Economic Coercion and Power Redistribution during Wartime

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War is an opportunity to revise the distribution of power among states in a short amount of time. While most attention is placed on the changes in the relative power of the loser in a hegemonic war, arguably some of the most important changes happen within victorious alliances. Power redistribution does not take the form of the destruction of an ally's military forces but through economic coercion. The primary mechanism by which an ally can engage in this coercion is via exploiting its role as a creditor.

Creditor allies are increasingly present during wartime. The author finds that, since 1950, external sources of war finance have far exceeded domestic sources.[1] Before 1950, 52 percent of belligerents engaged in foreign debt, whereas 72 percent have in the post-World War II era. The figures are more dramatic when one considers all forms of foreign war finance. Before 1950, 25 percent of states used resources from abroad to cover 25 percent or more of the costs of war; after 1950, 80 percent of states relied on resources from abroad to cover 25 percent or more of the costs of war. As credit becomes central to war-fighting ability, states with poor credit are more likely to form alliances with states that maintain favorable access to international capital markets.[2]

Given this increasing potential for economic coercion, under what conditions can a state use economic coercion against an ally? The various literatures on sovereign debt, economic statecraft, and alliances overlook economic coercion during wartime. Works that examine lending emphasize debt repayment ability. The literature does not account for the prerogative of lending states and the desire to extract concessions beyond repayment with interest. The economic statecraft literature, emphasizing peacetime conditions or wartime denial, does consider how states can exploit their allied relationships for gain beyond advancing the war effort. The alliance literature overlooks power redistribution amongst allies, focusing on power redistribution between alliances or the effect of power shifts on alliance formation and cohesion.

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To fill the gap in the literature, I argue economic coercion occurs due to war finance. When a belligerent is unable to purchase necessary imports for the war effort, the state will need to engage in a loan from an ally. The extent of dependency varies with domestic arms production, the structure of the nation's currency reserves, and the intensity of the war effort. Wartime dependency is a necessary but not sufficient condition for economic coercion. Coercion occurs when the costs of coercion are low, particularly when it does not damage the war-fighting capability of the dependent state.

To explore the extent to which power can be transferred amongst allies via economic coercion, I engage in extreme and similar case selection—the United States as a creditor to the United Kingdom and the Soviet Union during World War II. Both states needed to purchase goods from the United States to effectively fight the war. The United Kingdom engaged in various attempts at self-sufficiency, but the war effort made it impossible. Through the extension of the Lend-Lease loan, the United States endeavored to move the world's economic center from London to New York without damaging the war effort. In the Soviet Union, the overarching goals remained to use Lend-Lease aid to extract concessions to promote an international environment favorable to American interests. Despite the urging of some within his administration, President Franklin D. Roosevelt perceived it too costly to engage in economic coercion against the Soviets, as the Red Army was key to defeating the Nazi war machine.

The case study findings suggest an unexplored element of power transition theory. Power transition theory argues that when a dissatisfied challenger state rises to parity and desires to change the status quo, it often seeks to do so by engaging in conflict.[3] War outcome redistributes power in favor of either the challenger or dominant power. The underlying assumptions of the power transition theory suggest dissatisfaction of and desire to change the status quo as the impetus of conflict outbreak. The findings of this article suggest opportunities for states to shift the status quo may arise without forewarning. Moreover, shifts in the status quo can occur by exploiting conflict settings versus engaging in conflict itself.

The article proceeds as follows. I discuss the various sovereign debt, economic statecraft, and alliance literatures. I then present my argument. I develop the necessary conditions for wartime dependency and then discuss under what circumstances states exploit that dependency. Subsequently, I discuss my case selection and test my argument. I first present the conditions that led to British dependency on US Lend-Lease aid and the American decision and ability to exploit that dependency. Following the same format as the American case, I discuss the degree of Soviet dependency and the US decision to not exploit that dependency. I conclude with a brief discussion of other extreme cases and implications for our understanding of power transition amongst allies.

Sovereign Debt, Economic Statecraft, and Alliance Literatures

The ability to garner resources is a necessary component to any war effort. While some states finance their wars domestically, others turn to sources outside their borders. Scholars have examined the relationship between wartime creditor and debtor states through (a) postwar state decline, (b) postwar debt repayment, (c) war outcome, and (d) the ability to finance a war.[4] These works suggest wartime lending is contingent upon, and the terms of the agreement vary with, the ability of the debtor state to pay the creditor state back.[5] Belligerents whose economic foundations are weak, whose leaders do not commit to debt repayment, or whose ability to win the war is questionable are subject to high-interest rates. This literature does not account for concessions by the debtor that extend beyond direct monetary compensation.

Also, when the motivations of the debtor to engage in foreign war finance have been examined, the underlying assumption is a domestic choice—that it is either economically or politically cheaper than raising taxes.[6] These scholars often treat all debt as the same regardless of the source—domestic or foreign. Thus, they overlook the motivations for a state to turn abroad for resources, especially when they risk being beholden to the terms and conditions of another state.

The wartime debt literature does not account for the creation of potential creditor–debtor relationships and the economic statecraft literature under-theorizes the conditions that allow for wartime economic coercion. First, when economic statecraft is discussed during wartime, the focus is on wartime denial. The goal of these works is to understand how states can use their economic resources to undermine the enemy's war effort.[7] These works concern themselves with attempts by national strategists to deny the enemy access to their own strategic resources and manufacturers through export embargoes and depriving the enemy of imports from important neutral states by using diplomatic and military means to dissuade neutrals from exporting to the enemy, as well as preemptive buying to divert supplies from the enemy or denying financing.[8] These works do not account for how allies can exploit their own relationships for gain beyond advancing the war effort.

Second, the economic statecraft literature emphasizes exploiting existing dependencies: reliance on another state for a specific good is exogenous. For example, Albert O. Hirschman[9] discussed how asymmetric trade relations can create dependencies exploitable in the future, especially during wartime when states most need foreign trade.[10] These works do not address how dependencies are created quickly due to the war effort.

Third, the literature does not adequately address the difference between wartime and peacetime coercion. During peacetime, the ability to find substitutes is lower relative to wartime. For example, sanctioned states "escaped this vulnerability interdependence" by "engaging in smuggling, establishing resource conservation programs, developing new markets for their products, and creating substitutes for embargoed

goods."[11] Wartime creates unique constraints on a state's economy—trade embargos, potential trade partners hurt by the war, an inability to divert internal resources as they are needed for the war effort, capital flight, and decreased credit ratings—that make finding substitutes much more difficult. In addition, the time horizon for state and leadership survival may not allow for the creation of such long-term substitutes. To match the adversary, the state needs inputs for the war immediately. Leadership survival literature suggests the penalty for leaders who either lose a war or for war efforts that are going poorly range from the population voting the leader out of office to death. The result of this wartime cost–benefit analysis is higher rates of compliance to the pressures of economic statecraft.

The alliance literature does not address why and how power gets redistributed amongst allies, instead emphasizing power distribution and redistribution between allies and target states, particularly the effect of alliance duration[12] or the ability of an alliance partner to influence the alliance.[13] These studies overlook the transfer of power from one ally to another via exploiting alliance dependency. Similar to the economic statecraft literature, those that study alliance dependency emphasize peacetime conditions, exploring how dependency affects fears of entrapment or abandonment[14] or bargaining power within the alliance.[15] As Patricia A. Weitsman noted,[16] alliances formed during peacetime often dissolve once war begins. This suggests that peacetime alliances serve different purposes than their wartime counterparts and the insights we generate regarding peacetime alliances do not necessarily apply to their operation during wartime.[17]

By exploring the ability of a state to garner resources for war, this article builds upon the sovereign debt, economic statecraft, and alliance literatures. The following section theorizes the economic and military conditions under which an ally can revise the distribution of power in its favor. It hypothesizes the necessary conditions for wartime economic coercion to take place and engages in a cost-benefit analysis of when leaders will seize the opportunity.

