The Large Corporation and American Foreign Policy

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History as a Way of
Learning

The large corporation is generally acknowledged to have wielded an extensive influence in American domestic affairs since 1890. While it has never dominated American society in the literal sense, clearly it has been and is an *imperium in imperio;* for throughout the century it has proposed and disposed in competition and collaboration with the government. Such power and authority also enabled the large corporation—if it so chose—to play an equally important role in the day-by-day and long-term relations between the United States and the rest of the world. It did so choose and, directly and indirectly, at home as well as overseas, it has exercised that potential in foreign affairs. There is considerable evidence to suggest, indeed, that the central features of the large corporation's conception of the world—its definition and explanation of reality—had by 1950 come to delineate crucial aspects of American foreign policy.

The extent to which that correlation exists, and hence the relevance of fundamental questions which it raises, can most effectively be gauged by examining various facets of the relationship between the large corporation and foreign policy. These may be outlined as follows:

1. Though the concept of the large corporation as used herein includes financial as well as industrial institutions, the

study is not concerned directly with the long and learned discussion about the precise number of such firms and the decimal percentages of their concentrated power. Those calculations and related investigations make it clear that the large corporation, in its fundamental role as the organizer of a disorganized nineteenth-century capitalism, in its supplementary function as architect of a vast network of subcontracting, marketing, and servicing connections, and through its influence and participation in local and national government, has exerted a predominant influence in the American political economy since the crisis of the 1890's.

2. The large corporation exercises several kinds of influence on foreign policy: direct and indirect, and economic and intellectual. In each of those ways, moreover, the large corporation's power can be used either to initiate, delay, or veto foreign policy proposals. Some of its most important influence has been of a negative character, as when it postponed, emasculated, or killed other programs.

Viewed collectively as an institution, for example, the large corporation is the dynamic and crucial private element in the American economic system. Its economic decisions and actions affect political and social developments as well as economic affairs. And since it is central to the economy *per se*, government investment and spending are also undertaken to an extensive degree through the large corporation. A specific corporation, on the other hand, can and does function as a special economic interest in the conduct of foreign affairs. A good example of such action, which also illustrates the negative side of corporation influence, is offered by the corporations which resisted President Franklin Delano Roosevelt's efforts to send more aid to the Allies prior to Pearl Harbor.

All of those economic and other influences appear as facts to intellectuals and politicians attempting to formulate a coherent

overview of American society or an appropriate foreign policy. Finally, the leaders of the large corporation function as intellectuals (a category which includes some academics but is not defined thereby) in their work of knowing, systematizing, interpreting, and acting upon the reality about them. Their conception of the world takes on dramatic importance when they enter the government.

3. The rise of the large corporation in the 1890's confronted the labor movement with the problem of choosing and implementing a basic response to the new structure of American industry. In theory, at any rate, labor had a number of options. It could have deployed its power to destroy the corporation and substituted a system of cooperative enterprises, to socialize the corporation and thereby the system, to break it up and re-establish the world of the individual entrepreneur, to regulate it through the government, or to organize labor itself within the new framework established by the corporation. If all of its efforts are considered, it can be argued that at least some segment of labor tried each of those solutions. But labor's basic approach was to organize labor on the terms specified by the large corporation: first in segments paralleling management's division of labor, and finally according to the system itself.

The decision to organize within the existing corporation reinforced the influence of the corporation on foreign policy. Since it did not demand a share in investment decisions, labor's policy served to extend and consolidate the position and power of the corporation in the American political economy. The net result was to help business organize business. That basic situation was not seriously altered even when labor turned to the government as a tool for regulating such a corporate economy. Not only was the corporation equally influential in politics, but labor's objectives did not challenge—let alone threaten—the key role of the corporation in the economy. In all essentials, therefore, as well as in most particulars, labor foreign policy was (and is) corporation foreign policy. As with the corporation, labor sometimes divided within ~~itself, but it never~~ proposed or fought militantly for a fundamentally different foreign policy.

4. In terms of the extent and character of its interest and influence, the foreign affairs role of the large corporation has developed as a process. There have been conflicts over foreign policy between industrial and financial corporations, and even within some of them; and the institution itself exercised less influence in 1890 than it did in 1900, 1926, or 1969.

Because they have an important bearing on the problem of analysis and interpretation, it also seems wise to review key aspects of the relationship between overseas economic expansion and foreign policy. An apt illustration of the existing confusion on this issue is provided by the assertion that the United States would have to export and invest, on a *pro rata* basis, as much as Great Britain did at the apex of its empire before such overseas economic expansion could be considered crucial to the American economy. Such an analysis may or may not be useful for purposes of personal or public persuasion, but when examined on its own terms it is neither very relevant nor very helpful to an understanding of the political economy of American foreign policy. To consider only the most obvious aspect, it is extremely difficult to establish a valid basis for comparing the two nations. And if, to make an effort to do so, America's industrial regions are treated as the "mother country," then much of what is usually considered domestic commerce and investment has to be classed as foreign or colonial enterprise.

Even in its more moderate versions, that kind of commentary on overseas economic activity is wide of the mark. There are two broad questions at issue with regard to the statistics of overseas economic expansion, and they cannot be mixed up

without confusing the analysis and the interpretation. One concerns the overall importance of such expansion to the national economy. The answer to that depends less upon gross percentages than upon the role in the American economy of the industries which do depend in significant ways (including raw materials as well as markets) on foreign operations. Measured against total national product, for example, the export of American cars and trucks seems a minor matter. But it is not possible at one and the same time to call the automobile business the key industry in the economy and then dismiss the fact that approximately 15 percent of its total sales between 1921 and 1931 were made in foreign markets.

