russian suspicions of competitive moves in the Balkans. The Russians, for their part, took little further interest in Turkey's entering the war. Even so, the three statesmen agreed that the Governments of each should request Turkey to enter the war and confirmed February 15, 1944, as the date of entry.

At a second Cairo Conference, December 4-6, 1943, Roosevelt and Churchill met with Turkish President İnönü. The Turk leader had agreed to go to Cairo only on the condition that he was "being invited to a free discussion as between equals, and not merely to be informed of decisions concerning Turkey already arrived at in Teheran."⁷⁵ Roosevelt and Churchill found the Turkish Government ready to enter the war but subject to two conditions. They asked for a joint military plan of action and they desired a peep into the more distant political future. The Turks were much influenced by two suspicions: the

⁷⁷ Steinhardt to Hull, December 2, 1943, Department of State Archives, 740.0011 European War 1939/32358.

first, that they were being pressed to enter the war as pawns on the general chessboard and in order to realize the decisions reached at Teheran, in the general interest no doubt, but with regard for the possible consequences to themselves; the second, that their acquiescence would only make the occasion for the Allies to use Turkish air and naval bases without assigning any special role to the Turkish forces.⁷⁸

Meanwhile, the Germans through "Operation Cicero" was fully informed of Allied decisions made at Moscow, Teheran, and Cairo. Cicero, the code name used by the German spy, served as valet to the British Ambassador in Turkey, Sir Hughe Knatchbull-Hugessen. Through Cicero's efforts, von Papen and the Nazi hierarchy learned of the Moscow decision to compel Turkey to declare war. He kept the Germans informed of the conversations between the Turkish President, Churchill, and Roosevelt in Cairo, and of the manner in which the Turkish Government managed to meet the increasing pressure placed upon them to enter into the war. Although

⁷⁸Knatchbull-Hugessen, Diplomat in Peace and War, p. 198.

von Papen called the flow of Cicero's information "priceless,"⁷⁹ L. C. Moyzisch, who has the standard work on Cicero, states that the Germans made little use of the information obtained.⁸⁰ Nevertheless, it is noteworthy that Cicero operated in the British rather than the American Embassy. Steinhardt kept such complete mastery and control over the smallest ambassadorial details, that the Axis would have found his office nearly impenetrable.

Nevertheless, the British continued their tactics to pressure the Turks into military action. The British Government informed Secretary Hull that it had learned that the Turkish Government considered the United States less insistent on Turkey's entering the war than were the British. Thereupon, the British requested the State Department to authorize Ambassador Steinhardt to "back up any representation" that Knatchbull-Hugessen made "in order to dispel the Turkish impression."⁸¹ Upon receiving

⁷⁹ Von Papen, Memoirs, p. 509.

⁸⁰ L. C. Moyzisch, Operation Cicero, translated by Constantine Fitzgibbon and Heinrich Fraenkel (New York: Coward-McCann, Inc., 1950), pp. 8-15.

⁸¹ Hull, Memoirs of Cordell Hull, II, p. 1370.

these instructions, Steinhardt made it "unmistakably clear" to Foreign Minister Menemencioglu that his government "hoped the Turk Government would take an active part in collaboration with the British in accelerating the impending victory of the United Nations."⁸² He believed the British request stemmed from the fact that they, "particularly in Cairo, were nettled by the fulsome praise of President Roosevelt and the obvious comparison made by the Turks between his attitude towards them and that of Eden"⁸³ He stated he "was glad" to have received "the Department's instructions to make this point clear to the Turks, thereby justifying the position already taken" by him.

The New Deal diplomat thought that much of the Turkish resistance to pressure arose, in part, from the wartime economic prosperity being enjoyed by members of the Turkish ruling class. Pointing out that the Turks were selling their commodities to the highest bidder between

⁸² Steinhardt to Hull, January 14, 1944, Department of State Archives, 740.0011 European War 1939/32718.

