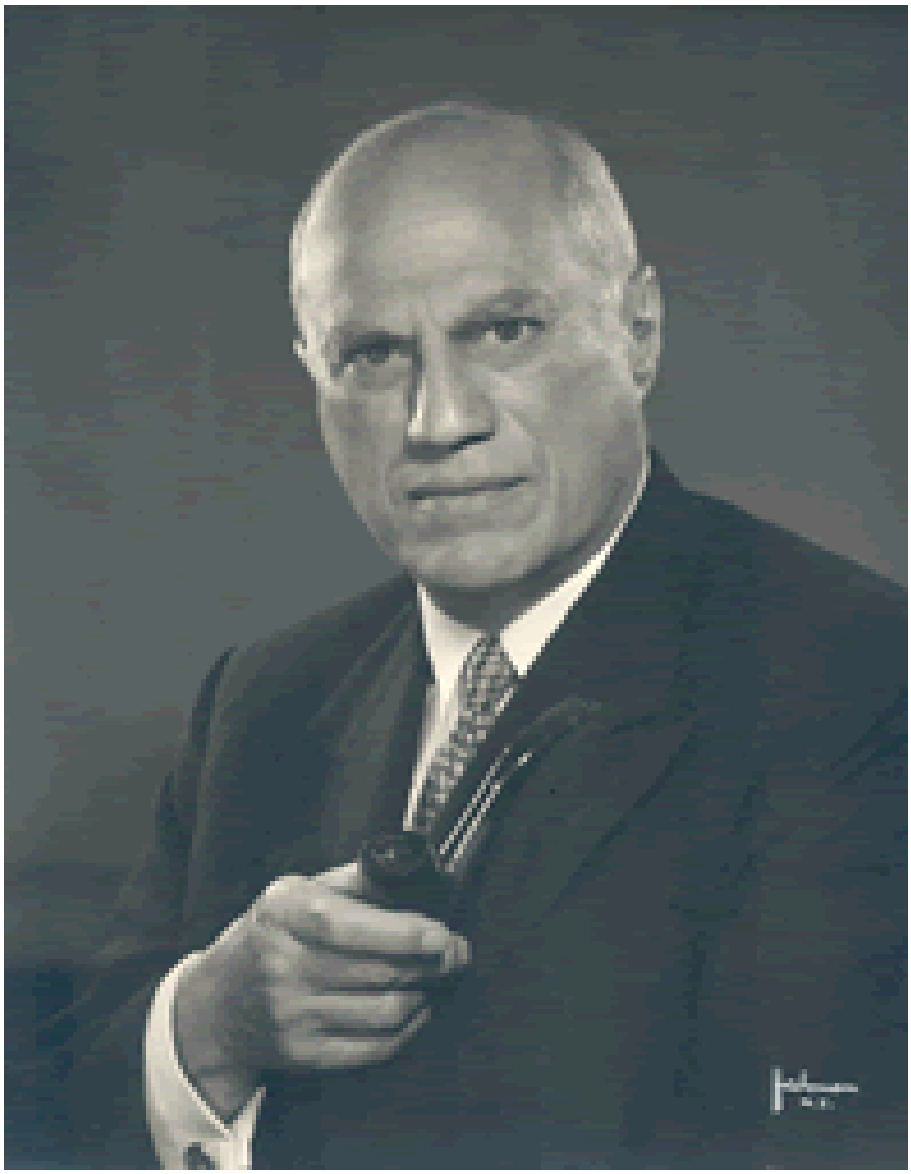
FRANK ALTSCHUL

BIOGRAPHY



Priscilla Roberts

Chapter One: The Beginnings

The Altschul family traced its origins to the great intermarried German-Jewish clans of central Europe, a network whose ramifications centered upon Prussia and the Austro-Hungarian empire, and by the mid-nineteenth century stretched across western Europe, Britain, and the United States. The Altschuls took some pride in what seems to have been a heritage of learning and books. Family lore had it that the name Altschul, or "old school," was derived from the Jewish synagogue in Prague, where one or more of their forebears taught. In later life Frank Altschul traced bearers of the name in Jewish genealogies, and as a printer who himself established a notable small press, discovered with some satisfaction "that at various times in the 17th century no less than ten Altschuls had been printers." Most of them were based in or around Prague, but some Altschuls worked in the printing trade in Amsterdam, in Cracow in Poland, and in the German city of Frankfort-on-Oder. Altschul's own researches established that "the name Altschul was first borne by descendants of Provençal refugees who settled in Prague about 1302." He also tracked down listings in the *Universal Jewish Encyclopedia* for Moses ben Hanoch Altschul of Prague, a sixteenth-century writer on morality who "was one of the first to create a refined literary style in Judeo-German," and Emil or Elias Altschul (1812-1865) of Prague, who taught homeopathic medicine at that city's university from 1848 onward, and wrote a treatise on the subject.[1]

Frank Altschul's grandfather, Sigmund Altschul, came from the area around Prague; his grandmother, Elise Heymann, born in 1825, was one of six children of Isaac Heymann of Berlin (b. 1792) and his wife Charlotte Lowenberg (b. 1800). Family photographs show them as members of the prosperous, well-educated Victorian bourgeoisie. In the early nineteenth century, Sigmund moved to the Saxon city of Dresden. For several generations back, the family demonstrated a strong liberal streak, which Altschul's grandfather clearly shared. He sympathized with the 1848 German revolution and, after its suppression, left Germany for a decade or more, moving for a while to the United States and becoming an American citizen. In the mid-1850s he married Elise Heymann, who like himself acquired American citizenship, which the couple passed on to their children. Their first son, William, was born in December 1856; their second, Charles, just one year later, on December 31, 1857, in London, where the couple had moved. Soon afterwards, his parents returned to Dresden. Their family expanded rapidly; at almost annual intervals, they had three more sons, Richard (b. 1859), Julius (b. 1864), and Arthur (b. 1866), and four daughters, Emily (b. 1860), Clara (b. 1862), Louise (b. 1863), and Mary (b. 1869). None of the Altschul daughters ever married; if family lore can be believed, their father had very high standards in what he required of a potential son-in-law, and none of their suitors ever seemed acceptable to him. Richard and Arthur also remained lifelong

[1] Frank Altschul to Yvonne Halphen, November 6, 1972, File Biographical Data, Frank Altschul Personal Correspondence, Overbrook Foundation Office, New York; see also Altschul, Foreword to Overbrook Press Bibliography, May 1963, and historical listings of bearers of the Altschul name, Folder 175, Cahoon, Herbert, Compiler, Overbrook Press Files, Lehman Suite, Columbia University, New York.

bachelors, not, it seems, due to paternal disapproval, but because they apparently found plenty of feminine companionship outside marriage. William, the eldest son, married Rosita Salomon and had two children. His brother Julius married late in life; he too, it seems, for many years had no wife but numerous ladyfriends, and Ernst, his own son, was born more than four decades after Frank Altschul, his first cousin.

Charles Altschul, Sigmund's second son, was in a much greater hurry to embark on a career that would enable him to support a wife in some style. He was born in London, educated mostly in Germany, and then spent three years working in Berlin. By 1877 he had returned to live and work in the British capital. While Charles remained a lifelong Anglophile, he found the opportunities offered by the United States yet more alluring. He later recalled that his father had "brought us up in admiration for the country of his choice," the United States.[2] Still not quite twenty, that same year Charles moved to the United States, bearing with him a letter of recommendation from the Viennese branch of the Rothschild banking firm. His bachelor brothers Richard and Arthur, who had also inherited their parents' American citizenship, soon followed him. In the 1930s, after Adolf Hitler and the Nazis came to power in Germany, with assistance from his nephew Frank, Julius Altschul and his family made the same trip across the Atlantic, and they too settled permanently in the United States. Charles would later publicly describe his own antecedents as follows: "My name is German; I am of Austro-German descent; but I am not and never have been a German. I was born in London, England, about sixty years ago; my father was then, and remained to the end of his days, a naturalized American citizen, who had left his home in 1849 owing to conditions then prevailing in Austria. Though I went to school in Germany, I came to [the United States] at the age of nineteen, and have resided [t]here ever since."[3]

"Go west, young man," those seeking a better life in the nineteenth century United States were exhorted. California prospered after the American civil war, and San Francisco was a boom town, home to the big businessmen who financed the construction of the first transcontinental railroad across the United States, completed in 1869. Charles went to San Francisco, where he joined that city's branch of the firm Lazard Frères—reorganized as a limited company in 1884, with capital of 500,000 sterling subscribed by several hundred investors, chartered in London, and rechristened the London, Paris, and American Bank—as its cashier and seventh employee. In 1895 he became manager of the London, Paris, and American Bank, heading its California branch. Originally established as a dry goods store in 1848 in New Orleans, Louisiana, by three French Jewish brothers, Alexander, Simon, and Lazare Lazard, Lazard Frères moved to San Francisco two years later, after fire swept through New Orleans. With the gold rush at its peak, Lazard Frères soon became not just the leading dry goods wholesaler on the west coast, but also

[2] Charles Altschul to Paul Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles and Camilla Altschul Files, Frank Altschul Papers, Lehman Suite, Columbia University, New York [hereafter Altschul Papers].
[3] Charles Altschul to the Editor, *Toronto Globe*, July 14, 1918, File James T. Shotwell, Charles Altschul Files, Altschul Papers.

a major exporter of gold. By the mid-1850s, the firm was increasingly involved in providing financial services, first to its own customers, then to others. In 1858 it opened an office in Paris, Lazard Frères et Cie., and in 1870 a London branch, Lazard Brothers & Co., which enabled the firm to continue payments in gold throughout the 1870-1871 Franco-Prussian War. Both European outposts of the firm concentrated upon financial transactions, including the export and import of gold bullion. In 1876 the various partners, all of whom were still related to each other by blood and marriage, decided to end their dry goods business in San Francisco and specialize entirely in banking. In its early years, from 1876 to 1884, the venture made annual returns of around 10.5 percent on its capital of $2 million dollars. By the late nineteenth century the financial center of gravity in the United States was shifting eastward, and in 1880 the bank opened a New York office, which made it easier to deal with foreign investors. In 1888 Lazard Frères & Co. became a member of the New York Stock Exchange, listing seven partners, some of them non-family. By that time Lazard had become the single largest institution handling gold transactions between the United States and Europe; it also "traded in commercial bills and other exchange."[4]

Control of the firm always remained with the Lazard family and its relatives, but even those bank officials drawn from outside the founding family soon became decidedly wealthy men. Charles Altschul lived in considerable style in San Francisco, by 1860 the fourteenth largest city in the nation, an urban center whose cosmopolitan, international outlook and emphasis on pleasure and recreation, with a plethora of restaurants, hotels, theaters, churches, and even an opera house, meant it "often appeared but remotely related to frontier California."[5] The city also possessed one of the most substantial and respected Jewish communities in the United States, extremely active in business and commerce and increasingly involved in San Francisco politics.[6] In an unassuming fashion, Charles soon made his mark there. He had, it seems, a talent for friendship and an attractive personality that drew widely disparate individuals to him. Professor James T. Shotwell of Columbia University, a later associate, recalled him as "a friend whose friendship I treasured."[7] After his death, one acquaintance recalled "his great charm, his directness, his

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[4] For the early history of Lazard Frères, see Guy de Rougemont, *Lazard Frères: Banquiers des Deux Mondes (1840-1939)* (Paris: Fayard, 2010), chs. 1-9; William D. Cohan, *The Last Tycoons: The Secret History of Lazard Frères & Co.* (New York: Doubleday, 2007), 17-22; Laurent Chemineau, *L'Incroyable Histoire de Lazard Frères: La Banque qui Règne sur le Monde des Affaires* (Paris: Éditions Assouline, 1998), 19-29; Anne Sabouret, *MM Lazard Frères et Cie.: Une Saga de la Fortune* (Paris: Olivier Orban, 1987), 13-44; Martine Orange, *Ces Messieurs de Lazard* (Paris: Éditions Albin Michel, 2006), 50-71; Lazard Frères, *Lazard Frères & Co.: The First One Hundred Fifty Years* (New York: Lazard Frères, 1998), 12-18; Didier Lazard, *Simon Lazard: Emigré à seize ans, Pionnier du Far-West, Fondateur de la Banque Lazard* (Paris: Éditions Félin, 1988), chs. 5-9; and Charles Geisst, *The Last Partnerships: Inside the Great Wall Street Money Dynasties* (New York: McGraw-Hill, 2001), 295-296. The quotation is from Charles Altschul, "The House of Lazard," October 1926, File Lazard History, Frank Altschul Papers, Overbrook Foundation, New York [hereafter Altschul Overbrook Papers].

[5] Kevin Starr, *Americans and the California Dream 1850-1915* (New York: Oxford University Press, 1973), 239.

[6] Howard M. Sachar, *A History of the Jews in America* (New York: Alfred A. Knopf, 1992), 56-61.

[7] James T. Shotwell to Altschul, May 4, 1927, Folder 20 Condolences Charles Altschul 1927, Charles and Camilla Altschul Files, Box 62, Altschul Papers.

unaffected simplicity and his strength of personality."[8] Three of his British partners, Emil Pusch, Robert Brand, and Granville Tyser, recalled the kindness he had invariably shown to them.[9] Another business associate recalled "his friendly encouragement in the beginning of my business career in New York."[10] Many others, some close friends of long standing, others newer acquaintances, recalled the "kindness" Charles had shown to them, a recurrent theme in letters of condolence Frank received after his father's death.[11] Generosity was only one note of his character. One businessman later described him as someone who "typified in my earlier business life the kind of man I thought a business man ought to be."[12] Visiting San Francisco in 1896 the youthful André Lazard, son of one of the firm's original founders, wrote to his family that "one could not expect to find a man who appeared more serious and well-suited to his position, whom all without exception praise."[13] A longtime associate applauded "the sincerity of his purpose, the high standard which he set for himself and which he demanded of others."[14] Another old friend from San Francisco paid tribute to Charles as "so able—so devoted, so inflexibly true at all times—true to friendship but putting friendship, family all aside to be true to his honor. I never knew one who had such unqualified admiration and confidence from those about him. You might differ but you could never think of questioning his integrity." Charles possessed, this friend claimed, "crystal clear honesty and honor," together with a "large sense of justice and generosity."[15] Lazard Frères, the bank for which he worked for so many years, later applauded not just his loyalty to the firm but his good judgment and advice, telling his son after his death that the French partners considered the older man almost part of their family.[16] One of his wife's cousins described Charles as "a man who was admired by all who knew him. His intelligence and wit were always a pleasure to encounter, & his friendship to his friends always meant a lot as he was so generous."[17]

Altschul arrived at a time of depression and labor unrest in California, and throughout his almost quarter-century in the state, California politics were more often than not turbulent. In 1878 farmer-labor representatives won control of the state, and the following year they passed an avowedly anti-capitalist California constitution. Many of its anti-corporate provisions, however, were subsequently struck down by the judiciary or later amended. Electoral fraud was common in San Francisco and throughout California. In the 1890s resentment of the dominance of the railroad magnates led to strikes and violent attacks by mobs on railroad depots and trains. But hard-headed businessmen of the Gilded Age almost routinely weathered such political ups and

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[8] Walter Sachs to Altschul, n.d., ibid.
[9] Emil Pusch to Altschul, April 30, 1927, Robert Brand to Altschul, April 27, 1927, Granville Tyser to Altschul, May 5, 1927, ibid.
[10] Illegible signature to Altschul, April 27, 1927, ibid.
[11] Edward Heims to Altschul, May 2, 1927, D. J. Roberts to Altschul, July 20, 1927, ibid.
[12] J. S. Mabon to Altschul, May 6, 1927, ibid.
[13] André Lazard to his family, March 1896, quoted in Rougemont, *Lazard Frères*, 247.
[14] Emil Baerwald to Altschul, May 21, 1927, ibid.
[15] C. Elwood to Altschul, April 29, 1927, ibid.
[16] Lazard Frères to Altschul, April 29, 1927, ibid.
[17] Hugo Arnstein to Altschul, May 6, 1927, ibid.

downs, while accumulating considerable wealth. James, Viscount Bryce, the foremost British observer of the late nineteenth- and early twentieth-century United States, commented shrewdly on the passage of the 1879 constitution: "The net result of the whole agitation was to give the monied classes in California a fright; to win for the state a bad name throughout America, and, by checking for a time the influx of capital, to retard her growth just when prosperity was reviving over the rest of the country; to worry, without seriously crippling, the great corporations, and to leave the working classes and farmers where they were." Corruption continued unchecked, and "San Francisco in particular continued to be deplorably misgoverned, and has passed from the tyranny of one ring to that of another, with no change save in the persons of those who prey upon her." In words that might have been almost tailor made to describe Charles Altschul, Bryce also highlighted the surprising indifference to local politics of most respectable citizens of turn-of-the-century California:

> [I]t might have been thought that the crisis, which suddenly startled this busy and (in San Francisco) luxurious society, would rouse good citizens to a more active interest in politics, make them see the necessity of getting better men into the offices and the legislature, and, indeed, of purifying public life altogether. But these consequences do not seem to have followed. In the stress and hurry of Californian life, impressions pass swiftly away. Good citizens are disposed to stand aside; and among the richer there are those who look forward to a time when, having made their fortunes, they will go East to spend them.[18]

Visiting his parents in Dresden in the mid-1880s, Charles was accompanied by "a Californian beauty," a young woman in her early twenties who made a particularly "great impression" on his younger brother Julius, then a college boy, an impact that lasted throughout his life. It was, he recalled, clear "then that she would marry Charles before long," as indeed she did in 1886.[19] Camilla Mandelbaum, born in 1856, was the second daughter and one of six surviving children of eight born to Frank Mandelbaum, a San Francisco Jewish businessman, and his wife, Louisa Epstein. According to one grand-daughter, Louisa Epstein Mandelbaum "lived her real life in romantic books and plays, and she named her six children after heroes and heroines of the books she had read. The girls were: Mercedes, Camilla, and Olga; the boys: Herbert, Fiesole, and Raoul." The family had something of an unconventional streak, and after various escapades that tried his patience to the limit, in the 1890s all three boys were eventually "shown the door by their stern father." Although one married none, it seems, produced any children.

Like himself, Charles Altschul's bride traced her origins back to Central Europe. Her maternal grandfather, Simon Epstein, came from a family of wealthy vineyardists in Bohemia. Like Sigmund Altschul, in 1848 Simon and Epstein, whom a grand-daughter described as

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[18] James Bryce, *The American Commonwealth*, 2 vols., 2nd revised ed. (New York: Macmillan, 1920; reprint ed., Indianapolis: Liberty Fund, 1995), quotations from 2:1076-1085, quotations from 1081,1084.

[19] Julius Altschul to "Frank, Edith, Hilda, and all the family," Folder 21 Camilla Altschul Condolences 1952, Box 63, Charles and Camilla Altschul Papers, Frank Altschul Papers.

"courageous and dissident," supported the revolutionaries who sought to establish a liberal regime within the Austro-Hungarian empire. When more conservative imperial forces regained control he was forced to flee, leaving most of his property and assets behind and "arriv[ing] penniless in the United States." Epstein settled on the East Coast, found work as a journalist, writing for magazines and newspapers, and later sent for his wife and their four children to join him. Eventually Epstein founded a small boys' school, remaining a teacher for the rest of his life. Kati, his wife, who had grown up in luxurious circumstances in Bohemia, was bitterly unhappy over the comedown to their penurious lifestyle, which forced them to take in boarders. Their sons were apprenticed to goldsmiths and silversmiths, and their teenage daughter Louisa began training as a milliner. Before long, however, a better opportunity offered, and in 1852 the sixteen-year Louisa was "given in marriage" to Frank Mandelbaum, a businessman for whom his grandson Frank Altschul would later be named.[20]

Whatever Frank Mandelbaum may have felt for his youthful bride, on Louisa's side their union was apparently an arranged marriage of convenience, undertaken at the behest of her parents to assure her of economic security. Mandelbaum intended to move to the booming though unruly western state of California, a frontier society where women were in short supply in the early 1860s—according to the 1860 census, in San Francisco there were 158 men to every 100 women—and it seems he wanted a wife to accompany him. Almost as soon as their nuptials had been celebrated, the couple left the bride's family behind, and embarked on the lengthy sea journey around Cape Horn to California. The young teenager seems to have been less than well prepared for the new life and responsibilities she was facing. According to family tradition, on shipboard Louisa "carried her favorite doll, and when she was informed during this long trip by some older woman that she was pregnant, she began making clothes to fit her doll. She was quite ignorant of what it all meant and arrived in Sacramento, a rather sad little bride."

But Louisa clearly had her own brand of resilience. Even if culture and literature represented for her a refuge from the often rather crude lifestyle of California, she apparently adapted to the demands of her new life. In later life, she suffered badly from rheumatism and was largely confined to a chair. Her grand-daughter Helen Arnstein Salz recalled her as "a formal, witty old lady always seated in her big chair, crippled by gout, dressed in spotless white, with a big organdy bow under her chin. She read plays of Schiller to us and much German poetry." She was "very, very prim," and insisted that young men address her grand-daughters formally, as "Miss Arnstein," and the girls reciprocate with "Mr. So-and-So." Perhaps drawing on her early training as a milliner, Louisa also taught her grand-daughters to sew tiny fine stitches, so that they could produce beautiful seams and hems. She liked to give her grand-daughters elegant dolls, their "elaborate wardrobes" all made by herself. As a widow she lived with her second daughter, attended by a devoted companion, eventually dying in 1920 at the age of eighty-four.

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[20] The information on the Mandelbaum family and its antecedents is drawn from the lengthy oral history interview with Altschul's cousin, Helen Arnstein Salz, "Sketches of an Improbable Ninety Years," 1975, Regional Oral History Office, Bancroft Library, University of California, Berkeley.

In matriarchal style, Louisa brought her daughters up so they were well trained to become formidable matrons capable of running large and complicated households, suitable consorts for wealthy but hardworking men of the international Jewish haute bourgeoisie. Family ties already linked the Mandelbaum sisters to the Lazard banking house. In the mid-1870s Eugene Arnstein, an emigrant from Furth, Germany, like Charles Altschul one of the earliest Lazard California employees and a director who held the San Francisco bank's power of attorney, married Josefine Mandelbaum, probably a niece of Frank Mandelbaum. The ceremony took place in San Francisco, possibly hosted by the bride's relatives there. In 1880 his younger brother Ludwig Arnstein, working in his uncle's large wholesale woolen business in San Francisco, married Mercedes Mandelbaum, the eldest Mandelbaum sister, born in 1857. The sons may have rebelled against paternal strictures, but the girls seem to have lived up to their mother's expectations. Mercedes "was well-educated, spoke three languages, read constantly." By her mid-twenties: "She was a born executive, ran a punctilious household, directed four servants, [and] supervised the life of four older children of our widowed Uncle Herman Simon." Mercedes Arnstein's daughter recalled that her mother's "word was law, and not to be disputed." Olga Mandelbaum Ackerman, the third sister, born in 1865, with whom Louisa lived in old age, was a "well-known painter, and a very brilliant portraitist, very talented," who "painted day-in, day-out." Camilla, the middle sister, born in 1863, was remembered many years later as one of a "little group of cousins who were so attached to each other in the late eighties in San Francisco: Mercy, Camilla, and Olga [Mandelbaum] in one family, and Ella, Laura, and Alice [Klauber] in the other." Their three Klauber cousins were among the nine children of Abraham Klauber, a grocery wholesaler who moved to California in 1849, at the age of thirty-eight, and in 1860 married the nineteen-year old Theresa Epstein, Louisa Epstein Mandelbaum's younger sister. The Klauber children were educated in San Francisco, excelling in languages, art, and photography, and one, Alice Ellen Klauber, who remained single all her life, not only painted herself but later became a notable patron of the San Diego Museum of Art. Until the mid-1890s, when several of them left to live elsewhere, all six young women were apparently active participants in San Francisco's Art Students' League and the Fruit and Flower Mission, featuring prominently in the city's cultural life.[21]

The marriage of Charles and Camilla was, it seems, a happy one. Many years later, the family recollected Charles as possessing "staunch morality, generosity and steadfastness," complemented on Camilla's side by "love, compassion, and humor."[22] Camilla, one niece recalled, possessed "an odd dry original humor, much like grandma Louise, coming to think of it, but still her own rather brisk and funny brand!" A nephew recalled that "she was always so witty

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[21] L. M. Klauber to Edith Lehman, June 15, 1952, Folder 21 Camilla Altschul Condolences 1952, Box 63, Charles and Camilla Altschul Papers, Frank Altschul Papers. On the Klauber family, see also Martin E. Peterson, *San Diego's First Lady of the Arts: Alice Ellen Klauber & Friends* (San Diego: San Diego Museum of Art, 2007). http://www.aliceklauber.museumartistsfoundation.org/Inside%20Front%20Cover.htm, consulted April 23, 2011.

[22] Order of service for funeral of Hilda Altschul Master, February 1, 1967, File Hilda Altschul Master, Box 41, General Correspondence, Altschul Papers.

[in] her sizing up of people."[23] She was also, it seems, a "much-loved" and "very generous-hearted woman," whose warmth embraced both her husband's and her own large extended families.[24] Her much younger brother-in-law Julius always found her "a kind and sympathetic friend" and "always thought of her as the center of the [Altschul] family."[25] When Charles married into the Mandelbaum family, he acquired not just a wife but an array of young Arnstein nephews and nieces, the four children of Mercedes Mandelbaum and Ludwig Arnstein, three girls, Helen, Gertrude, and Augusta, and their brother Lawrence, to whom he and his wife would always be "Uncle Charlie" and "Aunt Millie." Helen Salz remembered the couple as "incredibly sweet and thoughtful people" who would ensure that, when the younger cousins visited New York, they "had a magnificent time [and] were unbelievably spoiled and royally treated."[26] As adults their Arnstein cousins would become close friends of Charles and Camilla's own three children, even though, according to Helen Arnstein Salz's perhaps exaggerated recollections, "the Altschul family were totally conventional," whereas she and her husband were far more liberal in their political and social views. The children were not slow in appearing. Within a year of the marriage the Altschul family in Dresden received a telegram announcing the arrival of a "Bouncing boy named Frank."[27] The eldest of the Altschul children, he was born on April 21, 1887. Two sisters followed him: Edith, born in 1889, and Hilda in 1892.

Helen Arnstein Salz, born in 1883, recalled that while the Altschuls still lived in San Francisco, the age gap of five or six years dividing the Arnstein children from their younger cousins made the latter "completely negligible" in terms of personal friendship. Later visits to them once they had settled in New York, however, meant that they eventually became extremely close friends, who paid repeated visits to each other as adults. In all probability, the early education of the two sets of cousins had much in common. They had a privileged, even sheltered, but quite demanding childhood, in which "there was little time for idling." For the Arnsteins, private school was supplemented by "a tremendous routine of lessons" and instruction, in German, French, Italian, music, art, and riding, and extended trips to Europe and visits to cousins in New York. Missing from this busy program, it seems, was any kind of formal religious faith or teaching. The Arnsteins apparently knew nothing about the Jewish faith, although they "stayed home from school on Jewish holidays so as not to offend other Jews." Instead, they "were earnestly taught to be honest and thoughtful of others. It was, in fact, an ethical code, learned more by example than by uttered precept." The same, apparently, was true of the Mandelbaums' Altschul grandchildren. Liberal political principles perhaps substituted for overt adherence to the Jewish religion. The Arnsteins, like the Mandelbaums' Epstein forebears and the Altschuls, were liberals who had made considerable personal and financial sacrifices as a consequence of supporting the revolutions of 1848 in Germany and the Austro-Hungarian empire. Ludwig

[23] Helen Arnstein Salz to Altschul, June 1952, Lawrence Arnstein to Altschul, June 6, 1952, Folder 21 Camilla Altschul Condolences 1952, Box 63, Charles and Camilla Altschul Papers, Frank Altschul Papers.
[24] Helen Arnstein Salz to Altschul, June 1952, ibid.
[25] Julius Altschul to "Frank, Edith, Hilda, and all the family," ibid.
[26] Helen Arnstein Salz to Altschul, June 1952, ibid.
[27] Julius Altschul to "Frank, Edith, Hilda, and all the family," ibid.

Arnstein's father Lemuel inherited a substantial fortune from his own father, but spent most of it assisting "poor, panic-stricken Jews fleeting to America from the persecutions in Germany." The upshot was that he found himself forced to work for a living as a schoolmaster and died young, compelling Ludwig Arnstein to join his uncle's business in San Francisco, when he would have much preferred to train for a career in medicine. While not necessarily professing any religious faith, the younger Altschuls and their Arnstein cousins would all, in future, be active in working for liberal causes and greater social justice.

Specific details of Frank Altschul's early years in San Francisco are rather sparse. In 1893 or 1894 Altschul's mother took her two elder children, Frank and Edith, on a visit to her cousin Alice Klauber in Coronado, California, and they all toured a local museum where the prize exhibit was a stuffed mammoth.[28] By the 1960s, Frank could not remember whether the school he attended "somewhere near our Sutter Street residence was the Franklin Grammar School or the Hamilton Grammar School."[29] Books and writing were apparently in his blood, and as an adult he would become a notable bibliophile and own and run an exceptionally high-quality private press. Altschul himself traced the roots of this hobby back to his childhood in San Francisco, when because of his "expressed interest in printing, my mother surprised me with a printing press for Christmas." The young Frank was clearly enthusiastic over this new acquisition, perhaps too much so, since unfortunately for him: "Within a day or two she found smears of printer's ink all over the house and to my dismay returned the press to the Emporium and gave me a Standard Dictionary in two volumes as a most unwelcome substitute."[30] The episode suggests that his mother possessed a certain disciplinarian streak and was less than tolerant of disorder, even when the perpetrator was her only son. Even in grade school, according to his obituary, he was already "a serious collector of books."[31] Political events also registered on the young Frank, at least when they were sufficiently spectacular. More than sixty years later, he recalled how in 1898 he was "a schoolboy in San Francisco when the headlines carried the news of the sinking of the Maine in Havana Harbor. The Spanish-American War followed shortly thereafter and had the unfortunate effect of causing my father to abandon taking the family on a long-promised trip to Europe. Then came a series of dramatic events which appealed to every youngster, culminating in the charge of the Rough Riders led by Teddy Roosevelt up San Juan Hill."[32] The youthful Altschul, aged only eleven, was clearly enthralled by the events that would later be perceived as marking the emergence of the United States as an international power on the world stage.

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[28] Klauber to Edith Lehman, June 15, 1952, ibid.
[29] Altschul to Lawrence Altschul, April 29, 1963, File Lawrence Arnstein, General Correspondence, Altschul Papers.
[30] Altschul, Foreword to Overbrook Press Bibliography, May 1963, Folder 175, Cahoon, Herbert, Compiler, Overbrook Press Files.
[31] "Frank Altschul, a Banker and Noted Philanthropist," *New York Times*, May 30, 1981.
[32] Altschul, "A Turning Point in History," November 12, 1962, enclosed in Altschul to John J. McCloy, January 7, 1963, File John J. McCloy, General Correspondence, Altschul Papers.

As the eldest child and only son, Frank was always close to his father; after the latter's death in 1927, he would describe Charles as his "closest companion."[33] He grew up in circumstances of considerable luxury. His grandparents enjoyed a comfortably bourgeois lifestyle; his father's position with Lazard transformed his family's living standard into one characterized by significant wealth. In 1915 the tax assessors of New York state tentatively valued Charles Altschul's personal property at $1,000,000.[34] When Charles Altschul died in 1927, his estate was appraised at a gross value of $2,081,337 and a net value of $1,857.446. It included $1,533,679 in securities and $350,000 in time deposits with Lazard Frères.[35] If not quite in the class of a Rockefeller, Morgan, or Schiff, he had nonetheless amassed a more than respectable fortune.

From the beginning, Frank Altschul's life was inescapably cosmopolitan. Like their cousins, Frank and his siblings grew up speaking English, French, and German. Almost every summer, and often in between, the family visited Europe on combined business and vacation trips, when his father conferred with colleagues in the Paris and London branches of Lazard, and visited his extended tribe of relations, most of them still based in Germany or the Austro-Hungarian empire. By marriage, if not by blood, the Altschuls enjoyed some kind of link to most of the leading elite Jewish families of central Europe. Charles and later Frank would be particularly close to their Hammerschlag relatives, the children and grandchildren of Betty Heymann Hammerschlag, a younger sister of Charles' mother Elise, who settled in Vienna. The family also spent much time with their Altschul relatives, his uncle William and aunt Rosita and their children in Dresden, his uncle Julius in Berlin, and their unmarried sisters, Clara, Emily, and Mary. On occasion, family members also gathered in Switzerland.[36] At the age of eighty, Frank recalled that he "spent months of my youth on various occasions in Dresden in particular, and in Sachische Schweiz and other parts of Saxony."[37] Frank eventually won himself a lifelong reputation as a difficult personality. Even in youth he was not, it seems, the easiest of visitors, and tales of his teenage misbehavior became enshrined in family legend. The son of Henry Morgenthau, Jr., to whom Altschul would subsequently be related by marriage, suggested that, because Jewish families of his father's and Altschul's vintage tended to have relatively few children—two, three, or four at the outside—"children received a heavy overload of anxiety and expectation of achievement. Parents were at once afraid for and of their children. One moment they were overprotective, the next permissive. Children reacted to the confusing signals with behavior that was willful and

[33]Frank Altschul, notes for Yale alumni group, c. 1928, Series Writings By and About Frank Altschul, Altschul Papers.
[34] "Personalty Values are $3,704,305,965," *New York Times*, October 2, 1915.
[35] "Will of Banker Gives the Estate to Widow and Children," *New York Times*, July 18, 1928.
[36] Julius Altschul to "Frank, Edith, Hilda, and all the family," Folder 21 Camilla Altschul Condolences 1952, Box 63, Charles and Camilla Altschul Papers, Frank Altschul Papers.
[37] Altschul to Christa Armstrong, February 21, 1962, File Hamilton Fish and Christa Armstrong, General Correspondence, Altschul Papers.

lacking in self-discipline and confidence."[38] One wonders if this might have been true of the youthful Frank Altschul.

A handwritten memorandum from Julius Altschul, his youngest uncle, who did not marry until late in life, recounted several notorious episodes of Frank's early trips to Europe. Some of them seem to portray an arrogant young man, determined not to be impressed. Staying in Berlin on his "first time without his parents," he was invited out for dinner in the evening by his Uncle Julius, and "appeared in full dress, white tie. When [Julius] told him one didn't dress in Berlin for an informal dining out with a friend he clapped me condescendingly on the shoulder and said: Uncle, if you are swine, *I* am not swine." Taken by the same uncle to the beautiful fjords of Norway and the Spreewald forest a hundred miles from Berlin, at the age of fourteen Frank resolutely refused to be impressed, demanding to see "der tiefe Wald" [the deep wood] and rousing himself from lethargy only to make denigratory comments proving just how bored he was. Other anecdotes suggest that he may have suffered from what would today be considered attention deficit disorder. Even as a small boy, he was unable to sit still for five minutes, and would tell his Uncle Julius: "I can't help it; ich habe die Wackels. [I have the shakes.]" Apparently, he also "combed pretty girls' hair with a table fork, liked to sit with legs outside on high window sills, and, in stores, shoot at articles [he] wanted to have taken from the shelves." On one visit he spent several weeks with his Dresden relatives. Taken by his Aunt Rosita for a drive on the Bismarckplatz, to her great embarrassment Frank stuck his legs outside the carriage. His various unmarried aunts, Emily, Clara, and Mary, lived together in an apartment. Paying a call when only Clara was at home, Frank rang the drawing room electric bell for the servant girl so often that his aunt instructed her to ignore the ringing of the bell. Before leaving, he lured his aunt outside the apartment and slammed the front door, after which he ran away. When Clara pressed the door bell to summon the servant girl, the latter followed her instructions and ignored it, assuming that it was only another of Frank's tricks. Clara had to wait half an hour until her sister Emily returned home with a key to let her in.[39]

In 1901 the Altschul family moved to New York, where Charles replaced Eugene Arnstein, brother-in-law of his wife's elder sister, as a leading officer in the branch that Lazard Frères opened in that city in 1880, a pragmatic recognition that by the late nineteenth century New York was effectively the financial capital of the United States. While the San Francisco bank dealt with western financing, major international business was increasingly routed via the New York office, which was heavily involved in financing railroads and public utilities.[40] In 1897 Lazard in New York floated a loan of $4,000,000 for the government of Haiti, to enable it to move its currency from paper back to a metallic basis.[41] Lazard also handled shipments of gold bullion

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[38] Henry Morgenthau III, *Mostly Morgenthaus: A Family History* (New York: Ticknor and Fields, 1991), 242.
[39] Julius Altschul, undated handwritten memorandum, "Erinnerungen an Frank. . .," in the possession of Ernst Altschul; Julius Altschul to Frank Altschul, April 21, 1947, File Julius Altschul, General Correspondence, Frank Altschul Papers.
[40] Lazard Frères, *Lazard Frères & Co*., 21.
[41] "$4,000,000 Loan for Haiti," *New York Times,* November 14, 1897.

the Bank of France dispatched by steamer to the United States to settle outstanding deficits in the Franco-American balance of trade.[42] In 1896, when the United States faced a run on the dollar, Lazard's New York branch not only participated in the syndicate of bankers "which pledged funds for foreign exchange in order that the United States might avoid further gold shipments," but its partner, George Blumenthal, was one of the syndicate's five managers. His inclusion in this group, together with J. Pierpont Morgan of J. P. Morgan & Company and Jacob H. Schiff of Kuhn, Loeb, was tangible evidence of Lazard's high standing on Wall Street. Almost thirty years later the *New York Times* recalled that "[t]he operations of the syndicate stopped the outflow of gold and resulted in the early resumption of gold importations."[43] This was only one of a number of occasions in the late nineteenth century when the American Lazard firms either shipped gold from San Francisco to New York, or took part in foreign exchange pools set up by American bankers "to prevent the outflow of gold from America," measures taken to alleviate recurrent financial panics and currency crises, to which the United States, "[w]ithout a Central Bank or similar institution to adequately supply circulating medium when badly needed," was extremely vulnerable.[44]

Lazard's involvement in these endeavors meant that, for some time before he moved, Charles Altschul had become increasingly prominent in banking on the national scene. During the 1890s, pressure mounted among the populist wing of the Democratic Party, headed by the charismatic Senator William Jennings Bryan of Nebraska, to value the American dollar against silver as well as gold. In 1896 Bryan won the Democratic nomination for the presidency and campaigned on a "free silver" platform. Like most bankers of the time Charles Altschul, by contrast, followed the conventional wisdom and was wedded to what was known as "sound money." Almost thirty years later, he recalled his public support for this cause, as he "wrote in favor of the gold standard at the time of the great Bryan campaign for free silver."[45] Altschul also took an active part in the presidential campaign of Bryan's Republican rival, William McKinley. Forty years later, his son recalled "how he used to come home and tell us at the dinner table that when a fundamental issue was fairly submitted to the American people, you could count on them to make a wise choice," a view that McKinley's eventual victory that year apparently "etched into [Frank Altschul's] mind."[46] After financial panics occurred in 1893 and 1896, pressure began rising among American bankers for wide-ranging currency reforms that would help to mitigate the impact of the business cycle and the recurrent booms and busts to which the U.S. economy so frequently fell victim. At the annual convention of the California

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[42] "Exchange and Gold," *Wall Street Journal*, March 4, 1898; Rougemont, *Lazard Frères*, 173-175, 183-189.
[43] Frank Altschul, "The House of Lazard," September 27, 1935, File Lazard History, Altschul Overbrook Papers; quotation from "George Blumenthal, 43 Years in Wall Street, Quits Banking for Philanthropic Work," *New York Times*, December 31, 1925; Rougemont, *Lazard Frères*, 192-193.
[44] Charles Altschul, "The House of Lazard," October 1926, File Lazard History, Altschul Overbrook Papers.
[45] Charles Altschul to Robert H. Brand, March 23, 1925, File 75/1, Robert H. Brand Papers, Bodleian Library, Oxford University, Oxford.
[46] Frank Altschul, memorandum, August 22, 1938, File 113, Republican Program Committee, Politics File, Altschul Papers; also Altschul, answers to questionnaire, 1938, File 113, Republican Program Committee, Politics File, Altschul Papers.

Bankers Association, held in Los Angeles in April 1897, several financiers, including Charles Altschul, spoke in favor of currency reform.[47] They did so in response, in part, to a meeting of around 250 businessmen held in Indianapolis, Indiana, in January 1897, that called upon the government to establish a national monetary commission, that would draft a plan for currency reform and report on this to the U.S. Congress. With backing from President McKinley and Secretary of the Treasury Lyman J. Gage, in August 1897 a Monetary Convention was held at Saratoga, New York. Charles Altschul was one of seven men the organizers invited to join a commission "to formulate a plan for currency reforms," which would then be formally submitted to the U.S. Congress.[48] The proposal they submitted never became law, but the establishment of this body marked the beginning of a complicated process of political and economic negotiations and bargaining that would eventually, sixteen years later, bring about the creation of the U.S. Federal Reserve System.[49]

By 1900, when Charles Altschul became president of the California Bankers Association, he was clearly held in high regard by peers in his state and beyond.[50] In subsequent years he would also serve as chairman of the Central Railroad Company of Georgia, and a director of the Fidelity-Phenix Fire Insurance Company of New York.[51] Outside work, Charles Altschul was a passionate devotee of art and music, especially the operas of Richard Wagner, and on their travels the family haunted art galleries, concert halls, and opera houses.[52] These interests may have made it easier for him to move from San Francisco, in 1900 the ninth largest city in the United States, with a population of 343,000, to New York, which with 3,437,000 inhabitants was ten times the size and the nation's largest city. Although Washington was the nation's political capital, in most other respects it was greatly overshadowed by New York, two hundred miles to the north and the country's foremost financial, business, cultural, and intellectual center.[53] The degree of social sophistication greatly surpassed anything to be encountered in San Francisco. On the most trivial of levels, Helen Arnstein Salz recalled how, when she and her sister went to

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[47] *Los Angeles Times*, April 20, 21, 1897.
[48] "Work of Sound Money Men," *New York Times*, August 27, 1897.
[49] On the early antecedents of the Federal Reserve System, see James Livingston, *Origins of the Federal Reserve System: Money, Class, and Corporate Capitalism, 1890-1913* (Ithaca, NY: Cornell University Press, 1986), chs. 3-4; Richard T. McCulley, *Banks and Politics during the Progressive Era: The Origins of the Federal Reserve System, 1897-1913* (New York: Garland, 1992), esp. chs. 1-2; Elmus Wicker, *The Great Debate on Banking Reform: Nelson Aldrich and the Origins of the Fed* (Columbus: Ohio State University Press, 2005), 22-41; Robert Craig West, *Banking Reform and the Federal Reserve 1863-1923* (Ithaca, NY: Cornell University Press, 1977), esp. 35-46; and J. Lawrence Broz, *The International Origins of the Federal Reserve System* (Ithaca, NY: Cornell University Press, 1997).
[50] "Charles Altschul, Retired Banker, Dies," *New York Times*, April 28, 1927.
[51] Advertisements in *New York Times*, September 20, 27, 1907, December 13, 1911; "Phenix in Merger with the Fidelity," *New York Times*, December 23, 1909.
[52] Allan Nevins, *Herbert H. Lehman and His Era* (New York: Charles Scribner's Sons, 1963), 52.
[53] On New York's dominance, see Sven Beckert, *The Monied Metropolis: New York City and the Consolidation of the American Bourgeoisie, 1850-1896* (Cambridge: Cambridge University Press, 2001); Thomas A. Bender, *New York Intellect: A History of Intellectual Life in New York City, from 1750 to the Beginnings of Our Own Time* (Baltimore, MD: Johns Hopkins University Press, 1987); and William A. Taylor, *In Pursuit of Gotham: Culture and Commerce in New York* (New York: Oxford University Press, 1992).