The other major point concerns the role of such foreign enterprises and markets in the making of American foreign policy. That effect can be direct in terms of domestic political and economic pressures, or indirect through the results of overseas American economic activity on the foreign policy of another nation. Even in the early part of the century, from 1897 to 1914, the overseas economic expansion of the United States was more impressive than many people realize. Loans totaled over a billion dollars. Direct investments amounted to $2,652,300,000 by 1914. While it is true that the nation also owed money abroad during that period, that point is not too important to an understanding of American foreign affairs. For the loans and investments had a bearing on American foreign policy even though balance of payment computations reduce the net figure. Businessmen with interests in Mexico or Manchuria, for example, did not stop trying to influence American policy (or cease affecting Mexican or Asian attitudes) just because their investments or loans or sales were theoretically and arithmetically cancelled out by the debts other Americans incurred in France or Germany.

Another misleading approach emphasizes the point that

America's overseas economic expansion amounted to no more than 10 or 12 percent of its national production during those years. But 10 percent of any economic operation is a significant proportion; without it the enterprise may stagnate or slide into bankruptcy. In that connection, the most recent studies by economists reveal that exports did indeed spark recovery from the depression of the 1890's. In any event, businessmen, other economic groups, and many intellectuals *thought* the 10 percent made a crucial difference, and most of them concluded that they could get it only by overseas expansion.

All other considerations aside, that reason would make the figure important if it were only 1 percent. Or, to make the point even clearer (and historically relevant), it would still be significant if all an entrepreneur did was to pressure the government to support an effort that failed. In that case the economic indicators would be negative but the relevance to foreign policy might be very high. Such was precisely the case, for example, with the American-China Development Company. It ultimately disappeared from the scene, but before it died it exerted an extensive influence on American policy in Asia.

In another way, overseas economic operations which seem small on paper may mean the difference between survival and failure to a given firm or industry. Faced by the near monopoly control over key raw materials exercised by the United States Steel Corporation after 1903, Charles Schwab had to go to Chile to get the ore supplies that were necessary to sustain the Bethlehem Steel Company. Schwab's investment was only $35 million, but it played a vital role in his affairs and exercised a significant influence on Chilean-American relations. Or, to reverse the example, economic activity which seems incidental judged by American standards is often fundamental to a weaker economy. That aspect of the problem can be illustrated by the situation in Manchuria between 1897 and 1904, where approximately one-tenth of 1 percent of America's national product gave the Americans who were involved a major role in the economic life of that region. And that, in turn, led to crucial decisions in American foreign policy.

It is impossible, in short, to judge the bearing of overseas economic expansion upon American diplomacy in terms of gross statistics. The important factors are the relative significance of the activity and the way it is interpreted and acted upon by people and groups who are at best only symbolized by abstract aggregate figures. And by those criteria there is no question about the great relevance to its foreign policy of America's proposed and actual overseas economic expansion since 1890.

Viewed from those various perspectives, it is possible to discern four overlapping eras, or phases, in the developing role of the large corporation in American foreign affairs: (1) The Consciousness of Maturity and the Specters of Stagnation and Revolution: 1890–1903. (2) The Great Debate over Loans or Exports: 1895–1914. (3) The Triumph of the Corporation and the Internationalization of Business: 1912–1940. (4) The Era of Integration with the State: 1933–1950. And (5) The Crisis of the Corporate Foreign Policy. That framework offers a useful guide for the more detailed examination of the ideas, actions, and influence of the large corporation in connection with American foreign policy since 1890.

I

The crisis of the 1890's was a major turning point in American history. It closed out the Age of Jacksonian Laissez-Faire and unfrocked the individual entrepreneur as the dynamic leader of

American economic life. At the same time, it was the cultural coming-out party of a new corporate system based on the large corporation and similar highly organized groups throughout American society. Initiated in the late 1880's by the Standard Oil Company, the massive centralizing and consolidating movement of the 1890's was undertaken to reorganize, rationalize, and supplant the system of individualistic capitalism which had been dying throughout the long-wave depression touched off by the Panic of 1873. In one sense, therefore, the merger mania of the decade was prompted by the drive to lower production costs. But almost immediately the large corporation leaders and the giant bankers became aware of the disturbing fact that they had more efficiency than they could employ at a satisfactory profit rate. Implicitly or explicitly, therefore, they became equally concerned with markets for their respective goods and services. At the same time, they were challenged on the political front by other Americans who sought either to restore the old system or reform and regulate the new one.

For many years, the domestic side of the resulting debate over the condition and prospects of the political economy was usually described as a struggle between the Progressives and the Conservatives; and the foreign policy side of the conflict was analyzed by transposing those categories as Anti-Imperialists and Imperialists. Recent investigations have challenged that historiography by suggesting that many of the Progressives were themselves Imperialists. Though helpful in some respects, the revisionist interpretation does not really clarify the basic issues. It is true that the imperialist and anti-imperialist nomenclature has some relevance to a short period of eighteen months when the question of what to do with Cuba and the Philippines was hotly debated. But that approach offers very little insight into the period prior to the outbreak of the Spanish-American War,

and still less into the resolution of the brief fight over imperialism.