⁸³ Steinhardt to George V. Allen, January 19, 1944, Steinhardt MSS.

two rich contending camps, he suggested they were extremely reluctant "to have this highly lucrative trade exchanged over night for bursting bombs." Bear in mind, he said, "that since the Middle Ages, Turkey had enjoyed no such prosperity and no such inflation in prices as during the past eighteen months, it is hard to reconcile our actuating this prosperity while at the same time coaxing for the country's entry into war." The Turks, he suggested, were "no fools and are well aware of the fact that on the day they enter the war the present prosperity bubble will burst. They are keen enough to understand that as long as they are being courted, they are going to receive orchids and Sherry candies and that after the marriage ceremony they will be told that 'two can leave as cheaply as one'."⁸⁴

The British continued their efforts to prick this Turkish economic bubble. They informed the United States Government that inasmuch as military conversations in Ankara had reached a stalemate, they intended to withdraw, without notice or explanation, the head of their military

⁸⁴Ibid.

mission, suspend shipments of military supplies, and instruct their Ambassador to avoid contact with members of the Turkish Government.⁸⁵ They requested, and received, United States cooperation. The Department informed Steinhardt to "cool off" his relations with the Turks. Although the American Ambassador complied with these instructions, he did not think that the British "sulking policy" vis-a-vis Turkey was likely "to bring the Turks around to asking that supply of military equipment be continued."⁸⁶ He thought that the Turkish attitude would be influenced more by the course of events in international politics and military situations. He was doubtful if "half measures" would induce the Turks to change their minds; more likely to succeed, he suggested, was "the application of all inclusive and effective economic pressure accompanied by disruption of rail communications between Istanbul and Sofia" The British, he stated, "were hurt at the unwillingness of the Turks to accept their appraisal of German weakness in the Balkans and their estimate of Turkish requirements of war

⁸⁵ Hull, Memoirs of Cordell Hull, II, p. 1371.

⁸⁶ Steinhardt to Hull, February 18, 1944, Department of State Archives, 740.001 European War 1939/33294.

material" The American suggested that the British had become "suspicious of Turkish good faith as a result of the increased movement of chrome to Germany and the decreased movement to Britain" and were "dubious" that the Turks "genuinely" desired to aid the Allies in bringing the war to a speedy end. The Turks, he continued, on the other hand, were "hurt at the failure of the British to take them into their confidence, to deliver more than a part of the promised war material, and to commit themselves to the delivery . . . of what the Turks regard[ed] as their minimum additional requirements."

Anglo-Turkish relations continued to deteriorate. Although the Turk Government had become "increasingly concerned," Steinhardt believed that the Turks were not yet ready to commit themselves to the date of entry into war.⁸⁷ While the British policy of avoiding discussions on political subjects with high Turk officials "may have had some effect," he was inclined to believe that the cessation of war materials had "produced far greater effect." There is evidence, he said, that the Turks feared that the cessation

⁸⁷ Steinhardt to Hull, March 19, 1944, Department of State Archives, 740.0011 European War 1939/34004.

of the delivery of war material might be followed by further economic measures in the economic and commercial field. He doubted that the measures thus far taken would succeed in bringing Turkey soon into the war. If the British no longer desired Turkey's immediate entry into the war and were willing to see it postponed, Steinhardt conjectured that Turkey could be brought into the war at a later date "after relatively brief negotiations at the time." In the face of British anxiety, the American Ambassador was pleading for patience.

The Department of State, inasmuch as the Turkish problem was being handled principally by London, maintained "a reserved attitude."⁸⁸ The Department had difficulty keeping in line the Foreign Economic Administration, who, on economic grounds, would have been "delighted to organize a blitz." Ably withstanding this pressure, the Department (following Steinhardt's advice) continued its shipment of civilian supplies, not involving economic warfare objectives, and long-term educational schemes to Turkey.

In the meantime, the British Foreign Office, having decided that its "sulking policy" had not been successful,

⁸⁸ Paul H. Alling to Steinhardt, March 14, 1944, Steinhardt MSS.

determined that it must review its entire policy in regard to Turkey.⁸⁹ Likewise, President Roosevelt desired to send a personal letter to President İnönü requesting him to deny to the Germans further access to Turkish chrome.⁹⁰ Roosevelt sent a dispatch to Stalin and Churchill. Originally Churchill approved, but the next day he suggested that the President's letter be held in reserve lest the Turks interpret "so friendly a message" as a sign of weakening on the part of the Allies. However, the President and Prime Minister did agree on the issuance of a joint Anglo-American declaration to Turkey concerning shipment of strategic material to the Axis.⁹¹ The two statesmen warned Turkey that:

The necessity of depriving the enemy of all means of resistance at this imminent crisis in the war compels a revision of the attitude of our two Governments notwithstanding the temporary inconveniences to Turkish economy which may be caused thereby. In consequence His Majesty's Government and the United States Government feel bound to warn the Turkish Government that with serious disfavor they view as prejudicial to their vital interests, arrangements between Germany and her satellites on the one hand and Turkey on the other

⁸⁹ Steinhardt to George V. Allen, March 21, 1944, Steinhardt MSS.