Wartime Economic Coercion—Wartime Dependency

The ability to exercise economic coercion—the threat or act by a sender government(s) to disrupt economic exchange with the target state—is conditional on dependency.[18] Wartime dependency occurs when a state needs inputs to fight its war effort from an ally and does not have the means to purchase them. Dependency is contingent upon the degree of control over the supply of something a state values, an intense need for this supply, and the cost of compliance is less than the costs of doing without the supply.[19] During wartime, control over the supply of both war inputs and credit to purchase them is concentrated in the hands of specific states, thus decreasing the availability of substitutes. There is also an intense need for this supply. Wartime

creates conditions in which internal mobilization of resources becomes limited. Additionally, as wars threaten state and leadership survival, the costs of noncompliance to leaders are high.

Leaders have three ways of acquiring inputs for war: they can seize them, make them, or buy them.[20] Inputs for war include manpower, equipment (typically reflected via a defense industry or a civilian industry that is convertible to purchase inputs for war coupled with raw materials), foodstuffs, and transportation assets.[21] When a state can supply its entire war effort via domestic inputs, it negates the need to purchase inputs from abroad and, thus, the need to obtain a currency loan to do so.[22]

When a state is unable to supply its war effort domestically, it needs to look outside its borders, creating the potential for reliance on an ally as creditor.[23] While all war inputs may need procurement from abroad, military equipment, primarily finished goods such as airplanes or battleships versus subcomponents, is the most expensive and difficult to obtain. In an era of capital-intensive complex weapons systems, finished goods are particularly costly, as supply is limited to countries possessing the most highly developed technology.[24] As the need for military equipment increases, especially expensive finished goods so does the cost of purchasing those goods. Dependency arises when the currency of belligerent state diminishes to critical levels, preventing the purchase of needed war inputs.

It should be noted that while the belligerent state may be dependent on the military goods of the ally, financial dependencies are more exploitable. If the belligerent state needs to purchase goods from abroad, it is profitable for a supplier state to sell its goods to any buyer. As Hirschman noted, "It will generally be much easier to switch imports than exports, all countries being ready to sell and not ready to buy."[25] Extending credit, however, is inherently risky. During wartime, there is no guarantee that the state will repay its debt. Furthermore, there are fewer credit substitutes. While multiple states may be able to sell inputs for war, currency loans are in short supply, as the borrowing states need a loan in the currency of the supplier state.

During peacetime, states can adjust their economy to increase their currency levels. A state may encourage exports, prompting the flow of currency into the country, or reduce imports, keeping needed currency from flowing out of the country, to redress the imbalance. Wartime negates this self-sufficiency. During wartime, exports often become severely limited through decreased trade. Trading partners are hurt by the war, states enact blockades or sanctions, or states need industries that normally are export oriented for the war effort.[26] Simultaneously, the need to import goods increases, as the state needs to supplement goods that the state is no longer able to produce to supply the armed forces. The decrease in exports results in a decrease of reserve currency, while the increase in imports increases the need for it. The need for currency further increases when a state is maintaining forward operating bases or fighting abroad and purchasing goods in theatre.[27]

Debtor dependency varies with the structure of the debtor state's economy. States with high levels of existing currency reserves and those with assets abroad, i.e., holdings of foreign direct or portfolio investment, which can be liquidated in exchange for the supplier state's currency can prolong the need to engage in a currency loan, as they have more existing resources from which to draw. Also, reserve currency states are in a unique position to avoid these financial difficulties because they can run a balance of payments deficit.[28] The demand for a state's reserve currency provides the state with a unique ability to accrue other national currencies through voluntary accumulations of liabilities abroad rather than through losses of gold or gold-exchange.[29]

Finally, the extent of debtor dependency varies with the intensity of the war effort. As the intensity of the war increases so does the state's limit of production capacity as well as leadership and state survivability: "In the long run. . . despite substitution, some limit to the inputs either of raw materials or labour will be reached, the curve of production will flatten out, and the economy may then be said to have achieved its war potential."[30] As the war expands, the state needs more goods to confront the enemy. Simultaneously, domestic production reaches its limit, and the state will need to purchase increased amounts of goods from abroad.

Additionally, as the war becomes more intense, leaders will feel more pressure to win the war to avoid losing power. There is a considerable amount of scholarship linking war outcome and the extent to which the state suffers war casualties with leadership survival.[31] As Susan Strange wrote, "The greater the perceived threat to security, the higher price will be willingly paid and the greater risk accepted."[32]

In sum, wartime creates dependencies that do not exist during peacetime. When a state needs to procure inputs for the war from abroad and does not have the currency to pay for it, it will need to engage in a currency loan, resulting in a reliance on the creditor state. This reliance on a state creates the potential for coercion. The potential for coercion increases with the size of the loan, when the goods needed are critical to the war effort, and war intensity increases—either by expanding scope and intensity or the war shifts from a limited war of choice to a total or existential war.

Wartime Economic Coercion—Exploiting Dependency

States want power and wartime debtor dependence provides the necessary conditions for states to attain it. Yet wartime economic coercion is an uncommon event. Under what conditions do creditor states take advantage of this debtor dependency? Creditor states engage in a cost-benefit analysis. They want to obtain concessions and increase their power when the costs of coercion are low: "If the benefits do not outweigh the risks, they sit tight and wait for a more propitious moment."[33] During wartime, the cost-benefit analysis is centered on the war effort. These creditor states are in a delicate position: They want to extract concessions from the belligerent state(s)

yet avoid undermining the war effort, especially when fighting for a common cause. Thus, they will only seek concessions that affect nonwar fighting capabilities and do not negatively affect war outcome.

Case Selection

I test my argument with case study analysis to explore the necessary and sufficient conditions of economic coercion.[34] To highlight the variables of interest and provide insight into power transition theory, I engage in most similar and extreme case selection.[35] The universe of cases is creditor–debtor dyads during wartime. Wartime creditor–debtor dyads consist of two states in which the debtor is a belligerent in a conflict, and the other is the creditor.[36] Excluded is sovereign debt extended by foreign private creditors independent of their state of residence. Interstate loans may be serviced by a private creditor but are made either at the request of or in conjunction with the state.

To maximize the variance on the variables that create dependency,[37] I explore World War II debtor states. The size and scope of the war meant self-sufficiency was difficult for those states that needed to purchase war inputs from abroad as trading partners were hurt, the ability to increase exports was diminished as war production increased, and war imports increased. Furthermore, it was a total war for various states; leaders were fighting for state survival. Within the World War II population of cases, I compare most similar cases—the experiences of the United Kingdom and Soviet Union as debtors to the United States (US). Both states were subject to the US Cash and Carry policy, and both eventually became reliant on American goods for the war effort, funded by American Lend-Lease loans. Yet the United States only waged economic coercion vis-à-vis the United Kingdom. It made no attempt to garner concessions from the Soviet Union.

Quid Pro Quo: The United States and the United Kingdom

To effectively fight the Germans during World War II, the British needed expensive finished inputs for the war effort from the United States, and they did not have the gold or currency to purchase them. While the government made various attempts to increase their dollar holdings, war intensity prevented attempts at self-sufficiency. By the summer of 1940, the British were debtor dependent. The American government capitalized on this dependency, attempting to shift the world financial center from London to New York.