One of the main sources of the confusion is the habit of equating colonialism and imperialism, an approach which tends to hide the fact that a nation can follow a policy of anti-colonialism and still remain the head of a large economic empire. Colonialism is defined by the large-scale emigration of *people* from the mother country to the foreign region. Imperialism is characterized by the *economic* expansion of the mother country, and may or may not involve the establishment of a small colony of administrative and military personnel from the empire country in the weaker area. Furthermore, no more than a soapbox full of Americans advocated colonialism in the true and historic meaning of the institution. The debate about Cuba and the Philippines was an argument over whether or not to adopt the pattern of imperialism developed by Britain after the Indian Mutiny of 1857; and if that system were not followed, what kind of an American program of expansion was to be substituted.

Perhaps another consideration is even more important to a fuller understanding of the debate between the Imperialists and the Anti-Imperialists. Only a tiny and insignificant handful of Americans were against any and all kinds of expansion. The fact is that such men as Grover Cleveland and William Jennings Bryan, who are usually thought of as Anti-Imperialists, actually advocated the expansion of America's economic system and political influence. Bryan favored the kind of imperial anti-colonialism that the British practiced throughout the nineteenth century in such countries as Argentina, and which English historians have recently characterized by the phrases "informal empire" and "the imperialism of free trade."

In essence, therefore, Bryan deserves as much credit as Theodore Roosevelt for launching America's empire. Roosevelt at first favored the traditional imperial policy of establishing formal administrative and military colonies within the subject society, but he ultimately adopted Bryan's approach which was based on extending the Monroe Doctrine to cover the foreign country. That policy, which served as the basis of the Open Door Notes, was in turn founded on the assumption that America's economic and moral power would control the development of the weaker region. Direct military intervention might be necessary to establish American authority (in the case of the Philippines, Bryan called it "restoring order"), and to sustain it in an emergency, but preponderant economic power was the key to such imperial anti-colonialism.

For several reasons, the large corporation played a crucial role in resolving the original conflict between the Imperialists and the Anti-Imperialists. First, it was the source of the overwhelming economic power which made it possible to bypass traditional imperialism. Second, it advocated and took the lead (through such organizations as the National Association of Manufacturers, the National Civic Federation, and the American Asiatic Association) in popularizing the idea that foreign markets provided the solution to the domestic economic crisis and the dangers of political and social upheaval. Shared or adopted by every other special economic group in the country, including the Bryan agrarians, the Gompers labor movement, and the small businessmen, that proposal had mushroomed into a widely accepted panacea by 1897.

Jerry Simpson, a sometimes radical farmer from Kansas, exemplified agrarian agreement in his anguished cry of 1894: "We are driven from the markets of the world!" Other Populists reacted by voting for a big navy. Speaking as president of the NAM, Theodore C. Search provided a candid summary of business thinking: "Many of our manufacturers have outgrown or are outgrowing their home markets and the expansion of our foreign trade is their only promise of relief." Senator Albert J. Beveridge phrased it more majestically: "American factories are making more than the American people can use; American soil is producing more than they can consume. Fate has written our policy for us; the trade of the world must and shall be ours."

Businessman F. L. Stetson voiced the fears of many of getting hemmed-in with his warning that "we are on the eve of a very dark night unless a return of commercial prosperity relieves popular discontent." Others argued that such overseas economic expansion was the only program that would enable them to eke out a profit under the staggering load of welfare legislation. Charles A. Conant, one of the first corporation intellectuals, provided a comprehensive overview: "New markets and new opportunities for investment must be found if surplus capital is to be profitably employed . . . if the entire fabric of the present economic order is not to be shaken by a social revolution."

Then, just as that combined analysis and program for action seemed to be verified by the dramatic jump in agricultural and steel exports during the late summer of 1897, it appeared to be threatened by European counteraction throughout the world. The resulting drive among Americans for militant diplomacy in Latin America and Asia had far more to do with the coming of the Spanish-American War than most historians have allowed. It was the crucial factor in the changing attitude of the large corporation leaders who were hesitant about military intervention in Cuba prior to the summer of 1897. Beginning in May 1897, and becoming very rapid and apparent through the winter of 1897–1898, key economic spokesmen shifted their position.

That movement was further accelerated by their growing distrust of the Cuban rebels, who appeared increasingly unreliable and generally unsatisfactory as allies, and by the new disposition among Cuban conservatives to accept American overlordship. As a result, a majority of American economic leaders were ready for war by mid-March 1898, some in terms of Cuba as the key to Latin America, perhaps even more with Asia in mind. President William McKinley may have given way to overwhelming pressure for war; but not only was that pressure as much economic as ideological, much of the ideology was counter-revolutionary and characterized by an economic definition of the world. The President made it perfectly clear, moreover, that neither he nor other leaders were going to war to turn the island over to the rebels.

A third influence exercised by the large corporation on the foreign policy of the 1890's was more indirect. Its attitude, policy proposals, and action served as data for influential intellectuals such as Brooks Adams who were driven by the same fear of economic stagnation and social revolution. The same factors reinforced the implicit and explicit conclusions that were drawn from the theory advanced by Frederick Jackson Turner, who explained America's past greatness as the result of such expansion. His frontier thesis stated that prosperity and democracy depended upon expansion; and Turner added a bit later that he was sure Americans would continue the process. Still others, such as the more conservative followers of Herbert Spencer, led by William Graham Sumner, advanced theories that defined such expansion as a natural right (and a natural law) under the principles of laissez-faire.