⁹⁰ Hull, Memoirs of Cordell Hull, p. 1371.

⁹¹ Hull to Steinhardt, April 8, 1944, Department of State Archives, 740.00112 European War/10487.

under which the latter undertakes to provide these countries commodities essential to conduct of the war. The renewal of any such agreements or the conclusion of any agreements along such lines will result in applying blockade measures to Turkey similar to those which have been applied to neutral countries by the two Governments throughout the war.

Steinhardt reported that the Turks accepted the note "in a friendly spirit indicating a cooperative state of mind."⁹² Foreign Minister Menemencioglu remarked that reaction of the Turkish Government to the communication would be one way "if it was a friendly request to cooperate but that reaction would be quite different if it was intended as a 'summons or a threat.'" Menemencioglu referred at length to the difficulties Turkey had encountered in obtaining vitally needed supplies from the United States and Britain. He also expressed his inability to understand why the Allies had not long since taken action to relieve him from his "dilemma" by destroying means of transportation between Turkey and Germany and said such action would make his position easier. Steinhardt was under the impression that the carrying out of the "special project" would

⁹² Steinhardt to Hull, April 15, 1944, Department of State Archives, 740.00112 European War/10546.

materially facilitate Menemencioglu's desire to cooperate with the United Nations.

On April 20, 1944, Foreign Minister Menemencioglu informed the Germans that the Turkish Government would suspend all further delivery of chromium to the Axis from May 1. The first noticeable effect of the decision, according to Steinhardt, was the consternation the act evoked in German circles.⁹³ The steadily increasing strain on Anglo-Turkish relations during the past two months, he said, was well-known to the German Embassy and "had engendered conviction that there was no longer any possibility of Turkey's entry into war on the side of the Allies." On the other hand, von Papen in his Memoirs states that he had "long expected this decision."⁹⁴ Allied representations on the subject, the German envoy remarked, "reached a crescendo, and their success dealt the German economy a heavy blow." The production of high grade armor plate depended entirely on Turkish chrome deliveries, and their cessation, he concluded, "affected the whole conduct of the war." When informed of the Turkish determination, von Papen supposedly inquired

⁹³ Foreign Relations: 1944, V, p. 1066.

⁹⁴ Von Papen, Memoirs, p. 524.

as to whether he should "pack his bags."⁹⁵

The stoppage of chrome shipments to the Axis was not only a victory for the State Department but was also an important challenge to Germany. Chrome was so vital to the Germans "that they scrupulously complied with their part of the agreement,"⁹⁶ they delivered supplies to the value of 170,000 tons of chrome for which they received but 65,000 tons of chrome from the Turks. Turkey's stoppage was thus more than a discontinuance, it was a repudiation of an agreement and a debt. It was a jolt to Germany's prestige the world over, so the New York Times reported, and represented in part at least, "the results of many months of inconspicuous efforts by Ambassador Laurence A. Steinhardt to persuade the Turks to throw in their lot with the Allies." In like manner, George V. Allen, a veteran at the Mid East desk in the State Department, informed Steinhardt that the diplomat's position in the United States was "at its absolute zenith" on two counts: first, "the matchless job" he had done and was doing on the refugee question;

⁹⁵ Foreign Relations: 1944, V, 1066.

⁹⁶ New York Times, April 24, 1944.

and, two, chrome.⁹⁷ Allen wrote that he was "absolutely positive that the Turkish embargo on chrome shipments to Germany would never have been announced if it had not been for the friendly relations" Steinhardt had been able to maintain in Ankara. "I know of no greater diplomatic accomplishment anywhere in recent years than the chrome embargo," Allen announced, "and it would be ungracious and improper for anyone to overlook the outstanding part you played in the accomplishment." Even though it is apparent that the Roosevelt-Churchill joint declaration threatening Turkey with blockade measures proved to be the determining factor, it is recognizable that it followed Steinhardt's importunities. To that extent, the New Deal diplomat must be given credit for the cessation of Turkish shipments of chrome to Germany.

