It’s Not About the Money: The Great Depression, Japan, and Franklin Roosevelt’s Recognition of the Soviet Union

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On November 16, 1933, President Franklin D. Roosevelt formally recognized the Union of Soviet Socialist Republics, which made the United States the last of the major global powers to normalize relations with the Communist state. The United States had enjoyed good relations with the Russian Empire, but broke off relations with Russia after the Bolsheviks overthrew the empire in the fall of 1917. For nearly sixteen years, the two countries were diplomatically estranged.

Woodrow Wilson declined to recognize the new Soviet state after the Russian Revolution because the new Soviet government refused to pay the debts owed by the previous Russian government. Additionally, historian John Lewis Gaddis argues that American officials were wary of the Soviet Union as an ideological threat, namely because Soviets were not shy about hoping to spread Communism throughout the world. Members of the State Department were concerned with religious persecution in the Soviet Union and Communist subversion in the United States, so they maintained the entrenched ideological opposition to recognition.

Though the American government refused to recognize its Soviet counterpart from 1918-1933, the two countries maintained economic contact in those years, mostly in the private sector. During World War I, American factories produced a substantial amount of military supplies for Russia. Additionally, private American businessmen were very involved in trade and investment in the Soviet Union during the 1920s. The Republican administrations of the 1920s left businessmen alone for the most part, because of the political risk of deviating from the

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popular *laissez-faire* policy.\(^4\) Regardless of the potential economic benefits of diplomatic relations with the Soviet Union, the anti-communist ideology prevailed during the 1920s and early 1930s.

All of that changed when Franklin Roosevelt was elected president. Only a month after his election, senators close to Roosevelt predicted that he would “give the matter of Russian recognition...very careful consideration,” upon his inauguration.\(^5\) In a calendar year, the senators’ prediction would ring true. So why did Roosevelt choose to recognize the Soviet Union?

Historians Donald E. Davis and Eugene P. Trani argue that Roosevelt wanted to recognize Russia in order to expand trade relationships and clear up any problems with debts and confiscations.\(^6\) The economic benefits were clear to Roosevelt and American businessmen—creating large-scale trade with a country like the Soviet Union would be a significant boost to the American economy.

However, trade was not the only reason Roosevelt chose to recognize the Soviet Union. Roosevelt recognized the Soviet Union because he was aware of the potential international havoc to be caused by Japan's aggressive foreign policies, and an American alignment with the Soviet Union would apply subtle diplomatic pressure on the Japanese. Japan's imperialistic tendencies represented a threat to international peace. Because of the Great Depression, Roosevelt could not present recognition as a strategic move to increase pressure on a hostile nation. As Gaddis argues, Roosevelt's “chief priority” in his inaugural year in the White House was to stabilize the American economy; the public could not perceive Roosevelt to be focusing on anything else.\(^7\) Because of these domestic constraints, Roosevelt had to frame the recognition of the Soviet Union as means of increasing trade and investment as well as promoting peace with the Soviets.

**A Step Towards Recovery**

Roosevelt believed that formal recognition could bring about more successful trade between the United States and the Soviet Union, potentially jumpstarting an American economy mired in the Great
Depression. The effects of the Depression spread to Europe and beyond, but the Soviet Union was exempt. Because Joseph Stalin had opted for isolationism—industrializing and building socialism in the Soviet Union alone—over internationalism, the Soviet Union was enjoying economic success during the depths of the Great Depression.

Roosevelt took an early interest in potential Soviet trade, speaking with journalist Walter Duranty before the 1932 election. As Duranty recounts in his memoir, Roosevelt inquired about Soviet gold production and whether the country could successfully pay for American goods that it bought.\(^8\)

An article in the *The Washington Post* in the fall of 1933 asserted that Roosevelt had already decided to recognize the Soviet Union, and was now “in the midst of large-scale negotiations to stimulate trade with Soviet Russia.”\(^9\) Additionally, the article mentions that the Soviet-run Amtorg Trading Corporation was preparing to purchase millions of dollars’ worth of cotton from Americans through the Reconstruction Finance Corporation, and that American manufacturers were trying to export their overproduced goods to the Soviets.\(^10\) Roosevelt orchestrated the Amtorg purchase of American goods, employing Secretary of Treasury Henry Morgenthau to contact the Soviet corporation.\(^11\)