Those demands of the corporation community and other economic groups were synthesized with the theories of the intellectuals and the ideas of Roosevelt and Bryan by Secretary of State John Hay in his famous Open Door Notes of 1899 and

1900. Hay's policy was designed to secure equal opportunity for American economic power in such areas as China, and to prevent other advanced nations from carving up such regions into new colonies and spheres of influence. It is currently fashionable to dismiss the Open Door Notes as a naive failure, but that approach is seriously misleading in two vital respects.

First, the Open Door Notes ended the debate between the Imperialists and the Anti-Imperialists by subsuming the great majority of both groups in enthusiastic support for the idea that America's preponderant economic power would cast the world in a pro-American mold. A small group of Anti-Imperialists carried on their battle against a foreign policy of expansion for several years, but the issue itself was resolved by the Open Door Notes. The editors of the London *Times* immediately caught that significance of the Notes: "Even protectionist organs are for free trade in China, where freedom is for the benefit of American manufacturers. Even anti-Imperialists welcome an Imperial policy which contemplates no conquests but those of commerce." Seven lean years before, in the first shock of the Panic of 1893, the editors of *Harper's* had advocated the same policy in even blunter terms: "The United States will hold the key, unlocking the gates to the commerce of the world, and closing them to war. If we have fighting to do, it will be fighting to keep the peace."

The second important point about the Open Door Policy is that it became the strategy and tactics of America's expansion and security for the next two generations. If it be judged a failure, the verdict has to be cast in the subtle form of the failure of success. For the mid-century crisis of American diplomacy is in large measure defined by the fact that the Open Door Policy built an empire which is confronted by the specter of general and specific revolt. It may be useful, therefore, to trace the role of the large corporation in the implementation of the Open Door Policy.

2

The large industrial corporation was the most important economic institution in foreign affairs until Theodore Roosevelt failed (during the Russo-Japanese War) in his effort to open the door to all of Asia in one grand gesture by manipulating Japan and Russia into exhaustion. It received most of the legislative attention, as in such matters as reform of the consular service and reciprocity treaties, and also was favored by the executive, as in Manchuria and Latin America. Roosevelt's classic blunder hurt the industrial corporation most in Asia, but it was challenged there and elsewhere by the large bankers for the next decade.

As with the standard interpretation of the debate between the Imperialists and the Anti-Imperialists, there is some—and probably more—value in the broadly accepted idea that the years after 1895 were characterized by the phenomenon of finance capitalism. Even so, the facts are by no means as clear as suggested by the stereotype. Rather, the evidence points toward a relatively short, vigorous struggle in which the bankers won and then lost the initiative in foreign affairs, though their subsequent actions affected American policy in many ways.

Basically, of course, the financiers were dependent upon the industrial corporation. The industrialists produced the goods which made the profits; and even the life insurance companies, which supplied the bankers with vast funds in the earlier period, collected their premiums from people with jobs. By 1923, at the very latest, the industrial corporation had asserted its economic

primacy. Secondly, while the Open Door Policy could have been implemented by working through Japan or Russia, as well as in China directly, its object was to structure and control the development of weaker economies. Fundamentally, therefore, if not immediately, the policy defined the bankers as a tool to help the industrial corporation.

For their part, the bankers naturally stressed operations which would provide them with a steady return on investment. Ideally, and for that reason, they favored direct ties with foreign governments in preference to subordinate collaboration with industrial corporations. Until the Great Depression, therefore, they seldom cooperated directly in the program of overseas industrial expansion. But the crash forced them to accept such an approach, and after the mid-1930's they worked ever more closely with the industrialists, and with the government which pushed an industrial policy.

For those reasons, the struggle between the bankers and the industrialists was a complex and continuing process. In Latin America, Canada, Europe, and most underdeveloped regions, the industrial corporation established and maintained an early predominance: in those areas the bankers succeeded only as they functioned as a means to an industrial end. But the situation in Asia was not that clear. Until his death in September 1909, Edward A. Harriman led the industrialists and outmaneuvered the bankers dominated by the House of Morgan. But none of Harriman's immediate successors (save perhaps John Hays Hammond) was willing to sustain the policy of working through the Russians. Hence the only option was to fall back on the less satisfactory alternative of collaborating with the already entrenched Japanese while at the same time trying to extend America's position in China itself. Even if ultimately successful, that was a slow process because influence had first to be established in Japan. But that approach did give the House of Morgan, which stressed its connections in Tokyo, a kind of *de facto* control of the Open Door Policy in Asia unless and until the industrial corporations or the government committed themselves to a major effort in China proper.

President Woodrow Wilson did get the bankers to finance his chosen White Russians in the battle to overthrow the Bolshevik Revolution and simultaneously open the door into Siberia and Manchuria, but the House of Morgan remained adamant about a clear rupture with the Japanese. Herbert Hoover and Charles Evans Hughes also failed in their later efforts to break the veto wielded by the bankers. For one thing, the industrial corporation was heavily involved at home and elsewhere in the world during the 1920's, and could not undertake a large program in China. For another, China was in the throes of a revolution influenced by the Soviet Union, and that upheaval could be controlled only with the help of Japan. Probably most important of all, however, was the ideological dilemma faced by Hoover and Hughes. For while they wanted to exercise control over the operations of the bankers, and in that way push the Open Door Policy more vigorously in Asia and elsewhere, they did not want to set a precedent of the government defining and limiting property rights to that extensive degree. Expansion itself, after all, was designed primarily to sustain and rationalize the existing system. Forced to choose, they reluctantly acquiesced in Thomas Lamont's financial ties with Tokyo.