Aside from the problem of cutting off the shipment of supplies vital to Axis war effort, Steinhardt confronted a vexing refugee question. Throughout the war, Turkey served as the gateway through which refugees proceeded to Palestine. At the beginning of hostilities, the British

⁹⁷George V. Allen to Steinhardt, April 24, 1944, Steinhardt MSS.

agreed to admit to Palestine two classes of person: one, those who had been granted immigration certificates before the rupture of relations; and, two, relatives of persons actually residing in Palestine. The British in 1942 added a third category--5,000 refugees from Bulgaria, Romania, and Hungary, whose admission into Palestine was agreed upon. This number was increased in 1943 to 29,000 (including the 5,000 of 1942). In addition, there were numerous illegal immigrants seeking their way through Turkey to Palestine.

Steinhardt assured the War Refugee Board that the American Embassy in Ankara had made every effort to facilitate the transit of Jews from Axis countries through Turkey en route to Palestine. Its efforts, he said, were hampered by the unwillingness of the Axis countries to permit Jews to depart and the difficulties of transportation.⁹⁸ Concerning the former, little could be accomplished in Turkey. However, Turkish authorities, notwithstanding an already overburdened rail system, had permitted the attachment every ten days of a coach (carrying seventy-five refugees) to a train running from Istanbul to Aleppo. In spite of

⁹⁸ Steinhardt to Hull, February 20, 1944, Department of State Archives, 840.40 Refugees/5216.

this arrangement, Steinhardt found that no single group of seventy-five persons had reached Istanbul, because it had been impossible to arrange for the refugees to be released from Axis territory. More unfortunate was the plight of the illegal immigrant to Palestine who traveled by boat. Bulgarian and Romanian promoters obtained the use of unseaworthy vessels and sold space at extortionate prices. If the vessels were fortunate enough to reach Palestine, the passengers not being admissible under the quota system were deported to the Island of Mauritius. After the Struma disaster of February 24, 1942, Steinhardt approached with caution the use of questionable vessels for evacuation purposes. Even if the vessel were seaworthy, it faced the difficulty of traversing the mine-laden and submarine infested waters of the Black Sea and Dardanelles.

On the other hand, Turkish officials thought that the Allies had failed to cooperate in the moving of the refugees.⁹⁹ Foreign Minister Menemencioglu complained that although the Turkish Government had made certain provisions for the transportation of refugees from the Balkans, "the

⁹⁹ Steinhardt to Hull, April 12, 1944, Department of State Archives, 840.48 Refugees/5615.

British and American Governments had thus far taken no steps in so far as he was aware to assist in the evacuation of refugees to Palestine other than demand that such steps be taken." He pointed out Turkey's acute shortage of rolling stock. Under the circumstances, Steinhardt thought that the United States Government should promise the Turks, that if they permitted the authorization of a refugee boat and the boat became lost, the United States would replace same. The Ambassador likewise suggested that the United Nations warn the Axis Governments by radio that they would "be held accountable in the final settlement for their mistreatment of the Jews and other minorities in their territories."¹⁰⁰ Although it would be an exaggeration to claim complete credit for Steinhardt, President Roosevelt followed the Ambassador's pleadings with a public statement that none who participated in "the wholesale and systematic murder of Jews in Europe" would go unpunished.¹⁰¹

¹⁰⁰ Steinhardt to Hull, February 20, 1944, Department of State Archives, 840.40 Refugees/5216.

¹⁰¹ Roosevelt's statement concerning Jewish problem, March 24, 1944, Department of State Archives, 740.0011 European War/70544.

Overall, representatives of the War Refugee Board and other Jewish relief organizations who had the opportunity to view at first hand the Ambassador's efforts on behalf of Jewish refugees were pleased with Steinhardt's accomplishments. Ira Hirschmann, representative of the War Refugee Board, wrote John Pehle, Executive Director: ". . . the establishment of the War Refugee Board and the dispatch of representatives to Turkey working with the sympathetic and resourceful aid of Ambassador Steinhardt resulted in the rescue of thousands of refugees who were admitted into Palestine. It is doubtful if these refugees would have been permitted to enter Turkey, and proceed through Turkey, without the personal intervention of the Ambassador and the Board representatives on the scene in Turkey."¹⁰² In similar vein, Charles Barlas of the Jewish Agency in Palestine, remarked that it was "thanks" to Steinhardt's influence, both personally and officially, "that thousands of Jewish refugees were saved from the Nazi hell . . . of sufferings and misfortune."¹⁰³

¹⁰² Ira Hirschmann to John Pehle, October 3, 1944, Department of State Archives, 840.48 Refugees/10-344.