Dependency on the US

To fight the Axis powers, Britain had to supply itself and the war effort of the Empire. In the first 15 months of the war, the United Kingdom supplied 90.7 percent of the Empire's munitions and 69.5 percent of munitions throughout the course of the war.[38] Germany, however, out-produced Britain in almost every aspect of war supply until 1941.[39] The British were also in need of raw materials. The defeat in Norway in April 1940 deprived Britain of its main source of timber, papermaking material, and iron ore. In the summer of 1940, with North African contracts broken due to the war, Britain was deprived of a large proportion of its imported steel-making materials, phosphates, flax, hemp, and other essential commodities. Finally, with the closing of the Mediterranean route, the Axis disrupted trade with the Balkans, removing another source of timber and materials.[40] The primary external source for war input was the United States.

From the start of World War II to May 1940, the British bought war supplies from the United States with British currency reserves under the US policy of "cash-and-carry," purchasing American goods in cash. Britain was responsible for transporting those goods across the Atlantic. Even prewar contracts had to be paid in full before the goods could leave American ports.[41] This period of self-reliance was short-lived due to short dollar supply, a worsening balance of payments position and the inability to float debt on the US market.[42]

To purchase needed goods, the British began an internal campaign to promote the flow of dollars into the country and keep any they had from flowing out through a series of import controls and export promotion. On 1 September 1939, the House of Commons passed the Import and Exports Customs Powers (Defense) Act, limiting the "imports of luxuries and of goods of which there are sufficient home supplies in order to conserve exchange for the additional purchases of other products required in war time."[43] The British also sought to promote exports to the United States, encouraging exports of jute, rubber, tin, whisky, and furs.[44] The government forced exporters to bill clients at the official sterling–dollar exchange rate, higher than the free market rate traditionally used. Finally, the British also enforced "dollar-invoices" versus the often-used sterling invoices. The goal was to bring in as much hard currency from the bulk of certain exports with as little administrative interference as possible.

The demands of war proved too high and the British system of controls inadequate. The British needed the more expensive furnished munitions.[45] Furthermore, in order to fight the war, Britain had to focus all of its manufacturing on the war effort, forcing it to abolish its export drive.[46] In March 1940, the British reported that at the current rate of purchases, within two years, the United Kingdom would have given the United States all of its dollar assets.[47] British prime minister Winston Churchill told US president Franklin D. Roosevelt that, "We shall go on paying dollars for as

long as we can, but I should like to feel reasonably sure that when we can pay no more you will give us the stuff all the same."[48]

The events of late spring 1940 further exacerbated the British financial position. The fall of France and evacuation of Dunkirk forced the British to increase expenditures. When the British evacuated the continent, they left all their newly produced war supplies[49] and had to assume all of France's contracts with the United States.[50] The war was increasing in intensity, and the British needed as many inputs as they could procure. Instead of rationing currency and conservative purchases, the British threw all the dollars they had into the war in the hope that the United States would continue providing supplies once they ran out.

Exploiting British Dependency

To help its ally, the Roosevelt administration introduced the Lend-Lease Bill to Congress in January 1941, and by the end of the war, extended $27,023 million in aid to Britain.[51] In exchange for the extension of credit and aid, the administration wanted to shape the postwar world in favor of US interests, to continue its open-door policy that began during World War I, and reconstruct the world economy on the basis of a free marketplace to relieve their agricultural, industrial, and capital surpluses.[52] To do that, the United States wanted countries linked together by a worldwide gold standard, not grouped into blocks by ties to specific reserve currencies.[53] The United States attempted to impose said changes throughout the 1930s. However, it was unable to end the British Imperial preference and sterling controls.[54] The United States took advantage of its coercive power as a creditor to achieve the goals that it was unable to during the inter-war years:

> Although American leaders grasped the potential leverage created by British dependence upon the United States, they did not consistently use that leverage between 1937 and March 1941. Before the actual outbreak of war, the American government could not resort to obvious coercion, fearing the Chamberlain ministry would seek a modus Vivendi with Germany. . . .Once the Lend-Lease Act became law, the temptation to use it as a means of obtaining economic concessions from Britain—concessions which would promote economic multilateralism as well as directly and indirectly benefit American economic expansion—became too great to resist.[55]

Treasury secretary Henry Morgenthau led the charge.[56] He began by placing severe restrictions on the level of British gold and dollar reserves.[57] When the British signed Lend-Lease, the allies agreed that the UK balance continue to be above the desired minimum of $600 million but below $1 billion and the British open discussion on dismantling imperial preferences.[58] The British resented Morgenthau's re-

quests yet had to acquiesce to his demands.[59] To shift American policy, Prime Minister Churchill messaged President Roosevelt:

> While we will do our utmost and shrink from no proper sacrifice to make payments across the exchange, I believe that you will agree that it would be wrong in principle and mutually disadvantageous in effect if, at the height of this struggle, Great Britain were to be divested of all saleable assets so that after victory was won with our blood, civilization saved and time gained for the United States to be fully armed against all eventualities, we should stand stripped to the bone.[60]

Throughout the war, the United States tied the postwar order—the Atlantic Charter and Bretton Woods—to the extension of American aid.[61] The financing of World War II cemented the sterling's decline. The British need to procure inputs for the war from the United States and its inability to run a balance of payments deficit during World War II drastically hurt the sterling's status once the war ended.

The dependency created during wartime continued into the postwar era. To begin to repair its economy, the British government approached the President Harry S. Truman administration for financial assistance. It was met with further coercive power by the United States in a "string of political conditions including early convertibility of sterling-sponsoring an international trade conference, and ending discrimination of dollar imports."[62] In response, Otto Clarke, civil servant in the Treasury, stated, "Our right to be bilateral, to exploit our buying power and debtor position to expand our exports, would have been well sold for $5 billion grant in cash. But not for $4 billion at 2 percent interest."[63] While Britain despised the terms, their dependent financial position forced their acceptance.

US policy undermined British autonomy, increased American gold holdings and solidified the decline of the sterling. There is no doubt that the war effort hampered British power vis-à-vis other states in the international system. However, it was US creditor policy, the demanding of all gold reserves, and transfer of value assets that ensured decline. A 1945 British report estimated that the country lost roughly 25 percent (£7,300 million) of its estimated prewar wealth (£30,000 million). Within this overall figure, more than half of prewar wealth (£4,200 million) was lost due to external disinvestment in the form of selling British overseas investments to pay for war imports. Internal disinvestment in nonessential industries amounted to £885 million and the destruction of buildings, capital goods, and shipping due to war damage £2,200 million.[64]

The United States and the Soviet Union

The Germans attacked the Soviet Union on 22 June 1941. Like the British, the Soviets needed to import goods for the war effort from the United States. During the early months of the eastern front, the Soviet Union purchased goods via Cash and

Carry followed by the Lend-Lease loan. Unlike the British case, the United States never attempted to engage in economic coercion. Not only did the United States not exploit the Soviets, it gave them special Lend-Lease treatment. President Roosevelt overrode suggestions that the United States should both be wary of Soviet intention and use Lend-Lease dependency to shape the postwar order in favor of US interests.[65]