New York in the early 1900s to stay with their uncle Eugene Arnstein and his wife, who moved there in 1886, their aunt insisted that what they considered the "beautiful" outfits a San Francisco dressmaker had specially made for them be completely redone by her own dressmaker, so that her nieces would look reasonably stylish in New York society. It was not just socially and in terms of fashion that New York was on a totally different plane, its atmosphere far more competitive and less relaxed than California. In almost every sphere, economic, literary, cultural, and intellectual, the city offered a range of opportunities and experiences that San Francisco could not match. For the rest of his life, it would be one of the poles of Frank Altschul's existence.

The Altschul family's migration to New York was one result of ongoing internal policy battles within the various Lazard firms, that set the New York partners at odds with their more cautious French superiors. Throughout much of the 1890s and early 1900s French fears that the New York house, under the energetic and ambitious George Blumenthal's direction, placed too much emphasis upon speculative investments, which proved highly profitable but also exposed the American firm to substantial risks, were a major source of tension between the buccaneering Blumenthal and his more cautious Paris partners. As early as 1893, the year that Blumenthal joined Lazard New York, the extent of his stock market dealings, which increased the firm's portfolio by thirty percent in ten months and more than doubled it within two years, had disturbed the more conservative Alexandre Weill in Paris, as did Blumenthal's suggestion in 1897 that the firm should abandon its less profitable exchange dealings. The pattern continued throughout 1898, as Blumenthal disregarded Weill's exhortations to liquidate some of the bank's holdings of equities during the Spanish-American War and instead increased them dramatically, more than doubling its portfolio between May and December 1898, to close to $14,000,000. While 1898 saw huge profits, 1899 was the first year the Lazard firm ended with a negative balance sheet, as stock market declines forced Blumenthal to dispose of many such holdings at a loss. Within a year, however, the New York partners had reversed the position once more, and their holdings of securities in late 1900 were back to the level of two years earlier, a source of continuing apprehensions to the French house.[54]

Other policy differences compounded these disagreements. Believing that in future the major forces in banking would be the deposit banks, with their massive resources, by 1900 the pessimistic French partners anticipated the decline of private banks and considered restructuring the New York firm as a deposit bank, a move the New York partners firmly resisted. Demands from New York in December 1900 for a larger share of the bank's profits met flat refusal from Paris. Within a few months the three leading New York partners, Blumenthal, Eugene Meyer, Sr., and Eugene Arnstein had all resigned, occasioning the transfer of Charles Altschul and his family from San Francisco to New York. As a temporary expedient, André Lazard joined him in New York for a few months to supervise the restoration of stability to the American firm. Eventually, until two other financiers of German origin, E. L. Rieser of the Heidelbach

[54] Rougemont, *Lazard Frères*, 194-199, 276-280.

Ickelheimer bank and Alphonse Furst, also took positions in the New York Lazard house.[55] Though apparently precipitated by internal clashes within the Lazard firms, Altschul's move was also symptomatic of the degree to which the New York firm increasingly overshadowed its California progenitor. As early as 1896, André Lazard, visiting San Francisco from Paris, had praised the effectiveness and skill with which Charles Altschul and his fellow bankers ran the far western branch, but regretted that its "success is and always will be restricted by the limited resources of its location."[56] The same year, Charles Altschul complained repeatedly that the San Francisco bank was too isolated from the rest of the Lazard group, and was often left ignorant of important financial developments elsewhere.[57] His departure for New York only intensified the problem. In 1902, the London, Paris and American Bank reported profits of £51,144 16s. 1d on paid up capital of £400,000, permitting it to pay a dividend of 8 percent free of income tax and transfer £10,000 to the bank's already substantial reserves of £210,000.[58] Even so, by 1904 the Lazard partners seriously contemplated selling their California branch to another local financial institution, embarking on serious negotiations with the Nevada Bank. The London, Paris and American Bank survived the 1906 San Francisco earthquake, and the New York house made a total of $2,000,000 in cash and credit available to it, to help the bank and San Francisco weather the disaster. During the banking panic of 1907, the San Francisco firm required further advances from New York, where the partners reluctantly advanced $500,000 against securities held by the California house. Two years later, however, just as Frank Altschul joined the New York office, it was sold to the Anglo-Californian Bank, a Seligman enterprise. Although the French Lazard partners still retained substantial stock holdings in the newly merged institution, christened the Anglo and London Paris National Bank, which enjoyed deposits in excess of $18,000,000, this marked the end of Lazard's independent west coast operations.[59]

Frank was fourteen at the time of his family's move, which unsettled his sister Edith, then ten or eleven. Whether he, too, regretted leaving the city where he had been born and grown up is unclear. The Altschuls lived on the west side of Manhattan, near Central Park, first on 80th and then on 86th Street. Shortly before he died, Charles Altschul bought a luxurious apartment on 888 Park Avenue, which his widow would inherit. In terms of their social world, they moved easily in the elite New York Jewish circles, largely of German origin, that would later be christened "our crowd": a world where such surnames as Seligman, Schiff, Warburg, Salomon, Lehman, Guggenheim, Loeb, and Morgenthau ruled supreme, and the great Jewish business families and fortunes were related by a complex cat's cradle of intermarriages. When they reached New York, the Altschuls integrated easily into this exclusive group. Eugene Arnstein, Charles' immediate predecessor at New York's Lazard Frères branch, and his wife belonged, his niece recalled, to "a certain social group. I don't think they knew any body outside of it. . . .

[55] Rougemont, *Lazard Frères*, 280-282; Orange, *Ces Messieurs de Lazard*, 70-71.
[56] André Lazard to his family, March 1896, quoted in Rougemont, *Lazard Frères*, 247.
[57] Rougemont, *Lazard Frères*, 308.
[58] London, Paris & American Bank, Directors' Report, March 12, 1903, File 32, Charles and Camilla Altschul Files, Box 64, Frank Altschul Papers.
[59] Rougemont, *Lazard Frères*, 303-325; Lazard Frères, *Lazard Frères & Co.*, 29-30.

[T]hey associated only with Jews and only with top-flight Jews, I think."[60] The influential German-Jewish elite of New York often tended to look down upon more recent Jewish emigrants, who flocked had in their millions to the United States from Russia and Eastern Europe from the 1880s onward. Yet they also often took the lead politically and philanthropically in seeking to improve the living and working conditions of the new arrivals, and in opposing anti-semitic discrimination against them.[61]

The Altschul family's standing within this close-knit group ascended measurably in 1910, when Edith Altschul, the elder of Frank's two sisters, married Herbert Lehman, then thirty-two, a scion of Lehman Brothers, one of New York's top and wealthiest German-Jewish banking houses. Gregarious, personable, and outgoing, Lehman was already recognized as a rising young star in his community's affairs, not just in business but as a spokesman for and representative of Jewish interests. After their marriage, Edith joined her husband as a prominent member of the liberal reform Temple Emanu-El synagogue, on Fifth Avenue and 65th Street. Although "for decades he was the leading Jewish spokesperson on practically every political issue involving Jews," Lehman was more interested in good works that would benefit Jews than in religious observance per se. A professor of history who went through his papers commented on "the absence of any mention of Rosh Hashanah, Chanukah, or Passover or any Jewish holidays or celebrations," and mentioned that "[s]ometimes he had to be reminded it was Yom Kippur."[62] Even so, by the time he married Lehman was already clearly identified as a significant New York Jewish leader, with strong ties to the Democratic Party.

From his teens onward Lehman was also a strong supporter of the Henry Street Settlement, one of the most famous settlement houses established by social workers in late nineteenth-century urban centers in the United States, in an effort to improve the living and working conditions of the immigrant poor. Turn-of-the-century middle- and upper-class young men and women with a social conscience—the young Eleanor Roosevelt was one example—often associated themselves with these centers, teaching classes or taking part in activities intended to mitigate urban deprivation. Spending time at a settlement house, sometimes even residing there for a spell, became almost a rite of passage for American liberal reformers.[63] The Henry Street Settlement, founded by the social activist Lillian Wald in 1893, was one of the most famous such establishments. Providing services to New York's Jewish immigrant community, especially

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[60] Salz, "Sketches of an Improbable Ninety Years," 1975.

[61] On these two communities, see Nevins, *Herbert Lehman*, 21-35; and Naomi W. Cohen, *Encounter with Emancipation: The Germans Jews in the United States, 1830-1914* (Philadelphia: Jewish Publication Society of America, 1984), chs. 5-7; Moses Rischin, *The Promised City: New York's Jews 1870-1914* (New York: Harper and Row, 1962), esp. ch. 6.

[62] Duane Tananbaum, quoted in Kenneth Libo, ed., *Lots of Lehmans: The Family of Mayer Lehman of Lehman Brothers, Remembered by His Descendants* (New York: Center for Jewish History, 2007), 229.

[63] On the settlement house movement, see Allen F. Davis, *Spearheads for Reform: The Social Settlements and the Progressive Movement, 1890-1914* (New Brunswick, NJ: Rutgers University Press, 1984)**;** and Walter I. Trattner, *From Poor Law to Welfare State: A History of Social Welfare in America*, 5th ed. 163-192

classes in health and hygiene, and recreational activities for young people, it became a philanthropy of choice for such notable wealthy Jewish laymen as Jacob H. Schiff, the senior partner of Kuhn, Loeb and Company, the city's top German Jewish investment bank. Where Jacob Schiff led, many followed. The organization was also a socially acceptable outlet for the energies of well-to-do younger members of New York's Jewish community, who had responded to the broad movement for social uplift that characterized the late nineteenth and early twentieth centuries and sought to give their lives a wider purpose than simple socializing and enjoyment.[64] Before she married Lehman, Edith Altschul was already devoting much time to the Henry Street Settlement, a shared interest that helped to bring her together with her future husband, who had since his teens been a strong supporter of the organization. Though both later became involved in numerous other political and philanthropic endeavors, for the rest of their lives, husband and wife would both remain deeply committed to backing Henry Street.[65]

Herbert and Edith Lehman would become recognized leaders of their city's and eventually the entire American Jewish community, with which both husband and wife publicly identified themselves. Despite her family's professed lack of interest in the Jewish religion, when she moved to New York Edith Altschul attended Dr. Sachs's Girls School, a private New York academy founded in the 1880s by the intellectually demanding Dr. Julius Sachs, who came from one of the families that established the Goldman Sachs banking firm. Her future husband had likewise studied at the Sachs Collegiate Institute for boys, the premier private school catering for young men from the city's German Jewish elite, well known for its intellectual rigor in preparing its pupils for further study at Harvard, New York's Columbia University, or top German universities.[66] One Lazard partner later recalled the care that Charles Altschul devoted to Frank's education.[67] Whether at his own or his parents' initiative, Frank Altschul, by contrast, followed another educational route once he arrived in New York, and enrolled in the prestigious Columbia Grammar School, established in 1764, only the second non-sectarian private school to be founded in what would become the United States. It may not be too fanciful to suppose that the selection of this non-denominational institution reflected Altschul's lifelong discomfort with any overly close identification with Judaism. The diverse educational paths their two eldest children followed at least suggest, even if proof is lacking, that as parents Charles and Camilla Altschul gave their offspring some latitude to pursue their studies in ways best suited to their individual temperaments.

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[64] On the Henry Street Settlement, see Lillian D. Wald, *The House on Henry Street* (New Brunswick, NJ: Transaction Publishers, 1991; originally published 1915); Marjorie N. Feld, *Lillian Wald* (Chapel Hill: University of North Carolina Press, 2008), esp. chs. 1-3; Naomi W. Cohen, *Jacob H. Schiff: A Study in American Jewish Leadership* (Hanover, NH: Brandeis University Press and New England University Press, 1999), 91-95; and Cyrus Adler, *Jacob H. Schiff: His Life and Letters*, 2 vols. (Garden City, NY: Doubleday, Doran, 1928), esp. 1:382-392.
[65] Libo, ed., *Lots of Lehmans*, ch. 8; Nevins, *Herbert Lehman*, esp. 30-35, 51-54.
[66] Libo, ed., *Lots of Lehmans*, 260; Nevins, *Herbert Lehman*, 27-31; Birmingham, *"Our Crowd,"* 132.
[67] Jean Lazard to Altschul, May 9, 1927, Folder 20 Condolences Charles Altschul 1927, Charles and Camilla Altschul Files, Box 62, Altschul Papers.

It is tempting to speculate that Altschul chose to study at Yale College for similar reasons. His own school had close links to Columbia University, where youthful and well-qualified sons of New York's great German Jewish families could by the early 1900s expect a fairly warm welcome. Neighboring Barnard College was equally hospitable to their sisters, should they choose to pursue higher education. Altschul, however, opted for the far more conservative and insular Yale University, close to a hundred miles north of New York, and something of a bastion of white Anglo-Saxon Protestantism. He may conceivably have been motivated by the fact that, in the 1890s, three Lazard partners sent their sons to Yale.[68] Intellectually, Yale was not at that time of particularly high caliber. It had yet to be touched by the innovative thinking in economics, law, history, political philosophy, and other social sciences that transformed much of the American intellectual scene in the late nineteenth and early twentieth centuries. Popular teachers were regarded with some suspicion by their colleagues, and academic excellence was not a high priority, while sporting prowess was greatly valued. Much of college life was dominated by the influential campus Christian associations, over 1,000 strong by 1901, with chapel attendance compulsory in most residential halls. Since the Civil War Yale had acquired a reputation as an establishment for wealthy but less than distinguished students, many of whom lived off campus and devoted their greatest efforts to sports, clubs of various kinds, and other extra-curricular activities.[69]

Arriving at New Haven in September 1904, aged seventeen, for the next four years Altschul seems to have largely conformed to this pattern of studying for a gentleman's degree. As he entered, he was one of a class of 337 (plus another 17 who failed to graduate with their class) that included Gordon Auchincloss, the future son-in-law of President Woodrow Wilson's close adviser, Colonel Edward M. House; Charles Seymour, who hailed from a Yale academic dynasty and was himself to become president of Yale; and Harold Stanley, later to become a leading partner in the pre-eminent New York bank, J. P. Morgan and Company. The majority of Altschul's classmates were of white Anglo-Saxon Protestant stock, though it did include at least half-a-dozen others who were almost certainly Jewish in origin: Isaac Loewenthal of New York; Arnold Schmidt of Connecticut; William David Scholle of San Francisco; Joseph Lionel Seligman of New York; George Alexander Seligmann of Tarrytown-on-Hudson; and Morry

[68] Merlo J. Pusey, *Eugene Meyer* (New York: Alfred A. Knopf, 1974), 19.

[69] On anti-semitism at Yale College in this period, see Dan A. Oren, *Joining the Club: A History of Jews and Yale* (New Haven: Yale University Press, 1975), 17-37; for more details of the intellectual atmosphere of Yale, see Brooks Mather Kelley, *Yale: A History* (New Haven: Yale University Press, 1974), chs. 14-16; also George Wilson Pierson, *Yale College: An Educational History 1871-1921* (New Haven: Yale University Press, 1952), chs. 1-14; and Laurence R. Veysey, *The Emergence of the American University* (Chicago: Chicago University Press, 1965), 272-288.

William Spitz of Chicago.[70] In similar fashion, less than three percent of the class of 1909 would be Jews.[71]

More than sixty years later, a classmate remembered Altschul "very vividly . . . back in the fall of 1904, when you and others used to gather in my room at 248-250 York Street and sing popular songs around my piano. I was always," he continued, "impressed by your vitality and what seemed to be your great capacity for enjoyment." Altschul, too, recalled these "songfests" with "much pleasure." The classmate in question, Robert Housum, recalled "how embarrassed we both were when," as Altschul introduced him to the works of George Bernard Shaw, Housum inquired just "what Mrs. Warren's Profession was," the answer being prostitution. Writing to Altschul in the mid-1970s, Housum thought their younger selves and the rest of their classmates had been "a pretty innocent crowd compared to the sophisticated youngsters of today."[72] Altschul showed some interest in athletics, and for at least one winter joined a bobsledding team. As is not uncommon when young men indulge in dangerous sports, Altschul and his friends ignored more prudent counsels in favor of rather risky tactics, the result being that some of the team sustained injuries.[73] He was not, it seems, tapped for any senior society or fraternity. Absent, too, from his later recollections of Yale was any mention of intellectual stimulation or inspiring teachers. Neither brilliant nor abysmal, his scholarly record is perhaps best described as undistinguished. He received a final average mark of 279, at a college where the passing mark was 200, and the class valedictorian that year had average of 368 (equivalent to 93.6). Perhaps the most unusual feature of his college career was that his best grades came in his freshman year, when he earned an average of 283 in his first semester and 303 in the second. His courses ranged across French, English, German, History, Physics, Chemistry, Geology, Biology, Mathematics, Anthropology, Economics, Philosophy, and Social Sciences. His marks in English, French, and German tended to be rather higher than in his other courses, and in his junior and senior years his grades in English were all in the mid-300s. This represented something of an exception to what was otherwise a less than stellar performance. Altschul's sophomore average was 265; in his junior year almost the same, at 267; and as a senior, his yearly average was 279, precisely the same as his final average. To put this in perspective, of the students in his class whose surnames began with A-K and who completed the four-year course, sixty-five did better than Altschul, seventy-eight worse, and one received the same final average mark, putting him close to the middle of his class.[74] Gentlemanly mediocrity is perhaps the best description. As an undergraduate he did, however, devote considerable attention to collecting

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[70] Data from Walter G. Davis, Jr., S. N. Holliday, and C. F. Luther, *History of the Class of 1908 Yale College*, 2 vols. (New Haven: Yale University, 1908); and Walter G. Davis, ed., *History of the Class of 1908 Yale College*, 2 vols. (New Haven: Printed for the Class, 1914).
[71] Oren, *Joining the Club*, 36.
[72] Robert Housum to Altschul, October 7, 1975, Altschul to Housum, October 10, 1975, Folder 687, Yale University, Organizations File, Altschul Papers.
[73] Personal communication, Ernst Altschul to Priscilla Roberts.
[74] His marks are given on his scholarship record card, Class of 1908, Record Unit 587, Yale University Archives, Accession 2002-2-003, Box 2, Yale University, New Haven, CT.

books, "pulling together an impressive collection of the works of George Meredith," the British novelist. Eventually, these would be donated to Yale.[75]

As Altschul was graduated from Yale in the Class of 1908, winning a Bachelor of Arts degree, the entry in his class yearbook did not betoken any special distinction, but rather portrayed a pleasant and well-to-do young man of twenty-one with an assured future in banking who had not stretched himself in college:

> At Yale, he held a First Dispute Junior appointment. He has represented Yale in chess; and he also won third place in the hundred-yard dash in the fall games of 1906. In Freshman and Sophomore years he roomed alone at 231 York Street, and 236 Crown Street; in Junior year with J. W. Schiffer at 247 Durfee; and in Senior year alone at 251 Durfee.[76]

This brief summary of Altschul's college career omitted to mention that in his senior year he also held a Second Dispute Appointment, evidence of a fondness for debate, but whether inside or outside the classroom, he was hardly a star. Family legend, indeed, had it that he signed up for a course in calculus, mistaking it for one in classics, evidence of a certain disengagement from his studies.[77] In 1960, Altschul himself would later confess:

> For many years after graduation, I had little sense of "the value of being a Yale graduate." But then something happened. Yale began to cultivate a more intimate contact with the alumni than had previously been the case, and I for one found myself drawn into closer touch with Yale affairs. This practice started during the presidency of my classmate, Charlie Seymour, and has been strikingly continued under Whit[ney] Griswold's administration.

The result was that, "for reasons too complicated to explain, I have had as a graduate a sense of belonging which it was not my good fortune to enjoy in my undergraduate days."[78] More revealing was a letter that Altschul wrote in 1938, declining to make a donation to Yale in memory of his late son Charles, who had not had "an agreeable college experience" there, due, his father claimed, to "the stone wall of prejudice which is the experience of so many who come from his group." Looking back on his own college days, Altschul claimed that he himself had been "a rather nondescript, unambitious and unsympathetic cuss, and I have always felt that if I fell a victim to the prejudices which play such an important role in American college life, this was in my case at all events in no small measure due to the personal characteristics which I displayed in my youth." He held himself at least partly to blame for the fact that he had been

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[75] "Frank Altschul, a Banker and Noted Philanthropist," *New York Times*, May 30, 1981.
[76] Walter G. Davis, Jr., S. N. Holliday, and C. F. Luther, *History of the Class of 1908 Yale College*, Vol. I (New Haven: Yale University, 1908), 42.
[77] Personal communication, Charles Altschul to Priscilla Roberts.
[78] Altschul, statement, April 20, 1960, enclosed in Altschul to Willis B. Boyer, Jr. (Yale Daily News), April 20, 1960, Folder 680, Yale University, Organizations File, Altschul Papers.

rather an "anonymous individual in the Yale community."[79] Thirty years after his graduation, however, Altschul nonetheless told a newspaper reporter: "I do believe in a college education. It opens doors of opportunity that might otherwise be closed."[80]

Immaturity may well have played some role in Altschul's failure to perform to potential at Yale. His German relatives' recollections of him as a teenager and adolescent certainly suggest that he was a late developer who might well have experienced problems adjusting when he first left the embrace of his family. Altschul undoubtedly made some lasting friendships at Yale. A few years later, his junior year room-mate would be the best man at his wedding, and in the 1920s he recruited another classmate, Lester Perrin, as a partner in Lazard Frères. Yet even by his own account, while his own "unsympathetic" characteristics may have compounded the problem, Altschul felt that in his undergraduate years he also "fell a victim" to anti-Semitic "prejudices." Certainly, he did not enjoy quite the college success of his classmate Harold Stanley, another leading banker who rose equally quickly on Wall Street, first in the Guaranty Trust Company and then within J. P. Morgan & Company. Stanley, an Episcopalian from Massachusetts and the son of a General Electric employee, was a star hockey and baseball player at Yale and was tapped for the pre-eminent Skull and Bones fraternity.[81] Altschul, who "always found [Stanley] a very pleasant and high-grade sort of chap," could not match these attainments.[82] Young men at Yale in the 1900s would only have been reflecting broader social attitudes. From the 1870s onward, anti-semitism was on the rise throughout the United States, with even the most affluent Jews often denied entry to exclusive clubs, hotels, and schools, and forced to fall back on their own society and establish their own parallel institutions.[83] Throughout his life, Altschul would have a difficult and tortuous relationship with his own Jewish origins and heritage, finding these an onerous burden he often resented and would probably have liked to escape, even as he found it impossible to ignore or repudiate them. One grandson, Arthur Altschul, recalled that the family never joined a synagogue or went to any religious services, except when attending christenings, marriages, or funerals. He believed that his grandfather deeply resented the discrimination, anti-semitism, and petty but hurtful affronts to which, well into the twentieth century, even the most affluent and cultivated of Jews in the United States were exposed.[84] Frank Altschul did not wish or seek to define himself as a Jew, but could not prevent others doing so, and as the twentieth century wore on found himself forced on occasion to identify himself with other Jews and take a stand in efforts to help them escape persecution and death. And it is perhaps not too fanciful to trace this sometimes conventional man's apparently

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[79] Altschul to George Parmly Day, April 5, 1938, Folder 789, Yale University-Library-Correspondence-Altschul Fund, Gifts 1937-51, Organizations File, Altschul Papers.
[80] Clipping of interview, *New York Mirror*, October 1938, Subject File, Altschul Papers.
[81] Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York: Atlantic Monthly Press, 1990), 388-389.
[82] Altschul to Robert H. Brand, April 15, 1920, File 48/1, Robert H. Brand Papers, Bodleian Library, Oxford University, Oxford.
[83] Sachar, *A History of the Jews in America,* 98-102; Leonard Dinnerstein, *Anti-Semitism in America* (New York: Oxford University Press, 1994), 35-57.
[84] Arthur Altschul, personal communication to Priscilla Roberts.

paradoxical lifelong support for civil liberties at least in part to the sensitivities that his inevitable personal exposure to prejudice and discrimination helped to arouse in him.

Altschul's future career was already assured, as a place in the New York Lazard Frères office awaited him. He does not seem to have questioned the expectation that he would follow his father into the bank, but rather accepted it almost as a given. It was, indeed, an enviable opportunity. Frank Altschul might enter as a clerk, but he did so in the expectation that, provided he showed a reasonable level of competence, he would succeed his father as a partner and eventually managing director of Lazard's New York office. In 1916 he did indeed take over his father's partnership. And, though Lazard was not quite on the level of J. P. Morgan and Company, the foremost investment bank in not just New York but the United States, nor even of Kuhn, Loeb and Company, the premier German-Jewish finance house, it was held in very high esteem, not just in the United States but in London and Paris. The firm had a certain mystique: it remained extremely private and exclusive, little known outside Wall Street and other international financial centers, and its partners prided themselves on being not simply good businessmen, but also men of integrity and conscience who had "high standards of business conduct."[85]

In the years before the First World War, the Paris house was known for solid respectability and prudence rather than taking business risks. Its orientation was international rather than domestic. Among the operations in which the French house was involved in the early twentieth century were ventures involving the financing of Moroccan land, Spanish mining interests, Colombian emerald mines, Egyptian sugar mills, Argentine government loans, the London Telegraph Company, and Canadian railways, as well as some Russian business, including investments in the fur trade. The firm provided credits to the Siberian Bank of Commerce and the Hungarian Financial and Commercial Bank. It had close links with some of the Protestant banking houses of Paris, including the Hottinguer, Vernes, Mallet, and Neuflize firms, as well as to the Jewish Stern, Cahen d'Anvers, Raphaël, Goldschmidt, and Heine interests in France and beyond. The French house also handled very substantial amounts of acceptance financing for foreign commerce, having 58 million francs of such paper outstanding in 1904. The French firm prided itself on its American connection, but many of its French associates were wary of involvement in such business, displaying, André Lazard complained in 1910, "great ignorance of everything to do with American securities," which led them to "doubt the safety of all American offerings and obligations."[86] At this time, French investment in the United States lagged greatly behind that of Britain. The Paris Lazard house was often the only French firm to participate in banking syndicates in which its New York house also joined.[87] Undiscouraged, the French partners nonetheless regarded the United States as a land of great financial opportunities, remaining

[85] Quotation from Frank Altschul, "Introductory Remarks," January 8, 1936, File Lazard History, Altschul Overbrook Papers; Rougemont, *Lazard Frères*, 179-183; Lazard Frères, *Lazard Frères & Co.*, 13-14; Geisst, *The Last Partnerships*, 296.
[86] Rougemont, *Lazard Frères*, 292-295, quotation from 295.
[87] Rougemont, *Lazard Frères*, 295-297.

bullish as to the long-term prospects there. The bulk of the firm's capital was therefore invested in the New York house. By 1900 Lazard Frères New York had 100 million francs of capital at its disposal. Six years later, when the firm increased its overall capitalization by 95 million francs, 83 million of the total went to New York. In the early twentieth century one of the French partners annually visited the United States for a protracted stay in the American firm. Ironically, given their earlier disputes with the New York house, in the early twentieth century they French Lazard reprsentatives often criticized the French stock exchange for being far less dynamic and innovative than its American counterpart. The new generation of French partners were far readier than their conservative fathers to countenance extensive stock market dealings by the American firm.[88] After lengthy negotiations with Charles Altschul, in spring 1904 Blumenthal, bored by living in wealthy idleness on the fortune he had already amassed, agreed to return to the New York Lazard firm, while becoming a partner in both the French and British houses. Impressed by his record, the younger French partners tended to regard him with great respect, almost as an oracle. For the next twenty years he would dominate their American house, where he had the right to select his own partners. Every summer Blumenthal also spent several months in Europe, which enabled him to develop far more harmonious relationships with the younger British and French partners.[89]

By the late nineteenth century, most of the firm's high-end and international business in the United States was already directed to Lazard Frères' New York office. In 1904 it was one of two New York banks, the other being William Salomon & Co., that issued $24,000,000 of bonds for New York City.[90] By the late nineteenth century, American investment banks generally spread the profits and risks of offering public issues of bonds and stock for U.S. enterprises by organizing syndicates of financial institutions, inviting other banks to join them in these ventures. From 1883 onward, the New York Lazard house was invited to participate in a growing number of such syndicates, initially in those organized primarily by leading Jewish banking houses, eventually in those managed by the Morgan firm. The first occasion on which the Lazard firm itself organized such a syndicate was in February 1906, when it handled an issue of $5,500,000 for the American Light & Traction Company. After Frank Altschul joined the business, Lazard acted as a conduit for a loan that the British industrialist Lord Cowdray made to the Mexican government in 1913. A few months later, the bank underwrote a $15,000,000 bond issue for the Canadian Northern Railway.[91]

The firm's historian claims that for its first twenty-five years of existence Lazard Brothers, the firm's London houses, was somewhat inert, due to a combination of limited resources and prudent but inspired leadership, during which its main function was to register transactions

[88] Rougemont, *Lazard Frères*, 297.
[89] Rougemont, *Lazard Frères*, 298-300.
[90] "New York City Bonds," *Wall Street Journal*, December 1, 1904.
[91] Lazards in Mexican Loan?," *New York Times*, December 31, 1913; "Canadian Northern Bonds," *Wall Street Journal*, July 21, 1914; Rougemont, *Lazard Frères*, 201-203, 332-339.

concluded by the French and American branches of the group.[92] The British house nonetheless commanded general respect on account of its assumed wealth. In 1896 and 1897 other well-informed bankers estimated its capital to be an admirable £1,200,000, and in 1913 the figure was again thought to be over £1,000,000.[93] In another banker's notes in 1896, the firm was likewise described as "hav[ing] large means," though "it should not be forgotten that their estate is all out of this country." Its partners were further commended as "very able people."[94] In 1901 the French partners injected a fixed capital of £200,000 into their British venture, where they maintained a controlling partnership stake of 70 percent.[95] This marked the beginning of efforts to bring new dynamism to this area of the Lazard complex.

Four years later, Lazards further diversified the original London personnel, who had been linked to the founders by various family ties, by admitting gentile partners of British origin. Indeed, one historian of merchant banking has described their strategy as "[t]he earliest case on record of an attempt to constitute a whole board of directors [of a British merchant bank] as a meritocracy." In 1905 the London house took on a hard-driving non-Jewish stockbroker, Robert Kindersley, who quickly became the firm's dominant partner. The same year the Paris partners decided to double the London firm's capital. Kindersley himself brought no capital to the firm and initially was therefore not entitled to any share in profits on its capital, but by 1910 had acquitted himself so well that a new contract awarded a 20 percent stake in the profits. Ably seconded by the youthful Robert Brand, an Oxford graduate and minor aristocrat who joined him in 1909, he built up the firm's merchant banking activities, concentrating particularly on acceptance financing of overseas trade and issuing bonds. Other London partners included G. S. Hein, a banker with experience in Germany, who joined in 1908; Emile Pusch, from a Russian family background, recruited in 1912; and Hugo Scherer, enlisted in 1913, who had spent several years as a private banker in Mexico City and later headed Lazard Brothers' Madrid office.[96] When recruiting Brand in 1910, Kindersley told him that at the time he himself had joined the firm five years earlier, its annual profits were about £40,000 and its cash capital in London was £200,000. With his admission, the firm's performance had improved dramatically: "our profits for the last 2 or 3 years had been about £250,000 and our cash capital is £1,200,000 (about)." Even in bad years, so long as "nothing calamitous happens," the firm should be able to make annual profits of £100,000.[97]

Kindersley's presence and attainments meant that other prominent London bankers were more likely to consider doing business with his New York colleagues. In 1907 Gaspard Farrer, one of

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[92] Rougemont, *Lazard Frères*, 327-328.
[93] Youssef Cassis, *City Bankers 1890-1914* (Cambridge: Cambridge University Press, 1994), 31-32; Richard Roberts, *Schroders: Merchants and Bankers* (London: Macmillan, 1992), 151; D. Chapman, *The Rise of Merchant Banking* (New York: Routledge, 2006, reprint of 1984 ed.), 44, 50.
[94] David Kynaston, *The City of London,* Vol. II: *Golden Years 1890-1914* (London: Chatto & Windus, 1995), 151.
[95] Rougemont, *Lazard Frères*, 328.
[96] Quotation from Chapman, *The Rise of Merchant Banking*, 64-65; Rougemont, *Lazard Frères*, 328-331; Cohan, *The Last Tycoons*, 20; Kynaston, *The City of London*, Vol. II, 313.
[97] Kindersley to Brand, April 16, 1910, File 199, Brand Papers.

the leading members of the London house of Baring Brothers, inquired of his younger colleague Hugo Baring, then based in New York:

> What reputation have Lazards in New York? We know that between New York, Paris and London they have a very large capital, and personally we know the London partner, Kindersley, whom they took in about two years ago, and like him particularly. Are his New York colleagues of the usual repulsive Jew type, or are they men with whom it would be possible for you or us to work, in case business ever arose in which all our firms were interested? I have no recondite reason for asking you the question and merely put it to you in case the occasion should arise when we might find them useful. I feel pretty sure we could get along well here with . . . Kindersley.[98]

Baring responded positively, that "they were people with whom dealings would be satisfactory and at whose hands fair treatment might be expected. They are very rich and [George] Blumenthal is the brains of the firm here. . . . He is said to be as shrewd as they make them, though not in any bad sense."[99] The level of casual, matter-of-fact anti-semitism demonstrated in Farrer's original inquiry, views that were quite standard among non-Jewish banking houses in the city of London, was perhaps one reason why, in the early twentieth century, the Paris partners placed the London operations in the hands of able, well-connected, and non-Jewish British personnel.

In the years before World War I, Lazard Brothers in London took the lead in a number of prominent international issues floated on the London market, with a particularly strong emphasis upon Canadian railway finance. Its first issue in this field was an offering of £1,000,000 of Canadian Northern Railway Company securities in November 1908, which was fully subscribed by the public and considered a resounding success. More such financing quickly followed: £950,000 of 4 percent debentures for the Duluth, Winnipeg & Pacific Railway Company, offered in 1910; £358,888 of 3½ percent debentures for the Canadian Northern Railway Company and £647,260 3½ percent debentures for the Canadian Northern Albert Railway Company, in 1911; a further £7 million of 3½ percent debentures for the Canadian Northern Railway System at the end of 1911; an additional £800,000 Canadian Northern Pacific Railway 4½ percent debentures in summer 1913; and £1,320,000 in Canadian Northern Western Railway Company 4½ percent debentures in early 1914; and £3 million Canadian Northern Railway Company debentures in July 1914. All carried the guarantee of the Canadian government, and were a tangible demonstration of Lazard Brothers' strong interest in consolidating the British empire.[100] In

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[98] Farrer to Hugo Baring, February 12, 1907, File 200119/58-62, American Papers 1907, ING Barings Archives, London.

[99] Hugo Baring to Farrer, February 21, 1907, File 200119/97-102, American Papers 1907, ING Barings Archives, London.

[100] Duluth, Winnipeg & Pacific Railway Company Prospectus, advertisement, *The Times*, May 23, 1910; "New Capital Issues," *The Times*, March 15, 1911; Canadian Northern Railway System Prospectus, advertisement, *The Times*, December 12, 1911; "New Capital Issues," *The Times*, July 26, 1913; "Another New Issue Success," *The Times*, July 30, 1913; "Success of the Canadian Northern Issue," *The Times*, February 9, 1914; Canadian Northern

1910, moreover, Kindersley took the lead in establishing a Swiss-based financial consortium of European banks, including the French Société Générale and the Banque des Paris et des Pays Bas, the British and French Morgan houses, the Paris-based Spitzer firm, and the London Bonn firm, to finance Canadian development. This provided much of the funding for some of these major railway issues, as well as such ventures as financing the production of agricultural machinery. In 1912 Lazard Brothers established its own agent, Frederick Perry, in Montreal, who energetically developed a wide range of activities lending to and investing in Canadian business.[101]

Further south, Lazard Brothers aggressively developed business with Mexico, where Kindersley already possessed significant connections with Hugo Scherer, a German-born banker who had won the confidence of the Mexican government, and who joined Lazard Brothers in 1913. In 1911 the firm handled the repayment of £1,000,000 of notes for the National Railways of Mexico.[102] The following year it offered the Mexican government credit facilities of £1,000,000, advancing an additional £500,000 to the Mexican Eagle Oil Company, an enterprise headed by the entrepreneur Lord Cowdray. Despite an ongoing civil war in Mexico, at the end of the year Lazard Brothers issued £1,000,000 in bonds for Cowdray to enable him to provide the shipping facilities necessary to transport oil from Mexico, following this up with another £3,000,000 of such securities in 1913. Alarmed by the firm's exposure in a politically unstable country, from which Scherer, a long-time resident, had just decided to decamp, at this point the French partners warned their London house against extending any further facilities to Mexican interests.[103] Lazard Brothers possessed other Latin American interests. The Government of Colombia, on behalf of Colombian National Railways, was another prewar client.[104] The London firm cast its net far beyond the western hemisphere. The Lithuanian-born Emil Pusch developed close relations with Russian banking houses. In spring 1911 Lazard Brothers offered £5 million worth of bonds for Russian railways, guaranteed by the Russian government. Conscious of the reluctance of many New York Jewish banks to handle financing for the anti-Semitic Tsarist regime, Blumenthal refused to allow the American Lazard firm to participate in this transaction.[105] This did not, however, deter the London firm from seeking further such business. In 1914 it offered £1,322,751 (12,500,000 roubles) of 4½ percent bonds for the City of Riga in Finland, still at that time part of the Russian empire.[106] By 1917 it had become the London agent for the Banque de la Bourse in Riga, as well as the M. Aschkenasy bank of Odessa.[107] A 1910

Railway Company Prospectus, advertisement, *The Times*, July 24, 1914; "Canadian Northern Railway List Closed," *The Times*, July 28, 1914; Rougemont, *Lazard Frères*, 332.

[101] Rougemont, *Lazard Frères*, 332-333.

[102] "Baku Russian Petroleum Company," *The Times*, November 29, 1911.

[103] Rougemont, *Lazard Frères*, 337-339.

[104] "City News in Brief," *The Times*, November 28, 1919.

[105] Rougemont, *Lazard Frères*, 335.

[106] City of Riga Loan Prospectus, advertisement, *The Times*, February 27, 1914; "New Capital Issues: The City of Riga Loan," *The Times*, February 27, 1914; Rougemont, *Lazard Frères*, .

[107] Display advertisements, *The Times*, January 19, 1917.

advertisement also named Lazard Brothers as the agent for the Fifteenth Bank (The Jugo Ginko, Ltd.) of Tokyo, Japan, and they handled prewar bond issues for the Japanese City of Yokohama.[108]

To an aspiring young banker who sought to transcend his background and be considered something other than "the usual repulsive Jew type," the Lazard connection offered both prestige and even a potential entrée to other spheres of activity. For several years it was also an opportunity to work with his father, the man he most admired and with whom he felt most comfortable. Even before he formally joined the firm, it seems, Frank Altschul was privy to its affairs, at least in times of crisis. Almost thirty years later, he recalled the banking panic of 1907, during which the failure of the Knickerbocker Trust Company of New York precipitated a fall of 37 percent on the stock market and a run on numerous banks. The situation was saved when J. P. Morgan, who dominated American finance at the time, pledged funds from his own bank to stem the losses and persuaded most other financial institutions in New York to do likewise. Altschul could "very well remember sitting up with my father who was much concerned, and translating a cable to George Blumenthal, who was abroad, after a meeting of the Clearing House Association had broken up, to the effect that the Knickerbocker Trust Company would not open its doors the following day. The closing of a single bank in those days was an event." Lazard New York also participated in subsequent financial operations to deal with the panic's consequences. According to Altschul: "That was the time when gold sold at a premium of 3% in New York and we imported it joint account with the First National Bank by the millions in an attempt to satisfy the demand."[109] For Altschul, then aged twenty, the episode was a spectacular introduction to both the dramas and dangers of international banking. The New York house, now wedded to a policy of aggressive stock market equity operations, also suffered a substantial loss of capital during the crisis.[110]

Before joining Lazard New York, Altschul spent two years studying banking, in London, Paris, Berlin, and Mexico City, a fairly standard apprenticeship for young trainee Jewish financiers. For him, this was also an opportunity to spend an appreciable time in Europe's three most important capital cities, in the last few years before the Great War. Of his three months in Mexico, he later said: "I went down there to learn Spanish . . . but the fleas were too much for me."[111] Evidence on Frank Altschul's early years is at best fragmentary, but one relatively lengthy document has survived: a letter that he wrote in November 1910 to the Editor of the *New York Sun* newspaper, discussing anti-American riots that had just taken place in Mexico City, and condemning the behavior of those Americans involved. Altschul particularly deplored the way in which Americans in Mexico followed double standards, criticizing unruly young men in

[108] Advertisement, *The Times*, September 17, 1910; "Drawn Bonds," *The Times*.
[109] Frank Altschul, "Introductory Remarks," January 8, 1936, File Lazard History, Altschul Overbrook Foundation Papers.
[110] Rougemont, *Lazard Frères*, 300-302.
[111] Clipping of interview, *New York Mirror*, October 1938, Subject File, Altschul Papers.

Mexico for rioting against the United States in response to the actions of equally unbridled Americans in lynching a Mexican citizen in Texas. He also harshly assailed the attitude of most expatriate Americans in Mexico toward the local inhabitants, which he considered "offensive," "condescending" and racist. His letter is therefore perhaps worth quoting in full:

> It has been my good fortune to witness the interesting events of the last few days, and I hasten to put before your readers an accurate picture of the situation. I am prompted to do this by the fear that American yellow journals will adopt the inexcusable attitude of some of their Mexican colleagues and use the present outburst as an opportunity to foster feelings of antagonism which must eventually act greatly to the detriment of both countries.
>
> Let us begin with a brief summary of the facts of the case. A self-confessed murderer was lynched in Texas. He was a Mexican citizen. Either through neglect or diplomacy, the papers here made little or no mention of this deplorable event. This enraged some over patriotic students who insisted that such an affront to the Mexican Republic should not go unnoticed. They argued that all the press was in league to shield the Yankees from the censure they deserved, and that the only way to bring the matter to the notice of the authorities was by a public demonstration.
>
> On Tuesday afternoon, November 8th, the demonstration started with some trifling street brawls. As a result a number of arrests were made. Wednesday morning, the student body waited on the Governor to request the release of their comrades. This request was granted. For some reason or other, the students didn't think they had quite done all that patriotism demanded, and later, joined by a number of the rowdies, they started in to create further disturbances. Gradually the movement grew in size, until, by the close of the day, there was a long list of the insults offered to Americans, beginning with the tearing down of their flag in San Francisco Street, and culminating in the breaking of the windows of American stores and hotels. As an incident of the rioting, there were a few casualties.
>
> To justify this outbreak is, of course, impossible; but what one must consider is the kind of people engaged in it: young enthusiastic students and town toughs. The average Mexican was at most a disinterested spectator; and the better classes were as decided in their condemnation of the affair as the Americans themselves.
>
> We, as Americans, do not wish to be judged by the action of a frenzied mob in Texas in lynching a citizen of a foreign state; accordingly, we ought not to judge our neighbours by the misdirected activities of a crowd of boys. And, when our Ambassador here takes occasion to criticize the police authorities for their failure to protect American interests, he puts himself in the position of having to answer awkward questions in regard to the activities of our own authorities at the time of the Texas lynching.
>
> The regrettable result of all this is that to-day the press here is full of anti-American articles; and we must believe that some of OUR dailies will have adopted an equally unconciliatory attitude towards Mexico. Here the papers harp on "prize fights" and "lynching"; and we will, as usual, indulge in the repartee of "bull fights."
>
> But this is only a surface manifestation; beneath it all there lies a very real misunderstanding and one we should do all in our power to eliminate. The cause of this misunderstanding is to be found in the essential temperamental difference between two peoples. The ideals of one are more or less incomprehensible to the other; and

> disagreements are apt to be of frequent occurrence. Only the most delicate treatment can lead to a feeling of real cordiality, and until now, I am afraid that Americans have shown little desire to meet their neighbours half way.
>
> Especially is this true of the American colony in Mexico. The attitude of the nation is naturally enough judged by the attitude of this handful of men; and on the whole their conduct is decidedly offensive to the Mexicans. Prominent citizens of this Republic, visiting the United States, dwell on the friendly feelings entertained by their compatriots for Americans here. In this they show their tact; for they do not wish to arouse unnecessary antagonism; but they do not give a true picture of conditions.
>
> The Mexicans are not friendly towards the Americans here -- and it is entirely the Americans' fault. From the moment of their arrival they adopt a condescending attitude, and indulge in free and liberal criticism of native customs and institutions. They have no wish to learn the language; they have no desire to associate with Mexicans; they do not wish in any way to become part of this great and growing country. They are here admittedly for one of two reasons: either because they want to make money, make it quick, and get away; or because they made money, made it quick, and got away. Consequently, the American colony keeps to itself and finds the doors of Mexican society barred. The Mexicans are wounded in their pride and naturally enough resent the American standpoint.
>
> But if one comes here in a different spirit, and honestly desires to make friends, if one shows a moderate interest and a wish to view sympathetically foreign ideas, then one finds the Mexicans the most courteous and charming of hosts, in every way willing to grant that in Mexico as in the United States there are all sorts and conditions of men. This has been the experience of countless visitors, one of whom now signs himself, Yours sincerely, Frank Altschul.[112]

In later life, Altschul would show little interest in Mexico or Latin America per se. His stance was, however, indicative of the broad tolerance he would subsequently demonstrate where issues of equal rights and civil liberties were concerned. By the time he was twenty-three, this pattern was set.