¹⁰³ Charles Barlas to Steinhardt, January 17, 1945, Steinhardt MSS.

Steinhardt hoped that his dealings with the refugee problem in Turkey would dispel the bad publicity he had previously received in the New York press. His chief "tub-thumper" was Hirschmann of the War Refugee Board. Upon returning to New York, he set about to remove the tarnish from the Ambassador's reputation. So obvious were his efforts, it appears probably that the scheme was hatched in Ankara; Hirschmann kept Steinhardt informed of the progress he was making. In speeches before Jewish organizations, Hirschmann made marked references to the New Deal diplomat:

On the brilliant pages of history of this time, the record should illuminate the work of your Ambassador Laurence A. Steinhardt. In a crucial position in Turkey, he has devoted his unremitting and whole-hearted efforts to this work. He is a friend of humanity and we should be grateful that he is in Turkey at this time. I cannot speak too highly of the cooperation he gave me without which I could not have functioned. I hope you do not forget this.¹⁰⁴

Steinhardt still harbored a desire to occupy the Governor's chair in Albany. In the spring of 1942 he had been sounded-out as to his willingness to accept the Democratic nomination as Lieutenant-Governor on a ticket headed

¹⁰⁴ Ira A. Hirschmann to John A. Browning, June 1, 1944, Steinhardt MSS.

by John J. Bennett, Jr.¹⁰⁵ He was "not interested" that year.¹⁰⁶ (It was just as well for Thomas A. Dewey buried Bennett in a 600,000 vote plurality.) Two years later, Hirschmann reported that he "was surprised . . . to sense an atmosphere which had been created which indicated two things regarding" the Ambassador's name: (a) that Steinhardt had not demonstrated his friendship for the Jews; (b) that the New Deal diplomat was "not enough in the forefront as a figure politically."¹⁰⁷ Hirschmann suggested that the PM article by Stone was "a deeper sore" than he had judged. Similarly he found that the Ambassador's long absence from the country had worked to his political disadvantage. He suggested that Steinhardt see Isadore Lubin, Roosevelt's labor specialist. "Indicate a strong traditional interest in labor's progress," Hirschmann advised. "If there is not enough background to justify this, then you will have to indicate a strong new platform and undeviating course in that direction." Hirschmann continued his

¹⁰⁵ John A. Browning to Steinhardt, May 8, 1942, Steinhardt MSS.

¹⁰⁶ Steinhardt to John A. Browning, July 3, 1942, Steinhardt MSS.

¹⁰⁷ Ira A. Hirschmann to Steinhardt, June 10, 1944, Steinhardt MSS.

political spadework by investigating the men working on the night desk at the New York Times.¹⁰⁸ The Times, he discovered, "almost bends over backward to draw the line between news coverage and editorial tinge. Where a quote appears which seems especially to build up an Ambassador, the news re-write men are quick to use the blue pencil." Whether Hirschmann was successful in his campaign is difficult to determine; however, his efforts reiterate Steinhardt's interest in a political career.

However, there were still pressing problems confronting the Ambassador in Turkey. The Turkish Government, notwithstanding its agreement to discontinue chrome shipments to Germany, continued negotiating with various Axis powers: a Turkish-Hungarian accord had been concluded and it was reported that negotiations with Germany and Romania were underway.¹⁰⁹ Steinhardt, along with the British Ambassador, warned the Turks that they could only maintain their "ambiguous trade with the Axis in strategic materials at the expense" of Turkey's commercial relations with the

¹⁰⁸ Ira A. Hirschmann to Steinhardt, June 1, 1944, Steinhardt MSS.

¹⁰⁹ Steinhardt to Hull, May 10, 1944, Department of State Archives, 740.0012 European War 1939/10770.

United States and Britain. The two Allied Ambassadors emphasized to Turkish authorities that as soon as the Turks "definitely decided to discontinue the supply to the Axis of all the commodities . . . and evidenced its intentions to cooperate wholeheartedly in the conomic field with the Allies," the British and American Governments would be ready to examine the question of Turkish needs.

Turkey faced serious domestic problems with the cessation of Allied war purchases and Axis trade. It was reported that the Foreign Economic Administration was "already scheming ways and means to reduce prices paid for commodities in Turkey" ¹¹⁰ Likewise, because of the opening of the second front, channels for supplying Turkey from United Nations sources had not improved. Under the circumstances, according to Steinhardt, Turkey would "lose practically the whole of her export markets and unless other outlets for her exportable surpluses were quickly found, the effect on the country's economy would be very serious." ¹¹¹ The cessation of exports, he suggested, would

¹¹⁰ Paul H. Alling to Steinhardt, May 5, 1944, Steinhardt MSS.

¹¹¹ Steinhardt to Hull, June 3, 1944, Department of State Archives, 811.20 Defense (M) Turkey/1055.

most immediately and seriously affect the peasant class inasmuch as Turkey's main exportable surpluses were chiefly produced by the peasant labor. The prosperity of the peasant, he said, had been of political importance to the Government and serious disturbances might follow the loss of outlets for peasant produced goods. Steinhardt pointed out that the problem was immediate--that as Allied preemption was disappearing and since Axis trade was diminishing--it would be necessary to maintain Turkish economy if the Allied objective was to completely cut off Turkey's exports to the Axis. Whether accepting on good faith the Allied promise of supplying vitally needed economic goods or laboring under the thoughts of economic retaliation, Turkey on June 16 decided to reduce by fifty percent the shipment of strategic material to the Axis.

Immediately following Turkish acceptance of this demand, the Allies requested that Turkey sever diplomatic relations with Germany. Hull cabled Steinhardt on June 28 authorizing him to support British representations. Steinhardt reported on July 3 that the Turkish Prime Minister Saracoglu informed him that the Turkish Government was prepared to accede to this request but would like to receive

Anglo-American assurances that Turkey would be treated as a full ally.¹¹² Saracoglu requested that Turkey be given such assistance as was possible from the United States and Britain with respect to war materials and to the disposition of surplus Turkish exports and the provision of essential Turkish imports. Meanwhile, Molotov, whose support the British sought in the maneuver, stated that the proposed request of Turkey was not in conformity with the Moscow Conference decisions in that it did not include Turkey's entrance into the war. Turkish authorities, on the other hand, assured Allied leaders that Turkey's severance of relations was the first step toward active belligerency. Although Allied policymakers agreed in principle with the views of the Soviet Government, they reasoned that Turkey's severance of relations could be acted upon without delay, involved no military commitments, and would have nearly the same effect on Germany and in the Balkans as would a declaration of war, while providing a useful first step toward a declaration of war if this became desirable. A request for a declaration of war, they thought would involve long discussions relative to military supplies, possibly extending

¹¹²Hull, Memoirs of Cordell Hull, pp. 1372-74.

beyond the period when Turkish belligerency would be of any use to the Allies.¹¹³

Thus the Turks, amenable to Allied pressure, severed diplomatic relations with the Germans on August 2, 1944. Immediate military returns resulted in high altitude flights over Turkey en route to Russia, expulsion from Turkey of some two thousand Germans and other Axis agents, and the use of Turkish airfields as bases for strategic bombing, and of Turkish harbors for naval operations. In the end, however, Turkey proved to be of little military consequence. Allied strategists discarded efforts to force Turkey into the war as a belligerent. In most respects "Operation Turkey" ended with that country's severance of relations with Germany. Although Turkey proceeded on January 6, 1945, to sever relations with Japan, the Turks did not declare war on the Axis powers until February 22, 1945. The declaration of war itself was merely a formality and a means to insure Turkish representation in the United Nations.

The Steinhardt mission to Turkey was a success on several counts. Even though Turkish officials may have recognized that it was in the Turkey's national interest

¹¹³Foreign Relations: 1944, V, p. 882.

to remain neutral throughout the war, Steinhardt did nothing to rock this diplomatic boat. With Turkey assigned to the British "sphere," the New Deal diplomat had to work hand in glove with his British counterpart. More often than not, Steinhardt rather than Knatchbull-Hugessen determined Allied policy vis-a-vis Turkey. When the British desired a hard policy toward Turkey, Steinhardt consistently tempered Allied action. Cognizant of Turkey's sovereign rights as a nation, he opposed Allied invasion of the country's neutralist policy.