Thus there would appear to be four long-term characteristics of the struggle between the industrial and the financial corporation. First, the industrial corporation soon established its leadership in every area except Asia. In those regions the bankers succeeded only as they accepted their subordinate position. Second, the bankers made one major effort, in Latin America, to use foreign loans to strengthen themselves against the industrialists at home. That maneuver not only failed; it no doubt accelerated the bankers' domestic decline. Third, the House of Morgan's pro-Japanese policy became the *de facto* policy of the government in Asia for the next two decades, and was seriously considered as late as 1941. Fourth, the industrial corporation and the government ultimately took over financing the expansion of the Open Door system, and in that fashion settled the conflict in favor of the industrial corporation.

3

Except in Asia, however, the industrial corporation was the key element in the political economy of American foreign policy after 1895—and even there the Open Door Policy was ultimately interpreted from their point of view. A preview of that final emphasis on China proper came in 1913, when Wilson refused to support the bankers in a multi-national consortium loan to the Chinese government. Usually interpreted as a noble retreat from dollar diplomacy, the move was in fact nothing of the sort. The Wilson Administration opposed the loan for two reasons. First, and in the words of Secretary of State Bryan, because the United States would "not have a controlling voice" in it. Second, Wilson thought exports more important than loans to American prosperity and democracy.

Even more revealing, perhaps, was the relationship between the Wilson Administration and the National Council of Foreign Trade. Secretary of State Bryan and Secretary of Commerce William Redfield were the major speakers during the first day of the Council's national convention on May 27, 1914. That date is significant, for it specifies the policy of the Wilson Administration at a time when it was clear that America was suffering a serious economic downturn, yet at an hour prior to the outbreak of World War I. Secretary Redfield, who had been president of the American Manufacturers Export Association and a vigorous advocate of overseas expansion before Wilson called him to the crusade for the New Freedom, led off with a broad outline of government policy. He assured the corporation leaders that "because we are strong, we are going out, you and I, into the markets of the world to get our share." Secretary of State Bryan spoke next. First he reminded the audience that President Wilson had already made it clear that it was official policy to "open the doors of all the weaker countries to an invasion of American capital and enterprise." Having made that point, Bryan concluded by telling the corporation leaders that "my Department is your department."

On the next day the convention left its downtown quarters for a special meeting in the East Room of the White House. President Wilson, who interpreted the frontier thesis and the crises of the 1890's and 1913–1914 as proof of the necessity of overseas economic expansion, had seen fit to take time from his more official duties to address the delegates. His purpose was to assure them that he gave full and active support to a mutual campaign to effect "the righteous conquest of foreign markets." Perhaps it was because some in his audience seemed startled by that candid statement of policy, but in any event Wilson went on to emphasize the point by remarking that such an objective was "one of the things we hold nearest to our heart." Though the war intervened to delay the program, the Wilson Administration carried through on such rhetoric with the Webb-Pomerene Law and the Edge Act, both designed to facilitate corporate expansion overseas, and with vigorous diplomacy to check opposition in Latin America and Asia.

That quiet gathering in the White House symbolized a vital integration of corporation and government thinking on the nature and role of overseas economic expansion. Accelerated and extended by the war itself (which also freed the industrial corporation from the last vestiges of banker control), that consensus asserted the thesis that such expansion was necessary for American prosperity. As was the case in the 1890's, the question of whether or not American leaders were driven by personal economic motives is rather beside the point. Clearly enough, the businessmen *qua* businessmen were, and it is less than helpful to gingerbread the obvious as the complex. As for the corporation leaders who went into the government, the intellectuals, or the more narrowly defined political leaders, they also entertained and acted upon an economic definition of reality. Overseas economic expansion was for them *the* solution for America's problems—be they social, political, or economic.

Of vital importance, therefore, was the concept of trade that had matured since the turn of the century. Far from being defined in the classical sense as the exchange of commodities and services between independent producers meeting in an open market, trade had come to be characterized as the control of markets for American exports and similar authority over raw materials for the production of those exports. In terms of personalities, the consensus was dramatically illustrated by the close and extensive collaboration between Wilson and Herbert Hoover, a corporation leader turned public servant during the war. In Hoover's words, he and Wilson "were always able to find a path ahead upon which to travel successfully together." They agreed upon the crucial importance of economic expansion through the policy of the Open Door, and also shared a preference for securing American objectives through the manipulation of food supplies and by other economic means.

Throughout the 1920's, moreover, American foreign policy was dominated by two corporation men: Hoover and Charles Evans Hughes. Hoover's approach was indicated by his transformation of the Department of Commerce from an organization concerned primarily with domestic affairs into an agency oriented toward overseas expansion; and by his curiously neglected thesis that "the hope of our commerce lies in the establishment of American firms abroad, distributing American goods under American direction, in the building of direct American financing and, above all, in the installation of American technology in Russian industries."

In his efforts to implement the crucial phase of that policy, Hoover tried to shinny on both sides of the street. He refused to let the bankers accept Russian gold but encouraged the large industrialists to take charge of Russia's industrial development. The tactics were less than successful. For one thing, the Russians were quite aware of Hoover's counter-revolutionary objective and interpreted it as verification of Marx's prophecy. For another, the Great Depression made many key industrialists (such as machine tool manufacturers) dependent upon the Russian market and prompted them to pressure Hoover to recognize the Soviet Union. Finally, and most ironic of all, American economic assistance did a great deal to strengthen the very government that Hoover wished to undermine. Neither Hoover nor his successors thought seriously of taking advantage of the pro-American orientation of one segment of Soviet leadership in order to develop and extend that early collaboration.

Hughes revealed his outlook in several ways. He extended the Open Door Policy to all European colonies and Eastern Europe (where such industrialists as W. Averell Harriman became very active). He developed the technique of selecting one large corporation within each industry (as with the Standard Oil

Company) as the chosen instrument of such expansion. He initiated, with the vigorous promptings and assistance of the businessmen, a revision of the practice of military intervention in Latin America. Economic leaders favored a more moderate policy because, having established themselves in the region, they found that intervention often cost them more in ill will and the disruption of the marketplace than it gained them in other ways. Hoover carried on that work, which culminated in the Good Neighbor Policy of Franklin Delano Roosevelt and Cordell Hull. And, finally, Hoover and Hughes made it clear to the bankers that the government viewed loans principally as a device to penetrate and control markets for industrial exports and to secure control of key raw materials, and secondarily to establish American political authority in Europe.

Choosing in the arrogance of their decline to flout that warning, Morgan and other bankers tried to restore their earlier power by financing Latin American nations and Japan's penetration of northeast Asia. The strategy failed in Latin America. The bankers' desperately effective efforts to seduce unfaithful borrowers served only to accelerate and deepen their own domestic crisis after 1926. The results were not so clear-cut in Asia. Supported by some industrialists who found Japan a profitable market, and by various traders, the bankers kept alive the old alternative of putting the Open Door Policy into operation by working through and with the Japanese. Though seriously proposed as late as the summer of 1941 by such intellectuals as Harry Dexter White, as well as by Thomas Lamont and John Foster Dulles, that option of the Open Door was ultimately discarded in favor of direct involvement over China.

In the meantime, however, the majority of large corporations extended their overseas operations in Latin America, Europe, the Middle East, and Southeast Asia. First advocated in an organized and sustained fashion by the agrarians in the 1870's, and then pushed hard by the NAM in 1895, the principle of reciprocal trade treaties as a technique of building and integrating an American world system was finally adopted and legislated into operation by the Roosevelt Administration in 1934. That historic link between the decade of the 1890's and the New Deal was reinforced in several other ways. The principle of the unconditional most-favored-nation clause was a crucial part of the trade agreements program, for example, and New Deal leaders were quite aware that the unconditional most-favored-nation provision was the very crux of the Open Door Policy. It was simply a more austere and legal formulation of John Hay's phrase, "equality of commercial opportunity." And in planning and negotiating such trade treaties, New Deal policy-makers consciously sought to build an integrated American system of export markets and raw material supplies.

In another way, the drift toward formal Keynesian economics which characterized the New Deal served to reinforce the traditional American conception of an Open Door Empire. A Keynesian system need not literally be confined to one nation, but when it is extended it has to be done as a system—in this case an American system. For, by its very reliance upon various controls to stabilize the business cycle, the Keynesian approach cannot by definition even be attempted beyond the limits of such central authority. The climax of that aspect of American policy came in the sharp struggle between Lord Keynes and Harry Dexter White, both of whom understood the principle at stake and sought therefore to define the postwar international monetary organization in terms of their respective Keynesian systems.

Though largely overlooked by historians as well as by supporters of the New Deal itself, the liaison between the Roosevelt Administration and the large industrial corporation led to an extensive and intensive expansion of the American foreign economic system by 1939. It was broadly committed in Latin America, Europe, and the Middle East; and had defined its rubber and tin supplies (and others as well) almost exclusively in terms of the resources of Southeast Asia. Beginning in 1935, moreover, there was a revival of interest in China as the market of the future. Save for a small group led by Lamont and Dulles, and the corporations trading with Japan, the large corporation had by 1939 identified itself with an industrial outlook oriented more and more toward England and France, toward the dependencies still controlled by those nations, and toward other underdeveloped areas penetrated or threatened by the Axis powers.

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The final integration of government, industrial, and financial thinking developed in the course of a serious and heated debate about what to do in response to the expansion of the Axis powers. Most corporation leaders entered the 1930's fearing another war as the midwife of international and domestic revolution. Bernard Baruch, for example, thought a war could make the world safe for democracy as he defined it, but he was impressed by the dangers of trying that approach a second time. Others thought a general war would "destroy our Western civilization," either directly or by forcing totalitarianism upon even the United States. For those reasons, as well as because of their initial attraction toward some features of the counter-revolutionary movements in Italy and Germany, many corporation leaders thought it wise to work out a compromise with those nations. The approach was balanced, however, by the feeling that recovery from the depression would enable America to set the terms of such arrangements and in other ways take the lead in world affairs and keeping the peace. That attitude, so similar to President Woodrow Wilson's initial response to World War I, seems also to have been shared at the outset of the 1930's by President Franklin Roosevelt.