Five years after leaving Yale, Altschul also declared himself a supporter of the Progressive Party, the breakaway third party set up by former Republican President Theodore Roosevelt in 1912, when he sought a third presidential term, running against incumbent President William Howard Taft.[113] The platform the charismatic Roosevelt advocated represented a mixture of greater government regulation of corporate business, social justice measures, and muscular international policies designed to enhance the role of the United States in world affairs. It was a program that envisaged a strong state, implementing reform rather than revolution, and that built on Roosevelt's efforts while president to use government power to check business abuses. Although Roosevelt lost the election to Woodrow Wilson, the Democratic candidate, he received more votes than Taft, and won support from many social reformers and progressives. Older

[112] Altschul, letter to the Editor, *New York Sun*, November 10, 1910, File 37, Mexico, Speeches and Writings File, Altschul Papers.
[113] Davis, ed., *History of the Class of 1908 Yale College*, 2:51.

Republicans tended to stick with their party in the 1912 election, but many younger men who were broadly sympathetic to reform were attracted to the new party. Altschul's allegiance to the Progressives was consonant with the broadly liberal outlook of many in his milieu, and he was by no means unique among young businessmen at the time in opting for the maverick third party.[114] Whether his father also did so is unclear. In broader political terms, however, Charles too was a supporter of "progressive legislation," for which even eight years later he believed there was a pronounced "demand" in the United States.[115]

Altschul was also not unusual in believing that a career in business could be combined with a sense of social responsibility; and that businessmen could be a force for good in the community. Many businessmen of his time demonstrated a wish to do something constructive with their lives, beyond simply making money, an outlook that led a substantial number from the upper levels of American society to heed Roosevelt's exhortations that elites in the United States should turn to public service. The pursuit of profit need not preclude and could even facilitate enlightened involvement in reform of various kinds, providing financial backing for campaigns, such as labor arbitration and the improvement of workers' conditions, intended to promote both the broad public good and the interests of corporate capitalism. The growth of the social sciences led many to believe that growing knowledge and skill meant it had become possible to devise efficient and just solutions to a wide variety of social ills, an optimistic outlook much in keeping with the early twentieth-century belief in progress that pervaded much of the Western world before the First World War.[116] Such tenets were, of course, much in evidence among New York's socially conscious German Jewish community, with his influential sister and brother-in-law, Edith and Herbert Lehman, already prominent advocates of progressive reform and uplift. They were also well entrenched in some of the New York educational institutions that Altschul and many in his circle patronized financially, notably Columbia University and, from 1919 onward, the New School for Social Research. And, like other large urban states, including

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[114] Gary Gerstle, *American Crucible: Race and Nation in the Twentieth Century* (Princeton: Princeton University Press, 2001), 65-80; Lewis L. Gould, *America in the Progressive Era, 1890-1914* (Harlow, Essex: Pearson, 2001), 38-60; Robert M. Crunden, *Ministers of Reform: The Progressives' Achievement in American Civilization 1889-1920* (New York: Basic Books, 1982), ch. 7.

[115] Charles Altschul to Brand, November 6, 1920, File 48/1, Brand Papers.

[116] See, e.g., Martin J. Sklar, *The Corporate Reconstruction of American Capitalism, 1890-1916: The Market, the Law, and Politics, 1890-1916* (Cambridge: Cambridge University Press, 1988); Morrell Heald, *The Social Responsibilities of Business: Company and Community, 1900-1960* (Cleveland, OH: Case Western Reserve University Press, 1970); Stuart D. Brandes, *American Welfare Capitalism, 1880-1940* (Chicago: University of Chicago Press, 1976); Kim McQuaid, *A Response to Industrialism: Liberal Businessmen and the Evolving Spectrum of Capitalist Reform, 1886-1960* (New York: Garland, 1986), 1-97; R. Jeffrey Lustig, *Corporate Liberalism: The Origins of Modern American Political Theory, 1890-1920* (Berkeley: University of California Press, 1982); Robert H. Wiebe, *Businessmen and Reform: A Study of the Progressive Movement* (Chicago: Quadrangle Books, 1968); James Weinstein, *The Corporate Ideal in the Liberal State, 1900-1918* (Westport, CT: Greenwood Press, 1981); John G. Sproat, *"The Best Men": Liberal Reformers in the Gilded Age* (Oxford: Oxford University Press, 1968); Richard G. Hofstadter, *The Age of Reform: From Bryan to F.D.R.* (New York: Vintage Books, 1955), 131-148, 156-173; Morton Keller, *Regulating a New Society: Public Policy and Social Change in America, 1900-1933* (Cambridge, MA: Harvard University Press, 1994); and Eldon J. Eisenach, *The Lost Promise of Progressivism* (Lawrence: University Press of Kansas, 1994).

Wisconsin and California, under a series of progressive governors, in the early twentieth century New York led the way as a national laboratory for the implementation of innovative reforms and social justice legislation.

Established in New York's Lazard Frères office since 1908, with the prospect that before too long he would succeed his father as a partner, which eventually occurred in 1916, Altschul was rapidly becoming the model young businessman, enrolled by 1913 in a range of clubs that included, conventionally enough, the Yale Club and the City Athletic Club. His lifelong passion for books was already evident in his membership of the Bibliophile Society, the California Book Club, and the Graphische Gesellschaft. One of his partners later recalled the years before the beginning of World War I, under the "G.B. [George Blumenthal] and C.A. [Charles Altschul] regime" as times when "things went swimmingly. We were all young, everything was progressing, money was being made & nobody felt it necessary to give real thought to the future. There was no need for the exercise of more than ordinary ingenuity or ordinary effort."[117]

It being a truism that a young man with such excellent prospects must be in need of a wife, it was perhaps predictable that by his mid-twenties Altschul had also made a suitable alliance. The bride Altschul chose further cemented his and his family's position within New York's German Jewish elite, and doubled his ties to the influential Lehman clan. She was Helen Lehman Goodhart, only daughter of Herbert Lehman's formidable and domineering elder sister, Hattie Lehman Goodhart, and her more easygoing husband, Philip Goodhart, a broker on the New York Stock Exchange. The engagement was announced in November 1912, and the wedding itself took place on January 9, 1913. Perhaps in deference to the Altschuls' distaste for formal religious observances, the marriage was celebrated at the home of the bride's parents on 21 West Eighty-first Street, "before a bower of palms, smilax, and roses." It was a grand occasion, a rite of passage that brought the young Altschul firmly within the embrace of his city's German Jewish establishment. Hattie Goodhart's sister owned the neighboring house, and the two together were thrown open for the ceremony and reception. The bride wore a "gown of white satin trimmed with old family lace, and her tulle veil was caught up with a coronet of orange blossoms. She carried a bouquet of orchids and lilies of the valley." Her attendants included a cousin as her maid of honor, clad in white satin draped with blue chiffon "and topped with a gold lace cap," and six bridesmaids, all carrying bouquets of pink roses and arrayed in "white satin, draped with pink chiffon and large Leghorn hats trimmed with rosebuds." Altschul's best man was his college room-mate, Jack Schiffer, and there were twelve ushers: George Seligman, Robert Levy, Herbert Lehman, Max Rossbach, Fred Greenebaum, William Scholle, Arthur Rosenthal, Leo Arnstein, Arthur Goodhart, and Harold Lehman. After the wedding, the couple

[117] Paul Baerwald,draft letter to André Lazard, July 19, 1927, Box 2, Paul Baerwald Papers, Columbia University Library.

left on an extended honeymoon, and made their first home in the Carlton Apartments, at Forty-Seventh Street and Madison Avenue.[118]

As Altschul settled into work and married life in New York, the exuberant doggerel reply he sent in 1913, when his Yale class secretary asked for a summary of his activities over the past five years, suggests that acquiring an attractive, intelligent, and sympathetic wife was one of the high points to date of his life.

> You will find this a bit of a bore.
> *I* don't mind, for I'm sure you will see
> That, by any fair standards of law,
> You must blame Walter Davis—not me.
>
> For, who was it told us but he,
> (Now, lay stress on the –ty, not before.)
> We should cultivate garrulity
> In two hundred words, if not more.
>
> With my "Dip" under arm, college o'er,
> I went off on no end of a spree,
> And awoke with a start, when I saw
> I was in the Café de Paris,
>
> Which is *not* such a bad place to be
> If a friend whom, let's say, you adore
> Dit que vraiment elle t'aime à folie
> In two hundred words, if not more.
>
> Next to Britain's hospitable shore
> I sailed on a turbulent sea;
> And it took many meals to restore
> All I lost between luncheon and tea.
>
> Then in Mexico, home of the flea,
> I lived for three months, si, senor,
> Where they curse out the land of the free
> In two hundred words, if not more.
>
> Now I enter the envoie with glee.
> My wife has just knocked on the door.
> The most vital occurrence is she
> In two hundred words, if not more.[119]

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[118] *New York Times*, November 3, 1912, January 10, 1913.
[119] Davis, ed., *History of the Class of 1908 Yale College*, 2:50-51.

Altschul's new wife was a strong personality in her own right. Born like her husband in 1887, Helen Goodhart had attended Barnard College, graduating in 1907, whereupon she immediately served a five-year term as class president. She was also independently wealthy, more so than her husband, though the two started married life with "a considerable financial leg up from both sides of the family." As the managing partner in Lazard Frères and later the head of General American Investors, "with a good nose for investments," Altschul dramatically enhanced his own net worth through his own efforts, "amassing a huge fortune" for both of them.[120] Even so, his wife's Lehman inheritance meant that in later life the assets she contributed to their joint Overbrook Foundation surpassed his by a ratio of about three to one. The two were often partners in philanthropy, and over the years she gave away many millions to educational and medical charities. A woman of character and considerable executive ability, Helen Altschul served on Barnard's board of trustees during the 1950s, chaired the college's first development fund drive in 1950, and was secretary of the board from 1956 onward. She was also a trustee of the New York Infirmary-Beekman Downtown Hospital, and served as president of the Women's University Club of New York. Altschul had married a woman he could respect as a genuine partner in his life, who subscribed to the creed of working hard for good objectives that he shared.[121] The couple had four children: Charles, born in 1913, named for his grandfather and the cynosure of many of his father's hopes for the future; two daughters, Margaret, born in 1915, and Edith, born in 1917; and a second son, Arthur, born in 1920 and named for Helen's younger brother, who became one of Altschul's closest friends. Helen Goodhart Altschul ran the couple's various large homes, including the Overbrook estate at Stamford, Connecticut, with style and efficiency, is still remembered with warm affection by her grandchildren, and was cited by Barnard College "not only as a woman of significant accomplishment but as a gentle, modest and inspiring human being."[122]

The marriage had its strains, however. Frank Altschul, who like Herbert Hoover and Margaret Thatcher needed only a few hours' sleep a night, had an excess of energy, and throughout his life would be a compulsive womanizer. It was a proclivity shared by many among New York's wealthy elite, including other Lazard partners and such prominent Jewish bankers as Otto Kahn and Felix Warburg, and few in their social circle considered a husband's philandering any justification for divorce. For Altschul's generation, strong social and family pressures were likely to be brought to bear to prevent the dissolution of a functioning, if imperfect, marriage. Altschul's cavalier attitude to his wedding vows coexisted with what seems to have been genuine and profound affection and admiration for his wife, even though she and her close friends resented his infidelities and were sometimes frosty towards him. Altschul also became deeply attached to others in the family into which he and his sister Edith had married. Throughout his life, he found it difficult to make close friends; one reason for his pursuit of other women may well have been that he found it easier to relax with women than with men. Like his sister Edith

[120] Morgenthau, *Mostly Morgenthaus*, 235 n.
[121] *New York Times*, April 25, 1957, June 3, 1964, November 17, 1975, December 13, 1983, June 30, 1985.
[122] *New York Times*, June 30, 1985.

Lehman, Altschul "was highly intelligent," but all admitted that she "was far better at relating to other people."[123] Altschul's important friendships tended to be either with family members or with professional colleagues, most notably his partners in the various branches of the Lazard bank, and later in life associates in the Council on Foreign Relations and the National Planning Association. Lengthy runs of correspondence extending over four or five decades attest that Altschul's most intimate male friends were almost certainly his two brothers-in-law, Edith's husband, Herbert Lehman—he began most days with a telephone call to Lehman—and Arthur Goodhart, Helen Altschul's younger brother. One doubts that he could have contemplated a life without these relationships, and the anchor that his wife provided. Frank Altschul would not prove by any means a perfect husband, but he depended on his wife and was in his own way loyal to her; his marriage to Helen lasted almost seventy years and would always be an essential part of the fabric of his existence. By his mid-twenties he was a married man with a growing family, well established in New York society, with expectations of an enviably lucrative and cosmopolitan career, and an affinity for respectable, genteel reform and public service. How he would respond to the opportunities and challenges with which the twentieth century would soon confront him remained to be seen.

[123] Libo, ed., *Lots of Lehmans*, 280.

CHAPTER TWO

THE FIRST WORLD WAR

During the First World War, Charles and Frank Altschul and the interconnected network of firms in London, Paris, and New York to which they belonged ranged themselves uncompromisingly with the Allied powers, Great Britain and France, and hoped that the war would permanently strengthen links between those powers and the United States. It was not necessarily a foregone conclusion that the two Altschuls should take this position. The outbreak of the First World War in August 1914 represented a major challenge to the cosmopolitan financial elite to which both men belonged, and likewise to the German American and American Jewish communities. The conflict disrupted the intricate network of financial ties linking the great Anglo-European banking houses, as belligerent governments imposed economic and financial controls and sought to deprive their enemies of access to resources of every kind, including basic commodities, munitions of war, and access to credit and loans.[1]

For almost three years, from August 1914 to April 1917, the United States remained neutral in the war. This did not, however, ensure the country immunity from its impact. During that time, bitter political debates raged over just how strongly the United States government headed by Democratic President Woodrow Wilson should assert the rights of American individuals and businesses to travel to and trade with belligerent nations, and how forcefully it should respond to German attacks on Allied vessels on which American citizens were travelling, or to German efforts to cut off commerce with the Allies. Those Americans who sympathized with the Allied powers, Great Britain, France, and Russia, generally supported a liberal policy in terms of permitting trade with belligerent powers. In practice British control of the seas meant that the balance of such trade was overwhelmingly in the Allies' favor. Access to supplies from North American factories and farms, plus the funds to finance these purchases, was indeed a key factor in the Allies' ability to wage all-out war against the Central Powers, Germany, Austria-Hungary, and the Ottoman Empire. Pro-Allied Americans also generally believed that their government should be extremely firm in defending neutral rights, even if by doing so, the country risked war with Germany over incidents in which German submarines sank passenger liners and merchant ships without warning, killing Americans traveling on them. Opponents of American intervention in the war, and those who favored the Central Powers, were usually far readier to compromise on neutral rights. Many who were pro-German, anti-war, or both, urged politicians and the government to impose a ban on private American commerce with any belligerent power, and sought to prevent belligerents using Americans loans or credits to finance such trade. In an

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[1] On the economic impact of the First World War, see esp. Hew Strachan, *The First World War*, Vol. I: *To Arms* (Oxford: Oxford University Press, 2001), chs. 10-11; David Stevenson, *Cataclysm: The First World War as Political Tragedy* (New York: Basic Books, 2004), ch. 9; Niall Ferguson, *The Pity of War: Explaining World War I* (New York: Basic Books, 1998), chs. 4, 5, 9, and 11; Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression 1919-1939* (New York: Oxford University Press, 1992), 67-99; David Kynaston, *The City of London*, Vol. III: *Illusions of Gold 1914-1945* (London: Chatto and Windus, 1999), 3-50; and Gerd Hardach, *The First World War 1914-1918* (London: Allen Lane, 1977).

effort to prevent diplomatic crises over the loss of American lives spiraling into war, they were also willing to contemplate an embargo prohibiting American citizens from travelling on ships of belligerent powers.[2]

Nowhere were the debates over these issues more intense than in the New York financial community. Many Americans who belonged to the patrician elite of the United States Northeast were immediately and profoundly pro-Allied in sympathy. Leading New York politicians, bankers, and lawyers identified themselves almost completely with the Allied cause. From August 1914 onward, the East Coast patrician elite virtually immediately adopted a staunchly pro-Allied outlook. Leading New York politicians, bankers, and lawyers identified almost completely with the Allies. They included such figures as Theodore Roosevelt and his younger cousin Franklin, then assistant secretary of the navy; the various partners of the leading investment bank, J. P. Morgan & Company; Benjamin Strong, the first governor of the new Federal Reserve Bank of New York; Robert Bacon, a former Morgan partner who had served as secretary of state; and the lawyer-politicians Elihu Root and Henry L. Stimson, members of the same law firm who each had served or would serve as both secretary of war and secretary of defense. They stressed the demands of national security and the need to maintain a balance of power by means of a German defeat and the conclusion of a formal or informal American alliance with Britain and France. This outlook emphasized military strength and permanent increases in American defense spending. Its proponents also perceived the war in moral terms, arguing vehemently that Germany was morally wrong and the Allies right, and the war a global battle for supremacy between the forces of good and evil, pitting civilization, liberty, and democracy against authoritarian "Prussianism," "Kaiserism," absolutism, and despotic militarism. The British and French, they contended, were defending Anglo-Saxon democratic institutions, "Christendom," and the values of "Western civilization" against a German attempt to impose Teutonic despotism on the entire world.[3]

During the First World War the Eastern foreign policy elite generally rejected President Woodrow Wilson's advice that Americans should be "impartial in thought as well as in action",

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[2] For overviews of U.S. wartime diplomacy during the 1914-1917 period of neutrality, see Arthur S. Link, *Wilson: The Struggle for Neutrality 1914-1915* (Princeton: Princeton University Press, 1960); Link, *Wilson: Confusions and Crises 1915-1916* (Princeton: Princeton University Press, 1964); Link, *Wilson: Campaigns for Progressivism and Peace 1916-1917* Princeton: Princeton University Press, 1965); John Milton Cooper, Jr., *The Vanity of Power: American Isolationism and World War I, 1915-1917* (Westport, CT: Greenwood Press, 1970); Patrick Devlin, *Too Proud to Fight: Woodrow Wilson's Neutrality* (New York: Oxford University Press, 1975); John A. Thompson, *Woodrow Wilson* (London: Longman, 2002); and Ernest R. May, *The World War and American Isolation 1914-1917* (Chicago: Chicago University Press, 1965).

[3] Priscilla Roberts, "The First World War and the Emergence of American Atlanticism, 1914-1920", *Diplomacy and Statecraft* 5:3 (November 1994), 569-619; see also Priscilla Roberts, "The Anglo-American Theme: American Visions of an Atlantic Alliance, 1914-1944" *Diplomatic History* 21:3 (Summer 1997), 333-364; Nicholas Cull, "Selling Peace: The Origins, Promotion and Fate of the Anglo-American New Order during World War II," *Diplomacy and Statecraft* 7:1 (March 1996), 1-10; Henry F. May, *The End of American Innocence: A Study of the First Years of Our Own Time, 1912-1917* (London: Jonathan Cape, 1959), 363-367.

and found the president's diplomacy insufficiently pro-Allied. They themselves generally supported American intervention in the war, in anticipation of which several became vigorous advocates of 'preparedness,' the campaign to increase United States defense spending and in many cases to introduce a national program of universal military training. United States firms supplied around 25% of the Allies' war *matériel*, a vital contribution to the Allied war effort. Pro-Allied Eastern bankers lobbied for the relaxation of government controls on this trade, while the lawyers furnished legal arguments justifiying such policies on the grounds that they did not contravene American neutrality. When the United States government found itself at odds with both the Allied and Central Powers as disputes arose over the right of supposedly neutral Americans to trade with belligerent powers and to safe travel on belligerent merchant shipping, these Allied partisans almost invariably urged that their government take an uncompromising stand against Germany, while supporting more conciliatory policies toward the Allies. The Morgan firm and the New York Federal Reserve Bank took the lead in raising and facilitating the private American loans and credits which increasingly financed the Allies' war purchases. A decisive Allied victory was, they believed, essential, since only this would suffice to guarantee lasting peace. In the longer term, they supported American membership in an international organization to maintain peace, a body in which the United States, Britain, and perhaps France would be the dominant powers, capable of imposing military and economic order upon the rest of the world.[4]

Such proposals effectively represented the fulfilment of suggestions for a *de facto* Anglo-American alliance already current among British and American elites in the prewar period.[5] It was an outlook underpinned by popular social Darwinist ideas of the superiority of the Anglo-Saxon or English-speaking nations current in the late nineteenth and early twentieth centuries, the belief disseminated by numerous influential historians and political theorists that the Anglo-Saxon race, in effect the British and Americans, was uniquely capable of self-government, had evolved the best and most democratic political institutions to date, and shared a common legal, political, and institutional heritage. Such views were often used to justify imperial rule, which, its supporters argued, provided good government to peoples incapable of running their own affairs themselves in an orderly fashion. Calls for Anglo-American concord and cooperation thus rested on a sense of racial kinship, reinforced by a variety of business, political, intellectual,

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4 See references cited in the previous note.

5 On pre-First World War proposals for an Anglo-American alliance see Stuart Anderson, *Race and Rapprochement: Anglo-Saxonism and Anglo-American Relations, 1895-1914* (East Brunswick, NJ: Fairleigh Dickinson University Press, 1981), 86-94, 112-129; Howard K. Beale, *Theodore Roosevelt and the Rise of America to World Power* (Baltimore, MD: Johns Hopkins University Press, 1954), 95-96, 139-140; David Dimbleby and David Reynolds, *An Ocean Apart: The Relationship Between Britain and America in the Twentieth Century* (London: Hodder and Stoughton, 1988), 40-41; Robert E. Osgood, *Ideals and Self-Interest in America's Foreign Relations: The Great Transformation of the Twentieth Century* (Chicago: Chicago University Press, 1953), 58-59; Bradford Perkins, *The Great Rapprochement: Britain and the United States, 1895-1914* (New York: Atheneum, 1968), 51-53, 65-67; William N. Tilchin, *Theodore Roosevelt and the British Empire: A Study in Presidential Statecraft* (London: Macmillan, 1997), esp. chs. 1, 2, 5, 8, 11; D. C. Watt, *Personalities and Policies: Studies in the Formulation of British Foreign Policy in the Twentieth Century* (London: Longmans, 1965), 28-30.

personal, and familial ties linking British and American elites.[6] They also drew upon the naval writings of the American strategist Alfred T. Mahan, who suggested American national security had throughout the nineteenth century ultimately depended upon the protection of the British fleet, and that in their mutual interests the two countries should therefore harmonize their defense policies.[7]

The German Jewish financial community in New York split over the First World War, and some houses, such as the pre-eminent investment firm, Kuhn, Loeb & Company, and Goldman, Sachs, were left bitterly divided, while others, notably Speyer & Company, were pro-German. Within the community, first-generation immigrants from Germany tended to be more sympathetic to the German cause than second-generation, American-born individuals. New York bankers who did not support the Allies generally held aloof from the loans and credit facilities that the Allies obtained in the United States from late 1914 onward. Jacob Schiff of Kuhn, Loeb, for example, announced publicly that his firm would not take part in any war financing for the Allies that might benefit Tsarist Russia, a country he had long opposed because of its long record of anti-semitic persecutions and pogroms.[8] Paul Warburg, a former Kuhn, Loeb partner, had joined the

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6 Reginald Horsman, *Race and Manifest Destiny: The Origins of American Racial Anglo-Saxonism* (Cambridge, MA: Harvard University Press, 1981); Anderson, *Race and Rapprochement*; Richard Hofstadter, *Social Darwinism in American Thought*, revised ed. (Boston, MA: Beacon Press, 1955), esp. 170-184; David S. Healy, *US Expansionism: The Imperialist Urge in the* 1890s (Madison: University of Wisconsin Press, 1970), 13-16, 29-33, 38-42, 123-124; Michael H. Hunt, *Ideology and US Foreign Policy* (New Haven: Yale University Press, 1986), 77-79; and Perkins, *Great Rapprochement,* 74-83.

7 Alfred T. Mahan, *The Interest of America in Sea Power, Present and Future* (Boston: Little, Brown, 1897), esp. 27, 49-51, 55, 107-34, 185-90, 257-59; Mahan, *Lessons of the War with Spain* (Boston: Little, Brown, 1899), 289-298; Mahan, *The Interest of America in International Conditions* (Boston: Little, Brown, 1910), esp. 35-124, 158-185; Philip A. Crowl, "Alfred Thayer Mahan: The Naval Historian," in *Makers of Modern Strategy from Machiavelli to the Nuclear Age*, ed. Peter Paret (Princeton, NJ: Princeton University Press, 1986), 444-477; Kenneth J. Hagan, "Alfred Thayer Mahan: Turning America Back to the Sea," in *Makers of American Diplomacy: From Benjamin Franklin to Henry Kissinger*, eds. Frank J. Merli and Theodore A. Wilson (New York: Scribner, 1974), 279-303; W. D. Puleston, *Mahan: The Life and Works of Captain Alfred Thayer Mahan* (New Haven: Yale University Press, 1939), 9-12, 135-136, 267, 283-289, 304, 324, 327-328; Robert Seager II, *Alfred Thayer Mahan: The Man and His Letters* (Annapolis, MD: Naval Institute Press, 1977), 148-149, 225-226, 348-351, 522-525; William Reitzel, "Mahan on Use of the Sea," in *War, Strategy, and Maritime Power*, ed. B. Mitchell Simpson III (New Brunswick, NJ: Rutgers University Press, 1977), 95-107; Bernard Semmel, *Liberalism & Naval Strategy: Ideology, Interest, and Sea Power during the Pax Britannica* (Boston: Allen and Unwin, 1986), 90-95; Jon Tetsuo Sumida, *Inventing Grand Strategy and Teaching Command: The Classic Works of Alfred Thayer Mahan* (Washington, DC, and Baltimore, MD: Woodrow Wilson Center Press and Johns Hopkins University Press, 1997), esp. 80-92; and Warren Zimmermann, *First Great Triumph: How Five Americans Made Their Country into a World Power* (New York: Farrar, Straus and Giroux, 2002), esp. ch. 3.

8See Priscilla Roberts, "A Conflict of Loyalties: Kuhn, Loeb & Company and the First World War, 1914-1917," *Studies in the American Jewish Experience* II, eds. Jacob R. Marcus and Abraham J. Peck (Cincinnati and Washington: American Jewish Archives and University Press of America, 1984), 1-32, 169-182; Stephen Birmingham, *"Our Crowd": The Great Jewish Families of New York* (Syracuse, NY: Syracuse University Press, 1996, reprint of 1967 edition), 313-336; Ron Chernow, *The Warburgs: The 20th-Century Odyssey of a Remarkable Jewish Family* (New York: Random House, 1993), 157-169; Theresa M. Collins, *Otto Kahn: Art, Money, & Modern Time* (Chapel Hill: University of North Carolina Press, 2002), 94-124; Naomi W. Cohen, *Jacob H. Schiff: A Study in American Jewish Leadership* (Hanover, NH: University Press of New England, 1999), 189-209; June Breton Fisher,

newly established Federal Reserve Board in 1913. In that position, he doggedly opposed the use of the new credit mechanism of acceptances, whose employment the Federal Reserve Act of 1913 made legal in the United States, to finance war trade with the Allied powers.[9] Accusations that the Kuhn, Loeb partners were pro-German were rife around Wall Street and among British officials.[10] Interestingly, in spring 1915 Charles Altschul defended that firm against rumors that it was planning to market German Treasury notes in the United States, telling a British Lazard partner that the various members of Kuhn, Loeb were so divided in their sympathies on the war "that Kuhn Loeb & Co. are absolutely neutral in the present controversy."[11]

This was not the case with Lazard Frères. Not only was the firm of French origin; in the United States it had, it seems, something of a tradition of recruiting individuals such as Eugene Arnstein and Charles and Frank Altschul who, though they might trace their ethnic roots back to central Europe, were either French or descended from refugees from the 1848 revolutions who were Anglophile rather than pro-German in outlook. This was true of another father and son who worked for Lazard in San Francisco before 1900, Eugene Meyer, originally from Strasbourg in Alsace-Lorraine, and his son Eugene, Jr., who moved on other ventures and would later own the *Washington Post*. The elder Meyer came from a family that identified itself prominently with France, and his grandfather, Jacob Meyer, had served in the Congress of Jewish Notables summoned by the Emperor Napoléon I and was awarded the Légion d'Honneur. Eugene Meyer, Sr., also took a leading part in relief work to assist natives of France and Alsace-Lorraine who were badly affected by the Franco-Prussian War of 1870-1871, when Germany annexed Alsace-Lorraine. Both the elder and younger Meyer were strongly pro-Allied during the First World War.[12] George Blumenthal, the dominant partner in Lazard's New York office in Frank Altschul's early years, married Eugene Meyer's sister Florence; the couple maintained lavish establishments in New York, Paris, and the south of France, and were munificent patrons of the

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When Money was in Fashion: Henry Goldman, Goldman Sachs, and the Founding of Wall Street (New York: Palgrave Macmillan, 2010), 100-111.

9 On Warburg's role in Federal Reserve wartime policymaking, see Priscilla Roberts, "'*Quis Custodiet Ipsos Custodes?*': The Federal Reserve System's Founding Fathers and Allied Finances in World War I," *Business History Review* 72:4 (Winter 1998), 585-620.

10 See, e.g., Sir Cecil Spring Rice to Valentine Chirol, November 13, 1914, in Stephen Gwynn, ed., *The Letters and Friendships of Sir Cecil Spring Rice: A Record*, 2 vols. (London: Constable, 1930), 242-243J. P. Morgan & Co. to Morgan, Grenfell & Co., January 11, 1916, May 11, 1916, United States Congress, 74 Cong., 2nd Sess., *Hearings Before the Special Committee Investigating the Munitions Industry*, 40 pts. (Washington, DC: Government Printing Office, 1934-1943) [hereafter *Munitions Hearings]*, 25:7578-7582; J. P. Morgan, Jr. to Henry P. Davison, April 22, 1915, *Munitions Hearings*, 27:8348; and *Munitions Hearings*, 27:8208-8209; Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York: Atlantic Monthly Press, 1990), 196-197; Martin Horn, *Britain, France, and the Financing of the First World War* (Montreal and Kingston, Canada: McGill-Queens University Press, 2002), 65.

11 Charles Altschul to Robert H. Brand, April 2, 1915, File 114, Robert H. Brand Papers, Bodleian Library, Oxford University [hereafter Brand Papers].

12 On Meyer and his background, see Merlo J. Pusey, *Eugene Meyer* (New York: Knopf, 1974); on the elder Eugene Meyer, see also "Eugene Meyer, Sr., Dead," *Wall Street Journal*, January 19, 1925.

arts and other philanthropies in both France and the United States.[13] Other leading members of the New York German financial elite who were pro-Allied included Otto H. Kahn of Kuhn, Loeb & Company. In 1914 Kahn was actually a British citizen; his father, Bernhard, had participated in the Revolution of 1848 and subsequently spent ten years in exile in the United States, having been sentenced to death in absentia.[14] Mayer Lehman, father of Frank Altschul's brother-in-law Herbert Lehman, though not a forty-eighter, nonetheless disliked Germany for its "restrictions on the Jews and widespread anti-Semitism," views his sons inherited.[15]

The French Lazard partners, not unnaturally, rallied behind their own country's government during the war. By the 1870s they, like the American partners, were largely non-observant Jews, whose children received little if any religious instruction, and they had integrated themselves into French society. In the 1890s members of the firm were vehement Dreyfusards, supporters of the French artillery officer Captain Alfred Dreyfus, who was Jewish, who was court martialed and convicted in 1894 for passing military secrets to Germany. For the rest of the 1890s the Dreyfus affair became a major political controversy, as the novelist Émile Zola spearheaded a campaign to reverse the conviction after new evidence appeared suggesting that Dreyfus had been framed, and had been the victim of anti-semitic prejudice then rife in the military.[16] By the First World War, however, the second generation partners of Lazard Frères in Paris, André Lazard, his cousin Michel Lazard, and David Weill (later David David-Weill) had won social acceptance into the French aristocracy. David Weill, who became the leading partner, succeeding his father Alexander Weill, amassed a spectacular art collection, and became a leading figure in Paris society. As a young man, David Weill did his national service in the French army in 1897, and André Lazard held a commission in the military reserve. André, together with his brothers Max and Jean, was also an admirer of France's foremost colonial administrator, Marshal Hubert Lyautey, a great advocate of his country's imperial civilizing mission. Jean Lazard first encountered him in 1891, when Jean was a cadet at the French military academy of St. Cyr. André and Max became close friends with Lyautey when they spent three weeks together with in French Indochina during a prolonged world tour of the Americas and Asia the two undertook in 1896. At that time, Lyautey was an administrative aide in Tonkin. He later spent many years in Algeria and then in French Morocco, serving from 1912 to 1925, with a brief break in 1916-1917, as French resident general. From the 1890s until his death in 1934, the Lazard brothers

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13 Michele Siegel, "Florence Meyer Blumenthal 1875-1930," Website Jewish Women's Archive: Jewish Women: A Comprehensive Historical Encyclopedia, http://jwa.org/encyclopedia/article/blumenthal-florence-meyer, consulted March 15, 2009; "Mrs. Blumenthal, Art Patron, Dead," *New York Times*, September 22, 1930; "Geo. Blumenthal, Museum Head, Dies," *New York Times*, June 27, 1941.

14 On Kahn's background, see Collins, *Otto Kahn*; also Mary Jane Matz, *The Many Lives of Otto Kahn* (New York: Macmillan, 1963); and John Kobler, *Otto, the Magnificent: The Life of Otto Kahn* (New York: Scribner, 1988).

15 Nevins, *Herbert H. Lehman and His Era*, 29, 51, 55-56, quotation from 29.

16 Anne Sabouret, *MM Lazard Frères & Cie.: Une Saga de la Fortune* (Paris: Olivier Orban, 1987), 40-44; Martine Orange, *Ces Messieurs de Lazard* (Paris: Albin Michel, 2006), 101-102; Guy de Rougemont, *Lazard Frères: Banquiers de Deux Mondes (1840-1939)* (Paris: Fayard, 2010), 251-260.

corresponded extensively with Lyautey. The partners also generally supported the French government's efforts of the early twentieth century to build up the country's military, with the ultimate hope of regaining the provinces of Alsace-Lorraine—the original home of their founder, Simon Lazard—lost to Germany after the war of 1870-1871.[17] Alexandre Weill, one of the firm's patriarchs, took great pride in the fact that in 1872 he had taken the lead in encouraging émigrés from Alsace-Lorraine who had migrated to California after the war to opt for French rather than German citizenship.[18] Back in the 1870s, Lazard in San Francisco had even purchased as an investment a ranch of 860,000 acres in Oregon and further land holdings in California, in part in the hope that this might provide a refuge for French families who had fled Alsace-Lorraine after the German takeover. In 1893, Charles Altschul became the trustee holding the Oregon lands on behalf of Lazard, who did not finally dispose of these until 1926.[19]

Despite employing some able Germans, usually émigrés who differed with many of their native land's policies, the entire Lazard firm had a certain anti-German bias. Visiting New York in 1896, the young André Lazard, son of Simon Lazard, one of the original founders, preferred to socialize at dinner with "people whose names do not end in heim, burg, or stein," thereby excluding many German-born American Jews. Visiting one high-society household, he was relieved that there one was safe from encountering Americans "from the bottom of the social barrel" who "spoke English with a Frankfurt accent."[20] Although the French firm enjoyed good relations with several German Jewish financial institutions, notably the Behrens and Warburg banking houses in Hamburg, and the Rosenheim, Bleichroder, Warschauer, and Mendelssohn interests in Berlin, after a visit in 1897 the two heirs apparent, David Weill and André Lazard,

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[17] Sabouret, *MM Lazard Frères & Cie.*, 44-60; Martine Orange, *Ces Messieurs de Lazard* (Paris: Éditions Albin Michel, 2006), 73-76; Rougemont, *Lazard Frères*, 235, 239-240, 249-250, 283-291. On the links between the Lazard brothers and Lyautey, see Didier Lazard, ed., *Un Voyage autour du Monde en 1896: Journal et Lettres de Max et André Lazard* (Neuilly: privately printed, 1991), 185-200; and Didier Lazard, ed., *Max Lazard, Ses Frères et Lyautey: Lettres (1894-1933)* (Neuilly: privately printed, 1990).

[18] Rougemont, *Lazard Frères*, 252.

[19] Didier Lazard, *Simon Lazard: Emigré à seize ans, Pionnier du Far-West, Fondateur de la Banque Lazard* (Paris: Éditions du Felin, 1988), 87-89; Charles Altschul, "The House of Lazard," October 1926, File Lazard History, Frank Altschul materials, Overbrook Foundation Papers, New York [hereafter Altschul Overbrook Papers]; Charles Altschul to Members of the Lazard, Weill, and Cahn Families, February 12, 1926, File Lazard, Charles Altschul Files, Altschul Papers; Rougemont, *Lazard Frères*, 205-228. It later transpired that the members of the extended Lazard family to whom these lands ultimately belonged had for many years been cheated by their California agent, who, after untruthfully assuring them that there were no oil deposits on their acreage, gradually sold off the properties at between 250 and 300 dollars per acre to enterprises in which he himself had a substantial financial interest. They were then resold at prices of 9,000 to 13,000 per acre. Lawsuits between the Paris Lazard family and the California agent went on throughout the 1930s, ultimately securing the Lazards compensation of $500,000, a fraction of what they might have made had they exercised closer supervision of their California properties. Sabouret, *MM. Lazard Frères & Cie*., 88-91; "Fleishhacker's Appeal Filed," *Los Angeles Times*, December 16, 1938; Rougemont, *Lazard Frères*, 489-498.

[20] André Lazard to his parents, June 24, 1896, quoted in Didier Lazard, *Destins Inattendus: Les Descendants du Fondateur de la Banque Lazard* (Neuilly: n.p., 1992), 16.

decided against opening a German Lazard branch, fearing that protectionist German banking legislation would blights its prospects.[21]

The French Lazard firm undertook substantial government funding, and generally supported increases in French military expenditures. In 1908 the house floated a French government loan intended to amortize the country's floating debt and finance increased naval expenditures.[22] André Lazard nonetheless often castigated the weakness of French politicians of both left and right, condemning their reluctance to impose strict financial discipline upon the country and raise taxes.[23] By late 1912, the French Lazard partners, especially André Lazard, found ongoing crises in the Balkans so alarming that they strongly supported the issue of a major public loan by the French government, to put the French military in readiness for a potential war with Germany that they feared this international instability might provoke. Unfortunately, by the time the French parliament approved the necessary legislation in July 1914, war was less than a month away.[24] With war ever more likely, André Lazard reported to New York on the ensuing financial chaos, as panicked depositors sought to remove their funds from the banks.[25] When the French government intervened at the beginning of August, suspending the gold convertibility of the franc and imposing an emergency moratorium on business transactions in order to maintain financial liquidity, the Lazard firm made it a point of honor to allow their clients continued access to their deposits, criticizing less scrupulous banks with substantial reserves that failed to do likewise.[26]

There was no doubt where the firm's sympathies lay in 1914. In August 1914 the German-born George Blumenthal, dominant partner in the New York house, who was visiting France that summer and remained there for much of the war, grimly informed his American colleagues of his accurate belief that this conflict among the world's greatest industrial powers would become the most murderous war in history, leaving hundreds of thousands of men dead or wounded. He placed the blame for this upon Germany's "shameful" and "dishonest" behavior, which he characterized as exhibiting an unparalleled and inexplicable barbarity.[27] Two or three weeks after the war began, he urged his New York colleagues—including the German-born Paul Baerwald—to refrain from any kind of "collusion with Germany" during the war.[28] When German forces threatened Paris in the early weeks of the war, the French government moved temporarily to Bordeaux, and most of the major banks accompanied did likewise. Blumenthal, who had temporarily left for Nice with his wife, quickly returned to join Michel Lazard in Bordeaux. Frank Altschul later recalled that: "[W]hen the French government made upon us an

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[21] Rougemont, *Lazard Frères*, 274.
[22] Rougemont, *Lazard Frères*, 284.
[23] Rougemont, *Lazard Frères*, 284-286.
[24] Rougemont, *Lazard Frères*, 341-342.
[25] Ibid., 342-343.
[26] Ibid., 344.
[27] Blumenthal to Lazard Frères New York, August 3, 19, 1914, quoted in ibid., 343.
[28] Blumenthal to Lazard Frères New York, August 19, 1914, quoted in ibid., 360.

urgent request to move with them to Bordeaux, [Blumenthal] opened the office of Lazard Freres in Bordeaux and conducted its affairs from early morning until late at night until it was safe for the government and the firm to move back to Paris."[29]

The Paris Lazard firm did little non-official business during the war, in part because the French government monopolized most available capital for war purposes and, in so far as they operated at all, financial markets were geared to providing funds for the war effort. In any case, most of the Lazard personnel, twenty in all, had been called up or enlisted, which was why the firm left it to Blumenthal to move the office temporarily to Bordeaux, and then to run the Paris office during the war. To an observer in the New York office, it seemed that during the war many of the senior French and British members of the Lazard houses "had an interesting & absorbing & carefree time in Washington, France or wherever they were, coming into contact with new people having their horizons widened & getting satisfaction out of the fact that they were part of the game & getting mental and physical diversion."[30] David Weill, then forty-three and the father of a large family, worked in military administration with the rank of captain. His eldest son, Jean, served in the artillery. David Weill's cousin, the handsome and polished André Lazard, forty-five when the war began, also became a captain, seconded for a while to the staff of British commander-in-chief Douglas Haig, working in the War Ministry under Marshal Hubert Lyautey in early 1917, and spending some time in the trenches. Three of André's brothers also joined up. Max Lazard had a short stint in the forces as a German and English interpreter, and then in early 1915 was seconded to the French purchasing commission in New York, helping to negotiate French contracts for American war supplies and the American financing needed for these, and also reporting back to Paris on American opinion on war-related questions. Christian, despite a discharge on the grounds of precarious health, volunteered to serve in the commissariat as a lieutenant; and Jean was a lieutenant on the staff of the artillery, handling resupply.[31]

The London partners were equally absorbed in war work. Robert Kindersley, who became that firm's leading partner in 1905, made it into an important presence in the pre-1914 city of London, building up its acceptance and bond issuing business. Kindersley was a forceful personality, much respected in the British financial world. According to his obituary in the London *Times*: "Here at a glance was a man with whom it would be safe to go tiger hunting and whom it would probably be unprofitable to oppose." Physically, he was a "tall figure topped by a countenance expressing bulldog determination in every line, and made more impressive by a pair of bushy black eyebrows drawn straight across it." By 1914 Kindersley was a director of the

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[29] Frank Altschul, "Introductory Remarks," January 8, 1936, File Lazard History, Altschul Overbrook Papers; Rougemont, *Lazard Frères,* 346-348.