Soviet Dependency

Akin to the UK, the Soviet Union needed to purchase goods from the United States to confront the German army. While its rearmament scheme prior to the war was similar to the Allies, it was initially more difficult for the Soviets to match the defense production results of the United States and United Kingdom, given "the low productivity, capital scarce Soviet industrial base" and the blow the blitzkrieg campaign delivered to the Soviet military industrial machine.[66] In September 1941, Stalin made clear to the United States that the Germans had considerable superiority over the Soviets in numbers of tanks and airplanes, obtained possession of two million tons of grain in the Ukraine and had the huge capacity to produce armaments in comparison with the more limited Soviet capacity. He also stated that German dictator Adolph Hitler and the Nazis would not be defeated by a blockade, starvation or bombing but only on the field of battle, and tanks and airplanes would be the ultimate deciding factor.[67]

Lend-Lease played a consistent role in the Soviet war effort, despite the massive expansion of Soviet industry and their industrial recovery. Overseas sources contributed up to one quarter of Soviet aircraft supplies and up to one-fifth of tank supplies in 1942.[68] While the Soviets were able to meet their own armament and shell needs, American shipments of trucks, tractors, and tinned food provided the Red Army with decisive mobility in its westward pursuit of the retreating Wehrmacht. Thus, at their respective peaks, Britain and Soviet received comparable amounts of Lend-Lease aid.[69]

While reliance on external supplies was similar, overall Soviet dependency on US assistance regarding war outcome is nuanced. The Soviet's industrial might plus reliance on winter conditions resulted in a different attitude vis-à-vis Lend-Lease aid than the British. The British consistently carried a tone of desperation. In contrast, while the Soviets acknowledged their need and weaknesses, they felt more secure in their war capabilities. In the words of Former British Director of Military Intelligence and Head of the British Military Mission in Moscow, Lt Gen Sir Noel Mason-MacFarlane, the Russians seem to be "confident of their strength but fully aware that they have a bitter struggle ahead of them."[70]

Prospective Economic Coercion to Special Treatment

Before Operation Barbarossa, US–Soviet relations were sour. After Munich, where the Russians felt betrayed by Britain and France, and after the August 1939 Nazi–Soviet pact, where the allies felt betrayed by Russia, suspicion on both sides sharpened.[71] American policy reflected such suspicion. In August 1939, export licenses for production equipment and raw materials ordered in the United States by Amtorg Trading Corporation, the purchasing agency for the Soviet government in the United States, were refused, two Soviet air attaches were declared persona non grata, and various Soviet personnel in the United States were under restricted movement.[72] Even days before the invasion, which the Allies knew was imminent, Secretary of State Cordell Hull cabled London and the US ambassador in the Soviet Union with the current American policy towards the Soviet Union:

1. To make no approaches to the Soviet government;
2. To treat any approaches to which the Soviet government makes toward us with reserve until such time as the Soviet government may satisfy us that it is not engaging merely in maneuvers for the purpose of obtaining unilateral concessions and advantages for itself;
3. To reject any Soviet suggestions that we make concessions for the sake of "improving the atmosphere of American-Soviet relations" and to extract a strict *quid pro quo* for anything which we are willing to give the Soviet Union.[73]

The US ambassador overwhelmingly concurred with the policy stating that, in his experience, it is not possible to create "international good will" with the Soviets.[74] Once the war began, American policy towards the Soviet Union did an about-face. The notion of quid pro quo was discarded, and the Soviets received special Lend-Lease treatment. Soviet funds were unfrozen, and an immediate loan was extended. Through October 1941, when Russia was eligible for Lend-Lease aid, Russia had to pay cash for purchased goods. Unlike the British, the Soviet government, regardless of its ability to purchase goods, was advanced $50,000,000 by the Defense Supplies Corporation to procure raw materials in the United States.[75]

Once Lend-Lease aid began, the Soviets were subject to special treatment.[76] Requests from Britain had to be accompanied by ample documentation proving need and ability to use and evidence indicating financial inability to otherwise obtain such assistance, including the disclosure of gold and dollar assets.[77] In contrast, Soviet supply programs were formulated in separate protocols, which were subject to the control of the Munitions Assignment Board only in matters of minor detail, and the president agreed to cutbacks in these schedules of commitments only when transportation problems were insurmountable or when fulfillment of commitments interfered with a major American operation.[78] W. Averell Harriman, US ambassador to the Soviet Union, advised the American delegates to the Moscow Conference that the

policy of the United States would be to "give and give and give, with no expectation of any return, with no thought of a *quid pro quo*."[79]

Costly Coercion

Soviet support was paramount to ending the war and economic coercion would impede on that mission. After the German invasion, President Roosevelt's advisors Harry Hopkins and Harriman, along with British supply minister William Maxwell Aitken, believed that the USSR, irrespective of whether it ultimately prevailed against the Wehrmacht, stood a chance to reduce German power by margins substantial enough to ensure British survival and, by extension, that of the North Atlantic community on whose integrity US wellbeing depended.[80] Soviet involvement in the war effort as a key component to victory increased throughout the war. A top-level US strategic survey in the summer of 1943 observed, "Russia occupies a dominant position and is the decisive factor looking toward the defeat of the Axis in Europe."[81] Also, President Roosevelt feared the USSR would make a separate peace with Germany akin to the 1918 Brest-Litovsk treaty.[82] He wanted to ensure that the Soviets did not just reclaim their Western boundaries but, in concert with the Allies, deliver a decisive blow against the Germans.

To guarantee continued Soviet involvement in the war required cooperation between the two countries. If Lend-Lease aid was not perceived as sincere, the Soviets would be satisfied at securing its western boundaries and convincing Hitler not to engage in a spring offensive.[83] Hopkins wrote to Brig Gen Philip R. Faymonville, the ranking Lend-Lease officer in Moscow, "Our willingness not to pry out economic information, because of its sharp contrast with British methods, established the integrity of our motives and built up a good will which should not be dissipated by inquiry into matters not germane to the purposes of supply conference."[84] Thus, "Give without stint became the mantra, in Hull's phrase 'all aid to the hilt.'"[85]

The inability of the United States to directly assist the Soviets on the battlefield compounded the belief that economic coercion would hurt the joint war effort and American war aims. Due to limits in US armaments production (producing for the US war effort and sending goods to other Lend-Lease recipients) and involvement in the other campaigns including the Pacific theatre, the Americans were unable to provide what the Soviets were requesting, the opening of a second front to relive the Red Army from the German onslaught.[86] US policymakers feared that if a second front did not materialize quickly and on a large scale, the Soviets "will be so deluded in their belief in our sincerity of purpose and will for concerted action that inestimable harm will be done to the cause of the United Nations"[87] Unable to open a second front, in order to mollify the Soviets, President Roosevelt promised to continue sending Lend-Lease aid.[88]

After the Tehran conference and plans for a second front had been agreed upon, Ambassador Harriman made the case to President Roosevelt to use Lend-Lease aid to shape the postwar order.[89] He argued that the United States should, at a minimum, demand the same information from the Soviets as it did from Britain.[90] After D-Day, cooperation with the Soviets decreased, and the ambassador continued to call for coercion, suggesting the only way to induce Soviet cooperation was to "make them feel their negative attitude will affect our willingness to cooperate with them on matters that have no immediate effect on the war."[91]

President Roosevelt and his advisors rebuffed Ambassador Harriman's suggestions. While the military crisis had passed and a second front was now open, it was too risky to interrupt or change the conditions of Lend-Lease aid. Hopkins responded to the ambassador, "Since no one can now determine when the war will be over, it seems preferable that there should be no interruption in the procurement of supplies for the USSR war program in the event that hostilities should continue beyond normal expectations."[92] President Roosevelt also made it clear to Secretary of State Hull that Russia "continues to be a major factor in achieving the defeat of Germany." Thus, maximum US aid and supplies should continue.[93]

While the Soviets relied on American Lend-Lease aid to execute their war effort, President Roosevelt perceived it too costly to engage in economic coercion. Economic coercion would threaten the ability of the two states to share a common war aim of defeating Hitler, versus Soviet Union leader Joseph Stalin stopping at the state's western boundaries. The inability of the United States to open a second front until the summer of 1944 further strained US–Soviet relations. The only way to appease Stalin was to continue uninterrupted, Lend-Lease aid.