The credit for discontinuance of chrome shipment belonged to Steinhardt "to an extent far greater than could be claimed by or for any other individual in the British or our Government."¹¹⁴ It was, according to Livingston Merchant, Chief of the Eastern Hemisphere Division, "the most complete and important single victory over the Axis" which had been won in the field of economic warfare. "Everyone who has been on the fringe of this long engagement," he concluded, "recognizes your [Steinhardt's] preeminent part."

Sadly, Steinhardt could not claim the same amount of success in dealing with the refugee problem. In a real

¹¹⁴ Livingston T. Merchant to Steinhardt, June 6, 1944, Steinhardt MSS.

sense, it was virtually insoluble. With millions of Jews held captive by Nazi warlords, Steinhardt could only help those few thousand that found their way to Turkey. The American Embassy, under the circumstances of war, did the best they could in providing transportation and exit visas. Certainly more Jews would have been saved from the Nazi horrors had the United Nations been in the position to afford better transportation. This, however, under the vicissitudes of war they were unable to do.

The New Deal diplomat, to a limited extent, could claim success in smoothing out relations between the Soviet Union and Turkey. Though the two countries never reached the degree of friendship that prevailed during the 1920's and early 1930's, there was no great amount of friction after the period of the von Papen bombing incident. Relations remained cool but correct; to that degree, it was satisfactory to the British and Americans.

Toward the end of 1945 Allied leaders became confident of ultimate victory. They could commence looking forward to postwar problems. With the Turkish problem resolved, the Department of State ordered Steinhardt to London as the future Ambassador to Czechoslovakia. His new post was one

of the key spots in Europe and perhaps the best testing ground for our postwar relations with the Soviet Union. The Department assured the envoy that he was, in view of his experience, "best qualified to meet the complicated problems which now exist and which will arise in the future."¹¹⁵

Assured that his presence in Prague was in no wise pressing, Steinhardt was asked to stay in Turkey for a while longer. Fulfilling this request, Steinhardt asked and received permission to return for a short stay in the United States. It was while the Ambassador was home on leave that the nation was saddened on April 12, 1945, with the news that its President and Commander-in-Chief Franklin D. Roosevelt was dead. Steinhardt joined the rest of the nation in mourning its fallen leader. He went to Washington for the funeral. Amidst the cadence of the muffled drums and sounds of the caisson bearing the President's body, the New Deal Diplomat must have thought to himself:

This is the end of an era, the Roosevelt era.
The Roosevelt influence will go on, for he set
things in motion and motion does not cease with
a man's death.¹¹⁶

¹¹⁵ Francis T. Williamson to Steinhardt, January 20, 1945, Steinhardt MSS.

¹¹⁶ Kiplinger Washington Letter, April 12, 1945.

The death of President Roosevelt brought to a close Laurence A. Steinhardt's role as a New Deal diplomat. However, it neither terminated nor completed his tenure in the foreign service. As Roosevelt's successor, President Harry S. Truman approved Steinhardt's appointment to Czechoslovakia. The post in Prague, a particularly difficult one following the Communist coup of February, 1948, was the Ambassador's last European assignment. After nearly three years in Czechoslovakia, Steinhardt served as ambassador to Canada. The New York native was this country's representative in Ottawa when on March 28, 1950, he was killed in an airplane accident.

The irony of Steinhardt's service is the fact that he was continually looked upon as a "political appointee." Although he served seventeen years in the foreign service, the professionals considered him a "non-careerist." Had he lived and remained in the service another three years, it is certain that Republican President Dwight Eisenhower would have removed the Democrat from office. Neither his length of service nor his qualifications would have received much consideration.

While the inaccessibility of the full diplomatic record after 1945 dictated limiting the study to the first two-thirds of Steinhardt's service, the investigation of ambassadorial diplomacy has offered a different perspective of Roosevelt-Hull foreign policy.

Certain conclusions can be drawn from Steinhardt's career as a New Deal diplomat. When in 1933 he accepted assignment as Minister to Sweden, Steinhardt fully expected to remain in the diplomatic service but for a short period of time; least of all, to make it a career. Over the years, he obviously sacrificed personal economic gain. What caused him to change his mind? First and foremost, he enjoyed the diplomatic life; he relished the attention and the limelight. As succinctly stated by Loy W. Henderson, "Steinhardt enjoyed being in the center of things." Vain and self-confident, the New Deal envoy was also politically ambitious. He served in the hope that a prestigious ambassadorship would spring him to high office. It was a vain hope for few American statesmen have risen to high position via the route of diplomacy. Diplomats are by necessity too far removed from day to day affiliation with domestic political leaders to exploit the opportunities of the moment.

As a non-professional diplomat, Steinhardt's service was a meritorious one. Because of his early training in economics and law, the envoy scored well in disputes involving finance and litigation. However, his greatest assets appear to have been his comparative youth (he was but forty-one when first entering the service), his desire to perform a noteworthy job, and his ability to work long, hard hours. He differed radically from the usual political appointee, who upon the verge of retirement is old, tired, and worn-out and accepts an appointment as the last chance to carve his name in history. Only Steinhardt's first diplomatic assignment (to Sweden) afforded the envoy a chance to relax and enjoy "a vacation type life." His following assignments demanded all his energy. He served loyally and devotedly.

Like so many other diplomats from around the world, Steinhardt was aristocratic minded. No doubt this allowed him to move with ease among his fellow dignitaries in high level diplomatic circles. However, an ambassador is obligated to inform his government on every facet of life in the country in which he serves. Apparently Steinhardt had neither the ability nor desire to do this. Selecting his

acquaintances from the upper classes, Steinhardt showed little appreciation for the plight of the masses nor the social and economic problems nor the developments taking place. In Sweden, for example, not a single known despatch concerned itself with the great social program (analogous to the New Deal reforms in the United States) being enacted by the Swedes. Although preoccupied with the rising tide of fascism in South America, the New Deal diplomat exhibited little understanding of the indigenous Aprista movement in Peru. Likewise, his great concern over the capital levy tax in Turkey was not as to how it affected Turkish minorities, but contrarily, how it affected American business interests in that country.

As the world in the 1930's moved closer to disaster, statesmen belatedly absorbed themselves with the menace of fascism. With social problems relegated to a place of lesser importance, Steinhardt performed in a praiseworthy manner. While Steinhardt was in the Soviet Union, Henderson thought that telegrams from Moscow assisted the Department more than messages sent "from all other parts of the world put together!"¹¹⁷

¹¹⁷ Loy Henderson to Steinhardt, December 13, 1940, Steinhardt MSS.

The tit-for-tat policy pursued by Steinhardt in the face of British and, to some extent White House opposition was realistic and in America's best interest. A diplomat with less fortitude might have easily succumbed to the pressures of a desperate Britain. Steinhardt left no doubt that his primary interest was that which he thought benefited the United States. Similarly, Steinhardt in Turkey fought British pressures designed to drag the unprepared Turks into the war. In Ankara, Steinhardt displayed a real understanding of the problems besetting a lesser power ensnared in the moves and countermoves of the great powers. Almost singlehanded he resisted determined Allied efforts that he judged were not in Turkey's best interest.

To understand Steinhardt's service as a New Deal diplomat, one must first understand the milieu in which he moved. First of all, his Commander-in-Chief Franklin Roosevelt served ostensibly as his own secretary of state; neither Cordell Hull nor the Department was kept fully informed. Secondly, the problem for the diplomat in the field was compounded by the fact that the Department failed to alert their missions to world developments. It is virtually impossible to determine how capably Steinhardt carried out

Departmental instructions. Heads of missions while home on leave received briefings and instructions; in the field they received little advice. More often than not, diplomats operated on their own intuition and initiative.

William W. Kaufmann in The Diplomats quite accurately portrays diplomacy in the 1930's.¹¹⁸ He remarked that the foreign service during this period had remarkably little to offer in the way of useful advice and assistance. It is his contention that in the 1930's the professional diplomat often failed to understand fully the new forces that engulfed traditional diplomacy. The diplomat's universe, he concludes, "was that of the eighteenth and nineteenth centuries, and it bore little relation to revolutionary cosmos which Nazi Germany, Fascist Italy, and Imperial Japan were parts."

The obstacles raised by Steinhardt's personality and background, the complexity of the situation, and the American tradition of isolation must be borne in mind. In view of the factors militating against a rapid and vivid appreciation of the situation, what is surprising about Steinhardt as a political appointee is that he performed so well.

¹¹⁸ William W. Kaufmann, The Diplomats, p. 655.

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