

CHAPTER FOUR

The American Cotton Production Industry During World War I

July 31, 1914 was a very different sort of day in New York City than in Chicago. While traders in the Midwest excitedly bought grain futures, promising a hefty pay-day for farmers raising the underlying crops, there was a somber mood in New York's financial markets. One by one the major exchanges in the city closed that morning, silencing normally raucous trading floors. First, the New York Stock Exchange was shuttered, fifteen minutes before trading was scheduled to start at 9am. Next was the Consolidated Exchange. Although it had opened at its normal time of 8:30am, the Consolidated stopped trading a mere hour and a half after it began. Even the informal "curb exchange," where brokers traded unlisted securities in the open air on Broad Street, posted a typewritten notice on a nearby bulletin board advising onlookers that there would be no trading for the foreseeable future.¹

Of all the major New York City exchanges, only the Cotton Exchange seemed determined to carry on with business as usual. There had been a flurry of overnight selling in its sister market in Liverpool, across the Atlantic, which meant that the exchange building on Beaver Street was jammed with brokers and traders as soon as its doors opened. There was a palpable sense of fear in the air before trading began, as volatile prices, particularly dropping ones, raise the risk of executing both spot and futures commodities trades. A trader willing to buy might be caught with a "long" contract that they couldn't unload amidst a plummeting market. A broker willing to sell could find themselves in trouble if their counterparty found, upon balancing their accounts, that they lacked the funds to complete the trade.²

Enough traders, though, whether through bravery or stupidity, stepped forward at the opening gong to start the trading on the Cotton Exchange and "make" the market, only to find the price of cotton—as in Liverpool overnight—frantically collapse before their eyes.³ "Values melted

¹ William L. Silber, *When Washington Shut Down Wall Street: The Great Financial Crisis of 1914 and the Origins of America's Monetary Supremacy* (Princeton, NJ: Princeton University Press, 2007).

² See the previous chapter for an extended discussion of the operation of commodity futures exchanges. On the New York Cotton Exchange in particular see Bruce E. Baker and Barbara Hahn. *The Cotton Kings: Capitalism and Corruption in Turn-of-the-Century New York and New Orleans* (New York, NY: Oxford University Press, 2016).

³ On the sociology of "market makers" in exchange trading see Caitlin Zaloom, *Out of the Pits: Traders and Technology from Chicago to London* (Chicago, IL: University of Chicago Press, 2006).

like butter in an August sun in Georgia,” one newspaper noted the following day.⁴ “Many poor devils,” one broker remarked, “were there fighting for their very lives.”⁵ As tensions rose, a bell rang for an announcement from the leaders of the exchange. F. J. Frederickson & Co., a small brokerage, was unable to honor their contracts and was declaring bankruptcy. Soon afterwards, the bell rang again. Homer, Howe & Co., another small firm based out of Philadelphia, was in similar trouble.

Many brokers arrayed around the central “ring” at the exchange were now visibly sweating, and their language became noticeably coarser. As the minutes ticked on it became a question of when, not if, another firm would collapse.⁶ When the bell rang a third time, it was S. H. P. Pell & Co. that was going under. This, more than the earlier two failures, shocked the onlookers in the exchange. Whereas the previous failures had been relatively small enterprises, S. H. P. Pell & Co. was a much larger affair. Up until this, their final day of existence, they had consistently made bullish bets on the market. Nearly all the traders working the ring had made deals with them, with many holding unfulfilled contracts. In an instant those contracts became worthless, forcing the unlucky traders with them on their books to take heavy losses.

S. H. P. Pell & Co.’s failure ultimately forced the cotton exchange’s management to act. Even as the price of cotton rose slightly from the low point of the session, the board of the exchange gathered a bare quorum of members and voted to close the exchange until the following Tuesday. Major cotton exchanges across the country, especially those located in New Orleans and Memphis, faced a similar plunge in prices and also quickly shuttered.⁷ To add final insult to injury, however, news of the U.S. Department of Agriculture’s monthly report on the cotton crop arrived right before the announced closure of the New York Exchange. Largely due to adverse weather, the USDA was predicting the smallest cotton crop in years. Absent the war, therefore, S. H. P. Pell & Co. had been right with their bullish bets.⁸

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What does the fall in cotton prices in the late summer of 1914, and the closure of the New York Cotton Exchange, mean for our understanding of business war preferences? In particular, how did cotton merchants and farmers react to the start of World War I relative to their counterparts in the wheat industry? Like the wheat industry, the American cotton production industry on the eve of World War I was a decidedly internationalist industry. In 1913, the year prior to the war, the United States exported \$575,495,653 of raw cotton while only importing \$19,479,571 (unadjusted for inflation).⁹ Raw cotton was far and away the United States’ largest commodity export, and it is hard to overstate its importance for the American economy as a whole. In

⁴ “N.Y. ‘Change is Closed to Avert Panic,” *New York Tribune*, August 1, 1914: 3.

⁵ “N.Y. ‘Change is Closed to Avert Panic,” *New York Tribune*, August 1, 1914: 3.

⁶ “Brokers Unable to Stand Pressure,” *Atlanta Constitution* (August 1, 1914): 9.

⁷ Baker and Hahn, *The Cotton Kings*.

⁸ See, for instance, the prognosis of the *AWCR*, an industry periodical, for this week: “There is no great change in the weather conditions. The greater producing portions of Texas have so far not received any moisture. The rains which fell in the northern part of Texas and in Oklahoma were, of course, of great benefit, but these sections have been doing well from the beginning. Moisture is especially needed in the central and southern central parts of the state. General rains over the whole cotton belt would be acceptable. Light rains have fallen in Charlotte, N. C, and vicinity and in some other portions of the eastern belt, mostly near the coast. It is predicted that by the end of the season, according to present appearances, the supply of American cotton will be smaller than for years. Buying on declines is still advocated.” “Cotton Market,” *AWCR* 28, no. 31 (July 30, 1914): 1007.

⁹ *Monthly Summary of the Foreign Commerce of the United States: December 1914* (Washington, D.C.: Government Printing Office, 1915): 457, 477.

particular, since the vast majority of American cotton was purchased by foreign buyers, the seasonal sale of cotton was a vital source of foreign currency that helped the country maintain a positive balance of international payments.¹⁰ A low price for cotton, then, had profound implications for American monetary and economic strength.

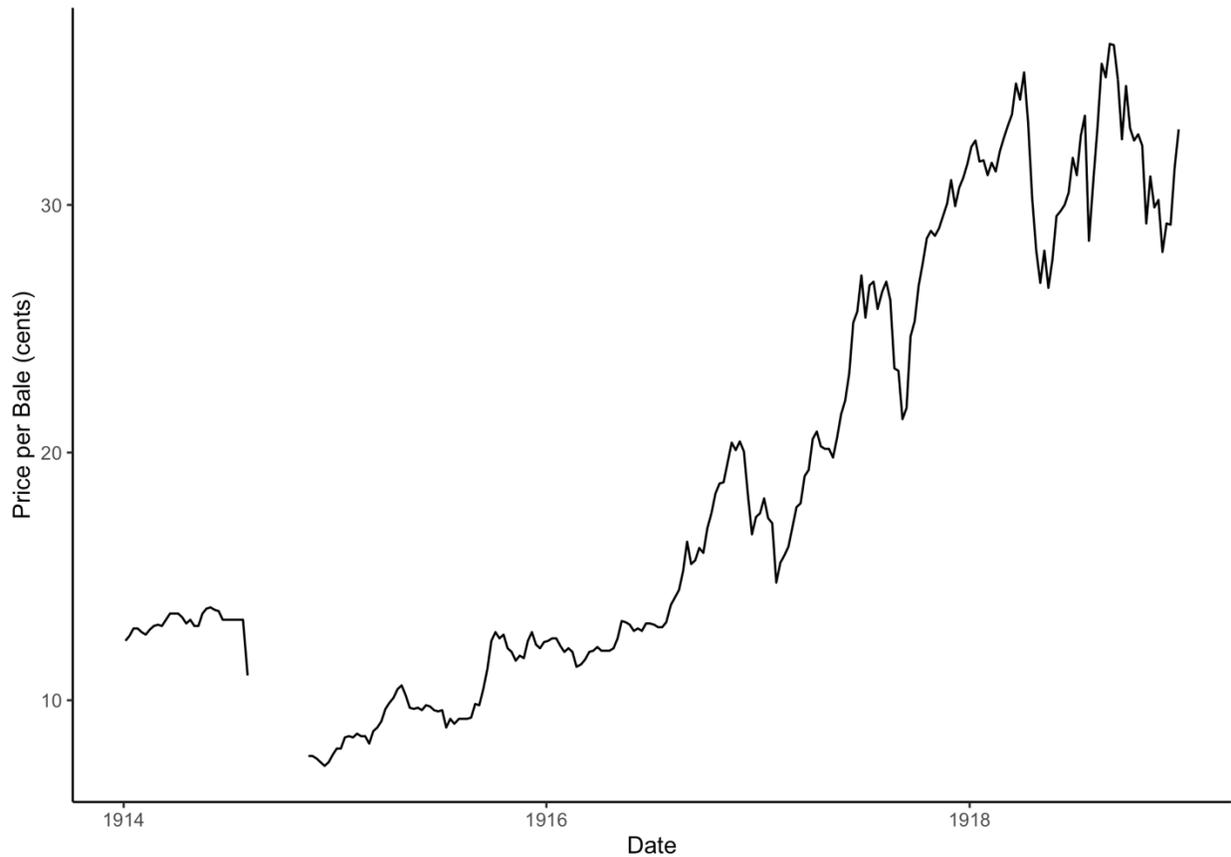
The closure of Cotton Exchanges across the United States in the late summer of 1914, therefore, was worrisome not only to cotton merchants and farmers, but reverberated through all parts of the American economy. In 1914, including the months after war began, the country exported only \$343,904,905 of raw cotton, while importing \$23,071,323.¹¹ Although American cotton manufacturers could increase their production in order to use up some of the surplus cotton previously intended for export, there was no way they could use it all. Re-routing raw cotton to domestic manufacturers would also further drive the domestic price of cotton down.

Trade preference theory therefore predicts that the cotton production industry should have opposed the outbreak of World War I, and this is exactly what happened. Figure 4.1 charts the weekly spot price of cotton in New York over the course of World War I. It would take nearly two years for the price of raw cotton to recover to pre-war levels, meaning that cotton farmers and merchants had to absorb two seasons of punishingly low prices that threatened financial ruin and bankruptcy. Although the price of cotton eventually rose precipitously during the latter half of World War I, this was unknowable in the summer of 1914.

¹⁰ Robert E. Lipsey, "U.S. Foreign Trade and the Balance of Payments, 1800 - 1913." NBER Working Paper Series. National Bureau of Economic Research, 1994. <https://www.nber.org/papers/w4710>

¹¹ *Monthly Summary of the Foreign Commerce of the United States: December 1914* (Washington, D.C.: Government Printing Office, 1915): 457, 477.

Figure 4.1: Weekly Average Price of Spot Cotton in New York, 1914-1918



Source: Geller 1919

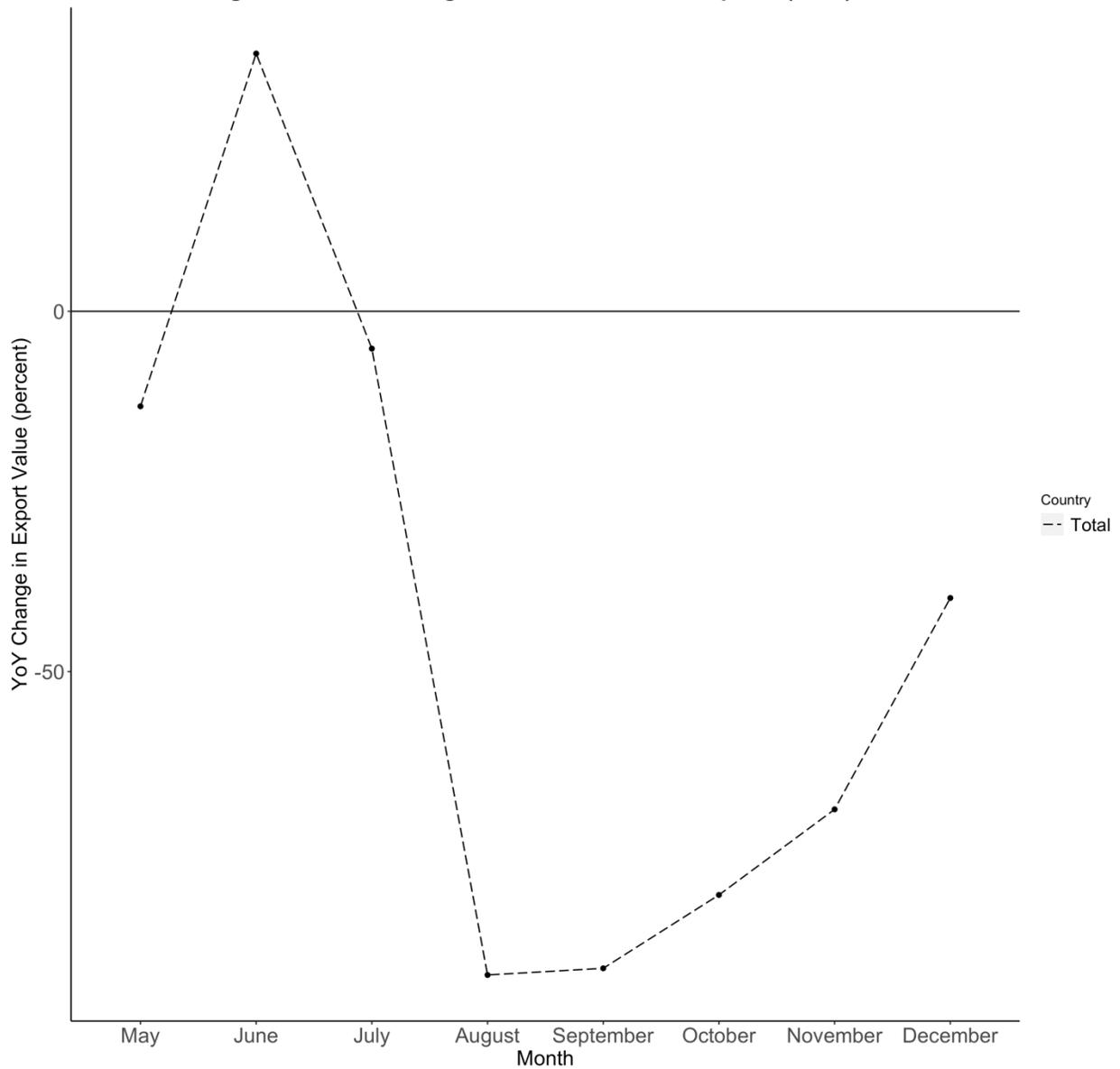
While trade preference theory can explain the cotton production industry's opposition to war in 1914, however, it misses a key rationale for *why* the cotton production industry opposed the war. Specifically, the cotton production industry opposed the war because, unlike the wheat industry, it had low conflict relevance. Although raw cotton was needed for some wartime supplies, such as bandages, and in limited amounts for ammunition production, it was seen as much less essential for the war effort than wheat. A local Georgia newspaper noted as much soon after the war broke out: "Food and everything used in warfare will be in such demand that prices will naturally rise, but there will be no appreciable demand for anything in Europe which people can live without. Cotton, lumber, etc. will be affected to an appreciable extent by this lack of demand."¹² Much of the American cotton crop had historically gone towards the production of consumer goods, and demand for these products plummeted at the start of the war.

Although both the cotton production and wheat industries were therefore negatively affected by disrupted international trade at the outset of the conflict, the cotton production industry wasn't able to quickly recover and profit from increased governmental demand from belligerent governments like the wheat industry was. Figure 4.2 illustrates the precipitous drop in overall export demand for American raw cotton as a result of the war. American exports of raw cotton

¹² "The Effect of War on Commerce in the U.S.," *Daily Times-Enterprise*, August 6, 1914, Afternoon Edition: 2.

virtually ceased during the month of August. While they had started to slightly recover by the end of the year, the monthly export value was still nearly half of what it had been the previous year.

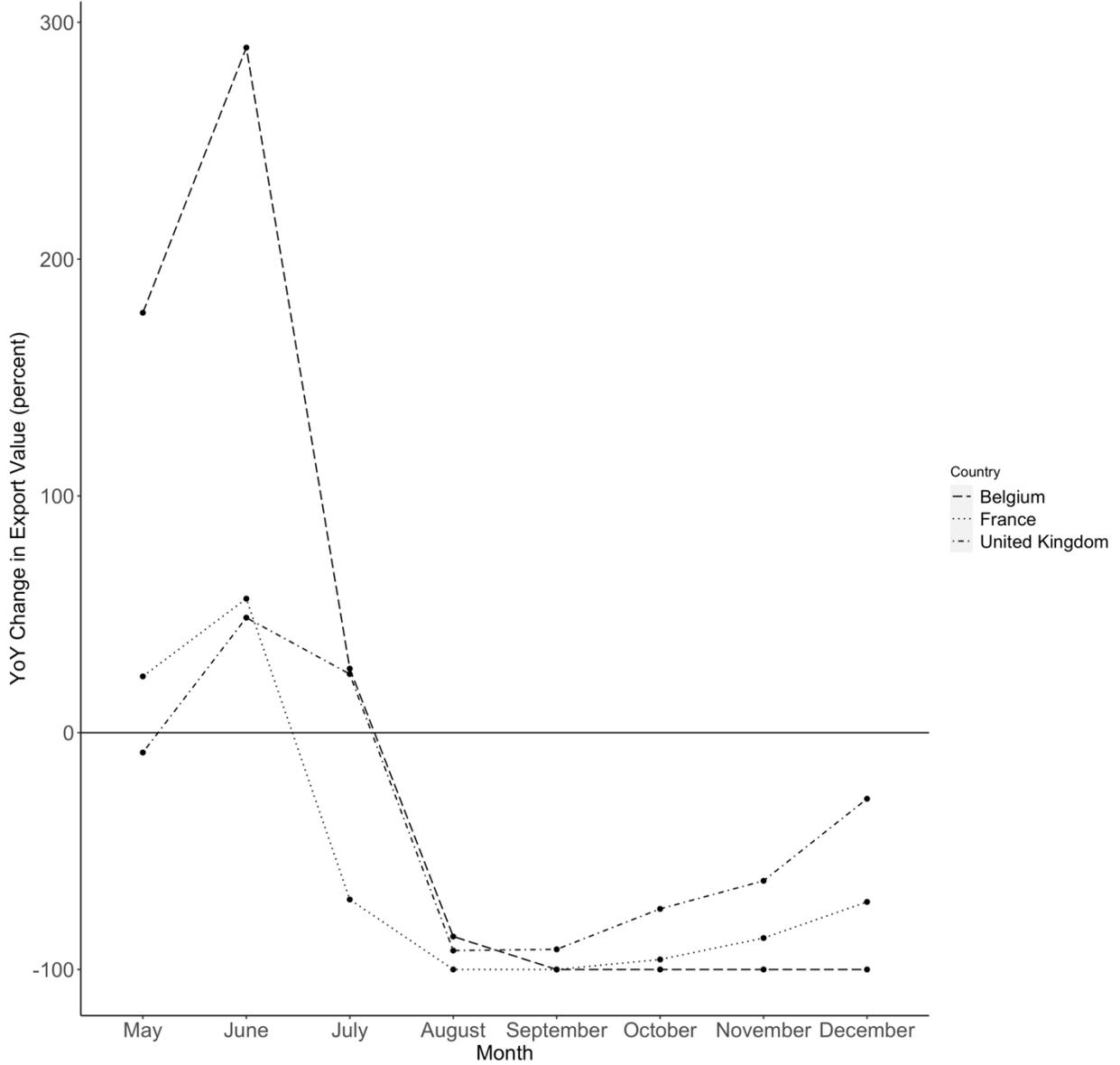
Figure 4.2: YoY Change in U.S. Raw Cotton Exports (1914), Total



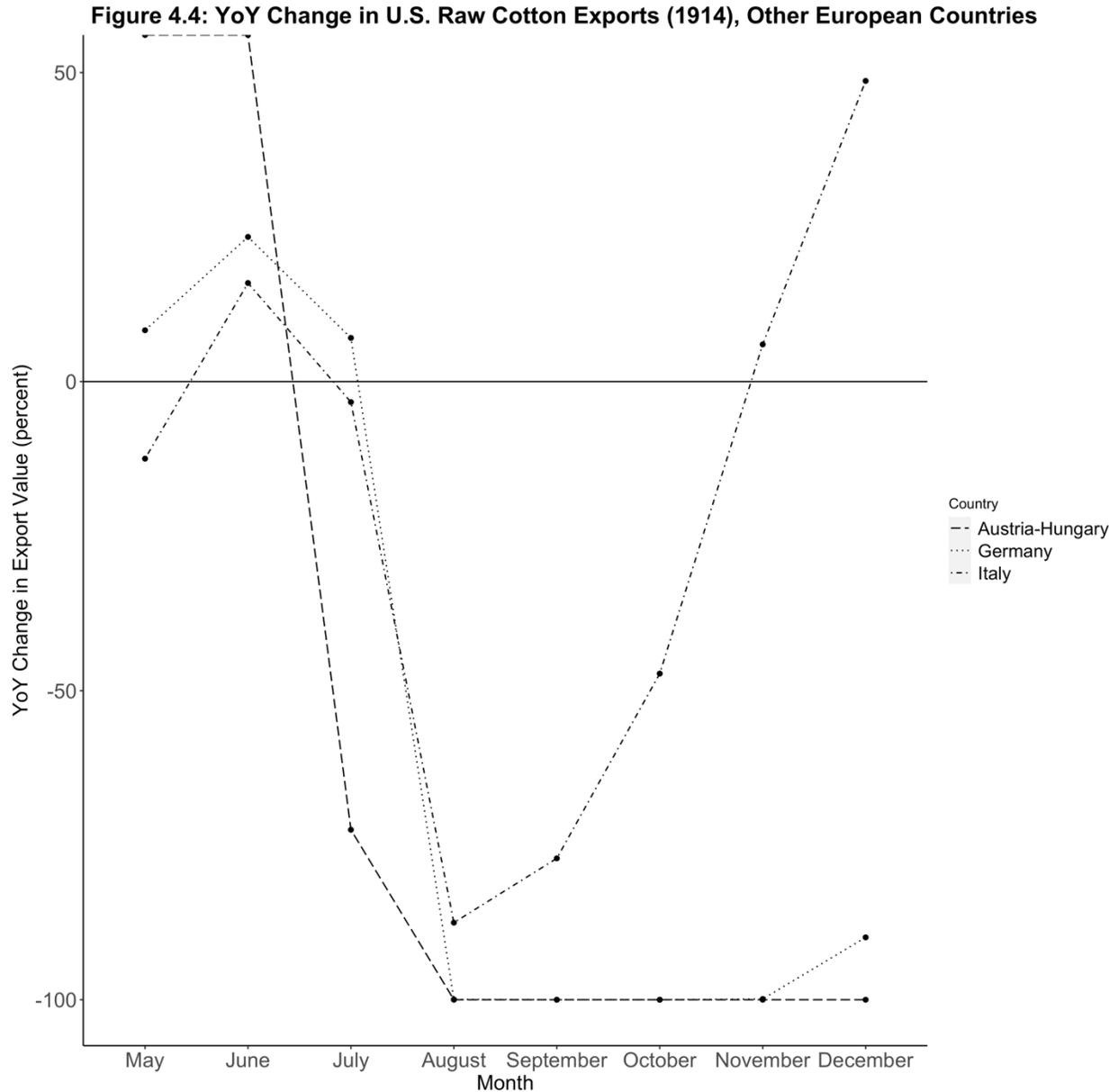
Source: Department of Commerce

Unlike the wheat industry, which was able to offset disruptions in international trade by selling more to belligerent governments, the American cotton production industry saw demand for raw cotton decrease across the board in both belligerent and neutral countries. Figures 4.3 and 4.4 demonstrate that, although the value of cotton exported to the allied countries of Belgium, France and the United Kingdom decreased less than the value of cotton exported to the central powers of Austria-Hungary and Germany, it was still virtually non-existent from August through October. Although the value of raw cotton exported to neutral governments, like the Italian government, increased by over 50%, this pales in comparison to the nearly 6000% increase in the value of wheat exported to Italy over the same time period.

Figure 4.3: YoY Change in U.S. Raw Cotton Exports (1914), Allies



Source: Department of Commerce



Did the American cotton production industry maintain this opposition throughout the course of the war? In particular, what about the United States' decision to enter World War I in April 1917? Did the American cotton production industry support or oppose this move? As with the wheat industry, the cotton production industry's opposition to war in 1914 is the most important data point for testing theories of business war preferences yet it is also interesting to consider how the industry's views may have shifted throughout the conflict. In this chapter I therefore descriptively analyze the cotton production industry's reaction to supply and demand shocks associated with the ongoing conflict. Namely, I demonstrate that the cotton production industry strengthened their opposition to war following shocks that threatened to cut off international trade, such as the initial shock at the war's beginning, concerns about cotton being declared contraband, and U-boat attacks. I also discuss the industry's relatively muted reaction to

President Woodrow Wilson's decision to lead the country into World War I, which may be the result of cotton producers' adjustment to wartime conditions over the preceding years of conflict.

4.1 Assessing the Cotton Production Industry's War Preferences: July – August 1914

The closure of the New York, New Orleans, and Memphis Cotton Exchanges on July 31, 1914 may have sealed the cotton production industry's opposition to World War I, but in many respects it was a foreseeable event. There had been a pummeling drop in the price of raw cotton over the previous week as a result of Austria-Hungary declaring war on Serbia, meaning cotton merchants and farmers could hardly have expected the exchanges to remain open much longer. "War news...sent prices of cotton tumbling" beginning on July 28th, the *American Wool and Cotton Reporter* (*AWCR*), a weekly industry periodical noted. The New York market had opened fairly strong on the 28th, but "the declaration of war in Europe sent the figures down" 2% by the end of the day. "This was entirely due to war, for the crop news was wholly bullish. Cotton men, at least some of them, threw up their hands at a loss to know what to say as to prospects of the market before definite word was received from Europe."¹³

Importantly, this drop in prices was driven by traders' beliefs about how the start of the war would affect international trade, upon which the cotton market depended. Traders reached for proximate analogies, like the Spanish-American war, recent tensions in the Balkans, or American Civil War, all of which had disrupted the international cotton trade and subsequently destroyed the price of raw cotton.¹⁴ The cotton production industry feared a similar outcome occurring in this new conflict. "Not in recent years has the New Orleans cotton markets broke as badly as it did today on reporting from Europe portraying a more menacing situation as the day wore on," the *Atlanta Constitution* reported on July 30th. "No trader paid attention to anything except war news, and this was not reassuring."¹⁵

Cotton merchants and traders, though, represent only one part of the broader cotton production industry. Thousands of cotton farmers across the American south, comprising both large plantations that had survived the Civil War a generation earlier and smaller family farms, would also ultimately bear the brunt of any economic disruptions caused by the war. The reactions from cotton farmers in Georgia, one of the highest producing cotton states, are particularly informative in this regard.¹⁶ On July 30th, for instance, a local newspaper in Americus, Georgia bemoaned how international conflict always hurt cotton producers. "It has truly been said that a dog fight in China would be seized upon by the cotton gamblers to depress the price of cotton in this country," the *Weekly Times-Recorder* noted, "and while the present outlook in Europe is bigger than the proverbial dog fight, it verifies the assertion. Before the first cap was popped the price of cotton on the 'exchanges' dropped a half cent a pound. This, of course, affects the price of real cotton article, still growing in the fields of Georgia. If the price can be hammered by the war scare, it means a material loss to the cotton growers of the South."¹⁷

As both trade preference theory and my additive theory of business war preferences predict, the cotton production industry opposed the war because of its effect on international trade. The

¹³ "Cotton Market," *AWCR* 28, no. 31 (July 30, 1914): 1007.

¹⁴ "Cotton Market," *AWCR* 28, no. 31 (July 30, 1914): 1007; "War in Europe and Business," *The Athens Daily Herald*, August 8, 1914, Evening Edition: 4.

¹⁵ "American Market Sturdily Resists Selling Avalanche," *Atlanta Constitution* (July 31, 1914): 3.

¹⁶ According to a major industry reference text, Georgia had the second highest cotton acreage of any state for the 1913-1914 crop (5,345,000 acres), trailing only Texas (12,686,000 acres). Carl Geller, ed. *Cotton Facts* (New York: Shepperson Publishing Company, 1914): 39.

¹⁷ "Americus Feels Already Effect European Cloud" *Weekly Times-Recorder*, July 30, 1914: 1

start of war in Europe halted the trans-Atlantic cotton trade virtually overnight, leaving cotton farmers worried that they would be unable to sell their cotton at any price due to a glut of the commodity in the United States. As a correspondent for the *Newnan Herald & Advertiser* in Newnan, Georgia, reported from the key cotton port of Savannah, Georgia, “At present the export trade is stagnated. Not a vessel has left for a foreign port in days, and the prospect for an early movement [of the cotton crop] is becoming more doubtful every day.”¹⁸

Negative sentiment regarding the prospect of war in Europe reverberated throughout the American South in the days following the closure of the cotton exchanges. While cotton growers and merchants were particularly upset by the war, cotton’s essential role in fueling the Southern economy meant that war was seen as a threat to the region as a whole, not just the cotton production industry. Cotton growers prayed that the war would be short, enabling a quick return to business as usual. “There is a chance for the Southern cotton growers to be hit hard should the war be long drawn out” the *Athens Banner*, in Athens, Georgia wrote, “Cotton would necessarily bear the brunt of depression of prices, but if the war should be a short one, the depression would not last and the prices would go up again. Meanwhile the farmers might succeed in financing the crop so as to hold the staple off the market for a time.”¹⁹

England’s entry into what had to that point been a limited war between Austria-Hungary and Serbia on August 4th was particularly worrisome to cotton farmers, because it indicated that a wide-spread war was unavoidable. “The apprehension felt in Americus commercial circles was emphasized more fully...upon receipt of the news that England had been unwillingly drawn into the European bulldog massacre,” the *Times-Recorder* lamented. “England is our largest purchaser of cotton, and this fact, among others, is an indisputable fact that the titanic (sic) conflict will redound to the South’s disadvantage.”²⁰

By the end of the first week of the war it was impossible for cotton traders to even quote a price for raw cotton. “A Boston brokerage firm received a telegram asking for an offer on a certain amount of cotton,” the *AWCR* reported on August 6, “but, owing to the uncertain state of business, due to foreign complications, no bid was forthcoming.”²¹ The start of the war was all the more distressing for farmers because they had been anticipating a large, and profitable crop. In the days before war broke out “the prospect pointed to a good crop locally, and top notch prices,” the *Times-Recorder* wrote.²²

Moreover, cotton producers were well aware that other agricultural industries, like the wheat industry would benefit from conflict while they would suffer: “Europe gets into a six hundred scrap, and the result is that cotton goes to the bottom while the prices of provisions soar,” the *Times-Recorder* continued. “Millions of idle men in the fighting ranks must be fed, and the United States will be the smokehouse and the granary for all of the contending dogs of war. Flour, potatoes, corn, wheat, meat and like commodities will probably advance rapidly in price under the war scare. Poor King Cotton—the south’s main dependence—will receive the swift kick, as usual.”²³

Other local newspapers across Georgia took a similar stance opposing the war. “What one week ago gave every promise of high prices for cotton and a consequent healthy business season

¹⁸ “Plan to Prevent Losses on Cotton,” *Newnan Herald & Advertiser*, August 7, 1914: 6.

¹⁹ “Uncle Sam and the War Emergency,” *The Athens Banner*, August 3, 1914, Morning Edition: 4.

²⁰ “Americus Looks in Apprehension Upon Situation,” *Weekly Times-Recorder*, August 6, 1914: 8.

²¹ “Cotton Market,” *AWCR* 28, no. 32 (August 6, 1914): 1044.

²² “Americus Feels Already Effect European Cloud” *Weekly Times-Recorder*, July 30, 1914: 1

²³ “Americus Feels Already Effect European Cloud” *Weekly Times-Recorder*, July 30, 1914: 1

has been turned in a twinkling of the eye into gloom and threatened disaster to our whole commercial fabric,” *The Lyons Progress* grouched. “In the event that the war in Europe should be prolonged and the government fail to protect the interests of the cotton producers by emergency measures the South will no doubt suffer. Other parts of the country that produce food stuffs will profit by the war.”²⁴ The editors of *The Daily Times-Enterprise*, a local paper in Thomasville, Georgia, agreed: “The foodstuffs in this country will have an abnormal rise in price and cotton will take an awful tumble. Let’s don’t have war.”²⁵ It’s hard to imagine a clearer statement regarding a business’s opposition to war.

4.2 The Cotton Production Industry and the Road to American Involvement: 1914 -1916

How did the cotton production industry respond to wartime events, in particularly trade shocks? Below, I descriptively analyze how the cotton production industry responded to three types of wartime trade disruptions: the initial disruption caused by the outbreak of the war, concerns that raw cotton would be declared absolute contraband and thus confiscated by belligerent governments, and the threat of German U-boat (submarine) attacks. I find that these shocks strengthened the American cotton production industry’s opposition to the war as the conflict unfolded from 1914 – 1916. Assistance from the federal government, however, was able to somewhat mute this opposition and prevent it from strongly influencing their foreign policy decision-making.

4.2.1 Initial Shock

The initial shock at the start of World War I set a clear tone for the cotton production industry’s opposition to war, as evidenced primarily by the industry’s scramble to organize locally and nationally to lobby politicians for aid. The wheat industry, eagerly awaiting the profits coming from rising prices, had no need to ask the government for assistance. The cotton production industry wasn’t so lucky. Documenting the great lengths the cotton production industry went to in order to try and secure governmental aid to protect them from the effects of the war is therefore key evidence of their opposition to the conflict. Specifically, the cotton production industry needed two key things from the federal government: assistance with physically shipping raw cotton overseas to those foreign buyers that were still interested in purchasing American cotton, and financial assistance to help cotton farmers weather the pummeling drop in cotton prices.

American cotton farmers had for decades been engaged in a complicated financial dance to fund their harvests. First, they took out loans from banks or local cotton “factors” against the proceeds from the future cotton crop in order to purchase seeds, agricultural implements, and other things necessary for planting.²⁶ When the cotton crop matured, farmers then often took out further loans in order to pay for farm labor to harvest it. All these loans would then be repaid from the profits of selling the raw cotton. With the cotton exchanges closed, farmers with outstanding loans had no market in which to sell their raw cotton. The lack of a cotton market also made domestic lenders loath to make additional loans to help farmers harvest the crop. Cotton farmers therefore clamored for financial support at the local, state, and national level from bankers and politicians in order to avoid bankruptcy.

²⁴ *The Lyons Progress*, August 7, 1914: 6.

²⁵ *The Daily Times-Enterprise*, July 31, 1914, Afternoon Edition: 2

²⁶ For more on the cotton “factorage” system in the American south see Harold D. Woodman, *King Cotton and His Retainers* (Columbia, SC: University of South Carolina Press, 1990).

The sheer variety of schemes proposed to help get the American cotton crop to Europe is another useful indicator of the panic gripping the industry. In the days after the war began Senator John Sharp Williams (D-MS) hoped that the British Navy would quickly destroy its German counterpart, clearing the seas for cotton shipments.²⁷ The Secretary of the Navy, Josephus Daniels, proposed that the U.S. navy could carry the crop overseas, which newspapers observed Congress was unlikely to approve.²⁸

Luckily, the cotton production industry had political and business allies on the question of moving the cotton crop overseas, since all export oriented industries, including the wheat industry, faced a similar shortage of ships and spiraling insurance costs. As a result of pressure from many industry groups, and with enthusiastic support from President Woodrow Wilson and his administration, a variety of bills quickly advanced through Congress to make foreign exports easier. In particular, proposals championed by Treasury Secretary William G. McAdoo to make it easier to register foreign owned ships in the United States, thereby allowing the federal government to more easily insure those ships and their cargoes, garnered broad Congressional support.²⁹

On the question of government assistance for financing the cotton crop, or more direct relief for cotton farmers, however, the cotton production industry could draw on far fewer allies. Local and national politicians from the South were understandably well informed about the cotton production industry's importance for both the regional and national economy. Senator Hoke Smith (D-GA), a former governor and informal leader of Southern legislators in Washington, D.C., gathered his colleagues on the evening of August 3rd to begin strategizing on how both the federal and local governments could assist the cotton production industry in financing the cotton harvest.³⁰ Failure to act would lead to severe economic hardship for cotton producers and the Southern economy as a whole. "Losses to the cotton trade and especially to the southern cotton farmer aggregating hundreds of millions of dollars, are threatened if some extraordinary method is not provided immediately for financing and transporting the season's crop now coming on the market," *The Atlanta Constitution* warned.³¹

Due to the leadership of Senator Smith and others, some industry observers were optimistic that governmental assistance would come quickly, and help cotton producers weather the crisis. "The administration at Washington will use every means in its power to protect our people from losses by reason of the temporary paralysis of the export trade in cotton," *The Early County News* reassured its readers. "Our people should not lose their heads and sacrifice their cotton crop for the national government will do all in its power to assist them in reaping the best possible return for their labors."³²

The sheer size of the cotton production industry, and its interconnectedness with all other Southern industries, made it seem impossible that the federal government could refuse aid given the clear economic pain it was experiencing. "Whatever may be the plan finally adopted, it is quite certain that the duty of the Federal government to provide against depression in the cotton market

²⁷ "How to Finance and Transport South's Cotton," *Atlanta Constitution*, August 4, 1914: 1.

²⁸ John Corrigan, Jr., "Daniels Plans to Carry Cotton Abroad In Vessels of the United States Navy," *Atlanta Constitution*, August 8, 1914: 1; "Navy May Move Cotton," *The Butler Herald*, August 11, 1914: 5.

²⁹ "Administration and Financiers Plan to Have Government Insure U. S. Ships," *Atlanta Constitution*, August 15, 1914: 1; "Congress is Planning for War Emergencies," *Atlanta Constitution*, August 17, 1914: 5; "Uncle Sam to Buy Ships," *The Baltimore Sun* (August 20, 1914): 1.

³⁰ "How to Finance and Transport South's Cotton," *Atlanta Constitution*, August 4, 1914: 1; "Southern Law-Makers Hold Conference," *Weekly Times-Recorder*, August 6, 1914: 2.

³¹ "Plan to Be Devised to Protect Cotton From War Losses," *Atlanta Constitution*, August 2, 1914: 1.

³² "War in Europe," *Early County News*, August 6, 1914: 4.

is plain,” *The Athens Banner* informed its readers. “A most extraordinary situation confronts the South as to its cotton crop. The great European war now opening is certain to depress prices and may bring about a very serious state of affairs for the Southern farmer unless the government helps him out of the hole.”³³ Other observers, however, were less optimistic about the prospect of governmental aid. John Corrigan, Jr. of the *Atlanta Constitution* complained that “It is believed that incalculable harm will be done to the south by the European war even if the hostilities only last for two or three months,” and yet “No one has yet advanced any plan that sounds promising whereby the situation can be met.”³⁴

Acknowledging that any federal assistance would inevitably take time, cotton producers across the American south began banding together in order to also try and mitigate the consequences of the war at a local level. The Georgia Commissioner of Agriculture, James D. Price, began planning a meeting of the Association of Commissioners of Agriculture for the Southern States to discuss the effect of the war on growers after communicating with his counterparts in other states.³⁵ Concurrently, another industry organization, the Southern Cotton Congress led by E. J. Watson, was planning a national meeting on the war in Washington, D.C.³⁶ Small Georgia banks began negotiations over how to collectively finance the local cotton crop.³⁷ State officials, such as Price, also attempted to rally officials from other states to present a united front from the Southern states to the federal government.³⁸ Finally, prominent citizens, such as local banker John D. Walker, also chipped in, working to rally local Georgia Chambers of Commerce to pool resources and ideas for dealing with the crisis.³⁹ “The effect of the European war upon the South’s chief money crop is fraught with grave possibilities,” the *Newnan Herald & Advertiser* noted, “although it is hoped that means will be found to avert any serious danger that may threaten this great industry.”⁴⁰

The cotton production industry was wise to not place too much trust in the federal government, as tensions were already flaring in Congress between Southern members and their colleagues from other regions. Senator Williams, for instance, tried to resign from the foreign relations committee following a blistering speech attacking other senators over their refusal to try and broker an end to the conflict, as well as their neglect of the cotton industry. The chair of the committee, however, Sen. William Stone (D-MO), refused to accept Williams’ resignation.⁴¹

More diplomatically, Hoke Smith led a delegation of Southern members of Congress, including Senator Lee Slater Overman (D-NC) and Representatives Oscar Underwood (D-AL), Gordon Lee (D-GA) and John Nance Garner (D-TX) to a meeting with President Wilson, while an additional delegation led by Representative Frank Lever (D-SC) went to see Treasury Secretary McAdoo. With the war barely a week old, “Already a vast amount of harm has been done,” the *Atlanta Constitution’s* Washington correspondent wrote, “but when cotton begins to pour on the market and there are no purchases the situation of the farmers and the cotton merchants will be

³³ “Federal Aid Cotton,” *The Athens Banner*, August 8, 1914: 4.

³⁴ John Corrigan, Jr., “Devising Methods to Protect Cotton,” *Atlanta Constitution*, August 6, 1914: 14.

³⁵ “Georgia Commissioner Calls Convention of Other Commissioners,” *The Athens Banner*, August 8, 1914: 5.

³⁶ “Will Call Meeting to Protect Cotton,” *Atlanta Constitution* (August 6, 1914): 5; “The War in Europe,” *Newnan Herald & Advertiser*, August 7, 1914: 2.

³⁷ “Thomasville Banks Will Finance Cotton Crop For the Farmers,” *Daily Times Enterprise*, August 7, 1914, Afternoon Edition: 1.

³⁸ “The War in Europe,” *Newnan Herald & Advertiser*, August 7, 1914: 2.

³⁹ “Georgians to Meet at Once,” *Daily Times Enterprise*, August 11, 1914, Afternoon Edition: 1.

⁴⁰ “The War in Europe,” *Newnan Herald & Advertiser*, August 7, 1914: 2.

⁴¹ “Williams is Disgusted with Colleagues,” *Atlanta Constitution* (August 6, 1914): 14.

desperate.”⁴² Farmers might be able to make the best of a bad situation by refusing to sell cotton at depressed prices, but “three-fourths of them are unable to do this, owing to the necessity for paying indebtedness incurred to merchants, bankers and others since the last crop.”⁴³

Given these far-reaching effects of the war, many in the cotton industry saw a Federal bailout as the only effective response. “We stand face to face with a situation here in the south, imperiling the vital domestic forces of nearly twenty million people,” an editorial in the *Atlanta Constitution* glumly wrote. “Sixty-five percent of the cotton crop of the south must be exported for consumption in European cottons mills,” and “there is no demand today for a single bale of cotton in any market of the south and the great exchanges of this country and Europe are closed.”⁴⁴ This bailout could take a number of forms. First, the government could “valorize” the crop by setting a standard price at which harvested cotton could be stored in a bonded—that is government inspected, and insured—warehouse, where it could serve as high quality collateral for a short-term loan.⁴⁵ Second, given an ongoing liquidity crisis in New York City, the Federal government might also issue special emergency currency for banks to use for cotton loans, even if they didn’t officially valorize the crop.⁴⁶ “If the machinery for financing the cotton crop is not quickly put into systematic operation, and if the markets for raw cotton in this country are not protected, prices will undoubtedly be depressed below the cost of production, and incalculable damage will be inflicted upon millions of innocent sufferers in the south who have had no part in the creation of existing European troubles,” the *Atlanta Constitution* warned.⁴⁷

Armed with the promise of federal action, national politicians and bankers sought to allay the cotton industry’s fears. Hoke Smith believed that federal intervention would be more than enough to protect Southern farmers from bankruptcy.⁴⁸ He formally proposed a scheme on August 8th whereby cotton farmers would be able to exchange receipts certifying they had warehoused cotton for special Government backed securities, and alongside other Southern members of Congress recommended that farmers hold onto their cotton rather than selling it at fire sale prices.⁴⁹

Bankers in New York City and the South concurred. A. Barton Hepburn, chairman of Chase National Bank, believed that both government action and increased domestic demand for raw cotton would protect the South. He therefore telegraphed Representative Underwood to note that “the south is unnecessarily alarmed over the prospective reduction in any demand for and price of cotton in view of the general European war. European manufacturers may not require the usual amount of cotton, but American manufacturers will require it all.”⁵⁰ W. S. Witham, an Atlanta banker, believed that the cotton crop could be exported as long as the government passed a ship registry bill, while Joseph A. McCord, of the Third National Bank of Atlanta, supported warehousing.⁵¹

⁴² John Corrigan, Jr., “Devising Methods to Protect Cotton,” *Atlanta Constitution* (August 6, 1914): 14.

⁴³ John Corrigan, Jr., “Devising Methods to Protect Cotton,” *Atlanta Constitution* (August 6, 1914): 14.

⁴⁴ “Federal Aid for Cotton,” *Atlanta Constitution* (August 7, 1914): 6.

⁴⁵ “Federal Aid for Cotton,” *Atlanta Constitution* (August 7, 1914): 6.

⁴⁶ “Federal Aid for Cotton,” *Atlanta Constitution* (August 7, 1914): 6.

⁴⁷ “Federal Aid for Cotton,” *Atlanta Constitution* (August 7, 1914): 6.

⁴⁸ “Cotton Planters Need Have No Fear,” *Atlanta Constitution* (August 7, 1914): 12.

⁴⁹ John Corrigan, Jr., “Daniels Plans to Carry Cotton Abroad In Vessels of the United States Navy,” *Atlanta Constitution* (August 8, 1914): 1; “Federal Credit on Cotton Crop,” *Atlanta Constitution* (August 9, 1914): 1.

⁵⁰ “Cotton Planters Need Have No Fear,” *Atlanta Constitution* (August 7, 1914): 12; see also “Golden Words From Eminent American Authority,” *Atlanta Constitution* (August 11, 1914): 8.

⁵¹ “Atlanta Bankers See Better Times Coming On With Rush,” *Atlanta Constitution* (August 9, 1914): B8; “Joseph A. McCord Outlines Plan to Keep Farmers From Sacrificing Their Cotton,” *Atlanta Constitution* (August 9, 1914).

Southern members of Congress were also working to assist the cotton industry through a variety of potential legislative and policy fixes. Sens. Smith, Robert Latham Owen (D-OK), and Joseph Ransdell (D-LA), for instance, proposed amendments to the Aldrich-Vreeland Law that regulated the Government's ability to issue emergency currency during a financial crisis. By allowing banks chartered by individual states access to this currency, as opposed to just nationally chartered banks, it would be easier to provide loans using warehoused cotton as collateral rather than more traditional bonds and securities.⁵² As Sen. Ransdell noted, "The southern situation is a commercial situation...our people haven't the bonds and other security required by the emergency act, but they have cotton which, when placed in warehouses and properly secured and certificated, is fully as valuable and a safe security. If we can hold our own for sixty days the situation will improve. Europe is not going to stop manufacturing cotton."⁵³

The southern senators proposed three distinct amendments: first, recognizing cotton and other staple warehouse receipts as commercial paper against which emergency currency could be issued up to 75% of the receipts' value; second, increasing the amount of emergency currency that could be issued against commercial paper from 30% to 75%; and third, clarifying mechanisms whereby state banks could better integrate into the federal reserve system and gain access to emergency currency.⁵⁴ Hoke Smith further sponsored a separate, joint resolution to give Secretary McAdoo the authority to allow for half of all emergency currency disbursed in the South to go directly to holders of cotton warehouse receipts.⁵⁵ To reinforce Southern legislators' efforts, members of the cotton production industry spoke before the House Committee on Agriculture about how they were negatively affected by the war.⁵⁶

Local cotton organizations were also now mobilizing alongside the federal response. Harvie Jordan, the president of the Southern Cotton Association, called for an open conference on the effects of the war to be held in New Orleans on August 27-28. A growing sense that industry solidarity would be key in weathering the crisis was clearly reflected in Jordan's invitation to the conference, which noted that "If there was ever a time when the united efforts of all the people was imperatively demanded in a common cause to safeguard the great staple crop of the south from impending disaster, that time now confronts us...Prompt and effective action must be taken to avert impending disaster."⁵⁷

Concurrently, the Atlanta Chamber of Commerce held a special meeting of their board of directors to discuss the effects of the war.⁵⁸ They had written to Hoke Smith asking whether they might send a delegation to Washington to bolster the efforts of Southern members of Congress. Smith demurred, leaving the Chamber to pass a formal resolution "providing that the Atlanta Chamber of Commerce call upon their senators and congressmen to do everything in their power to pass the necessary legislation as speedily as possible" to blunt the effects of the war and that

⁵² For a good history of the rise of state vs. nationally chartered banks see Martijn Konings, *The Development of American Finance* (Cambridge, UK: Cambridge University Press, 2011). On the history of the Aldrich-Vreeland bill, the major legislative precursor to today's Federal Reserve, see Roger Lowenstein, *America's Bank: The Epic Struggle to Create the Federal Reserve* (New York, NY: Penguin Books, 2015).

⁵³ "Plan to Provide Money for Banks to Loan on Cotton," *Atlanta Constitution* (August 11, 1914): 1.

⁵⁴ "Ways are Sought to Protect Cotton," *Atlanta Constitution* (August 12, 1914): 9.

⁵⁵ "Ways are Sought to Protect Cotton," *Atlanta Constitution* (August 12, 1914): 9.

⁵⁶ "Ways are Sought to Protect Cotton," *Atlanta Constitution* (August 12, 1914): 9; "Plans to Finance Cotton During War," *Atlanta Constitution*, (August 13, 1914): 10.

⁵⁷ "Cotton Conference Called By Jordan," *Atlanta Constitution* (August 11, 1914): 5.

⁵⁸ "Georgians to Meet at Once," *Daily Times Enterprise*, August 11, 1914, Afternoon Edition: 1.

“members of the chamber of commerce be requested to write to their members in congress giving their views on the subject.”⁵⁹

In response to this pressure, and under the leadership of cooler heads, Southern members of Congress were steadily moving to advance the desired federal legislation. Inside of two weeks after the cotton exchanges closed, the first bills were introduced in Congress, by Hoke Smith in the Senate and Frank Lever in the House of Representatives, to allow for government licensing of cotton warehouses.⁶⁰ Representative Otis Wingo (D-AR) introduced a related bill, authorizing the government to issue federal reserve notes based on cotton.⁶¹ These moves were made after long consultation between Smith and Senator Owen with McAdoo, the comptroller of the currency, Williams, and other members of the Wilson administration.⁶² Concurrently, the Wilson administration was working on legislative solutions that would help more than just the cotton production industry, such as insuring U.S. ships and overseas cargoes to support all export industries.⁶³

In the meantime, even as the Liverpool cotton exchange reopened, the major cotton exchanges in the United States remained closed, with each day causing further economic distress to cotton farmers and merchants.⁶⁴ “While two weeks have passed since the cotton futures markets were closed, no definite steps have yet been reported toward any immediate resumption of business” the *Athens Banner* noted on August 13th. With the exception of efforts to close out trades made before the closure, the calculation of interest, and “the exception of some small transactions in spot cotton, practically no business is reported, and while many plans are being discussed for the relief of the situation, no material change in the general position of international trade appears to have occurred during the week.”⁶⁵ Local cotton dealers might be able to make some small purchases and sales, but nothing could replace the volume of businesses conducted at the major urban exchanges.⁶⁶

Aftershocks from the final days of trading were still rippling through the cotton production industry, however, with J.C. Wilson & Co., a west coast cotton brokerage, declaring bankruptcy due solely to “the extraordinary American conditions following on the European war.”⁶⁷ Widespread uncertainty about when wide-spread cotton sales might resume, with some observers predicting a multi-month closure of the exchanges, only contributed to the dire mood amongst the cotton production industry.⁶⁸ There was little advice that industry leaders and politicians could give cotton farmers except to “stand firm” and “sell cotton only as last necessity.”⁶⁹

The cotton production industry also faced new headwinds in Congress regarding federal relief. Not all members of Congress, particularly those that didn’t represent constituencies profiting from international trade, supported the Wilson administration’s plan to insure overseas shipping.⁷⁰ At a local level, however, the Atlanta Chamber of Commerce struck a rare optimistic

⁵⁹ “Chamber Considers Movement of Cotton,” *Atlanta Constitution* (August 11, 1914): 6.

⁶⁰ John Corrigan, Jr., “Bill to Relieve Cotton Situation Before Congress,” *Atlanta Constitution* (August 15, 1914): 1.

⁶¹ John Corrigan, Jr., “Bill to Relieve Cotton Situation Before Congress,” *Atlanta Constitution* (August 15, 1914): 1.

⁶² “Georgians to Meet at Once,” *Daily Times Enterprise*, August 11, 1914, Afternoon Edition: 1.

⁶³ “Administration and Financiers Plan to Have Government Insure U. S. Ships,” *Atlanta Constitution* (August 15, 1914): 1.

⁶⁴ The Liverpool exchange reopened on August 7. See “Cotton Market,” *AWCR* 28, no. 33 (August 13, 1914): 1072.

⁶⁵ “Weekly Cotton Review,” *The Athens Banner*, August 16, 1914, Morning Edition: 10.

⁶⁶ “Local Dealers Now Purchasing Good Middlings,” *Weekly Times-Reporter*, August 13, 1914, Morning Edition: 1.

⁶⁷ “San Francisco Firm Decides to Suspend,” *Atlanta Constitution* (August 15, 1914): 9.

⁶⁸ J. M. Coley, “Coley’s Column,” *Walker County Messenger*, August 14, 1914: 2.

⁶⁹ “‘Stand Firm’ is Advice to Cotton Grower,” *The Butler Herald*, August 11, 1914: 1.

⁷⁰ “War Risk Insurance Likely to Cause Fight,” *Atlanta Constitution* (August 16, 1914): 3.

note following deliberations on the war's effect on the local economy. "While considering the situation serious," the Chamber noted in a public statement, it "believes it will work out satisfactorily within a few months and largely through natural channels, with the aid which the government is expected to extend by the issue of additional currency under the Aldrich-Vreeland act, supplemented by government deposits and by such aid as the regional banks may be able to give."⁷¹

The cotton production industry, though, clearly disagreed with the Atlanta Chamber of Commerce's sentiments. In an editorial for *The Atlanta Constitution*, Harvie Jordan, the president of the Southern Cotton Congress warned that "If the demand for spot cotton is limited, and there can be no question as to that fact if the European war continues several months, the organized speculative cotton trade and the spinners of the world will exercise every device known to human ingenuity to hammer down prices. They have done it on every occasion in the past and will take every possible advantage of the present crisis in the cotton situation to secure raw cotton as cheaply as possible."⁷² Time was running out for many small cotton farmers who could only resist the predations of the cotton manufacturing industry for so long absent loans or other forms of assistance. "The time is rapidly approaching when the cotton crop will have to be put on the market to pay debts," *The Athens Banner* reminded its readers, "The farmers cannot hold a large portion of the staple off the market unless they can get loans on it sufficient to meet obligations. If anything is to be done it will have to be done quickly. It is a real emergency."⁷³ Given congressional foot-dragging, one of the only solutions was for cotton farmers to organize to try and mitigate the crisis on their own.

Here, John D. Walker's effort to bring together local chambers of commerce, bankers, and prominent members of the cotton production industry was a key early organizational success. Gathering together these various stakeholders in Atlanta on August 17th, Walker was able to elicit promises from local banks that any emergency currency coming from the federal government would be partially used for loans to growers, along with pledges from local banks that they would finance the gathering of the crop. These promises "not only had the effect of cheering farmers," *The Atlanta Constitution* noted, "but sent them to their homes certain that the situation caused by the European war is not hopeless, and with a determination of holding their crops whenever it is not possible to get at least 12 ½ cents a pound."⁷⁴ Overall, "it was the sentiment of the conference that bankers and farmers and others interested in the cotton industry have implicit faith in the federal government and will not look to any other source for financing the cotton crop," such as a large loan from private banks.⁷⁵

There were also positive signs on both the local and national political fronts. At the state level, Governor Oscar Colquitt of Texas called a meeting of the governors from all cotton producing states to discuss collective action to help cotton farmers.⁷⁶ A group of Southern bankers meeting in Washington, D.C, appointed an informal committee to work with the Treasury Department and nascent Federal reserve board on governmental relief.⁷⁷ Along similar lines, Hoke Smith huddled with prominent Georgia cotton growers and Southern senators to devise a joint

⁷¹ "Committee Considers Cotton Crop Situation," *Atlanta Constitution* (August 16, 1914): A5.

⁷² Harvie Jordan, "United Action Imperative to Protect Cotton Prices" *Atlanta Constitution* (August 17, 1914): 4.

⁷³ "Holding the Cotton Crop," *The Athens Banner*, August 14, 1914, Morning Edition: 4.

⁷⁴ "Banks Will Help Farmers Gather Big Crop," *Atlanta Constitution* (August 18, 1914): 1.

⁷⁵ "Banks Will Help Farmers Gather Big Crop," *Atlanta Constitution* (August 18, 1914): 1.

⁷⁶ "Banks Will Help Farmers Gather Big Crop," *Atlanta Constitution* (August 18, 1914): 1.

⁷⁷ "Cotton Men in Session," *Daily Times Enterprise*, August 17, 1914, Afternoon Edition: 1.

strategy that he could take to the Senate.⁷⁸ With his cotton warehousing bill favorably reported out of the Senate agricultural committee, Smith prepared to make his case before the Senate writ large.⁷⁹

Addressing his colleagues on August 18th, Sen. Smith stressed that “I believe the cotton situation to-day in the South is not simply a local problem; it is one of national importance” and implored them to act quickly on the warehouse bill and other activities to help the cotton production industry.⁸⁰ These protestations fell on unsympathetic ears, however, and his Senate colleagues were unwilling to move quickly. This delay was all the more distressing since broader legislative measures to support export-oriented industries were moving forward even as efforts to get federal relief for the cotton production industry were stalling. The same day as Sen. Smith implored his Senate colleagues to support a warehousing bill, President Wilson signed the bill authorizing foreign ships to be registered in the United States.⁸¹

With governmental assistance not forthcoming, the cotton production industry was becoming increasingly worried. “What is evident and emphatic at this time,” the *Atlanta Constitution* wrote in an editorial, “is that the whole south, and more especially the cotton farmers, is to be the innocent sufferer on account of a limited demand for the great staple money crop of this section.”⁸² Cotton farmers, in particular, were starting to really feeling the pressure. “The new crop is coming in; planters want to get rid of it and, it is said, will take any price,” the *AWCR* reported, “The idea of 5-cent cotton, however, is thought by some to be extreme, for that is hardly the cost of production.”⁸³ The major problem was Congress, which “has for nearly three weeks realized the critical position of cotton growers, and with hundreds of millions of currency lying idle in the treasury nothing definite or positive has yet been done to relieve the financial situation in the south.”⁸⁴

Another foe, however, was closer to home. The cotton manufacturing industry, a major consumer of raw cotton, clearly benefited from lower prices for raw cotton. “The proposition to finance the farmer or to loan him 40 per cent for his cotton, which the government has been considering, is met, naturally, with favor by the planter, and by at least some brokers,” the *AWCR* reported, although “The manufacturers, however, do not look cheerful at this. They say: ‘Why shouldn't the government help the manufacturer?’”⁸⁵

Faced with rising debts, cotton farmers were under increased pressure to sell even if the proceeds might not even cover costs. “Cotton is now being daily sacrificed all over the south at prices far below the cost of production,” the *Constitution* bemoaned, “and the mills are laying in supplies and fortifying themselves against whatever attempts the farmers may later on be able to make to advance prices to living levels.”⁸⁶ If the cotton production industry couldn't rely on either the federal or local governments they would need to turn to the private sector for support. “What the south needs now is action—prompt, definite and without equivocation. If the big financiers of

⁷⁸ “Cotton Situation Nation's Problem,” *Atlanta Constitution* (August 18, 1914): 16.

⁷⁹ “Hoke Smith Bill Ready,” *Daily Times Enterprise*, August 18, 1914, Afternoon Edition: 1.

⁸⁰ Senator Hoke Smith, speaking on Cotton Warehouses, on August 18, 1914, 63rd Cong., 2nd sess., *Congressional Record* 51, pt. 14: 13902. <https://www.govinfo.gov/app/details/GPO-CRECB-1914-pt14-v51/GPO-CRECB-1914-pt14-v51-7/summary>

⁸¹ “Foreign Ship Measure Signed by Wilson,” *Atlanta Constitution* (August 19, 1914): 18.

⁸² “The Cotton Crisis,” *Atlanta Constitution* (August 20, 1914): 8.

⁸³ “Cotton Market,” *AWCR* 28, no. 34 (August 20, 1914): 1100.

⁸⁴ “The Cotton Crisis,” *Atlanta Constitution* (August 20, 1914): 8.

⁸⁵ “Cotton Market,” *AWCR* 28, no. 34 (August 20, 1914): 1100.

⁸⁶ “The Cotton Crisis,” *Atlanta Constitution* (August 20, 1914): 8.

New York are willing and able to float a loan of a hundred million dollars for France, they can find a better field in the south with spot cotton as collateral.”⁸⁷

Even those cotton farmers that were lucky enough to have already secured financing to harvest their crops were hurting as they struggled to market or sell it. “Conditions in the country towns are not good,” John Walker noted three weeks after the start of the war, with farmers sometimes forced to sell at a loss. “Cotton is being brought to town without a market, it is being simply left in warehouses or taken back to farms. Some is being sold at from 8 to 9 cents when it costs 11 cents to grow.”⁸⁸ As a result, Walker warned, “We are now paying a part of the cost of the awful war across the water. Later we will have to pay more, but let us now contrive and figure that we’ll not pay any more than our inevitable part.”⁸⁹

The cotton production industry was slightly cheered, however, by the impending prospect of governmental action. At a meeting of the Americus Chamber of Commerce, the chamber’s president, J. E. Mathis, encouraged farmers to “hold your cotton, economize in every way, practice self-denial, and conditions will proceed to right themselves.”⁹⁰ There was a “decidedly more optimistic feeling existed among the members of the cotton conference who have been holding a two days’ session in Washington,” the *News and Farmer* reported. “Senator Hoke Smith has introduced in the senate and Representative A. F. Lever in the house a bill which has been perfected by the officials of the department of agriculture for the government licensing of cotton warehouses so as to give added value and security to warehouse receipts as security at bank.”⁹¹ The *La Grange Reporter* believed that “plans for the relief of the cotton growers of the South are well under way in Washington, and it is predicted that within a short time a formidable plan will be instituted.”⁹² The *Athens Daily Herald* noted that “Apprehension as to the possible effects that the European war may have on business in this country, and the south in particular, is apparently rapidly diminishing.”⁹³

A conference of cotton farmers, business leaders, and warehouse owners filled the Georgia capitol building on August 18th and were “more cheerful...than for many weeks,” the *Athens Daily Herald* declared, on legislative developments in Congress and news that a number of ships carrying raw cotton would soon leave for Europe. Conference attendees were “outspoken in their commendation of Senator Hoke Smith as the leader” of legislative assistance for the industry. “They stated frankly that had it not been for Hoke Smith’s energy, Hoke Smith’s brains and Hoke Smith’s standing in Washington, the work would have been delayed, poorly done or perhaps not done at all.”⁹⁴

Hagiographies and positive sentiment aside, these dreams were dashed by the last week of August, as it became unfortunately clear that the hoped for federal aid for the cotton production industry would not be coming quickly, if it would come at all. Debate in the Senate over Hoke Smith’s cotton warehousing bill quickly derailed as Senators from outside the South worked to

⁸⁷ “The Cotton Crisis,” *Atlanta Constitution* (August 20, 1914): 8.

⁸⁸ “Stand Together, Walker’s Advice,” *Atlanta Constitution* (August 23, 1914): 14.

⁸⁹ “Stand Together, Walker’s Advice,” *Atlanta Constitution* (August 23, 1914): 14.

⁹⁰ “Farmers and Bankers Meet and Discuss Marketing and Holding of Cotton Crop,” *Weekly Times-Recorder*, August 20, 1914: 11.

⁹¹ “Cotton Outlook is Clearing Up,” *The News and Farmer*, August 20, 1914: 1.

⁹² “Brief News Notes,” *The La Grange Reporter*, August 21, 1914, Morning Edition: 6.

⁹³ “Fear As to Effects of War Are Abating,” *The Athens Daily Herald*, August 21, 1914, Evening Edition: 4.

⁹⁴ “Georgia Cotton Growers are More Cheerful Today,” *The Athens Daily Herald*, August 19, 1914: Evening Edition: 6; see also “To Handle, Care For, and Market the South’s Cotton,” *The Athens Daily Herald*, August 19, 1914: Evening Edition: 6.

weigh the bill down with aid for industries in their states. The Republican North Dakota delegation of Sens. Asle Gronna and James McCumber pushed for the federal government to similarly grant preferential warehousing treatment for grains, an unnecessarily provocative move given their skyrocketing price. Importantly, Republican senators weren't the only ones holding up aid for the cotton production industry. The Democratic Maryland delegation of Sens. John Walter Smith and Blair Lee joined with Sen. Claude Swanson (D-VA) and Sen. Furnifold Simmons (D-NC) to ask that aid be extended to the tobacco industry.

The debate over the warehousing bill descended into legislative farce on the afternoon of August 22nd, with Senators further trying to load down the bill to benefit their particular states. Sen. Harry Lane (D-OR), for instance demanded federal aid for the canned salmon industry in order to secure his support. Hoke Smith was willing to appease his party colleagues from the border states, but "drew the line at canned salmon." Sen. James Martine (D-NJ) then decided to seize the moment and suggest a carveout for his state's prized applejack producers, leaving Smith's Georgia colleague William West to incredulously ask if applejack was actually "necessary to our national prosperity." Martine gamely replied that it "depends on one's point of view and power of locomotion." It's little surprise, then, that a number of Senators abandoned the chamber entirely for a baseball game after two hours of debate. Further discussion was mercifully tabled after Sen. Lane's salmon amendment was voted down and the Senators realized that they no longer had the requisite quorum to conduct further votes.⁹⁵

With Congressional relief becoming less and less likely, the cotton production industry now turned to the Executive branch for assistance. Secretary McAdoo's decision to call a conference of cotton producers for the following week to discuss ways that the Treasury Department might assist the industry became the industry's latest source of hope.⁹⁶

If the cotton production industry initially saw Secretary McAdoo as a potential savior, however, they were rewarded for their faith with a harsh dose of reality. Born in Georgia during the Civil War, McAdoo was clearly aware of the cotton production industry's fears regarding the conflict overseas. "I have been distressed to find that there is a growing feeling of hysteria over the situation regarding cotton," McAdoo noted at the industry-government conference he had called in Washington, D.C. on August 24. "I have been receiving letters and telegrams which indicate a feeling that unless something is done immediately the bottom will drop out of credit and cotton will be a total ruin." At the same time, though, McAdoo clearly thought the cotton production industry was getting carried away by fear in their protestations to the government. "The best answer to all of these panic stricken telegrams," he noted, was that "this is no time for nervous systems. Many of the calamities suggested to me are utterly impracticable."⁹⁷ The first day of the conference had been marked by a "disturbed and panicky spirit," according to one attendee, but although the group calmed down somewhat by the second day they left Washington somewhat disappointed.⁹⁸ The executive branch might be willing to listen to the cotton production industry's worries, but they weren't prepared to act on them.

At this crucial moment, however, Hoke Smith delivered. In a somewhat improbable victory, Smith was able to usher his cotton warehousing bill through the Senate, at the legislative cost of also permitting the government to formally certify warehouses, and issue certificates that

⁹⁵ John Corrigan, Jr., "Cotton Congress Called by M'Adoo," *Atlanta Constitution* (August 23, 1914): A3.

⁹⁶ John Corrigan, Jr., "Cotton Congress Called by M'Adoo," *Atlanta Constitution* (August 23, 1914): A3; "Cotton Men in Session," *Daily Times Enterprise*, August 24, 1914, Afternoon Edition: 1.

⁹⁷ "Best Brains of South Working on Problem Of Guarding Cotton," *Atlanta Constitution* (August 25, 1914): 1.

⁹⁸ Charles J. Brand, "Conference on the Cotton Marketing Situation," *AWCR* 28, no. 40 (October 1, 1914): 1304.

could be used as collateral for loans, for other commodities, such as grain and tobacco. He even caved to Sen. Lane's protestations about warehousing canned salmon, but saved some face by denying Sen. William Chilton's (D-WV) late move to include peaches, apples, and oil.

These concessions took a clear toll on Smith. Amidst a flurry of late amendments he took the Senate floor to chastise his colleagues' partisan and regional biases. "I confess it is with some pain," he noted, that "I have heard senators put amendments intended to be trivial and make speeches intended not to be serious. If senators wish to kill the bill let them vote to do it. If they begrudge the small relief to the people who will benefit by this bill let them kill it. I do not deny their right to do it, but I entreat them to treat the subject seriously."⁹⁹ Drawing on Southern allies like Sen. Francis White (D-AL), who warned that the South would "be in bankruptcy if the cotton crop is not taken care of," Smith was able to beat back late attacks by Republican, Northern senators.¹⁰⁰ Smith took the matter of warehousing so seriously, he related to his Senate colleagues, because "I know it is a serious problem to our people who have within the last three weeks been brought to face the greatest calamity that has come to them in forty years."¹⁰¹

State governments were also finally moving forward, albeit slowly, with actions to assist the cotton production industry. Democratic Governor Locke Craig of North Carolina, after meeting with a group of cotton growers, bankers and manufacturers on August 25th, reinforced Texas Governor Colquitt's desire for a conference of state leaders. Craig sent telegrams out to the Governors of other Southern states, inviting them to a conference on September 3rd to discuss acting collectively to mitigate the ongoing economic crisis. The goal would be "to devise plans for saving from sacrifice and prevent, if possible, the threatened disaster to the cotton crop of the south."¹⁰² Colquitt, in turn, called a special session of the Texas legislature in order to devise a state level plan for warehousing cotton.¹⁰³

Fresh off passing his warehousing bill in the Senate, Hoke Smith was also working hard to develop alternate approaches for helping the cotton production industry. These included negotiating a plan with the Treasury Department for a series of monetary policy adjustments: allowing small state banks to join the Federal Reserve system for an 18 or 24 month period, decreasing the tax on issuing emergency currency via the Aldrich-Vreeland act, and increasing the proportion of loans that banks could issue on commercial paper based on receipts from warehoused cotton; currently banks could only issue 30 percent of their loans on this basis, which would be raised to 70 percent.¹⁰⁴ Amidst these victories, however, Smith—and by extension the cotton production industry—gained a new enemy: J. W. Wise, the Democratic nominee for the U.S. House of Representatives in Georgia's 6th District. At the district's congressional convention Wise went on the attack regarding Smith's plan, noting that it "would not hold water" and was driven by Washington politics, not local needs. "His remarks along that line were received with keen interest and aroused considerable discussion," the *Atlanta Constitution* noted.¹⁰⁵

Perhaps cognizant of the electoral costs of appearing to neglect his local constituency, Hoke Smith decided to travel back to Georgia to attend a long awaited meeting of members of the cotton production industry being organized in Macon by John D. Walker.¹⁰⁶ With a distinguished

⁹⁹ "Cotton Measure Through Senate," *Atlanta Constitution* (August 25, 1914): 12.

¹⁰⁰ "Cotton Measure Through Senate," *Atlanta Constitution* (August 25, 1914): 12.

¹⁰¹ "Cotton Measure Through Senate," *Atlanta Constitution* (August 25, 1914): 12.

¹⁰² "Government Going to Limit of Safety to Protect Cotton," *Atlanta Constitution* (August 26, 1914): 1.

¹⁰³ "Special Session of Legislature to Help Situation," *The Athens Banner*, August 27, 1914, Morning Edition: 6.

¹⁰⁴ "Small State Banks Will Be Assisted," *Atlanta Constitution* (August 27, 1914): 1.

¹⁰⁵ "J. W. Wise Condemns Hoke Smith's Plan on Cotton Protection," *Atlanta Constitution* (August 27, 1914): 7.

¹⁰⁶ "Every Cotton County At Big Cotton Congress in Macon," *The Athens Banner*, August 23, 1914: 10.

line-up of speakers, including Charles S. Barrett, the national president of the Farmer' Union, E. J. Watson, commissioner of agriculture of South Carolina and president of Southern Cotton Conference, J. D. Price, Georgia's commissioner of agriculture, and T. G. Hudson, a former commissioner of agriculture of Georgia, the meeting would be "the most important held in Georgia since the closing of the European markets by the war" according to the *Atlanta Constitution*.¹⁰⁷

The massive turnout for the Macon conference, estimated at some 1,400 delegates, indicated the seriousness of the situation. Indeed, so many showed up that the convention had to be delayed an hour to find a space large enough to host everyone, as the planned convention hall at the Dempsey hotel was too small.¹⁰⁸ Perhaps unsurprisingly, participants at the Macon conference chose its organizer, Walker, to be the official leader of a movement to mitigate the economic consequences of the conflict overseas through a new industry organization: the Georgia Cotton Congress.¹⁰⁹ The conference also sketched the outline of a plan for dealing with the ongoing turmoil in the cotton production industry through grassroots action. They adopted a resolution imposing a 3% tax on all cotton produced in the following crop year, and promised to reduce said crop by 50% in order to give farmers more room to carry over any surplus cotton from the 1914 harvest over to subsequent years.¹¹⁰ "We must have immediate action," the newly elected Walker declared, as "unless the farmers take action now the situation will not be relieved. The toll of war charged against the farmer is figured on the basis of cotton sold at 13 cents before war was declared, and now selling at 7 cents. Farmers cannot pay their debts on the present price of cotton, and while our government is doing all in its power to help us, we must realize that we have got to get into the fight and help ourselves."¹¹¹

Other grassroots efforts to save the cotton production industry flourished across the South. Under the leadership of C. W. Hodson, the president of the Dallas Chamber of Commerce, the Texas cotton production industry began to make firm plans for warehousing cotton. Texas bankers and cotton factors also began thinking seriously about how to refinance loans made to the cotton production industry, or delay payments, in order to mitigate the effects of the war. These business leaders "realize that they have much more than a sentimental interest in the farmer whose cotton will pay the bulk of this indebtedness," the *Atlanta Constitution* noted. "They realize that they are in business for all time and that they must now co-operate with the small merchant and farmer in tiding them over the difficulties brought about through the situation In Europe and they have determined not to press him for payment to the point where the goose that lays the golden egg is to be either injured or ruined."¹¹²

At a meeting of the Southern Cotton Conference in New Orleans, 200 members of the cotton production industry agreed with their colleagues meeting in Macon: the effects of the war could be lessened through providing loans to farmers on the basis of warehoused cotton and curtailing the 1915 crop.¹¹³ Even more informally, "buy-a-bale" movements calling for average citizens to purchase raw cotton to help buoy prices and help cotton farmers were gaining strength.¹¹⁴ Women's organizations across the South urged their members to buy only cotton

¹⁰⁷ "Cotton Meeting in Macon Today," *Atlanta Constitution* (August 27, 1914): 12.

¹⁰⁸ "Walker is Head of New Georgia Cotton Congress," *Atlanta Constitution* (August 28, 1914): 1.

¹⁰⁹ "Macon Holds Cotton Meeting," *The Butler Herald*, September 1, 1914: 1.

¹¹⁰ "Walker is Head of New Georgia Cotton Congress," *Atlanta Constitution* (August 28, 1914): 1.

¹¹¹ "Walker is Head of New Georgia Cotton Congress," *Atlanta Constitution* (August 28, 1914): 1.

¹¹² Hunt McCaleb, "How Texas is Preparing to Warehouse Its Cotton," *Atlanta Constitution* (August 28, 1914): 6.

¹¹³ "Conference Discusses Loan Value of Cotton," *Atlanta Constitution* (August 28, 1914): 12.

¹¹⁴ "Suggests Citizens Help to Buy Cotton," *Atlanta Constitution* (August 29, 1914): 4; "The Cotton Goods Crusade," *Atlanta Constitution* (August 29, 1914): 6.

clothing and house goods.¹¹⁵ Returning from a conference in Washington D.C. with Hoke Smith and William West, C. J. Haden, the president of the Georgia Chamber of Commerce, noted his hopes that informal organizing might lead to more formal structures, and stronger political presence for the cotton production industry.¹¹⁶

At the same time, however, the cotton production industry recognized that grassroots action would only go so far in mitigating the economic consequences of the war. “It is time the federal government did something about taking care of the cotton crop,” the *Atlanta Constitution* wrote in an editorial. “We have had a whole lot of talk about it—in fact, nothing but talk. Cotton conferences have been as frequent as sunrise. Members of congress, officials, bankers and merchants have conferred times without number. Everybody is agreed that something ought to be done; pretty nearly everybody is agreed as to just what should be done, but the one conspicuous thing about the whole matter is the absence of action.” Importantly, “This is not a question of the near future or even of tomorrow,” the *Constitution* warned, “it is a question of TODAY. It is an emergency; it is a crisis.”¹¹⁷ What little optimism existed in the industry was largely dependent on government assistance coming through. Returning from a visit to Washington, D.C., Atlanta banker Joseph A. McCord believed that farmers would only suffer a small loss as a result of the war, as long as the Treasury department followed through on plans to allow farmers to get loans based on warehouse receipts.¹¹⁸

When it came to the Treasury Department, however, the cotton production industry had reasons for both hope and despair. Secretary McAdoo announced on August 27th that the federal government would accept commercial paper backed by warehouse receipts for cotton and tobacco as collateral for receiving loans of emergency currency at up to 75% of the receipts’ face value. He backtracked, however, on one of Hoke Smith’s key demands, and refused to allow state banks to issue emergency currency. McAdoo instead stated that he was “convinced that there is adequate power under existing law...to issue through the national banks all the currency to meet any reasonable demand that may develop in any part of the country.”¹¹⁹

He further made clear that he was worried primarily at the effects of the war on the American economy as a whole rather than focusing on individual industries like the cotton production industry that might be heavily affected. While acknowledging that “the farmer cannot expect as high a price for cotton this year because of the European war, yet he should not be forced to sacrifice his crop,” McAdoo concluded that “This is a time when the entire country expects that purely selfish interests shall be subordinated to the common good; that undue advantage shall not be taken of each other.”¹²⁰ Certainly such statements easily applied to industries taking advantage of those negatively affected by the war, such as the cotton manufacturing industry buying up raw cotton at depressed prices. Viewed in light of McAdoo’s general tendency to downplay the economic hardships of the cotton production industry, however, such statements also speak to his unwillingness to fully involve the federal government in bailing out industries hurt by the war.

¹¹⁵ Womens Clubs Urged to Help in Marketing,” *The North Georgia Citizen*, August 20, 1914: 3; “An Appeal to Southern Club Women,” *Atlanta Constitution* (September 4, 1914): 6.

¹¹⁶ “Get-Together Spirit Impresses C. J. Haden,” *Atlanta Constitution* (August 29, 1914): 7.

¹¹⁷ “Time to Act!” *Atlanta Constitution* (August 28, 1914): 6.

¹¹⁸ “M’Cord Is Optimistic Over Cotton Situation,” *Atlanta Constitution* (August 28, 1914):

¹¹⁹ John Corrigan, Jr., “Emergency Funds Soon Available for GA Farmers,” *Atlanta Constitution* (August 28, 1914): 1.

¹²⁰ John Corrigan, Jr., “Emergency Funds Soon Available for GA Farmers,” *Atlanta Constitution* (August 28, 1914): 1.

The cotton production industry greeted McAdoo's announcement with caution. A special committee of industry members that had been formed to liaise with the federal government following the August 24th conference in Washington, D.C. with Treasury officials favorably reported on the Treasury actions, releasing a statement that "the committee entirely approves of and congratulates [Secretary McAdoo] upon the announcement...yesterday afternoon."¹²¹ In spite of the flowery language, however, the industry's patience with the federal government was clearly wearing thin. "If talk—talk in Washington—could have financed the cotton crop it would already have been taken care of several times over," an editorial in the *Atlanta Constitution* raged, "But talk, regardless of the source of it, won't do it. It is going to take sinews and plenty of them."¹²² Indeed, the industry wondered "What is congress waiting for? Is it the distress and possible pauperization of thousands of agricultural families throughout the south? Is it for trade stagnation and possible bankruptcy of southern merchants?"¹²³

By the end of August the major cotton exchanges had been closed for nearly a month, and the resulting economic pain was quickly spreading throughout the cotton production industry. Faith in government assistance was also wavering. "The question of government assistance in the acute situation now prevalent is regarded by many to be rather a remote contingency," the *AWCR* cautioned.¹²⁴ "All eyes were turned yesterday upon the national capital," the *Americus Times-Recorder* reported on August 27th, "where was assembled the convention of Southern representative farmers and merchants asking aid from congress In the harvesting and sale of the present crop."¹²⁵

As the milestone of a month-long closure of the cotton exchanges neared, Hoke Smith followed through on his promise to travel back from Washington, D.C. to Georgia to attend the Democratic party's nominating convention for the midterm elections in November, and also meet with some scores of industry representatives who remained in Macon under the auspices of the newly formed Georgia Cotton Congress. Leaving the capital by train late on the evening of August 29th, Smith arrived in Atlanta just before 5pm the following day to find a throng of enthusiastic supporters and reporters waiting for him at the train station. As soon as Smith stepped down onto the platform he was "besieged by reporters, plying various pertinent questions of the moment, but he waved them aside smiling and without a word of information." He curtly brushed aside questions about the fast approaching elections: "I have nothing to say now." And about the plight of the cotton production industry? "That will come later."¹²⁶

A month into the war, most American industries had steeled themselves for adapting to the changed economic conditions they now faced. "Business is day by day adjusting itself to a war basis of values, risk and demand. The process of readjustment to extraordinary conditions, however, is necessarily slow, and merchants are obliged to exercise patience in dealing with new and difficult problems that arise. The result is extreme caution, coupled, however, with a courageous view of the future," the *Atlanta Constitution* reported.¹²⁷

While many industries were able to successfully adapt, however, the cotton production industry still struggled to do so. The industry therefore stood out to analysts as a key problem area

¹²¹ "Cotton Committee Favors Plan Advanced by McAdoo," *Atlanta Constitution* (August 29, 1914): 4; for more on this committee see "Barrett and Jordan on Committee," *The Athens Banner*, August 27, 1914, Morning Edition: 6.

¹²² "Talk Won't Do It!" *Atlanta Constitution* (August 29, 1914): 6.

¹²³ "Talk Won't Do It!" *Atlanta Constitution* (August 29, 1914): 6.

¹²⁴ "Cotton Market," *AWCR* 28, no. 35 (August 27, 1914): 1130.

¹²⁵ "Farmers Await From Congress Help Requested," *Americus Weekly Times-Recorder*, August 27, 1914: 11.

¹²⁶ "Hoke Smith Here, Silent as Sphinx," *Atlanta Constitution* (August 31, 1914): 5.

¹²⁷ "Business Rapidly Adjusting Itself to War Conditions," *Atlanta Constitution* (August 31, 1914): 7.

for both the regional economy of the South and national economy as a whole. The *Tifton Gazette* complained that “Four weeks have passed since the outbreak of the war in Europe and the closing of the exchanges in this country, yet nothing practical has been done towards solving the cotton problem. There has been much talk and discussion, but results have not materialized.”¹²⁸ The major economic publication *Bradstreet’s* noted at the end of the month that “Southern reports are very poor owing to uncertainty about methods for financing the cotton crop...But if a feasible plan for marketing cotton is developed prompt resumption of business activity is anticipated.”¹²⁹ Hoke Smith’s trip South was a key opportunity to hammer out the details of just such a plan.

When Smith took the stage in Macon on September 1st to accept the Democratic party’s nomination he was greeted with “thunderous applause.” After thanking the party and people of Georgia for their endorsement, he then turned towards a perhaps more important topic: the war. Noting the various legislative efforts for mitigating the economic effects of the war, he reinforced the Georgia Cotton Congress’s call for a reduced cotton crop the following year. “We cannot meet this situation by simply furnishing money to handle distressed cotton. If another crop next year is raised similar in size to the present crop,” Smith told the crowd, “nothing will prevent the lowest price of cotton next fall that has been known in twenty years.” In the meantime the cotton production industry needed to support its members through collective action. “We must meet the problem that confronts us for the next six months by mutual forbearance; by sympathetic cooperation. No honest man who seeks to pay must be crowded for his debts. We must economize. We must realize the situation. We must bear ourselves with courage and with manhood.”¹³⁰

While Smith’s speech received steady applause from the audience, it marked a clear change in tone for one of the cotton production industry’s staunchest champions. Smith was no longer hoping for a short conflict. He made it clear that the war and its economic consequences would last for many months. Moreover, although his re-election was never in serious doubt in a solidly Democratic state, the fact that Smith’s greatest legislative and policy triumphs in confronting the economic crisis caused by the war were as yet unsigned into law meant these were partial victories at best. Despite his best efforts to drive a cotton warehousing bill through the Senate, the House of Representatives was already working to weaken the bill by making warehousing voluntary, rather than compulsory, as well as setting up a complicated web of federal, state, and local certification.¹³¹

State and local government efforts to mitigate the crisis were also stalling. Governor Craig cancelled his planned conference of Southern governors in Atlanta on short notice, and with little explanation.¹³² Although nearly 100 members of the cotton production industry still gathered in Atlanta despite the conference’s cancellation, their only recourse was to call on Georgia Governor John Slaton to assume leadership for a future conference.¹³³ Similarly, although the Georgia Cotton Congress under John D. Walker continued to try and organize at the local level, it was increasingly clear that these efforts would only pay off over the long term, and promised little immediate relief for the cotton production industry.¹³⁴

As per usual, the cotton production industry’s dissatisfaction with the slow movement of aid gained a voice through the editorial board of the *Atlanta Constitution*, which reminded readers that “The crisis in Europe, which has lost its novelty, demands emergency measures. These

¹²⁸ “The Cotton Outlook,” *The Tifton Gazette*, August 28, 1914: 4.

¹²⁹ “Plan for Marketing Cotton Necessary, Says Bradstreet,” *Atlanta Constitution* (August 31, 1914): 7.

¹³⁰ “Hoke Smith Urges Diversified Crops to Solve Cotton Problem,” *Atlanta Constitution* (September 2, 1914): 4.

¹³¹ “Federal Cotton Bill Favorably Reported,” *Atlanta Constitution* (September 4, 1914): 4.

¹³² “Governors’ Conference Postponed By Craig,” *Atlanta Constitution* (September 3, 1914): 5.

¹³³ “Slaton Urged to Call a Cotton Conference,” *Atlanta Constitution* (September 4, 1914): 4.

¹³⁴ “Walker to Organize Georgia Cotton Men,” *Atlanta Constitution* (September 4, 1914): 4.

measures have long been speciously promised by the politicians at Washington. It is time to stop wind-jamming and get busy!”¹³⁵ This, like other warnings, however, seemed likely to ultimately fall on deaf ears at the state and federal level. The war in Europe may very well be “the greatest problem facing the southern farmer since reconstruction,” but there seemed to be little in the way of real assistance forthcoming for the cotton production industry.

William Hurd Hillyer, writing at the beginning of September for the *Athens Banner* nicely summarized the situation: “The immediate effect of the great struggle has already been felt. For the first time since cotton became a staple commodity it is unsaleable at any price. The few scattering sales under pressure afford no basis on which to estimate a true market value. There has been a great deal of hurrying to and fro between the cotton growing states and the national capital, and a vast amount of talk in the newspapers and elsewhere, a few frantic proposals for the government to buy our cotton.” And yet, despite all this effort, “at this writing—beyond a treasury ruling which will permit of warehouse cotton certificates to be used as a basis of emergency currency through the national banks—nothing definite has been accomplished. The cotton is being hauled to market, and finding no buyers, is being stored in the village warehouse, under the hungry gaze of the sheriff, or hauled back again to rot at the farmer’s front door. From being normally hard up, the southern cotton planter is now facing the stark specter of bankruptcy.” For Hillyer, “These are facts and it would be the height of folly to close our eyes to actual conditions.”¹³⁶

4.2.2 Contraband

“What is Contraband of War?” *The Atlanta Constitution* prompted its readers on the morning of August 9, 1914, noting that the question “is causing the greatest concern to shippers.” Readers had every reason to be confused about what products did and didn’t count as wartime contraband, and thus liable to search and seizure, given the uncertain legal status of wartime trade under international law. Still, although “the definition of contraband is elastic,” the *Constitution* noted that the 1909 Declaration of London, agreed to by nearly all of the current belligerents, had yielded an “international list of articles which can never at any time be contraband. The most important of these articles to America is cotton, which heads the list of non-contraband goods.”¹³⁷

Cotton’s status as a non-contraband or “free good” under the Declaration of London theoretically meant that shipments of cotton “would not be interfered with by any European nation in case of a general war,” Ellery C. Stower, a professor of international law at Columbia argued.¹³⁸ Nevertheless, the fact that the Declaration had not yet been formally ratified by 1914 meant that belligerents still retained the legal right to add raw cotton to contraband lists if they desired.¹³⁹

Importantly, there were a number of economic downsides should raw cotton be declared contraband. Namely, given the strength of the British Navy, it would be nearly impossible for the cotton production industry to export raw cotton to Germany and Austria-Hungary, key prewar markets. Moreover, raw cotton shipments to neutral countries could be stopped and seized, potentially without compensation to the seller or shipper, if a belligerent suspected that the cotton was ultimately intended for a belligerent country.

¹³⁵ “Enough Talk. Now Act!” *Atlanta Constitution* (September 4, 1914): 6.

¹³⁶ William Hurd Hillyer, “Effects of the European War on South,” *The Athens Banner*, September 3, 1914: 7.

¹³⁷ “What is Contraband of War,” *Atlanta Constitution* (August 9, 1914): A9.

¹³⁸ “What is Contraband of War,” *Atlanta Constitution* (August 9, 1914): A9.

¹³⁹ On the Declaration of London see the previous chapter, as well as Isabel V. Hull, *A Scrap of Paper: Breaking and Making International Law during the Great War*. Ithaca, NY: Cornell University Press, 2014.

For the first year of the war, therefore, the cotton production industry fought furiously to try and maintain raw cotton's status as a free good. Drawing on the support of national legislators from cotton-producing states, in particular Georgia Senator Hoke Smith, the industry pressured both the American and British governments to ensure the free movement of raw cotton. Persistent rumors that the British government was on the verge of declaring raw cotton contraband consistently depressed the price of cotton in American markets and caused American cotton producers to strengthen their opposition to war. Conversely, public reiteration of raw cotton's status as a free good could calm markets and producers. Even though the British government would ultimately add raw cotton to its contraband list in August 1915, under intense domestic pressure from Lancashire-based cotton manufacturers, the lobbying campaign by American cotton producers remains an incredible important, and understudied, element underpinning their opposition to World War I.

The cotton production industry's campaign to maintain raw cotton's status as a "free good" began almost immediately after the war began. *The Wall Street Journal*, for instance, noted on August 6th that "Representatives and Senators from the cotton states are naturally anxious about the sudden drop in cotton" prices, and as a result "appointed a committee to take up the question with the President and Department of State to urge the warring nations not to 'regard cotton as a contraband of war, but to allow it to be transported in neutral bottoms to any of the ports even of the warring nations which are not in a state of blockade.'"¹⁴⁰ Prominent members of the cotton production industry, like C. J. Haden, and industry organizations, such as the Georgia Seed Crushers' Association, channeled these efforts through Hoke Smith, the industry's most vocal congressional supporter.¹⁴¹

Due in large part to pressure from American cotton producers and the U.S. government, European belligerents remained willing to keep cotton off contraband lists in the war's early months. Subtler actions, however, still threatened the international cotton trade. In late October, for instance, the British government asked London-based insurance underwriters not to insure cargo consignments to Sweden, Norway, Holland, and Italy, with the goal of preventing contraband goods from reaching Germany and Austria-Hungary through neutral countries. Non-contraband goods, though, also become more difficult to insure as a result of this action. "The effect of the British government's latest order is already felt in cotton export circles," the *Wall Street Journal* noted, and "It has interfered to an appreciable extent with the shipments of that staple to the neutral countries" and triggered a drop in the nominal quoted price of raw cotton in private sales.¹⁴² The foreign exchange market in the United States also tightened based on a feared decrease in cotton exports.¹⁴³

The U.S. government, however, remained responsive to the concerns of the cotton production industry. In the days after the British government's ultimatum to their domestic insurance industry, Robert Lansing, the counsellor to the State department, assured a Senate committee "that this government would endeavor to bring about an understanding with European belligerents which would admit shipments of cotton in neutral vessels to belligerent countries."¹⁴⁴ Informed by Sen. White that British-owned insurance companies in New York City had already

¹⁴⁰ "Cotton Interests Facing a Grave Situation," *Wall Street Journal* (August 6, 1914): 3

¹⁴¹ "Cotton Seed Products Not Subject to Seizure," *Atlanta Constitution* (October 11, 1914): 4.

¹⁴² "English Insurance Against War Risks Curtailed," *Wall Street Journal* (October 21, 1914): 4; "Cotton Cargoes Won't Be Troubled," *Atlanta Constitution* (October 26, 1914): 1.

¹⁴³ "Foreign Exchange," *Wall Street Journal* (October 24, 1914): 8.

¹⁴⁴ "Shipments of Cotton to Warring Countries," *Atlanta Constitution* (October 25, 1914): A12

begun refusing to insure neutral-bound cotton shipments, Lansing promised that the State department would investigate.¹⁴⁵ Seth Low, president of the New York Chamber of Commerce, went straight to the Secretary of State, William Jennings Bryan, with his concerns, sending a telegram “urging that Great Britain be requested to give some authoritative statement in regard to the conditions under which cotton for consumption in neutral countries can be forwarded from the United States without interference from British warships.”¹⁴⁶

These efforts garnered an immediate response from the British government, with Foreign Minister Edward Grey heading off any official enquiries by reiterating to the State department informally that “England will not interfere with American cotton shipments as ‘contraband of war.’”¹⁴⁷ As a result, Treasury Secretary McAdoo released a statement noting that “There is no reason why underwriters who cover marine and war risk insurance should now hesitate to issue policies on cotton in neutral bottoms, so far as Great Britain is concerned.”¹⁴⁸ Moreover, if private insurers were unwilling to underwrite shipments, then the newly founded War Risk Insurance Bureau in the Treasury Department was willing to do so.

This news was “the best the cotton people have received since the war,” according to U.S. Census Director William Harris, a native Georgian. “The greatest trouble has been caused by the inability to export cotton. The arrangement just published seems to have removed this difficulty to a great extent. It would seem certain that ships can be secured in which to transport the cotton, that exchange and credits can be secured and the handlers get rid of the cotton.”¹⁴⁹ Although the major cotton exchanges remained closed, the *Atlanta Constitution* reported that “the market had a better tone all around on the announcement that the English government would not stand in the way of insurance companies accepting war risks on cotton.”¹⁵⁰ The British statement reportedly led the German government to direct buyers to purchase a large amount of American cotton for their textile industry, with industry observers also predicting an increase in exports to England and France now that “The contraband aspects of cotton was cleared again.”¹⁵¹ “The announcement by the British government that it will interpose no obstacles to the shipment of raw cotton to any port may have the effect of stimulating exports,” the *Washington Post* noted. “Raw cotton has not been listed by any nation as conditional contraband of war and much surprise would have been caused if the British government had attempted to exercise the right to seize it as contraband.”¹⁵² Foreign exchange markets loosened in anticipation of a flurry of exports, with the value of the U.S. dollar rising to its highest level since the start of the war.¹⁵³

The cotton production industry was therefore willing to moderate their opposition to the war as long as cotton remained a free good. Cotton shipments might still be inadvertently destroyed, and wartime insurance and shipping rates were elevated over peacetime rates, but as a “free good” raw cotton enjoyed some modicum of protection under international law. Asa G.

¹⁴⁵ “Shipments of Cotton to Warring Countries,” *Atlanta Constitution* (October 25, 1914): A12. See also, “Ask Protection for Cotton on Sea,” *New York Tribune* (October 25, 1914): 13.

¹⁴⁶ “British Statement Wanted,” *Atlanta Constitution* (October 25, 1914): A12. For the full text of Low’s telegram see “Is Cotton Contraband?” *Wall Street Journal* (October 26, 1914): 4.

¹⁴⁷ “Cotton Cargoes Won’t Be Troubled,” *Atlanta Constitution* (October 26, 1914): 1.

¹⁴⁸ “Great Britain Guided by American Doctrine” *Atlanta Constitution* (October 27, 1914): 1.

¹⁴⁹ “Insurance May Be Written Now on Cotton Shipments,” *Wall Street Journal* (October 27, 1914): 4.

¹⁵⁰ “Spot Cotton Firm; Futures Higher,” *Atlanta Constitution* (October 27, 1914): 9.

¹⁵¹ “Cotton,” *Wall Street Journal* (October 27, 1914): 3.; “Trend of the Financial News,” *Los Angeles Times* (October 27, 1914): II4.; “England Opens Seas to Cotton,” *New York Times* (October 27, 1914): 1.

¹⁵² “Better Cotton Prospects,” *The Washington Post* (October 27, 1914): 6.

¹⁵³ “Foreign Exchange is Again Lowered” *Atlanta Constitution* (October 27, 1914): 9.; “Exchange Below the Gold Point,” *New York Tribune* (October 27, 1914): 13.

Candler, the founder of the Coca-Cola company and a Southern business leader, told the *Atlanta Constitution* that “if the announcement of the department of state that the warring nations will not consider cotton as contraband of war is correct...I see practically no reason why normal business conditions in the south should not be resumed at an early date. All that we have needed is a safe means of transporting our cotton to European spinners who now probably need cotton more than ever before in the history of the world.”¹⁵⁴ Similarly, cotton broker James S. Akers of the firm of Inman & Inman noted that “Relief now is in sight, since England and Germany have declared that cotton is not to be considered a contraband of war, and shipments of it may be made to Germany and England without fear of loss of cargoes by seizure.”¹⁵⁵

Slowly but surely, the cotton production industry began to adapt to wartime trade conditions. Even with high shipping and insurance rates, raw cotton flowed relatively freely across the Atlantic three months after the start of the conflict. “Despite the prevailing impression that distress is being suffered severely on account of cotton conditions,” the *Atlanta Constitution* reported in early November, “Atlanta’s biggest cotton dealers yesterday made statements to the effect that trade in the fleecy staple has increased 40 per cent in the last few days, and that within a fortnight it will be moving along at a normal rate.”¹⁵⁶ Much of this movement was domestic, but cotton exporters eagerly looked forward to higher volumes of international shipments. “The prospects are good for a much better price in cotton in the very near future,” Wimberley Peters, a cotton trader through the firm of Smith & Higgins noted, “as soon as export channels can be opened up—which I expect at a surprisingly early date—cotton can hardly be handled too fast for the demand. The prospects now are brighter than ever before.”¹⁵⁷

Ed Inman, another trader, was even more optimistic. “To say that the situation looks encouraging would be putting it too mildly,” he believed. “Already, Atlanta cotton is being shipped to European ports in large quantities. There is a big demand for it growing over there, and the supply only awaits an opportunity for transportation. As soon as Germany and Austria insure shipments, it will be a gigantic task to supply them with the cotton they are going to require.”¹⁵⁸ Importantly, however, Inman’s optimism and that of the cotton production industry writ large hinged on cotton remaining a free good. “It if is true that cotton has not been declared contraband of war,” he hedged, “belligerent Europe will shortly open up trade channels and we will begin shipments at once.”¹⁵⁹ All bets were off if cotton were to be declared contraband.

By December, though, the mood in the cotton production industry had slightly darkened. The British navy had forced a Norwegian steamer, the *Sandefford*, off its intended route to Copenhagen in late November and impounded it on the suspicion that it was carrying copper—absolute contraband—alongside its primary load of cotton.¹⁶⁰ Belligerents were well within their international legal rights to inspect and seize these types of mixed cargoes containing both contraband and free goods. As a result, the U.S. Department of Commerce formally recommended that the cotton production industry try to ship raw cotton on ships devoted exclusively to that product, especially when shipments were heading to Germany.¹⁶¹ High profile stoppages and

¹⁵⁴ “Optimism Shown by Asa Candler,” *Atlanta Constitution* (October 29, 1914): 5.

¹⁵⁵ “Optimism Shown by Asa Candler,” *Atlanta Constitution* (October 29, 1914): 5.

¹⁵⁶ “Cotton is Moving with Rapidity,” *Atlanta Constitution* (November 5, 1914): 1.

¹⁵⁷ “Cotton is Moving with Rapidity,” *Atlanta Constitution* (November 5, 1914): 1.

¹⁵⁸ “Cotton is Moving with Rapidity,” *Atlanta Constitution* (November 5, 1914): 1.

¹⁵⁹ “Cotton is Moving with Rapidity,” *Atlanta Constitution* (November 5, 1914): 1.

¹⁶⁰ “British Capture Norwegian Vessel,” *New York Tribune* (December 1, 1914): 2.

¹⁶¹ “Why Cotton is Held Up,” *The Washington Post* (December 2, 1914): 5.

seizures like that of the *Sandefford* were a key driver of high insurance rates on cotton shipments, which, alongside the low price being paid, kept the volume of international shipments low.¹⁶²

The cotton production industry's concerns over raw cotton shipments being interdicted were high enough to cause Hoke Smith to demand further action from the State Department. A meeting with Robert Lansing, however, proved mostly fruitless. There was little the State Department could do in these sorts of cases Smith noted after the meeting. The best course of action for the cotton production industry was to collectively organize shipments only containing raw cotton. "I think our cotton men should be particularly careful not to load their ships with any contraband whatsoever," Smith recommended, as by doing so "controversy will be avoided."¹⁶³ The first cargo of American cotton to be shipped directly to Germany since the War began left from the port of Savannah in early December under these sorts of strict, if voluntary, controls.¹⁶⁴

In mid-December the French government mirrored the British government's stance on cotton shipments by formally reiterating that cotton was a "free good."¹⁶⁵ This lifted the spirits of the cotton production industry higher, and the *Atlanta Constitution* noted that the news "helped steady the market" for raw cotton.¹⁶⁶ "There was a feeling of satisfaction" in the cotton production industry over the French declaration, the *New York Times* reported.¹⁶⁷ According to the *Baltimore Sun* the statement was "another victory for the American cotton shipper and cotton grower."¹⁶⁸ There was more good news later in the month when the Italian government announced that it wouldn't place restrictions on raw cotton shipments traveling through Italy en route to Austria and Switzerland.¹⁶⁹

These commercial victories, however, didn't insulate President Woodrow Wilson and his administration from domestic criticism. On the one hand there were critics such as Texas Governor Oscar Colquitt, who held that Wilson hadn't done nearly enough to protect American neutrality rights regarding the free shipment of cotton. "The Administration's foreign policy has been imbecilic," Colquitt ranted in a published article. Of chief concern, the Wilson administration had "allowed England to dictate conditions as to cotton shipments to European countries that enabled the English spinners to rob the American cotton growers of half the value of their crop." If Colquitt had been President, he declared, he "would have served notice on England's Premier that our foreign trade in cotton and other non-contraband commodities was going forward with or without England's consent, and if necessary I would have sent American ironclads to England's door to enforce that notice."¹⁷⁰

Other critics, however, maintained that rather than doing too little to ensure the free movement of American goods, the Wilson administration and its business allies were instead jeopardizing American neutrality by becoming too commercially involved in the conflict. "Neutrality, so far as the Street is concerned, long since went by the board," the *New York Tribune* reported. "Nowhere in the country are there such fervent prayers for the speedy success of the Allies as in Wall Street, because their defeat—with Germany supposedly bare of American

¹⁶² "Expect Big Cotton Exports," *New York Times* (December 5, 1914): 14. See also, "Hard to Insure Cargoes," *New York Times* (December 15, 1914): 15.

¹⁶³ "Wants Cotton Cargoes Safe," *Washington Post* (December 6, 1914): 6.

¹⁶⁴ "Wants Cotton Cargoes Safe," *Washington Post* (December 6, 1914): 6.

¹⁶⁵ "Ban on Cotton Lifted," *New York Times* (December 16, 1914): 4.

¹⁶⁶ "Cotton Made Gain; Selling was Light," *Atlanta Constitution* (December 17, 1914): 9.

¹⁶⁷ "More Steadiness in Cotton Market," *New York Times* (December 17, 1914): 15.

¹⁶⁸ "Will Not Seize Cotton," *Baltimore Sun* (December 17, 1914): 2.

¹⁶⁹ "Course of Week in Commodities," *New York Tribune* (December 21, 1914): 12.

¹⁷⁰ Oscar Colquitt, "Gov. Colquitt Calls Wilson a Failure," *New York Times* (December 27, 1914): 7.

[securities] and Great, Britain, Ireland and France yet heavy holders—presents a post-bellum prospect of little charm, to say the least. With the commission houses it is not a question of sympathies but of dollars.”¹⁷¹ Caught between these two opposing groups, the Wilson administration attempted to please both sides through a formal year-end protest to the British government over the detention of U.S. ships and shipments, while noting that it was “embarrassing” for the government to make such protestations when U.S. shippers were comingling contraband and non-contraband goods.¹⁷²

Although Wilson’s protest was good domestic politics, it had little immediate impact on the international shipping situation, where other factors loomed larger. Indeed, Secretaries McAdoo and Redfield went before Congress the same day as Wilson’s note in order to discuss high insurance rates and an ongoing shortage of merchant ships. “At the present time the freight rates on cotton are the key to the situation and the question of shipments of cotton has been one of the determining factors in the shipping situation” the *New York Times* noted. “The opening of German ports to American cotton has greatly increased the demand for cargo space, and the result has been a very marked advance in freight rates all along the line.”¹⁷³ The *AWCR* agreed with McAdoo and Redfield’s sentiments: “At present, the obstacles against shipping to Germany...lie in the dearth of American bottoms, in the high freight rates, and the difficulty in securing financial relations satisfactory to American sellers.”¹⁷⁴ Ocean freight rates for shipping cotton from New York to Liverpool had tripled since the start of the war, to their highest levels since the American Civil War a half century before.¹⁷⁵ Beyond missing the mark on the true issues inhibiting exports, the cotton production industry was slightly rattled by the accusatory tone of Wilson’s protest, fearing that Great Britain might tighten their inspection routines in response to the protest, even for non-contraband goods.¹⁷⁶ The British public was furthermore widely believed to be up in arms over the American note, and placing heavy pressure on the British to crack down on cotton shipments.¹⁷⁷

Having eased into the new year on a sour note, therefore, the cotton production industry was relieved when the British reply to Wilson’s protest was relatively subdued. While asserting their right to interdict cargoes containing suspected or actual contraband, the British government reiterated their desire to allow relatively unencumbered trade by neutral countries.¹⁷⁸ The French government soon reciprocated.¹⁷⁹

As a result, industry observers predicted that the pace of raw cotton shipments overseas would quicken. “The belligerents in Europe are clamoring already for cotton,” the *Atlanta Constitution* informed its readers. “That is one of the chief commodities which has not been declared contraband. Cotton is moving with increasing speed, and at higher prices, in the south. All this spells the oncoming of prosperity in every channel of business.”¹⁸⁰ The American government, however, was less pleased with the British reply, declaring themselves

¹⁷¹ “Topics of the Day in Wall Street,” *New York Tribune* (December 29, 1914): 13.

¹⁷² “President Urges Honest Shipments,” *Atlanta Constitution* (December 30, 1914): 1.

¹⁷³ “Report Ships Few and Rates Soaring,” *New York Times* (December 30, 1914): 5.

¹⁷⁴ *AWCR* (December 10, 1914): 1636.

¹⁷⁵ *AWCR* (December 10, 1914): 1636.

¹⁷⁶ “Extend War Risks to Neutral Ships,” *New York Tribune* (December 31, 1914): 11.

¹⁷⁷ “England Irritated Over Our Protest,” *New York Times* (January 1, 1915): 2.

¹⁷⁸ “England Sends Inconclusive Reply to American Protest; Further Discussion Necessary,” *Atlanta Constitution* (January 9, 1915): 1.

¹⁷⁹ “Growth of the Trade Balance,” *AWCR* 28, no. 1 (January 7, 1915): 14.

¹⁸⁰ “A Good Year for ‘Ads’,” *Atlanta Constitution* (January 10, 1915): B2.

“disappointed” in how it dodged many of their main assertions and seemed to invite a broader dialogue about neutral rights that could easily redound to the detriment of the United States.¹⁸¹ Nevertheless, raw cotton exports did pick up slightly by mid-January.¹⁸² This coincided with the “development of a much better feeling with respect to the cotton situation than prevailed at the time the cotton was harvested” the *Constitution* noted. “Cotton exports now show figures which are regarded as more encouraging.”¹⁸³

Although the international cotton trade had certainly improved to its best outlook since the start of the war, that didn’t mean that the trade was healthy. Indeed some industry members were growing anxious over the lack of firm movement. “People are inclined,” the *Wall Street Journal* reported, “to inquire why it is that cotton, which is non-contraband, is not making more headway as an export. The disposition is to lay it to excessive precautions in chartering and in insuring cargoes for Germany and other belligerent territory.”¹⁸⁴ Initial shipments to Germany would “not be large until those who have undertaken these first shipments learn the result of their labors,” the *AWCR* noted.¹⁸⁵

One reason for the lack of movement was ongoing concern over whether or not the British government might abruptly switch their stance and declare cotton to be contraband. Indeed, even vague rumors that such a move was being considered could negatively impact markets. The last week of January, for instance, the firm of Hubbard Bros. & Co. wrote in a circular letter regarding the “rumor, said to have been current in England, that Great Britain intended to declare cotton a contraband of war...of course, in time of war anything may occur, though this rumor seems to us to be less likely to be founded on fact than many another.”¹⁸⁶ Sales of cotton slumped in both New York City and New Orleans on January 22nd, influenced in part by whispers of a change in contraband policy. “The absurdity of this report was not questioned owing to the nervousness which had already developed under previous selling,” the *New York Times* noted.¹⁸⁷ Subsequent denials from the British government that they were considering making cotton contraband steadied cotton markets.¹⁸⁸

By late January, however, British actions were speaking louder than their words on the question of international trade during wartime. With the British navy increasingly interfering with shipments of foodstuffs and other conditional contraband goods, rumors that cotton might be declared contraband gained credibility.¹⁸⁹ Concurrently, the British government was coming under renewed pressure from a small, yet vocal, campaign headed by Nobel prize winning chemist William Ramsey that cotton should be made contraband. Writing to the *London Times*, Ramsey argued that “If copper lies under an embargo, cotton a fortiori should be prohibited. To place it on the list of contraband of war is a necessity, unless the whole theory of contraband is given up.”¹⁹⁰ Other British newspapers concurred with Ramsey, leading the *Washington Post* to warn that

¹⁸¹ “British Reply Disappointing,” *Baltimore Sun* (January 11, 1915): 1.;

¹⁸² “Ways and Means the Topic Discussed by Exporters,” *Wall Street Journal* (January 12, 1915): 5.

¹⁸³ “The Holland Letter,” *Atlanta Constitution* (January 13, 1915): 6.

¹⁸⁴ “Cotton,” *Wall Street Journal* (January 15, 1915): 3.

¹⁸⁵ “Cotton Market,” *AWCR* 28, no. 1 (January 7, 1915): 12.

¹⁸⁶ “Professional Views on Cotton Market,” *Atlanta Constitution* (January 23, 1915): 9.

¹⁸⁷ “Cotton Falls off on Southern Sales,” *New York Times* (January 23, 1915): 14. Other newspapers, however, discounted the role of contraband rumors in the sales dip. See “Cotton the Past Week; Review of the Market,” *Atlanta Constitution* (January 23, 1915): 9.

¹⁸⁸ “Realizing Made Cotton Decline,” *Atlanta Constitution* (January 24 1915): 7.

¹⁸⁹ “Cotton Market,” *AWCR* 29, no. 4 (January 28, 1915): 100.; “British to Seize Wilhelmina Cargo,” *New York Tribune* (January 29, 1915): 3.

¹⁹⁰ “Wants Cotton Barred,” *New York Times* (January 30, 1915): 3.

“There is every indication that this pressure will increase, and if the government resists it will only be in the face of the opposition of the highest military authorities and out of an extreme desire to demonstrate that England is ready to waive every point save national preservation in favor of the United States.”¹⁹¹ The issue even reached parliament for the first time, with Sir John D. Rees, a unionist MP in the House of Commons calling for cotton to be declared contraband.¹⁹²

Rumblings from overseas regarding a change to British contraband policy couldn’t help but rattle American cotton markets, causing the price of cotton to drop violently. There was a sharp break in markets on February 3rd, the day of Rees’ appearance in parliament. This drop was “surprising in view of bullish spot news from the South” according to the *New York Times*. “The selling appeared to be based on the belief that cotton might be put on the contraband list by the Allies.”¹⁹³ The market rose the following day, however, due to “London advices tending to relieve apprehensions that cotton might yet be placed on the list of contraband.”¹⁹⁴ As the *Wall Street Journal* explained, “The rumor that Great Britain would shortly make cotton contraband, which had such an effect in the local market Wednesday, was definitely laid at rest by the British Under Secretary of State in parliament in reply to a question on the subject.”¹⁹⁵

Moves by the German government to restrict wartime trade also negatively affected the American cotton industry. For instance, Germany’s declaration of a “war zone” around the British Isles in early February led to a drop in cotton, since it “might interfere with shipping,” the *Baltimore Sun* advised, further relaying that “messages were received from New Orleans and Memphis that some shippers were already uneasy and were endeavoring to relet ocean freight room” as a result of the declaration.¹⁹⁶ “Of course, Germany’s declaration” also meant “the increase of freight and insurance rates,” The *AWCR* reminded readers.¹⁹⁷

Germany’s declaration of a war zone not only had a direct effect on the cotton market, in so far as it raised the risk of cotton shipments being stopped or destroyed, it also increased the chance that Britain would retaliate by declaring additional goods contraband.¹⁹⁸ On February 12th the *New York Times* noted that “Fear of international developments which might affect cotton unfavorably caused a moderate decline in the market yesterday.” In particular, “Premier Asquith’s announcement in the House of Commons that the British Government was about to take more stringent measures against German trade and doubt as to what these measures might be brought about much local liquidation and caused a decline of from six to nine points from the closing on Wednesday.”¹⁹⁹ Many local traders were “not inclined to believe that England will ever put cotton on the list of contraband,” but nevertheless “there were comparatively few buyers around the ring in the late trading.”²⁰⁰

The British government’s response to the German declaration was swift and harsh, amounting to a *de facto* blockade of all German ports. “Should the new order prove as expansive as has been rumored,” the *New York Tribune* reported, “it would mean that all articles of

¹⁹¹ “May Seize All Cotton,” *Washington Post* (February 1, 1915): 2.

¹⁹² “Parliament Drops all Private Bills,” *New York Times* (February 4, 1915): 2.

¹⁹³ “Embargo Fear Hits Cotton,” *New York Times* (February 4, 1915): 13.

¹⁹⁴ “Cotton Recovers Closing Higher,” *New York Times* (February 5, 1915): 15. See also “Cotton Up 14 Points,” *New York Times* (February 5, 1915): 14.

¹⁹⁵ “Cotton,” *Wall Street Journal* (February 5, 1915): 3.

¹⁹⁶ “War Affects Cotton,” *The Baltimore Sun* (February 6, 1915): 8.

¹⁹⁷ “Cotton Market,” *AWCR* 29, no. 6 (February 11, 1915): 160.

¹⁹⁸ “Britain to Attack Germany’s Trade,” *New York Times* (February 12, 1915): 3.

¹⁹⁹ “British Attitude Hits Cotton Market,” *New York Times* (February 12, 1915): 15.

²⁰⁰ “New York Cotton,” *Washington Post* (February 12, 1915): 10.

commerce, with the possible exception of cotton (in deference to America) would be treated just as absolute contraband is now treated.”²⁰¹ Even as the New York cotton market increased slightly, “The recent flutter over contraband and blockade has aroused considerable curiosity about exports to Continental countries thus far this season” the *New York Times* advised on February 16th.²⁰² A few days later, on the 19th, however, “the rumor that the British Admiralty had declared against further shipments of cotton to the continent, the market declined” again, according to the *AWCR*.²⁰³ “The rumor came at half past two, and so any further decline did not take place that day because of the short time between its announcement and the closing of the exchange for the day. This report has been circulated a number of times and while it has never been founded on fact, it is felt that it is not improbable for England to declare cotton contraband. If this should take place, of course cotton would go down.”²⁰⁴

By late February, however, the American cotton industry’s faith that exports would continue to recover towards normal levels amidst the ongoing conflict was decisively shattered by two events. First, on February 21 a U.S.-flagged steamer carrying cotton, the *Evelyn*, was sunk en route to Germany after hitting a mine. It was the first ship to be covered by the newly formed War Risk Insurance Board. Second, the day following the *Evelyn*’s sinking, the British government again raised the possibility of preventing cotton exports to Germany, and potentially declaring raw cotton contraband. Harold J. Tennant, the British undersecretary of war, stated in the house of commons that the initial decision to keep raw cotton as a free good had been made when the British government believed that Germany had already stockpiled sufficient cotton to fulfil their wartime requirements. As a result of changing intelligence, Tennant warned, “this attitude may be revised from time to time.”²⁰⁵

These events triggered widespread concern amongst the American cotton production industry. The British blockade, “if enforced, would put an end to the shipment of cotton, and would impose a hardship upon Southern cotton owners, who have been receiving war prices for cotton delivered to Germany and Austria” the *Washington Post* noted.²⁰⁶ Tennant’s statement was “the prime factor in a weak cotton market,” according to the *Wall Street Journal*, as “Traders realized that if the staple was placed on the contraband list, a severe blow would be dealt to the export of cotton. Exports recently have been a stimulating factor to the cotton market and undoubtedly had quite a lot to do with the advance in prices, consequently the Under Secretary’s remarks were taken seriously and caused a severe break in all positions.”²⁰⁷ The *New York Tribune* reported that “There was a very sharp break in the cotton market” based on blockade fears “and sentiment seemed to be much disturbed over the possibility of an interference in the export movement.”²⁰⁸ As well, “Fears were expressed that cotton might be declared contraband, or that the war zone developments might result in increased risks of transportation as would seriously curtail foreign demand.”²⁰⁹ The blockade news triggered a spate of selling on the New York Stock Exchange as well as in

²⁰¹ “England Plans Blockade to Close German Ports; Air Fleet in New Raid,” *New York Tribune* (February 17, 1915): 1.

²⁰² “Cotton Up 8 Points in a Steady Market,” *New York Times* (February 17, 1915): 17.

²⁰³ “Cotton Market,” *AWCR* 29, no. 8 (February 25, 1915): 220.

²⁰⁴ “Cotton Market,” *AWCR* 29, no. 8 (February 25, 1915): 220.

²⁰⁵ “Britain May Bar Cotton Cargoes from Germany,” *Atlanta Constitution* (February 23, 1915): 1.

²⁰⁶ “Great Britain to Destroy Neutral Commerce,” *Washington Post* (February 23, 1915): 6.

²⁰⁷ “Cotton,” *Wall Street Journal* (February 24, 1915): 3.

²⁰⁸ “Heavy Slump in Cotton Prices,” *New York Tribune* (February 24, 1915): 13.

²⁰⁹ “Heavy Slump in Cotton Prices,” *New York Tribune* (February 24, 1915): 13.

commodity markets, with southern railroad stocks particularly affected due to their connection with the cotton trade.²¹⁰

At this point raw cotton had yet to be formally declared contraband, but the cotton production industry believed that this next blow would fall any day as part of a broader British retaliation against Germany. According to the *Chicago Daily Tribune* “The belief seems to be general that cotton will become absolute contraband.”²¹¹ The price of exporting raw cotton skyrocketed as a result, with the Federal government raising insurance rates from 3 to 5 per cent.²¹² Both the New York and New Orleans cotton exchanges were riddled with rumors about raw cotton being on the verge of being declared contraband, with each wave of gossip triggering a sell-off. “Apprehensions that cotton might be made contraband seemed to be largely responsible for the selling movement” in New York on February 27th the *Atlanta Constitution* reported, while in New Orleans “Fear that England was about to add cotton to the contraband list caused much selling the future market and a small decline.”²¹³ The *New York Times* was even more dour in its outlook, noting that “Considering the fact that the proposal for the establishment of a blockade or a declaration of contraband has reached its most acute stage, with the possibility of some decisive step by the Allies at any moment, the cotton market yesterday showed a very steady undertone.”²¹⁴

These fears continued into March, as exporters “awaited with some anxiety...the announcement of Great Britain’s retaliatory policy.”²¹⁵ The *Atlanta Constitution* reported that “The dominating influence” in the New Orleans cotton market in the first week of March “will be the shipping situation. At the end of last week reports were circulated showing that a large element in the market fully expected England to declare cotton contraband early this week. Such a declaration probably would cause a material fall in prices.”²¹⁶ In New York City, “The talk around the ring indicates considerable anxiety in regard to the possibility of cotton being declared contraband next week,” according to the *Wall Street Journal*, “and fear of such action on the part of the Allies undoubtedly checked trading and caused a little liquidation on the part of the South.”²¹⁷ Conflicting rumors from overseas about cotton’s status could easily cause the market to see-saw wildly over the course of a single trading session. On March 1st, for instance, in the early afternoon “it was reported that nothing would be done to restrict cotton exports to Germany” and based on this information the New Orleans market “spurred to the highest levels of the day, 4 to 6 points over Saturday’s final figures.”²¹⁸ Quickly, however, “another report was circulated stating that the allies would put all commodities on the contraband list. This sent prices to the lowest levels of the day, where they were at a net loss of 5 to 9 points.”²¹⁹

Cotton markets plunged further when the British government finally made their retaliatory policy to the war zone declaration public. Prime Minister Asquith, in a widely reported speech before parliament on March 1st, declared that the British and French navies, working in concert, would seize all ships carrying goods en route to Germany, while “goods of suspicious destination

²¹⁰ “Financial Record Here and Abroad,” *New York Tribune* (February 24, 1915): 12.; “The Stock Market: A Better Tendency,” *Wall Street Journal* (February 25, 1915): 4.

²¹¹ “Reprisals to be Made on Kaiser,” *Chicago Daily Tribune* (February 27, 1915): 3.

²¹² “Federal Risk Bureau Increases its Rates,” *Los Angeles Times* (February 27, 1915): 11.

²¹³ “Rally Followed an Early Decline,” *Atlanta Constitution* (February 28, 1915): A9.

²¹⁴ “Range of Cotton Prices is Narrow,” *New York Times* (February 28, 1915): 10.

²¹⁵ “The Merchant’s Point of View,” *New York Times* (February 28, 1915): 12.

²¹⁶ “Cotton Depressed by Threats Abroad,” *Atlanta Constitution* (March 1, 1915): 8.

²¹⁷ “Cotton,” *Wall Street Journal* (March 1, 1915): 3.

²¹⁸ “Allies’ Attitude Lowered Cotton,” *Atlanta Constitution* (March 2, 1915): 10.

²¹⁹ “Allies’ Attitude Lowered Cotton,” *Atlanta Constitution* (March 2, 1915): 10.

through neutral territory” would be “subjected to a trial before a prize court to determine their neutral destination beyond peradventure.”²²⁰ As the *Wall Street Journal* reported, initial news of this speech didn’t cause much alarm in the cotton production industry since the declaration also mentioned the severing of financial ties with Germany. As a result, “When the first part of his statement was made public, which referred to finances, ring traders bought cotton in the belief that nothing in regard to contraband would be made public,” therefore when the seizure of all goods heading to Germany was announced, “the market was in a vulnerable position and broke sharply from 12 to 14 points.”²²¹

There remained one sliver of hope for the American cotton production industry. Asquith’s policy statement still needed to be enumerated through a formal “Order in Council.” As the *New York Tribune* advised its readers, the order in council would “be more explicit in its terms than the original declaration. It will answer many of the multitude of inquiries which have been made concerning the precise intentions of the Allies with regard to neutral commerce.”²²² Cotton traders furthermore hoped that an explicit exception for cotton shipments would be carved out. “What will happen to cotton is here considered a matter of the greatest American interest,” the *Tribune* wrote, and “It is understood that a few days ago it had been decided by the Cabinet that no more cotton shipments to Germany ports should pass, yet in one authoritative quarter to-day it was stated, concerning the proposed reprisals, that ‘as far as neutrals are concerned the details are open to consideration.’”²²³ There was “Considerable hope” in Chicago that “that the final form of the orders in council on the Anglo-French reprisal policy will not be as stringent towards the United States as at first seemed probable.”²²⁴

The cotton market drifted in limbo as traders waited for the formal order in council. “A featureless market has prevailed for the week,” *The AWCR* noted, “with very little gain or loss. Waiting for definite contraband news from England retarded business considerably. In some quarters it is felt that cotton will easily decline 50 points on a declaration of contraband, while the opinion is expressed by others that the effect has already been discounted to a certain extent on account of declines and the many previous rumors in regard to shipments to the continent.”²²⁵

Looking for clarity, and with Congress adjourned, the cotton production industry turned to the Wilson administration to pressure the British government. Luckily, the administration was willing to listen. In response to the latest British move, “American cotton interests are seeking to have cotton already bound for Europe or already contracted for delivery exempted from the practical blockade, of which France and Great Britain have given notice,” the *Baltimore Sun* reported. “Without admitting the right of the belligerents to detain cotton, a non-contraband article, the State Department is taking up that phase of the case, and with the sympathetic assistance of the British Ambassador, Sir Cecil Spring-Rice, is negotiating with the London Foreign Office with the view of having existing contracts recognized with permission for execution.”²²⁶ Rumors in early March that an agreement had been reached whereby the allies would “give up their determination to regard cotton as contraband of war” caused a rise in the market. As the *Atlanta*

²²⁰ “Allies Notify U.S. of Their Reprisal Plan,” *New York Tribune* (March 2, 1915): 2.

²²¹ “Cotton,” *Wall Street Journal* (March 2, 1915): 3.

²²² “British Leave Loopholes for German Trade,” *New York Tribune* (March 4, 1915): 2.

²²³ “British Leave Loopholes for German Trade,” *New York Tribune* (March 4, 1915): 2.

²²⁴ “Britain May Favor U.S.,” *Chicago Tribune* (March 6, 1915): 2.

²²⁵ “Cotton Market,” *AWCR* (March 4, 1915): 252.

²²⁶ “To Take Up War Issues,” *Baltimore Sun* (March 5, 1915): 2.

Constitution noted, “Any such official announcement, would, of course, be followed by a stronger market as it would point to an uninterrupted export movement.”²²⁷

The new official British policy on exports to Germany, when it was formally announced on March 8th, ended up as a mixed blessing for the cotton production industry. All cargo shipments that were heading directly to enemy ports would be seized, but there would be far fewer restrictions on goods heading to neutral ports, even if those goods might later be re-exported to Germany or Austria-Hungary. Moreover, the owners of seized cotton could seek out compensation through the British “prize court” system designed to adjudicate questions of wartime ownership of goods and their disposal.²²⁸ There would be a temporary grace period, through the end of the month, however, whereby goods already consigned to enemy ports, or in transit, would be exempt from the new rules.²²⁹ This was only a temporary arrangement, the British embassy announced, but it was conceived “in response to appeals of American shippers anxious over the status of their cotton on dock awaiting shipment or actually at sea bound for Europe.”²³⁰ This news had a “stimulating effect on the market” according to the *AWCR* since “It is felt that Europe wants cotton very much. If the cotton destined for Germany is taken by any of the allied powers, they will buy it and pay for it. This thought has caused a better feeling all around.”²³¹

The short-term reprieve on direct shipments to Germany had come about partly as a result of pressure from Hoke Smith and members of the cotton production industry on the British ambassador. Indeed, the announcement of British policy “was made after there had been a conference at the state department at which the British ambassador, Senator Hoke Smith, of Georgia, and representatives of southern cotton interests were present,” according to the *Atlanta Constitution*.²³² To be fair, the industry representatives remained “somewhat in doubt as to just what concession they had secured in answer to their appeal, but went away satisfied that the cotton they had afloat, or under contract to ship this month, at least, would be safe. Furthermore, they gathered the British opinion that satisfactory arrangements would be made for a continuance indefinitely without undue interference of the cotton trade with the neutral countries of Europe.”²³³ Still, they cheered the temporary measures as a short-term boost to the price of cotton. James S. Akers, for instance, believed “That the cotton market will be stimulated and that the price ought to go up” following the policy announcement.²³⁴

The British government, however, would only go so far in adjusting their policies to the cotton production industry’s whims. In mid-March, for instance, they added cotton seed to the list of contraband goods, befuddling observers at the State Department. “Officials frankly confess their inability to understand the underlying principles of the British action,” the *Atlanta Constitution* reported, “which is expected to result in further serious embarrassment to American trade.”²³⁵ The British move was all the more distressing since it came “on top of the difficulties placed in the way of the free export of cotton from the United States,” and was furthermore “looked on as particularly

²²⁷ “Cotton Took Jump Toward Week’s End,” *Atlanta Constitution* (March 8, 1915): 6.

²²⁸ For more information on the operation of these courts see James Wilford Garner, *Prize Law During the World War* (New York: Macmillan, 1927).

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²²⁹ “Britain Gives Cotton Shippers Until March 31,” *New York Tribune* (March 9, 1915): 2.

²³⁰ “Cotton in Barred by Great Britain,” *Atlanta Constitution* (March 9, 1915): 3.

²³¹ “Cotton Market,” *AWCR* (March 11, 1915): 280.

²³² “Cotton in Barred by Great Britain,” *Atlanta Constitution* (March 9, 1915): 3.

²³³ “Cotton in Barred by Great Britain,” *Atlanta Constitution* (March 9, 1915): 3.

²³⁴ “Cotton in Barred by Great Britain,” *Atlanta Constitution* (March 9, 1915): 3.

²³⁵ “Cotton Seed Place on Contraband List,” *Atlanta Constitution* (March 13, 1915): 12.

irritating because assurances had been received early in the war from Great Britain that cotton seed oil and its products would not be declared contraband.”²³⁶ Uncertainty over the true motivation behind British policy and “the difficulties attending export” had a “deterrent effect on aggressive bull speculation” in the cotton market according to the *New York Tribune*.²³⁷

Perhaps unsurprisingly, Hoke Smith was one of the angriest people in Washington, D.C. over the change in British policy. Despite the British government’s previous willingness to delay the implementation of their new order in council, Smith now raged that the new policy was “high-handed and utterly intolerable” even with the delay.²³⁸ Arthur Sears Henning, a correspondent for the *Chicago Tribune* similarly criticized the impending “absolute blockade” about to go into effect around Germany.²³⁹

The Wilson administration, in turn, was left in the unpleasant position of trying to determine an official response to the new British policy amidst growing domestic anger. In a long meeting on March 19th, the cabinet gathered and “discussed at great length the practical operation of the British Order in Council on American overseas commerce, along with its probable effects on the revenues of the United States by reason of the elimination of all trade with Germany.”²⁴⁰ It also “discussed broadly the form of the representations in which the United States will urge on the Allies’ modification of their intention to enforce what is accepted in all quarters as tantamount to a blockade of their principal enemy in so far as it affects legitimate commerce between neutrals.”²⁴¹ The consensus was to adopt two lines of attack. First, to narrowly assert that since no formal, legal blockade had been declared, trade with neutral countries needed to be allowed. Second, the cabinet decided “a more tenuous argument will present the contention that non-contraband cargoes, even when enemy-bound, cannot be legally detained. This includes American shipments of cotton for Germany.”²⁴²

Needless to say, this approach held little chance of success in the face of overwhelming British naval power in the Atlantic, and the unwillingness of the Wilson government to seriously risk further escalation over the issue. There was little, practically speaking, that Wilson and his administration could do to challenge British wartime trade policies without resorting to explicit economic coercion through sanctions, or more bellicose military moves. Hoke Smith and the cotton production industry were similarly bereft of concrete actions to take. Smith, for instance, leaned into the Wilson administration’s narrow international legal distinction between Britain’s *de facto* versus *de jure* blockade. He noted in a statement that “Under the Declaration of London contraband goods are in no way liable to seizure by a belligerent, except where they are being transported to a blockaded port.”²⁴³ The British order in council, therefore, couldn’t stand under international law since it “directs the enforcement of a blockade against neutral commerce to German ports without complying with the recognized rules of blockade” and “interferes with the commerce of neutrals at neutral ports even though that commerce consists of conditional contraband, or non-contraband goods.”²⁴⁴ Although the American government delivered a formal

²³⁶ “Cotton Seed Place on Contraband List,” *Atlanta Constitution* (March 13, 1915): 12.

²³⁷ “Course of Week in Commodities,” *New York Tribune* (March 15, 1915): 13.

²³⁸ “Washington is Angered by the British Embargo on Trade With Germany,” *Atlanta Constitution* (March 16, 1915): 1.

²³⁹ Arthur Sears Henning, “‘Absolute Blockade,’ Says Allies,” *Chicago Tribune* (March 18, 1915): 1.

²⁴⁰ “U.S. will Insist Allies’ Blockade Doesn’t Exist,” *New York Tribune* (March 20, 1915): 3.

²⁴¹ “U.S. will Insist Allies’ Blockade Doesn’t Exist,” *New York Tribune* (March 20, 1915): 3.

²⁴² “U.S. will Insist Allies’ Blockade Doesn’t Exist,” *New York Tribune* (March 20, 1915): 3.

²⁴³ “General Embargo, Hoke Smith’s Idea,” *New York Times* (March 27, 1915): 4.

²⁴⁴ “General Embargo, Hoke Smith’s Idea,” *New York Times* (March 27, 1915): 4.

note of protest regarding the policy on March 30th, both sides' recognition that the U.S. government lacked the power or resolve to force a change to British policy meant that there was little hope Britain would substantially adjust it.²⁴⁵

By mid-April the new British interdiction policy was proving increasingly unpleasant to the American cotton production industry. The British navy was now seizing a growing number of ships carrying cotton to Germany, the first being the *Navajo* on April 12th.²⁴⁶ Somewhat curiously, however, the British government refrained from formally adding cotton to the list of contraband goods. When questioned about it in the House of Commons on April 14th, Neil Primrose, undersecretary of foreign affairs, noted that "after careful consideration it had been found that the military advantages to be gained by declaring cotton contraband were insufficient to render such a stop expedient."²⁴⁷ This still meant, though, that American cotton shipments to Germany would be seized, although the owners might be compensated by the British government purchasing the cotton for domestic use. Although Primrose's announcement "aroused much discussion" at the New Orleans Cotton Exchange, it was "not regarded as a bullish feature of any importance" by traders.²⁴⁸ The belief that cotton exports heading to neutral countries might remain reasonably uninterrupted may have inspired some buying in New York, "but the most general view of the local trade was that this was merely a reiteration of England's attitude since war's beginning" according to the *Atlanta Constitution*.²⁴⁹

Over the coming weeks the new British policy had its intended effect on the inflow of cotton to Germany and Austria-Hungary, with the small amount of cotton being exported to those countries fully cut off. In this respect, as British Attorney General John Simon, noted, officially declaring cotton contraband was in many respects unnecessary. "As a practical matter in the present war," he noted, "any stoppage of cotton secured by calling it contraband is equally secured by the order in council."²⁵⁰

Even as the state department worked with cotton producers to find a work-around whereby they could export their cotton safely to Switzerland, from which it could easily pass into Germany or Austria uninhibited, new threats to the American cotton trade grew.²⁵¹ First, there was the threat of German legal retaliation against the *de facto* British blockade, to include policies meant to interdict contraband goods headed to the Allies. Second, on May 2nd the first major American ship, the *Gulflight*, was torpedoed and sunk by a German U-boat. Although the *Gulflight* was carrying oil, a contraband good, the sinking nevertheless rattled the cotton production industry, which had already seen the loss of cotton cargoes to mines like in the case of the *Evelyn* in February.²⁵² Other, perhaps less serious, wartime rumors also spooked the industry in early May, including unfounded reports of an imminent conflict between China and Japan, both heavy buyers of U.S. cotton and cotton goods.²⁵³

Hoke Smith chose this heated political moment to step back into the legislative spotlight and demand that President Wilson call a special session of Congress to assist the cotton production industry. In particular, Smith called for an embargo on American shipments of arms, ammunition

²⁴⁵ "American Note Sent to London," *New York Tribune* (March 31, 1915): 1.

²⁴⁶ "Cotton from U.S. in Prize Court," *New York Tribune* (April 15, 1915): 2.

²⁴⁷ "Britain Keeps Cotton From Contraband List," *Atlanta Constitution* (April 15, 1915): 3.

²⁴⁸ "Under Heavy Realizing, Cotton Declines Six to Eight Points," *Atlanta Constitution* (April 15, 1915): 12.

²⁴⁹ "After Sag, Cotton Closes Strong at Net Gain of 11 to 15 Points," *Atlanta Constitution* (April 16, 1915): 12.

²⁵⁰ "No Cotton Reaching Germany and Austria," *Atlanta Constitution* (April 19, 1915): 2.

²⁵¹ "America Lends Help to Swiss Importers," *Atlanta Constitution* (April 24, 1915): 14.

²⁵² "Sinking of Gulflight Arouses Washington," *New York Times* (May 3, 1915): 1.

²⁵³ "Financial Record Here and Abroad," *New York Tribune* (May 6, 1915): 10.

and foodstuffs to all European belligerents until Britain allows the free shipment of cotton and other non-contraband goods. Smith noted he “realize[d] plainly....that an embargo such as I propose would be an unneutral act...But I also realize that Great Britain’s actions have been unneutral. She has held up shipments of cotton and other non-contraband shipments to neutral countries from the United States without the slightest justification under international law. The United States has protested against this, calling it an unjustified course. England herself has never held cotton to be contraband, but she has not modified her course.”²⁵⁴ His call to action was quickly lost, however, amidst the diplomatic flurry caused by the sensational sinking of the steamer *Lusitania* on May 7th.²⁵⁵

By mid-May, then, concerns about rising tensions between the United States and Germany impacted cotton markets as much, if not more, than fears regarding British policy. On May 12th a spate of selling on the New York Exchange was “probably inspired by the belief that the communication of the Washington Administration to Germany” regarding the sinking of the *Lusitania* “might be less pacific in character than had been expected,” the *New York Times* noted. “There was a disposition to believe that the President’s note would be fully in keeping with the firmness demanded by the American people, and it was realized that this might lead to renewed selling.”²⁵⁶ The *Times* believed that “On account of the fact that the *Lusitania* incident has developed renewed bitterness, the cotton trade is prepared for almost anything, even the declaration of contraband on cotton shipments which might by any possibility reach Germany.”²⁵⁷

The British government, recognizing that the seriousness of the *Lusitania*’s sinking gave them an opening to defuse commercial and political tensions with the United States, issued an explanatory note on May 20th through the Foreign Office “In an effort to correct what the government believes to be a misunderstanding of Great Britain’s attitude toward American ships and American cargoes in other neutral bottoms detained under the order in council.”²⁵⁸ The British government reiterated that they had officially bought all cotton seized under the order in council, although some payments were waiting for proof of the contract price and ownership. They further charged that the United States in some respects seemed to be acquiescing with the order in council through their support of cotton shipments to Switzerland and other neutral states. The State Department batted away this attempt at reconciliation, however, replying that any U.S. assistance to cotton exporters had been unofficial and that nothing the United States had been done should be interpreted as U.S. acceptance of the British Order in Council.²⁵⁹

The State Department was correct, up to a point, in so far as Hoke Smith, not the department, was the central node of assistance to the cotton production industry. The indefatigable Smith, never one to sugarcoat his view of the British, responded to the charge of inappropriate interference by asserting that any assistance he provided was justified given that cotton growers had lost millions due to the British policy and “no one has been named in this country to hear their claims. No intelligent procedure has been presented by which their claims may be adjusted. No definite provision has been made for settlements. It is a matter which passes beyond the power of the individual to protect himself. It is a case in which our government must act to right the wrongs

²⁵⁴ “Would Coerce Britain,” *Baltimore Sun* (May 6, 1915): 2.

²⁵⁵ “Warned by the Germans, *Lusitania* Went to Doom with 1,251 Passengers,” *Atlanta Constitution* (May 8, 1915): 1.

²⁵⁶ “Cotton Prices off in Uneasy Market,” *New York Times* (May 13, 1915): 20.

²⁵⁷ “Cotton Prices off in Uneasy Market,” *New York Times* (May 13, 1915): 20.

²⁵⁸ “England Denies Arbitrary Interference with US. Trade; All Cotton Cargoes Bought,” *Atlanta Constitution* (May 21, 1915): 1.

²⁵⁹ “British Blockade Not Recognized,” *Atlanta Constitution* (May 22, 1915): 3.

of her citizens.”²⁶⁰ Bolstering Smith’s claim, the *Washington Post* reported a new estimate that the U.S. cotton production industry had lost over \$60 million due to British interference since the policy change.²⁶¹ Not mincing words, the *Post* accused England of a “war on American commerce,” and the cotton production industry in particular.²⁶²

As spring turned to summer, two key events shook up the struggle over the free movement of raw cotton. First, Italy joined the war on the Allies’ side, cutting off a key route whereby raw cotton had been able to reach the Central Powers.²⁶³ Second, Secretary of State Williams Jennings Bryan resigned, replacing a key government figure who had tried to tamp down further U.S. entanglement in the war with Robert Lansing, a far more strident advocate of the United States’ neutral rights. As Lansing settled into his new role he faced a new wave of calls for the British government to declare cotton contraband in the British press. In mid-June, for instance, the *London Daily Mail* demanded the government officially declare cotton contraband since cotton was “indispensable food for the German guns.”²⁶⁴ The *Wall Street Journal* reported that “Agitation by the Northcliffe section of the British press to place cotton on the absolute contraband list has been bothering the trade and has undoubtedly produced some selling from Liverpool sources.”²⁶⁵ The *New York Times* noted more sympathetically, however, that “Those among the English public opinion moulders, who are urging Great Britain to declare cotton contraband of war are assuring the British public that Lancashire is ready to take all that is left of the American cotton crop at a fair price.”²⁶⁶

In the face of this domestic pressure, however, the British government seemed initially poised to stand firm due to fears over unnecessarily angering the American cotton production industry. Indeed, the *New York Tribune* reported that these concerns had been a prime driver of British contraband policy from the war’s very beginning. “It has become known that early in the war the British government contemplated declaring cotton absolute contraband, because it was the basis of smokeless power and gun cotton,” the *Tribune* wrote in mid-June.²⁶⁷ Still, “On urgent representations by the United States that such a declaration would paralyze an American export trade in this staple worth about \$800,000,000 Great Britain withheld the threatened action.”²⁶⁸ The *Wall Street Journal* agreed that “it seems reasonable to believe that Premier Asquith and his associates would hesitate to take a stand which would offend America and cause a severe setback to the business of the South” by formally declaring cotton contraband.²⁶⁹ Moreover, the British government was also facing increasing pressure from other stakeholders regarding their de facto blockade, with Denmark, Norway, and Sweden all formally criticizing the policy through diplomatic notes.²⁷⁰ The British government’s response, however, was solely to clarify their existing policy, not loosen it, which unsurprisingly failed to reassure neutral governments.²⁷¹

²⁶⁰ “Light on the Movement to Bring About a Sharp Protest to England,” *New York Times* (May 23, 1915): 6.

²⁶¹ “Great Britain’s Raid on American Cotton,” *Washington Post* (May 24, 1916): 6.

²⁶² “England’s War on American Commerce,” *Washington Post* (May 26, 1915): 6.

²⁶³ “Cotton Market,” *AWCR* 29, no. 21 (May 27, 1915): 672.; “Cotton Market,” *AWCR* 29, no. 24 (June 17, 1915): 776.

²⁶⁴ “Wants Cotton Made Contraband,” *New York Tribune* (June 15, 1915): 2.

²⁶⁵ “Cotton,” *Wall Street Journal* (June 17, 1915): 3.

²⁶⁶ “Cotton Prices Up in Steady Market,” *New York Times* (June 16, 1915): 14.

²⁶⁷ “Britain in New Note May Alter Blockade Rules,” *New York Tribune* (June 16, 1915): 3.

²⁶⁸ “Britain in New Note May Alter Blockade Rules,” *New York Tribune* (June 16, 1915): 3.

²⁶⁹ “Cotton,” *Wall Street Journal* (June 17, 1915): 3.

²⁷⁰ Arthur Sears Henning, “Neutrals Back U.S. in Demands for Sea Rights,” *Chicago Tribune* (June 18, 1915): 2.

²⁷¹ “England Explains Trade Rules to U.S.,” *New York Times* (June 23, 1915): 2.; “British Reply Fails to Satisfy the President: More Aggressive Policy is Promised by Wilson,” *Los Angeles Times* (June 25, 1915): 11.

By late June the cotton production industry's patience had nearly dried up. With a new crop of cotton on the verge of being harvested, and no surge in demand from either domestic or British cotton manufacturers to take the remainder of the 1914 crop off their hands, they increasingly demanded compensatory policy changes. "Notwithstanding England's representations in her latest note to this government that the cotton growers of the south have no right to complain of the treatment she is according cotton cargoes," the *Atlanta Constitution* wrote, "a very serious situation is being created for this section, in fact, for the entire country, through the embargo which England has laid against cotton shipments to Germany and Austria."²⁷² In particular, the *Constitution* noted that "A great deal of harm has already been done through depreciation in price caused by the arbitrary closing of one of the world's foremost markets" in Germany, and "If the present conditions are continued into the fall, when the new crop comes on, we shall be confronted by just such another cotton crisis as was brought on by the outbreak of the European war."²⁷³

Beyond just words, the cotton production industry pressed their case with growing insistence in Washington, D.C. "Advices received in Washington are to the effect that southern businessmen and bankers are greatly wrought up over the suspension in the cotton export trade that has been brought about by Great Britain's blockade of neutral commerce" the *Los Angeles Times* reported.²⁷⁴ Specifically, "It has been represented to the administration that feeling is running high in the South against Great Britain because of the embarrassment that has been visited on the cotton export trade as a result of the British blockade. The feeling on the subject is said to be particularly bitter in view of the certainty that a continuance of the blockade threatens hard times in the South, where a taste of prosperity was experienced just before the British policy became effective on March 1."²⁷⁵

Having had to resort to emergency financing measures in order to harvest the 1914 cotton crop, bankers and businessmen were also becoming increasingly worried over whether such measures were repeatable. Speaking to the South Carolina State Bankers' Association in late June, William P. G. Harding, a member of the Federal Reserve Board, advised that "There is the possibility that the South will confront a crisis in the cotton situation again this year. If England shuts off exports by putting cotton on the contraband list, if a big crop is made this year, with a surplus left over from last year, and if it should transpire that there are inadequate transportation facilities, the crisis will be here."²⁷⁶ Although the Board was far more seasoned than it had been during the previous crisis, there were no guarantees that they would step in again. "Neither the south nor the nation can afford another cotton crisis like that of last fall," the *Atlanta Constitution* warned, "The north, the east and the west all felt the force of the blow that fell upon the south with the outbreak of the European war. No great section of the country can suffer as the south did then without the effect of it vitally penetrating every other section."²⁷⁷ As the *Washington Post* reminded readers, "One year ago the planters of the South suffered heavily by reason largely of belligerent orders as against their great staple, cotton, and there was no relief for them from low prices until British spinners, British speculators and the British interests generally secured large quantities of cotton at ruinous prices to the producers."²⁷⁸ Other observers, however, took a more

²⁷² "The Cotton Embargo," *Atlanta Constitution* (June 26, 1915): 6.

²⁷³ "The Cotton Embargo," *Atlanta Constitution* (June 26, 1915): 6.

²⁷⁴ "Hands Off to Britain," *Los Angeles Times* (June 26, 1915): 11.

²⁷⁵ "Hands Off to Britain," *Los Angeles Times* (June 26, 1915): 11.

²⁷⁶ "Cotton Crop Financing," *Wall Street Journal* (June 26, 1915): 3.

²⁷⁷ "Settle the Cotton Problem," *Atlanta Constitution* (July 7, 1915): 6.

²⁷⁸ "Our Commerce with Neutral Nations Must Be Free from Seizure," *Washington Post* (July 12, 1915): 6.

optimistic view. The *New York Times* believed that “fortunately, this year, with the knowledge gained from last Fall’s experience, there is not likely to be a repetition of the senseless panic which took hold of so many then and prompted the suggestion of all kinds of fantastic and impracticable devices, of which the ‘buy-a-bale’ scheme was the most idiotic.”²⁷⁹

Attacks in the British press on the government’s contraband policy, in particular their refusal to declare cotton contraband, continued into July. “The British government is being subjected to continuous and increasing pressure to declare cotton absolute contraband” the *Chicago Tribune* noted.²⁸⁰ “Several newspapers editorially and in their correspondence columns contain strong attacks on the government for its failure to cut off the commodity from Germany without which, they declare on the authority of eminent scientists, it would be impossible for her to manufacture explosives.”²⁸¹ Cotton traders struggled to parse all the shifting dynamics of public and political opinion in both Britain and the United States. The *New York Times* described their calculus as follows: “a modification of the British blockade would change the supply and demand situation substantially,” and “It is not at all unlikely that Great Britain’s policy may be still further relaxed. The South shows no disposition to abandon the pressure on the Administration to induce England to accord more liberal treatment for its cotton exports.”²⁸²

The cotton production industry maintained a consistent, albeit somewhat inconclusive pressure on the Wilson administration through Hoke Smith and other Southern legislators. “The representation of the South in the Senate and House is threatening Great Britain with an embargo on munitions of war if it continues the policy of seizing cotton” the *Los Angeles Times* reported, although they also warned that “If such an embargo should be imposed, undoubtedly Great Britain would resent it in emphatic fashion.”²⁸³ Still, the *Times* believed that continued pressure could eventually make a difference. “The one bright feature of the situation” as they saw it, was “that Great Britain does not want difficulties to arise in its relations with this country. Practically all the cotton which has been seized up to the present time has been purchased by the British government. The London authorities are disposed to pursue this policy. It is understood that it is prepared to buy all the cotton the South may produce for export.”²⁸⁴

Calls in parliament and in the British press for cotton to be declared contraband also persisted, resulting in a consistent downward pressure on cotton prices.²⁸⁵ A dip in prices on July 13th, for instance was due to both news of a larger than expected crop as well as due to the “good deal of agitation in Great Britain to place cotton on the list of absolute contraband.”²⁸⁶ The *Wall Street Journal* explained that “While it is not believed that cotton will be placed on the contraband list it is expected that neutral countries will be unable to get more than a normal supply,” limiting prices.²⁸⁷

The *Journal*, and other observers, were optimistic that cotton would remain non-contraband since Great Britain feared “offending the great neutral of the West, and at the same time playing into the hands of her enemies. Germany recognizes that cotton is the weak spot in the

²⁷⁹ “The Merchant’s Point of View,” *New York Times* (July 4, 1915): 7.

²⁸⁰ “Britain Urged to Prevent Cotton Entering Germany,” *Chicago Tribune* (July 3, 1915): 3.

²⁸¹ “Britain Urged to Prevent Cotton Entering Germany,” *Chicago Tribune* (July 3, 1915): 3.

²⁸² “Cotton is Steady as Market Closes,” *New York Times* (July 3, 1915): 13.

²⁸³ “South Favors Arms Embargo,” *Los Angeles Times* (July 11, 1915): 12.

²⁸⁴ “South Favors Arms Embargo,” *Los Angeles Times* (July 11, 1915): 12.

²⁸⁵ “Want Cotton Made Contraband,” *Los Angeles Times* (July 13, 1915): 13.; “Still Urge Declaration,” *New York Times* (July 14, 1915): 3.

²⁸⁶ “Cotton Shows Gain After Low Opening,” *New York Times* (July 14, 1915): 14.

²⁸⁷ “Cotton,” *Wall Street Journal* (July 14, 1915): 3.

friendly relations between [the] United States and the Allies.”²⁸⁸ British politicians, such as the Marquis of Crewe, lord president of the council and a liberal leader in house of lords, gave voice to these fears about further angering American cotton producers. Crewe noted that “In the United States...the placing of cotton on the contraband list would cause no small amount of alarm, and the government is convinced that so far as the entrance of cotton into Germany is concerned we should gain no benefit. At present we stand better in instructed public opinion in the United States than our enemies, and, therefore, unless it is clear that a change of this kind is absolutely necessary, the government is averse to taking action which would be regarded by a particular interest in the southern states of America as being unfriendly.”²⁸⁹ Given these sorts of government statements, the *New York Tribune* advised that “The [British] government is keenly watching the whole cotton situation. It is fully realized that a stoppage of trade will bear hard on Southern growers.”²⁹⁰ Similarly, the *New York Times* believed that although “The agitation in favor of making cotton contraband of war is being kept up in England...the British Government is evidently opposed to any move of this character, and for this reason this sort of talk is having no effect on cotton prices.”²⁹¹

If the British government was willing to hold off on declaring raw cotton contraband in order to avoid angering the American cotton production industry, the British press had few such concerns. As a result, a growing number of British newspapers joined the chorus calling for the raw cotton to be made contraband throughout the summer.²⁹² French newspapers, which alongside the French government had been content to let the British take the lead on wartime trade policy, similarly began agitating for cotton to be declared contraband.²⁹³

The cotton production industry launched new legislative fronts in response to this overseas agitation. In late July Senator Bankhead (D-AL) and Congressman Tribble (D-GA) separately met with President Wilson in order to “complain concerning the plight of the American cotton growers and exporters that has resulted from the refusal of the British Government to permit American cotton, a noncontraband article, to reach Germany and Austria.”²⁹⁴ Senator Bankhead in particular hammered home the economic peril facing the cotton production industry in his meeting, laying “before the President figures to show that unless early relief is obtained the people of the South will be in desperate straits with respect to the marketing of the new cotton crop.”²⁹⁵ Simultaneously, the industry also debated new attempts at coordinated bargaining, floating a plan to work together and negotiate collectively with the British government on an equitable distribution of cotton exports between various countries.²⁹⁶

Across the Atlantic, a new two-pronged policy was being increasingly debated, whereby the British government would officially declare cotton contraband, as long demanded by Lancashire cotton manufacturers and various news outlets, while American cotton producers

²⁸⁸ “Cotton as an Ally,” *Wall Street Journal* (July 15, 1915): 1.

²⁸⁹ “England to Limit Export of Cotton,” *Atlanta Constitution* (July 16, 1915): 1.

²⁹⁰ “Britain Will Keep Cotton Non-Contraband,” *New York Tribune* (July 17, 1915): 2.

²⁹¹ “Cotton Sells Off; Net Loss 4 Points,” *New York Times* (July 18, 1915): 11.

²⁹² “Want Cotton Barred,” *New York Times* (July 20, 1915): 2.; “Holds Cotton Outlaw,” *Washington Post* (July 20, 1915): 2.; “Urge War on Cotton,” *Washington Post* (July 21, 1915): 2.

²⁹³ “Wants Cotton Contraband,” *New York Times* (July 23, 1915): 3.; “Fights for Ban on Cotton,” *New York Times* (July 24, 1915): 4.

²⁹⁴ “To Take Britain to Task,” *Baltimore Sun* (July 21, 1915): 2.

²⁹⁵ “To Take Britain to Task,” *Baltimore Sun* (July 21, 1915): 2.

²⁹⁶ “Big U.S. Cotton Pool Proposed by England,” *Atlanta Constitution* (July 23, 1915): 1.

would be compensated through direct purchases of raw cotton.²⁹⁷ As Sir Robert Finlay, a British lawyer, highlighted in prize court proceedings, these purchases must “be additional to and not instead of orders placed in southern states by our private manufacturers. It must be an offer by the British government to the American planters, and have nothing to do with the current flow of normal trade.”²⁹⁸

Understandably, the American cotton production industry was excited by the potential for bulk cotton purchases. “The British parliamentary discussion in regard to the cotton situation is regarded with considerable interest in the trade,” the *Wall Street Journal* reported, “as it is believed to be a fight between the Cabinet and Lord Northcliffe. The tremendous power wielded by the owner of the London Times and the Daily Mail in British politics is recognized, and in his fight to place cotton on the contraband list he has the additional help of a number of prominent public men and scientists, to say nothing of a number of leading British newspapers other than his own.”²⁹⁹ Importantly, though, “the leaders of the Cabinet have plainly shown themselves averse to placing the staple on the contraband list and it is not believed that this will be done unless some plan is formulated by which part of the surplus cotton of the South can be taken care of and for that reason the plan of Sir Robert Finlay, which contemplates purchase of the amount of cotton the European central empires would ordinarily take from the South is regarded with interest.”³⁰⁰ Nevertheless, the *Journal* cautioned that increased British government purchases would only go so far towards resolving the underlying issue of decreased international trade and wartime disruptions. While the proposed policy “would take a lot of cotton out of the hands of those now holding it, it would not permanently improve the situation should the war be prolonged.”³⁰¹

As with any change in wartime trade policy, some members of the cotton production industry remained wary. The *New York Tribune* noted that a London-based representative of a cotton-shipping firm believed that “the present procedure” allowing cotton to flow normally through neutrals “is much preferable to the more regular action of declaring cotton contraband, as the shipper is now certain of ultimate payment by the British government, while should the cargoes be condemned as contraband the money realized from their sale would go into the coffers of the British navy’s prize fund.”³⁰² A New York cotton firm noted that large-scale governmental purchases would be “an unprecedented undertaking and strikes us as utopian and altruistic.”³⁰³ Still, the firm recognized that these were “unprecedented times and although we do not expect England to enter upon such an undertaking it is well enough to consider what might happen if it should be attempted.”³⁰⁴ The industry was therefore calmed by continued assurances from the British government that cotton wasn’t going to be imminently declared contraband. On July 26th, for instance, Robert Cecil, parliamentary Under Secretary for Foreign Affairs batted down rumors about a change in contraband policy by reminding critics that “so far as cotton reaching Germany

²⁹⁷ “Would Buy Up Cotton,” *Washington Post* (July 23, 1915): 3.; According to the *New York Times* this plan originated with Sir Charles W. Macara, former President of the International Federation of Master Cotton Spinners and Manufacturers’ Associations. See “Urges Purchase of Surplus Cotton,” *New York Times* (July 24, 1915): 4.

²⁹⁸ “Proposed Plan for the American Cotton Cargoes,” *Wall Street Journal* (July 23, 1915): 2.

²⁹⁹ “Cotton,” *Wall Street Journal* (July 23, 1915): 3.

³⁰⁰ “Cotton,” *Wall Street Journal* (July 23, 1915): 3.

³⁰¹ “Cotton,” *Wall Street Journal* (July 23, 1915): 3.

³⁰² “With Cotton Contraband, No Payment to Shippers,” *New York Tribune* (July 24, 1915): 2. See also “Status of Cotton Stirring Britain,” *Atlanta Constitution* (July 25, 1915): 7.

³⁰³ “Cotton Up 10 Points in a Steady Market,” *New York Times* (July 24, 1915): 13.

³⁰⁴ “Cotton Up 10 Points in a Steady Market,” *New York Times* (July 24, 1915): 13.

is concerned...it will make no difference whether it is declared contraband or not” given existing policy.³⁰⁵

Indeed, if anything, some in the cotton production industry anticipated that the British government might soon loosen their policy rather than tighten it. The *Wall Street Journal* noted on July 27th, for instance, that “While traders do not regard the situation as serious, they expect some modus operandi to be arranged whereby cotton can go to neutrals more freely than England suggests it will permit.”³⁰⁶ Still, the industry also realized “that great pressure is being brought to bear on the British government to place the staple on the contraband list, and some fear that if this continues it will only be a matter of time when cotton will be placed on the contraband list.”³⁰⁷

The British government was also wary, however, of how pressure from American cotton producers on the Wilson administration might reverberate across the Atlantic should they declare cotton contraband. The *London Spectator*, for instance, advised that: “The pressure...which the enormous cotton industry of the Democratic South can bring to bear on a Democratic President is indeed the crux of the situation. It may be the British Government will find that a scheme which it is said to be considering, of compensating American cotton growers by buying a portion of their crop over and above the British normal purchases, is feasible. If this were thought possible and right it would, we need hardly say, be an enormous satisfaction to Englishmen to feel that the scruples of the American government for a precedent and the grievances of the Southern cotton planters had been satisfied.”³⁰⁸

Importantly, British government officials at the time were well aware of these competing pressures. Writing to the Foreign Secretary, Sir Edward Grey, on July 21st, the British ambassador to the United States, Sir Cecil Spring-Rice, noted that British contraband policy was “wise as long as we do not give up any vital point to do all we can to conciliate the various interests which are arrayed against us.”³⁰⁹ Crucially, “The most important of these [interests] is cotton.”³¹⁰ Similarly, in an August 6th letter to Grey, Walter Runciman, the head of the Board of Trade, recommended adopting a course of action regarding raw cotton that would ensure both “Lancashire cooperation and effect the material benefits for the Cotton States which is now essential.”³¹¹

In the United States, the cotton production industry was working with British governmental representatives to try and make cotton exports to neutral countries easier. “Cotton shippers from all parts of the South have been working for some time with officials of the British Embassy in an attempt to devise a scheme whereby cotton shipments to neutral countries in Europe can be permitted to reach their destination without impairing the effectiveness of the British blockade of Germany,” the *New York Tribune* noted in late July, and “It was learned to-day that a settlement of the problem will probably be reached within a short time. Of the scores of plans submitted two or three have engaged the serious attention of embassy officials.”³¹²

This effort paid a clear dividend a few days later when the British government firmly rejected the latest American protests over their de facto blockade, with the exception of raw cotton’s status, which they intended to assess further. “The foreign office explains that all phases of the controversy except with regard to cotton are covered in the British notes,” sent previously,

³⁰⁵ “Will Not Declare Cotton Contraband,” *New York Times* (July 27, 1915): 1.

³⁰⁶ “Cotton,” *Wall Street Journal* (July 28, 1915): 3.

³⁰⁷ “Cotton,” *Wall Street Journal* (July 28, 1915): 3.

³⁰⁸ “British Aid for the South,” *New York Times* (July 31, 1915): 2.

³⁰⁹ FO 800/85/113.

³¹⁰ FO 800/85/113.

³¹¹ FO 800/89/110.

³¹² “Plans to Smooth Cotton Shipments,” *New York Tribune* (August 1, 1915): 3.

the *Atlanta Constitution* reported, but “that when a decision is arrived at on the cotton situation a new note probably will be sent.”³¹³ The *Constitution* further noted that “No question is giving the British government more vexation than cotton. The government already has indicated that its decision not to treat the staple as contraband is not irrevocable, but it is not yet convinced that the alternative might not cause more trouble and friction than the present system of detaining cotton suspected of being destined for an enemy country.”³¹⁴

It remained far from clear, though, that any adjustments to cotton’s wartime status would ultimately benefit the American cotton production industry. In the days following the British government’s latest note, for instance, the city council of Manchester, the heart of the British cotton manufacturing industry, met and “adopted a resolution demanding that the British government declare cotton contraband.”³¹⁵ As a key consumer of American cotton, Manchester-based companies would clearly benefit from the inevitable decrease in price for raw cotton if it was declared contraband. Indeed, on August 5th, the day after reports of the Manchester meeting, “predictions that cotton would be declared contraband” meant that cotton “prices sagged off to about or a shade under last night’s closing figures” in New York City, according to the *Atlanta Constitution*.³¹⁶ Similarly, in New Orleans, “Rumors that cotton had been declared contraband of war caused some selling and a recession, but real weakness did not develop.”³¹⁷ A cotton exporter in New York told the *New York Tribune* that “the export situation was extremely serious, and he feared cotton would be declared contraband.”³¹⁸

Prices declined further on August 6th, with the *Atlanta Constitution* noting that demand for cotton “became somewhat less active and the selling more general, owing to private reports that it was raining hard at Waco, Texas, and renewed rumors that England intended to place cotton on the list of contraband. These rumors were not confirmed, and private cables from Liverpool said there was nothing more than some vague talk of such a possibility in the market there, but they helped to unsettle the market.”³¹⁹ A similar drop in price occurred in New Orleans, where “private reports of rains in Texas and the rumor that England had put cotton on the contraband list caused a quick slump to the lowers levels of the day.”³²⁰ The *New York Times* voiced more concrete rumors, noting that “One of the unsettling influences in the middle of the session was a rumor to the effect that a note had been received at the State Department from Great Britain placing cotton on the contraband list. Advices from Washington, however, failed to throw any light upon this report. Whether the denial was one of fact, or merely a diplomatic evasion, it was impossible to determine.”³²¹ Overall, the *Times* reported, “Market sentiment generally is rather bearish, as it is believed that there is still a possibility that cotton will be declared contraband, and it is not believed that any compensation, in the way of buying cotton, will be made by Great Britain, except at a fixed price. While such offers of purchase operate to prevent a drastic decline, they would not

³¹³ “Britain Justifies Her Course in Blockading Neutral Ports and Will Continue Practice,” *Atlanta Constitution* (August 4, 1915): 1. See also, “Text of the British and American Notes,” *New York Times* (August 4, 1915): 2.

³¹⁴ “Britain Justifies Her Course in Blockading Neutral Ports and Will Continue Practice,” *Atlanta Constitution* (August 4, 1915): 1.

³¹⁵ “Claims of Britain to Be Combated,” *Atlanta Constitution* (August 5, 1915): 5.

³¹⁶ “Large Spot Sales in Liverpool Makes for Strength in Cotton,” *Atlanta Constitution* (August 6, 1915): 8.

³¹⁷ “Large Spot Sales in Liverpool Makes for Strength in Cotton,” *Atlanta Constitution* (August 6, 1915): 8.

³¹⁸ “Rain Brings Gain in Cotton Prices,” *New York Tribune* (August 6, 1915): 11.

³¹⁹ “August Cotton Options Advance 6 points, Other Months Recede,” *Atlanta Constitution* (August 7, 1915): 10.

³²⁰ “August Cotton Options Advance 6 points, Other Months Recede,” *Atlanta Constitution* (August 7, 1915): 10.

³²¹ “Cotton Irregular in Active Market,” *New York Times* (August 7, 1915): 11. See also “Cotton,” *Wall Street Journal* (August 7, 1915): 3.

bring into the market any competitive buying.”³²² Similar rumors had been circulating for months, meaning that they had less of an effect on market sentiment than they did previously. The price of cotton shot up on August 8th, for instance, based on increased domestic demand and poor weather, although the *Atlanta Constitution* also advised that “The market was held in bounds by the continental talk that England was about to declare cotton contraband of war. This was the main bearish influence, and it may continue to be an influence of importance during this week.”³²³

Things turned bleaker for the cotton production industry the following day on August 9th, however, with the *Chicago Tribune* reporting that “A declaration that cotton is to be regarded as contraband by the British government is expected within a few days. The situation is now in the hands of a committee of members of the government, and it is expected that this committee will reach a decision shortly.”³²⁴ Some observers and industry members also believed that the British government had successfully worn down State Department opposition to cotton being declared contraband over the previous months and that a contraband declaration would simplify matters. “There was more or less gossip going the rounds concerning the subject of a contraband declaration by Great Britain,” the *New York Times* noted.³²⁵ “A Washington dispatch said that Secretary Lansing would not discuss the matter of contraband declaration on cotton. The dispatch stated, however, that in other quarters it was felt that the Government would not seriously object to such a step, as it would tend to simplify the situation to have the status of cotton determined.”³²⁶

Calls for cotton to be declared contraband were also reaching a fever pitch in the British press. “Cotton is the subject of editorials in all of the morning newspapers today” in Great Britain, the *Atlanta Constitution* reported on August 11th. “Some urge the government to declare the staple contraband, while other address the United States and ask sympathy with the British viewpoint.”³²⁷ As a result, “The bears had a field day in the Cotton Exchange ring,” according to the *Wall Street Journal*, based on a mix of domestic weather reports and contraband concerns.³²⁸ “The international situation still commands the anxiety of the trade. It is believed by many that Great Britain will soon have to weaken under public pressure and place the staple on the contraband list. It is suggested that the only matter which makes the British cabinet hesitate is the form of compensation the South would receive should this action be taken.”³²⁹ Indeed, the *Journal* noted that “Many cotton men are of the opinion that, in the end, it would be better for all concerned if Great Britain did place cotton on the contraband list, as it would do away with the perplexing situation which is now aggravating everybody.”³³⁰

Still, many in the cotton production industry, particularly in the South, were as yet unwilling to give up the fight. The *Atlanta Constitution* reminded readers that “If England carries out her threat, emphasized in the demands of certain prominent interests in that country, to put cotton on the list of contraband of war, she will have put an injury and an affront upon the south that will not soon be forgotten.”³³¹ The *Constitution* was also quick to point out how many of the calls for cotton to be named contraband were being spearheaded by British groups that stood to

³²² “Cotton Irregular in Active Market,” *New York Times* (August 7, 1915): 11.

³²³ “Cotton Advanced 20 to 24 Points,” *Atlanta Constitution* (August 9, 1915): 6.

³²⁴ “Cotton May Be Contraband,” *Chicago Tribune* (August 10, 1915): 2.

³²⁵ “Cotton Declines on Rains in South,” *New York Times* (August 10, 1915): 15.

³²⁶ “Cotton Declines on Rains in South,” *New York Times* (August 10, 1915): 15.

³²⁷ “Cotton Question Excited England,” *Atlanta Constitution* (August 11, 1915): 1.

³²⁸ “Cotton,” *Wall Street Journal* (August 11, 1915): 3.

³²⁹ “Cotton,” *Wall Street Journal* (August 11, 1915): 3.

³³⁰ “Cotton,” *Wall Street Journal* (August 11, 1915): 3.

³³¹ “Cotton As Contraband,” *Atlanta Constitution* (August 13, 1915): 6.

benefit financially for the decision. For instance, they highlighted a recent public meeting on the question of cotton as contraband that was chaired by Sir Charles Macara, former President of the International Federation of Master Cotton Spinners and Manufacturers' Associations. "Was this premeditated or accidental?" the *Constitution* wondered. "Certainly it is to the financial interest of the association which Mr. Macara heads to put every possible obstacle in the way of the advancement of the price of cotton. If the declaration of contraband will depress cotton still more than has already been done by the British blockade of neutral European ports the association of master spinners would naturally welcome it, because their interest lies in getting the staple at the lowest possible price."³³² The *Manchester Guardian*, however, denied that there was an ulterior motive behind the British contraband agitation, although American cotton producers gave little credence to these protests.³³³

By mid-August the cotton contraband controversy had therefore entered a new, and ultimately terminal phase. "That the British Government is about to make a new departure in regard to the cotton question is now common knowledge," the *New York Times* wrote on August 12th, "but the exact lines upon which the new policy will be framed are for obvious reasons a carefully guarded secret" due to its commercial value.³³⁴ A leading cotton dealer told the *Times* that "It would be worth a fortune to possess inside information" on the British government's ultimate decision given its inevitable effect on prices.³³⁵ "Speculation as to the Government's course is running wild" the *Times* reported.³³⁶ "One rumor is that the Government contemplates the purchase of a large portion, if not all, of the coming cotton crop, and there are reports that, on the assumption that this rumor is well founded, syndicates have been formed in Liverpool and elsewhere with a view to taking speculative advantage of the situation."³³⁷ Yet "In other quarters skepticism exists as to any such contemplated action by the Government. The fact that cotton prices are normal, considering the conditions through which the trade is passing, is regarded as a clear indication that the Government's secret, whatever it may be, is being well kept."³³⁸

The changing tune of British politicians was a clear piece of evidence regarding an impending change in British policy. Lord Robert Cecil, who had previously said that it made little practical difference whether cotton was declared contraband or not, now argued in a formal interview on August 13th that "The allies must, by all lawful means, prevent cotton reaching their enemies" and "It may be considered necessary to make cotton contraband."³³⁹ Still, Cecil "refrained from any hint that the commodity would be removed from the free list at any specific date or that the government had evolved any solution to meet the demands of American cotton growers and neutral consumers," the *Atlanta Constitution* noted.³⁴⁰ In the interview Cecil promised that American cotton producers' views would be taken into account in any eventual decision, as the British government was "fully aware of the importance of cotton to America," and "We fully understand that upon a satisfactory adjustment of the matter depends to a considerable degree the

³³² "Cotton As Contraband," *Atlanta Constitution* (August 13, 1915): 6.

³³³ "Defends Anti-Cotton Move," *New York Times* (August 13, 1915): 2.

³³⁴ "British Will Shift on Cotton Soon," *New York Times* (August 13, 1915): 2.

³³⁵ "British Will Shift on Cotton Soon," *New York Times* (August 13, 1915): 2.

³³⁶ "British Will Shift on Cotton Soon," *New York Times* (August 13, 1915): 2.

³³⁷ "British Will Shift on Cotton Soon," *New York Times* (August 13, 1915): 2.

³³⁸ "British Will Shift on Cotton Soon," *New York Times* (August 13, 1915): 2.

³³⁹ "Great Britain May Place Cotton on Contraband to Keep it Out of Germany," *Atlanta Constitution* (August 14, 1915): 1.

³⁴⁰ "Great Britain May Place Cotton on Contraband to Keep it Out of Germany," *Atlanta Constitution* (August 14, 1915): 1.

welfare of nearly a quarter of the population of the United States.”³⁴¹ Cecil reiterated that it was “obvious what the loss of German and Austrian markets will mean to American cotton growers,” and “We fully realize that if there is no German and Austria outlet prices may go down and that some American will suffer unless some means are devised for compensation. Proposals in that direction have been made and are receiving careful consideration.”³⁴² Still, “What will come of them I cannot say at this time. Certainly I am not at liberty to imply that favorable action will be taken, nor will I say that it will not.”³⁴³

Rumors of an imminent British move regarding raw cotton also reached Washington, D.C., where the *New York Times* reported that although “The government has had no positive information as to what the attitude of the British Government would be in connection with the cotton situation,” they felt “officials here are inclined to believe that unless the British authorities feel that they can sustain with neutral countries the course they have taken in holding up cotton shipments to Germany and neutral countries contiguous to German territory, while cotton is not on the contraband list, they will declare cotton absolute contraband.”³⁴⁴ As for compensatory measures for any contraband decision, “Officials have heard also that Great Britain might finance the cotton crop of the United States as a means of placating cotton interests in this country, but it is not understood that this information came with any show of authority. As the case stands, the British Government cannot long delay positive action, and a speedy declaration is looked for.”³⁴⁵ The *Chicago Tribune* noted that “Formal announcement by Great Britain next week that it will place cotton on the contraband list is expected,” while the “announcement is expected to be accompanied by an informal offer from Great Britain to make arrangements for the purchase of such quantities of American cotton as will be available for export.”³⁴⁶

While the State Department might have been prepared to accept this turn of events, other members of the Wilson administration remained concerned about the domestic political consequences of cotton being declared contraband. “The administration is greatly worried over the cotton situation,” the *Tribune* reported, “especially in view of the meeting of southern bankers at Galveston today for the purpose of conferring on methods for the marketing of the cotton crop. Unless satisfactory export conditions are made possible before the convening of congress the cotton orators from the south are expected to cause no end of trouble in their demands for relief. Every effort will be made to forestall such demands before congress convenes.”³⁴⁷

The cotton market nevertheless responded negatively to the rumored change in British policy despite these positive signs from the Wilson administration. “There were several features in yesterday’s news which appeared to be construed rather bearishly in the cotton market,” the *New York Times* noted on August 15th.³⁴⁸ Namely, “London press advices were considered as indicating an increased probability that cotton would soon be added to the list of contraband by

³⁴¹ “Great Britain May Place Cotton on Contraband to Keep it Out of Germany,” *Atlanta Constitution* (August 14, 1915): 1.

³⁴² “Great Britain May Place Cotton on Contraband to Keep it Out of Germany,” *Atlanta Constitution* (August 14, 1915): 1.

³⁴³ “Great Britain May Place Cotton on Contraband to Keep it Out of Germany,” *Atlanta Constitution* (August 14, 1915): 1.

³⁴⁴ “Expect Early British Action,” *New York Times* (August 14, 1915): 2.

³⁴⁵ “Expect Early British Action,” *New York Times* (August 14, 1915): 2.

³⁴⁶ “Britain Expected to Make Cotton Contraband of War,” *Chicago Tribune* (August 14, 1915): 7.

³⁴⁷ “Britain Expected to Make Cotton Contraband of War,” *Chicago Tribune* (August 14, 1915): 7.

³⁴⁸ “Cotton Steady; Slight Change,” *New York Tribune* (August 15, 1915): D5.

the Allies.”³⁴⁹ Still, “The contraband talk did not seem to be creating much fresh sentiment” in the industry, since although “The probability that cotton will soon be placed on the list of contraband has been a disappointment to some traders, who had expected some modification of the restrictions placed on the shipments by the British blockade...the most general feeling around the ring appeared to be that a definite announcement of cotton as contraband would not represent a greater restriction than that already in force, and that it might possibly be accomplished by some offsetting measure, such as extraordinary purchases for the account of allied governments.”³⁵⁰

Indeed it was now becoming a general article of faith in the cotton production industry that when, not if, Great Britain declared cotton contraband they would accompany this move with a generous compensatory policy. In Washington, D.C. “Informed officials believe that if the British Government declares cotton contraband, that action will be coincident with or followed by the announcement of an arrangement intended to help the American cotton producers,” the *New York Times* reported.³⁵¹ “While they do not claim that they have authoritative information, officials offer the suggestion that the British plan will take the form of fixing a minimum price for cotton and announcing that Great Britain will guarantee to buy all cotton offered at that minimum price. This, it is believed, will give stability to the cotton market and insure the sale of cotton by the producers at a reasonable price.”³⁵²

Moreover, government officials wondered how much of an actual effect a contraband declaration would have on the cotton export situation. According to the *Times* “It was said in a high quarter in the State Department today that the Department was unable to see how placing cotton on the British contraband list would make much change in present conditions as far as the United States was concerned. Cotton was now being detained by the British Government and made to suffer restrictions that approximated the confiscation that would be in practice if the article were made contraband. The opinion is held in the Department that making cotton contraband will come if Great Britain concludes that she is unable to justify the detention system administered under the Orders in Council. But there is a hope, approaching confidence, that, if cotton is placed on the contraband list, Great Britain will offer as compensation to American cotton producers some plan that will put them in a much better condition financially than that in which they now find themselves.”³⁵³ At the New York Cotton Exchange “Considerable attention...was attracted by the cabled press advices giving an interview with Lord Robert Cecil on the probability that cotton would be placed on the contraband list. Opinion is divided as to the probable effect of such a development, although the immediate results probably would be bullish.”³⁵⁴

How could the British Government, already responsible for skyrocketing purchases of munitions and other war supplies, be able to simultaneously afford large scale purchases of American cotton? Debates over British wartime trade policy now became intertwined with a separate debate over whether American banks should be allowed to provide large loans to Allied governments.³⁵⁵ Given that loans to belligerents were politically controversial in the United States, the British government believed that using any loan for purchases of domestic cotton might

³⁴⁹ “Cotton Steady; Slight Change,” *New York Tribune* (August 15, 1915): D5.

³⁵⁰ “Cotton Steady; Slight Change,” *New York Tribune* (August 15, 1915): D5.

³⁵¹ “Believe England Will Buy Up Cotton,” *New York Times* (August 15, 1915): 3.

³⁵² “Believe England Will Buy Up Cotton,” *New York Times* (August 15, 1915): 3.

³⁵³ “Believe England Will Buy Up Cotton,” *New York Times* (August 15, 1915): 3.

³⁵⁴ “Cotton is Steady Despite Liquidation,” *New York Times* (August 15, 1915): 9.

³⁵⁵ “For \$500,000,000 Credit,” *Baltimore Sun* (August 15, 1915): 2. For a broader discussion of British efforts to secure American loans see Kathleen Burk, *Britain, America and the Sinews of War 1914-1918* (Boston: George Allen and Unwin, 1985).

mitigate American opposition. The British government's weak financial position was reflected in foreign exchange markets, where the value of the pound was dropping. "Immense as are the sums Great Britain and her Allies have raised for the prosecution of the war and large as are their gold resources, they cannot be expected to go on forever in the course they are pursuing," the *New York Tribune* noted, "Gold supplies are not limitless, nor are they entirely available for export to this country."³⁵⁶ Further loans would therefore be needed for any cotton purchases.

Tensions in the cotton production industry, however, were running as high as ever since the start of the conflict, with some publications warning that a formal contraband declaration might be a cause of outright conflict between the United States and Great Britain. "The British government is hesitating before it commits this 'deliberately unfriendly' act against the United States," the *Washington Post* raged, "and well it might. The result of declaring cotton contraband will surely be friction between Great Britain and the United States, the creation of an intensely bitter feeling in this country among persons feeling the direct pinch of money losses and perhaps an inflammation of public feeling that might lead to war."³⁵⁷ The *Atlanta Constitution* agreed with this sentiment: "If England carries out her implied threat to place cotton on the list of contraband of war and treat it accordingly, she will commit an unpardonable offense against the entire United States. To the south such action would be intolerable effrontery, and regardless of the section limitations of the product, the question would at once become a national one, bigger than any in which the European war has yet involved this country."³⁵⁸

On August 15th "The contraband question was the subject of much discussion," the *Wall Street Journal* reported, "and the opinion appears to be gaining weight that the Allies are on the eve of placing the staple on the contraband list."³⁵⁹ This rumor was correct. The following day the long-awaited yet still feared news arrived that the British government had formally added raw cotton to its list of wartime contraband. "The allies' intention to declare cotton contraband has been communicated unofficially, but authoritatively to the state department," according to the *Atlanta Constitution*.³⁶⁰ Papers closing later in the day published more definitive stories the following morning. "The British government's decision to place cotton on the contraband list will help greatly to clarify the diplomatic situation and relieve the United States government from considerable embarrassment, according to officials who discussed the move" the *New York Tribune* noted.³⁶¹ "Their only wonder is that Great Britain has not taken the step long before this."³⁶² Indeed, "Far from protesting against Great Britain's expected action, the United States government will welcome it, officials say, as removing the cause of the controversy that has been the source of so much ill feeling."³⁶³

In addition, the cotton production industry was buoyed in the following days by hopes for additional policy moves from the British government intended to support the industry. "It is learned that in a day or two some sort of an official statement will be forthcoming," the *Atlanta Constitution* reported.³⁶⁴ "This, it is understood, will set forth that, animated by a desire to avoid inflicting injury on southern cotton planters, measures are to be concerted between the allied

³⁵⁶ "Week in Finance Here and Abroad," *New York Tribune* (August 16, 1915): 10.

³⁵⁷ "Planning to Confiscate American Cotton," *Washington Post* (August 15, 1915): S4.

³⁵⁸ "An Offense to the Nation," *The Atlanta Constitution* (August 15, 1915): 4.

³⁵⁹ "Cotton," *Wall Street Journal* (August 16, 1915): 3.

³⁶⁰ "Contraband Stamp Going on Cotton," *Atlanta Constitution* (August 17, 1915): 1, 3.

³⁶¹ "Cotton Ban Removes Cause of Friction," *New York Tribune* (August 17, 1915): 1.

³⁶² "Cotton Ban Removes Cause of Friction," *New York Tribune* (August 17, 1915): 1.

³⁶³ "Cotton Ban Removes Cause of Friction," *New York Tribune* (August 17, 1915): 1.

³⁶⁴ "Steps to Protect the Price of Cotton," *Atlanta Constitution* (August 18, 1915): 1.

governments that will prevent the price of cotton from going below the point of profitable production. Just how this is to be done has not been clearly indicated, but it is known there is in contemplation a project to stand behind the market when necessary to prevent undue depression.”³⁶⁵ The *Constitution* cautioned that “The allied governments, under this plan, would not appear openly in the transaction, but would designate private interests to undertake the task, which would involve perhaps the accumulation of stocks of cotton in warehouses in the United States to be drawn on from Europe when prices ranged high here.”³⁶⁶ The cotton production industry could also draw solace from on planned moves by the American government, according to the *Constitution*. In particular, “President Wilson will take definite steps soon to better the cotton situation in the south, Representative Lever, of South Carolina, chairman of the agriculture committee in the last house, was assured today by the President,” to include sending a formal note of protest and supporting a delegation of cotton growers going to Great Britain.³⁶⁷

Cotton markets reacted in a somewhat subdued manner to the long anticipated declaration, in part due to the countervailing influence of weather and other domestic factors, but also because the market had “priced in” the decision to a certain degree. “The continued weakness of foreign exchange and reiterated reports that the allies had practically decided to make cotton contraband contributed to the decline” in the price of cotton in New York on August 17th, the *Atlanta Constitution* reported, “but the selling seemed to be more largely based on private reports that the gulf storm had caused good rains in Texas without such high winds in the interior as would cause any material damage to open cotton.”³⁶⁸ On the same day in New Orleans, “The unofficial announcement that the allies were about to declare cotton contraband of war was against the market, as was the continued weakness in foreign exchange, but around midday the downward movement was checked by profit-taking on the short side.”³⁶⁹ As Jay Bond & Co., a New York-based cotton firm saw things, “The recent rains, low rate of exchange and the probability that cotton will be declared contraband by England and her allies overshadow for the present all other influences surrounding the market, therefore the trade is hesitant in buying, as they feel that the rush of first receipts must cause a decline in view of the congested export situation.”³⁷⁰

While the cotton production industry had hoped for immediate relief alongside any formal declaration of contraband, British policy in this regard was initially frustratingly vague. In the absence of clear policy, the industry was left to hope and dream about large scale purchases. “It is learned that in a day or two some official statement will be forthcoming detailing the reasons of the Allies for declaring cotton contraband,” the *New York Times* noted on the 17th.³⁷¹ “This, it is understood, will set forth that, animated by a desire to avoid inflicting any injury upon the cotton planters of the South, whose welfare must be a matter of concern for the European nations.”³⁷² Importantly, any delay in compensation could have potentially devastating consequences, the *Baltimore Sun* reminded its readers: “The cotton planters were caught unprepared by the war, they had large outstanding obligations which they expected to meet with last year’s crop, and they could neither sell their cotton, except at a ruinous sacrifice, nor obtain the additional credits needed for

³⁶⁵ “Steps to Protect the Price of Cotton,” *Atlanta Constitution* (August 18, 1915): 1.

³⁶⁶ “Steps to Protect the Price of Cotton,” *Atlanta Constitution* (August 18, 1915): 1.

³⁶⁷ “Steps to Protect the Price of Cotton,” *Atlanta Constitution* (August 18, 1915): 1.

³⁶⁸ “Cotton Rises and Declines with Net Gain 3 to 5 points,” *Atlanta Constitution* (August 18, 1915): 10.

³⁶⁹ “Cotton Rises and Declines with Net Gain 3 to 5 points,” *Atlanta Constitution* (August 18, 1915): 10. See also “Cotton Firm; Rallies Slightly,” *New York Tribune* (August 18, 1915): 8.

³⁷⁰ “Professional Views on Cotton Situation,” *Atlanta Constitution* (August 18, 1915): 10.

³⁷¹ “Allies May Support the Cotton Market,” *New York Times* (August 18, 1915): 4.

³⁷² “Allies May Support the Cotton Market,” *New York Times* (August 18, 1915): 4.

future operations. Now most of them have either ‘caught up with the procession’ financially or have so adjusted themselves to the situation as to be able to get along for the present without being driven to the wall.”³⁷³

Reports that the British government would be forced into accepting a lower loan from New York financiers than anticipated further frustrated the cotton production industry. The proposed amount was slashed from \$500 million to \$150 million due to “the belief that too big a loan could not be placed readily” in the United States according to the *Atlanta Constitution*.³⁷⁴ Other, more fanciful rumors, however, were also circulating, with the *Chicago Tribune* reporting “Details of a plan whereby Great Britain and France contemplate healing all commercial differences with the United States over the blockade of neutral European ports” by “mak[ing] a market for the entire cotton export crop this year” through a billion dollar loan by J. P. Morgan & Co.³⁷⁵ Even more troubling was the rumor noted by the *New York Tribune*, that “Whatever is done by Great Britain...it is believed certain that there will be no effort by her to buy up the cotton crop, as her financiers know that it would result in forcing the price of cotton to the sky.”³⁷⁶

In the absence of support for the cotton production industry from the British government, the American government continued with unilateral policy moves aiming at avoiding a repeat of the disastrous financial confusion in harvesting the 1914 crop. On August 19th Comptroller of the Currency Williams aimed to calm the industry by announcing that “the present unemployed loaning capacity of national banks and reserve banks was sufficient to finance at market value the entire cotton crop.”³⁷⁷ Specifically, “Williams referred to the prospect of unusual demands for funds, particularly if cotton should be declared contraband, and declared a survey of the conditions of the national and reserve banks was distinctly encouraging” the *Atlanta Constitution* reported.³⁷⁸ Still, if some cotton farmers were less concerned about the 1915 harvest relative to the previous year’s, it may only be because of the catastrophic year they had experienced. “We have merely arrived at a rock bottom situation,” Fuller Callaway, a mill owner and from LaGrange, Georgia told the *Atlanta Constitution*, “and from now for the next five years there need be no worry about cotton and the prices it will bring.”³⁷⁹

Even absent firm plans, therefore, rumors about impending British actions remained sufficient to bolster the cotton market. Although “The contraband question was forgotten” briefly at the New York Cotton Exchange following the sinking of the White Star passenger liner *Arabic* on August 19th, the *Wall Street Journal* reported that “it is believed that [the contraband decision] will command the attention of the trade when the official proclamation is made by the Allies. Considerable interest is shown in reports that the Allies are considering some form of compensation to the South for placing the staple on the restricted list. British cotton interests in this country are not of the opinion that any compensation will be announced in the official proclamation as this would weaken the Allies’ stand on the whole matter, but it is believed by some that the market for cotton may be supported and that cotton will not be allowed to decline to further ruinous levels.”³⁸⁰

³⁷³ “Cotton as Contraband,” *Baltimore Sun* (August 18, 1915): 6.

³⁷⁴ “Working on Loan for Great Britain,” *Atlanta Constitution* (August 19, 1915): 3.

³⁷⁵ “Britain Plans \$1,000,000,000 Export Corner” *Chicago Tribune* (August 19, 1915): 3.

³⁷⁶ “Great Britain Will Not Buy Up the Cotton Crop,” *New York Tribune* (August 19, 1915): 2.

³⁷⁷ “Banks Prepared to Handle Cotton,” *Atlanta Constitution* (August 20, 1915): 1.

³⁷⁸ “Banks Prepared to Handle Cotton,” *Atlanta Constitution* (August 20, 1915): 1.

³⁷⁹ “Callaway Predicts Good Cotton Prices,” *Atlanta Constitution* (August 21, 1915): 5.

³⁸⁰ “Cotton,” *Wall Street Journal* (August 21, 1915): 3.

By the time of the official, public announcement of raw cotton's addition to the British contraband list on August 21, cotton markets were relatively unfazed. "Although cotton has been declared contraband by Great Britain the effect on the prices has been practically discounted," the *AWCR* wrote.³⁸¹ The cotton production industry was now calculating the effects of potential British purchases or other forms of compensation. "It is understood the British plan is to steady the cotton market through actual purchase if that becomes necessary," the *Atlanta Constitution* noted.³⁸² "Probably cotton factors will be commissioned to keep the commodity above a fixed minimum price. It has been suggested, however, that with this determination known to the cotton dealers, it is unlikely there will be any great drop, or that the British government will be called on to act."³⁸³ The *Chicago Daily Tribune* warned that "no hint is supplied" in the British declaration "regarding the methods to be pursued in protecting the cotton industry in America, but it is said that all possible measures will be taken to prevent abnormal depression in market conditions."³⁸⁴

Interestingly, when waylaid by the press as to why it had taken so long for the government to declare cotton raw contraband, British politicians openly acknowledged that it was primarily due to a desire to appease American cotton producers. Lord Alfred Milner, for instance, explained that "Sentiment and policy alike cause us to desire most earnestly that the relations between this country and the United States should remain not only correct but cordial. I have no doubt that all fumbling over the cotton question is due at bottom to consideration for the United States."³⁸⁵ As a result, the *New York Times* reported that the "The greatest interest" in Washington, D.C. over "the British declaration that cotton will be absolute contraband lies in the statement that his Majesty's Government contemplates initiation of measures to relieve as far as possible any abnormal depression which might temporarily disturb market conditions. This is taken as making formal the intimations that have been thrown out of the intention of the British Government to go into the cotton market if necessary and buy heavily at prices that would insure the stability of the market."³⁸⁶ Any further protests by the American government over the decision hinged on the speed and depth of compensatory policies. "While the United States Government is practically certain to take exception to the addition of cotton to the British contraband list at this late date," the *Times* noted, "this plan of the British Government to support the cotton market is thought to promise real relief. If it is carried out on a large scale, cotton planters, with cotton declared absolute contraband, would probably fare better than when it was nominally an innocent article."³⁸⁷

Importantly, it was widely believed that the British government could compensate American cotton producers relatively easily, albeit potentially via a loan from American financiers. The *New York Times* laid out the math for a potential compensatory policy as follows: "The cotton growers themselves have simplified the problem [of compensation] by reducing their cotton crop, according to recent estimates, to 12,000,000 bales, as against 17,000,000 bales last year. This crop at present prices would be worth about \$600,000,000. About half of this would ordinarily go abroad, most of it to England. British consumption of cotton will probably continue, so if the Allies, or Great Britain alone, set themselves to maintaining the cotton market they will simply have to take care of the 2,000,000 bales or so that go to Austria and Germany. At present prices

³⁸¹ "Cotton Market," *AWCR* 20, no. 34 (August 26, 1915): 1301.

³⁸² "Cotton Declared Absolute Contraband," *Atlanta Constitution* (August 22, 1915): 1.

³⁸³ "Cotton Declared Absolute Contraband," *Atlanta Constitution* (August 22, 1915): 1.

³⁸⁴ "British Place Cotton on List of Contraband," *Chicago Daily Tribune* (August 22, 1915): 2.

³⁸⁵ "Lord Milner Justifies Britain's Cotton Policy," *New York Tribune* (August 22, 1915): 2. See also "Justifies Making Cotton Contraband," *New York Times* (August 22, 1915): 1.

³⁸⁶ "United States Will Protest," *New York Times* (August 22, 1915): 4.

³⁸⁷ "United States Will Protest," *New York Times* (August 22, 1915): 4.

\$100,000,000 would pay for the normal shipments to the Teutonic empires and probably a far smaller outlay would keep up the price.”³⁸⁸

Even if the nominal math worked out, however, the cotton production industry was understandably anxious in the absence of a clear proposal. Although the formal contraband decision was announced after the New York Cotton Exchange closed on August 21st, the *New York Times* still noted that “The cotton market could see nothing bullish in the political situation,” primarily because “Nothing has come from the other side to confirm the rumors that the British Government is going to purchase three or four million bales of American cotton, and even if such action should be taken it would change the existing situation but little, as the cotton would not be put into consumption and would still be a weight upon the market as if carried in this country.”³⁸⁹ Regarding cotton producers, the *Times* reported that the declaration was “viewed with alarm by the growers, though the market prices for the staple hardly reflected the fears expressed by them.”³⁹⁰ The reason for this, the *Times* reasoned, was because “In the reality the declaration is not of much practical effect. To all intents and purposes American cotton has been kept out of Germany and Austria since Italy joined the Allies.”³⁹¹ Moreover, there were many reasons for cotton growers to be optimistic since “it seems likely that measures will be taken by the allied powers to prevent undue injury to the cotton growers. Besides this, the banks in this country are arranging to help materially those who would otherwise be compelled to throw their product on the market. The aim will be to market the crop gradually and in such a way as to prevent loss to the planters.”³⁹²

Indeed, the Wilson administration was springing into action on both the international and domestic fronts by planning a diplomatic protest to Great Britain while also working to help finance the cotton crop. “President Wilson will take up this week the situation resulting from the placing on the contraband list by Great Britain,” the *Atlanta Constitution* reported the day after the declaration was made, and “as a result of his study of the question a protest is expected to be sent forward to London.”³⁹³ That Wilson would do so came somewhat as a surprise given that “officials of the State Department were rather relieved that cotton was at last on the contraband list and would no longer be a continual source vexation when shipments were held up.”³⁹⁴ William P. G. Harding of the Federal Reserve was also scheduled to meet with the president to discuss domestic measures, while Representative Lever, an industry champion was so “convinced that the government planned to do everything possible to relieve the situation” that he cancelled a previously scheduled meeting with Wilson.³⁹⁵

On August 23rd Secretary McAdoo publicly announced that “in view of the action of the allies in putting cotton on the contraband list, he would, if it became necessary, place \$30,000,000 or more in gold in the federal reserve banks at Atlanta, Dallas and Richmond for the purpose of enabling the reserve banks to rediscount loans on cotton secured by warehouse receipts made by national banks and state banks belonging to the federal reserve system” the *Atlanta Constitution*

³⁸⁸ “United States Will Protest,” *New York Times* (August 22, 1915): 4.

³⁸⁹ “All Cotton News has Bearish Color,” *New York Times* (August 22, 1915): 9.

³⁹⁰ “The Merchant’s Point of View,” *New York Times* (August 22, 1915): 12.

³⁹¹ “The Merchant’s Point of View,” *New York Times* (August 22, 1915): 12.

³⁹² “The Merchant’s Point of View,” *New York Times* (August 22, 1915): 12.

³⁹³ “Cotton Protest by United States,” *Atlanta Constitution* (August 23, 1915): 1.

³⁹⁴ “Federal Money to Help South Carry Cotton,” *New York Tribune* (August 24, 1915): 3.

³⁹⁵ “Cotton Protest by United States,” *Atlanta Constitution* (August 23, 1915): 1.

noted.³⁹⁶ Still, the Secretary stressed that this was primarily a preventive move, and he “declared he believed that there was no occasion for alarm about the future of cotton, and that if the bankers and merchants would co-operate with each other and with the cotton producers of the south in a spirit of patriotism and mutual regard for each other’s welfare, the situation could be handled with happy results to all concerned.”³⁹⁷

President Wilson also began to plan a personal appeal to the cotton production industry aimed at bolstering their sentiment regarding the imminent harvest. “President Wilson soon will address a word of warning to the cotton growers of the South,” The *New York Tribune* noted.³⁹⁸ “He will urge them not to become panicstricken (sic) and, by throwing all of their cotton on the market at once, when it has just been declared contraband, disrupt business condition. He will urge them, it is understood to take advantage of the facilities of the reserve banking system and to hold their cotton for fair prices.”³⁹⁹ Wilson also dispatched government officials to carry his message of hope to the South, conferring with Charles Hamlin, the chair of the Federal Reserve Board, before the latter left to deliver a speech in his home town of Birmingham, Alabama. At the meeting Hamlin “presented to the president the details of the cotton situation since the declaration of contraband, as seen by Southern financiers and business men” and “explained how the elimination of a such a large cotton market would affect conditions in the South, and was told, it is understood, the President’s plan for the solution of the situation.”⁴⁰⁰

Despite the planned protests from the Wilson administration, the cotton production industry had little hope that the new contraband policy would be rescinded given that the price of cotton hadn’t dropped as far as pessimistic industry observers had predicted. “For many reasons it was difficult for the British government to declare cotton absolute contraband,” the *New York Tribune* reminded readers, and although “It is possible that in sticking so long to this policy [of non-commitment] they may have had an apprehensive eye on the possibilities of the future, but the probability is that what they chiefly apprehended was the resentment of our Southern states.”⁴⁰¹ In the aftermath of the decision, however, it was “clear that there was little cause for uneasiness as far as this country is concerned. The South seems to have accepted the new condition with wonderful equanimity.”⁴⁰²

Indeed, although, wartime news still had the power to move the cotton market, the contraband decision quickly receded into the background. On August 23rd “The general nervousness over strained international relations was reflected by a sharp break in the cotton market during yesterday’s early trading,” the *New York Tribune* reported.⁴⁰³ “Favorable weather in the South and the official contraband declaration were contributing factors, but after the first flurry of selling orders there appeared to be comparatively little pressure and prices later more than recovered.”⁴⁰⁴ Importantly, “The talk around the ring continued to suggest that the contraband action of the Allies had been quite thoroughly discounted so far as its sentimental effect was

³⁹⁶ “McAdoo Pledges \$30,000,000 of the Government Funds to Protect the Cotton Market,” *Atlanta Constitution* (August 24, 1915): 1.

³⁹⁷ “McAdoo Pledges \$30,000,000 of the Government Funds to Protect the Cotton Market,” *Atlanta Constitution* (August 24, 1915): 1.

³⁹⁸ “Federal Money to Help South Carry Cotton,” *New York Tribune* (August 24, 1915): 3.

³⁹⁹ “Federal Money to Help South Carry Cotton,” *New York Tribune* (August 24, 1915): 3.

⁴⁰⁰ “Federal Money to Help South Carry Cotton,” *New York Tribune* (August 24, 1915): 3.

⁴⁰¹ “Cotton and the South,” *New York Tribune* (August 24, 1915): 6.

⁴⁰² “Cotton and the South,” *New York Tribune* (August 24, 1915): 6.

⁴⁰³ “Cotton Tone Continues Firm,” *New York Tribune* (August 24, 1915): 11.

⁴⁰⁴ “Cotton Tone Continues Firm,” *New York Tribune* (August 24, 1915): 11.

concerned, and more interest was shown in the probability of some plan for offsetting its effect by support from Allied sources than in the official announcement itself.”⁴⁰⁵

James Maury, the treasurer of the Cotton exchange gave voice to the opinion of many cotton traders in noting that “England’s decision to make cotton contraband, in my opinion, will neither make prices rise far nor drop to any great extent.”⁴⁰⁶ Rather, the cotton production industry had reason to be more concerned with domestic financing of the cotton crop rather than the effect of the war on prices. “The principal question is with the bankers, and it is generally believed that by means of our new banking system the South will be able to handle its crop. No hardship will be worked on that part of the country if the planters do not press their cotton on the market, the quantity of cotton, taking in account the remnant of last year’s crop, thus forcing prices down.”⁴⁰⁷

Although Hoke Smith increased the vitriol of his broadsides against the illegality of the British decision, there was a growing sense of helplessness amongst his fellow critics of British policy. In a statement on August 24th Smith called the British move “An act of lawlessness to be expected from a nation which for nearly six months has blockaded neutral ports.”⁴⁰⁸ Turning on his fellow legislators and members of the Wilson administration he charged that “There may be some Americans so interested in the British that they are willing to see cotton producers lose from \$100,000,000 to \$200,000,000 just to help the Allies. I am not.”⁴⁰⁹ Smith’s fellow Senator, Duncan Fletcher (D-FL), charged that the contraband ruling was a “harsh measure and is bound to work great harm to the South, indeed to the entire country.”⁴¹⁰ Newly elected Georgia Governor Nathaniel Harris believed that “Nothing could have been done to more effectually alienate the sympathies of the South for the Allies” than the contraband decision.⁴¹¹ He hoped that “a very strong protest from this side will induce the allies to take some step to palliate the inevitable result on our markets.”⁴¹² Former Illinois congressman Robert Fowler, now attorney for National Industrial Peace conference took a similarly caustic view. “Not satisfied by robbing the south of several hundred million dollars last year through unlawful blockade,” he raged, “Great Britain now seeks to increase her chances for raiding the cotton market next year by making cotton contraband of war.”⁴¹³

The vitriol of these attacks aside, they were increasingly disconnected from facts. The cotton market was rising, as “Several bullish influences were at work yesterday to create a more favorable sentiment in” New York, the *New York Times* noted on the 24th, even though it was “probable that even a greater advance would have been scored, but confusion of sentiment, owing to the international complications and the fear that some new factor might be injected into the situation at almost any moment.”⁴¹⁴ According to the *Wall Street Journal* many cotton traders were ultimately relieved because it “removed a source of irritation in the trade,” and “they were optimistic in regard to the compensation that Great Britain intended to offer for placing the staple on the restricted list.”⁴¹⁵ Many others in the cotton production industry were simply looking to

⁴⁰⁵ “Cotton Tone Continues Firm,” *New York Tribune* (August 24, 1915): 11.

⁴⁰⁶ “Cotton Prospect Fair,” *New York Tribune* (August 24, 1915): 11.

⁴⁰⁷ “Cotton Prospect Fair,” *New York Tribune* (August 24, 1915): 11.

⁴⁰⁸ “Will Let Cotton Go to Neutral Lands,” *New York Times* (August 25, 1915): 3.

⁴⁰⁹ “Will Let Cotton Go to Neutral Lands,” *New York Times* (August 25, 1915): 3.

⁴¹⁰ “Cotton Men Protest,” *Washington Post* (August 29, 1915): 12.

⁴¹¹ “Cotton Men Protest,” *Washington Post* (August 29, 1915): 12.

⁴¹² “Cotton Men Protest,” *Washington Post* (August 29, 1915): 12.

⁴¹³ “Cotton Contraband Called Unwarranted,” *Atlanta Constitution* (August 27, 1915): 7.

⁴¹⁴ “Cotton Maintains Ten-Point Advance,” *New York Times* (August 25, 1915): 15.

⁴¹⁵ “Cotton,” *Wall Street Journal* (August 24, 1915): 3.

move on from the long-running controversy. P.A. Cowen, President of the Vicksburg Cotton Exchange did not “consider England’s action likely to have material effect on the price” since an “Embargo on shipments likely to reach Germany and Austria has existed since March. The present action cannot reduce exports to an additional extent and has probably been discounted by the trade already.”⁴¹⁶ Along similar lines, W.B. Goudelock, president of the Oklahoma City cotton exchange noted that “While regretting England placing cotton on contraband list,” he did not “think it will make shipping nay more difficult than it has been in the past few months.”⁴¹⁷

The Wilson administration’s domestic public relations moves were also paying off, with William Harding’s speech in Birmingham on August 25th well received locally and nationally. Harding “told the Alabama Merchants’ association here that the placing of cotton on the contraband list by the allies did not create a desperate situation, but rather one calling for intelligent leadership,” the *Atlanta Constitution* reported.⁴¹⁸ Harding further urged his audience to perform their integral role in the cotton harvest with vigor and regional pride. “You have an opportunity of conserving the value of the South’s greatest asset,” he charged his listeners, “and upon you, southern bankers and merchants rests the responsibility of the weal or woe of a great agricultural section perhaps for years.”⁴¹⁹

Beyond rhetorical flourishes, the administration’s practical policy moves were also positively affecting sentiment in the cotton production industry. In particular, Secretary’s McAdoo’s plan to deposit additional currency in Southern reserve banks to help finance the cotton harvest was greeted with enthusiasm by the industry. “The proposed Treasury deposit of \$30,000,000, without interest, in southern reserve banks to assist in financing the cotton crop, even if not actually needed, will serve as an assurance to planters that they will be able to carry the surplus of their crop,” the *Wall Street Journal* noted.⁴²⁰ “It is figured that this sum through the rediscount operation of Federal reserve banks could safely take care of the amount of cotton taken by Germany and Austria in normal times.”⁴²¹ Based in part on this growing optimism, December futures contracts in New York City rose to over 10 cents a pound on August 27th for the first time since July.⁴²²

Although the majority of the cotton production industry was still bitter about Britain’s contraband decision, they grudgingly began to acknowledge that the actual consequences of the decision had been somewhat muted. Their more limited criticisms now focused mainly on the principles for why cotton shouldn’t be declared contraband rather than the practical effects of such a decision. “It is true that the south is not tearing its hair or kicking up any big racket about it,” the *Atlanta Constitution* wrote in an editorial on August 29th, “But the southern states are firmly and vigorously insisting upon their rights under international law, and they will continue to do so.”⁴²³

In a separate editorial on the same day, however, the *Constitution* highlighted the growing prosperity of the region, including the cotton production industry, despite the contraband declaration. “The cotton situation—England’s declaration of contraband and blockade of neutral European ports—is the one disturbing feature” for the Southern economy as a whole, the *Constitution* admitted, “But people throughout the south are beginning to feel more confident

⁴¹⁶ “Cotton Men Protest,” *Washington Post* (August 29, 1915): 12.

⁴¹⁷ “Cotton Men Protest,” *Washington Post* (August 29, 1915): 12.

⁴¹⁸ “Harding Cheers Cotton Growers,” *Atlanta Constitution* (August 26, 1915): 1.

⁴¹⁹ “Harding Cheers Cotton Growers,” *Atlanta Constitution* (August 26, 1915): 1.

⁴²⁰ “Cotton Situation Appears to be in Satisfactory Shape,” *Wall Street Journal* (August 26, 1915): 8.

⁴²¹ “Cotton Situation Appears to be in Satisfactory Shape,” *Wall Street Journal* (August 26, 1915): 8.

⁴²² “Business Leaders Encouraged by Rise in price of Cotton,” *Atlanta Constitution* (August 28, 1915): 4.

⁴²³ “Our Commercial Rights,” *Atlanta Constitution* (August 29, 1915): B2.

regarding that element. The opinion is growing that, with the preparation which has been made to meet it, the effect will not be nearly so serious as some have anticipated.”⁴²⁴ Still, that did not “relieve the government from insisting with all its vigor upon a revision of England’s attitude.”⁴²⁵ With the probability of the decision being revised fairly low, many in the cotton production industry were ready to move on from the contraband saga to other issues. “The cotton growers are by no means pessimistic as to the outlook, and are evidently aware that success will be theirs if they are careful in the marketing of the article,” the *New York Times* advised. “It is a question of carrying the stock for the weaker holders, and the Southern banks have adequate funds for the purpose.”⁴²⁶

Rather than an irreparable blow, the decision to declare cotton contraband was increasingly seen as just one of many factors affecting the cotton production industry. By the end of August the national economic publication *Dun’s Report* wrote that “The cotton contraband declaration acts as an additional handicap to the south, yet prices have shown underlying strength in spite of this development and it is reassuring that federal aid in financing the crop will be forthcoming if needed.”⁴²⁷ Similarly, continued faith that the British government would step in to support cotton prices if needed buoyed the industry. The *New York Tribune* reported from Washington, D.C. that “In British circles here it is confidently expected that informal arrangements can be made for improving the cotton situation and minimizing the losses to cotton interests in the America through the recent declaration placing cotton on the contraband list. Hope is expressed that the commission of British bankers which is to come to the United States to arrange credits and attempt an adjustment of the exchange situation will be able to bring about an amelioration of the trade and contraband dilemmas.”⁴²⁸

Entering into September, therefore, and the heart of the cotton harvest, the cotton production industry was enjoying some perhaps unanticipated but nevertheless appreciated prosperity. This was partially due to “Rumors that foreign governments had buying orders in domestic markets,” according to the *New York Tribune*, with “one story being that an order from such a source called for the delivery at stated intervals during the season of fully 400,000 bales.”⁴²⁹ Still, “Such reports were not generally credited in local spot circles, where they were considered as rowing from the talk of possible measures to offset the Allied contraband declaration, and the continued weakness of sterling exchange was again mentioned as an obstacle to a normal export trade.”⁴³⁰ Despite some grass roots efforts calling for a reversion of the contraband decision, therefore, protests remained muted in the face of rising prices.⁴³¹

Further negotiations by mid-month between a small group of American bankers led by Festus J. Wade, and including J. P. Morgan, George F. Baker, James J. Hill, and Allied representatives, over a large loan for the purchase of American commodities, including cotton, also raised industry sentiment. Wade, from St. Louis, a major transit point for inland cotton shipments, particularly championed the cotton production industry’s interests in these discussions,

⁴²⁴ “Georgia Prosperity,” *Atlanta Constitution* (August 29, 1915): B2.

⁴²⁵ “Georgia Prosperity,” *Atlanta Constitution* (August 29, 1915): B2.

⁴²⁶ “The Merchant’s Point of View,” *New York Times* (August 29, 1915): 12.

⁴²⁷ “Sound Fundamental Conditions More Than Offset Influence of Temporary Problems, Says Dun,” *Atlanta Constitution* (August 30, 1915): 10.

⁴²⁸ “German Goods to Be Passed,” *New York Tribune* (August 30, 1915): 2.

⁴²⁹ “Cotton Rises, Gaining Heavily,” *New York Tribune* (September 1, 1915): 11.

⁴³⁰ “Cotton Rises, Gaining Heavily,” *New York Tribune* (September 1, 1915): 11.

⁴³¹ On protest measures see “Georgians Protest Against Cotton Ban,” *Atlanta Constitution* (September 8, 1915): 12.; “Bankers Urge Attempt to Lift Ban on Cotton,” *Atlanta Constitution* (September 10, 1915): 3.

calling “the commission’s attention to the necessity of covering shipments of cotton with any credit loan that might be negotiated here,” according to the *Atlanta Constitution*.⁴³² “The prosperity of the American cotton grower of 1915, Mr. Wade thought, was wrapped in the success of the commission.”⁴³³ Indeed, if the allies were to be “eliminated as extensive purchasers of cotton by the commission’s possible failure to establish the desired credit, Mr. Wade was inclined to take a gloomy view of the situation in the southern states during the year to come.”⁴³⁴ Importantly, “The commission is reported as having [made] it clear to Mr. Wade that the proposed credit loan, if obtained, would provide funds to care for cotton exports as well as every other article imported by Great Britain and France from this country.”⁴³⁵ The *Wall Street Journal* reported that “There are excellent reasons for thinking that the cotton matter will form the basis of at least one feature of the proposed loan. The opinion is general among bankers that Great Britain is going to take this opportunity of carrying out her professed intention of taking care of such part of the cotton crop embarrassed through her recent contraband declaration.”⁴³⁶

Hopes for an allied loan, as well as weather and domestic demand, therefore definitely replaced contraband concerns as the primary driver of cotton markets. “There was enough activity in the cotton market to keep all interested on the alert,” the *New York Times* reported on September 18th.⁴³⁷ “No one, however, referred to the order declaring it contraband of war as having any effect whatever on the market price of the staple.”⁴³⁸ Southern politicians and others committed to keep fighting the contraband decision were left to make the somewhat weak argument that cotton prices would have advanced even higher if cotton had remained a free good. Senator Vardaman (D-MS), claimed on September 26th that “But for England’s embargo on cotton....the south would be getting 15 cents for its cotton,” a figure that “would restore prosperity to the cotton states.”⁴³⁹ The fact that cotton hadn’t consistently hit 15 cents a pound since the summer of 1911, however, betrays the fundamental unseriousness of the Senator’s argument.⁴⁴⁰ As Renskorf, Lyons & Co., a cotton brokerage firm, noted on September 27th, cotton prices were going up even in spite of the contraband decision: “Prices are now 300 to 350 points higher than the extreme low prices at which we started the season in August, and this advance has been an object lesson to those who thought the absence of Germany and Austria or the declaration of cotton contraband would bring lower prices. The spinner has been foolishly trying to catch the market by running behind and many of them are bitterly disappointed at the market happenings.”⁴⁴¹

The cotton production industry certainly welcomed higher prices, even if they struggled to find a consistent explanation for them. “The position of cotton has surprised and confounded a number of persons,” the *New York Times* wrote on October 2nd, “although the experiences of the past year should have warned them not to be pessimistic. The advances in price for the staple are due to a number of circumstances, and have been in no whit retarded by the declaration of the article by the allied powers as contraband of war.”⁴⁴² Industry observers generally agreed,

⁴³² “Success Predicted for Billion Loan to Allied Powers,” *Atlanta Constitution* (September 16, 1915): 1.

⁴³³ “Success Predicted for Billion Loan to Allied Powers,” *Atlanta Constitution* (September 16, 1915): 1.

⁴³⁴ “Success Predicted for Billion Loan to Allied Powers,” *Atlanta Constitution* (September 16, 1915): 1.

⁴³⁵ “Success Predicted for Billion Loan to Allied Powers,” *Atlanta Constitution* (September 16, 1915): 1.

⁴³⁶ “Allied Loan to Cover the Cotton Britain will Buy,” *Wall Street Journal* (September 15, 1915): 8.

⁴³⁷ “The Merchant’s Point of View,” *New York Times* (September 19, 1915): S8.

⁴³⁸ “The Merchant’s Point of View,” *New York Times* (September 19, 1915): S8.

⁴³⁹ “Probing Bank Rates,” *Baltimore Sun* (September 27, 1915): 3.

⁴⁴⁰ A. B. Shepperson, *Cotton Facts* (New York: Shepperson Publishing Company, 1919).

⁴⁴¹ “Professional Views on Cotton Situation,” *Atlanta Constitution* (September 28, 1915): 10.

⁴⁴² “The Merchant’s Point of View,” *New York Times* (October 3, 1915): 10.

however, that the Wilson administration's work to ensure relatively easy financing for the crop was a key driver in rising prices. "Among the immediate causes for the rise in price may be mentioned the fact that the cotton growers are having no difficulty in borrowing money and that there has been quite an amount of speculative buying on the part of merchants down South who are convinced of the need for all the available supply of cotton."⁴⁴³

Although Hoke Smith kept up his attacks on British contraband policy in a sweeping speaking tour across the South in late October, it is unclear how many in the audience still saw the contraband decision as a stumbling block for prosperity. Speaking to a large crowd at the Valdosta Fair in Valdosta, Georgia on October 22nd, "The senator scored Great Britain for trying to make cotton contraband," the *Atlanta Constitution* reported, "and says he will fight it out in the senate until he gets it cleared. Then he believes, cotton will be 15 cents."⁴⁴⁴ Smith reiterated these charges when speaking to the Atlanta Chamber of Commerce on October 27th. "The order in council declaring cotton contraband," Smith said, was "not the result of a war policy on the part of the British government, but it is the product of a plan of English cotton merchants and manufacturers looking toward a monopoly of the cotton crop."⁴⁴⁵ Smith further promised that "upon the convening of congress in December it is his intention to reveal before the senate the plan of English cotton merchants and manufactures to manipulate the market."⁴⁴⁶

In front of an even larger crowd of 12,000 in Griffin, Georgia on October 29th, Smith "delivered an address from an automobile...which was a complete survey of the cotton situation in the United States and Europe, and a convincing exhortation to the farmers to employ diversified farming."⁴⁴⁷ Specifically, "In closing, the senator referred to the part that is being played in the cotton situation by the European war. He criticized England for trying to force the United States to stand for an order declaring cotton contraband. He declared, that, in his opinion, that if England would lift the contraband declaration, the price of cotton would advance to 15 cents a pound in forty-eight hours."⁴⁴⁸ These sorts of lines might have made for good campaign copy, but they had little basis in reality.

The Wilson administration sent a final note of protest regarding the cotton situation in mid-November, that, although strongly worded, had virtually no chance of forcing a change in the policy.⁴⁴⁹ Although cheered by Southern politicians, the note's importance was dismissed by the cotton production industry.⁴⁵⁰ "America's protest against British interference with neutral shipping naturally attracted attention, but seemed without any immediate influence on the market," the *New York Tribune* reported.⁴⁵¹ "The most general feeling was that no serious friction over these questions was probable. The possibility of a modification in the British embargo was considered of more interest to shippers of conditional or non-contraband than to shippers of cotton."⁴⁵²

Why was the raw cotton market doing so well? Although there hadn't been large, public purchases of American cotton by the British government, the *New York Tribune* argued that both Britain and Germany had been unwittingly bidding against each other in the New Orleans Cotton

⁴⁴³ "The Merchant's Point of View," *New York Times* (October 3, 1915): 10.

⁴⁴⁴ "Big Crowd Hears Hoke Smith Speak at Valdosta Fair," *Atlanta Constitution* (October 23, 1915): 7.

⁴⁴⁵ "Merchants of England Seek Cotton Monopoly," *Atlanta Constitution* (October 28, 1915): 9.

⁴⁴⁶ "Merchants of England Seek Cotton Monopoly," *Atlanta Constitution* (October 28, 1915): 9.

⁴⁴⁷ "Hoke Smith Speaks to Crowd of 12,000," *Atlanta Constitution* (October 30, 1915): 5.

⁴⁴⁸ "Hoke Smith Speaks to Crowd of 12,000," *Atlanta Constitution* (October 30, 1915): 5.

⁴⁴⁹ "U.S. Will Next Protest British Cotton Stand," *New York Tribune* (November 9, 1915): 2.

⁴⁵⁰ "Wilson's Views are Indorsed by Congressman," *Atlanta Constitution* (November 9, 1915): 1.

⁴⁵¹ "Cotton Weakens After Rallying," *New York Tribune* (November 9, 1915): 11.

⁴⁵² "Cotton Weakens After Rallying," *New York Tribune* (November 9, 1915): 11.

market, triggering a rise in price. “The British and German governments, with entirely different intentions, have bid against each other for cotton, bought nearly a million and a quarter of bales, forced the recent spectacular advance of four cents, and protected American interests from loss as a result of the war, it was learned by the *Tribune* today on unquestionable authority,” the paper wrote on November 19th.⁴⁵³ The fact that no other newspapers confirmed the *Tribune’s* scoop, however, points to a more mundane explanation: over a year into the war both domestic and foreign cotton manufactures had adjusted reasonably well to wartime circumstances and their purchases, not shady government buying, was supporting the market.

As a result of the underlying strength of the cotton market, Hoke Smith’s promised challenge in a new congressional session fell flat. “The long-expected storm in Congress over the administration’s conduct of the defense of American rights on the seas broke” on December 10th, the *Washington Post* reported, “when Senator Hoke Smith (Democrat) demanded an investigation of Great Britain’s interferences with neutral trade, and Senator Lodge (Republican) replied with a demand that any investigation include the loss of American lives.”⁴⁵⁴ Southern merchants and businessmen, however, to include the cotton production industry, had seen enough positive results from the Wilson administration’s policy regarding neutral trade that they were less inclined to support these sorts of tirades. In mid-December then, even as Smith maintained his attacks in the Senate, the Southern Commercial Congress, a major business organization, endorsed “all of the policies and principles of a national and international character announced by President Wilson,” at its annual convention.⁴⁵⁵ The cotton production industry may have lost the fight to keep raw cotton as a “free good,” but in the process they had unified behind the Wilson administration as its champion for navigating the shifting economic circumstances caused by the war.

4.2.3 Submarines

While the fight to keep raw cotton off the British contraband list was by far the most dramatic situation facing the cotton production industry throughout 1915, it wasn’t the only wartime threat that the industry faced. In particular, the rising tempo of attacks by German submarines or “U-boats,” resulting in the destruction of many merchant ships, had a consistent negative effect on the price of raw cotton due to fears that foreign exports wouldn’t be possible.

After the outbreak of war the British navy had relatively quickly swept German warships and merchant raiders off the seas. By late August 1914, for instance, the *AWCR* could confidently declare that “trans-Atlantic shipping is now without menace from hostile men-of-war,” which would “probably have a beneficial effect upon the domestic market” for cotton.⁴⁵⁶ The British navy’s surface strength meant that “With the fear of capture at sea practically negligible, the merchantmen will resume their accustomed sailings, and large quantities of cotton goods will be exported to the various nonmanufacturing countries.”⁴⁵⁷

The British navy was far less successful, however, when it came to combatting the threat from German U-boats. Although they were mainly a nuisance throughout the first few months of the war, by 1915 the cotton production industry was increasingly worried about cotton shipments being sunk. The first widely reported sinking of a U.S. merchant ship occurred in late-February 1915, when the *Evelyn* struck a mine. This dropped the price of raw cotton in New York. “The

⁴⁵³ “U.S. Led Powers to Boom Cotton as Secret Rivals,” *New York Tribune* (November 20, 1915): 1.

⁴⁵⁴ “Let U.S. Safeguard Both Lives and Trade,” *Washington Post* (December 11, 1915): 1.

⁴⁵⁵ “Dixie Congress Supports Wilson,” *Atlanta Constitution* (December 18, 1915): 10.

⁴⁵⁶ “Cotton Market,” *AWCR* 28, no. 35 (August 27, 1914): 1130.

⁴⁵⁷ “Cotton Market,” *AWCR* 28, no. 36 (September 3, 1914): 1160.

political situation was...a factor in depressing prices,” on February 23, the *Wall Street Journal* reported.⁴⁵⁸ “The sinking of the *Evelyn* and other boats in European waters only added to the bearish sentiment which pervaded the ring. Several traders thought that the best that could be said about the situation was to keep out of the market; and those who took any part, sold freely.”⁴⁵⁹ Importantly, “If the *Evelyn* had been destroyed by a torpedo,” the *New York Times* wrote, “it would added greatly to the seriousness of the incident, because the loss of the vessel through submarine attack could mean nothing less than a deliberate assault on an American neutral vessel, transporting a non-contraband cargo of American cotton.”⁴⁶⁰

Similarly, the far more prominent sinking of the *Lusitania* on May 7th, which killed nearly 1,200 passengers, had a profound negative effect on the sentiment amongst cotton traders, both due to the perceived threat from submarines as well as its effect on diplomatic and commercial relations between the United States and Germany. In New Orleans, “At first traders paid little attention to the reports,” about the sinking, “especially as they could not be confirmed,” the *Atlanta Constitution* noted, but “a little later the market was thrown into an uproar by the insistent report that the *Lusitania* had been sunk. Cotton was thrown on the market thousands of bales at a time, resulting in pronounced weakness and one of the worst breaks of the season.”⁴⁶¹ There was widespread panic at the exchange and “All manner of rumors added to the nervousness of traders. Fear of fresh international complications and that ocean insurance would rise to prohibitive cost were given as the chief reason for the decline, although probably the sentimental effect of the attempt to torpedoing the *Lusitania* was the chief factor in the decline.”⁴⁶²

There was a similar reaction in New York City, where “News of the *Lusitania* disaster precipitated a sensational break in the cotton market” according to the *New York Tribune*.⁴⁶³ “Sentiment of the late trading was extremely nervous and unsettled” towards the end of the trading day, “with the trade anxiously awaiting full details of the attack upon the *Lusitania* and its consequence,” the *Atlanta Constitution* reported.⁴⁶⁴ The *AWCR* believed that “The destruction of the ‘*Lusitania*,’ with its depressing effect on the stock market, has influenced largely the decline in prices for raw cotton,” as well increased freight rates.⁴⁶⁵ “On account of the fact that the *Lusitania* incident has developed renewed bitterness, the cotton trade is prepared for almost anything,” the *New York Times* noted in mid-May.⁴⁶⁶

There was a brief lull in attacks in June, and “As far as can be learned exports have been going out to England and Italy without any interference from the German submarines,” according to the *AWCR*.⁴⁶⁷ The following month, however, the sinking of the *Leelanaw*, an American freight steamer, on July 26th “produced something of a sensation in the cotton market,” in New York, in the words of the *Atlanta Constitution*, although prices “later recovered when it became known that the vessel carried contraband”⁴⁶⁸ The recovery in prices occurred after traders “regained some of

⁴⁵⁸ “Cotton,” *Wall Street Journal* (February 24, 1915): 3.

⁴⁵⁹ “Cotton,” *Wall Street Journal* (February 24, 1915): 3. See also “Urges Caution on Cotton,” *New York Times* (August 11, 1915): 4.

⁴⁶⁰ “Consul Cables Washington,” *New York Times* (February 22, 1915): 1

⁴⁶¹ “German Submarine Sends Cotton Down as Well as *Lusitania*,” *Atlanta Constitution* (May 8, 1915): 12.

⁴⁶² “German Submarine Sends Cotton Down as Well as *Lusitania*,” *Atlanta Constitution* (May 8, 1915): 12.

⁴⁶³ “Cotton Affected by Ship Disaster,” *New York Tribune* (May 8, 1915): 15.

⁴⁶⁴ “German Submarine Sends Cotton Down as Well as *Lusitania*,” *Atlanta Constitution* (May 8, 1915): 12.

⁴⁶⁵ “Cotton Market,” *AWCR* (May 13, 1915): 603.

⁴⁶⁶ “Cotton prices off in Uneasy Market,” *New York Times* (May 13, 1915): 20.

⁴⁶⁷ “Cotton Market,” *AWCR* 29, no. 23 (June 10, 1915): 748.

⁴⁶⁸ “German Submarine Sends Cotton Down as Well as the *Leelanaw*,” *Atlanta Constitution* (July 27, 1915): 10.

their confidence when assured that the Leelanaw accident was not likely to result in further complicating the international situation. Its chief significance lay in disclosing the exceedingly nervous temper of the market towards matters of this nature and supporting orders appeared to become less aggressive on advances while bears were correspondingly active on all hard spots.”⁴⁶⁹ The fact that the cotton market reacted negatively to all submarine sinkings, regardless of whether the ship carried cotton or not, is a clear indicator of how seriously they worried about wartime shipping risks.

The same situation repeated itself following the sinking of the tanker *Arabic* in late August. The *Atlanta Constitution* reported that in New York City “The cotton market has been extremely nervous and irregular during the past week with sentiment disturbed by uncertainty as to the effects of the severe storm in the southwest, and, more recently, by apprehensions that the sinking of the *Arabic* might further complicate international relations.”⁴⁷⁰ The *Wall Street Journal* noted that “After a nervous opening with futures’ prices from 10 to 13 points below Thursday’s close,” the market on August 20th “steadied on various reports in regard to the sinking of the *Arabic*, which included the rumor that she was convoyed and that she received some form of warning before the submarine’s missile was launched.”⁴⁷¹

Submarine attacks continued to negatively affect sentiment and prices in the cotton production industry throughout the second half of 1915 and into 1916. “Owing to the fact that two liners have been sunk, the market has been selling off,” the *AWCR* noted in the first week of January.⁴⁷² Freight rates for shipping cotton surged steadily upward as a result of these attacks, and a limited supply of shipping, despite the British government’s best efforts to put a cap on them.⁴⁷³

4.3 The Cotton Production Industry and the Decision for War: 1917

Between the struggle to finance the 1914 and 1915 crops, raw cotton being declared contraband in August 1915, and ongoing U-boat sinkings, the American cotton production industry had weathered more than its fair share of near catastrophes by the spring of 1917. Although wary of further American involvement in the conflict, and fairly eager for peace, however, the American cotton production industry didn’t actively oppose the Wilson government’s decision to declare war on Germany. Three factors in particular allowed the industry to remain fairly sanguine about joining the war. First, institutional innovations requiring that cotton traders maintain higher financial reserves meant that the industry was better guarded against catastrophic losses. Second, the industry had received support from the federal government to insulate them from the worst economic consequences of the conflict, leaving it cautiously optimistic regarding further support. Third, as with the wheat industry, patriotism helped further mute any opposition.

Like most industries, the pace of trading in the cotton markets slowed over the winter holiday season. When they reopened on January 2nd, cotton markets across the country were marked by “an increase of activity and a generally stronger undertone, although extreme nervousness was apparent and the maximum gains were not held up to the close” according to the *NYT*.⁴⁷⁴ This initial anxiety, however, was quickly checked. “The cotton market has been quiet

⁴⁶⁹ “German Submarine Sends Cotton Down as Well as the Leelanaw,” *Atlanta Constitution* (July 27, 1915): 10.

⁴⁷⁰ “Weekly Review Cotton Market,” *Atlanta Constitution* (August 21, 1915): 8.

⁴⁷¹ “Cotton,” *Wall Street Journal* (August 21, 1915): 3.

⁴⁷² “Cotton Market,” *AWCR* 30, no. 1 (January 6, 1916): 21.

⁴⁷³ “Restricting English Cotton,” *AWCR* 30, no. 3 (January 20, 1916) 124.

⁴⁷⁴ “Cotton Advances in Nervous Market,” *NYT* (January 3, 1917): 15.

since the turn of the year,” the *Textile World Journal* (*TWJ*) wrote in their New Year edition for 1917, “with fluctuations irregular but less violent. There can be little doubt that speculative commitments were very closely evened up before the holidays. Since then nothing has developed of sufficiently definite nature to inspire fresh ventures, and the market is evidently waiting on the political situation or for some change in the spot department.”⁴⁷⁵

Rumors about how long the war might continue had multiplied over the break, especially given a peace overture from Germany in mid-December. “No one knows just how far the hope of peace inspired by the opening of German negotiations during the middle of last month, went toward preventing liquidation of spot cotton in the South,” the *TWJ* reported, and “There is the same uncertainty as to whether an actual breaking off of negotiations would bring out cotton previously held.”⁴⁷⁶ Moreover, cotton traders were becoming accustomed to these sorts of rumors not panning out, and as a result the market “appears to be growing less sensitive to rumors of international complications,” the *NYT* believed, “doubtless owing to the fact that sentiment has become accustomed to bracing itself against such shocks.”⁴⁷⁷

Another reason for cheer was the unprecedented year that the cotton manufacturing industry had enjoyed in 1916. Increasing domestic demand, coupled with a spike in exports to neutral markets across the world that had previously bought from European belligerents, combined to send the price of cotton goods—and in turn raw cotton—higher.⁴⁷⁸ “The increasing activity of submarine warfare, recurring hopes of peace, punctuated by threats of still more frightful conflict; apprehensions of even more serious invasions upon the rights of neutrals; uncertainties of freights and war risks, of exchange and ocean tonnage—all these factors, entering into sentiment of traders, have caused nervousness, at times violent fluctuations” in the raw cotton market the *TWJ* reported. “But underneath all these phenomena,—these alternations of hope and fear, of obstacles encountered, overcome, or minimized,—the course of events has again demonstrated the persistency of the world’s requirements at war as well as peace, and has also justified the confidence in values so remarkably manifested during the previous tension.”⁴⁷⁹

By mid-month, however, the raw cotton industry was becoming more pessimistic about the prospect of peace. “Extreme nervousness and irregularity characterized yesterday’s cotton market,” the *NYT* noted on January 12th. “Advices from London created the impression that the note of the Entente Allies, to be published this morning, would be unfavorable to the hope of immediate peace, and this idea inspired some rather aggressive selling from Wall Street and local sources, while there was also a renewal of scattering liquidation.”⁴⁸⁰ Due in part to concerns over the war continuing there were sequential collapses in cotton prices on January 13th and 15th.⁴⁸¹ “The shipping and political situations are still exerting disturbing influences,” on the industry, the *NYT* believed, “and the action of the market for several days past has clearly indicated a feeling in

⁴⁷⁵ “Cotton Less Active With Prices Steadier,” *TWJ* 52, no. 6 (January 6, 1917): 545. See also “Cotton Rules Quiet in a Firm Market,” *NYT* (January 4, 1917): 17.

⁴⁷⁶ “Cotton Less Active With Prices Steadier,” *TWJ* 52, no. 6 (January 6, 1917): 545.

⁴⁷⁷ “Cotton Rules Quiet, but Tone is Firm,” *NYT* (January 5, 1917): 15.

⁴⁷⁸ See “Export Opportunists,” *TWJ* 52, no. 6 (January 6, 1917): 496; “Unprecedented Year in Cotton Goods,” *TWJ* 52, no. 7 (January 13, 1917): 639.

⁴⁷⁹ “Year of Radical Fluctuations in Cotton,” *TWJ* 52, no. 7 (January 13, 1917): 647.

⁴⁸⁰ “Cotton Irregular on Warlike Advices,” *NYT* (January 12, 1917): 18.

⁴⁸¹ “Collapse in Prices Hits Cotton Market,” *NYT* (January 14, 1917): E5; “Decline in Cotton on Census Report,” *NYT* (January 16, 1917): 14.

speculative circles that the bull side of all commodities has suffered from the universal feeling against high prices on the part of the public.”⁴⁸²

The cotton-production industry also was concerned by an up-tick in German naval attacks on ships, including neutral American vessels. “Reports of the activities of a German commerce ‘raider’ in the South Atlantic and the loss of considerable tonnage was responsible for another sharp break” on January 17th, the *NYT* advised. “One report had it that more than 30,000 bales of cotton had been destroyed with the steamers sunk during the last fortnight. Confirmation of this, of course, could not be obtained, and the mere statement encourages the bulls, who saw the elimination of 30,000 bales from the visible supply, and at the same time was the cause of nervousness and anxiety lest German submarines or ‘raiders’ continue the destruction of ships and merchandise.”⁴⁸³ Cotton prices declined again on January 20th based on fears over further wartime disruptions to the cross-Atlantic cotton trade. “Reports of the hazards of ocean shipping are of great concern to cotton traders, and are regarded as important market factors,” the *NYT* noted. It was “suggested that something of speculative short interest had accumulated on the advances during the earlier part of the month. It is quite possible that part of the buying had been based upon optimistic views of peace prospects, and that disappointment over the situation was responsible for part of the liquidation.”⁴⁸⁴

On January 22nd President Woodrow Wilson addressed the Senate about the prospects for peace in Europe, and his views about American involvement in mediating an end to the war.⁴⁸⁵ The cotton market was jumpy in the lead-up to the address. “Fluctuations were erratic and traders appeared to be very nervous over the ocean freight situation,” according to the *NYT*, “a feeling which was accentuated by the announcement that the President would address the Senate on an important matter relative to foreign relations. This news brought extensive selling orders.”⁴⁸⁶ Cotton traders initially struggled to parse the speech, but “As soon as it was learned that this address would be on the subject of a league to enforce peace,” however, the market steadied, the *TWJ* reported.⁴⁸⁷ Brokers had “crowded around the tickers, anxious to learn the nature of the President’s remarks,” the *NYT* explained after the fact, “some thinking that they were likely to be of momentous importance. It was not long, however, until it was discovered that the address was not in the least disturbing, and prices promptly rallied.”⁴⁸⁸

It would prove to be a short reprieve. There was a small decline in prices on January 29th which the *NYT* “attributed to disappointment on the part of buyers” over a speech by Kaiser Wilhelm which, “contrary to expectations, contained nothing that could be construed as a further step toward peace.”⁴⁸⁹ Cotton traders also had to contend with “reports that the State Department was considering the question of armed merchantmen, combined with the reported extension of mine fields in the North Sea, [which] seemed to emphasize the uncertainty of shipping conditions and doubtless contributed to the decline.”⁴⁹⁰

⁴⁸² “Decline in Cotton on Census Report,” *NYT* (January 16, 1917): 14.

⁴⁸³ “Sharp Cotton Break on News of Sea Raid,” *NYT* (January 18, 1917): 14.

⁴⁸⁴ “Rush of Liquidation Depresses Cotton,” *NYT* (January 21, 1917): E4.

⁴⁸⁵ Woodrow Wilson, “A World League for Peace.” Address to the Senate of the United States, Washington, D.C., January 22, 1917. <https://millercenter.org/the-presidency/presidential-speeches/january-22-1917-world-league-peace-speech>.

⁴⁸⁶ “Cotton Declines in Nervous Market,” *NYT* (January 23, 1917): 14.

⁴⁸⁷ “Cotton Steadier; Improved Demand” *TWJ* 52, no. 9 (January 27, 1917): 1151.

⁴⁸⁸ “Cotton Declines in Nervous Market,” *NYT* (January 23, 1917): 14.

⁴⁸⁹ “Decline in Cotton,” *NYT* (January 30, 1917): 14.

⁴⁹⁰ “Decline in Cotton,” *NYT* (January 30, 1917): 14.

This dip in prices, however, was only a precursor to the chaos to come. On January 31st the German government notified the United States that they would be escalating their submarine campaign, to include indiscriminate targeting of ships around the British Isles, the French coast, and the Mediterranean.⁴⁹¹ The note arrived after the close of the cotton market, meaning the industry was only able to digest the news overnight. The result, the following morning, was a historic decline in the price of raw cotton that exceeded even that at the outbreak of the war in the summer of 1914. “The most violent break in prices in the history of the New York Cotton Exchange occurred yesterday upon the opening of the market,” the *NYT* reported. “Germany’s announcement concerning submarine warfare and reports from Washington came as a surprise, and shocked the trade. There was a stampede around the ring at the sounding of the gong, and brokers rushed to sell.”⁴⁹² “The German blockade announcement came as a complete surprise to the trade,” the *TWJ* advised, and “The various apprehensions it inspired can be as well imagined as described. Its effect on the market was the severest break in the history of futures trading.”⁴⁹³

Initially, a repeat of the turmoil of 1914 seemed inevitable, with the industry thrown into uncertainty and many traders demanding that cotton exchanges close in order to limit losses. “Before the opening brokers were deluged with selling orders from the South,” according to the *NYT*, “and so serious was the outlook regarded that several Southern exchanges, notably Augusta, Ga., sent urgent telegrams requesting the New York Cotton Exchange to suspend business.”⁴⁹⁴ This time around, however, the exchange leadership didn’t think it necessary to close. Indeed, they didn’t even think it was necessary to convene a full meeting of the exchange leadership to discuss a potential closure.⁴⁹⁵

Institutional innovations, including the establishment of a Clearing Association through which all trades needed to be routed and that held capital to guard against losses, made industry members confident that they could ride out this new difficulty. “It was the general opinion among cotton brokers that the Clearing Association had averted a perilous condition,” the *NYT* noted, with W. L. Johnson, the President of the Clearing Association, Inc., telling the newspaper that the Exchange “would undoubtedly have closed were it not for the Clearing Association.”⁴⁹⁶ Across the American south, however, other members of the raw cotton industry were far less sanguine. The cotton exchange in Augusta, Georgia closed soon after opening on February 1st, while the exchange in Memphis temporarily stopped quoting spot, that is immediate, prices. The New Orleans Exchange, however, maintained normal trading procedures.⁴⁹⁷

The executive board of the New York Cotton Exchange met on the morning of February 2nd and decided to open the exchange that day despite further pleas from smaller exchanges in Augusta and Charleston, South Carolina to close. Following the big drop the previous day, “Sentiment was extremely nervous and unsettled,” and the volume of trading was low as traders tried to parse the varying rumors and news updates flowing in. “Friction with Japan, the sinking

⁴⁹¹ “The German Ambassador (Bernstorff) to the Secretary of State,” January 31, 1917, *Foreign Relations of the United States (FRUS)*, 1917 Supplement 1: The World War (Washington, D.C.: Government Printing Office, 1931), 97 – 102.

⁴⁹² “Record-Breaking Decline in Cotton,” *NYT* (February 2, 1917): 5. See also “Stampede in Cotton,” *NYT* (February 2, 1917): 14.

⁴⁹³ “Submarine Notice Demoralizes Cotton,” *TWJ* 52, no. 10 (February 3, 1917): 1265.

⁴⁹⁴ “Record-Breaking Decline in Cotton,” *NYT* (February 2, 1917): 5.

⁴⁹⁵ “Record-Breaking Decline in Cotton,” *NYT* (February 2, 1917): 5.

⁴⁹⁶ “Record-Breaking Decline in Cotton,” *NYT* (February 2, 1917): 5.

⁴⁹⁷ “Record-Breaking Decline in Cotton,” *NYT* (February 2, 1917): 5.

of an American steamer, calling of loans by Southern banks, and war with Germany,” the industry heard it all that day, the *NYT* reported.⁴⁹⁸

The following day, February 3rd, President Woodrow Wilson delivered news that the United States would be breaking diplomatic ties with Germany as a result of their submarine escalation.⁴⁹⁹ This, however, served to steady the cotton production industry and led to an increase in prices. “There was an excited advance in cotton yesterday upon the announcement of the break in diplomatic relations with Germany,” the *NYT* observed. “The announcement from Washington came as a relief from uncertainty, extreme nervousness, and drastic liquidation from which the market had been suffering during the past two days. The trade seemed to be prepared for it, and expressed its enthusiasm over the President’s action by a quick upward turn in prices.”⁵⁰⁰

Why did the break in diplomatic relations, which seemingly brought the United States closer to full involvement in the war, cheer the raw cotton industry? Some traders saw the increase in prices as a “patriotic demonstration.”⁵⁰¹ Others, however, were closely watching the effect of the announcement on other industries, particularly those with conflict relevance. “Talk of war, with consequent activity among the munition makers, had influence in advancing the so-called war stocks under speculative purchases,” the *NYT* reported, which could provide an indirect boost to the American economy and the cotton production industry.⁵⁰² The industry’s ability to weather the shocks of the previous two years, and learn from them, also meant that some traders were more confident in their ability to deal with future uncertainty. “Considering the action of future markets in connection with the southern spot situation, it would seem safe to assume that it has reflected confidence in ultimate values, war or no war, combined with uncertainty as to the immediate effect on values of a war declaration should it come, or of continued success in the destruction of ocean tonnage through the submarine campaign.”⁵⁰³

Indeed, some cotton traders believed that American involvement in the war might hasten its end. “The advance in prices” on February 5th following the diplomatic break “was attributed to better feeling [amongst cotton traders] in respect to international affairs and the belief that the latest developments would hasten the end of the war,” the *NYT* believed.⁵⁰⁴ “Many expected that our country would not be able to avoid taking part in the war,” the *NYT* thought, traders’ “reasoning was that if we should be drawn into it shipments to Europe would be guarded by our navy, and our government would buy large quantities of cotton for army clothing and ammunition.”⁵⁰⁵ In sum, “While very nervous and unsettled, the action of the cotton market during the past week has suggested that the immediate effect of almost any political contingency had been discounted,” the *TWJ* noted.⁵⁰⁶

Cotton prices had recovered two weeks after the announcement of unrestricted submarine warfare.⁵⁰⁷ Despite rumors that Great Britain might embargo cotton shipments in order to prioritize

⁴⁹⁸ “Cotton Drops Again,” *NYT* (February 3, 1917): 18.

⁴⁹⁹ Woodrow Wilson, “Message Regarding US-German Relations.” Address to the Congress of the United States, Washington, D.C., February 3, 1917. <https://millercenter.org/the-presidency/presidential-speeches/february-3-1917-message-regarding-us-german-relations>.

⁵⁰⁰ “Big Jump in Cotton,” *NYT* (February 4, 1917): E5.

⁵⁰¹ “Big Jump in Cotton,” *NYT* (February 4, 1917): E5. See also “Cotton Steadies After Big Break,” *TWJ* 52, no. 11 (February 10, 1917): 1359.

⁵⁰² “Stocks Rise Again; Traders Confident,” *NYT* (February 6, 1917): 12.

⁵⁰³ “Cotton Steadies After Big Break,” *TWJ* 52, no. 11 (February 10, 1917): 1359.

⁵⁰⁴ “Cotton Rises Again,” *NYT* (February 6, 1917): 20.

⁵⁰⁵ “Cotton and the Market,” *NYT* (February 7, 1917): 12.

⁵⁰⁶ “Cotton Steadies After Big Break,” *TWJ* 52, no. 11 (February 10, 1917): 1359.

⁵⁰⁷ “Cotton Up \$4 a Bale,” *NYT* (February 14, 1917): 15.

ammunition imports,⁵⁰⁸ cotton prices held fairly steady over the following weeks, as traders “found little or nothing in the news to cause any change of sentiment as to the political situation,” according to the *TWJ*. The industry “realized that almost any day may bring news of the ‘overt act,’ which may plunge this country into the war,” and yet “At the same time every day that passes without such a development tends to dull the keen edge of apprehension and to encourage hope that, after all, Germany may not take such steps as would force us into actual hostilities. The gradual falling off in the number of vessels actually sunk in the German submarine danger zone has also tended to encourage this hope on the ground that Germany will be less likely to force the addition of this country’s resources to those already opposed to her, if the submarine campaign does not promise to be ultimately successful.”⁵⁰⁹ The volume of cotton trading slipped, though, by the end of February as the industry awaited concrete developments. “The uncertainties of the political and shipping situation have caused nervousness,” the *TWJ* noted. Still, “the trade is either becoming accustomed to business under such conditions, or feels that almost any contingency has been discounted owing to the elimination of speculative interest.”⁵¹⁰

Two events in late February and early March—the death of two Americans in the sinking of the *Laconia*, a passenger ship, on February 27th, and the March 3rd admission that the “Zimmerman telegram” detailing negotiations between Germany and Mexico for the latter’s entry into the war was genuine—further moved the United States towards war and negatively affected raw cotton markets.⁵¹¹ The Wilson administration’s responses also raised the risk of American involvement in the war, namely authorizing American merchant ships to arm themselves to fight off submarine and surface raider attacks.⁵¹²

Still, the industry felt well hedged against the possibility of war or other calamity. Indeed, some participants believed that the market was over-hedged and ignoring some potential upsides of American involvement. “If the recent reduced volume of offerings has reflected a market well liquidated to withstand the shock, it is equally probable that fresh selling on the bearish view of shipping conditions, has been held in check by a belief in some quarters that war between this country and Germany would be ultimately bullish on cotton,” the *TWJ* believed, “and that armed protection of American shipping would improve the ocean freight situation.”⁵¹³ The raw cotton industry “appeared convinced that war with Germany was now inevitable and that it was only a question of days or weeks,” the *NYT* thought, but “This belief did not furnish a clear idea as to how the cotton market would respond to a condition of war, and under the circumstances there appeared to be a general disposition to be very cautious.”⁵¹⁴

By mid-March the raw cotton industry also faced a new geopolitical challenge: a revolution in Russia. On March 15th, “Reports of political disturbances in Russia caused sharp reactions after an early advance in the cotton market,” the *NYT* reported, although “the losses were partly recovered and the close was steady, at a net advance of 5 to 16 points.”⁵¹⁵ By the following day, news of the Tsar’s abdication and establishment of a new government had fully reached the cotton

⁵⁰⁸ “Cotton Drops Again,” *NYT* (February 16, 1917): 15; “Cotton is Unsettled,” *NYT* (February 17, 1917): 16.

⁵⁰⁹ “Cotton Steadied by Firm Holders,” *TWJ* 52, no. 12 (February 17, 1917): 1450.

⁵¹⁰ “Quiet, Steady Market for Raw Cotton,” *TWJ* 52, no. 13 (February 24, 1917): 1542.

⁵¹¹ “Cotton Trade Quiet,” *NYT* (February 27, 1917): 16; “Cotton Traders Shy,” *NYT* (March 2, 1917): 17; “Near Months Strong in Cotton Market,” *TWJ* 52, no. 14 (March 3, 1917): 1658.

⁵¹² “Break Hits Cotton,” *NYT* (March 8, 1917): 18; “The Cotton Market,” *NYT* (March 11, 1917): E6.

⁵¹³ “Near Months Strong in Cotton Market,” *TWJ* 52, no. 14 (March 3, 1917): 1658.

⁵¹⁴ “Cotton Traders Shy,” *NYT* (March 2, 1917): 17.

⁵¹⁵ “Advance in Cotton,” *NYT* (March 16, 1917): 17.

industry, which caused more “Nervousness and irregularity” in the cotton market.⁵¹⁶ Still, it was somewhat difficult for cotton traders to interpret what the effect of the revolution would be on the continuation of war, as well its economic effects for them. According to the *NYT*, “Some traders found it difficult to believe that any such drastic change in the Government of Russia could occur without disorganizing affairs generally with an unfavorable effect upon military operations.” Still, “Press advices, however, read very encouragingly, and on the whole local operators were inclined to regulate their view of European affairs by the action of the English market. Private cables indicated that there had been some liquidation by nervous longs in Liverpool during the early trading, but the close was steady.”⁵¹⁷

There were also rumors of a similar revolution in Germany, which drove up cotton prices before being refuted.⁵¹⁸ In contrast, the sinking of three American merchant ships, “called forth little comment,” the *NYT* noted.⁵¹⁹ All in all, therefore, although “continued nervousness over political and shipping conditions has caused irregularity, the Cotton market has shown a generally steady tone during the past week,” the *TWJ* reported on March 17.⁵²⁰ Some cotton traders were going so far as to purchase more of the material based on the belief that peace was just around the corner. The Federal War Risk Bureau’s decision to insure cross-Atlantic cargo shipments—including raw cotton—at a flat rate also boosted the price of cotton as “it was considered probable that this action would facilitate exports,” according to the *NYT*.⁵²¹ There was “a growing hope of peace before the end of another year, based partly upon the persistent rumors of disturbances in the interior of Germany” in the cotton production industry according to the *TWJ*.⁵²²

Inside of two weeks, however, these pacific hopes were receding amongst newfound fears over American entry into the war. Still, even “With the country on the brink of war, with all which that implies, the surprising thing recently has been the slightness of the influence exerted by that fact on commercial activity,” the *NYT* informed readers on March 25th.⁵²³ Drawing a contrast with the “hysteria” of the business community around the start of the Spanish-American War, “There is just as much determination as there was then, but there is no excitement. The probability of the country’s being involved in hostilities has been considered so long that the plunge itself would even be hailed with a certain kind of relief from the condition of uncertainty.”⁵²⁴

By the end of the month the cotton production industry was expectantly waiting for more governmental moves. On March 27th “The cotton market...was again nervous and unsettled, with prices lower under further scattering liquidation which seemed to come chiefly from Wall Street sources,” the *NYT* reported. “The tendency to even up commitments was most generally attributed to nervousness over international affairs, particularly with reference to the situation in Russia, and the probable action of Congress when it meets Monday.”⁵²⁵ Congress, however, initially delayed on making any decision on whether or not to further involve the United States in the war. Perhaps surprisingly, this didn’t unsettle the cotton production industry that much which appeared relatively prepared for a decision for war. “Business will face a readjustment the moment the

⁵¹⁶ “Cotton is Irregular,” *NYT* (March 17, 1917): 18.

⁵¹⁷ “Cotton is Irregular,” *NYT* (March 17, 1917): 18.

⁵¹⁸ “Cotton Up \$4 a Bale,” *NYT* (March 20, 1917): 15; “Cotton More Active,” *NYT* (March 21, 1917): 13.

⁵¹⁹ “Cotton Up \$4 a Bale,” *NYT* (March 20, 1917): 15.

⁵²⁰ “Cotton Irregular but Generally Steady” *TWJ* 52, no. 16 (March 17, 1917): 1834.

⁵²¹ “Sharp Cotton Rise,” *NYT* (March 22, 1917): 17.

⁵²² “Cotton Advanced on Spot and Crop News,” *TWJ* 52, no. 17 (March 24, 1917): 1929.

⁵²³ “The Merchant’s Point of View,” *NYT* (March 25, 1917): E8.

⁵²⁴ “The Merchant’s Point of View,” *NYT* (March 25, 1917): E8.

⁵²⁵ “Cotton Down Again,” *NYT* (March 28, 1917): 17.

declaration of war is made,” the *TWJ* wrote in an editorial on March 31, implying that the cotton production and industry should start planning for it already.⁵²⁶ “There appeared to be no change of sentiment around the ring as to the probable action of Congress next week,” the *NYT* wrote on April 1st. “Nervousness over political affairs, however, was thought to have been quite fully reflected in recent trading, with the impression prevailing that any action likely to be taken by Congress had been discounted. Political uncertainties consequently figured less in the trading than heretofore, leaving the trade at greater liberty to discuss more ordinary factors.”⁵²⁷

On Monday, April 2nd, 1917, Woodrow Wilson addressed a joint session of Congress to ask them to declare war on Germany.⁵²⁸ It took the cotton production industry a day to fully digest the speech, but when they did so it was a relatively positive reaction. “President Wilson’s address to Congress created a very good impression on the New York Cotton Exchange yesterday,” the *NYT* reported on April 4th, “and it was a signal for an upward movement in prices” to the highest value since Germany declared unrestricted submarine warfare.⁵²⁹ There were multiple motivations behind this enthusiasm. The industry’s “chief interest [was] in the effect that America’s entrance into the war would have on the price of cotton,” but “Comment was [also] heard as to the effect of America’s naval activity on the export situation, the inflation of prices that would follow vast expenditures of money by the Government, the increased consumption of cotton for war purposes, and the possibility that recruiting would be done at the expense of farm labor.”⁵³⁰

The upward price movement continued over the coming days, after a slight pause for the Easter holiday.⁵³¹ “The President’s war message proved the signal for an excited general buying movement in the cotton market,” the *TWJ* jubilantly declared, “and there has been a very sharp advance in prices. The nervousness and hesitation which had characterized the contract markets toward the end of March, entirely disappeared the moment a definite decision as to international affairs had been reached, and the bullish view of our participation in the war became the dominating factor.”⁵³² As it explained further, “The bullish view of this country’s participation in the war is based upon several expectations as to conditions it will create. In the first place, there is the hope that the Navy will be able to aid in safeguarding trans-Atlantic business, and that through this there will be an improvement in the ocean freight situation. In the second place, speculative sentiment in all quarters can hardly overlook the probability that enormous Government expenditures will stimulate general business, while the outfitting of armies is expected to find one of its reflections in the cotton goods market.”⁵³³

⁵²⁶ “The Turning Point,” *TWJ* 52, no. 18 (March 31, 1917): 1964.

⁵²⁷ “Advance in Cotton,” *NYT* (April 1, 1917): E5.

⁵²⁸ Woodrow Wilson, “Address to Congress Requesting a Declaration of War Against Germany,” Address to a Joint Session of the United States Congress, Washington, D.C., April 2, 1917. <https://millercenter.org/the-presidency/presidential-speeches/april-2-1917-address-congress-requesting-declaration-war>

⁵²⁹ “Advance in Cotton,” *NYT* (April 4, 1917): 17.

⁵³⁰ “Advance in Cotton,” *NYT* (April 4, 1917): 17.

⁵³¹ “Cotton Soars Again,” *NYT* (April 5, 1917): 19; “Cotton Takes Jump,” *NYT* (April 6, 1917): 18; “Wild Leap in Cotton,” *NYT* (April 10, 1917): 17.

⁵³² “War Boom Sends Raw Cotton Higher” *TWJ* 52, no. 19 (April 7, 1917): 2145.

⁵³³ “War Boom Sends Raw Cotton Higher” *TWJ* 52, no. 19 (April 7, 1917): 2145.

4.4 Conclusion

All told, it is relatively unsurprising that the American cotton production industry would vehemently oppose the start of World War I and turn to the federal government for assistance in weathering the economic turmoil caused by the conflict. World War I caused the largest disruption to the international cotton trade since the American Civil War, halting the annual shipment of cotton from the United States to European buyers and causing the price of raw cotton to plummet. Both trade preference theory and my additive theory of business war preferences predict that the cotton production industry would oppose the war based on their belief that it would severely disrupt international trade and this belief was born out.

My additive theory, however, provides an alternate explanation for the cotton production industry's opposition to the war above and beyond disrupted international trade. Namely, raw cotton's lack of conflict relevance meant that, unlike the wheat industry, the cotton production industry couldn't compensate for any trade related losses in private sales by selling more to belligerent governments. As a result, the cotton production industry was more likely to oppose the war than the wheat industry and more likely to turn to the federal and local government for needed assistance.