Until about 1935, therefore, there was no serious disagreement over foreign policy between Roosevelt and the leadership of the large corporation. Even afterward, their differences did not flare up dramatically. Most corporations, for example, went along with the principle and practice of the moral embargo that Roosevelt began to use against the Axis. By 1937, however, the corporation community had split into two camps on the issue of foreign policy. That division can be understood most clearly as the result of three factors. First, the continued economic expansion of the Axis in Central and Eastern Europe, Latin America, and other underdeveloped areas led some corporation leaders to conclude that America's Open Door Empire was directly threatened. Second, some of them had realized that the New Deal was not a devilishly clever strategy of revolution, an awareness no doubt facilitated by Roosevelt's growing propensity to take them into his administration. Hence domestic considerations did not prompt them to resist the President's movement toward more active opposition to the Axis. Third, and as a direct consequence of the others, such corporation leaders came to identify democracy as well as economic welfare with the continued existence and expansion of the American system throughout the world.

Other corporation leaders opposed that estimate of the situation. Though to a lesser extent than earlier in the decade, they still thought that a compromise with Germany and Japan would help rather than hurt America's economic and political position in the world. Perhaps most important was their fear

that victory in a war against the Axis would be purchased at the price of socialism at home. "It is fairly certain," concluded an important spokesman of the group, "that capitalism cannot survive American participation in this war." Others extended the analysis, seeing American involvement as leading to "the end of capitalism all over the world" and the consequent "spread of communism, socialism, or fascism in Europe and even in the United States." Tormented by that nightmare, such corporation leaders argued that America could and should avoid war by building and integrating an impregnable empire in the Western hemisphere, or that it could and should assert America's ultimate supremacy by waiting for the belligerents to exhaust themselves. Senator Harry S. Truman and other political leaders shared the latter view. "The role of this great Republic," explained Truman in October 1939, "is to save civilization; we must keep out of war."

Ultimately, of course, most of those so-called isolationists concluded that such a policy would lead to socialism at home before it produced American predominance in the world. As they did so, particularly after the fall of France, they moved toward an acceptance of American belligerence in the war. In a curious way, the importance of that corporation opposition to an active anti-Axis policy is illuminated by reference to the public opinion polls which have been used by many scholars to justify Roosevelt's behind-the-scenes moves toward military involvement in the war. Such commentators suggest that Roosevelt actually lagged behind the public in acting on a pro-Allied policy. But if the polls are correct, then Roosevelt's hesitation has to be explained either as a misjudgment on his part of the climate of opinion or as the result of his own reluctance to go to war on two fronts.

If the first option is taken, and Roosevelt the master politician judged guilty of a grievous misestimate of public opinion, it would appear that the militant and vocal opposition manifested by the anti-war corporation leadership goes a long way to account for the President's mistake. For by 1939 and 1940 Roosevelt was courting the corporation community more than at any time in the previous five years. If, on the other hand, the fear of a two-front war is emphasized as an explanation for Roosevelt's actions, then the historical and immediate influence of the large corporation appears quite apparent. Approached from the 1890's, the issue became one of waiting to see whether or not the Japanese would move to seal off all of China.

In that context, the question faced by American policy-makers was whether or not to follow the bankers in making a deal with Japan—either in Asia or as a broad strategic move against Germany. In either case the role of the large corporation was very significant. For in failing to take the bankers' option, Roosevelt was left with the original emphasis placed on China by the industrial corporation and those intellectuals who interpreted prosperity and democracy in terms of such overseas expansion of the American economic system.

Perhaps it is wise, in concluding such an analysis, to emphasize the point that there are two questions involved in any discussion of American entry into World War II. The first is whether or not it was necessary for American survival. The second concerns how and why the nation entered it; in what fashion and on what grounds it was determined to be necessary; and the means employed to implement that decision. It may be the greater part of wisdom to conclude that the war was necessary for the survival of American society, but also to conclude that the conception of the world which accounted for the way it was entered was not a definition which strengthened American prosperity and democracy.

Whatever conclusion is preferred on that issue, it seems clear that the large corporation sustained and extended its influence in American foreign affairs after Pearl Harbor. For by mid-1943, when the issue of postwar foreign policy came to the fore and was thrashed out in Congressional hearings and departmental discussions, it was apparent that the Roosevelt Administration was dominated by men whose personal experience and intellectual outlook was conditioned by their careers as leaders or agents or students of the large corporation. Dean Acheson, Averell Harriman, Donald Nelson, Edward Stettinius, Adolph A. Berle, Jr., John Foster Dulles, Eric Johnston, William C. Foster, and James Forrestal are but the most obvious names from the top layer of American leadership in foreign affairs. Those men, and perhaps even Roosevelt himself, had concluded by 1944 that the policy of the Open Door offered the only way to ensure American prosperity and democracy.

Though divided over whether or not to modify America's long-term antagonism toward the Soviet Union and work out a postwar program in conjunction with Russian rulers, American leaders did agree that continued overseas economic expansion was absolutely essential. A few of those men, apparently led by Eric Johnston and Donald Nelson, saw Russia as an enormous market as well as a source of key raw materials. They argued that firm ties with Russia would end the threat of a domestic depression and also pave the way for international peace. From the spring of 1943 through 1944, Russian leaders responded favorably to that approach; first in direct talks with Johnston, then at the Teheran Conference, and finally by submitting a request for a large postwar loan from the United States. Though clearly derived from the axiom that vast overseas economic expansion was necessary to sustain the prosperity of the American system, and not from any romantic or seditious attachment to the Soviets or their revolution, the Johnston-Nelson program was blocked by a majority of American leaders. Some opponents stressed the importance of keeping the Russians weak; others were more specifically concerned with the problems of building what Assistant Secretary of State Acheson called "a successfully functioning political and economic system."

