



**Michael R. Adamson**, “Must We Overlook All Impairment of Our Interests?’ Debating the Foreign Aid Role of the Export-Import Bank, 1934-41,” *Diplomatic History*, Vol. 29, Issue 4 (September 2005): 589-624.

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*Published by H-Diplo on 18 October 2005*

Michael Adamson has written a very solid and stimulating essay that recaptures a significant transition in U.S. foreign policy from reliance on private capital to achieve U.S. economic and security objectives to public capital as the preferred means. Adamson brings significant training at UC Santa Barbara with W. Elliot Brownlee and Frederick Logevall among several advisors and experience in the publication of a number of articles. His dissertation, moreover, focused on the broader topic of “Inventing Foreign Aid: From Private to Public Lending for Economic Development Purposes, 1919-1941.” He combines a good understanding of foreign policy formulation with extensive familiarity with and understanding of the literature on foreign economic policy, private sector perspectives, and Congressional influence on policy. I look forward to more assessments from this promising scholar.

There are a number of conclusions in Adamson's study that confirm existing assessments of the policy-makers of the thirties and also some persuasive challenges to overviews of the period, particularly the Wisconsin school's effort to squeeze Franklin D. Roosevelt's diplomacy before and after 1941 into a William A. Williams' modified open door. As the round peg that will not fit into the proverbial square hole, FDR was too illusive, evasive, and inconsistent to sign up for the Williams' quest. Nor did officials in the major departments, agencies, and Congress give priority to the advancement or defense of U.S. economic interests as the decade progresses toward WWII.

Although FDR never played much of a role in the sustained struggle over the role of the Export-Import Bank (EXIM), the bureaucratic and policy battle between the Department of State and the Department of the Treasury is highlighted by Adamson. State, led by Secretary of State Cordell Hull and Herbert Feis, the department's International Economic Adviser, insisted that any states receiving EXIM loans must be in good standing on their debts, and Treasury, led by Henry Morgenthau and Harry Dexter White, wanted to approve EXIM loans regardless of the current status of states on their past debts as necessary steps to resist the expansion of Japanese and German influence in Latin America and elsewhere. Hull and Feis won the battle for the most part until 1941 despite the efforts of Undersecretary of State Sumner Welles to shift State's stance toward support for loans.

In focusing on this sustained disagreement, Adamson offers a number of interesting perspectives on policy formulation in the thirties. For example, Adamson demonstrates the sensitivity of important officials and EXIM directors to Congressional and isolationist sentiment. Jesse H. Jones, chairman of the Reconstruction Finance Corporation and head of the EXIM advisory committee after 1936, joined State in resisting Treasury efforts to increase the very limited level

of EXIM loans. Jones did not want to attract criticism by upsetting isolationist Senators looking for an FDR interventionist scheme in every nook and cranny.

The resistance of Hull and Feis to approving EXIM loans to governments in default on their obligations to private bondholders (such as Haiti where State did demonstrate some flexibility to avoid further defaults) reflects the difficulty of moving beyond past experiences to dealing with new challenges with new methods. Hull and Feis reflect State's unsatisfactory experience with Dollar Diplomacy reliance on private investors to produce financial stability in Latin America as well as the post-WWI disillusionment over the defaults of European states on U.S. loans. State officials wanted to protect private bondholders and not approve EXIM loans unless states had worked out payment agreements to the bondholders. They are also very sensitive to Congressional opinion on these issues.

So what issues from Adamson's persuasive analysis might stimulate H-Diplo discussion? One that attracted my attention is the degree to which the past limited the understanding and policy responses of the Department of State and others involved with the EXIM issue. Of course one could argue that Secretary Hull never took the initiative on any new issue with the exception of reciprocal trade legislation and lacked much imagination in trying to forestall conflict with Japan later in the thirties. Is this situation similar to what President George Bush has faced in trying to break with past policy of containment in dealing with Cold War challenges and replace it with a new paradigm of preemption and spreading democratic representative governments in the Middle East and elsewhere? Since the public, opinion commentators, and some historians consider containment as ultimately successful with significant costs and repercussions, the situation is different than Adamson's period of the 1930s and the perceived failed policies of reliance on private capital and government loans to states.

A further reflection from Adamson's essay is how different the situation is today with respect to the U.S. on public versus private loans to foreign governments. Undoubtedly the U.S. is still extending loans and credits to governments for a variety of reasons. But now the U.S. is the largest debtor in the world with respect to trade imbalances, government securities held by foreign governments and investors, if not the amount of foreign investments in the U.S. versus U.S. corporate investments abroad.

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