[30] Paul Baerwald, draft letter to André Lazard, July 19, 1927, Box 2, Paul Baerwald Papers, Columbia University Library.

[31] Rougemont, *Lazard Frères*, 345-346, 361-364, 366-367; Sabouret, *MM Lazard Frères & Cie*., 59-60; Didier Lazard, *Destins Inattendus: Les Descendants du Fondateur de la Banque Lazard* (Neuilly: n.p., 1992), 26-30, 193-198, 294.

Marine Insurance Company, the Hudson Bay Company of Canada, and the Mercantile Investment and General Trust Company. From 1914 to 1946 he was also one of the more active directors of the Bank of England, where he was perhaps not the easiest of colleagues.[32] Many years later, Kinderley's younger and more emollient partner Robert H. Brand recalled how Kindersley and Montagu Norman, Governor of the Bank of England from 1920 to 1944, "[s]ometimes . . . did not see at all eye to eye, and they were both strong men. On occasions the Governor asked me whether I could possibly induce my partner to change his mind."[33] A Dutch banker later remembered him as "The God of the City," recounting how "Bob Kindersley walking with a top hat into the Bank of England was simply enormous – superhuman." Another banker described him as "a buccaneer in the City, [who] would try anything that was in the rules."[34] Kindersley's personal accomplishments appreciably enhanced Lazard's standing in the city.

The First World War brought further luster. There are intriguing hints that Kindersley, who was from 1915 to 1925 the effective head of the Canadian Hudson Bay Company, worked closely with the young Jean Monnet, who would later head the post-Second World War movement for European Union, in helping the French government to obtain massive amounts of war supplies from Canada, through the medium of the Hudson Bay Company.[35] As early as 1911, Monnet had established close business relations with the Hudson Bay Company. In November 1914, the Hudson Bay Company apparently lent the French government 100 million gold francs, and it became an important source of Canadian war supplies for the French, often providing these on generous credit terms. In late 1914 Kindersley visited Paris to negotiate details of these arrangements with French Treasury and Bank of France officials.[36] Even after the Morgan firm established a supposed monopoly of British and French war purchases in early 1915, throughout the war the Hudson Bay Company quietly and discreetly continued to handle many French purchases in Canada.[37] So impressed were the Hudson Bay directors with Monnet's abilities, and by his refusal to accept any commission on the profits of more than £1 million their firm made from French war business, that in 1922 they made Monnet a loan for twenty years of £40,000 to assist his family cognac firm, with the understanding that, if he failed to repay the debt, they would simply consider it a gift. (Principal and interest on the loan was repaid in francs in 1930, by which time the French currency was only worth forty percent of its value eight years

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[32] London *Times*, obituary of Kindersley, July 21, 1954. See also John Orbell, "Kindersley, Robert Molesworth," *Oxford Dictionary of National Biography*, Vol. 31 (Oxford: Oxford University Press, 2004), 597-600; Rougemont, *Lazard Frères*, 328-330, 332-335.

[33] Minutes of Evidence taken Before the Committee on the Working of the Monetary System, Forty-Fifth Day, October 16, 1958, File 200, Brand Papers.

[34] Quoted in Kynaston, *The City of London*, Vol. III, *Illusions of Gold*, 73.

[35] François Duchêne, *Jean Monnet: The First Statesman of Interdependence* (New York: Norton, 1994), 33-36; Rougemont, *Lazard Frères*, 348-349.

[36] Rougemont, *Lazard Frères*, 348-349.

[37] Rougemont, *Lazard Frères*, 354-357.

earlier.)[38] From February 1916 to 1920 Kindersley chaired the British government's central advisory committee for war savings, setting up a system of national savings which attracted millions of relatively small investors to place their funds in government securities. Under Kindersley's leadership, 200,000 volunteers staffing 1,830 local "war savings committees" and 41,500 "war savings associations" helped to increase the numbers investing in British government securities from an original 345,000 in 1914 to 17 million by 1918. The determination and energy Kindersley brought to the work of raising funds for the British war effort won him a knighthood in 1917, upgraded in 1920 to Knight Grand Cross of the British Empire.[39]

In 1909 Kindersley recruited an equally able though less domineering colleague to Lazard Brothers in London. Robert H. Brand, a minor British aristocrat, the fourth son and seventh child of the Viscount Hampden of Glynde, was highly intellectual, so much so that he was once termed "the wisest man in the Empire." In 1901 he earned a first class degree in Modern History from New College, Oxford, whereupon he was elected a fellow of All Souls College, a position he retained, with some intervals, until his death in 1963. In the early 1900s, Brand was one of a group of Oxford-trained bright young men, christened the "Kindergarten," selected by Alfred, Lord Milner, the British governor in South Africa, to assist in that country's reintegration into the British empire in the aftermath of the Boer War. The experience left him and its other members lifelong supporters of strengthening the British Empire. Once he returned to Britain and joined Lazard Brothers in 1909, Brand became one of the founders of the self-consciously imperialist journal *The Round Table*. Throughout his life, he remained one of the "Moot," the editorial committee that set the quarterly's policies and critiqued its articles, and that also discussed broader plans for imperial union, many of them advanced by Lionel Curtis, another Kindergarten member and like him a fellow of All Souls. Brand's colleagues in these endeavors included Philip Kerr, heir to the marquessate of Lothian, who would serve as private secretary to British Prime Minister David Lloyd George during and immediately after the First World War; Geoffrey Dawson, long-time editor of the London *Times* between the world wars, a period when it was regarded as a British establishment mouthpiece; and Waldorf Astor, the son of an American real estate millionaire who settled in Britain and was eventually granted a peerage, which Waldorf eventually inherited. By the time the war began the members of this still close-knit group often congregated at Cliveden, a Buckinghamshire mansion overlooking the Thames Waldorf's father gave him as a wedding present in 1906, when he married Nancy Langhorne Shaw, a Virginia-born beauty who would later become the first woman to serve as a British

[38] Duchêne, *Jean Monnet*, 44.

[39] Orbell,"Kindersley, Robert Molesworth," 599; Rougemont, *Lazard Frères*, 365-366.

member of parliament. In 1917 Brand himself would marry Phyllis Langhorne Brooks, one of Nancy Astor's many sisters.[40]

Brand was already, of course, well known to the Altschuls and other Lazard partners. In later years, Brand would recall Charles Altschul as "an an extraordinarily good & kind friend to me" when he joined the Lazard firm.[41] The admiration was mutual. In 1919 Charles Altschul described his younger associate as "one of the more modern Englishmen who is very ardently at work to eradicate some of the old time misconceptions of his circle, and . . . one of the sanest, best balanced men I have ever met."[42] By the end of the war Lionel Curtis, who visited the United States during the war, also considered Charles Altschul a friend, and the two were apparently corresponding with each other.[43] The personal ties linking several of this elite British group to the United States were just one indication that they were among those who strongly believed that international stability depended upon the establishment of a cooperative Anglo-American world order. In Brand's view and that of the wartime Round Table Group, British imperial union alone would not suffice; it would have to be supplemented by close trans-Atlantic cooperation between the United States and the British Empire. From the beginning of the First World War, the journal *The Round Table*, edited by Philip Kerr until he left at the end of 1916 to work for Lloyd George, put forward this viewpoint. In numerous unsigned articles, most written by Kerr, the quarterly urged the administration of President Woodrow Wilson to follow policies of differential neutrality, favoring the Allied rather than the Central Powers, on the grounds that the Allies were battling German militarism and despotism in the cause of democracy and freedom. Kerr also urged the United States to join in any international organization established after the war to maintain peace and stability.[44] Subsidized for decades by the Rhodes Trust,

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[40]See Frank Altschul's lifelong correspondence with Brand, Files Robert H. Brand, General Correspondence, Altschul Papers; and the extensive correspondence between Brand and Charles and Frank Altschul scattered through the Robert H. Brand Papers, Bodleian Library, Oxford University, Oxford, England. Although there is no biography of Brand, there is a revealing article on him, Kathleen Burk, "Brand, Robert Henry," *Oxford Dictionary of National Biography*, Vol. 7 (Oxford: Oxford University Press, 2004), 344-346. He features prominently in James Fox, *The Langhorne Sisters* (London: Granta, 1998); Norman Rose, *The Cliveden Set: Portrait of an Exclusive Fraternity* (London: Jonathan Cape, 2000). On the Kindergarten and its evolution into the Round Table group, see also D. C. Ellinwood, Jr., "Lord Milner's 'Kindergarten,' the British Round Table Group, and the Movement for Imperial Reform, 1900-1918" (Ph.D. thesis, Washington University, 1962); John E. Kendle, *The Round Table Movement and Imperial Union* (Toronto: University of Toronto Press, 1975); Walter Nimocks, *The Kindergarten in Edwardian Imperial Affairs* (Durham, NC: Duke University Press, 1968); John Turner, *Lloyd George's Secretariat* (Cambridge: Cambridge University Press, 1980); Alexander C. May, "The Round Table, 1910-66" (D.Phil. thesis, University of Oxford, 1995); and Andrea Bosco and Alexander May, eds., *The Round Table, the Empire/Commonwealth, and British Foreign Policy* (London: Lothian Foundation Press, 1997).

[41] Brand to Frank Altschul, April 27, 1927, Folder 20 Condolences Charles Altschul 1927, Charles and Camilla Altschul Papers, Box 62, Altschul Papers.

[42] Charles Altschul to Frank Simonds, September 9, 1919, File Frank Simonds, Charles Altschul Files, Altschul Papers.

[43] Frank Simonds to Charles Altschul, February 17, 1919, File Frank Simonds, Charles Altschul Files, Altschul Papers. Many of the early papers of Lionel Curtis were destroyed in a fire at his home.

[44] Priscilla Roberts, "World War I and Anglo-American Relations: The Role of Philip Kerr and *The Round Table*," *The Round Table* 338 (January 2006), 121-125.

whose founder, Cecil Rhodes, had likewise staunchly believed in a world order founded upon an Anglo-American accord, *The Round Table* targeted elite rather than popular opinion throughout the British empire and on both sides of the Atlantic, seeking, in Kerr's words, "to propagate our opinions among the best people" and to reach "practically all men of real influence in politics, journalism, business, etc., who are in any way sympathetic".[45]

In an effort to give British readers greater insight into the United States, in 1915 *The Round Table* recruited the Canadian-born historian George Louis Beer, of New York's Columbia College, who published a wartime book urging unity and collaboration among the English-speaking peoples, to write regular articles on American issues for the journal. Beer described American public opinion and attitudes toward international organization, while warning his British readers that they should realize that the United States often had its own perspective upon matters relating to the war, which was entitled to respect. In summer 1915 Beer opined that "a daily increasing number [of Americans] perceive that the United States cannot in the future remain aloof from those questions that are determining the course of the world's history." If his country were drawn into the war, he believed: "The existence of common political traditions and ideals will inevitably . . . draw the United States more intimately to England than to any one of the other Powers." When American intervention occurred, Beer welcomed it.[46] He later stated his belief that a "perfect . . . identity of purpose" characterized British and American war aims.[47]

The Round Table also sought to reach influential American readers, efforts in which Brand played a significant role. The economic contribution of the United States to the Allied war effort was in many ways as significant as the country's battlefield role. The nature of the First World War, with all belligerents deploying enormous armies and using vast quantities of shells and guns, meant that on every side production and purchases of munitions expanded swiftly and enormously. The British purchased heavily from North America, in both Canada and the United States. Brand therefore spent much of the war based in those countries. Attempts to increase Canadian production of shells early in the war proved chaotic, and in 1915 the government dispatched him to the Imperial Munitions Board in Canada, to try to regularize and systematize ordering and production there. In fall 1917 he moved to Washington, as Deputy Chairman of the British Commission, part of the British bureaucracy handling North American munitions

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45 Kerr to Robert H. Brand, December 28, 1911, Brand Papers; and Kerr, memorandum to A. J. Glazebrook, April 28, 1910, cited in Nimocks, *Milner's Young Men*, 180-186.

46 G. L. Beer, "American Public Opinion and the War," *The Round Table* 5:20 (September 1915), 797-839, quotations from 837-838; Beer, "America's Reaction to the War," *The Round Table* 6:22 (March 1916), 285-314; Beer, "The United States and the Future Peace," *The Round Table* 7:26 (March 1917), 285-317; Beer, "America's Entrance into the War," *The Round Table* 7:27 (June 1917), 491-514; Beer, *The English-Speaking Peoples, their Future and Joint International Obligations* (New York: Macmillan, 1917); David P. Billington, Jr., *Lothian: Philip Kerr and the Quest for World Order* (Westport, CT: Praeger, 2006), 47; John E. Kendle, *The Round Table Movement and Imperial Union* (Toronto: University of Toronto Press, 1975), 195 n. 44, 252; and Deborah Lavin, *From Empire to International Commonwealth: A Biography of Lionel Curtis* (Oxford: Clarendon Press, 1995), 160.

47 Beer, "America's War Aims," *The Round Table* 8:30 (March 1918), 255.

purchases.[48] Brand took the opportunity to mount a subscription drive in the United States for *The Round Table*, advertising in the American journal *The New Republic* and sending mailings to editors, libraries, and academics. *The Round Table* characterized its objectives as "[t]he maintenance of the British Commonwealth of Nations. . . . [and] the furtherance of close and friendly relations between the Commonwealth and the United States." Although the periodical only increased its American circulation from one to two hundred, mostly in educated northeastern circles, its editors congratulated themselves on how many of these subscribers were influential members of the American elite.[49]

Brand's responsibilities in North America were an indication of the importance to the Allies of the war purchases they made in the United States and Canada and the overseas financing the Allied governments organized to pay for these, first through private bankers in the United States, later, after the United States had become a belligerent, from the American government through the U.S. Treasury. While systematizing British war purchases in Canada in 1915 and 1916, Robert Brand worked with the Canadian government, especially Sir Joseph Flavelle, head of the Imperial Munitions Board in Canada, and Sir Thomas White, the Minister of Finance, on campaigns to persuade Canadian bankers to purchase British Treasury notes, provide credits for British war purchases, and float several large war loans on the Canadian market.[50] From this vantage point, he had an uncomfortably intimate perspective on the escalating financial difficulties which the Allies faced in raising foreign exchange for purchases in the United States. By May 1916 he believed that "American Exchange is on . . . on an entirely artificial basis, and sooner or later, the effects of our immense purchases will be seen."[51] "[A]s each month goes by," he told Flavelle three months later, "the difficulty of providing [American] exchange is accentuated."[52] By August 1916, Bland was "quite certain . . . that the financial side of the War is now going to become, for the Allies, more important than any other, and that the extent of their victory is going to be decided by the extent to which [Great Britain] can make its financial resources last. . . . There is no question but that we are going to have a severe struggle in a few months to maintain the Exchanges from collapse, and if the American Exchange does collapse, it must . . . have an extremely serious effect on the War."[53] A few days after the United States

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48 See Files 4-11, Brand Papers.

49 Billington, *Lothian*, 47; see also Brand to Beer, November 17, 1917, File 8, Brand Papers.

50 For overviews of these efforts, see "The History of Canadian Munitions Finance," December 21, 1918, File 11, Brand Papers; also Frank Perry, "Confidential Memorandum," June 8, 1917, File 9(2), Brand Papers; Brand, "Memorandum on the Organisation and Work of the Imperial Munitions Board," March 6, 1917, File 74/1, Brand Papers; and Perry to Brand, August 17, 1915, File 10, Brand Papers; Rougemont, *Lazard Frères*, 365-366. Related correspondence in Files 4-11, Brand Papers, provides much additional detail on the Canadian industrial and financial war effort.

51 Brand to Frank Perry, May 3, 1916, File 5A, Brand Papers; see also Brand to Perry, May 15, 1916, June 12, 1916, June 30, 1916, Brand to Sir Joseph Flavelle, June 27, 1916, June 29, 1916, ibid.; Brand to Perry, July 1, 1916, File 5B, Brand Papers.

52 Brand to Flavelle, August 2, 1916, File 5B, Brand Papers.

53 Brand to Lord Chelmsford, August 28, 1916, File 5B, Brand Papers.

entered the war, Brand bluntly confessed: "We were in fact very nearly 'down and out' just before the American Government declared war on Germany."[54]

Britain's parlous exchange situation was the outcome of its almost insatiable demand for American funding to finance massive war purchases in the United States, requirements American bankers had faced increasing difficulty meeting during 1916. Before the United States entered the war, a "Trio" of three top banks, J. P. Morgan and Company, the National City Bank, and the First National Bank took the lead in New York in arranging loans and credits to the Allied governments. The Federal Reserve Bank of New York was particularly assertive in pushing for interpretations of the new Federal Reserve regulations that would permit the Federal Reserve Banks to purchase at slightly less than face value ("discount") acceptances banks had bought from merchants that had been issued to finance Allied war orders in the United States.[55] The Lazard houses in both London and New York were not leaders in Allied war financing, but whenever possible participated in such arrangements.

At the beginning of the war, the entire workings of the international financial system were disrupted, and the ramifications were felt almost immediately in the United States. The New York Stock Exchange closed for several months; American tourists found themselves stranded in Europe without any resources, as European banks refused to cash their travelers cheques and letters of credit; and European investors demanded immediate payment in gold for maturing American short-term credits and notes that had been marketed in Britain and France. Among the latter were $80 million in New York City notes, payment in which was due in London and Paris between October and December 1914. Led by J. P. Morgan and Company, in August 1914 a syndicate of New York banks sent $3 million in gold to be used by Americans stranded abroad, funds that supplemented a special appropriation dispatched by Congress for this purpose. Meanwhile, in New York City the Comptroller, acting on the Morgan firm's advice, issued $100 million in refunding gold notes, the proceeds to be paid to the Bank of England via Canada, to pay off the city's outstanding obligations as they became due. About half of these notes were bought by New York banks, and the remainder by the general public. At the beginning of the war the value of the dollar also fell dramatically on the foreign exchange market, further disrupting trade. In September 1914, Morgans therefore organized a gold pool, proposing the deposit of $100 million in gold in Canada for the credit of the Bank of England, to stabilize the

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54 Brand to Flavelle, April 12, 1917, File 6C, Brand Papers.

55 On these operations, see "Memorandum Relative to Financing by J. P. Morgan & Co. during the World War," no date, File 213-17, Thomas W. Lamont Papers, Baker Library, Harvard Business School, Boston, MA; Kathleen Burk, *Britain, America and the Sinews of War, 1914-1918* (Boston: George Allen & Unwin, 1985), chs. 1-5; Burk, *Morgan Grenfell 1838-1988: The Biography of a Merchant Bank* (Oxford: Oxford University Press, 1989), 103-134; Vincent P. Carosso, *Investment Banking in America: A History* (Cambridge, MA: Harvard University Press, 1970), 204-207; Chernow, *The House of Morgan*, ch. 10; Horn, *Britain, France, and the Financing of the First World War*; Robert H. Zieger, *America's Great War: World War I and the American Experience* (Lanham, MD: Rowman and Littlefield, 2000), 29-33; Roberts, "'*Quis Custodiet Ipsos Custodes?*,'" 585-620; and Paul A. C. Koistinen, *Mobilizing for Modern War: The Political Economy of Modern Warfare 1865-1919* (Lawrence: University Press of Kansas, 1997), 114-138.

dollar and facilitate trade. Forty-five percent of this gold was to be contributed by New York banks, which came under heavy pressure from the Morgan firm to take part in all these operations, as a matter of responsibility to the community and the financial system. Not surprisingly, Lazard Frères in New York, which had since its inception specialized in shipping gold internationally, was a member of all these syndicates.[56]

These early operations were essentially a matter of damage control to alleviate the war's initial financial impact on the United States. Almost immediately, however, the belligerent nations, and particularly the Allies, began to view the United States as a potential source of war supplies and finance. In the early months of the war, the French Lazard firm was heavily involved in ventures by its own government to raise foreign funds to finance the war effort and maintain the franc exchange rate, operations that Blumenthal orchestrated. In mid-October 1914, Blumenthal asked his New York colleagues to try to provide one to two million dollars for the French government, an operation that was apparently successful, winning Lazards a privileged position in such funding. In December 1914, Lazards raised a further four million dollars for the French Treasury, and in mid-December Blumenthal anticipated they would need a further five million dollars by the end of the year.[57] By then Lazard Frères had returned to Paris, where Blumenthal remained for several additional months, reporting to the New York office that German Zeppelin raids on the French capital, far from frightening anyone, merely served as a spectacular form of entertainment.[58] In December 1914 and January 1915 Blumenthal worked with the British Lazard house in persuading the Bank of England to transfer two million pounds sterling from its own reserves to those of the Bank of France to support the franc. As the year ended, Lazard New York raised a further two million dollars for the French on the American market. Overall, by the end of 1914, Blumenthal had choreographed the transfer of more than 60 million francs in additional funds to boost the reserves of the Bank of France.[59]

In November 1914 Lazard Brothers joined with Morgan, Grenfell, the London house of J. P. Morgan and Company, in establishing an accepting syndicate that would handle up to £3,500,000 of credits to finance war purchases in North America on behalf of the French and Russian governments.[60] By January 1915, *The Wall Street Journal* listed Lazard Frères as one of eight U.S. banks that were most active in the novel and still small American market for foreign acceptances.[61] Around the same time Lazard in New York was contemplating taking part, together with J. P. Morgan and Company and the blue-chip Brown Brothers investment house, in

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56 On these operations, see Carosso, *Investment Banking in America*, 193-200. For Lazards' participation, see Frank Altschul, "The House of Lazard," September 27, 1935, File Lazard History, Altschul Overbrook Papers.
57 Rougemont, *Lazard Frères*, 347-348.
58 Ibid., 349.
59 Ibid., 349-351. On the transactions with the Bank of England, see also Martin Horn, *Britain, France, and the Financing of the First World War* (Montreal and Kingston: McGill-Queen's University Press, 2002), 43-45.
60 Henry P. Davison to J. P. Morgan & Company, December 9, 1914, Box 34, J. P. Morgan, Jr., Papers, Pierpont Morgan Library, New York.
61 "Market for Acceptance a Narrow One as Yet," *Wall Street Journal,* January 27, 1915.

what a British Morgan partner described as a "big transaction" of $19,320,000 for a "very special client," business which "other influences beside profit came into."[62] It remains unclear precisely what this operation might have been, but it almost certainly referred to a slightly unorthodox undertaking for one of the Allied governments. Conceivably, this referred to "the question of settlement of balances between London and New York," a matter that had been much to the forefront in the early months of the war, when for a brief period the balance on the exchanges was very much in the favor of the Allied markets. By December, however, Henry P. Davison, the driving force in the New York Morgan firm, who had just arrived in Europe, thought this problem was "really not a pressing question of the moment," as he told Blumenthal in Paris.[63] In any case, as Davison told J. P. Morgan, Jr., senior partner of his firm back in New York, Edward C. Grenfell of the London Morgan firm resented sharing business on equal terms with either Lazard or Brown, and the Morgan partners preferred to confine those New York firms associated with on the same level with them in organizing war financing to the Trio of the National City Bank and the First National Bank of New York.[64]

In the small, close-knit of New York banking, room at the top was distinctly limited and jealously guarded. In what would become a recurrent repetitive motif and refrain over the next two decades, on Lazards' behalf Blumenthal deeply resented the manner in which, in early 1915, the New York Morgan firm, which like the Lazard firm also boasted British and French houses in London and Paris, successfully won itself a predominant position in handling British and French wartime financing and purchases in North America, encroaching even on what he had hoped would be a Lazard monopoly in Canada.[65] Under British pressure, French officials acquiesced somewhat reluctantly in this arrangement, and the Morgan firm's wartime standing in France was never as exclusive as its partners would have wished. To the irritation of Morgan, Harjes, and Company, the Paris Morgan firm, for some time Lazard representatives continued to conduct exchange operations on behalf of the French government, and until the end of May 1915 the Lazard firm in Paris organized further gold transfers from British reserves in Canada to the vaults of the Bank of France.[66] The Lazard New York house also continued, as they had for many years, to handle exports of gold shipped from Paris to New York to settle outstanding trade balances, receiving $2,500,000 in May 1915 from the Bank of France, which was immediately deposited in the U.S. Sub-Treasury.[67] Such shipments failed to prevent the French exchange rate falling dramatically in the first half of 1915. On its own behalf and that of its clients, the French Lazard firm also subscribed heavily to an offering of 5% war bonds issued by the French

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62 Edward C. Grenfell to J. P. Morgan, Jr., November 10, 1914, Box 33, Morgan Papers.

63 Henry P. Davison to George Blumenthal, December 5, 1914, Box 34, Morgan Papers.

64 Davison to Morgan, December 11, 1914, Box 34, Morgan Papers.

65 Rougemont, *Lazard Frères*, 350-357. On the Morgan arrangements with the British and French and their implementation, see also Horn, *Britain, France, and the Financing of the First World War*.

66 Rougemont, *Lazard Frères*, 354-357.

67 "Gold Imports Fail to Help Exchange," *New York Times*, May 20, 1915.

government in December 1915, taking a total of 30 million francs. A year later, in December 1916, the Paris house purchased a further 14 million francs of the so-called "Victory Loan."[68] The French firm's efforts to support the franc exchange rate through currency transactions in pounds and dollars became so frequent that in fall 1916 the Bank of France opened permanent accounts for this purpose with both Lazard Brothers in New York and Lazard New York. None of the three firms charged any commission for these operations during, although the outstanding balances left in their custody provided indirect remuneration.[69] Their limited transactions for the French government notwithstanding, the Lazard partners, especially Blumenthal, found extremely galling their relegation by Morgans to a secondary rank.

However intense Blumenthal's resentment of the Morgan firm's overbearing behavior might be, this did not preclude extensive business cooperation. In fall 1915 Lazard Frères was one of numerous New York financial houses that shared in underwriting the $500,000,000 Anglo-French loan, the first big public bond issue that the Allied governments floated in the United States, an offering that a syndicate headed by J. P. Morgan and Company floated on the American market in fall 1915.[70] As the war and the Allied need for American funds continued, Lazard New York could be relied upon to subscribe to further British and French war loans. In August 1916 Lazard Frères New York took $750,000 of an offering of $250,000 of United Kingdom two-year secured 50% notes, making a profit of $5,700 and featuring among the top forty participants in a syndicate of 487 organized by J. P. Morgan and Company.[71] As the Allies found it ever harder to raise funds in the United States, in October 1916 the New York Lazard firm was were included in the Morgan-organized syndicates that subscribed to two British loans on the American market. They took $2,500,000 of a total of $300,000,000 5½% three- to five-year secured British loan notes, putting them among the top twenty of 538 subscribers, at a profit of $33,400; and $2,000,000 of an issue of $250,000,000 of a 5½% secured British one- and two-year notes, making a profit of $26,800 and again ranking among the first top twenty of 652 participants.[72] In April 1917, just before the United States entered the war, Lazard took $1,000,000 of an issue of $100,000,000 of ½% French Republic secured gold loan notes, this time featuring among the top thirty of 581 participants in a Morgan-organized syndicate, and making a profit of $18,050.[73]

The outbreak of war gave something of a boost to those American businessmen and bankers, many of them based in New York, who hoped that their country would embark on an era of great

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[68] Rougemont, *Lazard Frères*, 360-361.

[69] Rougemont, *Lazard Frères*, 361.

[70] *New York Times*, October 15, 1915; Rougemont, *Lazard Frères*, 359-360.

[71] Exhibits 4043 and 4044, J. P. Morgan & Company, lists of participants and profits, *Munitions Hearings*, 32:10289-10299.

[72] Exhibits No. 4058 and 4060, J. P. Morgan & Co., lists of participants and net profits, in ibid., 10305-10313, 10317-10325.

[73] Exhibits 4071-4073, J. P. Morgan & Company, lists of participants and net profits, ibid., 10351-103732.

prosperity and become the world's leading financial and commercial center, able to rival or even surpass Great Britain.[74] In mid-1916 the Lazard house in New York, after reporting to its British colleagues in London that American interest rates were relatively easy and likely to remain so for the indefinite future, addressed this issue, but rather hedged their bets.

> On[e] of the question[s] which most occupies men's minds in the [New York] financial district is what effect the end of the war will have on our financial and commercial situation. It is difficult to find two people who answer this question in the same way. Some are impressed with the enormous increase in the nation's wealth during the war period, and feel that this will serve as the basis for continued prosperity after the war. Others, less optimistic, believe that after the war there will be a tendency for European nations to curtail their purchases and increase their sales wherever possible, and that, having regard to the increased efficiency of production, which the European nations have gained during the war, we will face in all markets a competition such as we have never had to face before, and that this will be but the prelude to an industrial depression of wide scope. This latter view is, we believe, the more widely held of the two.

"In consequence," the writer continued, "our stock market has for the last six months been in the process of discounting, among other things, the end of the war. Regardless of which view turns out to be the correct one in the long run, it is probably not too much to say that there has been a gradual shifting of securities from weaker to stronger hands, and that the technical position of the stock market is to-day better than it has been in many months."[75] There is no definite evidence that Frank Altschul drafted this internal communication, but it does seem to bear traces of what would become his pronounced interest in long-term economic and historical trends and developments in the national and international arenas. Meanwhile, actual business in New York was, it seems, rather slow. One partner recalled the war years as a time when "we carried on, money was made & things continued to be fully satisfactory to everybody. Not much actual business was done but constant study & effort were required to appraise situations out of which monetary profits could be made."[76] So dormant did the Lazard houses' business become as a result of war, particularly after April 1917, when American entry as a belligerent meant that all three of its branches were preoccupied with the conflict to the exclusion of almost all else, that

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[74] On the movement to expand American foreign business before and during World War I, see Burton I. Kaufman, *Efficiency and Expansion: Foreign Trade Organization in the Wilson Administration 1913-1921* (Westport, CT: Greenwood Press, 1974); Carl P. Parrini, *Heir to Empire: United States Economic Diplomacy, 1916-1923* (Pittsburgh: University of Pittsburgh Press, 1969); and William H. Becker, *The Dynamics of Business-Government Relations: Industry & Exports, 1893-1921* (Chicago: University of Chicago Press, 1982).

[75] Lazard Frères New York to Lazard Brothers, July 21, 1916, File G1/1/420, Benjamin Strong, Bank of England Archives. London.

[76] Baerwald, draft letter to André Lazard, July 19, 1927, Box 2, Baerwald Papers.

for a year or so after October 1917, the French partners seriously contemplated closing either the London or New York house for good.[77]

While the New York Lazard partners were clearly pro-Allied in sympathy, and eager to ensure the Allies access to war supplies and financing in the United States, during the period of American neutrality they seem to have kept a rather low profile on war-related issues, at least in public. They were rather annoyed when, long before the United States entered the war, Alma Mahler of Vienna, the widow of Gustav Mahler, the composer, without any warning or communication with Lazard transferred the management of her investments from Lazard Frères in New York to their German Jewish rivals, Kuhn, Loeb & Company. She apparently feared that Lazard's relationship with its British and French houses might lead the Austrian government to look askance at these assets, which were in fact frozen by the United States government after it declared war on Austria in late 1917. The affront clearly rankled. In 1919, Charles recounted, "she wrote a long letter . . . in which she asked us to again take over her affairs and forget what she had done, which I very promptly refused. . . . I suppose this is too unfriendly an attitude when a goodlooking woman is involved, but there are certain things which I never forget and never forgive."[78]

In terms of the written record, rather little has survived on Frank Altschul prior to the late 1920s. The documentary record on Charles Altschul is more informative, though even in his case virtually nothing has survived that dates back before 1914. His past involvement, albeit minor, in currency reform and the movement to establish a federal reserve system in the United States ranged him with those international-minded bankers throughout the country who envisaged their country as possessing sophisticated financial mechanisms that would enable it to compete with other big powers in the global arena. Charles' support of an expanded American world role had its limits, however. He deplored the Spanish-American War of 1898, a conflict championed by future president Theodore Roosevelt, that is often regarded as the beginning of U.S. efforts to take a larger role on the world stage. Roosevelt was someone whose views in international and domestic affairs both Altschuls seem largely to have admired, but where the war with Spain was concerned, Charles Altschul "[thought] the less said the better for our good name. To my mind," he continued, "it was the most desperate imperialistic outbreak, engineered by many different interests, but politically utterly unwarranted." He believed that the questions at issue in Cuba could and should have been settled by negotiations between the Spanish and American governments, and concluded: "It does not seem to me as if we should ever refer to anything

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[77] William D. Cohan, *The Last Tycoons: The Secret History of Lazard Frères & Co.* (New York: Doubleday, 2007), 22-23.

[78] Charles Altschul to Paul Hammerschlag, January 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

connected with this war, as a precedent."[79] In the aftermath of August 1914, he certainly made no effort to invoke any episode relating to the war of 1898.

The outbreak of war in Europe forced Charles Altschul, a non-practicing Jew of German and Austrian ancestry, born in London as a citizen of the United States, the country to which he moved at the age of nineteen and where—albeit with many extended trip to Europe—he spent the rest of his life, to clarify his own identity and loyalties to himself, his extended family, and eventually in public. He personally placed much of the responsibility for his entrenched opposition to Germany during the First World War upon his longstanding antipathy toward the militaristic policies of the Kaiser and his government. In 1918 he told one correspondent that he himself was someone who

> has been for many years a student of German history, which has been his special field in university teaching, and has lived and studied abroad and appreciates the excellent qualities of the German people but does not on that account find it possible to excuse either now or at any time the settled and impossible purposes of the government which has been shaping the thinking and ideals of this generation of Germans. You are old enough to be back to the spirit which moved Germany in 1848. With that kind of a Germany there could never have been such a complete overthrow of all the things which the world and with it the saner and humbler, for uninfluential, Germans hold true.[80]

Drawing on personal biographical recollections, he recounted how:

> When I was a youngster of about 18, I was apprenticed in business in Berlin, and on my way to and from the office, often had occasion to pass drill grounds, and to witness there the display of brutal treatment of the common soldiers by officers and non-commissioned officers. It made an indelible impression on my mind. For many years past, I have followed these very conditions in the liberal and socialistic German press, and find that similar conditions in that respect appear to exist today as existed then.[81]

Charles Altschul's existing inclinations had long since been reinforced by his lengthy association with the Lazard firm. In particular, he had imbibed the French partners' views on the wrongs France had suffered at Germany's hands during the Franco-Prussian War of 1871. In 1920 Charles Altschul told André Lazard of the Paris house:

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79 Charles Altschul to Arthur Goodhart, January 8, 1923, File Arthur Goodhart, Charles Altschul Files, Altschul Papers.

80 Charles Altschul to Reinhold Liebau, File Guy Ford, January 10, 1918, Charles Altschul Files, Altschul Papers.

81 Charles Altschul to Liebau, January 16, 1918, File Guy Ford, Charles Altschul Files, Altschul Papers; cf. Charles Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag, 1920-1922, Charles Altschul Files, Altschul Papers.

> I went to school in Germany during the war of 1870-71; imbibing of course the German version of all that happened. I entered the employ of your firm in S.F. [San Francisco] in 1877, when Mr. and Mrs. Alexandre Weill [head of the firm] were still full of the injury and wrong done their country. They received me at their home with the greatest kindness and I there had the first opportunity to hear the questions of the war discussed from the other standpoint. Of course, it was a revelation which I followed as well as I could, and I soon became convinced that I had been humbugged in school.[82]

His views had not changed since. He later told a cousin: "I did my share in the early days to promote 'Deutsche Weise' [German ways], but I never failed to follow the development of the cancer [militarism] which I thought was knawing [sic] at Germany's vitals; I read the German newspapers and periodicals." He also stated that, as German imperial ambitions grew under Kaiser Wilhelm II, his own "general attitude towards everything German changed, owing to the change in the German attitude towards the world at large."[83] Austria-Hungary's annexation, with German support, of the former Ottoman provinces of Bosnia and Herzegovina in 1908 had, Charles recalled in 1920, alarmed him and convinced him that "this was the beginning of the downfall of Austro-Hungary."[84]

From the time the war began until well into the 1920s, Charles Altschul maintained a voluminous correspondence with his numerous German and Austrian relatives on the rights and wrongs of the conflict. In January 1915 Charles defended Britain against charges by his cousin Paul Hammerschlag that British policies were responsible for the outbreak of war, stating that he considered Britain the country that possessed greater personal freedoms, overall solidity, and higher business standards than any other, a shining light of freedom of speech, religious tolerance. He hailed the British empire as a voluntary association of peoples who had enthusiastically joined together to enjoy these benefits. Britain, he said, was where he himself had been born, and he had imbibed its traditions.[85] A few years later, he forthrightly told one of the French Lazard partners that "my first love is England."[86] Then and later, Charles Altschul left his often dissenting relatives in Germany and Austria in no doubt as to his sympathies, stating uncompromisingly that, "admitting that there was in Europe, in 1914, political anarchy, as it has been called, and that to that extent, all countries were more or less responsible for an outbreak, the fact nonetheless remains that this outbreak was directly due to the fact that Germany refused,

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82 Charles Altschul to André Lazard, September 30, 1920, File Lazard, Charles Altschul Files, Altschul Papers.

83 Charles Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

84 Charles Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

85 Charles Altschul to Paul Hammerschlag, January 23, 1915, Charles Altschul Files, Altschul Papers.

86 Altschul to André Lazard, January 10, 1921, File Lazard, Charles Altschul Papers.

at the last moment, to enter discussions when Russia, as well as Austria, had intimated a willingness to do so." He therefore blamed German militarism for the outbreak of war in 1914.[87]

Charles also defended United States loans and sales of war matériel to the Allies, to which some of his German correspondents objected, as entirely justified under accepted definitions of neutrality.[88] In 1918 Charles once again told a German American, who had questioned the neutrality of America's war trade with and loans to the Allies, that German war loans had also been placed in the United States, and that individual American citizens and businesses had been free to sell or not, as they pleased, to belligerents on either side. The fact that British naval control of the seas had precluded substantial German war purchases in the United States was immaterial. "Had we then stopped trading with England and France, we would have taken sides with Germany, because we would have thereby offset the advantage which her adversaries had gained over her, by recognized usages of war, viz. the stopping of her ocean communication." Charles also argued that, because Germany had prepared well in advance for the war, stockpiling munitions and training its military, any embargo on war trade with all belligerents "would have prevented those countries which had intentionally neglected war preparations, from effectively defending themselves against those countries which had kept prepared to the top notch right along."[89]

Charles Altschul apparently believed that a negotiated peace settlement effectively restoring the status quo of August 1914 would not suffice. By April 1915 Charles Altschul believed that the war was likely to be protracted, since "[t]he determination shown by the English and French is met by an equal determination shown by the Germans," and he did not believe the Germans would ever be ready to make peace "unless their territory is first invaded." This, he believe, would "take a long time," leaving him "not at all hopeful of early peace, although nothing would give me greater satisfaction than to see it brought about on some basis consistent with English interests."[90] He later recalled that, from the time the war began in Europe, even before the United States "entered the war in Europe, and still more thereafter, I insisted and argued with friends and in every private manner at my command, that the historic claims of France [to Alsace-Lorraine] were beyond question; that the war had to be fought on until Germany would relinquish her hold on that territory; that to allow Germany to retain that symbol of her rape,

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[87]Quotation from Charles Altschul to Hammerschlag, no date [1919 or 1920], File Paul Hammerschlag, Charles Altschul Files, Altschul Papers ; see also Charles Altschul to Hammerschlag, January 23, March 22, 1915, May 3, 1920, January 10, 1921, February 16, 1927, Files Paul Hammerschlag 1914-1919, 1920-1922, 1926-1927, Charles Altschul Files, Altschul Papers; Charles Altschul to Willy Altschul, March 11, 1915, File Willy Altschul, Charles Altschul Files, Altschul Papers; Charles Altschul to Carl Heymann, February 27, March 12, April 3, 1915, File Carl Heymann, Charles Altschul Papers; Charles Altschul to Frank Altschul, December 21, 1925, File Frank Altschul, Charles Altschul Files, Altschul Papers; Altschul, "The War Guilt Controversy," *Current History* (June 1926), copy in Writings File, Charles Altschul Papers.

[88] Charles Altschul to Willy Altschul, March 11, 1915, File Willy Altschul, Charles Altschul Files, Altschul Papers.

[89] Quotations from Charles Altschul to Reinhold Liebau, January 16, 1918, File Guy Ford, Charles Altschul Files, Altschul Papers; see also Altschul to Liebau, January 10, 1918, ibid.

[90] Charles Altschul to Brand, April 2, 1915, File 114, Brand Papers.

would leave her in the old state of mind forever."[91] He also, he subsequently recounted, "maintained . . . that unless the Allies would beat Germany, other countries would help them do it."[92] Given these views, Charles was unsympathetic to President Woodrow Wilson's efforts between 1914 and 1916 to avoid pushing clashes with Germany over submarine warfare to the point of outright war, and equally hostile to Wilson's attempts to mediate a peace settlement.

By 1916 Charles Altschul and Robert Brand, then based in Canada with the Imperial Munitions Board, were corresponding regularly on war-related issues. In June 1916 he sent Brand an article by the pro-Allied American journalist Frank Simonds, which Brand passed on to the Foreign Office, that suggested that the British war effort had not been particularly competently run. Brand told Altschul that part of the problem was that Britain, being a democracy, "parade[d] our faults to the world," giving "neutral observers" an exaggerated idea of British incompetence. He also complained that Britain "would welcome from the Americans some true appreciation of the efforts and sacrifices" the country was making "in this struggle for life." He told the undoubtedly sympathetic Altschul that, although the British had "ceased now to look for any active help from America," they nonetheless "believe[d], and I think rightly, that they are really fighting the battle for freedom and democracy, and therefore the American battle as well as their own."[93] Brand also stressed to Altschul how much the other Allies depended on Britain's contribution, in terms of finance and seapower and increasingly on the military front as well, a theme he repeated six months later, telling his partner that "the Allies depend absolutely and entirely on this country. Not only would they be unable to go on for a week if we lost command of the seas, but it has only been our extraordinarily lavish lending of money to them that has enabled them to continue hitherto."[94]

On occasion, Charles Altschul sought to affect public opinion by using press contacts to put forward his views on the war. In late 1916, after his narrow victory in the presidential election that November, President Woodrow Wilson unavailingly attempted to bring the war to an end in a negotiated peace, asking both sides to state the terms they would be prepared to accept. In an attempt to exert financial and economic pressure upon the Allies, Wilson coordinated this move with the issue of public warnings by the Federal Reserve Board against American purchases of the securities of any belligerent nations, announcements of which the German-American Federal Reserve Board director was a prime architect, and which quickly drained Allied reserves of dollar exchange.[95] This initiative alarmed Charles Altschul, who felt that Wilson was responding

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91 Charles Altschul to André Lazard, September 30, 1920, Folder Lazard, Charles Altschul Files, Altschul Papers.

92 Charles Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

93 Brand to Charles Altschul, June 5, 1916, File 5A, Brand Papers.

94 Brand to Charles Altschul, December 2, 1916, File 8, Brand Papers; cf. Brand to Charles Altschul, June 5, 1916, File 5A, Brand Papers; and Brand to Charles Altschul, April 10, 1917, File 8, Brand Papers.

95 John Milton Cooper, Jr., "The Command of Gold Reversed: American Loans to Britain, 1915-1917," *Pacific Historical Review* 45:2 (May 1976), 221-227; Link, *Wilson: Campaigns for Progressivism and Peace*, 200-203;

to German threats to resume unrestricted submarine warfare, a development that was likely to bring the United States into the war, unless the American president prevailed on the Allies to accept German terms. Charles Altschul wrote to Simonds deploring this development, which he stated that he himself believed was in part due to pressure German American financiers had exerted upon Wilson. He urged Simonds to draw attention to the German backing for Wilson's campaign for peace. Although he disliked the "inhuman manner in which Germany has conducted the war," he argued that the real reason why peace would not at this time be acceptable to Britain was the fact that, in his view, Germany had been responsible for the outbreak of war, and it was a "deliberately planned and deliberately stoked conflagration." In his opinion:

> The greatest and most ruthless German statesman of our times – Bismarck – expressed the conviction that even successful wars could only be justified if forced upon one; and that nobody could look into the ends of Providence in such a manner as to anticipate the trend of history by his own calculations. Nonetheless, the Germans did it in 1914, as they had done it in 1870!

He hoped that Simonds would write a series of articles that would "illuminate the hidden plans and intentions of the German leaders" and thereby discredit the current propaganda for peace. Charles Altschul also discussed well publicized proposals propagated in the United States by the influential League to Enforce Peace, plans President Wilson had endorsed earlier that year, to establish an international organization of nations that would prevent future wars. While describing such "efforts" as "undoubtedly very laudable" in principle, he wondered if these were "practical." Implicitly criticizing Wilson's past reluctance to push crises with Germany to the point of war, Charles Altschul queried how one nation would respond to a demand by such a league that they take "aggressive action" against another country "if its leaders were of the spineless kind who taught that they were too proud to fight, or that they believed in safety first?" He did not think "such a League" could be founded until the war was over, once "the German people realize that their dream of world dominion is crushed." Germany would have to accept that: "No single power can control Europe, as far as can now be foreseen." Concerned that "[p]ublic opinion in this country" might be "swayed" by the president's efforts to force a negotiated peace, and that he might invoke "practical considerations" such as "[t]he high cost of living" as an excuse for these, Charles Altschul believed it would "be helpful if the original responsibility for the terrible misery were fastened again and again upon those who brought on the conflict."[96] He sent a copy of this lengthy letter to a fellow New York banker in the Central Trust Company of New York, who agreed with him in condemning "Mr. Wilson's misleading

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Devlin, *Too Proud to Fight*, 585-587; Horn, *Britain, France, and the Financing of the First World War*, 142-165; Roberts, "'*Quis Custodiet Ipsos Custodes*?,'" 607-615; Burk, *Britain, America, and the Sinews of War*, 80-95; Koistinen, *Mobilizing for Modern War*, 131-135.

96 Charles Altschul to Frank Simonds, November 25, 1916, File General Correspondence O-Z, Charles Altschul Files, Altschul Papers.

leadership which has instructed our people that with the cause and objects of the war we have no concern."[97]

To Charles Altschul's pleasure, Simonds responded by publishing a lengthy leading article in the *New York Tribune*, warning Americans that: "All that civilization means remains at stake." Claiming that the stakes in Europe were as high as those in the American Civil War in 1864, when many had urged President Abraham Lincoln to accept a negotiated peace and allow the Southern states to secede, Simonds argued that, while Americans could be indifferent to such relatively minor issues as "the possession of Constantinople or the partition of Asia Minor," this was not true of the conflict's broader, transcendent theme. "[W]e are interested in the preservation of humanity, of civilization and of law from the assault which the Germans have made upon them and the menace which a survival of the German idea would have for them." Peace would not be possible, he argued, until Germany had been conclusively defeated and its current rulers overthrown. "The German has elevated the German interest and the German purpose above all that civilization has acquired in the centuries. He has proclaimed in advance of the present war that German necessity was above law." The German armies had prosecuted the war through "organized, carefully and scientifically planned butcheries which are the lasting expression in blood of the meaning of Germanism in the world to-day." If Germany won the war or came out of it having gained additional territory, Simonds warned, this would only lead Germany to follow provoke similar conflicts for its own advantage in the future, as it had for two centuries, since the time of Frederick the Great of Prussia.

> This war was born of German determination to crush all that came between Germany and world domination. It was provoked after long preparation, it was prosecuted with fiendish brutality which endures to the present moment and with each succeeding month gives new proof of German spirit and German methods. It can only end when this German spirit is exorcised, whether it ends at the Rhine or the Spree, whether in 1917 or 1927. It can end only in one way, because to believe that it could end save in German defeat would be to believe that we were witnessing the end of all that makes for sweetness and light, for human happiness and human aspiration in this world.

Simonds vehemently urged Americans that they must therefore do nothing to prevent France and Britain fighting Germany to a finish.[98]

Charles Altschul immediately forwarded Simonds' article to Brand, who naturally welcomed it.[99] Brand and the French Lazard partners were all alarmed by developments in the United States during late 1916, when Wilson pressed all belligerents to state the peace terms they would accept

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97 C. R. Berrier to Charles Altschul, File General Correspondence O-Z, Charles Altschul Files, Altschul Papers.

98 [Frank Simonds], "The Great Parallel," *New York Tribune*, November 28, 1916, enclosed in Simonds to Charles Altschul, November 27, 1916, File General Correspondence O-Z, Charles Altschul Files, Altschul Papers.

99 Brand to Charles Altschul, December 2, 1916, File 8, Brand Papers.

and publicly discouraged further private loans and credits to the Allies, moves that had serious implications for continued Allied access to American war supplies and credits. In January 1917 Max Lazard, who had been attached to the French Commission in New York since 1915 and was the brother of André Lazard, one of the French partners, wrote a lengthy memorandum analyzing the situation and recommending a carefully thought-out and organized Allied propaganda campaign in the United States, emphasizing German militarism, sabotage, atrocities, and disregard for international law and American rights, and highlighting German involvement in the American pacifist movement.[100] Brand applauded this memorandum, which he described to one British government official as "extraordinarily acute and clearly reasoned."[101] A few weeks later, in early January 1917, the German declaration of unrestricted submarine warfare led, first to the breaking of diplomatic relations between the United States and Germany and then, in April, to outright hostilities between the two countries. In the hiatus period between these two events, Brand told André Lazard that he "still fe[lt] quite uncertain as to the outcome," and did not know whether Wilson would actually go to war against Germany. "As a nation," he added, "one cannot help feeling that they [the Americans] present a miserable spectacle."[102]

Charles Altschul would not have disagreed, and would probably have been willing to join such a propaganda campaign. Over a month later, he told Brand that he could "well imagine that you wonder how long this country will put up with Teuton outrages; I wonder myself." He believed that Wilson was anxious "to develop a situation in which everyone, no matter how pacific, realizes that this government tried very hard to preserve peace, but that the German attitude forced us into the conflict," something that, in Altschul's view, "needed no demonstr[a]tion."[103] Given these views, it seems that both Altschuls, even though they had close relatives and friends in Germany and Austria, almost certainly welcomed the eventual U.S. declaration of war. Citing a speech by former secretary of state Elihu Root, one of the foremost pro-Allied partisans among the East Coast elite, Charles Altschul later told Arthur Goodhart, Helen Altschul's brother, that he believed that the underlying reason for United States entry into the war was that, had Germany won, its next target would have been the United States. He also regretted that his country, when it intervened, did so only as an "Associate" of the Allies, rather than ranging itself wholeheartedly with them.[104] Charles Altschul would later publicly lament that the United States

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100 Max Lazard, "Notre Resumée sur la Situation Americaine au debut de Janvier 1917," January 1917, File 8, Brand Papers.

101 Brand to Eustace Percy, February 19, 1917, File 8, Brand Papers.

102 Brand to André Lazard, February 12, 1917, File 8 Brand Papers.

103 Charles Altschul to Brand, March 20, 1917, File 8, Brand Papers.

104 Altschul to Arthur Goodhart, January 8, 1923, File Arthur Goodhart, Charles Altschul Papers. Eugene Meyer, later the proprietor of *The Washington Post* and another scion of the Lazard Fréres San Francisco banking families, shared this perspective, which seems to have drawn heavily on the navalist outlook of Captain Alfred Thayer Mahan. Eugene Meyer, oral history interviews, January 6, 1952, p. 59, January 7, 1952, p. 66, February 3, 1952, pp. 170-171, 212-214, draft oral histories, Eugene Meyer Papers, Library of Congress Manuscripts Division, Washington, DC.

had not entered the war earlier.[105] Soon after the conflict ended, he even told Brand that "from the start, I favored going in with the Allies to uphold the eternal principles which bind the Anglo-Saxon peoples together."[106]

Every indication suggests that Charles' son Frank shared his father's profoundly Anglophile outlook, and would continue to adhere to this until his own death in 1981. Many years later he told a British diplomat he had "inherited from [his] father a predisposition in [the] direction" of "the closest cooperation between the United Kingdom and the United States."[107] In 1957 he quoted extensively from his father's writings on the ties between Britain and the United States when introducing a British cabinet minister at the Council on Foreign Relations.[108] There is every reason to believe that during the First World War the son was as staunchly pro-Allied as his father. In the late 1930s, Frank would likewise state that "the underlying cause" why the United States intervened in 1917 was not "financial involvement with Europe, the torpedoing of American ships," or "the loss of American lives in the war zone," but the fact that "we felt our national self-interest would be unfavorably affected by a victory of the Teutonic powers."[109] He later recalled the "responsibility . . . we faced in the early days of the First World War" to promote Anglo-American harmony under difficult circumstances.[110] Frank Altschul made at least one trip to Europe during World War I, departing some time in July 1915.[111] Before American intervention, the younger Altschul apparently represented the Bureau of Foreign and Domestic Commerce, part of the U.S. Department of Commerce, in negotiations with the British Lord Eustace Percy, Sir Thomas Royden, and Sir Arthur Salter over "British Bunker Policy." The British government was seeking at that time to prevent Americans trading with the Central Powers, and American vessels that were blacklisted because they were believed to be engaged in such commerce were banned from obtaining coal from British coal dealers. It is not quite clear how this dispute was resolved. Introducing Salter at the Council on Foreign Relations in 1957, Altschul "remember[ed] that Lord Salter's presentation of the case made a deep impression on me at the time, but my recollection is that we were never able to prevail upon our Government to fall in with the British view." Yet during the Cuban missile crisis, when Altschul suggested to Under Secretary of State George Ball that the Kennedy administration might place similar restrictions on "ships bearing supplies to Cuba," he told Ball: "It is my recollection that in the end we decided to cooperate with this policy." Memory is notoriously slippery, but whatever the

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105 Charles Altschul, "Europe's Debt and Our Own," *New York Times*, February 6, 1921.

106 Charles Altschul to Brand, December 28, 1918, File 17/1, Brand Papers.

107 Altschul to Anthony Nutting, December 6, 1955, File Ni-Nu, General Correspondence, Altschul Papers.

108 Altschul, introduction of Viscount Hailsham, April 9, 1957, File 104, Council on Foreign Relations, Organizations File, Altschul Papers.

109 Frank Altschul to Charles A. Halleck, February 6, 1939, File Charles A. Halleck, General Correspondence, Altschul Papers.

110 Altschul to Charles Saltzmann, January 29, 1963, Organizations File English-Speaking Union, Altschul Papers.

111 Alvey A. Adee (Second Assistant Secretary of State), to the Diplomatic and Consular Officers of the United States, July 10, 1915, Folder 650, US War Department 1915-1919, Organizations File, Altschul Papers.

outcome of these encounters, British efforts to prevent Americans trading with the Central Powers, especially by blacklisting targeted American businesses and vessels, had the capacity to become extremely acrimonious and surprisingly major political irritants in the Anglo-American relationship. Altschul's endeavors may therefore have had some significance in terms of maintaining Anglo-American harmony in the rather critical period when the United States was still neutral and the British needed to maintain friendly relations in order to ensure their continued access to goods and credits from that country.[112]

At the end of 1916 Charles Altschul retired from business, transferring his partnership in Lazard Frères to Frank. He would devote the rest of his life to research and writing on questions related to international affairs and economic issues. At the time he retired, Charles Altschul's first preoccupation was to improve Anglo-American relations, something he considered a precondition for any postwar understanding between the United States and Britain. By early 1917 he was, as he told Brand, working on "a study of the early, and present, text-books from which our rising generations get their first inkling of England," in the belief that these were responsible for "the unjustified prejudice against, or at least the absence of a more pronounced sympathy for, the mother country."[113] Brand welcomed Altschul's initiative, which he hoped might facilitate the efforts of the Round Table Group not just "to work out some ultimate political union of the British Empire," but also to bring the United States into closer relations with any such grouping. As the United States announced its entry into the war, Brand hoped that this perhaps foreshadowed some such outcome, telling Altschul: "It is too early yet to foresee the consequences but it seems to me very likely that the present Alliance may tend to lay the foundation for some sort of permanent understanding which may change the whole course of history."[114]

In March 1917 Charles Altschul and an assistant completed a survey of *The American Revolution in Our School Textbooks*, published later that year under the auspices of the wartime National Board for Historical Service, in which he argued that such works took far too harsh an attitude toward Great Britain. The stimulus for producing this study was, he himself stated in its preface, his feeling that, while Americans had been largely sympathetic toward France during the war, their feelings toward Britain were far less supportive. Yet, Altschul argued:

> [I]n spite of the controversies which have at times raged between the two peoples, we speak the same language as the English; our customs have been fashioned after theirs; our legal procedure has been founded upon theirs; their ideas of government and their conception of Liberty are ours as well. . . . Many nationalities have been brought together in this melting pot; but the influence of all other nations remains negligible

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[112] Altschul to George Ball, October 4, 1962, File Bab-Bal, General Correspondence, Altschul Papers; Altschul, speech introducing Lord Salter, c. 1956, File Sa-Saz, General Correspondence, Altschul Papers.

[113] Charles Altschul to Brand, March 20, 1917, File 8, Brand Papers.

[114] Brand to Charles Altschul, April 10, 1917, File 8, Brand Papers.

> compared to that of England. She is, after all, the Mother Country, from whom we have acquired what really counts in the long run: language, customs, political liberty, tradition!

"Why then," Altschul inquired, "have we not rallied in a much greater measure to the moral support of England in this world upheaval?" He laid much of the blame for this state of affairs upon the biased and unfavorable image of Britain that most American school textbooks purveyed.[115]

Altschul's volume won praise from others who were, like him, staunch believers in Anglo-American collaboration and harmony. Former president Theodore Roosevelt, another supporter of Anglo-American international cooperation, praised it particularly, as being "written by a man who is evidently, like myself, not of English blood, at least in the male line. We are not," Roosevelt continued, "transplanted Englishmen; we are Americans, separate from any of the old world nationalities; and for that very reason we ought to be ashamed of the meanness of cultivating feelings of hostility toward the people to whose ancestors we owe most as regards governmental and cultural, as well as linguistic, inheritance."[116] Other admirers included the influential journalist Walter Lippmann, who thought that Altschul had performed "a job that has long needed doing"; James, Viscount Bryce, a former British ambassador to the United States; Lord Northcliffe, the vehemently pro-American proprietor of the *Times* of London, who headed a British mission to the United States during the war; and Prof. Alfred E. Zimmern of Oxford, who was associated with the Round Table Group.[117] British officialdom also welcomed the book. Through its purchasing and information office in New York, Altschul later recalled, the British government "bought a thousand copies of my little study and had me distribute them through channels which to me seemed best."[118] At the Paris Peace Conference the Columbia University historian George Louis Beer, a pro-British friend of Charles Altschul who had for several years written articles on the United States for *The Round Table*, recommended the volume to Alfred Lord Milner, the British colonial secretary and dedicated imperialist who was in many ways the patron and inspiration of the younger men in the Round Table group.[119]

In an effort to defuse one of the most controversial issues bedeviling Anglo-American relations, Charles Altschul also contemplated writing on the Irish question for an American audience,

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[115] Charles Altschul, *The American Revolution in Our School Text-Books* (New York: George H. Doran, 1917), ix-xi, quotation from x. On the National Board for Historical Service and Altschul's relationship with it, see George T. Blakey, *Historians on the Homefront: American Propagandists for the Great War* (Lexington: University of Kentucky Press, 1970), esp. 16-18, 88.

[116] Theodore Roosevelt to Charles Altschul, September 8, 1917, File Letters re The American Revolution, Charles Altschul Files, Altschul Papers.

[117] Lippmann to Frank Altschul, September 6, 1917, Northcliffe to Charles Altschul, October 18, 1917, Bryce to Charles Altschul, January 9, 1918, Alfred E. Zimmern to Charles Altschul, File Letters re the American Revolution, Charles Altschul Files, Altschul Papers.

[118] Altschul to Brand, July 21, 1920, File 47/1, Brand Papers.

[119] Shotwell to Charles Altschul, February 26, 1919, File James T. Shotwell, Charles Altschul Files, Altschul Papers.

suggesting that the British had done more good than was usually realized in Ireland, and were making great efforts to implement "a fair and just settlement" there. He thought differences over "one, if not the only, remaining obstacle to an absolutely friendly understanding between the two peoples."[120] Altschul was responding to comments by Brand, who in April 1917 complained that the "worst aspect of the whole questions of our relations is the Irish question."[121] As the British government announced its intention to implement both Home Rule and military conscription in Ireland, Altschul read with admiration an article on this topic, "The Irish Crisis," that was published in *The Round Table* in June 1918. He suggested, in conjunction with Beer, that the journal's editors should reprint it as a separate pamphlet in the United States, in an effort to win over educated American public opinion on the issue and thereby "remove a great deal of prejudice which . . . stands in the way of a really clear understanding and definite friendly intercourse between the two peoples."[122] Brand passed Altschul's advice on to officials in the British Ministry of Information and the Foreign Office.[123]

Charles Altschul did not restrict his wartime activities solely to promoting better Anglo-American relations. After American intervention in 1917, he was also recruited by the government-sponsored United States Committee on Public Information (CPI) to mitigate indiscriminate anti-German public sentiment, to persuade Americans of German origin who were doubtful of the legitimacy of United States policies toward Germany that these were indeed justified, and also to publicize his belief in the existence and ill effects of German militarism. Most of the CPI's top officials, including George Creel, its director, and two officials with whom Altschul worked particularly closely, Guy Stanton Ford, an assistant to Creel, and Professor James T. Shotwell of Columbia University, who headed the National Board for Historical Service, were progressive reformers who were staunch believers in American democracy, social reform, and the need for an educated and enlightened public.[124]

In March 1918 the CPI published a forty-page pamphlet by Charles Altschul, *German Militarism and its German Critics*, that deployed quotations from German newspapers in an effort to illustrate how deeply entrenched within the state the power of the German army had become by 1914, leading to the "inordinate influence of the military group in public affairs." Charles also highlighted how brutally German soldiers were routinely treated by their superior officers, arguing that these practices were ultimately responsible for the savagery with which German forces treated their opponents and civilians. The CPI distributed 400,000 copies of Altschul's

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[120] Charles Altschul to Garrett W. McEnerny, September 17, 1918, File General Correspondence L-N, Charles Altschul Files, Altschul Papers.

[121] Brand to Charles Altschul, April 10, 1917, File 8, Brand Papers.

[122] Charles Altschul to Brand, July 9, 1918, File 11, Brand Papers.

[123] Brand to Philip Kerr, July 26, 1918, Brand to C. J. Phillips, August 1, 1918, Brand to Charles Altschul, August 6, 1918, File 11, Brand Papers; Reginald Coupland to Brand, August 28, 1918, File 8, Brand Papers.

[124] Stephen L. Vaughn, *Holding Fast the Inner Lines: Democracy, Nationalism, and the Committee on Public Information* (Chapel Hill: University of North Carolina Press, 1980); also Blakey, *Historians on the Homefront*.

pamphlet and translated it into German.[125] Yet Altschul's depiction of the state of Germany was not entirely pessimistic. As he himself pointed out, his pamphlet relied heavily on German newspaper reports, whose existence was in itself an indication that some Germans deplored the military dominance of German policy. This led him to hope that, once Germany had been defeated, "there will reawaken that conscience which the liberal press endeavored to stimulate in times of peace, and it will again be possible to treat with the Germany of today as with the Germany of old, when she had not yet sacrificed her soul on the altar of Efficiency!" Altschul voiced his faith that "underneath the cover of patriotic submission to constituted authority there must still be smoldering the embers of individual and humane opinion, which will some day burst into flame and light up the path which Germany will follow in the desire to meet once more as an equal the sister nations she so overbearingly and grievously affronted."[126] Charles later told an Austrian cousin, who accused him of having betrayed his German origins by publishing this pamphlet, that when he wrote it he felt that he was "contributing to a correct understanding of the conditions in Germany which were working against the interests of my country, and at the same time showing the possibility of crossing a bridge to better understanding sooner or later, which possibility was at that time very seriously doubted."[127]

Unpublished notes Charles wrote some time in 1918, possibly when trying to draft another pamphlet, were even more revealing. During the First World War, anti-German sentiment sometimes reached fever pitch, with demands that Germans speak only English, anglicize their names, and make fervent public demonstrations of their unadulterated loyalty to the United States, while orchestras refused to play German music and sauerkraut was renamed "liberty cabbage."[128] Charles Altschul, who had many close relatives still in Germany, found such behavior disturbing and counterproductive. Clearly referring to himself, Charles Altschul stated: "Those who have most aggressively attacked the militaristic treachery of G.[ermany] are the ones who should speak out in defence of the redeeming qualities of the Germans." He described how, under the pressure of war, "all former ties [between Germany and the United States] seem forgotten and the resolve is spreading like wildfire, to suppress everything German and to uproot everything based upon German teaching or example." Faced with this, Charles counseled moderation, urging that Americans "not be carried away by misguided prejudice, nor pursue a policy which in the end would be destructive of our real interest." "[E]nemies one day may," he

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125 Charles Altschul, *German Militarism and Its German Critics* (Washington, DC: United States Committee on Public Information, 1918), quotation from 5; Vaughn, *Holding Fast the Inner Lines*, 70-72; see also correspondence with Guy Stanton Ford, File Guy Ford, Charles Altschul Papers.

126 Altschul, *German Militarism and Its German Critics*, 38.

127 Charles Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

128 John Higham, *Strangers in the Land: Patterns of American Nativism, 1860-1925*, 2nd ed. (New Brunswick, NJ: Rutgers Universit Press, 1988), 204-214; David M. Kennedy, *Over Here: The First World War and American Society* (New York: Oxford University Press, 1980), 53-66**;** Ronald Schaffer, *America in the Great War: The Managed Society* (New York: Oxford University Press, 1991), 19-24; Neil A. Wynn, *From Progressivism to Prosperity: World War I and American Society* (New York: Holmes & Meier, 1986), 42-43, 49-50.

suggested," be friends again some other time." He urged that, once Germany had been defeated, "the Germans will have suffered so severely for having followed wrong ideals and wrong leadership, and will be so chastened by their ordeal and disappointment, that the overbearing and dominating spirit will have disappeared, and it will be possible, and advisable, to treat with them as vanquished people always should be treated by civilized, generous antagonists." In every country, the United States included, war, he warned, "creates totally abnormal conditions," silencing the voices of minorities, and this was almost certainly what had happened to liberals in Germany, who had for decades been an influential voice in politics. He deplored wartime American efforts to ban the study of the German language and philosophy in schools and universities, arguing that: "Even if all their peaceful efforts were gradually corroded by militarism, the kernel is worth studying." American policy should be, he believed, to: "Beat them thoroughly and then burry [sic] the hatchet. The defeat will of itself chasten them more than anything else. They must suffer for having accepted such leadership but that does not make them outcasts."[129]

Yet, while he looked toward ultimate reconciliation with Germany, for Charles any such outcome had to be dependent upon an Allied victory in the war. After consultation with Shotwell, he apparently chose not to publish his notes, fearing that this "might lessen the fighting spirit of America." The two men agreed that there was "only one thing to be done to the Germany that has revealed itself in these last years and months . . . beat it unmercifully,--and then act intelligently afterwards."[130] Charles later suggested that he would not have wished to live in a world in which Germany had won, telling a cousin how: "After trembling for days, and after passing many sleepless and worried nights, when matters looked desperately blue, I have only one feeling left – a feeling of intense relief that the world at large, and my family in particular, were saved that trial: I, for one, could not have long survived a different issue. My heart and my entire mind were too intensely wrapped up in the defeat of what I considered a grievous scourge."[131] At his son Frank's instigation, after the war Brand tried unavailingly to obtain a British honor of some kind for Charles Altschul. He told Philip Kerr, a fellow Kindergarten and Round Table group member who was at that time private secretary to British prime minister David Lloyd George that from his "own knowledge . . . Mr. Charles Altschul is about the strongest anglophile I have ever met in the United States." Since his retirement, Brand continued, he had "devoted all his energies to improving Anglo-American relations." Brand drew special attention, not to Charles Altschul's condemnation of German militarism, for which close family members in Germany and Austria continued to assail him well into the 1920s, but to his "little book which was very widely distributed and commented upon in the United States, showing how all American historical textbooks exhibited a strong bias against England, and

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[129] Altschul, notes on Germany, 1917 or 1918, Writings File, Charles Altschul File, Altschul Papers.
[130] Shotwell to Altschul, July 9, 1918, File Germany and the Germans, Charles Altschul File, Altschul Papers.
[131] Altschul to Hammerschlag, May 20, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul File, Altschul Papers.

pleading that they should be corrected."[132] At that time, however, the British honors system—unlike the French, as Frank Altschul pointed out—did not permit such recognition.

Charles Altschul did all he could to assist both the American and British war efforts in a civilian capacity. His son, however, did so in military uniform. Frank Altschul was thirty when the war began. By June he was seeking to join the army, prevailing on former secretary of war Lindley M. Garrison to write to General Tasker H. Bliss, deputy chief of staff of the U.S. army, "offering his services" and asking to "be utilized in case of need to the best advantage."[133] Military officials, it seems, decreed that his abilities would be best employed in administering and facilitating the supply of munitions to the rapidly expanding American armies. Altschul's 25th-Anniversary Yale class yearbook recorded that he "was commissioned as a First Lieutenant in the Ordnance Department on August 8, 1917, and assigned to the Inspection Section of the Gun Division in New York City in September; he was promoted to the rank of Captain in January 1918."[134]

Precise details of Altschul's military service are spotty and largely formal. It appears that Altschul initially joined the army as a first lieutenant in the ordnance officers' reserve corps, but within weeks was transferred to active duty.[135] He reported for active duty in the Office of the Chief of Ordnance, Washington, DC, on August 29, 1917, transferring to New York City on or about September 14, 1917.[136] From February 1, 1918, he was assigned to duty in Washington, DC, where he was "in charge of the Finance Section, Inspection Division having charge of all matters pertaining to funds apportioned to, or allotted by Inspect[ion]. Div[ision]. & all quest[ions]. Concern[ing]. Zone Disbursing Offices of this Div[ision] 1 Station."[137] Altschul's transfer coincided with a broader shake-up in the War Department, where congressional charges that the industrial war effort, as different service units competed against each other for scarce resources, was poorly administered brought a major administrative overhaul early in 1918.[138] Helen Altschul accompanied her husband to Washington, and in May 1918 the couple donated

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132 Brand to Philip Kerr, April 26, 1921, File 43, Brand Papers; see also Frank Altschul to Brand, March 19, June 6, 1921, Kerr to Brand, May 2, 1921, Brand to Frank Altschul, May 4, 24, 1921, R. G. Leigh to Brand, May 20, 1921, File 43, Brand Papers.

133 Tasker H. Bliss to Lindley M. Garrison, June 13, 1917, Letterbook 214, Tasker H. Bliss Papers, Manuscripts Division, Library of Congress, Washington, DC.

134 Richard R. Smith, ed., *History of the Class of 1908 Yale College Volume III: Quarter Century Record 1914-1939* (New York: privately printed, 1940), 138. See also George Henry Nettleton, ed., *Yale in the World War*, 2 vols. (New Haven: Yale University Press, 1925), 2:58.

135 "Army Orders," *Washington Post*, September 9, 1917.

136 Hugh L. Scott, Special Orders No. 201, August 29, 1917, and Adjutant General of the Army to Altschul, September 11, 1917, File 650, US War Department 1915-1919, Organizations File, Altschul Papers.

137 War Department Special Orders No. 31, February 6, 1918, and No. 1379, February 1918, ibid.

138 Daniel R. Beaver, *Modernizing the War Department: Change and Continuity in a Turbulent Era, 1885-1920* (Kent, OH: Kent State University Press, 2006), 117-125; Koistinen, *Mobilizing for Modern War*, chs. 8-9.

$500 to the District of Columbia's second Red Cross war drive.[139] By April 1918 Altschul stated that he was "In charge of the District Ordnance Offices, Finance Sec., Gen[eral]. Adm[inistration]. Bureau. Office Order #199 dated April 19th, 1918 designated me as having charge of the Disbursing Section, Gen[eral]. Adm[inistration]. Bureau." From May 8 to May 31, 1918, he was "in charge of the Administration Branch, Finance Sec[tion]. Administration Division."[140] Altschul retained this position for several months, during which he also "Made a trip to Ottawa, Can[ada]. June 18th to 21st on official business under direction of Col. C. H. Tenney, to U.S. District Ord[nance]. Office, Finance Division."[141] His purpose in doing so may well have been to try to learn from the Canadian experience in handling munitions output. After facing problems with quality control earlier in the war, by mid-1918, Sir Joseph Flavelle of the Imperial Munitions Board in Ottawa boasted, Canada, despite having only received one-sixth of Allied contracts in North America for shells, was producing three shells for every two United States plants were turning out.[142] During the summer of 1918, he was on leave for two weeks, from July 8 to 22, 1918, and also again for a week, from August 28 to September 3, 1918.[143]

In summer 1918 large numbers of American fighting troops began to arrive in France and make their mark on the Western front. In early August an exultant Brand hailed "the great success of the American troops in the field," telling Charles Altschul: "It is a great thing to have as an Ally a fresh nation of the immense power of the United States to bring increased vigour."[144] A month later Frank Altschul joined the American forces departing for France, where he spent the last months of the war, though always in administrative positions. On September 3, Altschul embarked from Hoboken, New Jersey for France, with orders "upon arrival there, [to] report to the Commanding General, American Expeditionary Force, in connection with passing all vouchers for the Ordnance Department, AEF [American Expeditionary Force]."[145] By October 2, 1918 he had reported for duty to the Chief Purchasing Officer of the Ordnance Department, and was assigned to duty in Paris with the AEF.[146]

Altschul may have been familiar with suggestions put forward in September 1918 by Max Lazard, still serving on the French Commission in New York, for closer coordination among all the Allies, including the United States, on economic aspects of the war, such as finance, supplies, shipping, and economic warfare, including the establishment of a powerful Supreme Economic

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139 "Gifts to the Red Cross by People of Capital for Second War Fund," *Washington Post*, May 26, 1918.

140 Form No. 1379, April 1918, and Form No. 1379, May 1918, File 650, US War Department 1915-1919, Organizations File, Altschul Papers.

141 Form No. 1379, June 1918, ibid.

142 Sir Joseph Flavelle to Brand, September 9, October 3, 1918, File 4B, Brand Papers.

143 Form No. 1379, July 1918, August 1918, ibid.

144 Brand to Charles Altschul, August 6, 1918, File 11, Brand Papers.

145 Peyton C. March, Order No. 202, August 28, 1918, File 650, US War Department 1915-1919, Organizations File, Altschul Papers.

146 Special Order No. 264, October 2, 1918, ibid.

Council in Europe to direct this aspect of the war effort.[147] At this time, Altschul certainly took the opportunity to discuss with his Paris partners earlier suggestions by them that it might be advisable to close either the New York or London houses of Lazard Frères. George Blumenthal's prolonged wartime absences meant that the American firm undertook little new business, simply nursing its existing portfolio during the war.[148] As the end of the war approached, the French Lazard partners urged the New York house to revitalize the extensive exchange and commercial credit business that had characterized its pre-war operations, and to work closely with the London-based Lazard Brothers, since the war had disrupted the existing financial hierarchy, giving New York capital new opportunities to replace or at least supplemenet British finance.[149]

Frank Altschul, who assumed much of the responsibility for running Lazard Frères New York while the older Blumenthal was away in Europe, would have welcomed a more aggressive policy and found his French partners' counsels persuasive. In October 1918 he reported back to Blumenthal, still the dominant American partner, that the French members of the firm were now far more optimistic about the future. Indeed, they felt it offered real opportunities. "There is a very real desire to continue both L.F. and L.B. & Co." With the end of the war in sight and the prospects of extensive postwar reconstruction financing business, David Weill and André Lazard thought their tripartite banking firm was "in an excellent position because of their name, their connections, and their general lay-out, to play an increasingly important part, in the after-war development." In their view, "the firm had a first rate name before the war; the reputation of the house has if anything been enhanced during the war; and it should be possible to use our name and credit to greater advantage."[150] The British house apparently shared this view and was likewise looking to the future. In fall 1918, before the war ended, it was one of a number of firms, including "Messrs. Sale & Co. [an offshoot of the Canadian Hudsons Bay Company, with which Lazard Brothers was closely associated], The British Trade Corporation, certain French Interests, and ourselves [as] the shareholders," that established a "Merchant Trading Company" to finance overseas purchases.[151] In late October 1918, Altschul wrote to Kindersley, recounting how his French partners had encouraged the New York house to undertake a more diversified range of activities, on the model of the London firm, rather than restricting itself to managing its stock market portfolio. He hoped that the American firm might be able to market offerings of securities on behalf of Lazard Brothers' two greatest clients, the Canadian Hudson's Bay Company and Cowdray's Mexican Eagle Oil.[152]

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147 Brand to Max Lazard, September 12, 1918, Brand to Eustace Percy, September 16, 1918, File 11, Brand Papers.
148 Rougemont, *Lazard Frères*, 377.
149 André Lazard to Charles Altschul, October 10, 1918, quoted in Rougemont, *Lazard Frères*, 379.
150 Frank Altschul to George Blumenthal, October 21, 1918, File Lazard, General Correspondence, Altschul Papers.
151 Brand to Henry Bell, October 3, 1919, File 48/2, Brand Papers.
152 Altschul to Kindersley, October 29, 1918, quoted in Rougemont, *Lazard Frères*, 380.

Three weeks after Altschul's discussions in Paris, on November 11, 1918, the Armistice was signed. A week earlier, with peace in sight, Brand had written to Frank Altschul, suggesting that any lasting peace would depend primarily upon an Anglo-American understanding:

> The outcome of the war is as satisfactory as could possibly be expected but I regard the ultimate future still with some doubt. It seems to me that Continental Europe may end up with Russia disorganised and out of the show for years, France crippled and exhausted, Italy of little account, Austria broken up into a number of small States with populations ranging from five to ten millions and Germany with the Germans added on the principle of self-determination overwhelmingly stronger than any Continental power possessing a population of 18 or 19 millions. If this is so, then everything will depend upon the kind of Government which is in Germany and furthermore everything will depend on the United States and the British Empire sticking together and representing a group of Powers which Germany will never dare again to tackle.[153]

At the end of the month, on November 28, 1918, Altschul—a victim of the influenza epidemic that coincided with the war's end—was granted one month of sick leave, during which he was given permission to visit Cannes and Nice.[154] Whether he took advantage of this to visit the south of France is debatable. Altschul later recalled that he "spent a month in a hospital with the Spanish flu."[155] On December 5, 1918, he was relieved from further duty and directed to return to the United States. He arranged a reservation at his own expense on the commercial liner *Espagne,* sailing on December 21, 1918 and arriving in the United States on January 1, 1919.[156] Three days later, he was honorably discharged. His military record noted that he had taken part in no battles, engagements, or skirmishes, and was awarded no medals or wound chevrons, but was allowed to wear one blue war service chevron and awarded one bronze victory button.[157] It was a respectable, though scarcely an outstanding, war record. The speed with which he propelled himself out of the army once the war was over suggests that, after more than a year organizing the industrial war effort and facilitating the supply of munitions to the front, Altschul believed there was greater scope for him back in banking than within the army.

During the First World War, the interlinked Lazard houses identified themselves wholeheartedly with the Allied cause. Even before the United States entered the war, the American partners were staunch partisans of Britain and France, breaking with family members who remained in Europe over the rights and wrongs of the conflict. Charles Altschul's longstanding distaste for

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153 Brand to Frank Altschul, November 4, 1918, File 11, Brand Papers.

154 Col. James F. Hutchinson, Colonel, Medical Corps, USA, Special Order No. 154, Folder 650, US War Department 1915-1919, Organizations Files, Altschul Papers.

155 Clipping of interview, *New York Mirror*, October 1938, Writings File, Altschul Papers.

156 W. D. Connor, Special Order No. 208, December 5, 1918, and Altschul to Commanding General, US #2, December 19, 1918, C. W. Barber, special order No. 352, December 19, 1918, ibid.

157 Military Record of Frank Altschul, October 23, 1919, ibid.

German militarism, which he had passed on to his son, disposed both men to work actively for the Allied cause, supporting it financially and even favoring intervention by the United States in the conflict. Once war came, the younger man served in the American military, helping to administer the industrial war effort. His father, meanwhile, though officially retired, won some public attention by working with the Committee on Public Information, becoming one of the most prominent critics of German militarism, as well as an outspoken advocate of warmer and more harmonious Anglo-American relations. For the United States the cessation of hostilities offered new diplomatic challenges, most notably the negotiation of a stable and enduring peace settlement, and the establishment of the new international organization the president had proclaimed as one of his foremost objectives. For Lazard Frères, the end of the conflict meant new business opportunities, as the partners of all three firms returned from their assorted war assignments and began to look to a future it seems they hoped would bring an international order based on close cooperation between Britain, France, and the United States, and also new enterprises for their business operations. While both the challenges and opportunities facing them were still less than clearly defined at the end of 1918, it was easy to predict that the two Altschuls, father and son, would relish the chance to engage with them on both the intellectual and practical levels.

CHAPTER THREE

THE AFTERMATH OF WAR

As the war ended, the victorious United States and the Allied powers faced the task of negotiating peace agreements with Germany and the other Central Powers that would restore international stability and repair the torn and ravaged fabric of the pre-1914 global political and economic system. Like their British partner Robert Brand, and quite a number of their colleagues in the New York financial world, the Altschuls, father and son, believed it essential that any enduring postwar settlement should be founded upon close collaboration between the United States, Britain, and probably France, the three leading nations among the coalition that had won the war. This perspective assumed that the United States would in future take a far greater role in world affairs, something it had in common with President Woodrow Wilson's proposed League of Nations, the new international organization whose objective was to ensure a lasting peace. In other ways, however, their views on the international order differed substantially from the Wilsonian vision. In many ways Charles Altschul and his son represented the Atlanticist strand of twentieth-century American internationalist thought, an outlook closely associated with Theodore Roosevelt, one that emphasized military force, the balance of power, and limited commitments, first and foremost an alliance with the British empire, rather than the more universalist worldview represented by Woodrow Wilson. Recent scholarship has demonstrated that Wilson's position was less sweeping than has often been supposed, and that the anti-imperialist interpretations that anti-colonialist movements around the world placed upon his pronouncements on the self-determination of nations were sometimes far more advanced than were warranted by the decidedly cautious approach to these issues the president himself embraced. Historians have nonetheless tended to identify the Wilsonian outlook with idealistic progressive internationalism, while regarding the Atlanticists who clustered around Roosevelt as conservative nationalists. The Altschuls might not have agreed entirely with this distinction, but they certainly perceived important differences between their own attitude toward foreign affairs and that of Wilson.[1]

The Altschuls, together with their Lazard partners in both Britain and France, also paid particular attention to economic issues arising out of the war. The massive wartime inflow of international funds to the United States left that country the world's major remaining reservoir of investment capital, a situation that gave rise to a variety of proposals in the immediate postwar period that the United States government, private American bankers, or both should provide massive

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[1]On this distinction among United States internationalists of the First World War and interwar period, see Priscilla Roberts, "The Anglo-American Theme: American Visions of an Atlantic Alliance, 1914-1933," *Diplomatic History* 21:3 (Summer 1997), 333-364; Thomas J. Knock, *To End All Wars: Woodrow Wilson and the Quest for a New World Order* (New York: Oxford University Press, 1992); and Alan Dawley, *Changing the World: American Progressive in War and Revolution* (Princeton: Princeton University Press, 2003). On Wilson, see especially Erez Manela, *The Wilsonian Moment: Self-Determination and the International Origins of Anticolonial Nationalism* (New York: Oxford University Press, 2007).

financing for postwar European reconstruction. Complicating the situation further was the need for international transfers of funds to meet two sets of obligations. After the United States government entered the conflict, it lent the Allied governments about $10 billion to finance their wartime purchases in the United States, leaving those countries heavily indebted to the United States. The Paris peace settlement of 1919 also envisaged that Germany would pay the former Allies reparations as compensation for the damage those countries and their people they had suffered as a result of the war, indemnities whose precise magnitude remained unsettled under the Treaty of Versailles, but which were expected to be substantial. Britain, France, and the United States adopted somewhat different policies on these issues. From the Paris peace conference onward, the British Lazard partners played significant parts in international negotiations intended to resolve some of these questions. By 1920, it had become clear that the partners' divergent views on European reconstruction and future financial and political relations between France and Germany, matters on which the members of the French and British firms normally aligned themselves with their respective governments, had the potential to give rise to serious contention among the assorted Lazard firms.

The first great international event to follow the war was the 1919 Paris Peace Conference, a gathering that lasted half a year, attended by international statesmen from all the Allied and Associated Power, with huge trains of advisers in tow, to negotiate the peace treaties with the defeated nations. Robert Brand, the Altschuls' British partner, took a minor part in its deliberations, as an economic adviser to Lord Robert Cecil, head of the Supreme Economic Council that still, in the first half of 1919, supervised all financial and economic matters in any way related to the war. Brand excepted, of all those associated with the various Lazard firms, it was perhaps Charles Altschul, now retired, who followed the course of peacemaking with the greatest attention, albeit from a distance as an observer. Even before the conference began, Charles Altschul corresponded extensively with Brand and various other individuals on the specifics of any international settlement. Ideally, Altschul would have preferred not the international organization to maintain peace that President Woodrow Wilson had already promised the American people would be created after the war, but a *de facto* alliance between Britain and the United States. In December 1918, as the world's leaders prepared to meet in Paris, he told the journalist Frank Simonds of the *New York Tribune*:

> There is one arrangement which would practically insure all that would be essential, and would make the world safe for Democracy and the world safe from war -- and that is a definite understanding among the English speaking commonwealths. In view of the disorder in Germany and the turning over of the German fleet, there is no combination which would dare, or which could successfully oppose the combination between America and the Commonwealth which comprise Great Britain and her overseas dominions. And as these countries have no desire for expansion and are able to handle the world situation

> according to the most enlightened standards, no other powers would need to fear the distribution of power which would follow.[2]

Seeking to facilitate this, in December 1918 Charles called for a systematic campaign to make Americans aware of the good points of the British empire, with a pronounced focus upon the degree to which England was "our mother country," informing Simonds that the United States "owes its existence to England", and that "the English heritage shows itself in all our traditions and institutions."[3]

Yet Charles Altschul already had some doubts as to how far such an alliance was within the realm of practical politics. In its December 1918 issue, *The Round Table* published an article—written by Lionel Curtis—that appealed to the United States to join with Britain in shaping and enforcing the peace settlement, and even in accepting mandates for portions of the Middle East.[4] The London *Times* commented favorably on this article, and the *Round Table* editors contemplated reprinting it as a pamphlet, with a preface by Lord Grey, the former British foreign secretary, and distributing it widely in the United States. Brand, now back in Britain, sent a copy of this article to Charles Altschul, telling him that the journal's editors had "discussed these questions constantly recently with the leading American representatives that we can find over here, and most of them I think are persuaded that we are right." Brand argued that, while the "British Empire did not wish to extend its territory," it would not "give back lands conquered from the Germans and the Turks to those countries," and neither would it allow such territories, if they adjoined British possessions, to remain "in a state of chaos and ruin for decades." Even though he believed that this would mean Britain would have to share its naval supremacy with the United States, he and his fellow Round Table members, he told Altschul, believed that "England should face all these unforeseen risks without hesitation in return for the United States co-operating with her in the great task of securing order, good government and liberty among more backward races in the world." In words that undoubtedly resonated with Altschul, Brand told his former American partner: "Both countries have the same ideals of good government and liberty, and I feel sure that they will be drawn far nearer together by such a common task than in any other way." He concluded: "The future of a League of Nations . . . depends in our opinion entirely on the attitude which the United States now takes."[5]

Altschul's comments on this article, which he described as "beyond praise" and "the best presentation of the case" he had seen, were nonetheless discouraging, since he seriously doubted

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[2]Altschul to Frank H. Simonds, December 2, 1918, File Frank H. Simonds, Charles Altschul Files, Frank Altschul Papers, Lehman Suite, Columbia University, New York [hereafter Altschul Papers]; see also Altschul to Edith Altschul Lehman, February 18, 1919, File Miscellaneous E, Charles Altschul Files, Altschul Papers.

[3]Altschul to Frank Simonds, December 8, 1918, File Frank Simonds, Charles Altschul Files, Altschul Papers.

[4] "The Windows of Freedom," *The Round Table* 33:1 (December 1918), 1-48.

[5] Robert H. Brand to Charles Altschul, December 6, 1918, File 12B, Robert H. Brand Papers, Bodleian Library, Oxford University, Oxford.

whether its prescriptions lay within the realm of practical politics. He told Brand that he had been "forced to the conclusion that [Americans] are not at all prepared to assume such responsibilities." Even he himself could not see the situation in quite the light that the Round Table members presented it. "The all leveling theory of present day Democracy," he warned, "is not conducive to the assumption of authority over alien peoples, even if undertaken in the most idealistic spirit," and as the "Trusteeship" the British proposed. Even though the United States had acquired the Philippines as a result of the Spanish-American War, it had not gone to war expecting to do so, and, "[w]ere it not for an inherent fear of the Japanese, I think a vote taken today would return these possessions to the natives if our honor permitted." He warned Brand: "The United States is a Cosmos all by itself," one that was still concentrating on its own development, and had little energy to spare for "the benefits which alien peoples might derive from our tutelage. The traditions of our people are provincial; they appreciate their self-contained strength; and see no necessity for world dependence." He also thought the article far too idealistic in its portrayal of American motives for going to war, in particular, its claims that the United States had entered the war for altruistic reasons, and to promote the welfare of the world. "America," he stated, "entered the war because she resented the incredibly provocative attitude and the barbarous actions of the German government, particularly as manifested in submarine warfare." He deplored the use of slogans such as "Make the World safe for Democracy," which he considered mere rhetoric. While "certain large [American] financial interests that have world connections and investments" might well be willing to follow *The Round Table*'s prescriptions, they were politically unpopular, and their very support for such a course "would destine it to failure." By contrast: "The general public" was "not prepared to undertake the Trusteeship over territory and alien peoples in Europe, Asia, or Africa, and would, I believe, strongly resent any attempt to fasten such a responsibility upon our government." While it was possible that the United States might eventually be prepared to assume responsibility for the maintenance of order in Latin America, "the Balkans, the Middle East, and Palestine are so remote from the minds of the vast majority of Americans" that he thought it "impossible" that the country would willingly accept any responsibilities in those regions. In Altschul's view: "The war has widened our horizon immensely, but it will take more than that to prepare us for so serious and novel a task as to shoulder the white man's burden."[6]

Responding to this rather discouraging assessment, Brand told Altschul he "believe[d] it [wa]s a correct statement of American opinion," and "admit[ted] it will take a lot to alter it." He nonetheless expressed his conviction "that the future will show that America will have to live in the world and not out of it."[7] Brand not only thanked Charles Altschul for his views, but he reprinted these, together with comments on them by Prof. James T. Shotwell of Columbia University, now a member of the American delegation at the Paris Peace Conference, in the next

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6 Charles Altschul to Brand, December 28, 1918, File 17/1, Brand Papers.

7 Brand to Charles Altschul, January 21, 1919, File 17/1, Brand Papers.

issue of *The Round Table*.[8] Shotwell took a rather less pessimistic view than Altschul of the prospect that the United States could be expected to accept responsibility for one or more mandates as part of the postwar settlement. The Columbia professor recognized that, ideally, Americans would prefer not "to assume the heavy burdens which the new colonial policies involve," but believed that there was a reservoir of "moral fervour" in the United States "sufficiently strong to carry the nation away from what had seemed its traditional policies." Shotwell argued that, if Americans could be convinced that their country's entry into the League of Nations carried with it "a direct obligation to assume mandatory powers over derelict and backward peoples, the unanimous support of the country will be assured." They would, however, need to be persuaded that such enterprises would not yield any profit in terms of economic exploitation of indigenous peoples, "that the cost will not be unduly heavy and that the plans are not too utopian in scope." With these qualifications, Shotwell somewhat idealistically contended, Americans could be persuaded to support a "simple straightforward policy of wardship for backward peoples, limited both in its terms of application and in time, bearing no relation to the old conception of imperialist advantage."[9]

By this time Brand too was attending the peace conference as "a sort of financial and commercial adviser" to Lord Robert Cecil, one of the British officials most involved in drafting the covenant of the League of Nations, who also headed the Allied Supreme Economic Council. Brand's role at Paris was primarily to assist Cecil on economic issues.[10] In March 1919 he told Altschul how friendly dealings between the Americans and British at Paris were, "because their political opinions are really identical," stating that he was "optimistic about the future relations of the two countries, because whenever the English and the Americans, at least the educated ones, get close together their relations become more and more cordial." This was not, however, true of the French, who were "politically not nearly so far advanced as either the British or the Americans and do not in the least understand the project of the League of Nations."[11] Several months later, when it began to seem possible that the United States would reject the peace treaty and the League of Nations and "withdraw altogether from European difficulties," Brand returned to this theme, telling Altschul that, while he personally would consider that "a calamity, . . . there are many people over here, particularly in France, inclined to come to the conclusion that Europe would benefit by such a course, and in fact that Europe should form a sort of unit against the rest of the world if possible." This viewpoint was not, however, shared by "England which belongs at least as much to the new world as the old," and was "much more concerned in keeping in good relations with the United States."[12] At least one historian has discerned a long-term fragmenting

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8 Brand to Altschul, File 17/1, Brand Papers.

9 "America and World Responsibility: First and Second Thoughts," *The Round Table* 9:34 (March 1919), 249-260, quotations from 255, 256, 259, 260.

10 Brand to Lord Robert Cecil, March 26, 1919, File 12A, Brand Papers.

11 Brand to Altschul, March 6, 1919, File 17/1, Brand Papers.

12 Brand to Altschul, August 12, 1919, File 16/1, Brand Papers.

of the wartime financial entente among the victorious powers at the Paris peace conference, with differences over economic issues pitting Britain and the United States as "an Anglo-American bloc facing a prostrate Europe."[13] Brand's words were the harbinger of major differences between Britain and France over international affairs that would have significant repercussions upon relations among the various Lazard firms in the years following the war.

Charles Altschul decided not to visit Europe in the months after the fighting had ended, fearing that the still unsettled conditions might be uncomfortable for his wife and daughter.[14] He did, however, follow the development of affairs in Europe with great attention. The ending of hostilities meant that he was able to resume his correspondence with family members in Germany and Austria, and in lengthy letters justify himself against accusations from some of them that by adopting his pro-Allied wartime stance he had betrayed his German roots. One cousin who had particularly dramatic experiences during the war was Dr. Otto Fürth, known to the family as "Siberian Fürth." As Fürth sought to escape from Europe to the United States in 1940, and requested assistance from Frank Altschul to expedite his application for visas for himself and his family from the American Consulate in Zurich, Switzerland, he recalled an episode more than twenty years earlier, when he had fled Russia during the Civil War. As a young student of twenty in Vienna, in early 1915 Fürth enlisted in the Austrian army, and was sent to the Russian front, winning promotion to lieutenant in an artillery division. On July 4, 1916, he was "taken prisoner by the Russians and interned in Siberia," at Nikola Ussurysk, where he remained for three and a half years. Thanks to financial assistance from Charles, together with a friend in late 1919 Fürth "escaped with great difficulty to China and made his way under many hardships to his home in Vienna," at which point he was able to repay Charles the money involved. Fürth apparently spent six months teaching French and German at a German school in Tianjin, China, before taking passage on a Danish ship bound for Copenhagen, and returning to Vienna in mid-1920.[15] It cannot have been easy for Charles to help to orchestrate Fürth's extrication from his prison camp. One suspects that he must have employed all the financial and diplomatic connections at his command.

As peace negotiations proceeded in Europe, Charles Altschul followed their progress in minute details, and corresponded extensively with several individuals, including Brand, Shotwell, and Simonds, who played some part in them. The journalist Simonds was there in his professional capacity, sending reports back to the United States, while Shotwell went over as a member of the Enquiry, the team of academic consultants on peace terms established by Colonel Edward M. House, Woodrow Wilson's confidential adviser. Unlike many who attended the Paris peace

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[13] Dan P. Silverman, *Reconstructing Europe After the Great War* (Cambridge, MA: Harvard University Press, 1982), 13-39, quotation from 38.

[14] Altschul to Frank H. Simonds, March 6, 1919, File Frank H. Simonds, Charles Altschul Files, Altschul Papers.

[15] Frank Altschul to United States Consul General, Zurich, June 5, 1940, Otto Fürth to Frank Altschul, May 27, 1940, File Otto Fürth, General Correspondence, Altschul Papers; Biographical Sketch of Otto Fürth, Finding Aid for the Otto Fürth Papers, M. E. Grenander Department of Special Collections and Archives, State University of New York at Albany.

conference, Shotwell found his time there enormously fruitful, since he was the major architect of the International Labor Organization, a body closely associated with the League of Nations.[16] Charles Altschul's intense dislike of Woodrow Wilson, an antipathy he shared with many Republicans, made it difficult for him to appreciate or sympathize with the president's difficulties during the lengthy negotiations over the German peace treaty and the covenant of the League of Nations, and rather vitiated his own commitment to a greater world role for his country. As the peace conference approached, Charles Altschul was already out of sympathy with Wilson's views on international organization. In December 1918 he complained that the delegation the president had appointed to attend the impending Paris Peace Conference consisted entirely of his personal nominees in his own image, and included none of the congressional representatives he might have included.[17] Altschul also dissociated himself from Wilson's more ambitious and idealistic proclamations of what might be termed missionary diplomacy. He repeatedly told friends that the United States had entered the war, not to remake the world, but in defense of its own interests, informing Brand, for example, that he found "not the slightest justification for the claim that we went in to make the world safe for Democracy or for any of the other altruistic reasons which have since been advanced."[18] Altschul also rejected many of the president's war aims, telling Brand that he was "personally not at all proud of the Fourteen Points," the liberal program of postwar objectives Wilson had proclaimed in early 1918, calling for open diplomacy, freedom of the seas, and a non-punitive peace settlement based on the principle of the self-determination of European nations. Altschul claimed that, in his own view, these had "always appeared as one of those expressions of statesmen or politicians, made to tickle the palate of the mass of the people, and enunciated with full knowledge of the impossibility of their being lived up to."[19]

Despite all his reservations, fundamentally, Charles Altschul favored a more expansive international role for the United States, even as he expressed dissatisfaction with aspects of the League of Nations Wilson negotiated at the peace conference, arguing that the new body would be bound to prove ineffective. Writing to Brand in late March 1919, Altschul expressed his faith in "a thorough-going Anglo American entente, which I still believe will some day supercede [sic], and will surely survive, any League of Nations." He continued:

> Nowadays, when the uncertainty of Bolshevism and the difficulty of bringing the many European nations to a peace settlement – no matter whose fault it may be – are so

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16 On Shotwell, see Harold Josephson, *James T. Shotwell and the Rise of Internationalism in America* (Cranbury, NJ: Associated University Presses, 1975), chs. 4-5; also James T. Shotwell, *At the Paris Peace Conference* (New York: Macmillan, 1937); and James T. Shotwell, *The Autobiography of James T. Shotwell* (New York: Bobbs Merrill, 1961), ch. 7.

17 Charles Altschul to Simonds, December 2, 1918, File Frank H. Simonds, Charles Altschul Files, Altschul Papers.

18 Quotation from Charles Altschul to Brand, July 19, 1919, File 16/1, Brand Papers; Altschul to Brand, July 16, 1919, File 16/1, Brand Papers; Altschul to Brand, December 28, 1919, File 17/1, Brand Papers; Altschul to James T. Shotwell, March 15, 1919, File James T. Shotwell, Charles Altschul Files, Altschul Papers.

19 Altschul to Brand, September 13, 1919, File 16/1, Brand Papers.

> apparent, the only definite hope for civilization, to my mind, is the apparent possibility to bring our two countries in line for a mutual understanding[.][20]

Two weeks earlier, Altschul told Shotwell, then in Paris: "It has been clear to me all along that we should get away from the isolation and should more thoroughly realize that this country can no longer stand alone." A skeptical Altschul warned, however, that "the entire League idea is but another plan to hold out hopes to the masses which cannot be realized," even as he conceded that he would be willing to accept it with some modifications.[21] He condemned, in particular, its failure to insist on a "general demobilization" of forces during a crisis, and thought it "powerless" as a "preventive for war", particularly given the absence of two major states, Germany and Russia. "[T]he plan," he told his daughter, Edith Lehman, "is nothing more, to my mind, than an elaborated Hague [international arbitration] Tribunal, with the intentions of the contracting parties somewhat more elaborateed." Lacking any kind of force to implement its decrees, the League of Nations could not "accomplish its purpose." Yet "we have a natural alliance close at hand that would accomplish the purpose above all question . . . ie: the alliance between the English speaking peoples." Altschul also condemned Wilson's rhetoric for arousing undue expectations of "the millenium [sic] in some shape or other," and for asserting "beautiful principles and theories" which appealed to "uneducated masses throughout the world" but could not be fulfilled, and would therefore result in great disillusionment. "The awakening from this dream," he warned, "will be the greatest danger of our times."[22]

Altschul blamed what he considered the League's shortcomings on poor diplomacy on Woodrow Wilson's part, and was even harsher on the president's handling of Congress. He went down to Washington at the beginning of March, and sat in the Senate gallery, listening to the debate on the proposed League, afterwards assuring Brand that, though the Senate supported the "IDEA of a League" in principle, there were problems with "THIS FORM of a League," but that, with "some very essential modifications," it would ultimately win Senate support. More conciliatory tactics on the president's part would, he suggested, have been advisable.[23] To another correspondent, he described the president as a "bull on the rampage," who needed to be brought under control by Congress, rather than insisting on the League as negotiated by him at Paris or none.[24] Later that month, however, Altschul expressed his confidence to Brand "that the President will consent to such changes in the constitution of the League, that the opposition in the Senate will be overcome."[25] In the event, the modifications the president made to the League

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[20] Altschul to Brand, March 29, 1919, File 16/1, Brand Papers.

[21] Altschul to James T. Shotwell, March 15, 1919, File James T. Shotwell, Charles Altschul Papers; Altschul to Edith Altschul Lehman, File E Miscellaneous, Charles Altschul Papers.

[22] Altschul to Edith Altschul Lehman, February 18, 1919, File E Miscellaneous, Charles Altschul Papers.

[23] Altschul to Brand, March 6, 1919, File 16/1, Brand Papers.

[24] Altschul to Simonds, March 6, 1919, File Frank H. Simonds, Charles Altschul Files, Altschul Papers.

[25] Altschul to Brand, March 21, 1919, File 18A, Brand Papers.

Covenant that spring, at the Senate's request, ultimately seemed inadequate to Altschul, an outlook that may well have reflected his profound personal distaste for Wilson as much as any great difference on principle. To Brand, he claimed that the issues at stake in the Senate fight over the League of Nations were those of the rights of Congress against unchecked Executive authority, as exercised by the president at Paris. He proclaimed his "conviction that by far the most important duty of Americans at this time is to guard against the encroachment by the Executive upon the prerogatives of the legislative branch of our government." Although he still "believe[d] that the Treaty will pass the Senate," he expected this would be with "certain restrictive and very drastic explanatory resolutions, to show definitely to what extent we intend to bind ourselves as to European intervention, and to reserve in an unmistakable and definite manner our freedom of action in certain American questions."[26]

Charles Altschul was a particularly harsh critic of the president's appeal to the country, in September 1919, to pressure the Senate to accept the League of Nations as negotiated by him, without any reservations or amendments, which Altschul claimed had quite unnecessarily put Wilson and his opponents in the Senate at loggerheads.[27] During the Senate fight over the League of Nations, Altschul therefore defended the majority of the Republican reservationists, as moderates who were only trying to come up with a workable scheme. He expressed these criticisms in letters to friends, and also at least once publicly, in an article published in December 1919 in a New York journal.[28] Privately, he subsequently blamed Woodrow Wilson for the United States failure to enter the League.[29] Even before it was clear that the Senate would finally reject the Treaty and the League Covenant, and before he himself had had an opportunity to read the final draft, it seems that Altschul had almost anticipated this result, informing Brand in July 1919 that he believed that "the structure will not stand the strain of a real serious controversy," and that it contained "[t]oo many loopholes and too much discretion in vital matters . . . left to the high contracting parties." He told Brand, however, that he was "not at all disappointed, nor . . . in the least pessimistic. My hope for the future does not lie in the League of Nations but in a thorough understanding between the English-speaking peoples," something he anticipated would develop within ten years of an acceptable settlement of the Irish question. Once "complete understanding between the English-speaking peoples" had been "reached, . . . around them will cluster others who are as anxious as we to preserve the ideals and the blessings of Anglo-Saxon civilization."[30]

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26 Altschul to Brand, July 16, 1919, File 16/1, Brand Papers.

27 Altschul to Brand, September 13, 1919, File 16/1, Brand Papers.

28 Altschul to Shotwell, March 19, November 11, 1919, File James T. Shotwell, Charles Altschul Papers; Altschul to Simonds, March 6, September 9, 1919, File Frank H. Simonds, Charles Altschul Papers; Charles Altschul, "Lest We Forget," published in *The Review* (December 13, 1919), reprinted in Charles Altschul, *Occasional Papers 1917-1927* (New York: privately printed, 1929), 81-87.

29 Altschul to Berrien, January 18, 1921, File Letters and Articles About Europe's Debt, Charles Altschul Papers.

30 Altschul to Brand, July 16, 1919, File 16/1, Brand Papers.

Brand and his colleagues were less sanguine over the prospect that the United States might ultimately reject the League of Nations. Although they might argue with Wilson and his advisers over the details of the peace treaty and the League covenant, for most of the British delegation, and indeed the British government, the first priority was not necessarily to obtain a perfect settlement, but rather, to ensure that the United States remained involved in the postwar world. Given this overriding objective, to obtain American ratification of the final peace treaty, they were prepared to compromise on other matters, to a degree that neither the president nor his critics were willing to do. Writing from Paris in April 1919, Brand told Altschul that he hoped and believed that recent alterations to the draft League Covenant would make it more palatable to Americans, since "the whole future of the world depends upon Anglo-American friendship."[31] In August 1919 Brand wrote to Altschul, telling him that, had he been present in Paris, he would have understood that the only possible way of reaching agreement on the peace treaty had been "by the decision of four or five men . . . and if Congress attacks the President because he agreed on his own responsibility to the best Treaty that could be got, I should feel they were absolutely in the wrong." Brand forcefully told Altschul that:

> Unless the war is to have been fought in vain, it is absolutely essential that the people of every nation should understand that they have got to surrender something for the common good of all, that is, they have got not to consider purely their own selfish interests, but look at every international question from the international points of view. It is pure clap trap to talk of American independence having been surrendered to European domination, unless by independence is meant freedom not to bother about the world at all. The very fact that America had to enter the war shows that this freedom can in our contracted world no longer exist."[32]

Such pleas were unavailing. In September 1919 the president collapsed, the victim of a stroke brought on by the strain of a speaking tour intended to boost popular support for the League, which left him an invalid for the remainder of his presidency and indeed his life. Illness intensified Wilson's reluctance to compromise on reservations to the League Covenant, and its supporters in the Senate were unable to muster the necessary two-thirds majority for an unmodified League. In spring 1920, much to the regret of Brand and his Round Table colleagues, the Senate finally refused to ratify the Treaty of Versailles and thereby rejected American membership in the League of Nations.

As these events proceeded, Brand and Charles Altschul both scrutinized them with great attention, and with particular heed to their potential impact on Anglo-American relations. In November 1919, the Senate and the president failed to reach a compromise on reservations to the Treaty of Versailles, and voted against it. Charles Altschul blamed this outcome on the ailing Wilson's "stubbornness" and the reluctance of Senate Democrats to vote against his wishes, but

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[31] Brand to Charles Altschul, April 8, 1919, File 18A, Brand Papers.

[32] Brand to Charles Altschul, August 12, 1919, File 16/1, Brand Papers.

still expected "a relatively early ratification of the Treaty, with proper reservations." He also exulted in the "highly successful" recent visit to the United States by the Prince of Wales, later Edward VIII, which had "turned out much more gratifying than one had any right to expect." Altschul, who had attended a banquet in honor of the Prince, told Brand that: "Wherever he went, he seems to have made friends; and to have given the impression of a clean-cut, intelligent, democratic young gentleman." The entire tour "was a great time for us advocates of an Anglo-American entente," and he expected it to have a great long-term impact upon relations between the two countries. Even so, Altschul admitted that otherwise, "[t]he present world certainly does not look alluring, no matter from which angle one examines it. We here, who should be helping all around, are in a great measure paralyzed by the results of the after-war reaction."[33]

By early January 1920 Brand, though resigned to the fact that the United States was unlikely to play any great part in international affairs in the near future, was still disappointed, even disillusioned, telling one American correspondent, who had informed him that American "feeling [toward Britain] is really better than ever it has been in the past and that you may reasonably look forward to actual cooperation on the part of this nation in many of the problems with which you are closely identified"[34]:

> I am glad you think that in reality the feeling for England in your country is much better than it has been in the past. I certainly hope this is the case. At the same time I would be very glad to see the feeling for England in your country and the feeling for America over here still better than it is. I think President Wilson did some harm by raising hopes too high. He encouraged the British nation to think that America was really coming in to help in the management of the world. Now that this seems unlikely many people who do not know the difficulties in your country feel that they have been 'left.' We shall no doubt be accused of jingoism, whereas the real position is that we shall be forced to take on burdens which we would gladly forego, and which may prove too heavy for us. I am afraid we are hardly likely to have a very quiet time again in our generation.[35]

To Charles Altschul, Brand wrote that, while "President Wilson seems to me to be turning out more or less as I always expected," he himself had "been more in favour of his policy during the last two years than ever before. He is, however, so desperately obstinate that he invariably arouses the most bitter antagonism." Brand also feared the repercussions upon Britain if the United States refused to take any part in supervising the postwar international order, and thought it "a great tragedy" that "the American Nation fights shy of taking an interest in real World affairs outside the American Continent." Reverting to the theme the Round Table group had sounded in late 1918, exhorting the United States to take up mandatory responsibilities in the

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[33] Charles Altschul to Brand, November 28, 1919, File 48/1, Brand Papers.
[34] Alexander Legge to Brand, November 24, 1919, File 48/2, Brand Papers.
[35] Brand to Legge, January 15, 1920, File 48/2, Brand Papers.

Middle East, something that was now falling upon Britain instead, Brand claimed that his own country was suffering from imperial overstretch:

> The trouble from the point of view of this country is that we shall be accused of Jingoism because we shall be forced very likely to extend our liabilities in the Middle East, whereas what we really want, and what would save the whole situation would be if America were to come in and help in that all important region of the World. I daresay it is impossible, but if so, I am afraid that perhaps we may be forced to take up burdens that may ultimately prove too heavy for us.[36]

Charles Altschul was shocked when the Senate finally rejected the Treaty of Versailles and, while he claimed he "confidently expect[ed]" the question would be revived, though perhaps not until after the presidential election later that year, he lamented that there was "no softening the humiliation which all who think as I do, feel at the manner in which this entire problem has been handled." He now blamed both Wilson and the Republicans equally for the treaty's rejection, complaining that the "stubbornness on one side and the injection of party politics into the issue on the other, are both equally depressing and inexcusable." He told Brand that he personally "favor[ed] much greater sacrifices on our part to bring about a decent condition throughout the world; but I cry in the wilderness."[37] In April 1920 Brand told Charles Altschul that all his British friends were "concerned . . . over political developments in the United States, but of course we can do nothing." His hopes a mere eighteen months before that the United States would play a major part in running the postwar world had been confounded, and he was "afraid we must take that America is not going to take at the present moment, any responsibilities outside her own continent, for the good Government of the world."[38]

Worse still from their perspective, Altschul and Brand noted a decline in trust and cooperation between their two countries. In May 1920, Altschul sent Brand a pamphlet by one of his long-time business associates, Henry Evans, president of several American insurance companies, including the Continental and Fidelity-Phenix, on whose boards Altschul had sat for many years as a Lazard Frères director. Evans, who was at that time urging his countrymen to use American rather than British firms for their insurance needs, claimed that the British were aggressively developing overseas trade and business, while the United States wasted time on political discussions of the League of Nations. His pamphlet also highlighted British territorial gains from the peace settlement, especially in the Middle East. Altschul also gave Brand a copy of his own reply to Evans, in which he defended Britain against charges of deliberate territorial aggrandizement, telling him that the British government and "many of the most enlightened English business men fully realized that she already had enough to look out for, and they were very averse to assuming broader responsibilities." Recalling the earlier Round Table effort to

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[36] Brand to Charles Altschul, January 15, 1920, File 48/1, Brand Papers.
[37] Charles Altschul to Brand, March 25, 1920, File 48/1, Brand Papers.
[38] Brand to Charles Altschul, April 7, 1920, File 48/1, Brand Papers.

persuade the United States to accept mandates, Altschul argued "that the effort made to get us to assume the mandate for some of the land which is now forced upon Britain was entirely sincere." He believed "the hope was seriously entertained that we would thereby make it possible to continue Anglo-Saxon influence without Britain's active participation." Although Altschul believed that United States had acted "very wisely" in refusing these mandates, he argued that this decision had by default "practically compelled Britain to assume more of the white man's burden; it was impossible to conceive that they would let the territories which had come under their sway, fall back into disorder or anarchy." The British had not wished "to burden themselves with the additional financial and military responsibilities; once having done so, however, they will certainly reap the harvest or the whirlwind, whichever it might turn out to be."[39]

In reply, Brand rather wryly told Altschul that it was "gratifying to an Englishman to hear that his country" was showing "so much energy and ability," even though he personally was "sometimes . . . not . . . quite sure whether our success is not exaggerated." Hardly surprisingly, given his own past efforts to coax American officials into accepting mandates for their country, he agreed that "very few Englishmen really wanted to take on what we have been obliged to, and would have gladly handed over the Middle East problem to America, if she would have accepted the responsibility." Demurring once again from Altschul's position on the issue, Brand warned that, in his view, the United States had been far from "wise . . . to refuse the responsibility." Rather wearily, he proclaimed that "now we have shouldered the burden, we must do our best to carry it out, although . . . the difficulties of running a vast Empire by an extreme democracy become greater and greater." Perhaps most significantly, from Altschul's perspective, Brand also drew attention to the growing difficulties between their two countries, remarking:

> I see that the game of twisting the lion's tail is going full swing, and I suppose we must expect it and merely sit tight for some months. The United States seems to me to have what the psychologists call a complex about this country, a very deep seated subconscious desire to believe the worst of us. However, I continue to believe that our relations will gradually improve. Among those who know America and can make allowances, no harm has been done, but I am afraid that among a large part of the population some resentment at the constant misrepresentation of all our motives and acts is being aroused.[40]

Brand's words clearly resonated with Charles Altschul. In July 1920, his worries that Anglo-American relations were steadily deteriorating led him to suggest that either the British government or the newly established English-Speaking Union should distribute 5,000 copies of a readable book by the popular novelist Owen Wister covering "all the different points of conflict

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[39] Charles Altschul to Henry Evans, May 12, 1920, enclosed in Altschul to Brand, May 12, 1920, File 48/1, Brand Papers.

[40] Brand to Charles Altschul, May 27, 1920, File 48/1, Brand Papers.

between Britain and America" to "superintendents or principals of schools" throughout the United States. This would, he hoped, inculcate a more favorable view of Britain and its policies among American young people, in particular. A few weeks later, Brand took the matter up with Evelyn Wrench, executive director of the English-Speaking Union.[41]

For much of 1920, most normal American political and international business was suspended until the outcome of the impending presidential election was known. In November 1920, the United States elected a new president, Warren G. Harding, a Republican who claimed that the existing of League of Nations was so badly flawed it would be necessary to scrap it and create a completely new international organization from scratch. Charles Altschul initially had a favorable impression of Harding. Before the election, he described the Republican candidate as "a man of high character, strength and ability, . . . considered reactionary by many, but his reaction is only against those very characteristics of the former President which we would like to see eliminated."[42] While Harding waited to take office, Charles wrote to his French partner André Lazard, "ventur[ing] the prediction that those who take [Harding] for a nonentity will before long change their minds. One of his speeches long ago attracted my attention; Frank may have told you that I then told my children that he impressed me as presidential timber."[43]

Altschul welcomed Harding's landslide victory, though he wrote to Brand that he would have preferred that his margin should have been less of an "avalanche," since he feared such an "emphatic endorsement" of the Republicans might preclude further moves favoring "progressive" reforms. Altschul viewed the republican victory, not as a repudiation or "condemnation of the League principle, but as a crushing defeat of article TEN." This was the provision of the League covenant binding its signatories to take action against nations that failed to respect the territorial integrity and independence of other member states, which many critics claimed would compel the United States to intervene militarily in conflicts of no concern to its own interests. "[N]o matter whether voters favored the principle of the League or not," he told Brand, "there was the greatest hesitation to tie up beforehand to any European squabble." In November 1920 he still optimistically believed that, "when the heat of battle" had dissipated, the United States would ultimately join the League on terms which would amount to acceptance of the Republican "amendments or reservations" to its covenant. As always, Anglo-American relations were of the greatest importance to Altschul, far more so than the League of Nations. In the immediate aftermath of Harding's victory, Altschul proclaimed himself "thoroughly optimistic on the better understanding among the English speaking peoples." Rather euphorically, he assured Brand that:

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[41] Charles Altschul to Brand, July 21, 1920, File 48/1, Brand Papers; see also Brand to Evelyn Wrench, August 28, 1920, Wrench to Brand, September 8, 1920, Brand to Altschul, September 10, 1920, File 48/1, Brand Papers.

[42] Charles Altschul to André Lazard, September 30, 1920, File Lazard, Charles Altschul Files, Frank Altschul Papers, Lehman Suite, Columbia University [hereafter Altschul Papers].

[43] Charles Altschul to André Lazard, January 10, 1921, File Lazard, Charles Altschul Files, Altschul Papers.

> No matter what comes of all this League talk, I am convinced that if ever again Anglo-Saxon civilisation (I do not any longer say 'England') should be endangered, as it was when we entered the war, the same result can be depended upon without the least reservation. To my mind England and Anglo-Saxon civilisation are the same thing; but since the British Empire and its over-seas dependencies have grown so very much, one cannot any longer stick to the original term. The result as far as the United States is concerned is the same; the question is better understood than ever before, even if affection and family-tie are not always conceded.[44]

Planning Economic Recovery

By the end of 1920, Altschul's British associates might have been forgiven for treating such analyses of the underlying trends in Anglo-American relations with a certain justified skepticism. Many of them, however, still hoped, whatever the odds, that predictions of close transatlantic cooperation might ultimately prove well-founded. Such desires rested on a solid underpinning of national self-interest, predisposing many British officials and others to accept almost any vagaries on the part of the United States, provided the country remained involved in international affairs. One reason British representatives at the Paris Peace Conference were so determined to encourage the United States to remain involved in European affairs and to accept American membership in the League of Nations on almost any terms was their appreciation that by 1919 the United States possessed by far the largest reserves of available investment capital to finance Europe's recovery from the ravages of more than four years of war. In March 1919 the United States Treasury also ended its support for the British and French currencies, which had previously been pegged to the American dollar, beginning a period of several years when dramatic fluctuations among different exchange rates became the norm. If European currencies were to return to a system of stable exchange rates, the governments of those states would probably need to obtain further loans on the international market, and much of this funding would almost certainly have to come from American sources.[45] In April 1919, Brand told Charles Altschul that he had for some time been in Paris, "assisting and working very closely with Lord Robert Cecil" in "the vast work of running the world economically and financially from Paris." Brand bluntly told his former partner:

> I regard the European financial and economic situation as very grave. It is a question now of weeks I think whether we can avoid a collapse in Germany, and a collapse there means great trouble everywhere else. Everything here again depends on America. Europe is destitute. America is full of all the resources which Europe wants. Can any plan be devised of mutual assistance? It is to the interests of both parties that this should

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44 Charles Altschul to Brand, November 6, 1920, File 48/1, Brand Papers.

45 Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression 1919-1939* (New York: Oxford University Press, 1995), 100.

> be done. The whole future of the world depends upon whether it is done and done quickly, and I fear one great obstacle is the fact that your people and Congress inevitably know nothing of the terrible distress and the crying needs of Europe.[46]

To his wife, Brand complained that the assembled delegates were failing to tackle the one significant problem, "namely how to prevent Europe from complete collapse and revolution." He warned her: "If peace is not made at once, Europe will fall into an abyss. The whole world seems to be moving to a crash."[47]

As early as the beginning of March, the British Lazard partners had informed Cecil that a large lump sum in start-up funds from the United States would be needed before reconstruction could begin in France and Belgium.[48] By May 1919 Brand was perhaps even more concerned with the economic difficulties Europe was facing than with the continuing efforts to draft an acceptable covenant for the new League of Nations. He felt "that financial leaders . . . are the only ones who understand what is happening in the world."[49] "The longer I stayed in Paris," he told Charles Altschul, "the more I was impressed with the enormous size of the financial and economic problems of Europe. Everything in reality depends on America's attitude and her willingness to lend freely and for long terms to Europe. Unless she does this the future is certainly very black and more than one country may be unable to escape a collapse."[50] At the end of the month he told Lord Robert Cecil that he had consulted with leading British Treasury and Board of Trade officials and London bankers on "the extent to which assistance can be given by London to other European countries," and "the general view [wa]s that if the problem is as big as it appears to be . . . it is far beyond the capacity of the British Banks and Accepting Houses."[51] In an article in *The Round Table*, Brand repeated these themes, stating that Western European countries urgently needed foreign credits to feed themselves and restore their industrial capacity, while in Eastern Europe the situation was even more dire, with famine and distress more acute, and no funds available to purchase raw materials. Britain did not possess sufficient reserves of credit to tackle these problems on its own. Although the European countries would at best face a difficult time, and would have to "exercise . . . the greatest possible efficiency, hard work, and economy," ideally they would also require outside help to become self-supporting. For, he stated:

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46 Brand to Altschul, April 8, 1919, File 18A, Brand Papers.

47 Brand to Phyllis Brand, no date given, quoted in James Fox, *The Langhorne Sisters* (London: Granta Books, 1998), 291.

48 Robert Cecil, "Diary at the Peace Conference," March 4, 1919, Robert Cecil Papers (Add. MS 51131), British Library, London, cited in Orde, *British Policy and European Reconstruction*, 51 n. 70.

49 Brand to Phyllis Brand, no date given, quoted in Fox, *The Langhorne Sisters*, 300.

50 Brand to Charles Altschul, May 27, 1919, File 16/1, Brand Papers.

51 Brand to Cecil, May 26, 1919, File 12A, Brand Papers.

> As against a Europe impoverished and in the deepest distress, stands the United States with greater wealth and greater resources than ever before in her history. It is impossible that these two continents, the one overflowing with materials of all kinds, the other destitute and famishing for want of them, can face each other without finding somehow or other some plan of mutual co-operation. Europe needs the assistance of the United States, but the United States also needs the assistance of Europe. Unless Europe is given credit it is impossible for her to buy the exports which the United States desires to sell. It is for the United States to devise whatever methods most recommend themselves for giving the necessary credit to Europe, just as, in past years, Europe has built up the United States by the same means.

With what would ultimately prove misplaced faith, he wrote: "In the United States resources are so vast that private credit may possibly do all that is necessary. If so, so much the better. But if not, and if Government assistance can alone save Europe from sinking into the abyss, Congress, we believe, will not hesitate to authorise the United States Government to lend the assistance required. The interests of the whole world, and those of America included, are so profoundly involved that it is impossible to doubt it."[52]

Brand and other Allied officials were also having quiet talks with American bankers. This was, indeed, the major reason why the homesick Brand, who longed to return to his business and family in London, remained in Paris until early June. He found the Americans there "very ignorant of the troubles of poor old Europe," and thought it "very important there shd be someone here with whom the Americans get on."[53] In mid-May 1919, Brand and Jean Monnet, a French official prominent in the inter-Allied economic bureaucracy, met with Thomas W. Lamont of the Morgan firm, who was one of Woodrow Wilson's economic advisers at the peace conference, to discuss the possibility of American financial assistance for European reconstruction. Brand told Lamont it was "possible private credit might be sufficient," but in his personal opinion this was "unlikely." He suggested that it would be helpful if each government involved could provide guarantees or insurance for credits made for these purposes. He emphasized to Lamont "that it was v.[ery] important the U.S. Gov[ernmen]t s[houl]d. be in a position to help in case the real necessity arose." He and Monnet therefore suggested that "the President ought to secure authority from Congress to lend a considerable sum of money in such manner as seemed best, to European countries." Monnet proposed a total of $2,500,000,000 for the larger countries, and $500 million for the smaller ones. Lamont thought these figures were perhaps more than was really needed, but told Monnet and Brand that he and other American

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[52] Brand, "Finance and Reparation," *The Round Table* 9:35 (June 1919), 455-467, quotations from 459-461.

[53] Brand to Phyllis Brand, no date given, quoted in Fox, *The Langhorne Sisters*, 301.

officials were generally in agreement with this request, and would make recommendations on these lines to the president.[54]

In early June Brand sent Lamont a copy of a second memorandum he had written to Cecil, asking Lamont: "How can we in London get sufficient assurances that we shall get all the credit we need in the U.S.?"[55] The enclosed document bluntly stated: "Europe is without working capital in the main raw materials," and "has no products to ship" in payment for them. To obtain the raw materials it needed, Europe would have to obtain massive financial credits, which it would not be able to repay for some years. "The credit required is too large in amount and too long to be provided by ordinary banking facilities." Often, too, it involved a major element of risk. Brand suggested that the governments of the exporting countries would either have to make direct loans themselves to the governments of countries that wished to import from them, or else guarantee loans and credits made by private banks for this purpose. Britain no longer possessed sufficient surplus exportable capital to finance European purchases in the British Empire. Brand told Cecil: "Great Britain's power to sell her own exports and those of other countries in the British Empire on credit depends on her getting credit in other countries, particularly the U.S. Otherwise she could not possibly pay for her own essential imports." He looked to "the U.S. Government or the U.S. Banking community to assure Great Britain in some way that such credit will be forthcoming." Access to "sufficient credit in the U.S." would enable Britain to "grant credit elsewhere," so long as these credits could be spent outside the United States.[56]

In response, Lamont asked for more exact figures of requirements for dollar credits. He also informed Brand that his fellow Morgan partner, Henry P. Davison, who had been in Europe earlier that year, had gone back to the United States and called a meeting of twenty top American bankers, who were trying to establish a private debenture corporation to finance European trade. In addition, Lamont suggested that, since British banks already possessed "wonderful credit machinery all over the world," with "splendid banks established in the Far East and all through South America," instead of duplicating and competing with these institutions, American banks might buy a half-interest in them, "and thus make a combination of your machinery and our credit resources." Lamont, who with the other Morgan partners was, like Brand, the Altschuls, and the Round Table group, a fervent believer in Anglo-American international cooperation as the best guarantee of world stability, suggested "that if the British and Americans were to start out towards a goal of partnership, they would both make a lot more money than they ever will by staying apart and competing against each other; and what is of infinitely greater importance, they

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54 Brand, "Discussion with Mr. Lamont May 15, 1919," File 18B, Brand Papers; Anne Orde, *British Policy and European Reconstruction after the First World War* (Cambridge: Cambridge University Press, 1990), 59-62.

55 Brand to Thomas W. Lamont, June 7, 1919, File 165-7, Thomas W. Lamont Papers, Harvard Business School, Boston, Massachusetts.

56 Brand to Cecil, n.d., enclosed in Brand to Lamont, June 7, 1919, File 165-7, Lamont Papers; another copy is in File 18B, Brand Papers.

would establish such a rapprochement that the world could never shake us out of peace and into war."[57]

Even before his meeting with Brand, Lamont, in conjunction with another American economic adviser at the peace conference, under secretary of the treasury Norman H. Davis, had submitted to President Wilson and Treasury Department officials in Washington a plan envisaging a mixture of American private and governmental loans and credits to finance European recovery, to be undertaken in conjunction with a temporary moratorium and possibly an eventual downward revision on the repayment of the war debts the Allied powers owed the United States.[58] Lamont's stance was far from unique among top American financiers who had seen at firsthand the ravages war had inflicted upon Europe. As Lamont recounted to Brand, his partner, Henry Davison, once skeptical as to the need for such finance, had returned from Europe to the United States in May 1919 a dedicated advocate of a mixture of private and public American economic assistance for European reconstruction.[59] That same spring, Frank A. Vanderlip, president of the National City Bank and a long-time advocate of the expansion of United States overseas trade and investment, had likewise visited Europe, and he too had become an outspoken advocate of a combination of public and private funding of loans, credits, and perhaps even outright grants to finance Europe's postwar reconstruction and recovery. During the war, every European belligerent nation had abandoned the currency regime of fixed exchange rates tied to the gold standard that had been in effect since the nineteenth century. Some of these proposals already envisaged still more extensive efforts to re-establish a stable European currency system in which exchange rates would no longer fluctuate according to temporary circumstances. Other leading American bankers, such as Benjamin Strong, the hard-driving governor of the Federal Reserve Bank of New York, Paul M. Warburg, who in 1919 founded a new bank, the International Acceptance Company, to provide financing for European trade, and Fred I. Kent, president of the Bankers Trust Company, spoke out in favor of such measures, even though they did not necessarily devise specific plans of their own, preferring instead to back the schemes of colleagues. By mid-1919 the pressing need to launch such initiatives had become almost an orthodoxy in top American, as well as European, financial circles.[60]

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57 Lamont to Brand, June 10, 1919, File 165-7, Lamont Papers; another copy is in File 12A, Brand Papers.

58 See Lamont and Norman H. Davis, "Observations upon the European Situation: Possible Measures to be Taken," May 15, 1919, Files 164-16 and 165-13, Lamont Papers; Lamont to Russell C. Leffingwell, March 19, 1919, Lamont to Woodrow Wilson, May 7, 1919, File 165-7, Lamont Papers; Michael J. Hogan, *Informal Entente: The Private Structure of Cooperation in Anglo-American Economic Diplomacy, 1918-1928* (Columbia: University of Missouri Press, 1977), 27-30; Edward M. Lamont, *The Ambassador from Wall Street: The Story of Thomas W. Lamont, J. P. Morgan's Chief Executive* (Lanham, MD: Madison Books, 1994), 128-130.

59 Lamont to Brand, June 10, 1919, File 165-7, Lamont Papers. On Davison, see also Priscilla Roberts, "The First World War as Catalyst and Epiphany: The Case of Henry P. Davison," *Diplomacy and Statecraft* 18:2 (June 2007), 333-335; Hogan, *Informal Entente*, 31.

60 Hogan, *Informal Entente*, 30-34; Burton I. Kaufman, *Efficiency and Expansion: Foreign Trade Organization in the Wilson Administration 1913-1921* (Westport, CT: Greenwood, 1974), 231-234; Carl P. Parrini, *Heir to Empire:*

American bankers also believed that the war's end offered them new business opportunities in Europe. As soon as hostilities were over, the first-class cabins of the great trans-Atlantic liners were crammed with American businessmen on their way to Europe to explore the new possibilities of the postwar world. Frank Altschul was among them. By spring 1919 the Paris partners' misgivings over the future of their American house had dematerialized; instead, they saw great prospects for it. André Lazard told his New York associates that the London market would be forced to look to the United States for capital reserves to finance operations the British would once have been able to undertake without assistance.[61] Three months after his return from France and demobilization, Lazard Frères asked the U.S. State Department for a passport on his behalf, to enable him to make a short trip, beginning April 12, to "go abroad to confer with our London and Paris associates on various matters of importance, in connection with the financing of American export trade."[62] He visited both London and Paris, meeting Brand, André Lazard, and the other partners in the British and French firms, which gave him the opportunity to discuss the overall situation with them, including such matters as exchange rates and American loans and credits for European business.[63] He may well have heard that the British firm had incurred substantial losses, three million in an unspecified currency, on its prewar and wartime loans to Tsarist Russia, on which the new Bolshevik government had defaulted, as well as Austria and Germany, leaving the firm to absorb most of these bad debts to collapsed governments.[64] These did not, however, suffice to cramp the London firm's style. During the first months of 1919, interest rates were low and British bankers were lending lavishly. Brand, who was also a director of Lloyds Bank, one of the Big Five Joint Stock Banks of London who dominated British commercial banking, later recalled: "We ladled out money. We did it because everybody said they were making and were going to make large profits, and while you had an uneasy feeling yet you thought that while they were making large profits there could be nothing said about ladling out the money."[65] Undoubtedly, Brand and Kindersley told Altschul how at this time Lazard Brothers were besieged with appeals for loans from Czechoslovakia, Finland, Poland, and Germany, so that, as Brand wrote to his wife from the peace conference: "Lazards ere long will be bankers to every government in Europe."[66] Frank Altschul also visited the

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United States Economic Diplomacy, 1916-1923 (Pittsburgh, PA: University of Pittsburgh Press, 1969), 66-91.; Orde, *British Policy and European Reconstruction*, 69-73.

61 André Lazard to Lazard Frères New York, March 14, 1919, quoted in Rougemont, *Lazard Frères, 379.*

62 Lazard Frères to Secretary of State, March 22, 1919, Folder 650, US War Department 1915-1919, Organizations Files, Altschul Papers.

63 André Lazard to Frank Altschul, April 15, 1919, File André Lazard, Frank Altschul Papers, Overbrook Foundation, New York.

64 Rougemont, *Lazard Frères*, 373.

65 Brand, quoted in David *The City of London*, Vol. III: *Illusions of Gold 1914-1945* (London: Chatto and Windus, 1999), 54.

66 Brand to Phyllis Brand, no date given, quoted in Fox, *The Langhorne Sisters*, 300-301.

American delegation at the peace conference, appearing there in late April with "letters from home" for Prof. James T. Shotwell of Columbia University.[67]

Once he returned to New York, Frank Altschul kept in fairly close touch with Brand, who returned to London in June, disillusioned that the peace conference had, as he thought, missed its most important opportunities. Earlier, Brand had told his wife: "If I find there is nothing to be done to get American help, I don't know whether I shall stay long. What's the good if there is nothing any human being can do?"[68] On returning to London, Brand nonetheless did what he could to encourage American financial assistance to Europe. In June 1919 Eugene Meyer, a former Lazard employee who now headed the War Finance Corporation, established by the United States government to provide financing for American domestic and foreign trade during and immediately after the war, visited Paris and London. The War Finance Corporation was one of the few official American agencies that continued to make funds available for private American transactions with Europe once the war had ended. By March 1919, Meyer had steered legislation through Congress that permitted the War Finance Corporation to provide up to $1,500,000,000 in revolving credits to American exporters and banks financing American exports. Meyer hoped to persuade large American banks to set up export corporations to handle overseas trade.[69] As the son of a former Lazard partner, when traveling in Europe, he based himself at the Lazard offices in Paris and London. In Paris, Michel Lazard took Meyer for long meetings with French Treasury officials, during which Meyer set out his ideas on providing international credits.[70] In London, Brand introduced the American visitor "to the leading Authorities in the City," and made certain that he saw "everyone of importance, including the Treasury and Board of Trade people."[71] Meyer suggested that leading British industrial corporations should join the War Finance Corporation in issuing up to $600 million of guaranteed five-year bonds that would finance the imports required for postwar European recovery.[72] Meyer found Brand "in thorough sympathy with the idea of large American credits," and willing to "push matters" in London after Meyer's departure.[73] Meyer suggested to Brand and his other British contacts, including the Chancellor of the Exchequer, Austen Chamberlain, that it might be advisable to make foreign investments in British securities tax-free, which would make them more attractive to Americans.[74]

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67 Shotwell, diary entry, April 25, 1919, in Shotwell, *At the Paris Peace Conference*, 294.

68 Brand to Phyllis Brand, no date given, quoted in Fox, *The Langhorne Sisters*, 301.

69 Merlo J. Pusey, *Eugene Meyer* (New York: Alfred A. Knopf, 1974), 164-167.

70 Eugene Meyer, diary, June 12, 17, 18, 1919, Eugene Meyer Papers, Manuscripts Division, Library of Congress, Washington, DC.

71 Brand to Edward R. Stettinius, June 30, 1919, File 17/2, Brand Papers; Meyer, diary, June 23, 24, 27, 30, July 1, 1919, Meyer Papers.

72 Pusey, *Eugene Meyer*, 168.

73 Meyer, diary, June 23, 20, 1919, Meyer Papers.

74 Meyer, diary, June 27, July 1, 1919, Meyer Papers; Eugene Meyer to Brand, August 6, 1919, Brand to Meyer, October 1, 1919, File 16/2, Brand Papers.

The American Lazard partners were as eager to assist Europe as was Meyer. In July and August 1919 Blumenthal told his New York associates: "The only thing that America can do to help Europe, is to extend large credits to its governments," to the scale of many hundreds of million dollars. Without such assistance, he warned, the franc in particular would fall dramatically in value.[75] Shortly afterwards, on August 21, 1919, Frank Altschul apparently cabled Brand to ask "what American financial measures are now required to aid general European situation." He warned that the United States did not seem to have "any definite governmental or banking policy as yet."[76] Brand's response was relatively modest, in terms of what he expected from the United States. He did not, he told Altschul, "favour direct Government assistance except for destitute countries where relief absolutely necessary." Brand listed four ways in which he believed Americans could help, only one of which envisaged any kind of government financing:

> first by banks and other institutions giving renewable credits for most essential exports up to reasonable amount with assistance if necessary of War Finance Corporation Second by American investment market being opened to good European Government & private issues and every step being taken to encourage American private investor to support such issues Third by purchase by America of existing European securities Fourth by American capitalists taking direct interest in European industries and putting capital into them.

Brand did not have any great faith in the massive schemes for European reconstruction suggested by some financiers at this time, telling Altschul that he did "not believe any heroic remedy is possible nor that it is feasible to create all embracing organisation whether here or in America through which alone credit will be supplied." Rather, he thought "credit should come through every kind of channel." He concluded: "In main Europe can only recover by her own efforts and hard work and she must face situation."[77]

It was perhaps as well that Brand's expectations were modest. In August 1919 Frank Altschul wrote to him from New York, giving a fairly pessimistic assessment of the prospects of any American financing for European purchases. He was rather discouraging about the political prospects of a bill then before Congress that would have set up "a foreign agency of the War Finance Corporation, which will be able to deal direct with European borrowers and finance their requirements." Altschul would have preferred "a large national loan" from the United States government to finance such purchases, though he believed that was currently "outside of the sphere of practical politics." Davison of the Morgan firm, who had proposed that spring that American bankers should create a massive foreign export financing corporation for European purchases, had recently told Altschul "that he believe[d] that the situation can be handled through private channels." Yet Davison also added that "the psychological moment had passed" for such ventures, and he knew "of no measures today under consideration looking to the

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[75] Blumenthal to Lazard Frères New York, July 27, August 10, 1919, quoted in Rougemont, *Lazard Frères*, 387.
[76] Lazard Frères New York to Brand, August 21, 1919, File 16/1, Brand Papers.
[77] Brand, telegram to Lazard Frères New York, August 25, 1919, File 16/1, Brand Papers.

financing of Europe in any large way by private enterprise," nor did he see "any great likelihood that such financing, through private channels, will be shortly undertaken." Altschul did finally suggest to Brand that the best way for the British to raise capital might be by marketing their own securities en bloc in the United States, and that "a large interest could be created here for many of your best known and for some of your less well known securities, without in any case involving the transfer of control to this country." He offered the services of his own firm in handling such transactions.[78] One week later, Altschul told Brand of difficulties in placing acceptance credits and issues of foreign securities in the American market.[79] At the end of September 1919 he sent Brand a letter introducing an executive of the new Sinclair Consolidated Oil Company, an integrated conglomerate that handled all aspects of the production and marketing of oil, which was seeking markets in Germany and elsewhere in Europe. Altschul hoped the Paris and London Lazard firms might assist this enterprise in dealing with exchange issues.[80]

As Frank Altschul's communications with his partners suggested, by fall 1919 it was rapidly becoming apparent that the provision of American financing for Europe's economic recovery from the war was likely to be problematic. In September 1919, soon after the Paris peace conference ended, President Woodrow Wilson suffered a major stroke, leaving his administration effectively without a head and rudderless. It became clear that, whatever private bankers might do, the United States government was unlikely to furnish provide the major funding for European reconstruction envisaged under the various economic plans American bankers and officials had put forward in the first half of the year. Three months later, another American businessman, Alexander Legge of International Harvester, whose London office received assistance from Lazard Brothers in handling European exchange and other business problems, echoed Altschul's earlier comments to Brand on the poor prospects for direct American economic aid to Europe. "All of the several plans we discussed for financial relief of Europe seem to have gone glimmering and for the present America is out of it," Legge warned Brand. He did not think much of the prospects for direct United States investment of any kind in Europe. "Our political situation is such that any form of direct government aid seems hopeless and as you are aware our people here have not been educated in the business of investing or dealing in foreign securities. We have lived too much to ourselves and in the past have only been interested in foreign securities to the extent that we were able to borrow from somebody else. The question of loaning to someone else is a new problem for nearly all of us." Legge did, however, see some light on the horizon. He expected that under the new Edge legislation, "discount houses . . . will soon come into being in this country and that a certain amount of foreign securities will be handled in something of an indirect manner." He envisaged a procedure whereby "the discount houses will take the foreign acceptances and will in turn issue

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78 Frank Altschul to Brand, August 22, 1919, File 16/1, Brand Papers.

79 Altschul to Brand, cable, August 29, 1919, File 16/1, Brand Papers.

80 Lazard Frères to Brand, September 30, 1919, File 16/1, Brand Papers.

their debentures, which I believe will be purchased by the American investor, the difference being that they will be buying the debentures of a home concern rather than directly participating in the purchase of securities abroad." Rather optimistically, Legge expected this to materialize within a few months.[81]

For a while, the hectic domestic postwar lending boom continued on both sides of the Atlantic. The French and British partners commented on this to each other. In December 1919, André Lazard marveled at the abundance of new offerings, most of them efforts by established firms to increase their working capital, the almost limitless appeals for funds in both the London and Paris markets, and the apparently boundless ability of the public to absorb fresh issues. He expected, however, that at some point the bottom of available resources would be reached, and that the markets would then experience an even more violent downward reaction. He blamed the situation on the inflation of the money supply, but believed that heavy government borrowing was beginning to mop up some of these funds, thereby decreasing the amount of money in circulation, and calming down the market's excesses.[82] Brand, in London, was less certain that the end of this situation was in sight, telling his partner:

> The flood of new issues continues here, and as far as I can see, is likely to continue. They are divided between long established and strong Companies which must have greater resources, working Capital, etc., owing to rise in prices, other 'War' Companies who are capitilising [sic] their war profits onto the public, and a lot of new concerns which are taking advantage of the speculative temper of the public. Inflation is, to a great extent, at the bottom of all the trouble, but this is an evil which cannot, in my opinion, rapidly be cured.[83]

Within months, higher interest rates on both sides of the Atlantic had put an end to the postwar boom. By April 1920, Brand was writing: "The financial situation seems strained everywhere and we do not expect an easy time here."[84] Well before then, when things still seemed prosperous, Brand, Kindersley, and others were already concerned about the long-term prospects for European recovery. For over a decade, from late 1919 onward, a loose conglomerate of European bankers and government officials, including representatives of the new League of Nations, worked closely with American financiers and businessmen in efforts to restore European economic and political stability to a point where private investors would have sufficient confidence to provide the funding needed to bankroll the continent's recovery. For several years, these initiatives proved extremely divisive in terms of relations between the London and Paris Lazard firms. For much of the 1920s the two leading London Lazard partners, Sir Robert Kindersley and Robert Brand, were deeply involved in international financial

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[81] Legge to Brand, November 24, 1919, File 48/2, Brand Papers.
[82] André Lazard to Brand, December 2, 1919, File 48/2, Brand Papers.
[83] Brand to Lazard, December 9, 1919, File 48/2, Brand Papers.
[84] Brand to Charles Altschul, April 7, 1920, File 48/1, Brand Papers.

diplomacy as representatives of their own countries, putting them on something of a collision course with their colleagues in Paris.

So, possibly, did their ambitions to enhance Lazard Brothers' standing in the City of London. Aware that the postwar collapse of German finance left a void in Belgium, in February 1919 Kindersley took over the lease of a building in Antwerp previously occupied by the German Discontogesellschaft Bank. A year later, Lazard Brothers opened a branch in Madrid, Spain, an enterprise capitalized at 10 million pesetas and headed by the veteran banker Hugo Scherer, with whom they had worked closely in Mexico until the vagaries of revolution brought his departure from that country. By January 1920, André Lazard of the Paris firm believed that the expansion of the house of Lazard had reached its desirable limits.[85] It was perhaps fortunate for the London house that in 1919, immediately after the war, the Bank of England introduced regulations requiring that all directors of British banks be British nationals, and restricting foreign ownership of such institutions to 50 percent. Weetman Pearson, 1st Viscount Cowdray, the Yorkshire-born construction magnate, whom André Lazard described in December 1918 as "perhaps the richest man in the United Kingdom," had already—perhaps in recognition of the bank's extensive financing of his Mexican interests—acquired a small investment stake in Lazard Brothers before the First World War.[86] Even before the Bank of England mandated this, the French Lazard partners were conscious of the need to increase the British stake in their London house. Cowdray now bought a major 40 percent stake in the firm (47 percent still remained with Lazard Frères in Paris, and 13 percent was divided among the various British partners), taking a seat on the board, but leaving its operations to the direction of Kindersley and Brand. The French partners retained the right to approve the appointment of new directors and to control the use of the Lazard name. Lazard Brothers was already a "meritocracy," with no founding family members among its directors (though younger Kindersleys and Brands would eventually join the firm). Capitalized at £3.375 million, it was something of an anomaly among City banks, in its reliance upon both outside talent and outside funds.[87] At the same time, Kindersley and Clive Pearson, Cowdray's son, established the Whitehall Trust, capitalized at £2 million, to undertake the issue of securities that the Bank of England might consider too speculative for Lazard Brothers itself to handle.[88]

Fundamentally, the disputes between the British and French partners centered around the contentious issue of the German payment of reparations to the victors of the war, especially France, as compensation for the damage inflicted on their territory and people during the

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85 Rougemont, *Lazard Frères*, 373-374.

86 André Lazard to Frank Altschul, December 5, 1918, quoted in Rougemont, *Lazard Frères*, 375,

87 Rougemont, *Lazard Frères*, 375-376; "City Notes," *The Times*, December 31, 1919; Brand to Chancellor of the Exchequer, May 8, 1944, File 195, Brand Papers; William D. Cohan, *The Last Tycoons: The Secret History of Lazard Frères & Co*. (New York: Random House, 2007), 21-22; Lazard Frères & Co., *Lazard Frères & Co: The First One Hundred and Fifty Years* (New York: Lazard Frères, 1998), 21; Stanley Chapman, *The Rise of Merchant Banking* (London: George Allen & Unwin, 1984), 64-65, 154-155.

88 Rougemont, *Lazard Frères*, 376-377.

conflict. For several years after the war, Kindersley and Brand each played significant roles in the negotiations for a reparations settlement, and were vocal advocates of a major scaling-down of reparations. Their stance often put them at odds with the members of the Paris house, who adhered more closely to the French government's far more punitive and anti-German policies. The United States did not claim reparations from Germany, but the Allied powers argued that they were entitled to "reparations," intended not to punish Germany but to make good the damage that the Allies had suffered as a result of the war. At the Paris Peace Conference, the French argued that huge sums would be required to remedy the economic and demographic losses inflicted upon France, especially the occupied territories, due to German militarism and aggression, and sought successfully to include pensions for war veterans in the bill. Given the complicated horse-trading in progress at the conference on this and other issues, David Lloyd George, the British Prime Minister, supported them in this position, often over the opposition of Wilson and the president's economic advisers, not to mention his own, Brand included. In a work that quickly became a classic, *The Economic Consequences of the Peace*, published in summer 1919, John Maynard Keynes, who attended the peace conference as an adviser to the British Treasury, mounted ferocious attacks on this provision of the peace treaty, as setting the level of reparations far higher than was practicable or feasible for Germany to pay.[89] Brand, too, considered British behavior toward the Americans at the Paris peace conference had "been bad in some respects, particularly as regards reparations." (He did, however, view this as something of an anomaly in an overall pattern of Anglo-American cooperation, stating that "on everything else our desire and intention has been to act as far as possible in accordance with the fourteen points which we understood to be generally approved by the American nation.")[90] Brand nonetheless felt that Keynes' decision to publish his book might have been mistaken, since he feared that it would encourage opposition to ratification of the peace treaty in the United States Senate.[91]

Although the Treaty of Versailles, signed by Germany and the victorious powers in June 1919, established the principle that Germany should pay reparations, the total amount to be assessed on Germany was so contentious a subject that the figure was left undecided at the Paris Peace Conference, to be settled later by an international Reparation Commission of experts. Reaching a definite sum for such payments quickly divided the former Allies. On the whole, the French supported heavy reparations payments, in part because this would benefit them economically, making it possible for them to pay the war debts they owed to Britain and the United States and to recover from the ravages of war, but also because they viewed this as a means of keeping Germany relatively weak. The British, by contrast, quickly jettisoned their early support for the French position on reparations, a policy that had been adopted largely as a result of the political exigencies Lloyd George faced during the peace conference, and came to favor a massive scaling down of the total sum assessed on Germany, a position that aligned them with American private

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[89] John Maynard Keynes, *The Economic Consequences of the Peace* (London: Macmillan, 1919). On Brand's opposition to the reparations clauses of the peace treaty, see also Fox, *The Langhorne Sisters*, 291-292.

[90] Brand to Charles Altschul, June 16, 1919, File 12A, Brand Papers.

[91] D. E. Moggridge, *Maynard Keynes: An Economist's Biography* (New York: Routledge, 1992), 337.

bankers and Treasury and State Department officials. The United States government took no official role in any reparations settlement, but Americans sat as observers on the Reparations Commission, and private American bankers and businessmen, who often liaised quietly with their country's State and Treasury Department officials, were heavily involved in efforts to reach a reparations settlement. So, too, on behalf of the British government, were Brand and Kindersley in London.[92]

In the near eighteen-month hiatus after the Treaty of Versailles was signed, but before it became clear that the United States would reject membership in the League of Nations, the broad pattern of divisions on reparations along national lines was already becoming apparent. As international financiers launched new efforts to mobilize transnational capital in the interests of European recovery, the Lazard partners' disagreements over reparations began to come to the fore. In late 1919 a group of European and American bankers met at Amsterdam in the Netherlands, to try to encourage further international cooperation to restore the European financial and commercial situation. The moving spirits were Charles E. ter Meulen, president of the Bank of the Netherlands, Dr. Gerard Vissering of the blue-chip Amsterdam bank, Hope & Company, and the German-born Paul M. Warburg, a former director of the U.S. Federal Reserve Board who had just established the International Acceptance Bank, a new institution whose *raison d'être* was to finance trade with Europe. The assembled bankers drafted a statement, generally known as the Amsterdam Memorial or Warburg Memorial, calling for a systematic effort to provide loans and credits for European reconstruction, implying that both war debts and reparations should be reduced, and asking the new League of Nations to hold a conference of international bankers and financial officials—the non-Americans to be nominated by their own governments, and the Americans by the American Chamber of Commerce—to decide on a "comprehensive scheme" to facilitate European recovery. Leading financiers and businessmen across Europe and the United States were invited to sign this memorandum, and many on both continents did so.[93]

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[92] Zara Steiner, *The Lights That Failed: European International History 1919-1933* (Oxford: Oxford University Press, 2005), 55-62; Bruce Kent, *The Spoils of War: The Politics, Economics, and Diplomacy of Reparations, 1918-1932* (Oxford: Clarendon Press, 1989), 66-82; Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919-1933* (Chapel Hill: University of North Carolina Press, 1979), 18-24; Marc Trachtenberg, *Reparation in World Politics: France and European Economic Diplomacy, 1916-1923* (New York: Columbia University Press, 1980), ch. 2; Margaret MacMillan, *Peacemakers: The Paris Conference of 1919 and Its Attempt to End War* (London: John Murray, 2001), 191-204; Klaus Schwabe, *Woodrow Wilson, Revolutionary Germany, and Peacemaking, 1918-1919: Missionary Diplomacy and the Realities of Power*, trans. Rita and Robert Kimber (Chapel Hill: University of North Carolina Press, 1985), 243-248, 285-294; Patrick O. Cohrs, *The Unfinished Peace after World War I: America, Britain and the Stabilisation of Europe 1919-1932* (Cambridge: Cambridge University Press, 2006), 58-60; Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression 1919-1939* (New York: Oxford University Press, 1992), 139-146.

[93] Hogan, *Informal Entente*, 33; Silverman, *Reconstructing Europe After the Great War*, 272-276; Orde, *British Policy and European Reconstruction*, 73-77; Sir Henry Clay, *Lord Norman* (London: Macmillan, 1957), 136; Elizabeth Johnson, ed., *The Collected Writings of John Maynard Keynes*: Vol. XVII: *Activities 1920-1922: Treaty Revision and Reconstruction* (London: Macmillan, 1977), 128-150; Moggridge, *Maynard Keynes*, 354-355.

Brand attended the Amsterdam meeting, as did Kindersley, and Brand was entrusted with enlisting top British bankers and other financial experts to sign the statement. Brand succeeded in persuading the heads of most of the top financial institutions in the City of London to endorse the declaration, and he, Kindersley, and several other bankers also discussed it with the British Chancellor of the Exchequer, the president of the Board of Trade, the governor and deputy governor of the Bank of England, and various Treasury officials.[94] He continued his correspondence with Eugene Meyer, applauding the latter's interest in listing "the internal loans of European credits" in American "public markets," and telling him that, if American investors had "any confidence in Europe," such securities would "present a very favourable opportunity for them." He added that, since "America's position has been so enormously changed by the war, . . . the American investor must acquire the habit of foreign investment, if your country is to be a great international financial centre." He also informed Meyer of the projected financial conference, warning that "[t]he European situation is not improving," and that it was "imperative, some way or other to stop the flood of paper money, which still continues in Europe."[95] Brand was not, however, particularly optimistic as to the memorial's prospects, telling another American business correspondent, Alexander Legge of the International Harvester Company, that he had "been interesting myself recently in a sort of international memorial to the various Governments, asking them to appoint an international meeting of , financial people to consider the economic position of Europe. But I fear that the obstacles, particularly perhaps in your country, to any co-operation on this subject are enormous, and I am not sanguine that Europe will receive much help in her troubles."[96] "Europe is certainly in a bad way," Brand wrote to Charles Altschul the same day, "and the outlook becomes, if anything, more and more obscure. But matters cannot be mended merely by Credits, although some means has got to be devised for providing these destitute countries with the raw materials they must have."[97]

American bankers took a prominent part in drafting and signing the Amsterdam Memorial, and all parties involved recognized that, ideally, the signatories hoped for and would have welcomed endorsement and support from the United States government and Treasury. Brand stressed to Legge that Britain was making determined efforts to recover using its own resources, emphasizing that: "There is no easy way out of our difficulties. We, in this country are certainly recovering in a marked manner. Our people are working better and we show every sign of recovering our equilibrium." He made it clear that, "[w]hile a good many people have exaggerated views here as to what the United States can do in keeping us all going," he himself "appreciate[d] that your position also in the financial way is not without its difficulties."

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94 For further details, see File 20, Brand Papers; Text of Amsterdam Memorial, January 15, 1920, and Austen Chamberlain to Brand, February 11, 1920, File 83, Brand Papers; Warburg Memorial File, Record Group 39, Records of the U.S. Treasury Department, U.S. National Archives II, College Park, MD.

95 Brand to Eugene Meyer, January 7, 1920, File 50/2, Brand Papers.

96 Brand to Alexander Legge, January 15, 1920, File 48/2, Brand Papers.

97 Brand to Charles Altschul, January 15, 1920, File 48/1, Brand Papers.

Justifying his work for the Amsterdam Memorial, he reminded Legge that many countries were in a worse position than Britain, stating: "Personally I do not think it is any better for a nation than for a man, to live on charity, but I have been interesting myself in getting to-gether an international conference here because I think some nations want to be given a leg up over the first stile." Rather despondently, however, he concluded that Carter Glass, the American secretary of the Treasury, who had insisted that the Amsterdam Memorial not even mention the possibility of United States government funding or involvement in European recovery, "evidently thinks that even this is going too far."[98] A few months later, Brand publicly endorsed comments by a leading American banker, Otto Kahn of Kuhn, Loeb & Company, that small American investors were nervous of investing in what seemed to them risky European securities, while problems of taxation discouraged big investors from the United States putting their money overseas.[99]

The French and British Lazard partners, while divided throughout 1920 and 1921 over the desirability of imposing heavy reparations on Germany, still shared the beliefs that the United States should forgive the war debts the Allied governments owed that nations, that American credits to finance European reconstruction were virtually essential, and that France, Britain, and perhaps other European nations should maintain a united front on these issues.[100] The Amsterdam Memorial was published in February 1920. The League of Nations quickly decided to organize the international financial conference the signatories requested, to be held in Brussels the following September, even though the United States government declined to send any representatives, leaving this to be done unofficially by the United States Chamber of Commerce. On behalf of the League, British Foreign Secretary Arthur Balfour invited Brand to become chairman of the organizing committee for this conference, but he declined. Brand warned André Lazard in Paris that, even though he had received assurances "that the work need not take much of my time, and would be quickly over," he believed that "a task of such magnitude and responsibility cannot in my opinion be a very light one."[101] To ter Meulen, he claimed that he had refused the assignment because Kindersley was about to be absent for three months in Canada, while another of his partners was "ill in the South of France."[102] Brand was also, however, experiencing some pressure from his French partners to make the case to any such gathering that France vitally needed reparations from Germany in order to finance its recovery from the damages of war.[103] He may well have been glad of an excuse to evade such demands, since by early 1920 he already favored "a general forgiveness of debts all round, which would

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98 Brand to Legge, February 10, 1920, File 48/2, Brand Papers.

99 "World Finance: City's Views on Mr. Kahn's Statement," *The Times*, May 28, 1920; also "International Finance: Mr. Otto Kahn's Views," *The Times*, May 27, 1920.

100 Rougemont, *Lazard Frères*, 387.

101 Brand to André Lazard, February 21, 1920, File 48/2, Brand Papers.

102 Brand to Charles E. ter Meulen, February 26, 1920, File 22, Brand Papers.

103 André Lazard to Brand, February 25, 1920, File 22, Brand Papers.

undoubtedly relieve the situation and tend to improve the exchanges."[104] In the March 1920 issue of *The Round Table*, Brand called for a major downward revision of German reparations. "On this question," Brand proclaimed, "as on the great European problems in general, it is the duty of bankers and other financial authorities to show the politicians and the public the way to sanity and international goodwill. The financial leaders of all countries, friend and foe alike, are the only people who understand what is happening to the world and the necessity, if our civilisation is not to disappear, of co-operation by all to save it."[105] He hoped, therefore, the European nations could reach an understanding among themselves on the issue of reparations.[106]

The French government demanded that no questions relating to the armistice settlement, the peace treaties, or internal finances of participating nations be raised at Brussels, and it was eventually decided that all delegates to this conference were attending in a personal rather than official capacity.[107] Brand did make some concessions to his French partners. In April 1920 he asked them to allow the financial correspondent of the London *Times* to quote from a French Treasury "memorandum on the situation of France, and the sacrifices she had made during the war," a document that André Lazard of the Paris house had given to him.[108] Yet, while Brand was prepared to facilitate the public presentation of the French case for compensation from Germany, his own views remained unchanged. In September 1920 he glumly told Charles Altschul that "European Political matters have hardly begun to settle down and I am told that things are gradually getting worse instead of better in Central Europe. The French reactionary policy makes any step forward extremely difficult. People who have been so injured as they have been find it difficult to be reasonable, but at the same time I regard their policy as fatal to peace."[109] At the last moment, Brand eventually accepted an invitation—Kindersley had already declined, pleading pressure of business after a long absence—to serve as one of the four vice-presidents of the Brussels conference, introducing one of the four general discussions with a major address. Slightly defensively, he told his French partners, whom he had not consulted in advance: "From the Firm's point of view, I think there is something to be said for taking part in this manner in a Conference which will be attended by leading financial representatives from all countries." Seeking to show that he was in good company, he noted that the other three vice-presidents were M. Jasper, the Belgian Minister for Home Affairs, M. Alexandre Celier, the Permanent Head of the French Treasury, and Dr. Gerard Vissering, head of the Netherlands Bank.[110] Eighty-six delegates met for two weeks, from September 24 to October 8, 1920, to discuss the international economic crisis. Another participant, Sir Frederick Leith-Ross of the

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104 Brand to F. Y. Edgworth, February 10, 1920, File 47/2, Brand Papers.

105 Brand, "International Financial Co-operation," *The Round Table* 10:38 (March 1920), 274-275, quotation from 275.

106 Rougemont, *Lazard Frères*, 388.

107 Silverman, *Reconstructing Europe After the Great War*, 274-276.

108 Brand to David Weill, April 19, 1920, Weill to Brand, April 21, 1920, File 53/2, Brand Papers.

109 Brand to Charles Altschul, September 10, 1920, File 48/2, Brand Papers.

110 Brand to Lazard Frères & Cie., September 15, 1920, File 48/2, Brand Papers.

British Treasury, later described the Brussels Conference as "the first attempt on an international basis to examine all the main financial and economic problems of the period—including the need to stabilise currencies, reduce trade barriers and settle international debts." It was only the first of many such gatherings during the 1920s, and it was, he recalled, "one of the most pleasant and least arduous of such meetings as the leisurely procedure adopted enabled one to get round and make the acquaintance of the other delegates." They endorsed the proposals of the Dutch Charles ter Meulen, for more private and governmental credits to finance European reconstruction, to be supervised by an International Commission under the auspices of the League of Nations. Unfortunately, this scheme remained a dead letter.[111]

Early in the conference, Brand stated in his introductory address that: "Europe must have real peace and real international co-operation." In Brand's view, "by far the greatest obstacle to the resumption of normal conditions is Europe's political instability and uncertainty, which clouds every international business transaction." He called for a restoration of "mutual trust, Government between Government and nation between nation."[112] Charles Altschul congratulated him on his "courageous and solid address." He hoped the conference would generate "some serious good will" among the assorted participants, who would at least gain a "better understanding of each others' viewpoint."[113] Yet Altschul also remained highly skeptical of German good faith and repentance. Even given "the desirability to get business running as quickly and as broadly as possible," he distrusted "the readiness with which the British are trying to open relations with Germany . . . at the risk of reviving a spirit that should first be thoroughly exorcised. The French fears and the French reserve seem to me more warranted," he told Brand. Charles Altschul could not discern "the slightest sign that the German people have in any way changed their point of view, nor that they recognise their responsibility for the war, or are in any way regretful except for the loss of the war. They still permit the wildest talk about the war that 'was forced upon them', and both in the press and in parliament voice the old time defiance and the call for revenge." He was also disturbed by the weakness of the German government, which "does not seem to be able or willing to subdue these aggressive elements." Altschul cautioned Brand that efforts to build up the German economy might even be dangerous, warning: "Unless Germans show some spirit of contrition, I fear that all efforts made to build up their economic improvement—for the purpose of making it possible for them to pay indemnities—will only react against the Allies and foster the resentment which the defeated naturally feel, even though

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111 On the Brussels conference, see Sir Frederick Leith-Ross, *Money Talks: Fifty Years of International Finance* (London: Hutchinson, 1968), 76-77, quotation from 77; Hogan, *Informal Entente*, 33; Silverman, *Reconstructing Europe after the Great War*, 276-288; R. S. Sayers, *The Bank of England 1891-1944*, 3 vols. (Cambridge: Cambridge University Press, 1976), 1:153-154; Orde, *British Policy and European Reconstruction*, 104-107; Clay, *Lord Norman*, 136; and Parrini, *Heir to Empire*, 144-147; Eichengreen, *Golden Fetters*, 155-157.

112 Brand, "Public Finance," September 1920, File 22, Brand Papers.

113 Charles Altschul to Brand, September 30, 1920, File 48/1, Brand Papers; see also Altschul to Brand, November 6, 1920, File 48/1, Brand Papers.

they do not show it in their daily intercourse with people upon whom they depend for their daily bread, at present."[114]

Brand's French partners were still more liable to remain deaf to his appeals. Brand sent a copy of his Brussels address to them, telling them that his speech had been "well received," though he was not sure whether the "Paris press" would entirely "approve" of it.[115] André Lazard wrote to him soon afterwards, stressing the validity of French claims against Germany, and arguing that it would be morally wrong to expect France itself to repair the damage Germany had inflicted on its territory during the war.[116] Brand, in response, admitted the theoretical justice of the French position, but warned that the problem was how Germany was to "have a balance of exports over imports, sufficient to enable the German Government to find the cash to pay the French Government." This, he believed, would take some considerable time.[117]

Brand would have much preferred that France should obtain the funds for restoration of these areas from Britain and the United States, later stating that he had "always thought that both England and America had some obligation to assist [France] to restore her devastated territories, and not to leave her entirely dependent on reparation from Germany."[118] Three months after the Brussels Conference, he told another correspondent that "the extreme nationalism of the nations of Europe seems likely at present to lead to their ruin. We seem to have got into a terrible bog by this over-development of national feeling, exaggerated as it is by the terrible hatreds of the war. I can see no general reason myself why the French, England, and German nations for instance could not live in amity side by side, and co-operate in the tasks of peace, just as the United States and Canada live side by side without hostility." Rather despairingly, Brand admitted that he nonetheless "view[ed] with some concern the present attitude of the Allies towards our late enemies, as exemplified in the Treaty of Versailles and its consequences."[119] British bankers, including Brand's partner Kindersley, tried to follow up on the Brussels conference by establishing procedures for extending financial credits for the reconstruction of distressed European countries and providing insurance for these, but these initiatives proved somewhat ineffective.[120] In spring 1921 Prof. Gustav Cassel, who had also signed the Amsterdam Memorial, suggested to Brand "that a protest should be made by signatories of the Memorial and the members of the Conference against the way in which their recommendations have been neglected." Brand, however, thought this "would be futile," and believed "that the whole of

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114 Charles Altschul to Brand, November 6, 1920, File 48/1, Brand Papers.

115 Brand to Lazard Frères, September 27, 1920, File 37/2, Brand Papers.

116 André Lazard to Brand, October 6, 1920, File 37/2, Brand Papers; cf. André Lazard to Charles Altschul, September 15, December 10, 1920, Lazard to Lazard Frères New York, November 29, 1920, File Lazard, Charles Altschul Files, Altschul Papers.

117 Brand to Lazard, October 9, 1920, File 37/2, Brand Papers.

118 Brand to J. Grant Forbes, November 24, 1921, File 46/2, Brand Papers.

119 Brand to Albert Kahn, January 28, 1921, File 49/1, Brand Papers.

120 "City Notes," *The Times*, November 16, 17, 18, 24, 26, 1920.

Europe has got to go through a long period of depression before it can possibly recover from the war."[121]

Brand's temporary pessimism did not imply that he had given up all hope for European recovery. He was still only in the early stages of a lengthy career as one of the British great and good, in which he would shuttle between private banking and service on numerous official, semi-public, and quasi-private committees, commissions, and other bodies, their unifying theme the quest to promote what might be broadly defined as the best interests as he understood them of his own country, the British Empire, and the broader international system. By late 1918, Brand was a member of the Tuesday Club, an exclusive group of officials, bankers, and businessmen, established in 1917 by the stockbroker Oswald Falk, then serving in the British Treasury, that met once a month to discuss economic issues and financial problems. Its other members included several other leading bankers, including Sir Charles Addis of the Hongkong and Shanghai Bank; Reginald McKenna, a former chancellor of the exchequer and chairman of the Midland Bank; and the South African Henry Strakosch. Several prominent Cambridge economists, most notably John Maynard Keynes, were regular attendees, as were the Treasury officials Basil Blackett, Sir Otto Niemeyer, Sir Josiah Stamp, a former civil servant, and the financial journalists A. W. Kiddy and Hartley Withers.[122] Since its foundation in 1909-1910, Brand had also been a leading member of the Round Table group, a body whose primary focus was British imperial union, expanded perhaps during the First World War to include Anglo-American cooperation or collaboration among the English-speaking peoples.

Brand returned from the Paris peace conference with a new affiliation. On May 30, 1919, the British and American advisers present at the Paris peace conference decided to establish an Anglo-American Institute of International Affairs.[123] It was symptomatic that Lord Robert Cecil, one of the moving spirits behind the creation of the League of Nations as well as the head of the Supreme Economic Council, told those assembled at the dinner that took the decision to set up the new body: "There is no single person in this room who is not disappointed with the [peace] terms we have drafted. Yet England and America have got all that they want, and more: far more. Our disappointment is an excellent symptom: let us perpetuate it."[124] Brand's Round Table associate Lionel Curtis was the moving spirit behind the establishment of the British arm of this enterprise, of which Brand spent many years as treasurer. From the beginning, it was intended as an elite enterprise. One of the founders, Sir James Headlam-Morley, recalled that he

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121 Brand to Gustav Cassel, May 18, 1921, File 37/1, Brand Papers.

122 Skidelsky, *John Maynard Keynes: Hopes Betrayed*, 337; Skidelsky, *John Maynard Keynes: The Economist as Savior 1920-1937* (New York: Penguin, 1994), 22-23.

123 Shotwell, *At the Paris Peace Conference*, 346-347.

124 Harold Nicolson, diary entry, May 30, 1919, in Harold Nicolson, *Peacemaking 1919*, rev. ed. (London: Methuen, 1964), 353.

and Curtis "agreed . . . that if the thing is to be effective, admission must be difficult so as to avoid a great mass of incompetent members."[125]

The London-based Royal Institute of International Affairs was one of the earliest foreign policy think tanks, a venue where academics, government officials, and businessmen could meet, study, and exchange views on significant foreign policy issues with guarantees of confidentiality. Lazard Brothers was among almost fifty City of London firms, including all the major financial institutions, that subscribed to Chatham House's permanent endowment.[126] Seeking to persuade a German associate to speak at Chatham House in 1927, Brand told him that it was" now a really important institution, before which addresses are given by the most eminent Englishmen and foreigners on different aspects of foreign affairs. The Institute provides very good audiences of probably 200/300 people but the speeches made there are not reported and the proceedings are intended to be confidential. This is for the reason that the object of the Institute is to get the highest authorities – whether statesmen or bankers etc. to speak their minds freely without fear of their being reported in the papers."[127] From its inception, it had close links to the British Foreign Office, several of whose representatives had been present at the founding meeting. Within a few years, the organization would become part of the institutional fabric of the British policymaking establishment. It was also a stronghold of those British individuals—Lord Balfour, Lord Robert Cecil, and the members of the Round Table group, including not just Brand but Waldorf Astor, Philip Kerr, and Lionel Curtis—who subscribed to the outlook that Anglo-American collaboration was fundamental to any functioning international order.[128]

The American branch of this joint enterprise, fearing that overt links to a foreign institution might expose it to domestic criticism, soon broke the official tie with its British counterpart. For some time the American body floundered and, in the words of Whitney H. Shepardson, one of those present at the initial meeting, "languished for almost a year, from the fall of 1919 until the fall of 1920." It was not clear whether it would survive. The formal establishment of the British Institute of International Affairs, a grand occasion celebrated with much fanfare and aplomb in

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125 Sir James Headlam-Morley, diary entry, May 31, 1919, in Sir James Headlam-Morley, *A Memoir of the Paris Peace Conference 1919*, eds. Agnes Headlam-Morley, Russell Bryant, and Anna Cienciala (London: Methuen, 1972), 133.

126 "Chatham House," *The Times*, July 8, 1929.

127 Brand to Jakob Goldschmidt, November 5, 1927, File 89/1, Brand Papers.

128 For Brand's appointment as treasurer, see Minutes of Meeting of the Selection Committee of the Institute of International Affairs, November 24, December 4, 1920, File 39/2, Brand Papers; for his involvement with Chatham House, see Files 39/1, 39/2, 117/1, 117/2, 138/1, and 156/2, Brand Papers. On the origins of the RIIA, see also esp. Gordon Martel, "From Round Table to New Europe: Some Intellectual Origins of the Institute of International Affairs," in *Chatham House and British Foreign Policy 1919-1945: The Royal Institute of International Affairs during the Inter-War Period*, eds. Andrea Bosco and Cornelia Navari (London: Lothian Foundation Press, 1994), 13-39; Deborah Lavin, "Lionel Curtis and the Founding of Chatham House," ibid., 61-71; Mike Dockrill, "The Foreign Office and the Creation of Chatham House," ibid., 73-86; Inderjeet Parmar, *Think Tanks and Power in Foreign Policy: A Comparative Study of the Role and Influence of the Council on Foreign Relations and the Royal Institute of International Affairs, 1939-1945* (Basingstoke: Palgrave Macmillan, 2004), 25-36.

London in July 1919, provided something of a spur to the faltering American group. Frank Altschul was not present at the founding meeting in Paris of the American Institute. He did, however, belong to another organization, the New York-based Council on Foreign Relations, a discussion group on international affairs established by former secretary of state Elihu Root in June 1918, a body primarily composed of leading East Coast lawyers, bankers, and businessmen, with a membership of 108. In the ten months between its foundation and April 1919, this body held fourteen meetings. By early 1920 it had turned its attention to the subjects that were so preoccupying European officials and bankers. A well-attended meeting at the Hotel Astor on January 13, 1920, considered "The Financing of Our Foreign Trade." A year later, discussion focused upon "What Americans Should Know About Germany." Rather than competing, those involved decided to join forces. After several months of negotiations, the two groups eventually merged in July 1921, keeping the name of the institution that had been first established, but bringing in many of the academics and journalists who had been prominent members of the American delegation at Paris. While the Council professed to adhere to no particular policy or viewpoint, by its very nature it was a stronghold of those Americans who believed that their country should play a far larger part on the world stage.[129]

Frank Altschul originally belonged to the second of these societies. Still only thirty-four, he had not as yet distinguished himself sufficiently in that capacity or in his career to be selected as a founding vice-president or even director of the joint body. Such honors were reserved for men who had already made a prominent mark in business, government, the law, or academe. Yet Altschul had his own vision of the role the new Council might play in official policymaking, and virtually immediately the union of the two societies had been consummated, he began to push this. On August 10, 1921, William C. Grace, the Council's manager, circulated to its other members a memorandum written by Altschul, in anticipation of the forthcoming Washington Conference on naval disarmament, scheduled to begin in November 1921, where "many matters of vital importance for the future of American foreign relations are to be determined." The Council, he told its members, "include[d] a large number of men who are peculiarly well qualified to study questions affecting the foreign policy of the United States, and to form accurate conclusions based on such study." While some of these individuals might be asked to give advice in a personal capacity, Altschul suggested that the nascent organization should itself

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[129]Whitney H. Shepardson, *The Early History of the Council on Foreign Relations* (Stamford, CT: Overbrook Press, 1960), 1-15, quotation from 9; summary of 18th meeting of the Council on Foreign Relations, "The Financing of Our Foreign Trade," January 13, 1920, Box 132, Otto H. Kahn Papers, Firestone Library, Princeton University, Princeton, NJ; "Summary of the Conference of Tuesday Evening, January 11, 1921, on What Americans Should Know about Germany," Box 149, Kahn Papers; Robert D. Schulzinger, *The Wise Men of Foreign Affairs: The History of the Council on Foreign Relations* (New York: Columbia University Press, 1984), 3-8; Peter Grose, *Continuing the Inquiry: The Council on Foreign Relations from 1921 to 1996* (New York: Council on Foreign Relations, 1996), 5-9; Michael Wala, *The Council on Foreign Relations and American Foreign Policy in the Early Cold War* (New York: Berghahn Books, 1994), 1-13; Neil Smith, *American Empire: Roosevelt's Geographer and the Prelude to Globalization* (Berkeley: University of California Press, 2003), 193-197.

form study groups of qualified members to deliberate on some of the issues the government would face at Washington, and proffer expert advice on them.[130]

Grace circulated Frank Altschul's memorandum with a cover letter stating that he thought "the suggestion worth while." It would be a way in which the Council could "render" the government "a valuable service," while "materially strengthen[ing] itself." The responses Grace received to Altschul's suggestions were mixed, but on the whole dubious, at least in terms of their practical implementation. Isaiah Bowman of the National Geographical Society, an adviser to the American delegation at the recent peace conference, in principle strongly favored the suggestion, regarding the "whole subject of cooperation with the Government [a]s one that ought to be discussed" at a Council board meeting, but raised some caveats. Drawing on his own experience in government, he warned that "accurate" advice might well be rejected, should this "support a conclusion . . . contrary to the policies of the government official" responsible for making decisions on the subject. Bowman rather cynically warned that such bureaucrats often "encourage[d] such private work, not with the expectation that the officials will use it, but only to keep the outside organizations quiet!" He suggested that the Council might do better to emulate *The Round Table*, a journal he clearly knew well, by producing "high grade papers on current subjects," which could then be distributed among opinion-makers "so as to build up among the leaders of the country sound views as to the nature of public questions that affect our foreign relations." Norman H. Davis, a founding director of the Council who had served as under secretary in both the Treasury and State Departments, thought such a "proffer of services would be unwise" and possibly embarrassing to both the Council and the government. He thought it better to leave government officials to take the initiative to "call on" those Americans "interested in and conversant with foreign questions for such assistance as may be deemed necessary." Herbert S. Houston, a publisher with Doubleday Page, likewise suggested that, while the State Department might well call on some of the Council's members for advice, and it might even place its services at the Department's disposal, it would be unwise for the Council to "volunteer suggestions." John W. Davis, a former ambassador to the United Kingdom and the Council's first president, had similar reservations. Archibald Cary Coolidge of Harvard University, soon to become the founding editor of *Foreign Affairs*, the Council's journal, drew on his experience as a member of the Inquiry, the wartime group of academics organized by Woodrow Wilson's confidential adviser, Colonel Edward M. House, to draw up plans for the eventual peace settlement, to warn that cooperation between such organizations and the Department of State was rarely easy, and much of the work that went into such efforts was likely to be wasted. He, too, thought it would be better for the government to call on the services of "individual members" of the Council as it deemed appropriate. Julius Bache, a New York businessman, likewise believed officials in Washington might wish to avail themselves of the expertise of specific Council members. F. Kingsbury Curtis, a New York lawyer, thought the

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[130]Altschul to William C. Grace, n. d. [July or August 1921], File 87, Council on Foreign Relations, Organizations File, Altschul Papers.

"idea [wa]s excellent, and if done well . . . would be of great value," but "doubt[ed] if your organization is closely enough knit" to implement this. The journalist Hamilton Holt suggested that the Council might write to the Secretary of State, offering its services should he require these, but "doubt[ed] the advisability of . . . butting-in to the forthcoming International Conference." James S. Alexander of New York feared that Council "afford[ed] an excellent opportunity for mutual discussion and exchange of ideas," but was "not well adapted to the accumulation of detailed information and the formulation of definite conclusions on intricate questions of foreign policy." A few responses were more favorable. F. H. Sisson, of the New York Guaranty Trust Company, liked the idea in principle, though he feared that most members were "very much too busy with their own affairs to render very effective committee service." William Butterworth of Deere & Company, Moline, Illinois, uncompromisingly "believe[d] a great deal of good can come from . . . giving to the President, the business man's point of view." But this was something of a minority opinion. For the most part, in 1921 even those members who found the broad idea attractive believed the Council should merely make a polite approach to the president or State Department, and let government officials set the pace thereafter. In the words of E. M. Herr, president of Westinghouse Electric and Manufacturing Company, "it can do no harm to offer our services and so ascertain whether the Council on Foreign Relations can be of use in the coming negotiations."[131]

Yet, although on this particular occasion Frank Altschul's proposals were largely fruitless, his ambitions for the infant think tank, even at a stage when it had hardly begun to function, signaled his own personal interest in having an impact behind the scenes as an architect of official diplomacy. It was an approach that can be seen as a portent of the future close relationship between the Council and the foreign policy bureaucracy of his country's government. For the next two decades, Altschul would be preoccupied with other affairs, business, politics, and family. It would be more than ten years before he became a director of the Council, and over two decades before he began to take a prominent though quiet part in steering its affairs. His proposal of 1921, however, put forward a template of how the Council should function that would aptly describe its *modus operandi* during the thirty years, beginning in the early 1940s, when Altschul was heavily involved in directing its affairs.

These developments still lay well in the future. As peace returned to Europe in 1920, Charles Altschul, Frank's father, wrote to his Austrian cousin, Paul Hammerschlag: "Never before did I

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[131]See Norman H. Davis to Grace, August 16, 1921, Herbert S. Houston to Grace, August 19, 1921, Fred I. Kent to Grace, August 11, 1921, William Butterworth to Grace, August 11, 1921, F. Kingsbury Curtis to Grace, August 16, 1921, William H. Chadbourne to Grace, August 17, 1921, Julius Bache to Grace, August 10, 1921, F. H. Sisson to Grace, August 11, 1921, John W. Davis to Grace, August 11, 1921, E. M. Herr to Grace, August 11, 1921, James S. Alexander to Grace, August 11, 1921, File 87, Council on Foreign Relations, Organizations File, Altschul Papers; Isaiah Bowman to Grace, August 13, 1921, File 25, Isaiah Bowman, Catalogued Correspondence, Altschul Papers; Archibald C. Coolidge to Grace, August 11, 1921, File 44, Archibald C. Coolidge, Catalogued Correspondence, Altschul Papers; Hamilton Holt to Grace, August 11, 1921, File 98, Hamilton Holt, Catalogued Correspondence, Altschul Papers.

so thoroughly feel that the future belongs to the young, and that we of the older generation must be content in the hope that the children may some late day see the world again in as happy a mood as we had grown accustomed to think natural. . . . [W]e cannot expect to see the world, as we saw it before 1914, during the short span of our lives."[132] Charles Altschul was prepared to leave initiatives to revitalize the international system to a younger generation. The fact that his son and his British partners showed every sign of intending to take some role in these ventures perhaps made it easier for the older man to resign himself to spending his final years primarily as an observer and commentator on global developments rather than a protagonist in them.

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132 Charles Altschul to Hammerschlag, March 29, 1920, File Paul Hammerschlag 1920, Charles Altschul Files, Altschul Papers.

CHAPTER FOUR

THE 1920S: INTERNATIONAL HIGH FINANCE AND THE LAZARD FIRMS

For Frank Altschul, back from the war, the 1920s were a time when he was consolidating his position in Lazard Frères, New York. This was something of a challenge for him. Still only thirty-three in 1920, he was overshadowed by the dynamic and vigorous George Blumenthal, then sixty-two, who had been with Lazard's New York house since the 1890s, and despite long absences remained its dominant force until the end of 1925. In these years, Blumenthal found himself at odds on policy with the Paris partners, with whom ultimate control of the New York house rested. On the financial front, American and European bankers of the 1920s were extremely active participants in initiatives to regenerate the European economies as a functioning system. Some of their moves to do so were undertaken as part of the course of normal business. Others represented international efforts by American and European private bankers, usually with quiet backing from their own governments, to settle the problems of Europe and provide financing that would underpin the restoration of economic stability throughout Europe. The Lazard firms did not take the lead in these ventures, but throughout the 1920s their partners would participate in multiple aspects of international financial diplomacy. This was particularly true of the London firm, Lazard Brothers, two of whose partners, Sir Robert Kindersley and Robert Brand, were heavily involved in British efforts to resolve the controversial postwar issues of German reparations and Allied war debts. These activities sometimes gave rise to strains with their French partners, who largely followed their own government's line.

A recent historian of the Lazard firms argues that "Lazard was an American firm in the United States, a French firm in France, and a British firm in the U.K."[1] In broad policy, this was not always an advantage. By the 1920s, each bank had effectively gone native, making it extremely difficult for them to act as a united front, even though they could cooperate on particular issues. During the 1920s Lazard Brothers was extremely active in seeking international business and expanding its overseas profile, efforts which likewise sometimes brought it into conflict with the French house when they involved dealings on behalf of German firms. The ambitions of the London house also had the potential to affect the pattern of operations of Lazard Frères in New York. In the mid-1920s, Brand and Kindersley proposed that the New York house should radically change its own business profile, primarily as a means of boosting the standing of the British firm and facilitating its access to American financial resources, which were far more munificent than those available to them in London. As he gradually established himself as the leading partner in New York, Frank Altschul had to keep his own counsel while steering a complicated course among his battling colleagues. Only in the late 1920s did he really begin to come into his own.

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[1] William D. Cohan, *The Last Tycoons: The Secret History of Lazard Frères & Co.* (New York: Doubleday, 2007), 20.

For much of the 1920s, it seems, Frank Altschul found discretion the better part of valor. His father, now retired from business, faced fewer constraints upon the expression of his opinions, and until his death in 1927 commented extensively on international affairs. The disappearance of Woodrow Wilson from the political scene did much to reconcile Charles Altschul to the League of Nations whose supposed shortcomings he had previously roundly condemned. Interestingly, Charles Altschul, probably correctly, did not interpret the outcome of the 1920 presidential election as a repudiation of American membership in "ANY League of Nations." He told Arthur Goodhart, his son Frank's brother-in-law, that American voters had a "general desire for a change," but that if a referendum had been held as to whether to join the League with the reservations the Republicans had attached to the covenant, "it would have been carried with enthusiasm." By 1923, he believed that "the people of this country have grown tired of watchful waiting and want the Administration to do something constructive in Europe." Replying to a query from Goodhart as to "why America is not equally bound to aid Asia if morally bound to assist Europe," Charles Altschul made it clear that, in his view, American interests overseas were largely restricted to Europe, stating:

> This country is populated by the immigrants from Europe or their descendants; its civilization is principally Anglo-Saxon -- strictly so as far as the essentials are concerned; all other European countries have contributed to its customs and have exercised an influence on its development. We would be touched to the core if the nations of Europe should relapse into anarchy or become materially weakened morally and physically. It is of the greatest importance to this country to keep alive in Europe the respect for government and a condition of living which corresponds to our civilization. If either of these should disappear we would feel a terrible recoil. But if similar conditions should develop in Asia, they would not affect us because the conditions and the state of civilization there are not in immediate touch with our own. Europe stands in an entirely special position as regards our country.

By early 1923, Altschul "believe[d] that there is growing in our country a very decided sentiment in favor of participation in European affairs, as a matter of self-protection and preservation, and in recognition of a high moral and ethical responsibility." He believed that the American people had a "desire to do our bit in peace as well as in war; to bring some order out of confusion; to endeavor to cement and heal breaks; to bring our more normal temper to bear upon the distracted peoples of Europe."[2]

Regretfully, in 1924 Charles Altschul reported that American "antipathy against the League of Nations seems unabating, altho' nourished on prejudice, ignorance, and party politics."[3] Charles

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[2]Charles Altschul to Arthur Goodhart, January 8, 1923, File Arthur Goodhart, Charles Altschul Files, Altschul Papers.

[3] Charles Altschul to Hammerschlag, January 29, 1924, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

Altschul deprecated any proposals that might weaken the League of Nations and World Court, which he continued to hope the United States would eventually join in some form or another.[4] By 1924, he felt that the recent London conference on reparations and the Geneva conference to strengthen the League of Nations had "brought about a different atmosphere and may . . . be the beginning of a new era."[5] He likewise welcomed "the spread of the Locarno spirit," named for the treaties of late 1925 whereby Germany accepted its 1919 frontiers with France in exchange for membership of the League of Nations and a complete Allied evacuation of the Rhineland. Altschul nonetheless displayed some apprehension as to what Benito Mussolini, Italy's increasingly assertive Fascist leader, was likely to do in the future.[6]

Charles Altschul's reconciliation with the League of Nations could scarcely have been more complete. He was privy to and approved proposals, drawn up in 1923 by his old wartime associate Prof. James T. Shotwell of Columbia University, head of the Division of History and Economics of the Carnegie Endowment, to submit all disputes among states that were members of the League of Nations to compulsory arbitration, an initiative that provided the germ of the 1924 Geneva Protocol. A second scheme, drafted by Shotwell in 1925 and published in 1926, initially envisaged that the United States would join the International Court associated with the League of Nations, upon condition that the court then call an international conference of all its members, to negotiate a general treaty that would submit all disputes among the signatory nations to arbitration by the court, effectively outlawing war. Watered down, with all reference to the International Court removed, this proposal eventually became one of the impulses that propelled the United States government to move to negotiate the 1928 Kellogg-Briand Pact outlawing war.[7] In November 1926 Altschul deplored President Calvin Coolidge's acquiescence in Senate reservations that stymied the administration's previous efforts to bring about United States membership in the World Court, "which many of us had been confident enough to consider an American conception." He praised, moreover, the "excellent work done in the interest of the League by many unofficial Americans, in Austria, in Poland, in Greece, on the Dawes Committee," and on legal and academic issues in Geneva. Altschul trusted, therefore, that "the day will come when this country will realize that it owes a great duty to Europe."[8]

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[4]Charles Altschul to James G. McDonald, March 16, 1925, File James G. McDonald, Charles Altschul Papers; Altschul to Goodhart, January 8, 1923, File Arthur Goodhart, Charles Altschul Papers.

[5] Altschul to Hammerschlag, September 8,1924, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

[6]Altschul to Simonds, September 12, 1926, File Frank H. Simonds, Charles Altschul Papers.

[7] "Statement drawn up on June 19, 1925 by group meeting at the home of Professor James T. Shotwell, 257 West 86th Street, New York, File James T. Shotwell, Charles Altschul Files, Altschul Papers. On this proposal, see also Charles Altschul to Brand, December 21, 1926, File 73/1, Brand Papers; James T. Shotwell, *The Autobiography of James T. Shotwell* (New York: Bobbs Merrill, 1961), chs. 10-12; Harold Josephson, *James T. Shotwell and the Rise of Internationalism in America* (Cranbury, NJ: Associated University Presses, 1975), 116-132, 140-176; Patrick O. Cohrs, *The Unfinished Peace after World War I: America, Britain and the Stabilisation of Europe 1919-1932* (Cambridge: Cambridge University Press, 2006), 451-455.

[8] Charles Altschul to Brand, November 16, 1926, File 72/1, Brand Papers.

After visiting an airfield in Croydon, near London, Charles Altschul confidently awaited the day when "the progress of aviation brings it home to America that the Atlantic is nothing more than a ditch. . . . when flying machines will be a menace to us nearly as great as they are to London today, and then my countrymen will awaken to the fact that the joining those damn Europeans to prevent a disaster at home is not such bad business after all."[9]

Above all, though, Altschul believed in the primacy of Anglo-American understanding. He and Brand continued to correspond on the subject. In February 1921, shortly before Harding's inauguration, Brand wrote to Altschul about newspaper reports "that the United States have decided to go ahead with building a big navy." Since seapower was the foundation of British international strength, Brand told his American friend that "this is about the most important question of all." Brand was apprehensive that the new policy could easily provoke intense Anglo-American rivalry, warning Altschul: "While we recognise that America has a long sea coast and in any case wishes to have a bigger navy than Japan, so far as we are concerned, the British Empire absolutely exists by Sea Power. We all recognise here that the United States has the wealth, if they like, to build a much bigger navy than we have, but if they do so without sincere effort on both sides to come to some agreement, it will, I fear, naturally follow that feeling will grow bitter on both sides." He hoped, however, that the new administration might address this problem.[10] Harding's early utterances were quite ambivalent, even Delphic. Charles Altschul rather optimistically—"I hope for the best!," he proclaimed—interpreted an April 1921 presidential address to Congress as "clearly reaffirm[ing] the intention to stand by our late Allies, even if we reserve to ourselves the right of going off on a tangent on some matters." He also believed that recent pro-German activities in the United States had "solidified the elements favorable to Britain. There is now more outspoken recognition of the solidarity between the two countries than in a long time."[11]

Towards the end of 1921, Altschul was somewhat alarmed by American newspaper reports that the British government was attempting to safeguard the country's overseas oil supplies from development by American firms, "closing the door to alien participation in the development of the oil resources of Mesopotamia, Persia, etc.," so as to "preserve her oil reserves while using American oil for the navy and other purposes." Altschul hoped that the two countries could reach a "friendly understanding on these matters, and "that the Washington conference will remove that as well as other misunderstandings."[12] Brand's fears of Anglo-American maritime rivalry were largely allayed by the Washington Conference of 1921-1922, called by the United States, at which Britain and the United States agreed to accept naval parity with each other,

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[9]Charles Altschul to McDonald, March 16, 1925, File James G. McDonald, Charles Altschul Papers; also Altschul to Goodhart, January 8, 1923, File Arthur Goodhart, Charles Altschul Papers.

[10] Brand to Altschul, February 11, 1921, File 47/1, Brand Papers.

[11] Altschul to Brand, April 13, 1921, File 43, Brand Papers.

[12] Quotations from Altschul to Brand, November 21, 1921, and December 7, 1921, File 43, Brand Papers.

rather than beginning an arms race.[13] Charles Altschul had hoped to be among the audience for the public sessions of the conference, but in summer 1921 had begun to suffer from cardiac problems, so on medical advice did not do so, nor even "attend any of the functions in honor of the British delegates." He nonetheless felt the success of the conference left him "justified in looking into the future with unexpected faith."[14] Brand hoped that, if the Washington conference treaties could be supplemented by "a settlement of the reparation question on some reasonable lines, . . . the world may perhaps begin to recover."[15]

Ironically, by this time one of Charles Altschul's greatest fears was that, while relations between Britain and the United States were greatly improved, their new harmony was based in part on shared antagonism to France's harsh policies toward Germany on reparations and other issues. Altschul deplored this development, and from 1921 to 1923 repeatedly begged Brand and others to do all they could to improve Anglo-French relations, and to recognize that, however misguided some French actions and attitudes might seem, they were the product of that country's sense of weakness and insecurity *vis-à-vis* a fundamentally much stronger Germany.[16] In June 1921 Brand forwarded one of Altschul's letters on this subject to Philip Kerr, who was still serving as private secretary to British Prime Minister David Lloyd George, on whose views the younger man was believed to exercise considerable influence.[17] Although he remained silent at the time, Frank Altschul was, it seems, greatly affected by his father's views on Britain's treatment of France and Germany, which had a significant impact on his own long-term thinking on European affairs. Many years later, he told a relative that he was "still very conscious of that post-war period when England was possibly not afraid of France, but certainly very much disturbed by French 'intransigeance' and swashbuckling." While "an idealistic feeling about Germany" might have played a part in British policy, Frank Altschul cynically recalled that "in those remote days it looked to me very much as if was mixed up with a desire to build up a

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[13] On the Washington Conference, see Thomas H. Buckley, *The United States and the Washington Conference, 1921-1922* (Knoxville: University of Tennessee Press, 1970); Erik Goldstein and John Maurer, eds., *The Washington Conference, 1921-22: Naval Rivalry, Eastern Stability and the Road to Pearl Harbor* (Ilford, Essex: Frank Cass, 1994); Christopher Hall, *Britain, America and Arms Control, 1921-37* (Basingstoke: Macmillan, 1987); Phillips Payson O'Brien, *British and American Naval Power: Politics and Policy, 1900-1936* (Westport, CT: Praeger, 1998); Emily O. Goldman, *Sunken Treaties: Naval Arms Control between the Wars* (University Park, PA: Pennsylvania State University Press, 1994); and Richard W. Fanning, *Peace and Disarmament: Naval Rivalry and Arms Control, 1922-1933* (Lexington: University Press of Kentucky, 1994).

[14] Altschul to Brand, December 7, 1921, File 43, Brand Papers.

[15] Brand to Altschul, December 19, 1921, File 43, Brand Papers.

[16] Altschul to Brand, June 1, 1921, File 43, Brand Papers; Altschul to Brand, February 6, 1922, File 43, Brand Papers; Altschul to Brand, October 12, 1923, File 67/1, Brand Papers; Altschul to Hammerschlag, January 24, 1922, File Paul Hammerschlag 1922, Charles Altschul Files, Altschul Papers; Altschul to Simonds, November 17, 1923, File Frank H. Simonds, Charles Altschul Files, Altschul Papers.

[17] "D" to Brand, June 10, 1921, File 43, Brand Papers.

strong Germany as a counterpoise to France and as an obstacle to French hegemony in Europe."[18]

The nature of the British Empire he so admired continued to intrigue Charles Altschul, and he corresponded with Brand on the subject. In 1922 he read the diaries of the flamboyant British anti-imperialist Wilfred Scawen Blunt, and asked Brand, whose father had been friendly with Blunt, for more information on their author. Noting that Blunt "repeatedly asserts that he should be happy if the British Empire would break up," Altschul characterized him as "an idealist of the theoretical kind who would have been willing to sacrifice all that might be good, as well as all that was bad, for the sake of his ideal – the good of the backward races." Altschul "wonder[ed] what he thinks would have become of the backward races if the French, Italians, and Germans would have had them to themselves after the British Empire had been broken up?" Altschul confessed himself "happy . . . that the British Empire has emerged from all the turmoil and stress in a much stronger, much more respected, and much more democratic position than it has ever held before."[19] Replying to his American friend, Brand showed himself less sanguine as to the ultimate future of the British Empire. Brand described Blunt as "a very handsome, attractive man, of great imagination, and a really good poet," but warned that "his judgment in the hard practical affairs of life was questionable." Brand's reflections on Blunt's outlook were revealing as to his own views on imperialism. He told Altschul that:

> [Blunt's] general view, for which in the end there may be found something to be said, was to leave such races as the Egyptians, Indians, and so forth, entirely alone, and let them develop their own civilisation, and he regarded, therefore, the British empire, with its colonising and 'western civilising' influences, as bad. The trouble is, that with the development of communications and of modern life, relations between different parts of the world, by whatever colour of man they are inhabited, are bound to become closer and closer, and we can hardly return, even if we should like to, to a simpler age or leave every race to whatever chaos it likes to live in. Whether in the end our modern civilisation will not produce a state of affairs and a kind of life at which the human race will revolt, I do not feel sure, but meanwhile we in the British Empire have to do something to keep order and good government in such places as Egypt and India.[20]

Although Charles Altschul was and remained a staunch Anglophile, from time to time he expressed reservations over specific British policies. He had little if any sympathy with Lloyd George's unsuccessful effort at the May 1922 Genoa Conference to restore relations with Soviet Russia, telling Brand that he could not "imagine that you go with Lloyd George in his leanings towards the Soviets." (In this he was quite correct; throughout the 1920s Lazard Brothers

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[18] Frank Altschul to Cecily Goodhart, January 25, 1943, File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.

[19] Charles Altschul to Brand, February 6, 1922, File 44, Brand Papers.

[20] Brand to Charles Altschul, February 16, 1922, File 44, Brand Papers.

declined to have any business dealings with Russia.) Altschul complained that the British prime minister had "sacrificed principle for an imaginary commercial advantage. Imaginary, because the Soviets cannot deliver the goods, even if they were so inclined—and who can trust them to carry out any agreement?"[21] Brand, who reported to his partners from Genoa that the Bolsheviks "made a very bad impression" on him, almost certainly shared these sentiments.[22]

Charles Altschul might on occasion disagree with particular British initiatives, but his fundamental belief in the primacy above all of Anglo-American understanding as the guiding principle of his country's international policies remained unchanged. In 1925 he proclaimed to James G. McDonald, the head of the Foreign Policy Association, that he still held those views he had "often expressed before 1914," namely:

> No matter what temporary resentment there may be here against Great Britain and no matter what agitation our Irish-American and German-American friends may indulge in, there is to my mind a fundamental agreement between us and Great Britain on practically all that is important in political life, and a thorough understanding that anything that touch[e]s Anglo-Saxon civilization affects us as much as it does the mother country. There is no thinkable condition which would bring this country into armed conflict with Great Britain. On the other hand, should England ever be in danger, and with her Anglo-Saxon civilization be threatened, I am firmly convinced that the Stars and Stripes would again cross the Atlantic and they would stay there again, until it was over over there. That sounds a little spread-eagle, but it is my firm conviction.[23]

War Debts

One particular area where Charles Altschul believed that the United States should "do something constructive in Europe" was by forgiving or cancelling the war debts owed to it by the former Allies, payments that ranked among the most prominent obstacles to harmonious relations between the United States on the one hand and Britain and France on the other. In 1919 it was still unclear whether, when, and at what rate of interest the United States government would expect repayment from the Allied governments of the funds it had advanced to them during the war to cover their purchases in the United States. Some British and French officials initially hoped for the cancellation of all war debts, possibly as a broader write off of outstanding intergovernmental financial obligations, to include German reparations as well. As a British

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[21] Charles Altschul to Brand, May 16, 1922, File 44, Brand Papers.

[22] Brand to Lazard Frères & Cie., April 25, 1922, File 49/2, Brand Papers.

[23] Charles Altschul to McDonald, March 16, 1925, File James G. McDonald, Charles Altschul Papers.

Treasury adviser at the Paris peace conference, the economist John Maynard Keynes even proposed such an arrangement.[24]

Charles Altschul, who followed attentively the course of international financial diplomacy during the 1920s with great attention, agreed strongly with this position, and favored outright cancellation of all the war debts owed to the American government. By mid-1920, Altschul already hoped that the United States would forgive these debts, and welcomed newspaper articles advocating the cancellation of all but the British debt as a step in the right direction.[25] In 1921 he publicly suggested American cancellation of the debts owed by the former Allies, as a contribution to the joint effort and evidence of "continued solidarity with our Associates."[26] "[W]e should," Altschul said, "have been in [the war] from the start, and . . . we have by our delay incurred moral obligations which are not to be forgotten."[27] From France, Max Lazard, brother of Altschul's former partner André Lazard, praised this piece as "a splendid presentation of our case," while admitting "sadly" that it seemed American political leaders were less than sympathetic to it.[28]

During the decade following the First World War, the London Lazard partners were privy to and sometimes featured in much of the constant behind-the-scenes diplomacy on war debts, and likewise on German reparations. In July 1919 Sir Robert Kindersley, the leading figure in the London Lazard house, told Benjamin Strong, governor of the New York Federal Reserve Bank, who was then visiting London, "that America would vastly gain in prestige by forgiving the debt of the Allies." On that occasion even Kindersley "admitted that the sentiment sprang from his heart and that while it would be sentimentally a good thing for America and add to our [American] prestige, it would be a bad thing for England and the Continent." Other British bankers, however, followed the lead of Strong's friend Montagu Norman, the dominating governor of the Bank of England, who told the American to "Pay no attention to Kindersley. His

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24 Robert Skidelsky, *John Maynard Keynes: Hopes Betrayed 1883-1920* (New York: Viking, 1986), 368-374; Michael J. Hogan, *Informal Entente: The Private Structure of Cooperation in Anglo-American Economic Diplomacy, 1918-1928* (Columbia: University of Missouri Press, 1977), 25-27; Zara Steiner, *The Lights That Failed: European International History 1919-1933* (Oxford: Oxford University Press, 2005), 59-60; Dan Silverman, *Reconstructing Europe after the Great War* (Cambridge, MA: Harvard University Press, 1982), 33-35; Anne Orde, *Briitsh Policy and European Reconstruction after the First World War* (Cambridge: Cambridge UniversityPress, 1990), 39-42, 54-60.

25 Charles Altschul to Brand, June 5, 1920, File 48/1, Brand Papers.

26 Altschul to André Lazard, January 10, 1921, File Lazard, Charles Altschul Files, Altschul Papers; Altschul, "Europe's Debt and Our Own," *New York Times*, February 6, 1921, File Letters and Articles about Europe's Debt, Charles Altschul Papers.

27 Altschul to C. R. Berrier, January 18, 1921, File Letters and Articles About Europe's Debt, Charles Altschul Papers.

28 Max Lazard to Charles Altschul, March 7, 1921, File Letters and Articles about Europe's Debt, Charles Altschul Files, Altschul Papers.

heart rules his head."[29] Two years later, Kindersley expressed the optimistic "belief that if the British Government would relinquish its claims so far as amounts owing to this country are concerned, the United States would not be long in following the example."[30] This stance may have been influenced by Brand, whose ideal solution, as he repeated on many occasions, "was a general forgiveness of debts all round, which would undoubtedly relieve the situation and tend to improve the exchanges."[31] Brand admitted, however, that however desirable and logical a proceeding this might be, it was not practical politics. Most of the British financial establishment thought it essential, in terms of maintaining their country's international prestige and credibility, and its standing of equality with the United States, to arrange to pay off these debts, even if the terms were disadvantageous to Britain.[32] Brand and Kindersley both came round to this conventional wisdom. From an early date, Brand also felt it essential "that these and other foreign debts should be funded and the redemption dates fixed definitely." Unless and until this was done, "every Government [would be] left in a state of harassing uncertainty, which undermines confidence."[33] He thought it "absolutely necessary for us to stand up to our obligations," even though he personally believed "that it would be better for all interests concerned to wipe off all these great governmental debts."[34] To a leading American businessman, Alexander Legge of International Harvester, he wrote early in 1920 that "we hope before long to begin paying off what we owe you, but there are other countries in Europe, which cannot do so and in a few years their debts to you at compound interest will be stupendous."[35]

It was almost three more years before Britain reached a debt settlement with the United States, an issue on which officials of his own government consulted Brand. In 1921, he laid out his position on the subject to another American businessman, J. Grant Forbes, the London representative of the American International Corporation, established some years earlier during the war with the intention of facilitating American overseas investment. As a matter of national honor and pride, Brand agreed with statements "that England pays her debts, and I hope that we shall never ask to be relieved of them." More problematic, though, was American tariff policy, since Britain could only repay these "in goods or services of some kind or in gold," yet the

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29 Benjamin Strong to Russell C. Leffingwell, July 31, 1919, quoted in Andrew Boyle, *Montagu Norman* (New York: Weybright and Talley, 1967), 151-152, and in Lester V. Chandler, *Benjamin Strong: Central Banker* (Washington, DC: Brookings Institution, 1958), 143.

30 "British Renew Talk of a War Debt Pool," *New York Times*, September 28, 1921.

31 Brand to F. Y. Edgworth, February 10, 1920, File 47/2, Brand Papers.

32 Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin, 2009), 139-144; Hogan, *Informal Entente*, 50-56; Silverman, *Reconstructing Europe After the Great War*, 145-190; Frank Costigliola, *Awkward Dominion: American Political, Economic, and Cultural Relations with Europe, 1919-1933* (Ithaca, NY: Cornell University Press, 1984), 104-107; Sir Henry Clay, *Lord Norman* (London: Macmillan, 1957), 172-179; Orde, *British Policy and European Reconstruction*, 153-160, 208-217, 221-237.

33 Brand, "Public Finance," September 1920, File 22, Brand Papers.

34 Brand to James E. Carver, February 5, 1922, File 37/1, Brand Papers.

35 Brand to Alexander Legge, February 10, 1920, File 48/2, Brand Papers.

United States sought "to build a high tariff wall against our goods." Brand feared this might well undercut long-term efforts to return currencies to the gold standard, since:

> The consequence of this policy, and of the natural reluctance of the American investor to lend money to Europe, is, of course, that you are collecting most of the gold in the world, except that which the European central banks keep locked away in their cellars. What the consequences of this enormous heaping up of gold on your side will be, I do not know, but I am convinced that you cannot prevent them being great.
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> This, however, is a rather different question from that of the general cancellation of debts, on which you ask my opinion. Speaking very broadly, I view that problem as follows. It is vital that the chief trading countries of the world should return as soon as possible to the gold standard. Apart from other difficulties, this is impossible until the commitments of all the respective countries to one another are more or less balanced by ordinary goods and services, leaving only a small balance to be covered by the actual shipment of gold. As long, therefore, as these huge war debts, payable more or less on demand, remain as they are, no return to the gold standard is within sight, and, of course, any actual attempt to enforce their payment must have, on the exchange of the debtor country concerned, the same effect, as has been produced in Germany in recent months by the enforcement of the reparation payments.

Brand thought it clear that repayment would have to be a lengthy process, extending over many years. His personal view was that cancellation of the war debts would have been advisable, and that Britain "might have done well to cancel all war debts due to us," regardless of American policies on the subject. He concluded "that both the war debts and the reparation payments must be placed on a basis, which the world recognises to be both reasonable and practicable. It is essential, if we are ever to recover, that no nation should have obligations, which it is known it cannot meet."[36]

By 1922, the British government was prepared to reach a war debt settlement with the United States, a policy the French regarded as an effective abandonment of any effort to maintain a united Anglo-French front on the issue.[37] In August 1922, as the British government prepared to send a delegation to settle the outstanding war debt to the United States, Brand and Kindersley took issue with Foreign Secretary Arthur Balfour, who publicly suggested at this juncture that the British should state that they would only demand reparations from Germany and repayments from those nations that owed war debts to Britain funds that would suffice to pay off Britain's own debt settlement to the United States. Seeking unavailingly to dissuade Balfour from issuing a note to this effect, Brand told him he thought such proposals unrealistic, and that it was "worth while to make almost any sacrifices for such a real settlement," however unfair it might in

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[36] Brand to J. Grant Forbes, November 24, 1921, File 46/2, Brand Papers.
[37] Rougemont, *Lazard Frères*, 390-392.

principle be to expect Britain to pay its war debts while other countries received much more generous terms from the United States.[38] Brand further suggested that Britain should give a moral lead by simply stating that, if a satisfactory settlement could be reached on reparations, Britain would forgive all its own creditors unconditionally.[39] Informing his French partners of this episode, Brand stated: "I myself think the whole world, including the United States, would gain by the remission of all these huge inter-governmental debts, but so long as the American public takes a different view, we shall, of course, pay."[40] In an article in *The Times*, Brand even stated that, if Germany could not afford to pay reparations to France, the French were justified in expecting generous treatment on war debts from their former allies. He urged that Britain should forgive France its war debts , renounce its own share of reparations, and make every effort to reach a workable reparations settlement, one that would facilitate a renewal of international trade and industry.[41] Privately, he continued unavailingly to hope that the United States would cancel all the war debts owing to it.[42] His partner George Blumenthal, meanwhile, condemned the Balfour Note as "stupid and brutal" and calculated to make the French feel "that they must fight on alone."[43]

At the end of 1922, with negotiations on the debt settlement in progress in Washington, Brand told Lord Salisbury: "Of course, it would be much better for us, and I believe for every one, that we should ask to be let off, and . . . our good relations with America depend on our paying to the extent we can, so long as payment is demanded."[44] Fundamentally, however, Brand was skeptical as to the value of all such international transfers, whether as war debts or reparations, telling J. L. Garvin, the editor of *The Observer*, that he "regard[ed] the advantages which are claimed for these great cash payments from one nation to another as enormously exaggerated." In his view, restoring a functioning economic system was far more important: "The only thing that really matters is to get the great machine going again."[45] To his French partners Brand sent a letter he had written to *The Times* in favor of the American debt settlement, admitting that there had been divisions within the British Cabinet over the American debt settlement and that it was

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38 Brand to Balfour, August 4, 1922, File 93/1, Brand Papers.

39 Brand to Balfour, July 30, 1922, File 93/1, Brand Papers. See also Balfour to Brand, August 1, 1922, ibid. Lazard Frères to Brand, August 30, 1922

40 Brand to Lazard Frères, August 21, 1922, File 50/1, Brand Papers; see also Brand to André Lazard, August 26, 1922, André Lazard to Brand, August 24, 1922, Lazard Frères to Brand, August 30, 1922, ibid.

41 *The Times*, August 19, 1922.

42 Brand to Lazard Frères New York, August 21, 1922, quoted in Rougemont, *Lazard Frères*, 392.

43 Blumenthal to Lazard Frères New York, August 24, 1922, quoted in Rougemont, *Lazard Frères*, 392.

44 Brand to Lord Salisbury, December 17, 1922, File 37/2, Brand Papers.

45 Brand to J. L. Garvin, January 27, 1923, File 37/1, Brand Papers.

"a very heavy burden" on Britain, but stating that "general opinion throughout the country, and certainly in the City, was in favour of our meeting our obligations."[46]

In October 1922 Charles Altschul admitted to Brand that the hostile reception from the American public to the statement in the Balfour Note that the British government would demand no more in repayment from their assorted debtors than the total amount Britain had to pay the United States, vindicated the opposition of Brand and Kindersley to its publication. Altschul trusted "that in due course there will be evolved a plan which will amount to the same thing as cancellation," but believed this would have to wait "until the U.S. makes up her mind to bring financial sacrifices of a serious nature" to such an undertaking.[47] When the British reached a debt settlement with the United States in early 1923, setting a fairly onerous schedule of payments extending over sixty-two years, Altschul followed Brand in thinking this arrangement a necessary evil, but still hoped that the obligations would eventually be cancelled.[48] As the British took the lead in funding their debt payments to the United States, with other former Allied governments gradually following suit, Altschul discerned "too much of the former isolationist sentiment" and "too much insistence on collecting war debts or of holding them as a club over the heads of the unfortunate borrowers."[49] Writing in 1925 of the war debts, whose cancellation, he recalled, he had publicly demanded as early as 1921, he opined that "before many years, economic conditions will prove it to be most advisable to tear them up."[50] In this, Altschul fundamentally agreed with Keynes, who read and "commented most enthusiastically upon" his 1921 article advocating the cancellation of war debts.[51] On another financial issue, Britain's return to the gold standard in 1925, a policy Keynes publicly condemned, Altschul was more ambivalent, telling Brand that Keynes' position "impressed me, of course, as rather justified, but England will muddle through all the same."[52] He also condemned the "exaggerated and ridiculous" American tariff as a barrier to United States overseas investment.[53] At the time of his death in 1927, soon after the French government had finally negotiated a long deferred

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46 Brand to Lazard Frères, February 2, 1923, File 50/1, Brand Papers; Brand, letter to The Editor, *The Times*, January 30, 1923; see also Brand to Felix Frankfurter, March 6, 1923, File 37/1, Brand Papers.

47 Altschul to Brand, October 14, 1922, File 37/1, Brand Papers; also Altschul to Brand, October 30, November 10, 26, 1922, File 45/1, Brand Papers.

48 Altschul to Brand, February 20, 1923, File 37/1, Brand Papers.

49 Altschul to Hammerschlag, January 27, 1925, File Paul Hammerschlag, 1925, Charles Altschul Files, Altschul Papers.

50 Altschul to Hammerschlag, September 30, 1925, File Paul Hammerschlag 1925, Charles Altschul Papers; also Charles Altschul to James G. McDonald, February 6, 11, 1925, File James G. McDonald, Charles Altschul Papers; Charles Altschul to Simonds, September 12, 1926, File Frank H. Simonds, Charles Altschul Papers.

51 Goodhart to Charles Altschul, March 8, 1921, File Letters and Articles about Europe's Debt, Charles Altschul Files, Altschul Papers.

52 Charles Altschul to Brand, July 26, 1925, File 71/1, Brand Papers.

53 Altschul to Hammerschlag, November 9, 1926, File Paul Hammerschlag 1926-1927, Charles Altschul Papers; see also Altschul to Goodhart, January 8, 1923, File Arthur Goodhart, Charles Altschul Files, Altschul Papers; Altschul to Brand, November 10, 1922, File 45/1, Brand Papers.

debt settlement with the United States, Altschul was working on another article advocating American cancellation of all war debts, a piece that his family published posthumously.[54]

The Lazard Firms

Although Charles Altschul's son would eventually take at least as much interest in international affairs as his father, if not more, during the 1920s such matters were not his first priority. In the first half of the decade, the major challenge facing Frank Altschul was how to assure his position within Lazard Frères, New York. Ultimate control of the Lazard bank in the United States rested with the partners in Paris, and during the early 1920s relations between the French and American firms were often difficult. These disputes centered largely upon personalities and disagreements over business strategy and related issues. Frank Altschul was forced to steer a careful course among several forceful individuals, including his two foremost French partners, David Weill and André Lazard, and George Blumenthal, "a flamboyant character" who had been with the New York house since 1893 and dominated its operations for at least two decades. Blumenthal, the owner of spectacular mansions in both New York and Paris, was on a level with Weill and Lazard in the magnificence of his art collection and the munificence of his philanthropies. Under his guidance, the New York firm's business had increasingly been steered away from straight banking and into trading in equities. Blumenthal also had differences of opinion with his Paris partners over the division of commissions and the right of the Paris firm, which retained voting control in the United States, to select the New York partners.[55] For many years, it seems, Blumenthal had felt that the Paris firm, whose partners had a 45 percent stake in the United States business, often exploited their New York office in terms of fees and commissions for services. To compound these difficulties, Blumenthal notoriously had a strong ego and quick, combustible temper; he had "an abrasive personality and seemed to find satisfaction in making life miserable for those around him."[56]

Paul Baerwald, a partner in the New York house who had joined the firm in 1907, later recalled that at the end of the war, the "London & Paris activities increased" while Lazard's "prestige in France, in England & on the Continent had grown very quickly." When the French firm's top partners "turned [their] eyes to N.Y. [they] felt that the older partners in N.Y. had advanced in years" and therefore became "more anxious to provide for the future," so that their "desire for different or additional activities in N.Y. became more pronounced."[57] Reverberations from these

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54 Charles Altschul, "A Plea for Cancellation," *Current History* (July 1927), copy in Writings File, Charles Altschul Papers.

55 Rougemont, *Lazard Frères*, 194-199, 277-281; Lazard Frères, *Lazard Frères & