

CHAPTER THREE

The American Wheat Industry During World War I

Arthur Cutten must have been nervous when he entered the Chicago Board of Trade building on the morning of July 28, 1914. Something of a legend amongst his fellow commodity traders, Cutten had arrived in Chicago after graduating college in Canada in 1890. Starting out as a low-paid clerk, within six years he had saved up enough to buy a membership of his own to trade commodities in the raised, tiered “pits” at the Board, where investors furiously bought and sold contracts for wheat, corn, hogs, and other agricultural products in a frantic, live auction.¹ Confident to an extreme, he was known for making some of the largest, and riskiest, bets of all board members. To him, the Board of Trade building on La Salle street was “the finest temple in the land,” he would later write. “Within its walls I had tasted of triumph and disaster. There my ego had flourished.”²

By the late summer of 1914, however, it was clear that Arthur Cutten was close to tasting disaster, and everyone knew it. On a good day, a trader could walk into the Board in the morning with a general idea of how the day’s trading would open up on its various commodity exchanges. Weather, crop diseases, and the seasonal nature of agricultural products all combined to help set the price of commodities, both “spot” prices, where commodities changed hands immediately, and “futures” prices, a binding contract whereby the seller promised to deliver a commodity to the buyer at a set date.³ By the last week of July, however, all this conventional trading wisdom mattered little amidst widespread confusion and uncertainty about the possibility of war in Europe.

¹ Like most larger than life characters, the specifics of Cutten’s early career are somewhat difficult to pin down. See “Introducing Mr. Cutten,” *Time* 4, no. 4 (July 28, 1924): 27; “Cutten Case,” *Time* 25, no. 8 (February 25, 1935): 72; and “Arthur Cutten, Millionaire Broker, Dies,” *Chicago Tribune* June 24, 1936: 1.

² Arthur Cutten and Boyden Sparkes, “The Story of a Speculator,” *Saturday Evening Post* 205, no. 21 (November 19, 1932): 3.

³ For more on the mechanics of commodity trading in the late 19th and early 20th century see Albert C. Stevens, “‘Futures’ in the Wheat Market,” *The Quarterly Journal of Economics* 2, No. 1 (October 1887): 37-63; G. Wright Hoffman, “The Hedging of Grain,” *The Annals of the American Academy of Political and Social Science* 155, No. 1 (May 1931): 7-22; and G. Wright Hoffman “Factors Affecting Prices on Organized Commodity Markets” *The Annals of the American Academy of Political and Social Science* 155, No. 1 (May 1931): 91-99. For a view of modern trading dynamics at the Chicago Board of Trade see Caitlin Zaloom, *Out of the Pits: Traders and Technology from Chicago to London* (Chicago, IL: University of Chicago Press, 2006).

The traders at the Board had barely registered the assassination of Archduke Franz Ferdinand in Sarajevo the previous month, and the event had little discernible effect on commodity prices in the week following his death.⁴ This had changed as the threat of war steadily increased, and by the end of July potential conflict between Austria-Hungary and Serbia—if not a broader European war—was all that investors talked about. On July 24th buyers operating on behalf of European clients purchased nearly 2,000,000 bushels of wheat, one of the Board’s most hotly traded commodities, to ship overseas, causing the prices of both spot wheat and September futures to rise. “The heavy export buying of wheat was regarded as giving color to the war talk from abroad,” *The Chicago Tribune* noted, “and Germany was said to have been a big buyer of our wheat.”⁵ The mood amongst investors at the Board became even more serious the following day, with prices rising further. “Foreign news in respect to possibility of war between Austria and Servia (sic) gave the wheat market a wild and excited opening,” *The Tribune* reported, with “short” sellers—who had placed bets that the price of wheat would fall—scrambling to unload contracts lest they be caught on the wrong side of a rising market.⁶ The pace of sales quickened the following two days, raising the tension in the wheat pit even higher.⁷

All Arthur Cutten knew as he entered the building on the morning of July 28th was that he was in a dangerous spot.⁸ He had been in a “short” position for most of the summer, betting that the price of wheat would go down as a bumper crop in the United States and overseas was harvested in the Fall.⁹ Over the previous week, amidst a rising market, he had struggled to cut his losses and dump futures contracts that were rapidly losing value. To make matters worse, as was his trademark, Cutten’s early summer bets had been huge, totaling several million bushels. Overleveraged and virtually out of options, he faced financial ruin if he couldn’t unload the contracts on a market that was rapidly outpacing him.

Paranoia flourishes in the fast pace of trading “in the pits.” Traders bartering and selling contracts were, in many respects, cut off from external events and fully enmeshed in the market. The larger commodity trading firms might have a desk in the exchange room staffed with clerks, and perhaps a telephone line to receive news from New York or observers scattered across the Midwest. Traders arrayed on the tiers of the pit in the center of the room, however, were disconnected from even this tenuous link to the outside world. In a fast-moving market they needed to devote their full attention to the buying and selling whirling around them, deciphering negotiations that were oftentimes being transmitted entirely through hand signals.¹⁰ Traders

⁴ E.g. “Hedging Sales Depress Wheat,” *The Chicago Tribune* (June 29, 1914): 21; and “Wheat Futures Weak at Finish,” *The Chicago Tribune* (June 30, 1914): 19.

⁵ “Foreign Buying Rallies Wheat,” *The Chicago Tribune* (July 25, 1914): 18.

⁶ “Wheat Excited by War Rumors,” *The Chicago Tribune* (July 26, 1914): A6.

⁷ “Wheat Reacts After Advance,” *The Chicago Tribune* (July 28, 1914): 16.

⁸ “Patten Reaps Wheat Profits on War News,” *The Chicago Tribune* (July 30, 1914): 2.

⁹ Indeed, journalists and commodities analysts were widely predicting high crop yields throughout July, which would lead to lower prices. E.g. R. L. Robinson, “St. Louis and Southwest Banking Letter,” *Chicago Banker* 38, no. 1 (July 4, 1914): 16; F. C. Redmond, “Northwest Letter,” 38, no. 1 (July 4, 1914): 24; “Big Chicago Banker Optimistic” 38, no. 2 (July 11, 1914): 1; R. L. Robinson, “St. Louis and Southwest Banking Letter,” *Chicago Banker* 38, no. 2 (July 11, 1914): 16; “Export Demand to Make Wheat Price,” *AEGT* 33, no. 1 (July 15, 1914): 37; C. C. Buford, “Illinois Banking News,” *Chicago Banker* 38, no. 3 (July 18, 1914): 10.

¹⁰ For more on the mechanics of “open outcry” trading, the type of trading practiced at the Chicago Board of Trade at this time, see James E. Boyle, *Speculation and the Chicago Board of Trade* (New York, NY: The Macmillan Company, 1921); for a striking fictional depiction of pit trading see Frank Norris, *The Pit: A Chicago Story* (New York, NY: Doubleday, Page & Co, 1903). D. W. Griffith’s 1909 movie adaption of this novel, *A Corner in Wheat*,

therefore sometimes had no time even to glance at a message passed to them by a clerk. To do so would mean potentially losing out on a crucial trade.

Making things worse, wheat traders were accustomed to following weather and crop reports, not diplomatic intrigue. Ill-equipped to parse the nuances of the news cables that arrived at the Board regarding difficulties in the Balkans, rumor and fear drove trading. “The wheat pit,” Arthur Cutten later observed, “is a sounding board. The gossip of the world is hurled in and out of there with a speed that would make a newspaper office dizzy.”¹¹ Already edgy, the market was ripe for a panic.

Traders might have claimed after the fact that they saw things coming on July 28th. The market had been growing more volatile over the previous week, and there had been little good news regarding the simmering tensions in Europe. In retrospect, the warning signs had been clear. Stock prices were plunging at the New York Stock Exchange, and at exchanges across Europe.¹² Foreign exchange trading in New York ground to a halt as European investors liquidated their American investments and demanded payment in gold, draining bank reserves across the city.¹³ On the morning of July 28th, however, no one in Chicago could have predicted the dramatic day that the traders in the wheat pit at the Board of Trade would soon be forced to endure.

In a minor miracle, Cutten had managed to extricate himself from his short position earlier in the week. He therefore faced a new dilemma. Should he try and wait out the market turmoil? Or place a new bet? The price of wheat had already risen 7% over the previous week.¹⁴ Was there really room for further increases? Or would the market reverse itself if there was a large harvest, as he had been predicting all summer? In Europe, the British government had offered to mediate the crisis between Austria-Hungary and Serbia, potentially averting war. If a war didn’t happen, the fear-induced trading frenzy might evaporate as quickly as it arrived.

Arthur Cutten was not the sort of trader who was content to sit still and let events leave him behind. He therefore made another big bet, dumping much of his remaining assets into a “long” position, wagering that the price of wheat would increase even further. All his hard work to wriggle out of his earlier short position would be for naught if he was wrong. The market had allowed him to make one bad bet, his second bad bet in a row would destroy his tiny firm.

Trading began on the floor of the Chicago Board of Trade promptly at 9:30am, and Cutten watched nervously as prices dipped slightly lower as more traders sought to sell futures contracts than buy them. Having digested the latest news from Europe overnight, the morning cables coming from New York and Europe seemed to suggest that war might be prevented. European grain markets, operating a few hours ahead of Chicago, had only risen slightly, if at all, over the course of the trading day. The price of wheat in Liverpool, one of Europe’s largest markets, had only risen 5/8 to 7/8 a cent. In Antwerp, a smaller market, there was virtually no change. Chicago traders reacted accordingly, driving prices down.¹⁵

Slowly, however, more pessimistic news began to trickle into the Board. The Paris stock exchange advised that it would delay publishing price quotes on some securities until the beginning

provides a visual depiction of pit trading. See D. W. Griffith, *A Corner in Wheat*, 1909. <https://www.loc.gov/item/2012600307/>.

¹¹ Arthur Cutten and Boyden Sparkes, “The Story of a Speculator,” *Saturday Evening Post* 205, no. 21 (November 19, 1932): 4.

¹² “London Stocks Least Hit,” *The Chicago Tribune* (July 27, 1914): 15.

¹³ “Wall Street News” and “War Sole Topic of N.Y. Market,” *The Chicago Tribune* (July 28, 1914): 15.

¹⁴ J. C. F. Merrill, *57th Annual Report of the Trade and Commerce of the City of Chicago* (Chicago, IL: Hedstrom-Barry, Co., 1915): 74-5.

¹⁵ “Grain Trade in a Turmoil,” *Chicago Tribune* (July 29, 1914): 16.

of August. A cable from London warned that mediation attempts between Austria-Hungary and Serbia had failed. The drop in prices began to slow, and then reversed itself, bringing the price of wheat back towards where it had opened at the beginning of trading.

Finally, news of Austria-Hungary's official declaration of war arrived and "the pyrotechnics started in earnest."¹⁶ Clerks associated with the major trading houses sprinted from their desks in the corners of the room towards the pit at the center. Independent traders like Arthur Cutten, lacking clerks of their own, were forced to read the news in the changed expressions of traders from the major firms. As traders one by one realized the immensity of the news the market roared to life in a flurry of raised arms, flashing hands, and shouting voices. Everyone wanted to buy, meaning the few traders willing to sell soon found their contracts snapped up. A lack of available contracts only increased the tension in the pit. Buyers signaled higher and higher quotes, trying, in vain, to find a seller who was holding out. The spot trade soon dried up, with little wheat available for immediate delivery. Futures trading also became more difficult, as the supply of traders willing to sell shrank. At some points it became nearly impossible for any trade to be made, raising the stress in the room even further.¹⁷

December wheat futures soared to 94 cents a bushel, 7.5% higher than the previous day's high.¹⁸ Prices soared in leaps and bounds, half a cent at a time. Previously a half cent increase or decrease over the course of a trading day would have been considered incredibly volatile. Now the market ticked these sorts of changes off in minutes. Traders unable to keep pace stood slack-jawed as their colleagues fought one another over each and every contract.¹⁹ Those caught in short positions stumbled from the pit towards chairs at the edge of the room with despondent, vacant looks. With no one willing to sell, they had lost the chance to cut their losses and were truly at the mercy of the market. Arthur Cutten, holding his hard-won long position, was jubilant.

The market had taken on a life of its own. Fully divorced from the news coming from overseas, it surged and receded based on the anxieties, hopes, and fears of the traders in the room.²⁰ News of the drama filtered throughout the Board, and trading in other commodities slowed as traders flocked to the wheat pit.²¹ Those from the large trading houses stepped in to reinforce their colleagues who were faltering under the mental and physical strain. Others, unwilling to risk entering the market, gawked at the spectacle from the sidelines. The clamor in the room was so loud that it filtered out into the streets, causing passersby—some undoubtedly blissfully unaware of the war news—to stop in their tracks.²²

The caution of the traders refraining from joining the pit was justified. As quickly as prices rose, they soon began to drop. From a high of 94 cents a bushel, December wheat futures retreated back down to 90 cents as traders in long positions pocketed their profits. The short-sellers now sprang back to life, steeling themselves for losses as they sought to finally unload their hopelessly mispriced positions. This, of course, drove prices back up as traders flipped over to long

¹⁶ "Brokers Survive Pit's Wildest Day," *Chicago Tribune* (July 29, 1914): 1.

¹⁷ "News and Gossip of Board of Trade," *Chicago Tribune* (July 29, 1914): 16.

¹⁸ J. C. F. Merrill, *57th Annual Report of the Trade and Commerce of the City of Chicago* (Chicago, IL: Hedstrom-Barry, Co., 1915): 74-5.

¹⁹ "Grain Trade in a Turmoil," *Chicago Tribune* (July 29, 1914): 16.

²⁰ Investors tend to lose awareness of external events amidst this sorts of trading frenzies, with reasoned analysis lagging far behind market activity. See Stefan Leins, "Pricing the Revolution: Financial Analysts Respond to the Egyptian Uprising," *Anthropology Today* 27, no. 4 (2011): 11-14; and Stefan Leins, *Stories of Capitalism: Inside the Role of Financial Analysts* (Chicago, IL: University of Chicago Press, 2018).

²¹ "News and Gossip of Board of Trade," *Chicago Tribune* (July 29, 1914): 16.

²² "Panic Caused by the War News on All Exchanges," *The Atlanta Constitution*, July 29, 1914: 2.

positions.²³ Arthur Cutten, having watched the proceedings with contentment, joined the sellers. His bet had paid off.

No trader knew for certain how much money they had made, or lost, over the course of the day when the wheat pit officially closed for trading at 1:15pm. Even those such as Arthur Cutten, who knew that they had been on the right side of the market, now had to tally up which contracts they had bought and sold—and from whom—and submit these through the Board. Only then could cash balances be calculated, and money transferred through the Chicago Clearing House Association to traders' or firms' respective accounts. The whole process wouldn't be completed until the following morning, when all necessary transfers had made their way fully through the clearing house process.²⁴ If, at any point during this accounting process a trader couldn't pay, they would be forced to declare bankruptcy and any trades they had made the previous session were at risk of being cancelled.

When the Board of Trade's president, C.H. Canby, gave an optimistic statement to the *Chicago Tribune* that evening, he couldn't have known for sure if any firms or traders would fail. Nevertheless, Canby believed that "Everything is in good shape" based on early accounting. "Today has been the worst day and the crisis is past. I haven't the slightest doubt that the powers of Europe will localize the strife, with the result that wheat prices here will be but little affected. Things in Chicago ought to settle themselves in a few days." Other Chicago bankers echoed his optimism. "I do not believe that any trouble can be anticipated," said one banker, D. A. Moulton, "It would appear that any danger which might have been is past."²⁵

These positive words meant little to the clerks and accountants working through the night to balance their trading books. One by one each trade had to be recorded, verified, and the requisite transfers set up. The volume of trading had far exceeded the daily average, meaning even more work than usual. "We are working overtime to check up the day's business, J. L. Smith, the office manager of the brokerage firm Shearson, Hammill & Co. told the *Tribune*. "All the offices are doing the same thing. We had a tremendous business. It will take some time to tell what the volume of business was."²⁶ Speculation and rumors swirled about which firms and traders had made fabulous profits, and which were at risk of bankruptcy. Bleary-eyed traders eagerly awaited any early news from the European markets that would open before the Board, or updates from foreign correspondents about whether the war might be contained.²⁷

Even the traders who were able to leave the accounting to junior staffers and go home for the evening couldn't escape the tension caused by the day's events. Chicago's large Serbian immigrant population had been intently following the growing threat of war in their home country. With the outbreak of war, thousands gathered in the city's Pilsen neighborhood, southwest of downtown, to protest Austria-Hungary's declaration: "the act of a brutal monster impelled solely by greed and a desire for conquest."²⁸ Those few traders able to sleep did so unsure of what would happen in the market—or if there would even be a market—when they awoke the following day.

Crowds began gathering outside of the Board of Trade building well in advance of the start of trading hours on the morning of July 29th. The major trading firms had called all employees in to work, giving them as many sets of hands as possible to try and respond to anything that might

²³ "Grain Trade in a Turmoil," *Chicago Tribune* (July 29, 1914): 16.

²⁴ For more on the clearing house process at this time see Boyle, *Speculation and the Chicago Board of Trade*, 78-96.

²⁵ "Brokers Survive Pit's Wildest Day," *Chicago Tribune* (July 29, 1914): 1.

²⁶ "Brokers Survive Pit's Wildest Day," *Chicago Tribune* (July 29, 1914): 1.

²⁷ "World Markets Verge on Panic," *Chicago Tribune* (July 29, 1914): 3.

²⁸ "Chicago Slavs Tear Shield of Servian Enemy," *Chicago Tribune*, July 29, 1914: 5.

happen. There were also many in the crowd who had come just to watch the day's proceedings. Having heard about the chaos of the day before, they were eager to be there if the drama should repeat itself.

The board of directors of the Board of Trade held a meeting prior to opening to discuss whether or not they should follow the lead of many European exchanges and close the Board to trading. Even if all the Chicago firms had stayed solvent in the aftermath of the previous day's turmoil, which was still unknown, the unclear effect of the fast moving political situation overseas threatened even more mayhem in the days to come. Overnight, Chicago banks and major commission houses had sent out a "margins call," demanding that firms and brokerages deposit additional money in order to guard against bankruptcy. Traders were collectively forced to deposit an additional \$3,000,000 with their lenders in order to continue operating. The directors, however, were unanimous in their decision to open the exchange, despite pressure from outside interests to close.²⁹ At 9:30am, with the fate of some smaller firms still hanging in the balance, the wheat pit again opened for trading.

The morning news from Europe had been reassuring. Even though a state of war existed between Austria-Hungary and Serbia, for now the larger European powers seemed determined to stay out of the conflict. Still, the feeling in and around the wheat pit, swollen by an encroaching crowd of onlookers, was incredibly tense. When the bell rang to signal the start of trading no arms shot into the air. It was almost like the room was collectively holding its breath, with no broker wanting to be the first to signal a trade in case their initial move spooked the market to move in the opposite direction. For a second or two all the traders in the pit nervously paused, despite each one clutching a stack of orders they wanted to quickly fulfill.³⁰

It's unclear who bravely made the first trade offer that morning, but it unleashed a flood of orders to sell, nearly as many as there had been to buy the previous day. Traders with long positions, who hadn't sold the previous day, were now eager to lock in their profits. The few remaining traders with short positions, who had gamely resisted unloading them at a loss the day before, refused to meet the selling demand, driving prices lower. Prices dropped 4 1/2 cents quickly, and the market jumped up and down as if nervous to settle on a consensus price. At 11:30am news trickled in that all traders and firms had successfully navigated the clearing house process. There would be no failures.³¹ It had taken local banks stepping in to cover the losses of a few smaller firms, but the market had survived intact.³²

With no firms declaring bankruptcy, it was now possible for traders to finally tally up the gains and the losses. Arthur Cutten was the clear winner, pocketing over \$100,000—over \$2.5 million adjusted for inflation—for his gutsy early switch to a long position. Other traders also made out well from the chaos, including James A. Patten, from the firm of Bartlett-Frazier.³³ Their gains secured, and losses known, trading quickly settled down in the wheat pit. "After weathering the panic of Tuesday it is not expected there will be any financial trouble among board of trade houses now," the *Tribune* noted. Echoing the sentiments of C. H. Canby, it reported that traders "believed the worst is over."³⁴

²⁹ "Patten Reaps Wheat Profits on War News," *The Chicago Tribune* (July 30, 1914): 2.

³⁰ "Patten Reaps Wheat Profits on War News," *The Chicago Tribune* (July 30, 1914): 2.

³¹ "Wheat Trading on Saner Basis," *The Chicago Tribune* (July 30, 1914): 16.

³² "Patten Reaps Wheat Profits on War News," *The Chicago Tribune* (July 30, 1914): 2.

³³ "Patten Reaps Wheat Profits on War News," *The Chicago Tribune* (July 30, 1914): 2.

³⁴ "News and Gossip of Board of Trade," *The Chicago Tribune* (July 30, 1914): 16.

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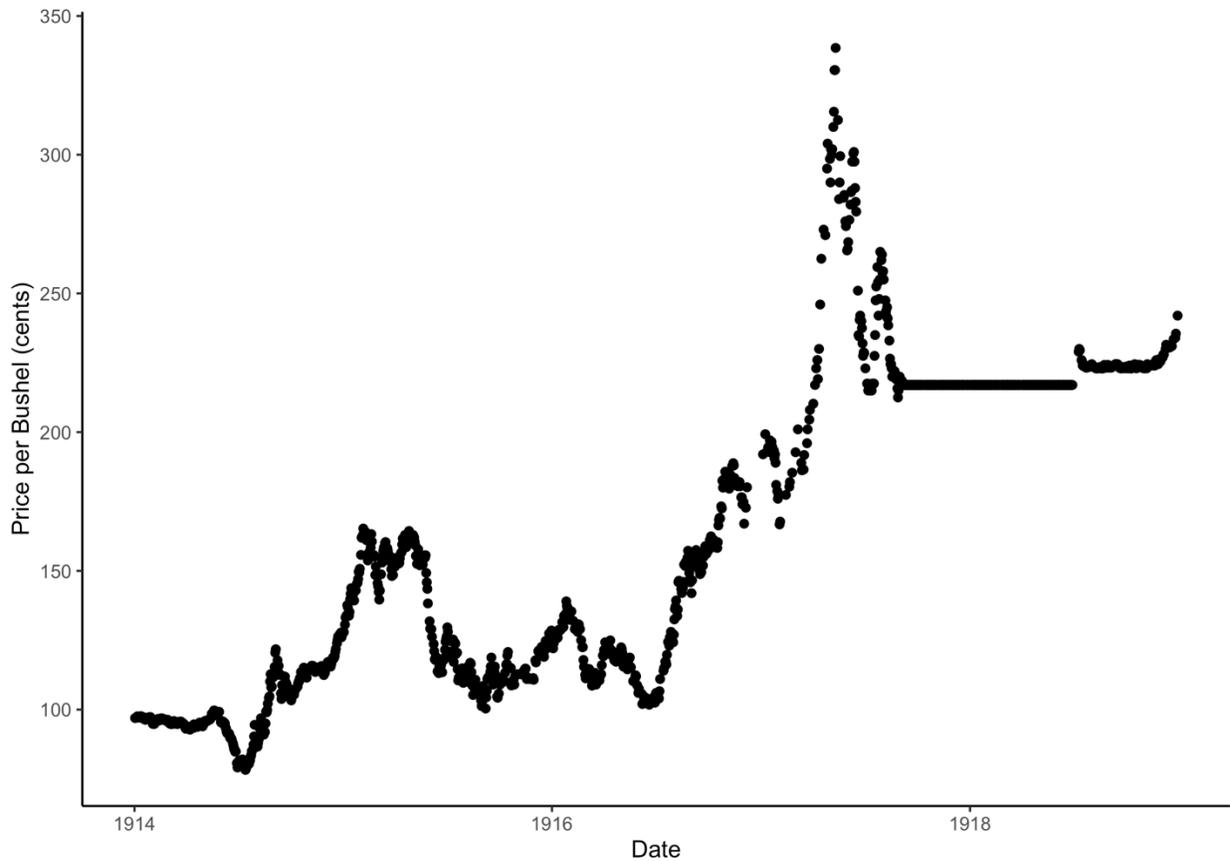
What insight does the tumultuous trading in the wheat pit at the Chicago Board of Trade in late July 1914 hold for a broader understanding of business support and opposition to war? Specifically, do these events provide evidence supporting my additive theory of business war preferences or trade preference theory? Importantly, the American wheat industry prior to World War I was an internationalist industry that engaged in substantial foreign trade. In 1913, the year prior to the war, the United States exported \$95,098,838 of raw wheat while only importing \$670,931 (unadjusted for inflation). In 1914, including the months after war began, the country exported \$187,184,100 of raw wheat, while importing only \$1,546,155.³⁵ Even though the majority of wheat grown in the United States was consumed domestically, the wheat industry was still one of the country's largest export trades.

According to trade preference theory, this means that the wheat industry should have opposed the outbreak of World War I. And yet, this is not what the events depicted above show. Traders such as Arthur Cutten made tremendous profits from the war, and this was only the beginning. Figure 3.1 charts the spot price of red wheat in Chicago, at a daily level, over the course of World War I. Savvy commodities traders like Cutten, who stayed on the right side of the market, made out incredibly well over the course of the war.³⁶

³⁵ *Monthly Summary of the Foreign Commerce of the United States: December 1914* (Washington, D.C.: Government Printing Office, 1915): 454, 476.

³⁶ Indeed, Cutten's luck continued to hold, for the most part, and he and other traders banked large profits on both long and short positions throughout the war. See "Patten Big Winner in Wheat Market as Price Falls," *Chicago Tribune* (September 9, 1915): 13; but also "Patten Drops \$300,000 in Pit on Wheat Slump," *Chicago Tribune* (February 25, 1916): 13.

Figure 3.1: Daily Average Price of Spot Red Wheat in Chicago, 1914-1918



Source: Chicago Board of Trade 1915, 1916, 1917, 1918, 1919

Certainly not all traders in the wheat pit were as successful as Arthur Cutten in navigating the early days of the conflict. Furthermore, as the events of July 1914 demonstrate, rising prices do not necessarily make traders happy if they are holding short positions. Crucially, however, local traders appear to have come out ahead despite the wild fluctuations in the grain market in July.³⁷

Moreover, although commodities traders such as Arthur Cutten were some of the first members of the wheat industry to be affected by World War I, they are far from the most important members of the industry to consider. The industry members most affected by rising prices, and positively so, were wheat farmers, who saw an immediate increase in the value of the wheat growing in their fields. As the *Chicago Tribune* noted, the stark rise in the price of wheat at the Board of Trade in late July added approximately \$135,000,000 in value to the American wheat crop.³⁸ Much of this increase in value would eventually find its way to farmers.

My additive theory of business war preferences therefore does a better job of predicting the wheat industry's war preferences than trade preference theory, both in the critical days following the outbreak of World War I, and—as I demonstrate in the remainder of this chapter—as the conflict unfolded. Unlike businesses in the cotton production industry, which actively opposed the war, the wheat industry as a whole did not. The majority of the wheat industry,

³⁷ "Patten Reaps Wheat Profits on War News," *The Chicago Tribune* (July 30, 1914): 2; and "Effect of War Crisis on World's Markets," (July 30, 1914): 2.

³⁸ "Brokers Survive Pit's Wildest Day," *Chicago Tribune* (July 29, 1914): 1.

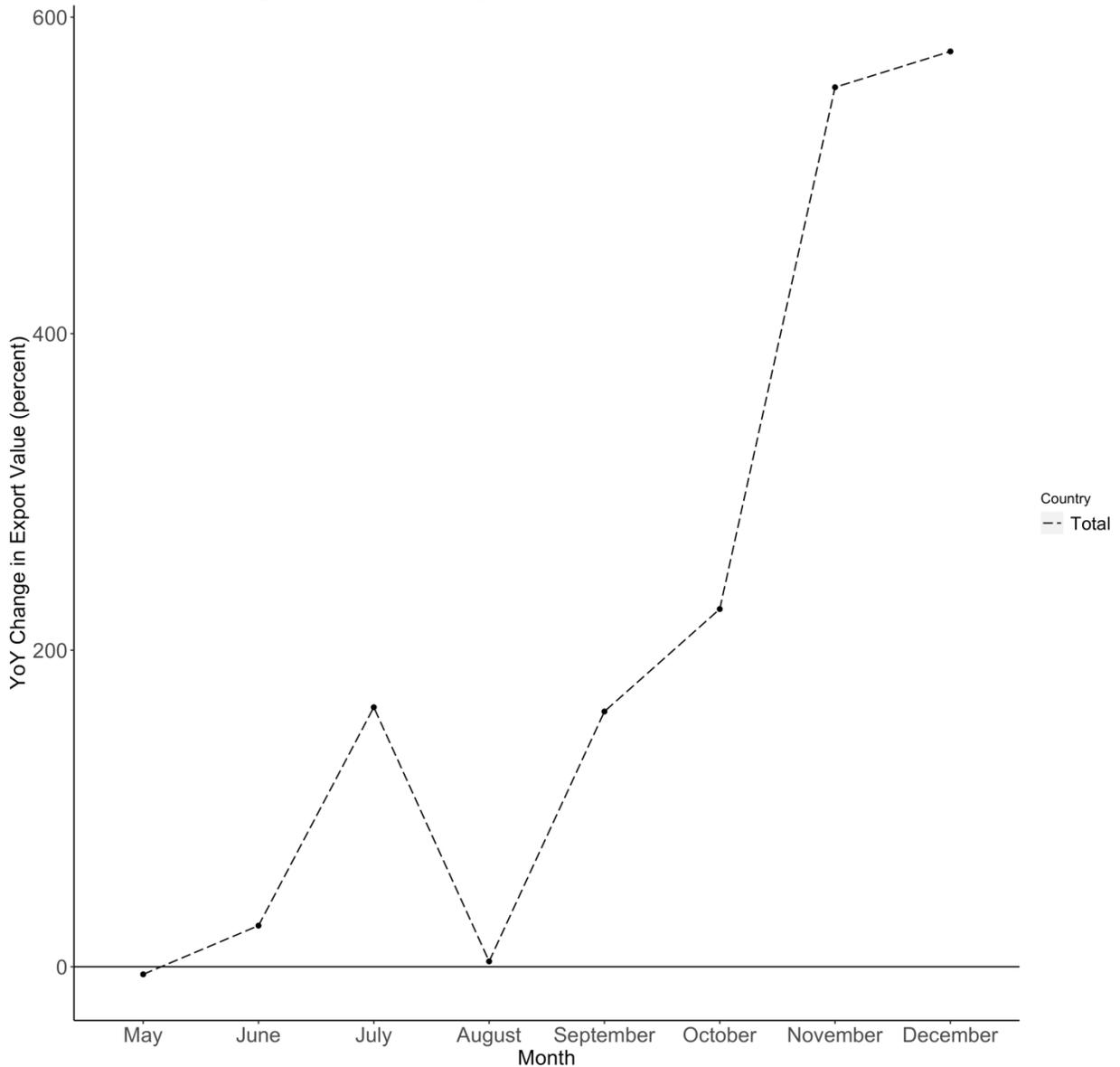
including traders, farmers, and midwestern bankers, readily and openly acknowledged that the war benefited them economically. While these acknowledgements may not rise to the level of actually supporting the war, it demonstrates that the industry didn't oppose the war in the same way that other American industries did.

My additive theory better explains the wheat industry's war preferences in this regard because it, unlike trade preference theory, accurately notes that the wheat industry had profound conflict relevance. Most armies in the World War I era relied on wheat as the primary staple for soldiers' diets. Moreover, the mass mobilization of troops in World War I diminished crop yields, including wheat, across Europe by removing the manpower necessary to harvest these crops. P. S. Goodwin, a prominent grain trader, nicely highlighted the importance of wheat during wartime in a late May 1915 address to the Oklahoma Grain Dealers' Association. "Not only armies live upon their stomachs, but the satisfaction of appetite enables the civilian population of a country to bear the horrors of war, and to sustain hope of victory, which is as important to national success as the enthusiasm of the soldier in the field."³⁹

As a result of its importance, the wheat industry was therefore able to offset any potential losses from wartime disruptions to international trade by increased sales to belligerent governments. Figure 3.2 illustrates this offsetting mechanism nicely. The American wheat industry greatly increased its total foreign exports in the late summer and fall of 1914 relative to the previous year. Although the overall year-over-year export levels were flat in August 1914, reflecting a temporary disruption in international trade after the outset of the war, trade soon resumed at a faster pace than ever.

³⁹ "Grain Markets in War Time," *AEGT* 34, no. 12 (June 15, 1916): 755.

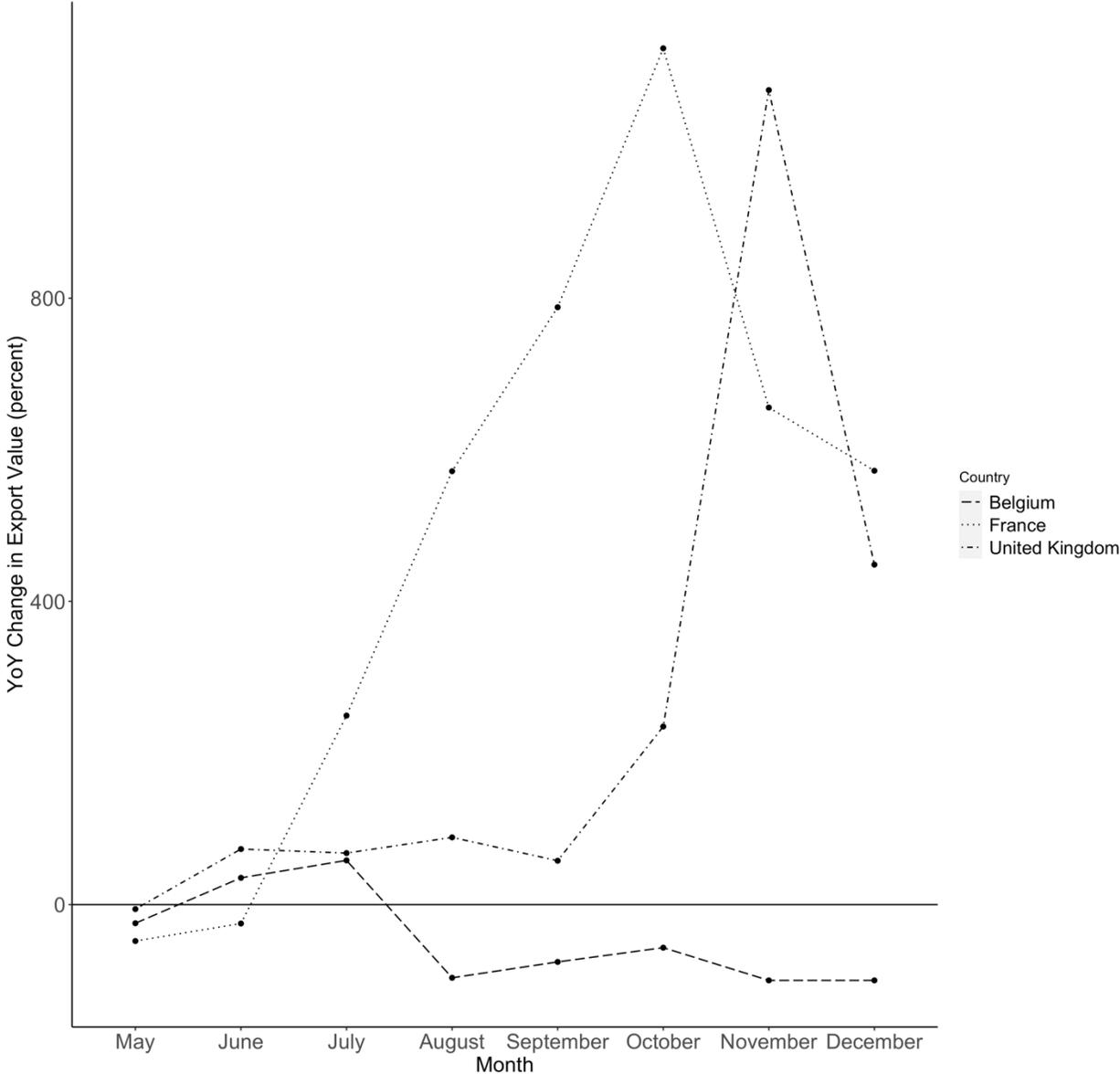
Figure 3.2: YoY Change in U.S. Wheat Exports (1914), Total



Source: Department of Commerce

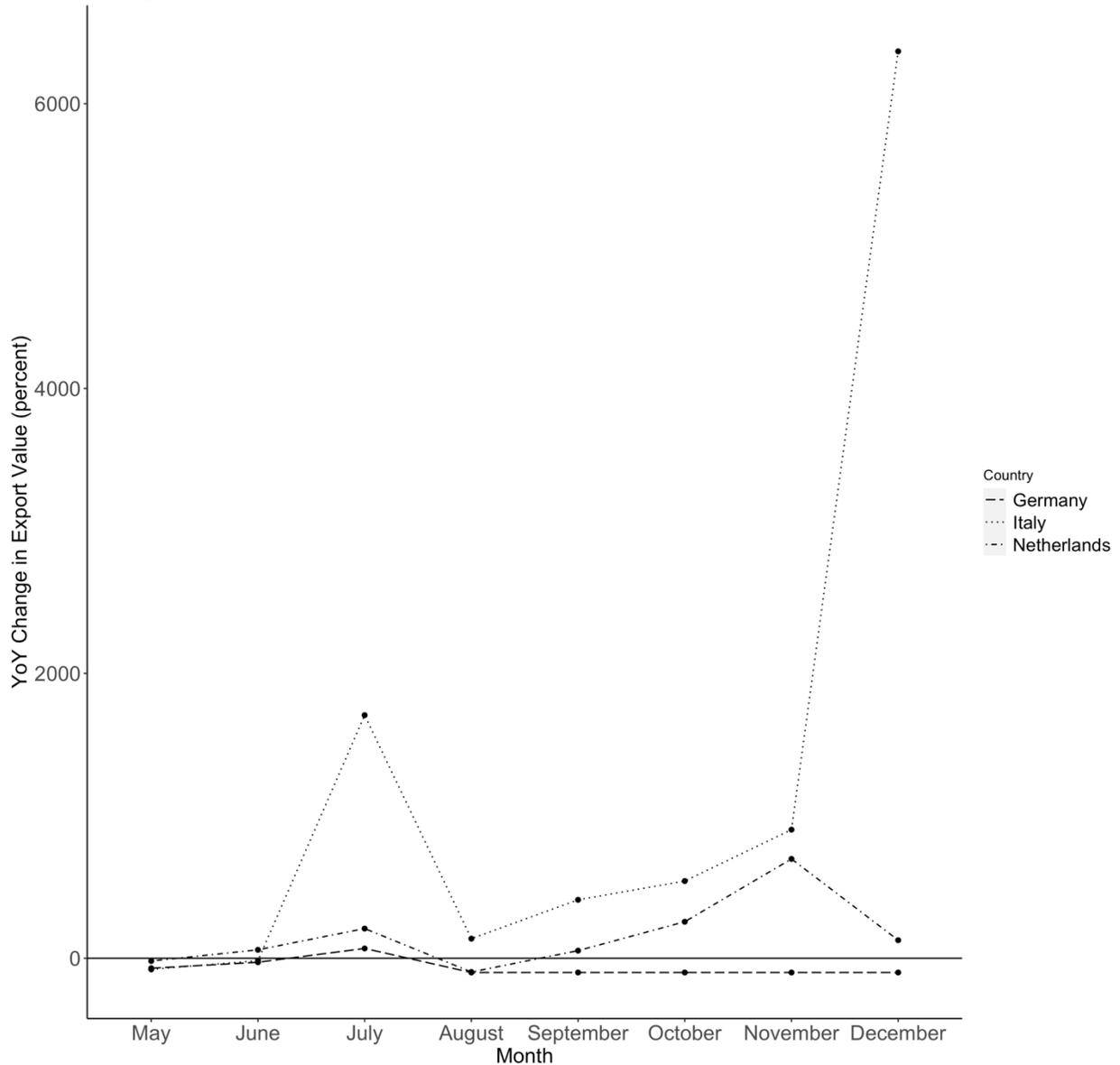
Moreover, as Figures 3.3 and 3.4 demonstrate, even though the war cut the American wheat industry off from markets in Germany and Austria-Hungary, they compensated by selling more to England, France, and neutral countries, such as the Netherlands and Italy, through which wheat made its way into Central Europe.

Figure 3.3: YoY Change in U.S. Wheat Exports (1914), Allies



Source: Department of Commerce

Figure 3.4: YoY Change in U.S. Wheat Exports (1914), Other European Countries



Source: Department of Commerce

But what about the wheat industry’s preferences as the conflict unfolded? In particular, what did the wheat industry think about United States’ decision to enter World War I in April 1917? Perhaps counterintuitively, the United States’ entry into World War I is less important for understanding business war preferences than it initially might seem. As noted in the previous chapter, what matters for assessing theories of business war preferences is the moment when those preferences become salient, that is when a country has a reasonable probability of entering a conflict, even if they never actually enter.⁴⁰ Given that American policy elites, including government officials and business leaders, debated whether or not the United States should the join the war beginning in August 1914, the key time for assessing the wheat industry’s war preferences is immediately prior to and after the start of the war in Europe.

⁴⁰ See the discussion in [section 2.4.2.](#)

Analyzing shifts in the wheat industry's war preferences over the course of World War I (i.e. intra-war changes in preferences) and the timing of a country's decision to enter war (i.e. the potential effect of business war preferences and political activity on war initiation/entry) require additional theorizing that is outside the scope of this dissertation. Nevertheless, I augment my core analysis of the American wheat industries preferences in the opening months of World War I (July – August 1914) with a descriptive analysis of their preferences as the conflict unfolded (August 1914 – January 1917) and around the decision for the United States to enter the war (January 1917 – June 1917). I find that, although the wheat industry was sometimes rattled by wartime events, such as threats to international shipping and U-boat attacks, they never developed a sustained opposition to the war. The industry also offered little to no opposition to the United States' decision to enter World War I. Although patriotic motives certainly played a role, the industry also believed that U.S. entry would increase governmental demand for wheat and therefore boost their profits.

3.1 Assessing the Wheat Industry's War Preferences: July – August 1914

As might be expected, the Chicago bankers and traders who predicted that the worst of the chaos in the wheat industry caused by World War I was over were wrong. Wild fluctuations in the price of wheat persisted on July 30, although there was less panic than in the preceding days. Increased margin calls meant traders were better guarded against bankruptcy if they were at risk of being caught on the wrong side of the market. Indeed, some veteran traders pulled out of the market entirely, unwilling to risk their capital given the uncertain market. Finally, various commission houses “put the soft pedal on speculative activities,” *The Chicago Tribune* noted, “and in many cases are refusing to take new business.”⁴¹

July 31, however, marked the “selling day” for July grains, where traders holding contracts promising future delivery of wheat by the end of the month either needed to roll the contracts over to the following months or physically receive the commodity that they had purchased. “It is predicted there will be a mad scramble on the part of the shorts to cover on large quantities of wheat,” *The Chicago Tribune* noted, as the last few hold-outs who had been hoping the price of wheat might drop ran out of time.⁴² Luckily, however, the major commission houses, who would make trades on behalf of clients who weren't members of the exchange, decided to sit out the scramble, meaning that “there was an absence of the panicky feeling which has dominated the trade for several days past. Prices reflected the saner attitude of the traders and commission houses, and while there were rather violent price swings during the day, the trade was small.”⁴³ By August 1 “The wheat market was closer to a normal basis of trading than it has been for several days.”⁴⁴

As the dust settled on the late July chaos, the wheat industry could pause and take full stock of what had occurred. As it did so, the historical magnitude of the flurry became clear. “Last week will go down in grain trade history as one of the most memorable ever known,” *The Chicago Tribune* reported. “The outbreak of war in Europe, while not unheralded, was unexpected and for a time panic conditions prevailed with all other news considerations swept aside as prices advanced to levels undreamed of a few days ago.” Wheat traders were undeniably the market participants most affected. They were “swept off their feet by the violent upward price swings and just as violent reactions, but not until there had been several days of the wildest kind of trading did the market settle down to anywhere near normal proportions.” From high prices not seen in decades

⁴¹ “Tumult Rules Grain Markets,” *Chicago Tribune* (July 31, 1914): 16.

⁴² “Wheat Climax in Local Pit Expected Today,” *Chicago Tribune* (July 31, 1914): 5.

⁴³ “Wheat Traders Regain Poise,” *Chicago Tribune* (August 1, 1914): 4.

⁴⁴ “Wheat Futures Finish Steady,” *Chicago Tribune* (August 2, 1914): A6.

“there were sensational declines as it dawned on traders generally that a general war in Europe might mean an interruption of the export trade; that it might become impossible to sell and ship our wheat no matter how urgently Europe needed it.”⁴⁵

Relative to other commodities, however, the wheat industry got off lucky. Traders at the Chicago Board of Trade at the very least got to enjoy a general rise in prices following the war’s start rather than having to absorb a pummeling drop in prices like other commodities and securities markets across the country. Over the last week in July U.S. stocks lost nearly \$700,000,000 in value as a result of panic selling.⁴⁶ The New York Stock Exchange closed on July 31st, and would stay closed until December. Other commodities exchanges, such as the cotton exchanges in New York and New Orleans, shuttered as well. Although it is impossible to fully account for the gains and losses of Chicago wheat brokers and traders over the crazy weeks in late July and early August, newspaper reports paint an overall positive picture.⁴⁷ The fact that no Chicago wheat traders went bankrupt as a result of the war, unlike traders in commodities such as raw cotton, also demonstrates that traders greatly preferred a sharp rise in the market as opposed to a sharp fall.⁴⁸

It’s also important to consider wheat market reactions in other cities across the Midwest. Even as Chicago was the undisputed center of the American grain trade, commodities exchanges in smaller cities were also affected by the war’s outbreak. Grain markets across the country were “thrown into a fever of excitement” by the war, including in St. Louis, reported the local correspondent for the *American Elevator and Grain Trade (AEGT)*.⁴⁹ “The floor of the Milwaukee exchange shared the confusion common in all parts of the country when wheat began to soar in response to the news of the declaration of war by Austria against Serbia,” an observer for the regional publication *The Chicago Banker* noted, with futures for wheat delivery in December and September leaping up 9% and 7% respectively. Most Milwaukee traders, however, couldn’t profit from this upturn as, like some traders in Chicago, they were generally caught on the “short” side of the market.⁵⁰ The price of wheat had already been rising before the outbreak of war in Duluth, but at a sharper pace after hostilities broke out. Cumulatively, the price of spot wheat jumped nearly 26% from July 14 to August 8.⁵¹

Responding to these market movements, journalists and newspaper editors across the Midwest reported that the war would be a boon for the wheat industry and the region as a whole. “It is the opinion of those competent to interpret conditions that the beginning of the War in Europe finds the United States in a splendid position and probably the most favored country on earth,” Eugene Hector, the financial editor of the *Chicago Tribune* wrote. “It has not near or remote connection with the governments at war, and instead of being injured is expected to profit at the outset by the demand which will be created for the things raised and manufactured by it.” In particular, “With the greatest wheat yield ever harvested, 930,000,000 bushels, worth \$896,000,000...there is present and in sight actual and certain new wealth.”⁵²

The London financial press also saw the war as a boon for American exporters, the grain industry in particular. *The London Statist* wrote in an editorial that “A great war in Europe will

⁴⁵ “Grain Markets Make History,” *Chicago Tribune* (August 3, 1914): 19.

⁴⁶ “Stocks Shrink by the Million,” *Chicago Tribune* (July 31, 1914): 1.

⁴⁷ E.g. “Patten Reaps Wheat Profits on War News,” *The Chicago Tribune* (July 30, 1914): 2; and “Effect of War Crisis on World’s Markets,” (July 30, 1914): 2.

⁴⁸ “New York Mart Wrecks Five Firms,” *The Chicago Tribune* (August 1, 1914): 4.

⁴⁹ Ralph O. Johnson “Special Correspondence: St. Louis,” *AEGT* 33, no. 2 (August 15, 1914): 110.

⁵⁰ Chalmer B. Traver, “Milwaukee, Wisconsin News Letter,” *Chicago Banker* 38, no. 5 (August 1, 1914): 14.

⁵¹ S. J. Schulte, “Special Correspondent: Duluth,” *AEGT* 33, no. 2 (August 15, 1914): 112.

⁵² Eugene Hector, “U.S. Certain to Prosper Despite War,” *Chicago Tribune* (August 2, 1914): 3.

probably bring economic advantages to the United States. It will enable it to sell its great crops in places which will give a much greater income than if there was no war. Almost every industry will derive more or less advantage. American investors and bankers should get in much profit from the ability to buy back from Europe great quantities of securities at attractive prices in payment for the foodstuffs and raw material exported from the United States.”⁵³

It’s unfortunately hard to reconstruct the historical opinions that individual wheat farmers had regarding the outbreak of World War I. Most trade publications and periodicals at the time spent their time interviewing bankers and traders rather than farmers. Nevertheless, these publications make it clear that farmers stood to gain from the higher prices prevailing in commodity markets across the Midwest. “Naturally the man who raises wheat, corn and oats knows that a general war in Europe means heavy army demands for grain,” a correspondent for the *AEGT* noted. “He is a farmer, but he knows that a long fight must mean depopulation of the farms and short crops in all producing countries that raise three-fifths of the world’s wheat supplies. He would indeed be a poor farmer or business man who would sell his grain products at a cheap price when by all rules of trade he should command a high price.”⁵⁴

Another correspondent observed that “Since war was declared between Austria and Serbia the price of wheat has advanced on an average of about 10 cents a week to the highest mark ever recorded at a corresponding time for December delivery.” Crucially, these prices didn’t just represent market speculation: “A fairly steady stream of European purchases of American breadstuffs has been made in the last month so that the present high price of wheat may be taken as a fair indication of the relative position of supply and demand.”⁵⁵ Anticipating that prices might go even higher as a result of wartime demand, some farmers were choosing to hold off on selling their crops in order to earn even higher profits.⁵⁶ “Milwaukee grain men are convinced that the present war crisis will prove a strong bullish influence in grain,” the local *AEGT* correspondent reported. “When shipping conditions are restored to normal they believe that there will be an enormous demand for wheat from the millions in the armies and the millions of people left at home who must be fed. There seems to be some doubt as to just how extensively the farmers will let go of their grain at the present prices.”⁵⁷

Farmers had every reason to be shocked about their reversal in fortune. Over the summer they had been anticipating low prices for wheat due to a larger than usual crop and, correspondingly, little if any profit. “Before war broke out in Europe American farmers were confronted with the problem of disposing of their wheat crop to advantage,” *The AEGT* reminded its readers. “The price dropped so low that indignation meetings were actually held in some places to find out why the farmer wasn’t getting a fair price. The subject was even introduced into Congress.” Concerns about crop damage from pests had triggered a slight uptick in prices before the start of the war, but the start of war was truly “the great upturn. Since then the farmers have been saying nothing, have held their wheat and hoped for the best which, from their standpoint, is \$1.50 wheat. The position of the farmer is now quite different; he was the plaintiff before the bar of public opinion, now he is the defendant.”⁵⁸ Due to the increase in the price of wheat, *The AEGT* estimated that the grain and hay crop would cumulatively be valued at over \$4.3 billion, over \$475

⁵³ Quoted in “Opportunities for America,” *Chicago Banker* 38, no. 6 (August 8, 1914): 18.

⁵⁴ Ralph O. Johnson, “A War-time Diagnosis,” *AEGT* 33, no. 3 (September 15, 1914): 170.

⁵⁵ Forman Tyler, “These Days of War and Peace,” *AEGT* 33, no. 3 (September 15, 1914): 164.

⁵⁶ E. F. Baker, “Special Correspondent: Toledo,” *AEGT* 33, no. 2 (August 15, 1914): 114.; F. J. Miller, “Special Correspondence: Indianapolis,” *AEGT* 33, no. 3 (September 15, 1914): 197.

⁵⁷ C. O. Skinrood, Special Correspondence: Milwaukee,” *AEGT* 33, no. 3 (September 15, 1914): 199.

⁵⁸ “A Change of Front,” *AEGT* 33, no. 3 (September 15, 1914): 189.

billion in contemporary dollars, “the largest returns [farmers] have ever received.”⁵⁹ How could a farmer oppose the war when it brought them that much profit?

Midwestern bankers’ opinions about the conflict’s effects on the wheat industry are also revealing with regards to the wheat industry’s war preferences. As the primary creditors for wheat farmers and traders, they had an intense vested interest in the value of wheat and subsequent market activity. Although acknowledging that the war wasn’t an unalloyed economic good, many regional bankers noted that the wheat industry was one segment of the economy that stood to gain from the conflict. The president of the Des Moines National Bank, Arthur Reynolds, believed that any short-term decrease in the country’s gold supply stemming from the war “would be more than offset by the demand for American grain. The United States will have an enormous crop surplus this year and the war in Europe will precipitate the demand for it...Unless the troubles assume an international aspect, there is financially nothing for the United States to lose and everything to gain from the war abroad.”⁶⁰ George M. Reynolds, Arthur’s brother and President of the Continental and Commercial Bank of Chicago, however, was slightly less excited about the war: “We may say offhand that war stimulates business in other countries, but whether it is all on the profit side is another question. There would be tremendous gain for producers”—one would suppose the wheat industry would fall under this category—“and consumers would suffer.”⁶¹

James B. Forgan, president of First National Bank of Chicago and the undisputed leader of Chicago bankers, didn’t believe that the United States would benefit overall from the war because of the drop in securities prices. At the same time, though, he also thought the war would “make high prices in food stuffs and supplies” and lead to a “Temporary bulge in grain prices.”⁶² Secretary George D. Bartlett of the Wisconsin Bankers Association believed that any financial disruption from the war would be temporary, and “As soon as communication is resumed...the present tension over any warlike activity in Europe should result favorably to the United States. Our crop outlook is the best in years and by reason of the war should command good prices.”⁶³ Similarly, Walker Hill, the acting president of the St. Louis Clearing House issued a statement praising the “magnificent crops in our territory” which meant that “the prospects for good business are particularly encouraging.”⁶⁴

For Homer A. Miller of Des Moines National Bank “The prospect of a general war is to be regretted...The effect will be to send up prices of commodities, but to offset that we have a marvelous crop. War will reduce the producing power of Europe and America will make up the deficiency.”⁶⁵ John Cavanaugh, of German Savings Bank in Iowa echoed these sentiments: “I regret the thought of a general war, but it is impossible to conceal the fact that this country will benefit. In a short time there will not be a man out of work in this country unless by his own volition. We have tremendous wheat and corn crops and Europe is going to take the surplus off our hands at good prices.”⁶⁶

There were certainly Midwestern bankers that didn’t view the war as positively. In particular, they noted that any short term benefits for American farmers needed to be weighed against the war’s long term negative economic consequences. Simon Cassady of Central State

⁵⁹ AEGT 33, no. 3 (September 15, 1914): 190.

⁶⁰ W. C. Jarnagin, “Iowa Banking News,” *Chicago Banker* 38, no. 5 (August 1, 1914): 22.

⁶¹ “Chicago Bankers on Effect of Conflict in Europe,” *Chicago Banker* 38, no. 5 (August 1, 1914): 1.

⁶² “Chicago Bankers on Effect of Conflict in Europe,” *Chicago Banker* 38, no. 5 (August 1, 1914): 1.

⁶³ Chalmer B. Traver, “Milwaukee, Wisconsin News Letter,” *Chicago Banker* 38, no. 6 (August 8, 1914): 14.

⁶⁴ R. L. Robinson, “St. Louis and Southwest Banking Letter,” *Chicago Banker* 38, no. 6 (August 8, 1914): 16.

⁶⁵ W. C. Jarnagin, “Iowa Banking News,” *Chicago Banker* 38, no. 6 (August 8, 1914): 22.

⁶⁶ W. C. Jarnagin, “Iowa Banking News,” *Chicago Banker* 38, no. 6 (August 8, 1914): 22.

Bank in Iowa believed that “War will help the United States for a while, but in the end it will be detrimental.”⁶⁷ C. T. Cole, Jr. of Valley National Bank in Iowa noted that “People are certain to be disturbed by war and the influence of this war will be felt for a long time.”⁶⁸ As *The Chicago Banker* reported, “At first thought it might seem that enormous advantages would accrue to the United States” from the war. “We may expect to have a very large hand in provisioning the belligerent powers during the continuation of the conflict—and this should mean a good, big slice in the pockets of our farmers, manufacturers and exporters. On the other hand, no war can ever be of lasting benefit to any country—and in the present conflict, though Europe be the heavier sufferer, America must look to share in many of the troubles incident thereto.”⁶⁹

In a notoriously cyclical industry like the wheat industry, however, and amidst a business recession that had yet to turn around, it’s hard to say that these long-term consequences were at the forefront of farmers’ minds given the clear short-term boost they would enjoy as a result of the war. “Growers are naturally desirous of getting the highest possible returns for their products,” the *Operative Miller* reminded readers. “With them the raising of wheat is not an altruistic business. They see in the present situation”—that is the war—“an opportunity to recoup themselves for many lean years when profits were small.”⁷⁰

3.2 The Wheat Industry and the Road to American Involvement: 1914 -1916

Was this lack of opposition to the war constant as the conflict unfolded? Or did the American wheat industry change their stance towards the war as a result of wartime events? Below, I analyze how the wheat industry responded to three types of wartime trade disruptions: the initial disruption caused by the outbreak of the war, concerns that wheat would be declared absolute contraband and thus confiscated by belligerent governments, and the threat of German U-boat (submarine) attacks. I then discuss two types of governmental demand disruptions: shifting beliefs about the length of the war and the potential opening of the Dardanelles Straits. If the Dardanelles were freed from Turkish control then the Russian wheat industry would be able to export to international markets, lessening governmental demand for U.S. wheat.

I find that although the wheat industry’s war preferences shift slightly as a result of these events, they never switch over to outright opposing the war. The wheat industry’s opposition to war slightly increase following the initial trade shock caused by the war and events that threaten to disrupt trade further, such as changes to contraband rules and U-boat attacks. They also strengthen their opposition when faced with the threat of decreased governmental demand due to events that might shorten the war, or, in the case of the Dardanelles, allow governments to buy wheat from other sources. Conversely, however, the wheat industry weakens their opposition to war when wartime events imply that governments will need more wheat, such as when it appears that the war will continue long into the future.

3.2.1 The Initial Shock

Grain merchants and farmers were profoundly worried when the war began about whether or not the conflict would severely impact international trade. The cost of insuring overseas wheat shipments, for instance, skyrocketed 800% in late July as a result of the perceived risk to shipping grain overseas. Robert McDougal, a member of the board of directors of the Chicago Board of

⁶⁷ W. C. Jarnagin, “Iowa Banking News,” *Chicago Banker* 38, no. 6 (August 8, 1914): 22.

⁶⁸ W. C. Jarnagin, “Iowa Banking News,” *Chicago Banker* 38, no. 6 (August 8, 1914): 22.

⁶⁹ “Outlook for Better Business,” *Chicago Banker* 38, no. 6 (August 8, 1914): 15.

⁷⁰ “War Cost Appears in Bread,” *Operative Miller* 20, no. 4 (April 1915): 235.

Trade, warned that there was a real risk that American wheat which wasn't already under contract might not be able to be shipped to Europe at all until the following spring. Beyond high insurance prices, the United States was facing a shortage in merchant ships, most of which were owned by foreign companies. "It is a fact that practically all of the ocean carrying tonnage is owned by foreign capital," McDougal noted to the *Chicago Tribune*, "Therefore, marine insurance on grain cargoes, it is likely, will have to be negotiated on war risk rates. It matters little whether the European buyer or the American exporter pays this war risk. Exporters have found it difficult to arrange insurance on cargoes to be shipped, and if European involvements grow worse, export business in United States wheat will cease, with the result that our surplus might be held in this country next spring instead of going to Europe. It is certain export business is now paralyzed. No one wishes or dares to undertake it."⁷¹ The *Operative Miller* expressed similar thoughts. It was clear that foreign governments wanted American wheat, "as is evidenced by the fact that a million bushels of export wheat were sold in this country, in a single day. But ships are scarce and transatlantic tariffs are high with war risks in proportion."⁷²

It's quite clear, therefore, that the wheat industry's support or opposition to war hinged on whether they were able to sell wheat to buyers in belligerent countries. Since the United States was not a belligerent at the outset of the war, this therefore meant that their support for the war was contingent on being able to export wheat overseas. "It all depends on the export situation," the Kansas City correspondent for the *AEGT* noted in mid-August 1914. "Developments any day may change sentiment radically to either optimism or pessimism. At this writing, the consensus is that there will be a heavy demand from abroad, while the warring nations will find some method of meeting through American sources." At the same time, "Kansas City's outlet through the Southern ports was checked by congestion even before the war began, and now all those ports are under embargo."⁷³ There were similar concerns about the ability to ship grain overseas on the East coast of the country. "There is plenty of grain here to sell, and Europe wants it," the *AEGT*'s Philadelphia correspondent noted, "But the exporters on this side of the water are unable to make the deliveries, and that is the serious unsolved problem."⁷⁴

At this point the wheat industry turned to the federal government for help to ensure the trade continued, and the government obliged. Midwestern bankers successfully travelled to Washington, D.C. in early August to make the case for government support for the wheat export trade in person, while other industry organizations appealed via letters and telegrams.⁷⁵ By the end of the first week in August the government was working with grain exporters to maneuver tens of millions of bushels around the east coast to find ships to carry the grain overseas.⁷⁶ Foreign governments also offered aid to the wheat industry. Belgium was one of the first European countries to guarantee war risks on wheat destined for their ports on August 4, and England quickly

⁷¹ "Wheat Climax in Local Pit Expected Today," *Chicago Tribune* (July 31, 1914): 5; see also "The Merchant Marine," *AEGT* 33, no. 2 (August 15, 1914): 102; "The Handicaps in the Foreign Trade," *AEGT* 33, no. 7 (January 15, 1915): 460-1.

⁷² "War Geography and the Trade Routes," *OM* 19, no. 12 (December 1914): 851.

⁷³ B. S. Brown, "Special Correspondence: Kansas City," *AEGT* 33, no. 2 (August 15, 1914): 109.

⁷⁴ E. R. Siewers, "Special Correspondence: Philadelphia," *AEGT* 33, no. 2 (August 15, 1914): 109.

⁷⁵ "Chicago Bankers to Washington," *Chicago Banker* 38, no. 7 (August 15, 1914): 5; R. L. Robinson, "St. Louis and Southwest Banking Letter," *Chicago Banker* 38, no. 8 (August 22, 1914): 16; E. R. Siewers, "Special Correspondence: Philadelphia," *AEGT* 33, no. 2 (August 15, 1914): 109.

⁷⁶ "America's Finances on a Firm Basis," *Chicago Banker* 38, no. 6 (August 8, 1914): 7.

followed.⁷⁷ Under pressure from President Woodrow Wilson, Congress quickly passed two bills to assist export industries like the wheat industry. The first bill, the Foreign Ship Registry Act, was passed in mid-August and helped increase the size of the United States' merchant marine fleet by making it easier to register, and in some cases re-register, ships in the country so that they would be considered neutral vessels. The second bill, the War Risk Insurance Act, was passed in early September and authorized the Treasury department to issue insurance policies for U.S. overseas shipments.⁷⁸

Moreover, even if European markets were shut off to American agricultural products, grain merchants saw the war as their chance to seize market share in South America from the understandably distracted merchants in belligerent countries.⁷⁹ "In the chaotic condition of European commerce and the probability the confusion long will be continued is seen a certainty of an immense increase in trade between the United States and South America," *The Chicago Banker* noted. "With the shipping of Germany, France and England at a standstill the exchange of products between those countries and the South American republics will cease. When this nation's currency difficulties are disposed of and an adequate merchant marine provided under the plans now on foot in Washington the shifting of this interchange of business from Europe to the United States is regarded an unavoidable sequence."⁸⁰ Similarly, the *Chicago Tribune* wrote that "The United States is facing the greatest opportunity in its history of controlling the world's trade" as a result of the war. "Not only will this country be the feeder of Europe during the war, but she will also capture, if she sets about it properly, the present German trade in South America and the orient."⁸¹

Even government assistance, however, wasn't enough to fully insulate the wheat industry from the effects of the war. As the war progressed, therefore, the price of wheat, as well as the wheat industry's opinions about the conflict, changed as a result of wartime events. As the *AEGT* artfully put it, "The frantic, changing fingers in the wheat and corn pits of Chicago reflect the advance or retreat of the Allied armies. Each new figure on the black board may mean a warship sunk, a ruler taken sick, or a new position gained after weeks of fighting. So close and so intimate is the touch of war on the grain exchanges of the country."⁸² Two sets of events in particular affected sentiment in the wheat industry: England's shifting stance over whether to consider grain exports as contraband goods, and therefore subject to search and seizure and German U-Boat attacks.

3.2.2 Concerns over Contraband Rules

Of all the thorny international legal issues raised by the onset of World War I, and there were many, the issue that concerned American politicians and businessmen the most was how

⁷⁷ "News and Gossip of Board of Trade," *Chicago Tribune* (August 4, 1914): 1; "Guarantees of Grain Shipments Reported," *AEGT* 33, no. 2 (August 15, 1914): 93; Roberts, *Saving the City*, 114-5.

⁷⁸ Samuel McCune Lindsay, "Purpose and Scope of War Risk Insurance." *The Annals of the American Academy of Political and Social Science* 79 (1918): 52-68. For a detailed history of the passage of these two bills see M. Ryan Floyd, *Abandoning American Neutrality: Woodrow Wilson and the Beginning of the Great War, August 1914 - December 1915*. New York, NY: Palgrave Macmillan, 2013.

⁷⁹ Amongst the direct appeals included an early August visit by Chicago bankers to Washington, D.C.

⁸⁰ "America's Finances on a Firm Basis," *Chicago Banker* 38, no. 6 (August 8, 1914): 7; see also "Central States News Letter," *Chicago Banker* 38, no. 11 (September 12, 1914): 20; Chalmer B. Traver, "Milwaukee, Wisconsin News Letter," 38, no. 14 (October 3, 1914): 14..

⁸¹ "Trade of World Chance for U.S.," *Chicago Tribune* (August 3, 1914): 11.

⁸² "How the Chicago Trade Market Touches the Travelers in Belgium," *AEGT* 33, no. 6 (December 15, 1914): 396.

major belligerents would handle the detention and seizure of goods destined for the enemy. Although guidance on acceptable and unacceptable restrictions on wartime trade had formed a part of customary international law since the Crimean War a half century prior, these norms had not yet been formally codified when war broke out.

Attempts to do so in the preceding decade, beginning at the 1907 Hague Peace Conference, had culminated with a major international conference held in London in 1909. There, major world powers, including Great Britain, France, Germany, and the United States, discussed the issue of which commodities and products might legally be considered “contraband,” and subject to seizure, and which were not. The output of the conference, the “Declaration of London,” was a huge improvement over existing customary law. In particular, it contained specific lists of items that could be considered absolute contraband, such as weapons, conditional contraband, such as foodstuffs which might have either a military or civilian use, and free goods, that had little to no military utility. The problem, though, was that, although conference delegates all agreed on the content of the Declaration, their supervising governments did not. No government had officially ratified the Declaration by the time war broke out in 1914.⁸³

As a result, although in theory belligerent governments had agreed on what items were to be considered absolute and conditional contraband, they remained free to ignore the Declaration since it wasn’t codified treaty law. Moreover, the Declaration also explicitly allowed signatories to add or subtract goods from contraband lists as long as they publicly stated that they were doing so. Businesses in neutral countries attempting to trade internationally, therefore, like the American wheat industry, faced at least two distinct uncertainties. First, there was the question of whether they would be permitted to freely ship their goods overseas if countries decided to adhere to the Declaration. Second, even if countries agreed to adhere to the Declaration, and therefore granted businesses some measure of international legal protection, trade could still be shut off based on changes to contraband lists operating within the dictates of the Declaration.

When war broke out, European governments quickly moved to enact contraband policies, many of which had been planned previously around the time of the London Conference in 1909.⁸⁴ The British government moved first amongst belligerents, publishing contraband lists on August 4th, 1914 that reflected the lists agreed to in the Declaration of London, with the exception of aircraft, which were moved from the conditional to absolute contraband list.⁸⁵ When pressed by the U.S. government as to whether this meant that England intended to adhere to the Declaration in its entirety, however, the British government demurred.⁸⁶ Most other European belligerents followed the British lead in publishing their own contraband lists and refusing to adhere wholesale to the Declaration.⁸⁷ Belligerent governments would regularly tinker with the items on these lists, though, over the course of the war. For instance, on September 30, 1914 the British government

⁸³ For an in-depth discussion of the politics of contraband see Isabel V. Hull, *A Scrap of Paper: Breaking and Making International Law during the Great War*. Ithaca, NY: Cornell University Press, 2014: Chapter 5.

⁸⁴ On British pre-war naval planning in particular see Nicholas A. Lambert, *Planning Armageddon: British Economic Warfare and the First World War*. Cambridge, MA: Harvard University Press, 2012; John W. Coogan, “The Short-War Illusion Resurrected: The Myth of Economic Warfare as the British Schlieffen Plan.” *Journal of Strategic Studies* 38, no. 7 (2015): 1045–64; David G. Morgan-Owen, *The Fear of Invasion: Strategy, Politics, and British War Planning, 1880-1914*. Oxford, UK: Oxford University Press, 2017; and Hull, *A Scrap of Paper*, 147-53.

⁸⁵ “Page to the Secretary of State,” August 5, 1914, *Foreign Relations of the United States (FRUS)*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 215-216.

⁸⁶ “Page to the Secretary of State,” August 26, 1914, *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 218-222.

⁸⁷ E.g. *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 216-218.

added a number of commodities, namely unwrought copper and rubber, to the conditional contraband list.⁸⁸ The Ottoman government, a late entrant into the war, added wood, coal, and sheet iron to their absolute contraband list in late December.⁸⁹

The wheat industry was incredibly unnerved by this situation. It meant that foodstuffs like wheat, which were considered conditional contraband under the Declaration of London and subject only to limited wartime trade restrictions, could at any moment wheat be declared absolute contraband. The Board of Trade in Kansas City, Missouri, for instance, sent a telegram to the State Department outlining their concerns. They noted that “the exporters of grain are fearful of the war situation and do not consider it safe to load grain ships or forward any grain for export by reason of the uncertainty as to the position the foreign powers may take as to whether or not grain will or will not be considered contraband of war.”⁹⁰

Indeed many wheat growers didn’t know whether or not wheat was already considered contraband. The Wichita Mill and Elevator Company in Wichita Falls, Texas, with nowhere else to turn, reached out to their congressman, John H. Stephens, to enquire about whether they could legally ship wheat to Europe.⁹¹ C. A. King & Co., a grain firm in Toledo, Ohio did the same with New York Senator Elihu Root.⁹² Beyond contraband declarations, wheat exporters were also worried that their shipments might be seized, whether it was legal or not. The North American Export Grain Association reached out to the State Department in mid-August to report that “many vessels carrying grain and other foodstuffs” to Europe “have been diverted to English ports” without notification of why.⁹³ Seizure of ships carrying wheat to Germany continued throughout the Fall of 1914.⁹⁴

These cases don’t just speak to the wheat industry’s uneasiness about contraband policies, they demonstrate how seriously the U.S. government took these concerns. In each of the situations cited above, the State Department took the wheat industry’s complaints seriously and tried to ameliorate them as best they could. As well, the U.S. government pressured the British government to allow for free passage of foodstuffs, including wheat to Germany and other belligerents. In a lengthy communique to the British government on September 26, 1914, the Acting Secretary of State, Robert Lansing, noted, among other concerns that the U.S. government had with British contraband policy, that “The United States has always insisted that foodstuffs are legitimate articles of commerce, and that mere destination to an enemy port is not of itself justification for their seizure or confiscation.”⁹⁵ Lansing confided to the Ambassador to Great Britain, Walter Hines

⁸⁸ “Page to the Secretary of State,” September 30, 1914, *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 236.

⁸⁹ “The Ambassador in Turkey (Morgenthau) to the Secretary of State,” December 22, 1914, *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 268.

⁹⁰ “The Board of Trade of Kansas City to the Secretary of State,” July 31, 1914, *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 271.

⁹¹ “Representative Stephens to the Secretary of State,” August 6, 1914, *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 273-274.

⁹² E. F. Baker, “Special Correspondence: Toledo,” *AEGT* 33 No. 3 (September 15, 1914): 197.

⁹³ “The North American Export Grain Association to the Secretary of State,” *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 304.

⁹⁴ “Muir and Company to the Secretary of State,” November 4, 1914, *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 336-337.

⁹⁵ “Acting Secretary of State to Page,” *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 229. A similar complaint was lodged in late December 1914. See “Secretary of State to Page,” December 26, 1914, *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 372-375.

Page, in a later telegram that the U.S. government was worried about the political reaction by businesses negatively affected by British contraband policy. “If the proposed rules are sought to be put into force and the matter becomes the subject of public discussion in this country, as it undoubtedly will,” Lansing wrote, “it is to be confidently expected that it will arouse a spirit of resentment among the American people toward Great Britain which this Government would extremely regret but which it would be unable to prevent.”⁹⁶ While Lansing didn’t specifically reference the wheat industry as one of the groups whose spirit might be “aroused” by British contraband policy, the concurrent concerns that the wheat industry was expressing to the State Department makes it possible to connect the two.⁹⁷

Fears that the British navy would stop and seize international grain shipments continued throughout the course of the war. The British government had asserted its right to interdict conditional contraband, including shipments of food like wheat, in an “Order in Council” on August 20, 1914, but had rarely done so in the first few months of the war. They faced difficulties in determining what foodstuffs were destined for military purposes—and thus legal for them to stop—and which weren’t. The British government therefore rescinded this sweeping order on October 29.

The French government, however, wanted a more robust interdiction policy regarding foodstuffs and pressured the British government to more actively stop shipments destined to Germany, including those that would transit through neutral ports.⁹⁸ This pressure coincided with two key wartime events: Germany’s declaration of unrestricted submarine warfare on February 2, 1915, whereby it would indiscriminately target belligerent and neutral merchant ships, and the British government’s desire to use this policy as cover for a retaliatory expansion of their attempt to block all foreign trade from neutrals to Germany. The wheat industry’s fears about wheat shipments being stopped by Entente powers under contraband rules therefore intersected with another fear, that ships carrying wheat would be sunk by German submarines, or “U-boats.”

3.2.3 U-Boat Attacks

Although U-boat attacks weren’t particularly common in the early months of the war, they drove up insurance rates on grain shipments and contributed to the shortage of merchant ships in the United States.⁹⁹ These losses, by threatening the viability of grain exports and disrupting international trade, had a profound effect on the American wheat industry, causing them to increase their opposition to the war.

In particular, the sinking of the passenger ship *Lusitania* in May 1915 had a profound influence on the wheat industry’s sentiment. “All other factors in the St. Louis market have been overshadowed by the sinking of the *Lusitania*,” a local correspondent reported. “Although the trade

⁹⁶ “Acting Secretary of State to Page,” *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 232.

⁹⁷ As a coda to this exchange, the British government began trying to align their contraband policy with the U.S. government’s desires. Although not wholly giving in to the United States, it is clear that the British government wanted to placate them if possible. See *FRUS*, 1914 Supplement: The World War, (Washington, D.C.: Government Printing Office, 1928), 233-263. This potentially indicates, contra arguments by Mariya Grinberg, that third-party pressure might play an important role in determining wartime governments’ trade policies. See Mariya Grinberg, “Planning for the Short Haul: Explaining Wartime Trade between Enemies.” PhD Dissertation, University of Chicago, 2019.

⁹⁸ Hull, *Scrap of Paper*, 165.

⁹⁹ “About 50 per cent of the available boats in the export trade are interned, commandeered or sunk,” the *AEGT* bemoaned. “The Handicaps in the Foreign Trade,” *AEGT* 33, no. 7 (January 15, 1915): 460.

through recent developments had been lead (sic) to believe that such a speculative contingency might arise, it had far from realized the possibilities actually involved until the event took place.” News of the sinking reached the exchange just before it closed for the day on May 7, meaning the true market reaction was delayed a day. At that point, “the horror of the enormous loss of life and its political possibilities became known. With their realization came an avalanche of selling orders and values fairly melted away.”¹⁰⁰

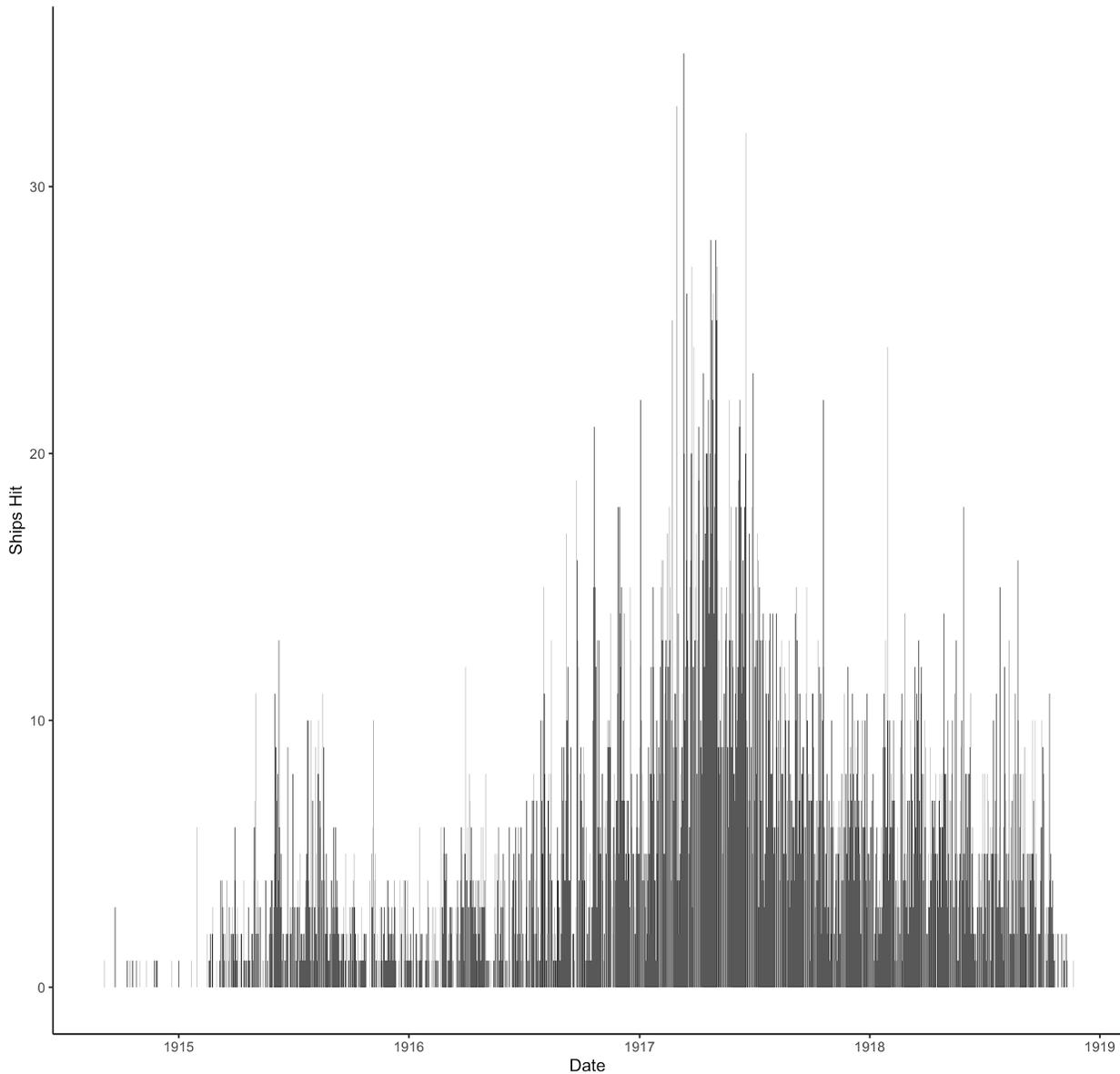
The outcry over the *Lusitania*'s destruction, from both the U.S. government and average citizens, caused Germany to impose stricter guidelines as to which ships its submarines were allowed to target. As a result, the annual number of U-boat dropped over the second half of 1915 and remained low through the first half of 1916. “Submarine operations do not seem to have greatly discouraged shipping to the British Isles, however unpopular sailing in the North Sea may have become,” the *Operative Miller* noted in July 1915.¹⁰¹ As **Figure 3.5** demonstrates, however, the daily number of attacks had started to steadily increase by the second half of the year. This did not go unnoticed by the wheat industry. “Members of the grain trade throughout the country have naturally shared in the general interest aroused by the sinking of so many merchant ships by submarines and mines since the beginning of the great European conflict,” a New York correspondent noted.¹⁰² In particular, ship sinkings contributed to the general shortage in merchant marine ships available, as well as driving up the price of shipping insurance.

¹⁰⁰ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 33, no. 11 (May 15, 1915): 736.

¹⁰¹ “The Trade Situation,” *Operative Miller* 20, no. 7 (July 1915): 444.

¹⁰² C. K. Trafton, “News Letters: New York,” *AEGT* 34, no. 11 (May 15, 1916): 712.

Figure 5: Daily Count of UBoat Attacks, 1914-1918



Source: uboat.net

Grain markets across the United States steadily began to oscillate in tune with daily U-boat attacks. A series of attacks would drive the price of wheat down over the fear that it couldn't be safely shipped overseas. Conversely, temporary reprieves in attacks made the wheat industry more optimistic.¹⁰³ In one of the boldest U-boat expeditions of the war, the German submarine U-53 sailed to the east coast of the United States in October 1916 and docked briefly in Newport harbor in Rhode Island, before sinking six ships in quick succession in the waters south of the city.¹⁰⁴ Although this behavior was hard to challenge under international law, the attacks enraged both the U.S. and British governments, as well as shocked the grain trade. The raid caused the price of grain

¹⁰³ R. O. Johnson, "News Letters: St. Louis," *AEGT* 34, no. 12 (June 15, 1916): 770.

¹⁰⁴ Arnett B. Taylor, "The Cruise of the U-53," *Proceedings of the United States Naval Institute* 92, no. 10 (October 1966).

to fall and the cost of risk insurance to rise.¹⁰⁵ Both these effects stem directly from the way in which German U-boat attacks threatened international trade. “Will there be more submarine troubles on our coast?” The Toledo grain firm C. A. King & Co. asked in a circular letter. “If serious they would almost stop our exports, restrict our war prosperity” and leave the industry reliant on domestic sales.¹⁰⁶ “The speculative structure of the market was shocked by German submarine activities off the New England Coast,” the St. Louis correspondent for the *AEGT* reported, “and fear that export shipments of wheat to Europe might be materially interfered with in the near future, by a revival of ruthless destruction of neutral shipping by German submersibles.”¹⁰⁷ These sentiments support the proposition that submarine attacks caused the wheat industry to decrease their support and strengthen their opposition to the war because of their potential to inhibit international trade.

By December 1916 nearly 2,000 merchant vessels totaling over 3.5 million tons had been sunk over the course of the war, at a loss of over \$400 million. Although government action in the United States had helped increase the available amount of merchant shipping, such as through the Foreign Ship Registry Act, it was not enough to off-set the steady pace of destruction. In turn, the cost of shipping, both the base cost and insurance, increased even higher. “In some cases the rates for a round trip have been equal to the cost of the vessel,” the *AEGT* reported. Moreover, “In spite of the activity in ship-building new vessels cannot be supplied fast enough to take the place of those destroyed so there is little prospect of low ocean rates until the war ends or, at least, until submarine activity has been lessened.”¹⁰⁸ One observer likened the grain trade to a see-saw due to its tendency to bounce up and down based on submarine attacks. “A day of heavy exports will shoot the market up, then a submarine appears on the scene and down she goes.”¹⁰⁹

3.2.4 Beliefs about War’s Length

The wheat industry’s primary signal regarding governmental demand through the first three years of World War I was wartime events that seemed to indicate either that the war would soon end, or drag on further. The longer the war continued, the more wheat that belligerent governments would need to buy, making the wheat industry less likely to oppose the war. The wheat industry was cheered therefore in late Autumn 1914, when it became clear that the war wouldn’t be concluded quickly by year’s end and belligerent countries began to stockpile supplies, including wheat, for spring offensives. The last major offensive conducted by British and French armies in 1914 concluded with the First Battle of Ypres in northwest Belgium in late November, leading to “the exhaustion of all the combatant armies’ offensive force.”¹¹⁰ Although the French launched attacks over the winter in both the Artois region of northeastern France and Champagne region to the south, these were, in the words of a prominent historian, “premature.”¹¹¹ Larger, and hopefully more successful, attacks would have to wait for the spring.

The American wheat market accelerated as a result of this pause in the fighting. “Peaceful Americans are feeding the belligerents of Europe,” The *Operative Miller*, a trade publication, noted. “The ill wind which blows death from a hundred battlefields carries good fortune to our

¹⁰⁵ “Editorial Mention,” *AEGT* 35, no. 4 (October 16, 1916): 253.

¹⁰⁶ “Our Boy Solomon on Submarines,” *AEGT* 35, no. 4 (October 16, 1916): 255.

¹⁰⁷ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 35, no. 4 (October 16, 1916): 257.

¹⁰⁸ “Getting Grain Abroad,” *AEGT* 35, no. 6 (December 15, 1916): 365.

¹⁰⁹ E. F. Baker, “News Letters: Toledo,” *AEGT* 35, no. 6 (December 15, 1916): 375.

¹¹⁰ John Keegan, *The First World War*. New York: Vintage Books, 2000: 175.

¹¹¹ John Keegan, *The First World War*. New York: Vintage Books, 2000: 181.

American farmers.”¹¹² In contrast to the speculative fluctuations in wheat prices following the start of the war, T. A. Grier & Co., grain merchants in Peoria, Illinois, reported in a circular letter distributed to clients that increasing prices in January 1915 were now “being attained by the demand for the cash article. It is a demand legitimate and unparalleled in its magnitude.”¹¹³ The firm of E. W. Wagner & Co., based out of Chicago, echoed these sentiments in their own circular letter: “We have taken the place of Russia as a general world provider. Until Europe ceases to cable us for grain, declines will be meager and the limit of upturns is in foreign hands.”¹¹⁴ High prices in the grain market weren’t the result of price manipulation or attempts to corner the market, wrote C. A. King & Co. from Toledo, Ohio. Rather, “War and Nature are the big manipulators this season... War closed the Dardanelles and cut off Russian and Danubian exports. War destroyed part of Europe's crops and decreased their acreage last Fall. Nature donated Canada the shortest crop in years. Nature made Australia an importer instead of a liberal exporter. War gods are the villains. The public should be fair and put the blame where it belongs.”¹¹⁵ The St. Louis grain market was experiencing its “second flurry on war conditions” in January 1915, with export grain houses in particular doing a brisk business.”¹¹⁶

Nevertheless, it was clear to the wheat industry that shifting circumstances in the war could have grave repercussions on the market. “The underlying position of the market is strong,” in St. Louis, the local *AEGT* correspondent noted, “provided that no fundamental change takes place in the foreign war.”¹¹⁷ While rumors that the conflict was likely to be long and costly, thus necessitating more wheat purchases, would drive the market up, peace rumors, signaling a potential decrease in government demand, would drive the market down.¹¹⁸ “Uncertainty surrounding the ending of the European war” in April 1915, for instance, led to decreased trade volume in wheat in the St. Louis market. “Several of the best-posted traders on the St. Louis Merchants' Exchange think they see in the buoyant market for stocks in Wall street chances of an early peace in Europe,” a local correspondent wrote, “and have abandoned the bull side of the grain on this account. They assert that international bankers would be the first ones to know of any definite movement for peace, and would naturally start buying stocks in advance of any public announcement.”¹¹⁹

The editors of the *AEGT* noted that there was a “cycle which is becoming well recognized in trade circles” whereby rumors of peace in Europe decreased the industry’s beliefs about foreign demand, triggering a drop in prices, which would lead foreign governments to place large orders in order to take advantage of the lower prices. “It is getting so that every foreign dispatch is scrutinized, not for elements of truth, but for the effect it may have on the grain market and the purchasing power of the foreign governments which need our cereals. The bulls remain skeptical of peace talk and will not be convinced until the articles are signed by all the warring nations. But the market is so sensitive that there is easy picking for the oversea buyers.”¹²⁰ “Every rumor of peace shows that the grain elevator has a chute attached to it,” the *Operative Miller* snarked.¹²¹

¹¹² “America: The Breadmaker for the World,” *Operative Miller* 20, no. 1 (January 1915): 33.

¹¹³ *AEGT* 33, no. 7 (January 15, 1915): 463.

¹¹⁴ *AEGT* 33, no. 7 (January 15, 1915): 463.

¹¹⁵ *AEGT* 33, no. 8 (February 15, 1915): 541.

¹¹⁶ R. O. Johnson, “Special Letters: St. Louis,” *AEGT* 33, no. 7 (January 15, 1915): 474.

¹¹⁷ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 33, no. 8 (February 15, 1915): 548.

¹¹⁸ “New York Export Outlook,” *AEGT* 33, no. 9 (March 15, 1915):

¹¹⁹ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 33, no. 10 (April 15, 1915): 670.

¹²⁰ “Editorial Mention,” *AEGT* 33, no. 11 (May 15, 1915): 726.

¹²¹ *Operative Miller* 20, no. 2 (February 1915): 105.

More seriously, it noted, a “sudden ending of the war, it is thought would cause a big drop” in prices.¹²²

Wartime developments remained the “prime factor in price making” in American grain markets as the conflict continued throughout the spring and summer of 1915.¹²³ Given that continued wartime demand was boosting prices, traders and farmers displayed little opposition to the conflict continuing. “Should the war continue, prices are bound to be strengthened and the United States will profit,” the Toledo correspondent for the *AEGT* noted. “Should the war be brought to a speedy close, the effect would of course be somewhat different.”¹²⁴ The St. Louis correspondent agreed: “Should the war continue for another year prices now are at a very attractive level for foreign buyers, and this should mean activity and prosperity to export houses.”¹²⁵

In the late summer of 1915, however, another threat to government demand materialized besides the end of the war: the difficulty of the British and French governments, the primary buyers of American wheat, to finance their purchases given the tremendous costs of continuing the war. These allied governments had been enquiring about the possibility of borrowing money from American bankers to finance their war efforts from the first days of the conflict.¹²⁶ Now, nearly a year into the war, their funds were running short. “The export situation is precarious,” the *AEGT* reported. “The stability of the Bank of England and the ability of the British Government to meet its obligations is unquestioned, but the tremendous financial drain to which that country has been subjected has begun to show in the exchange rate of English and continental money, and the end is not yet in sight.”¹²⁷ Indeed, a lack of available funds to secure wheat purchases led European governments to cancel some large wheat contracts.¹²⁸

Nevertheless, the importance of wheat for feeding both their armies and civilian populations gave heart to American farmers and grain traders.¹²⁹ Allied governments also developed creative ways to avoid excess inter-government competition from pushing prices up. First, they authorized J. P. Morgan to act as a central purchasing agent to buy for all allied governments.¹³⁰ Second, they were able to obtain loans from American bankers, which “undoubtedly saved the wheat holders.”¹³¹ Third, the Allied governments built a collaborative inter-governmental organization, the “Wheat Executive” to coordinate the purchase and distribution of wheat.¹³² Although these coordination efforts helped somewhat to push down the price of American wheat, they also ensured that Allied government demand for wheat stayed high throughout the conflict.¹³³ The demand for wheat had “in all probability, considerably exceeded anything it would have been under normal conditions,” President Lee J. Metcalf stated at the

¹²² Harry Fox, “The Flour Situation,” *Operative Miller* 20, no. 2 (February 1915): 110.

¹²³ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 33, no. 11 (May 15, 1915): 737.

¹²⁴ E. F. Baker, “Special Correspondent: Toledo,” *AEGT* 33, no. 2 (August 15, 1914): 114.

¹²⁵ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 34, no. 1 (July 15, 1915): 57.

¹²⁶ The first such enquiry appears to have been a trial balloon floated by the Rothschild Frères Bank in France to J. P. Morgan and Company on August 3, 1914. See Hearings Before the Special Committee Investigating the Munitions Industry, United States Senate, 73d Congress. Page 7658. (1936) (Exhibit 2030).

¹²⁷ “Difficulties of Export,” *AEGT* 34, no. 2 (August 15, 1915): 100.

¹²⁸ “Europe Cancels Wheat Contracts,” *AEGT* 34, no. 2 (August 15, 1915): 103.

¹²⁹ Forman Tyler, “Can Europe Pay?” *AEGT* 34, no. 3 (September 15, 1915): 160-1.

¹³⁰ S. J. Schulte, “News Letters: Duluth,” *AEGT* 34, no. 1 (July 15, 1915): 55.

¹³¹ “The Wheat Situation,” *AEGT* 34, no. 4 (October 15, 1915): 236; see also R. O. Johnson, “News Letters: St. Louis,” *AEGT* 34, no. 4 (October 15, 1915): 283.

¹³² “International Committee to Buy Grain,” *AEGT* 34, no. 8 (February 15, 1916): 503; Cappella Zielinski and Poast, *Forged By War: The Great War Origins of Global Economic Governance*.

¹³³ C. K. Trafton, “News Letters: New York,” *AEGT* 34 no. 8 (February 15, 1916): 513.

annual convention of the Grain Dealers' National Association in October. "We have benefited through the closing of Russian and other outlets. While existing conditions abroad continue, or remain similar to those during the year, it seems probable that benefits will continue to accrue to us."¹³⁴

How long would the war continue? The wheat industry was never united in their beliefs about the potential duration of the conflict. Given their uncertainty, wheat traders highlighted the consequences of both continued conflict and an imminent peace. Generally, they believed that a longer war meant prolonged prosperity for the industry while the war's conclusion would bring about a decline in prices and fortunes. "World conditions are such as they have never been before, and it just happens that, to the good fortune of American producers, the upheaval has boosted the price of breadstuffs," *The AEGT* noted in November 1915.¹³⁵ And yet this prosperity, it was widely believed, could quickly change if the war ended. "Of course the ending of the war would send prices down very sharply," E. G. Hadden, a Milwaukee trader averred. "But as long as the war is on there is a feeling that the price of grain will be pretty well maintained."¹³⁶ In St. Louis, the threat of peace in Europe was "being played as a big bear card, especially since the arguments in its favor have gone so far as to receive official recognition in the House of Lords, and that Berlin official newspapers hint that Germany would welcome a discontinuance of the strife on terms that seem to indicate that some compromise might be arrived at should an armistice be arranged before Christmas."¹³⁷

As the new year dawned, the American wheat industry, like most industries in the United States, faced a snarled domestic rail network. Driven in part by a critical shortage of rail cars, the system as a whole was at risk of being overwhelmed by the mixture of war orders and domestic purchases.¹³⁸ Wheat wasn't the only product that European belligerents needed to conduct the war, and they had placed large orders for munitions, uniforms, and a variety of other foodstuffs over the preceding year. As a result of these purchases, the American transportation system was at risk of collapse. "To the outside observer it might seem difficult to trace a connection between that war and the serious congestion of freight traffic that is now causing so much trouble to all concerned in this country, but especially in the East," a New York City correspondent wrote. "That the war is largely responsible, however, is undeniable. For one thing, the enormous requirements of the fighting nations in the shape of war munitions of all kinds has led to uncommon activity in manufacturing plants all over the country which turn out such material."¹³⁹ Adding to the difficulties was an ongoing shortage of merchant marine ships. In particular, although business leaders agreed that more shipping was needed, they differed as to whether the ships should be built and owned by the federal government, or private companies.¹⁴⁰

Despite these difficulties, the wheat industry predicted that the year ahead would be one of great prosperity. "There has been no year within the past decade when the future outlook for substantial prosperity appeared so promising as it does in the beginning of nineteen hundred and sixteen," the *AEGT* reported. "We have plenty of capital to keep the boilers of business enterprises

¹³⁴ "Address of President Lee G. Metcalf," *AEGT* 34, no. 4 (October 15, 1915): 242.

¹³⁵ "Abnormal Prosperity," *AEGT* 34, no. 5 (November 15, 1915): 328.

¹³⁶ C. O. Skinrood, "News Letters: Milwaukee," *AEGT* 34, no. 5 (November 15, 1915): 338.

¹³⁷ R. O. Johnson, "News Letters: St. Louis," *AEGT* 34, no. 5 (November 15, 1915): 342.

¹³⁸ C. O. Skinrood, "News Letters: Milwaukee," *AEGT* 34, no. 8 (February 15, 1916): 515; "The Car Shortage," *AEGT* 34, no. 9 (March 15, 1916): 567; for a detailed look at American railroads during World War I see Walker Hines, *War History of American Railroads* (New Haven, CT: Yale University Press, 1928).

¹³⁹ C. K. Trafton, "News Letters: New York," *AEGT* 34, no. 6 (December 15, 1915): 400.

¹⁴⁰ C. K. Trafton, "News Letters: New York," *AEGT* 34, no. 6 (December 15, 1915): 400-1.

glowing, and confidence is everywhere around and about us with its promptings to larger expansion of human energies.” Moreover, “Large harvests are necessary to ‘good times’ and we have been blessed with a great cornucopia of wealth from the soil. We are providing the other half of the world with the necessaries of life as well as, regrettably, the materials for death, and our profits from these sources have been immense.”¹⁴¹ The *Operative Miller* agreed with this sentiment: “In a material way the wicked mix-up across the water has undoubtedly worked to our gain. Directly by the sale of munitions and supplies, and indirectly by the diversion to our shores of trade which the war forced from its former channels.”¹⁴²

Throughout the spring of 1916 there was little indication that the war would soon resolve itself, a fact that the wheat industry was more than comfortable with. It would “seem quite correct to deduct that a continuation of this conflict through this year could not help but materially enhance the current values existing for grain,” the Chicago firm of MacKenzie & Day noted in a circular letter in May.¹⁴³ These sentiments continued throughout the summer, meaning that by Fall the *AEGT* was predicting that “It looks as though the end were at least another crop away.”¹⁴⁴ War risk insurance rates being paid on wheat shipments overseas were now being seen as “somewhat of an index of the end of the war,” and they remained high, indicating insurers’ belief that the war would continue.¹⁴⁵

The consensus amongst American businessmen that the war was going to be prolonged, in an awkward twist, “has injected into our commercial situation a degree of confidence which has stabilized high values to a marked degree,” Lee G. Metcalf, the outgoing president of the National Grain Dealers’ Association remarked at the organization’s annual convention in late September. “When peace shall be a nearer prospect, and a return to normal conditions of trade and commerce shall be recognized, undoubtedly a readjustment of values will be forced upon us.”¹⁴⁶ Reflecting the view of many in the industry, Metcalf highlighted how the European conflict had brought great prosperity to the wheat industry and many other American businesses. “The result of war conditions has given to the Americans living east of the Rocky Mountains most unusual prosperity. It has permeated every field of activity in a measurable degree. It has brought into the possession of our people, large wealth, until we are now the richest people on earth.”¹⁴⁷ Metcalf’s chief concern therefore wasn’t that the war would be long, but rather that if it were long “We, naturally, are liable to soon lose sight of the fact that the shower of gold now falling on us may suddenly cease. Let us be reminded that such is the case, and apply to the present most unusual and to us, fortunate conditions, that degree of prudence and wisdom which shall safeguard us against rapid changes liable to be precipitated at any time.”¹⁴⁸ At the same time, however, Metcalf didn’t go so far as to predict a dire drop in prices at the conclusion of the war: “What the future, after the close of the war, may hold for us is but conjectural. No one may now accurately forecast problems to be then thrust upon us.”¹⁴⁹ In the meantime, the wheat industry could be content with high prices and corresponding prosperity.

¹⁴¹ “The 1916 Outlook,” *AEGT* 34, no. 7 (January 15, 1916): 456.

¹⁴² “1916,” *Operative Miller* 21, no. 1 (January 1916): 35.

¹⁴³ “A Wheat View,” *AEGT* 34, no. 11 (May 15, 1916): 707.

¹⁴⁴ “The Skittish Market,” *AEGT* 35, no. 3 (September 15, 1916): 152.

¹⁴⁵ “Editorial Mention,” *AEGT* 35, no. 3 (September 15, 1916): 154.

¹⁴⁶ “President’s Address,” *AEGT* 35, no. 4 (October 16, 1916): 220-1.

¹⁴⁷ “President’s Address,” *AEGT* 35, no. 4 (October 16, 1916): 221.

¹⁴⁸ “President’s Address,” *AEGT* 35, no. 4 (October 16, 1916): 221.

¹⁴⁹ “President’s Address,” *AEGT* 35, no. 4 (October 16, 1916): 221.

October 1916 also saw the first of many peace rumors fly through the wheat industry, causing a dip in prices and decrease in industry sentiment.¹⁵⁰ In particular, based on a rumor that the American ambassador to Germany, James Gerard, was carrying a personal proposal for peace from the Kaiser on a return trip to England and the United States, “the market ran off rather sharply, then recovered when the report was discredited, although vouched for by one of the foremost bankers of New York City.”¹⁵¹ A real peace proposal by the German government in mid-December similarly caused prices to fall. The news “sent the grain market on a toboggan ride, although no one seemed to take the proposal seriously, and actual cessation of hostilities appears as far away as ever,” the *AEGT* noted. “But so skittish is business sentiment, and particularly in the grain trade, that even the flutter of a withered olive leaf from the branch borne by the gentle dove in her flight from the war vultures, is enough to create a panic among the wisest and most sober traders.”¹⁵²

The organization formed to purchase wheat collectively on behalf of Allied governments was also serving to suppress prices by limiting the inter-governmental competition that had previously driven prices upwards. “Concentrated buying by the Allies is imposing a severe handicap in export trade in American wheat this season,” according to Julius H. Barnes, a wheat trader from Duluth, “There is now no competition between British, French and Italian grain buyers. They are watching the markets closely and buying to the best advantage whenever a weak day intervenes.”¹⁵³ Other traders in Duluth, however, were relatively more optimistic because there was still heavy governmental demand from the Allies due to the war. Horace S. Jackson, a Chicago trader interviewed while visiting the Duluth Board of Trade believed that “The persistent inquiry by exporters and their willingness to accept offers in all positions” was an indication of “the extent of the shortage in Europe and the general recognition that the war will continue for some time yet.”¹⁵⁴

3.2.5 *The Dardanelles*

Outside of general concerns about the length of the war, the American wheat industry throughout the first three years of the conflict was particularly fixated on one specific front in the war: the Ottoman Empire’s control of the Dardanelles Straits. The Ottoman Empire entered World War I somewhat late, only officially joining the conflict in November 1914. The American wheat industry was particularly interested in the Empire’s entry due to its strategic control of the Dardanelles Straits, a key narrow passage linking the Mediterranean and Aegean Seas to the Black Sea. Historically, the Russian Empire had exported a majority of its wheat crop by sea through the Dardanelles. With the Russian Empire and Ottoman Empires now at war, however, this was impossible, leaving the Russian crop bottled up and unable to reach international markets. The American wheat industry had quickly realized the economic significance of Ottoman control over the Straits, and predicted that Russia would not be willing to “wait on Turkey’s leave to send wheat to the Mediterranean.” Instead, Russia would be willing to pay a “great price” in order to capture the straits through military force.¹⁵⁵

¹⁵⁰ “Buying Force Subsiding,” *AEGT* 35, no. 4 (October 16, 1916): 254; see also the discussion in Daniel Larsen, *Plotting for Peace: American Peacemakers, British Codebreakers, and Britain at War, 1914-1917* (New York, NY: Cambridge University Press, 2020).

¹⁵¹ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 35, no. 4 (October 16, 1916): 257.

¹⁵² “Peace,” *AEGT* 35, no. 6 (December 15, 1916): 365.

¹⁵³ S. J. Schulte, “News Letters: Duluth,” *AEGT* 35, no. 5 (November 15, 1916): 319.

¹⁵⁴ S. J. Schulte, “News Letters: Duluth,” *AEGT* 35, no. 5 (November 15, 1916): 319.

¹⁵⁵ “Editorial Mention,” *AEGT* 33, no. 5 (November 15, 1914): 346.

Ultimately, however, it would be the British who attempted to take control of the Straits through amphibious assaults on the Gallipoli peninsula in early March 1915, an audacious campaign planned in part by Winston Churchill, then First Lord of the Admiralty.¹⁵⁶ There was an instant reaction in American grain markets, with the price of wheat plunging as a result of the attack. “The market has been in an excited state during the entire week, being adversely affected by the Dardanelles operations,” L. W. Forbell & Co., a New York grain exporter, wrote in a mid-March dispatch.¹⁵⁷ “Operating in the grain markets has been a heart-breaking proposition of late,” the *AEGT*’s Duluth correspondent noted, “With any kind of rumor likely to break loose, traders have scarcely known where they stood from day to day, and they have been treated to some startling market moves at times. With the earnest effort of the Allies’ fleet to force the passage of the Dardanelles, meaning with its accomplishment the letting out of an enormous tonnage of Russian wheat for marketing in Great Britain and France, the trend of prices was steadily downward for two weeks.”¹⁵⁸ The grain market “needed only some development to start a terrific descent in prices,” the St. Louis correspondent reported, “and that came when the allied fleet turned its guns on the Dardanelles.”¹⁵⁹

Even as the Gallipoli offensive stalled, the American wheat industry remained fixated on how the opening of the Dardanelles might negatively affect them by diminishing governmental demand for American wheat. The market faced an “ever-present possibility of complications in the Dardanelles situation,” according to one observer.¹⁶⁰ If the Allies were to “finally succeed in forcing the Dardanelles,” they would make “available for marketing Russia’s big stores of wheat and other grains, which were eliminated as a factor in supplying the world’s demands last year.”¹⁶¹ New York wheat traders agreed that “exceedingly large quantities of grain will be exported through the Dardanelles as soon as those straits are forced open.”¹⁶² Indeed, many traders believed that the British assault would soon succeed in opening the straits.¹⁶³ If it occurred, the “forcing of the Dardanelles” would “break the back of the market.”¹⁶⁴ The opening of the straits would mean that “the Russian bear will take his place with the other Bears in the international wheat market” to drive prices down.¹⁶⁵

In this instance the wheat traders were wrong. Although British troops would remain entrenched at Gallipoli into 1916, the threat of them capturing the straits steadily decreased the longer the campaign lasted.¹⁶⁶ Moreover, when Bulgaria entered the war on the side of Central Powers in mid-October 1915, it further sealed in the Russian wheat crop.¹⁶⁷ Rather perversely, of

¹⁵⁶ Nicholas Lambert, in a recent revisionist account, explicitly links the Dardanelles operation to the British government’s concerns over the international wheat trade. See Nicholas A. Lambert, *The War Lords and the Gallipoli Operation* (New York, NY: Oxford University Press, 2021).

¹⁵⁷ “New York Export Outlook,” *AEGT* 33, no. 9 (March 15, 1915): 602.

¹⁵⁸ S. J. Schulte, “News Letters: Duluth,” *AEGT* 33, no. 9 (March 15, 1915): 610.

¹⁵⁹ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 33, no. 9 (March 15, 1915): 611.

¹⁶⁰ “The Demands on our Bread Supply,” *AEGT* 34, no. 1 (July 15, 1915): 48-9.

¹⁶¹ S. J. Schulte, “News Letters: Duluth,” *AEGT* 34, no. 1 (July 15, 1915): 55.

¹⁶² C. K. Trafton, “News Letters: New York,” *AEGT* 34, no. 3 (September 15, 1915): 190.

¹⁶³ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 34, no. 3 (September 15, 1915): 190.

¹⁶⁴ “The Wheat Situation,” *AEGT* 34, no. 4 (October 15, 1915): 236.

¹⁶⁵ “The Trade Situation,” *Operative Miller* 20, no. 7 (July 1915): 444.

¹⁶⁶ Wheat industry fears about the opening of the Dardanelles persisted until at least the spring of 1916. See R. O. Johnson, “News Letters: St. Louis,” *AEGT* 34, no. 9 (March 15, 1916): 578; R. O. Johnson, “News Letters: St. Louis,” *AEGT* 34, no. 10 (April 15, 1916): 638.

¹⁶⁷ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 34, no. 4 (October 15, 1915): 283.

course, the wheat industry was cheered by this fact, as it ensured higher demand, and therefore prices and profits, for American wheat.

The American grain trade also experienced a final negative shock related indirectly to the Dardanelles in the fall of 1916. Romania's entry into the war on the side of the Allied powers, opened another potential pathway for Russian wheat to enter the world market. "Immediately there loomed the possibility of the opening of the Dardanelles and the flooding of the European markets with Russia's grain reserve," the *AEGT* noted, before acknowledging that it was unlikely that the Romanian military was unlikely to decisively tip the balance of forces against the Ottoman Empire.¹⁶⁸

3.3 The Wheat Industry and the Decision for War: 1917

How did the wheat industry react to the possibility of the United States entering World War I? The evidence above demonstrates that the wheat industry wasn't particularly opposed to the start of the war in Europe, but did they maintain this belief as American involvement became probable, and then a reality? In line with their initial lack of opposition to war in Europe the American wheat industry was surprisingly nonchalant about American entry into World War I. Patriotic incentives surely played a role in this preference, but there was also a clear profit motive: adding increased U.S. governmental demand for wheat alongside that of European belligerents would only drive wheat prices, and profits, higher.

In early 1916 Woodrow Wilson embarked on a speaking tour across the Midwest to try and rally support for government initiatives aimed at improving the country's military preparedness. At this point, the wheat industry, flush with profits from European buyers, didn't see any large benefits in either military preparedness or entering the conflict. "The extended trip of President Wilson through the Middle West in the interests of his preparedness program brought him before the constituency most hostile to his plan," the *AEGT* noted. "The agricultural West is generally opposed to any considerable increase in the standing army or other proposed measures." In contrast to wheat farmers, however, wheat traders were more open to preparedness measures. Traders were "fully aware that America, unprotected, is in a position to defend neither its own borders nor the Monroe Doctrine."¹⁶⁹

As calls grew for military preparedness, the wheat industry answered them. Wheat traders in New York City marched in a large mid-May preparedness parade before taking part in a "pilgrimage" to Oyster Bay, Long Island to meet with former president Theodore Roosevelt, a strident preparedness advocate.¹⁷⁰ Similarly, 2,800 men from the Chicago Board of Trade joined a large preparedness parade in Chicago on June 3, 1916, alongside 600 men who worked in the state's grain inspection department or in grain elevators.¹⁷¹ The grain trade turned out in force for a series of coordinated parades on June 24th, with more than 2,000 men from the grain trade marching in Buffalo, NY, 1,000 in Milwaukee, and 200 in Cincinnati.¹⁷²

Beyond the war in Europe, the wheat industry was also concerned with the prospect for the United States to become involved in a military confrontation in Mexico. The Mexican government

¹⁶⁸ "The Skittish Market," *AEGT* 35, no. 3 (September 15, 1916): 152. See also E. R. Siewers, "News Letters: Philadelphia," *AEGT* 35, no. 3 (September 15, 1916): 161.

¹⁶⁹ "Going After the Grain Growers," *AEGT* 34, no. 8 (February 15, 1916): 506.

¹⁷⁰ C. K. Trafton, "News Letters: New York," *AEGT* 34, no. 12 (June 15, 1916): 771.

¹⁷¹ "Board of Trade Boost Preparedness," *AEGT* 34, no. 12 (June 15, 1916): 763

¹⁷² Elmer M. Hill, "News Letters: Buffalo," *AEGT* 35, no. 11 (July 15, 1916): 38; C. O. Skinrood, "News Letters: Milwaukee," *AEGT* 35, no. 11 (July 15, 1916): 39; K. C. Crain, "News Letters: Cincinnati," *AEGT* 35 no. 11 (July 15, 1916): 41.

had been a perennial foreign policy issue for Woodrow Wilson’s presidential administration from the very start of his term.¹⁷³ Given that any serious military intervention in Mexico would require Wilson to increase the size of the U.S. military, in many respects the wheat industry’s response to border concerns can be seen as mirroring their opinions about U.S. intervention in Europe. Of chief concern to the wheat industry here was the question of government demand. Would a larger army require the U.S. government to purchase more wheat? The answer, the wheat industry believed, was unequivocally yes. Occurring alongside a “planned increase in our regular army,” as a result of Wilson’s military preparedness campaign, a Mexican intervention would mean “Uncle Sam will, on behalf of his military establishment, be a much more liberal patron of the grain trade during the coming year than at any time in recent years.”¹⁷⁴

In early 1917 the prospect of the United States becoming involved in the war seemed more realistic than ever, which the wheat industry generally thought would provide a further boost to their profits. J. O. Ballard, the president of the St. Louis Merchants Exchange believed that U.S. entry into the conflict might ease pressures on the export trade by allowing merchant ships to be armed and the American navy to guard convoys: “Should hostilities be declared between Germany and the United States, shipping might be facilitated, as merchant vessels would then probably be permitted to come and go from our ports fully armed, and American war vessels could be used for convoying.”¹⁷⁵ W.S. Washer, the president of the Atchison Board of Trade, was even more blunt about the benefits of country joining the war. “The grain trade will prove an important factor in the mobilization of the nation’s industries in the supply of food stuffs,” he noted. “War conditions should make for higher prices. A standing army of one or two million men will mean a decreased production and a larger increased consumption. There is a vast wastage in providing food for an army.”¹⁷⁶ Along similar lines, H.D. Yoder, the president of the Topeka Board of Trade believed that “demand for the grain and foodstuffs of the North American Continent will be stimulated rather than restricted,” should the United States become fully involved in the conflict. Importantly, “Should concentrated government buying continue, the effect will be to advance prices still further.”¹⁷⁷ Of the six prominent members of the wheat industry that the *AEGT* surveyed in the lead-up to U.S. entry into the conflict, not a single one expressed outright opposition to the country becoming fully involved.¹⁷⁸

To be fair, some of the wheat industry’s enthusiasm for U.S. involvement in the war was certainly due to a sense of patriotic duty rather than a desire for profits. The Chicago and Milwaukee Boards of Trade prepared large American flags to raise once the country entered the conflict.¹⁷⁹ When a group of enlisted Navy sailors gave a demonstration on the floor of the Chicago Board of Trade to try and boost enlistment, “the men in the grain pits left off everything to cheer wildly...When the band played the ‘Star Spangled Banner’ the traders sang and cheered and were still cheering when the company marched from the building.”¹⁸⁰ In Toledo, Ohio “Activities on the local market have slowed up considerably while traders await the results of the political situation” the local *AEGT* correspondent reported. “Trading has been a little better than after the

¹⁷³ Kendrick A. Clements, “Woodrow Wilson’s Mexican Policy, 1913–15.” *Diplomatic History* 4, no. 2 (April 1980): 113–36.

¹⁷⁴ Waldon Fawcett, “The Mexican Situation’s Effect on the Grain Trade,” *AEGT* 35, no. 2 (August 15, 1916): 84.

¹⁷⁵ “The Grain Trade Answers the Call,” *AEGT* 35, no. 8 (February 15, 1917): 478.

¹⁷⁶ “The Grain Trade Answers the Call,” *AEGT* 35, no. 8 (February 15, 1917): 478.

¹⁷⁷ “The Grain Trade Answers the Call,” *AEGT* 35, no. 8 (February 15, 1917): 478.

¹⁷⁸ “The Grain Trade Answers the Call,” *AEGT* 35, no. 8 (February 15, 1917): 478-9.

¹⁷⁹ “The Grain Trade Answers the Call,” *AEGT* 35, no. 8 (February 15, 1917): 479.

¹⁸⁰ “Board of Trade is Patriotic,” *AEGT* 35, no. 8 (February 15, 1917): 488.

first political upheaval, but at that is quite light. Patriotism on the other hand is at a white heat and the American flag is everywhere in evidence.”¹⁸¹

There is no reason, however, that patriotism and profits, couldn’t both be behind the wheat industry’s enthusiasm for the United States’ entry into World War I, and there is more than enough evidence of a desire for profits to conclude that it was a determinative factor in their support. “One of the most important and gratifying results of the great European war, has been the great increase in activity on the floor of the New York Produce Exchange,” a correspondent reported, “practically all members being unusually busy and prosperous.”¹⁸² These traders now saw an opportunity for even more profits if the United States joined the conflict. “Although prices are remarkably high now, I believe that war between this country and Germany would cause a further advance,” noted J. Ward Warner, the president of the export firm of J. G. Hagemeyer & Co.¹⁸³ Similarly, C. A. Robinson, another grain exporter, believed that “It seems as though a war would cause still higher prices, largely because the use of our war vessels to patrol the Atlantic would make shipping safer and increase exports, although he also warned of potential government price controls.¹⁸⁴ These sentiments were reflected across the country. In Toledo, a correspondent noted in March 1917, on the brink of U.S. entry into the war, that “The grain situation here is excellent both as to the present and future prospects.”¹⁸⁵ With grain exchanges across the country still seeing record high prices, there was little fear that U.S. entry into the war would cut into the wheat industry’s prosperity, giving them little reason to oppose the decision.¹⁸⁶

Indeed, the wheat industry even mobilized politically to oppose politicians who they believed were standing in the way of U.S. involvement. When Congressman W. H. Stafford of Wisconsin voted against a plan to use the U.S. navy to protect merchant ships carrying American exports in early March, nearly 150 members of the grain industry sent him a telegram expressing their dissatisfaction with his stance.¹⁸⁷ Wheat traders in North Dakota had endorsed a resolution supporting President Wilson’s decision to sever diplomatic relations with Germany the prior month.¹⁸⁸

3.4 Conclusion

This history shows that the American wheat industry clearly didn’t oppose either the start of World War I or U.S. entry into World War I. Wheat farmers and traders were certainly worried that the conflict threatened international trade, and trade shocks like U-boat attacks caused them to increase their opposition, but this was counterbalanced by their excitement for the higher prices caused by governmental demand. The wheat industry’s reactions to both the start of the conflict, U.S. entry, and wartime events, therefore all support my additive theory above and beyond trade preference theory.

¹⁸¹ E. F. Baker, “News Letters: Toledo,” *AEGT* 35, no. 8 (February 15, 1917): 494.

¹⁸² C. K. Trafton, “News Letters: New York,” *AEGT* 35, no. 8 (February 15, 1917): 498.

¹⁸³ C. K. Trafton, “News Letters: New York,” *AEGT* 35, no. 9 (March 15, 1917): 556.

¹⁸⁴ C. K. Trafton, “News Letters: New York,” *AEGT* 35, no. 9 (March 15, 1917): 556. A few New York traders surveyed believed that prices wouldn’t advance, but only because they were already so high. If prices stayed the same, however, this still would mean continued prosperity for the wheat industry.

¹⁸⁵ E. F. Baker, “News Letters: Toledo,” *AEGT* 35, no. 9 (March 15, 1917): 551.

¹⁸⁶ R. O. Johnson, “News Letters: St. Louis,” *AEGT* 35, no. 10 (April 15, 1917): 618.

¹⁸⁷ C. O. Skinrood, “News Letters: Milwaukee,” *AEGT* 35, no. 9 (March 15, 1917): 553.

¹⁸⁸ “North Dakota Dealers Patriotic,” *AEGT* 35, no. 9 (March 15, 1917): 558.