Conclusion

War provides an opportunity to revise the distribution of power among states. While scholars place attention on the redistribution of power between the victors and defeated, this article demonstrates that the transfer of power can also occur within alliances. A creditor ally can exploit the dependency of a debtor ally to extract concessions. Dependency occurs when a belligerent state needs to procure goods from abroad for the war effort and does not have the currency to pay for them. The extent of dependency varies with the volume and character of goods needed, particularly expensive finished goods, and the scope of the war, particularly existential or total wars. Dependency is a necessary but not sufficient condition for economic coercion amongst allies. Fighting for a common cause, leaders do not want to imperil the war effort. Thus, we can expect to see coercion take place when the costs to the war effort are low.

This article explored this relationship by comparing extreme and similar cases, British and Soviet dependency on American Lend-Lease loans. While both states relied on the United States, only the British were coerced. The United States attempted to shift the financial center away from London to New York. In contrast, President Roosevelt perceived the costs of coercing the Soviets as too high. Exploiting Lend-Lease dependency would lower the Soviet war aims at defending its western borders versus the preferred American total defeat of Hitler's Germany.

While further hypothesis testing here is not feasible, events during World War I suggest that economic coercion is associated with hegemonic wars. During the first years of World War I, Russia and France were unable to continue to supply their respective war efforts.[94] As a result, they turned to Britain to purchase goods for the war.[95] Unable to pay for the goods in sterling, they engaged in currency loans from Britain. Capitalizing on Russian and French dependency, Britain exercised economic coercion, procuring Russian and French gold to preserve London as the world financial center.[96] While Britain could exercise economic coercion vis-à-vis France and Russia, it was unable to defend itself from newfound US coercive power. If Britain were to effectively fight the expanding war, it would need to purchase goods from the United States,[97] without enough dollars and gold to purchase American goods outright, Britain needed a dollar loan.[98] President Woodrow Wilson exploited this newfound debtor dependency in an attempt to decrease British domination of the world's international financial system.[99]

These findings suggest an additional agenda for power transition theory; national power can be manipulated by exploiting alliances during wartime. The US–UK case during World War II and the brief discussion of US–UK during World War I suggest that when costs are low, rising powers can benefit most when a declining power becomes financially dependent during a war.

Notes

1. Rosella Cappella Zielinski, *How States Pay for Wars* (Ithaca, New York: Cornell University Press, 2016), 109.

2. Michael Allen and Matthew DiGiuseppe, "Tightening the Belt: Sovereign Debt and Alliance Formation," *International Studies Quarterly* 57, no. 4 (2013): 647–59.

3. Abramo Fimo Kenneth Organski, *World Politics* (New York: Alfred A. Knopf, 1958); A. F. K. Organski and Jacek Kugler, *The War Ledger* (Chicago: University of Chicago Press, 1980); Randall L. Schweller, "Tripolarity and the Second World War," *International Studies Quarterly* 37, no.1 (1993): 73–103.

4. Karen A. Rasler and William R. Thompson, "Global Wars, Public Debts, and the Long Cycle," *World Politics* 35, no. 4 (1983): 489–516; Kenneth A. Schultz and Barry R. Weingast, "The Democratic Advantage: Institutional Foundations of Financial Power in International Competition," *International Organization* 57, no. 1 (Winter 2003): 3–42; R. Cappella Zielinski, *How States Pay for Wars* (Ithaca,

New York: Cornell University Press, 2016), 10–28; and Paul Poast and Patrick Shea, *War and Default*, (unpublished manuscript), 2013.

5. Robert J. Barro, "Government Spending, Interest Rates, Prices, and Budget Deficits in the United Kingdom, 1701–1918," *Journal of Monetary Economics* 20 (1987): 221–47; Ed Miller, "Japan's Other Victory: Overseas Financing of the War," in *The Russo-Japanese War in Global Perspective: World War Zer*o 2, ed. by John W. Steinberg, Bruce W. Menning, David Schimmelpenninck van der Oye, David Wolff, and Yokote Shinji, 465–84 (Leiden, Netherlands: Brill Academic Publishers, 2005); Schultz and Weingast, "The Democratic Advantage," *Cambridge University Press* 57, no. 1, January 2003, 11–14.

6. See Robert J. Barro, "On the Determination of Public Debt," *Journal of Political Economy* 87 (1979): 940-71; Michael N. Barnett, *Confronting the Costs of War: Military Power, State, and Society in Egypt and Israel* (Princeton, NJ: Princeton University Press, 1992); Robert E. Lucas and Nancy Stokey, "Optimal Fiscal and Monetary Policy in an Economy Without Capital," *Journal of Monetary Economics* 12 (1983): 55-93; *The American Economic Review* 87, no. 1 (1997): 23-40; Lee E. Ohanian, *The Macroeconomic Effects of War Finance in the United States: Taxes, Inflation, and Deficit Finance* (New York: Garland Publishing, Inc., 1998); Gustavo Flores-Macias and Sarah Kreps, "Political Parties at War: A Study of American War Finance, 1789-2010," *American Political Science Review* 107, no. 4 (2013): 833-48.

7. David A. Baldwin, *Economic Statecraft* (Princeton, NJ: Princeton University Press, 1985), 55; Donald G. Boudreau, "Economic Sanctions and Military Force in the 21st Century," *European Security* 6, no. 2 (1997): 28–46; Y.-L. Wu, *Economic Warfare* (New York: Prentice Hall, 1952).

8. Michael Mastanduno, *Economic Containment: CoCom and the Politics of East-West Trade* (Ithaca, NY: Cornell University Press, 1992), 39–52; Edward S. Miller, *Bankrupting the Enemy: The Financial Siege of Japan before Pearl Harbor* (Annapolis, MD: Naval Institute Press, 2007); Alan S. Milward, *War, Economy, and Society* (Berkley: University of California Press, 1977); Norrin M. Ripsman, "The Political Economy of Security: A Research and Teaching Agenda," *Journal of Military and Strategic Studies* 3, no. 1 (2000): 1–14.

9. Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1945).

10. Rawi E. Abdelal and Jonathan Kirshner, "Strategy, Economic Relations, and the Definition of National Interests," in *Power and the Purse: Economic Statecraft, Interdependence, and National Security,* ed. by Jean-Mark F. Blanchard, Edward D. Mansfield, and Norrin M. Ripsman, 119–56 (New York, NY: Frank Cass and Co., 2000); Stephen D. Krasner, "State Power and the Structure of International Trade," *World Politics* 23, no. 30 (1976): 317–47.