By 1944, indeed, so many American leaders were preoccupied with the specter of another major depression (or sliding back into the old one) that it is quite surprising to realize how little attention has been given to that fact in most accounts of recent American foreign policy. As early as January 1940, for that matter, representative leaders of America's large corporations began to define the crucial problem of the future in those terms. Their discussion of American policy in the context of World War II hinged on the question of how "to organize the economic resources of the world so as to make possible a return to the system of free enterprise in every country, and provide adequate economic opportunities to the so-called have not powers." Having had the problem defined for them in those terms, the editors of *Fortune* devoted the next issue to the questions of "The Dispossessed" at home and a redefinition of "The U.S. Frontier."

From the candid admission that the American system was in serious trouble—"For nearly one-fourth of the population there is no economic system—and from the rest there is no answer"—the editors of *Fortune* drew three major conclusions. First, they acknowledged that "the U.S. economy has never proved that it can operate without the periodic injection of new and real wealth. The whole frontier saga, indeed, centered around this economic imperative." Second, and in consequence of that fact, the editors defined two new frontiers. A new emphasis on enlarged consumer sales at home would have to be

paralleled by a tremendous expansion of "foreign trade and foreign investment." Secretary of State Hull's trade agreements program was "a step in the right direction"; but to "open up real frontiers, under a general policy of raising the standard of living of other countries, we shall have to go much further."

In outlining its conception of such a program, *Fortune* argued that "the analogy between the domestic frontier in 1787, when the Constitution was formed, and the present international frontier is perhaps not an idle one. The early expansion of the U.S. was based upon firm political principles; and it may be that further expansion must be based upon equally firm—and equally revolutionary—international principles." *Fortune's* third point emphasized the need for the corporate community to admit its earlier error of opposing the New Deal and go on to more extensive and vigorous leadership inside and outside of the government. Stressing the fact that the New Deal still faced nine million unemployed, the editors concluded that business leadership was essential if the American system was to sustain itself after the war.

Though they did not all agree with the latter specification in that remedy offered by *Fortune* in 1940, by 1943 a broad cross section of American leaders did accept the fact of crisis and did agree that the basic remedy was further overseas economic expansion. Senator Joseph C. O'Mahoney, for example, was highly disturbed by the question of what was to replace the government as the chief consumer of American production after the war. "If that doesn't happen, it is impossible to see how a depression can be avoided much worse than any depression which the country has ever known."

Harold G. Moulton of The Brookings Institution supported that broad analysis, as did the Department of Labor specialist who pointed out that "the thing we have liked to refer to as the

American standard of living is only possible in situations where two people in the family are working." Economist Robert Nathan and Senator Warren Austin also agreed: Avoiding a depression posed "quite a challenge" that could be met only by "assuring markets for the goods and services" produced by America's corporate economy. And William Green, testifying to labor's point of view, concluded that "we will have to, and ought to, find an increased market for much of our surplus production and that will be, I think, one of the problems that ought to be dealt with at the peace conference. I think that we ought to facilitate the sale and shipment of goods between nations to the end that they ought to be able to purchase here and we ought to be able to produce here what they need."

By September 1944, the government had developed a broad synthesis of those various interpretations and proposals. Assistant Secretary of State Acheson presented the analysis during the Congressional hearings on postwar economic policy and planning procedures. His point of departure was the threat of depression and the consequent necessity to sustain full employment. "If we do not do that," he warned, "it seems clear that we are in for a very bad time, so far as the economic and social position of the country is concerned. We cannot go through another ten years like the ten years at the end of the twenties and the beginning of the thirties, without having the most far-reaching consequences upon our economic and social system." "When we look at that problem," he continued, "we may say it is a problem of markets. . . . The important thing is markets. We have got to see that what the country produces is used and sold under financial arrangements which make its production possible. . . . You must look to foreign markets."

In an aside very reminiscent of a similar comment made by Brooks Adams at the turn of the century, Acheson admitted

that "you could probably fix it so that everything produced here would be consumed here." But he asserted that such an approach would mean the end of democracy: "That would completely change our Constitution, our relations to property, human liberty, our very conceptions of law. And nobody contemplates that. Therefore, you find you must look to other markets and those markets are abroad." "We cannot have full employment and prosperity in the United States," he summarized, "without the foreign markets." As for the role of economic agreements in the peace settlement, Acheson shared the earlier conclusions of America's corporation leaders. They were vital to such a system because otherwise "it would really mean that we would be relying exclusively on the use of force. I don't believe that would work."

There were almost no references made in those discussions between 1940 and 1944 to the idea of helping poorer nations, or to the relevance of moral standards for foreign policy. The emphasis was on economic expansion and checking the Russians. Acheson had provided, in September 1944, an outline and overview of America's bipartisan foreign policy in the postwar years. While it is true that the program was later presented in a form that emphasized the threat from the Soviet Union more than any other factor, the fact remains that it was conceived in response to quite different dangers. It was originated and sustained as a program to prevent the stagnation of America's corporate economic and political system by industrializing the frontier thesis first advanced by Brooks Adams and Frederick Jackson Turner in 1893.

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