Lewis Lorwin, an economist at the Brookings Institution, wrote an article for *The Post* discussing the economic implications of recognition in November 1933, as Roosevelt and Soviet Foreign Commissar Maxim Litvinoff met in Washington. Lorwin argued that recognition was another part of Roosevelt’s recovery plan. Many American manufacturers were severely compromised by the Depression because their once popular products were not selling. Americans could not afford a significant investment like a car or household appliances, instead staying very frugal with their expenditures. In comparison, the Soviet Union “would be glad to purchase large quantities of raw materials such as cotton and copper” and could be a recipient of overproduced American goods like machinery, metal products, and automobile parts.\(^12\) The Soviet Union could be an outlet for American goods that were simply sitting in the store.
In recognizing the Soviet Union, Roosevelt opened the door for significant business opportunities for American businessmen and companies. The move was a sign to Americans that Roosevelt would make more than domestic change to reverse the Great Depression, and a sign to the international community that Roosevelt was unafraid to deviate from previous American foreign policy if it meant benefits for his nation.

Appeasing America

Because of the immediate attention the Great Depression commanded, Roosevelt understood that his agenda in his first year as president would be domestic recovery. The American people had lost all faith in Herbert Hoover, so Roosevelt needed to prove himself to the American people quickly, or risk becoming a lame duck like his predecessor. Roosevelt made impressive strides during the “One Hundred Days” at the onset of his presidency, but there was still a substantial amount of work to do. Gaddis argues that Roosevelt had to portray recognition of the Soviet Union as economically motivated, or as Lewis Lorwin said, “… another step in the recovery plan.”

In his first year in the White House, Roosevelt would be assessed on how well the American economy rebounded, not on how well he dealt with a conflict across the Pacific Ocean. Political considerations led Roosevelt to frame recognition as a necessity from an economic standpoint.

While seeking recognition, Roosevelt not only had to impress the American public, he had to mollify members of the State Department concerned about the Soviet Union. The State Department’s anti-Soviet line had begun in the 1920s under Robert F. Kelley, head of the Eastern European Division. Kelley was the leader behind the “Riga Axioms,” a firm ideological opposition to Communist revolutionary ambitions. Aside from debts and confiscations, William C. Bullitt and other members of the State Department were still worried about “the world revolutionary aims and practices” of the Communists. As long as the Soviets held world revolution as a goal of theirs, recognition was out of the question. In addition, Bullitt raised his concerns about the historical lack of due process rights for foreigners in the Soviet Union. In order to
pacify the State Department, Roosevelt required that the Soviet Union never communicate with the American Communist Party.

In the days following recognition, peace and money were the themes surrounding the analysis of Roosevelt’s decision. As Joan Hoff Wilson points out, the Roosevelt administration used “economic necessity as their public justification of recognition.” In a November 19 speech, Roosevelt assured an audience of 40,000 in Savannah, Georgia that the “most impelling motive” that brought the two countries to reach an agreement was “the desire of both countries for peace and for the strengthening of the peaceful purpose of the civilized world,” receiving “a storm of applause” for his words.

While Americans perceived Roosevelt’s motivations to be economically minded, the truth was that Roosevelt privately perceived something much more significant: a struggle for power in the Far East, and one that Japan appeared to be capable of controlling.

Pressuring Japan

Roosevelt was aware of the military threat Japan posed in Eastern Asia and saw recognition as a way of exerting indirect yet firm pressure on the Japanese. Japan’s 1931 advance into Manchuria resulted in an international diplomatic fiasco, as the League of Nations could not effectively respond to such an aggressive action. A *New York Times* article following the advance of Japanese troops past the Chinese Eastern Railway into Northern Manchuria detailed the response in Washington: “The reaction in administration circles was typified by one official, who, when told of today’s battle, threw up his arms and exclaimed: ‘That spills the beans.’” Japanese control of Manchuria had important implications for the Soviet Union as well; the Chinese Eastern Railway, a major mode of transport for the Soviet Union, ran directly through Manchuria.

Roosevelt was privately attuned to the potency of Japan preceding his inauguration. At a dinner in January 1933, Roosevelt indicated his nervousness about Japan, saying “Japan will be casting her eyes about
for new field of conquest... She will move southward... even as far as Australia.” Roosevelt saw that Japan could cause trouble for the world if she continued to expand, and brought up the possibility of war in a meeting soon after his inauguration.

While Roosevelt already had his worries about Japan, the memo he received on May 27, 1933 from an American diplomat in Japan, Joseph C. Grew, only accentuated his fears. In his memo, Grew makes it clear that Japan is not nearly as small and weak as she was perceived:

*The Japanese Empire is not a small country, as compared with the countries of Europe, at least.... Including the area of "Manchukuo," which to all practical purposes is under Japanese control, the total area of Japan and its dependencies is greater than that of France, Germany, Spain, Switzerland, Belgium, Netherlands, and Denmark combined. The population of the Japanese Empire proper is 90 millions; with that of "Manchukuo" it is around 120 millions, or nearly the same as that of the United States.... So Japan cannot be considered a small or weak country....*

Grew also described the Japanese people as “extremely nationalistic, war-loving, [and] aggressive” and the Japanese armed forces as “probably the most complete, well-balanced, coordinated and therefore powerful fighting machine in the world today... immeasurably stronger than any other.”

Though Japan had illustrated its imperialistic desires, through the Russo-Japanese war or through its invasion of Manchuria, much of the West was unaware of the global significance of Japan. Then, as the Japanese overcame Chinese resistance and secured the entire region of Manchuria, Americans began to take note of Japan’s military strength. An assessment of Japan’s control of the region indicated good reason for the Soviet Union—and the United States—to be wary of a threat to international peace. According to Brigadier General Henry J. Reilly’s analysis of the situation in Eastern Asia, Japan was in a much better position to mobilize than Russia was, thanks to its control over Korean and Chinese seaports and its array of railways. Reilly also implied that many Westerners incorrectly assumed that because the combined
military strength of the countries trying to remedy the dispute in Eastern Asia was greater than the military strength of Japan, the peacekeeping countries could easily resolve the problem.  

Litvinoff and Roosevelt both had Japan’s expansionist ambitions on their minds when they met in November 1933 in Washington. Litvinoff and the Soviets expected a Japanese attack. “Well-informed persons” at the time indicated that Litvinoff would attempt to persuade Roosevelt into an agreement regarding Japan during their discussions. Roosevelt was able to apply his knowledge of the military strength of Japan while discussing recognition with Litvinoff.

Though Roosevelt intended to use recognition to apply diplomatic pressure on Japan, he never intended to overtly act against Japan. As Beatrice Farnsworth notes, the American public would never get behind any aggressive action towards Japan, because it would deviate from the American policy of isolationism. Roosevelt’s policy was exemplified in a diplomatic exchange following recognition. In a memo to Cordell Hull in December 1933, American diplomat J. Theodore Marriner explained that most Soviet officials expect a Japanese attack in the near future. The Soviets asked for 250,000 tons of American railroad tracks so they could double-track one of the few railroads they control in Eastern Asia—the Trans-Siberian Railway to Vladivostok. However, Marriner told the Soviets that the United States would not get involved in Eastern Asia, and any impact on the situation “would be confined to moral influence.”

Through recognition, Roosevelt made it clear to the Japanese whose side the United States fell on in the Far Eastern dispute. A New York Times article described the Japanese perception of the Roosevelt-Litvinoff meetings. The Japanese expected Litvinoff to “reach some understanding which might serve to restrain Japanese ambitions on the mainland.” According to a Japanese newspaper referenced in the Times article, the government was “watching with keenest interest the Washington conversations.” This subtle action against Japan, coupled with the strengthening of the Soviet Union as a result of recognition, helped to increase the pressure on Japan. Ambassador Grew, who
penned the foreboding memo back home warning of Japanese potency, commended Roosevelt’s action, saying “The President has played his cards well.”

Spin Control

In the past century, Americans have always been slow to support deals with the Russians or other Communist countries, perhaps out of fear of national security. As a result, American presidents have been required to tread carefully in making agreements with Communist governments, or risk being labeled as sell-outs. When Ronald Reagan tried to limit Soviet nuclear weapon proliferation or Barack Obama tried to reestablish diplomatic relations with Cuba, both presidents had to be aware that public opinion could boil over if they didn’t make an appealing, pro-United States deal. Roosevelt knew that Americans would be apprehensive of any sort of agreement with the Soviet Union. The recognition of the Soviet Union was a lesson in spin control on Roosevelt’s part. Wary of being portrayed as a Communist sympathizer, Roosevelt presented the recognition agreement as a solid economic deal (in order to satisfy businessmen and Americans struggling during the Great Depression) as well as a step in the right direction towards world peace, and therefore, national security (in order to satisfy the general public).

Notes


3. Ibid.

4. Ibid.


10. Ibid.


13. Gaddis, 16; Lorwin, “Extension of Credit Held.”


15. Memorandum by Bullitt, “Problems Pertaining to Russian-American.”


19. Ibid.


21. Ibid., 91.


23. Ibid.


25. Ibid.


30. Ibid.

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