11. Jean-Mark F. Blanchard and Norrin Ripsman, "Asking the Right Question: When Economic Sanctions Work Best?" In *Power and the Purse: Economic Statecraft, Interdependence, and National Security*, ed. by Blanchard, Mansfield, and Ripsman (New York, NY: Frank Cass and Co., 2000), 223. In the words of Klaus Knorr, when State A's coercive economic power over State B tends to be stronger, the greater is his control over supply, and hence his ability to damage State B by means of denial. Below a very high threshold, however, his control is of little or no coercive worth. This is because a position of a high degree of control is extremely rare because foreign markets, sources of commodity supply, and aid are usually dispersed internationally. There are virtually always other suppliers than State A available (Klaus Knorr, "International Econoimc Leverae and its Uses," in *Economic Issues and National Security*, ed. by Knorr and Frank N. Trager (Lawerence, KS: Regents Press of Kansas, 1977), 103). Blanchard and Ripsman ("Asking the Right Question") found that economic coercion worked primarily because domestic and international political conditions existed that magnified the political costs of noncompliance for the target state, 222.

12. James D. Morrow, "Alliances and Asymmetry: An Alternative to the Capability Aggregation Model of Alliances," *American Journal of Political Science* 35, no. 4 (1991): 904–33.

13. Ole R. Holsti, P. Teekence Hopmann, and John D. Sullivan, *Unity and Disintegration in International Alliances: Comparative Studies* (New York, NY: John Wiley and Sons, Inc., 1973); George Liska, *Nations in Alliance: The Limits of Interdependence* (Baltimore, MD: Johns Hopkins Press, 1962); Hans J. Morganthau, "Alliances in Theory and Practice," in *Alliance Policy in the Cold War*, ed. by Arnold Wolfers (Baltimore: Johns Hopkins Press, 1959); Jeremy Pressman, *Warring Friends: Alliance Restraint in International Politics* (Ithaca, NY: Cornell University Press, 2008).

14. Glenn H. Snyder, "The Security Dilemma in Alliance Politics," *World Politics* 36, no. 04 (1984): 461–95.

15. Snyder, *Alliance Politics*, 461–95.

16. Patricia A. Weitsman, "Alliance Cohesion and Coalition Warfare," *Security Studies* 12, no. 3 (2003): 79–113.

17. Ibid., 81.

18. David A. Baldwin, "Power and International Relations," in *Handbook of International Relations*, ed. by Walter Carlsnaes, Thomas Risse, and Beth A. Simmons, 273-97 (London: SAGE, 2013); Baldwin, *Paradoxes of Power* (New York: Basil Blackwell, 1989); Daniel Drezner, "The Hidden Hand of Economic Coercion," *International Organization* 57 (2003): 643-59.

19. Klaus Knorr, *International Economic Leverage and Its Uses* (Lawrence, KA: University of Kansas Press, 1977), 103.

20. Charles Tilly, ed., *The Formation of National States in Western Europe* (Princeton, NJ: Princeton University Press, 1975), 84.

21. Klaus Knorr, *The Power of Nations: The Political Economy of International Relations* (New York: Basic Books, 1975), chap. 3.

22. Japan's Co-Prosperity Sphere and Germany's *Grossrauwirtschaft* and its rearmament program throughout the 1930s are attempts at autarkic defense production (Hirshman, *National Power and the Structure of Foreign Trade,* 34–39; Milward *War, Economy, and Society*: chap. 1).

23. Snyder, *Alliance Politics,* 472.

24. Klaus Knorr argued, "The production, maintenance, and use of armed forces requires a variety of goods and services. Some of these—food, clothing, shelter—are a type that can be produced by societies at a relatively low level of economic and technological development. Products more technologically extracting—trucks, gasoline, ships, drugs, guns, ammunition—are those produced by industrial societies. Most demanding are very complex weapons systems—intercontinental ballistic missiles, modern communications systems, high-performance aircraft and ships—that are only within the reach of countries possessing the most highly developed technology" (*The Power of Nations,* 50–53).

25. Hirschman, *National Power and the Structure of Foreign Trade,* 32.

26. It should be noted that even if the state devotes the majority of its industrial capacity to manufacturing weapons systems for the war effort, it might not be enough to match the war inputs of the adversary. As Alan Milward noted, "The trend towards capital-intensiveness in warfare means that in the armaments industry there is often less scope than in other industrial sectors for suiting the nature of the technology to the nature of the economy. . . There is certainly room for manoeuvre and for all marginal adjustments, and it is not necessary to have *all* the best available armaments technology, but there are many strategic situations where no amount of labour will compensate for certain kinds of technological deficiencies" (Milward, *War, Economy, and Society*, 171).

27. Knorr, *The Power of Nations,* 61. The extent that a state relies on the local economy to support its forward operating bases may vary. A state may bring into theater all its supplies, including subsistence, textiles, individual equipment, petroleum, construction material, energy, water, and labor, rather than

source anything locally. Under this scenario, there is no need to purchase goods in theater. Conversely, a state that chooses to source locally will need local currency, raising the need for a currency loan.

28. See Benjamin J. Cohen, "The Macrofoundations of Monetary Power," in *International Monetary Power*, ed. by David M. Andrews (Ithaca, NY: Cornell University Press, 2006).

29. Benjamin J. Cohen, *The Future of Sterling as an International Currency* (London: Macmillian Press, 1971), 35.

30. Milward, *War, Economy, and Society,* 20. The realization that states have an inherit limit on production can be reflected in the war strategy chosen, the most discussed example being the German *Blitzkrieg* strategy of WWII (see Mark Harrison, "Resource Mobilization for War: The U.S.A., U.K., U.S.S.R., and Germany," *The Economic History Review* 41, no. 2 (1988): 171-92). It can also be seen in the larger war strategy, "Economic strategy must certainly take into account the ultimate potential of the economy to defeat the enemy by out-producing him in the weapons of combat" (Milward, *War, Economy, and Society*, 19).

31. Bruce Bueno de Mesquita and Randolph M. Siverson, "War and the Survival of Political Leaders: A Comparative Study of Regime Types and Political Accountability," *American Political Science Review* 89, no. 4 (1995): de Mesquita, Alastair Smith, Siverson, and James D. Morrow, *The Logic of Political Survival* (Cambridge, MA: MIT Press, 2003); Giacoma Chiozza and Hein E. Goemans, "Peace Through Insecurity: Tensure and International Conflict," *Journal of Conflict Resolution* 47, no. 4 (2003): 443-67; Michael Colaresi, "Aftershocks: Postwar Leadership, Survival, Rivalry, and Regime Dynamics," *International Studies Quarterly* 48, no. 4 (2004): 713–27; Christopher Gelpi, Peter D. Feaver, and Jason Reifler, *Paying the Human Costs of War: American Public Opinion and Casualties in Military Conflicts* (Princeton, NJ: Princeton University Press, 2009), Hein E. Goemans, *War and Punishment* (Princeton, NJ: Princeton University Press, 2000).

32. Susan Strange, *States and Markets* (London: Pinter Publishers, 1988), 29.

33. John J. Mearsheimer, *The Tragedy of Great Power Policies* (New York: Norton, 2001), 37. For a discussion of the opportunity costs to A to influence B's behavior, see John C. Harsanyi ("Measurement of Social Power, Opportunity Costs, and the Theory of Two-Person Bargaining Games,") *Behavioral Science* 7 [1962]: 67-80), Nagel (1968) and Baldwin (*Paradoxes of Power*, 82–99). The literature on the costs of economic statecraft for the sender is limited. The majority of works emphasize sanctions and the various economic costs—i.e., decrease in trade, hurt domestic industries—to the sender (see Farmer, Richard D. "Costs of Economic Sanctions to the Sender," *The World Economy* 23, no. 1 [2000]: 93–117) or credibility costs via "involuntary defection" (see Robert D. Putnum, "Diplomacy and Domestic Politics: The Logic of Two Level Games," *International Organization* 42, no. 3 [1998]: 427–60).

34. John Gerring, "What is a Case Study and What is it Good For?" American Political Science Review 98, no. 2 (2004), 341–54.

35. John Gerring, *Case Study Research: Principles and Practices* (Cambridge, UK: Cambridge University Press, 2007), 101–105.

36. It should be noted that the creditor may or may not be a belligerent. The effects of the creditor as a warring party are explored in this article. However, within-case variation (i.e., the United States as a creditor both prior to entry into WWII and after) suggests no change in the ability to engage in economic statecraft for the United States.

37. Jason Seawright and John Gerring, "Case Selection Techniques in Case Study Research: A Menu of Qualitative and Quantitative Options," *Political Research Quarterly* 61, no. 2 (2008): 302.

38. William Keith Hancock and Margaret M. Gowing, *British War Economy* (London: His Majesty's Stationery Office, 1949), 373.

39. Mark Harrison, "The Economics of World War II: An Overview," in *The Economies of World War II: Six Great Powers in International Comparison,* ed. by Harrison (Cambridge, UK: Cambridge University Press, 1998), 15–16.

40. M. M. Postan, *British War Production* (London: Her Majesty's Stationery Office, 1952), 155.

41. H. Duncan Hall, *North American Supply* (London: Her Majesty's Stationery Office, 1955), 102.

42. The Department of State to the British Embassy, memorandum, 21 February 1940, in *Foreign Relations of the United States* (*FRUS), 1940,* III: 97–8.

43. Ambassador Joseph Kennedy to Secretary of State Cordell Hull, memorandum, 3 September 1939, in *FRUS, 1939*, VII: 214.

44. R. S. Sayers, *Financial Policy, 1939–1945* (London: Her Majesty's Stationery Office, 1956), 241.

45. Hall, *North American Supply,* 111–112.

46. Aide-Memoire, the British Embassy, to the Department of State, memorandum, 3 July 1940, in *FRUS, 1940,* III: 43.

47. British Ambassador (Lothian) to Secretary of State Hull, memorandum, 1 March 1940, in *FRUS, 1940*, III: 106–7.

48. Hall, *North American Supply,* 243.

49. Sayers, *Financial Policy, 1939–1945,* 133.

50. Edward R. Stettinius Jr., *Lend-Lease: Weapon for Victory* (New York: The Macmillan Company, 1944), 30.

51. Sir Roy George Douglas Allen, "Mutual Aid Between the U.S. and the British Empire," in *History of the Second World War*, ed. by R. S. Sayers (London: Her Majesty's Stationery, 1946), 533. Repayment of Lend-Lease aid was negotiated after the loan was over. Britain agreed to pay 2 percent interest over 50 annual payments.

52. Frank C. Costigliola, "Anglo-American Financial Rivalry in the 1920s," *The Journal of Economic History* 37, no. 4 (1977), 915. In President Franklin D. Roosevelt's report to Congress on the first year of Lend-Lease operations, he wrote that "the third direct benefit received in return for our aid [in addition to aiding the fight against the Axis and receiving reciprocal aid from recipients] is an understating with Britain (and prospectively with others of our allies) as to the shape of future commercial and financial policy" (Leon Martel, *Lend-Lease, Loans, and the Coming of the Cold War* (Boulder, CO: Westview Press, 1979), 61). Others, particularly in Congress, wished to extract concessions beyond the economic realm. In January 1943, Vice President Henry A. Wallace told FDR of strong Congressional sentiment for obtaining postwar use of air bases in exchange for the renewal of Lend-Lease. For example, Rep. Robert Chiperfield (R-IL) wanted control of naval bases, air bases, and trade routes, while Senator Allen J. Ellender (D-LA) wanted bauxite and tin mines owned by the British and the Dutch (Martel, *Lend-Lease, Loans, and the Coming of the Cold War,* 61–62).

53. Costigliola, "Anglo-American Financial Rivalry in the 1920s," 919–920.

54. Alan P. Dobson, *US Wartime Aid to Britain, 1940–1946* (New York, NY: St. Martin's Press, 1986), 4–6; Arthur A. Stein, "The Hegemon's Dilemma: Great Britain, the United States, and the International Economic Order," *International Organization* 38, no. 2 (1984): 377–378.

55. Warren F. Kimball, "Lend-Lease and the Open Door: The Temptation of British Opulence, 1937–1942," *Political Science Quarterly* 86, no. 2 (1971): 258, 241.

56. Morgenthau also exerted pressure on London to begin liquidating British-owed direct investments located in America, ship South African gold to the United States, and have French gold held to Canada turned over the United States (Kimball, 1969: 159; Sayers, *Financial Policy,* 1939–1945, 370–371, 383–384; John M. Blum, *From the Morgenthau Diaries: Years of War* (Boston: Houghton Mifflin, 1967), 220–223). He suggested that a "liquidator" be sent from London to the United States with the power to make sales (Hall, *North American Supply,* 273) and the British should provide a further $2,000

million in cash before arms began to be supplied under Lend-Lease Memorandum of Conversation, by the Secretary of State, 11 January 1941, *FRUS, 1941*, III: 5.

57. Dobson, *US Wartime Aid to Britain, 1940–1946,* 7.

58. FRUS, 1943, *Report of Interdepartmental Committee to President Roosevelt on Policy Decisions Relating to Dollar Position of Lend-Lease Countries*, (Washington, DC, 1 January 1943), III: 49.

59. Kimball, "Lend-Lease," 772

60. The British Prime Minister (Churchill) to President Roosevelt, memorandum, 20 December 1940, in *FRUS, 1940*, III: 25.

61. Leon D. Epstein, *Britain: Uneasy Ally* (Chicago, IL: University of Chicago Press, 1945), 60.

62. Till Geiger, *Britain and the Economic Problem of the Cold War—The Political Economy and the Economic Impact of the British Defence Effort, 1945–1955* (Burlington, VT: Ashgate, 2004), 65.

63. Ibid., 65.

64. Ibid., 219.

65. For a succinct discussion of the various ambassadors in Moscow—Steinhardt, Standley, and Harriman —the evolution of their perceptions of the Stalin regime, the Soviet war effort, and their recommendations to President Roosevelt, see David Mayers, "The Great Patriotic War, FDR's Embassy Moscow, and Soviet-US Relations," *The International History Review* 33, no. 2 (2011): 299–33.

66. Harrison, "The Economics of World War II," 176; George G. Herring, Jr., *Aid to Russia 1941–1946: Strategy, Diplomacy, the Origins of the Cold War* (New York: Columbia University Press, 1973), 32. For a discussion of early losses see Memorandum, The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State, 23 August 1941, *FRUS, 1941,* II, Europe: 642–644 and Memorandum, The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State, 9 November 1941, *FRUS, 1941,* II, Europe: 656–657. For a discussion of initial Soviet industrial recovery, see The Ambassador in the Soviet Union (Standley) to the Secretary of State, 9 April 1942, *FRUS, 1942,* Europe: 434–35.

67. The Ambassador in the Soviet Union (Laurence A. Steinhardt) to the Secretary of State, memorandum, 4 September 1941, in *FRUS, 1941,* II, Europe: 646.

68. Harrison, "The Economics of World War II," 189.

69. Ibid.,189; Munting, Roger. "Lend Lease and the Soviet War Effort," *Journal of Contemporary History* 19, no. 3 (1984): 495-510.

70. The Second Secretary of Embassy in the Soviet Union (Thompson) to the Secretary of State, memorandum, 20 March 1942, in *FRUS, 1942,* Europe: 420.

71. Herring Jr., *Aid to Russia 1941–1946,* 27; Stettinius, *Lend-Lease,* 119.

72. Stettinius, *Lend-Lease,* 121–122.

73. The Secretary of State to Ambassador in the Soviet Union (Steinhardt), memorandum, 14 June 1941, in *FRUS, 1941,* II, Europe: 757. See also Herring Jr., *Aid to Russia,* 28.

74. The Ambassador in the Soviet Union (Steinhardt) to the Secretary of State, memorandum, 17 June 1941, in *FRUS, 1941,* II, Europe: 764–766.

75. Stettinius, *Lend-Lease,* 128.

76. The Acting Secretary of State (Wells) to the Ambassador in the Soviet Union (Steinhardt), memorandum, 16 July 1941, in *FRUS, 1941,* II, Europe: 794.

77. Leon C. Martel, *Lend-Lease, Loans, and the Coming of the Cold War (*Boulder, CO: *Westview Press, 1979),* 34.

78. Herring, *Aid to Russia*, 233–234; Martel, *Lend-Lease, Loans,* 34.

79. Herring, *Aid to Russia, 1941–1946,* 38.

80. Mayers, "The Great Patriotic War," 309.

81. Ibid., 300.

82. See Geoffrey Roberts, *Stalin's Wars* [New Haven: Yale University Press, 2006], 165–168) for a discussion of the likelihood of a German-Soviet separate peace from a Soviet perspective.

83. The Charge in the Soviet Union (Thurston) to the Secretary of State, memorandum, 3 February 1942, in *FRUS, 1942*, Europe: 688–689.

84. The Second Secretary of Embassy in the Soviet Union (Thompson) to the Secretary of State, memorandum, 16 March 1942, in *FRUS, 1942*, Europe: 697.

85. Mayers, "The Great Patriotic War," 309. Harry Hopkins to General Faymonville, "The United States remains firm in the belief that material aid to the Union of Soviet Socialist Republics is of the highest strategic importance." The Acting Secretary of State to the Second Secretary of Embassy in the Soviet Union (Thompson), at Moscow, memorandum, 13 March 1942, in *FRUS, 1942*, Europe: 697. President Roosevelt to Secretary of State Hull, "I understand both the Army and Navy are definitely of the opinion that Russian continuance as a major factor in the war is of cardinal importance, and therefore it must be a basic factor in our strategy to provide her with the maximum amount of supplies that can be delivered to her ports. I fully indorse this concept." Memorandum by President Roosevelt to the Secretary of State 6 January 1943, *FRUS*, 1943, Europe: 737.

86. Stalin was calling for a second front as early as the fall of 1941. The ambassador in the Soviet Union (Steinhardt) to the Secretary of State, memorandum, 15 August 1941, in *FRUS, 1941*, Europe: 821.

87. US Ambassador Stanley quoted in David Mayers (*The Ambassadors and America's Soviet Policy* [Oxford, UK: Oxford University Press, 1997], 143). See also The President of the Council of People Commissars of the Soviet Union (Stalin) to Prime Minister Churchill and Mr. Averell Harriman, memorandum, 13 August 1942, in FRUS, 1942, Europe: 621; Mr. Joseph E. Davis, Special Representative of President Roosevelt, to the President, memorandum, 29 May 1943, in *FRUS, 1943*, Europe: 657.

88. President Roosevelt to Stalin, "I well realize on the other hand that the real enemy of both our countries is Germany and that at the earliest possible moment it will be necessary for both our countries to bring our power and forces to bear against Hitler. Just as soon as it is humanly possible to assemble the transportation you may be sure that this will be done. In the interim there will leave the United States for the Soviet Union during the month of August over 1,000 tanks and at the same time other strategic materials are going forward, including aircraft." The Ambassador in the Soviet Union (Standley) to the People's Commissioner for Foreign Affairs of the Soviet Union (Molotov), memorandum, 19 August 1942, in *FRUS, 1942*, Europe: 626.

89. Ambassador to the Soviet Union (Harriman) to the Secretary of State, memorandum, 15 January 1944, in *FRUS, 1944,* Europe: 1039–1040.

90. Ambassador to the Soviet Union (Harriman) to Chairman of the President's Soviet Protocol Committee (Hopkins), memorandum, 13 February 1944, in *FRUS, 1944,* Europe: 1053.

91. Ambassador to the Soviet Union (Harriman) to the Secretary of State, memorandum, 3 September 1944, in *FRUS,* 1944, Europe: 1129.

92. Chairman of the President's Soviet Protocol Committee (Hopkins) to the Ambassador in the Soviet Union (Harriman), memorandum, 4 February 1944, in *FRUS, 1944,* Europe: 1043–1046.

93. President Roosevelt to the Secretary of State, memorandum, 14 February 1944, in *FRUS, 1944,* Europe:1053. In March 1944, Acting Secretary of State Stettinius and the Foreign Economic Advisor, Crowley, wrote to President Roosevelt, "At this stage of the war, we cannot assume the war will stop at any fixed time. We believe, therefore, that we must act and plan as if the war were going on indefinitely, so as to assure the uninterrupted flow of supplies needed for the war." Acting Secretary of State and the Foreign Economic Administrator (Crawley) to President Roosevelt, memorandum, 6 March 1944, in *FRUS, 1944,* Europe: 1059.

94. Peter Gatrell, "Poor Russia, Poor Show: Mobilizing a Backward Economy for War, 1914–1917," in *The Economic of World War I,* ed. by S. Broadberry and M. Harrison (Cambridge: Cambridge University Press, 2005), 239–250; P.-C. Hautcoeur, "Was the War a Great Watershed? The Economics of World War I in France," in *The Economic of World War I*, ed. by Stephen Broadberry and Mark Harrison (Cambridge, UK: Cambridge University Press, 2005).

95. Edward V. Morgan, *Studies in British Financial Policy, 1914–1925* (London: Macmillian and Co. LTD., 1952), 312.

96. Martin Horn, *Britain, France, and Financing* (Montreal: McGill-Queen's University Press, 2002), 28-56. Gold outflow at the beginning of the war resulted in inconvertibility of the currency and was a challenge to Britain's goal to preserve London as the world's financial center. To maintain the gold standard, Britain needed to import gold into the country. However, given that other states were hoarding their own gold stocks, Britain was unable to procure any on a voluntary basis. A few sources that discuss the importance of maintaining the gold standard to the British are Burk (*Britain, America and the Sinews of War, 1914–1918* [Boston; London: G. Allen and Unwin, 1985], 62) and Brown (*The International Gold Standard Reinterpreted, 1914–1934* [Cambridge, MA: National Bureau of Economic Research, 1940]).

97. William A. Brown, *The International Gold Standard Reinterpreted, 1914–1934*; Kathleen Burk, *Britain, America and the Sinews of War, 1914–1918*, 62–67; Edward V. Morgan, *Studies in British Financial Policy, 1914–1925,* 309.

98. Kathleen Burk, "J. M. Keynes and the Exchange Rate Crisis of July 1917," *The Economic History Review* 32, no. 3 (1979), 409.

99. For a discussion of McAdoo's desire to exploit British newfound weakness, see Kathleen Burk, "Great Britain in the United States, 1917–1918: The Turning Point," *The International History Review* 1, no. 2 (1979): 228–45; and Burk, "The Diplomacy of Finance: British Financial Missions to the United States 1914–1918," *The Historical Journal* 22, no. 2 (1979): 351–72.

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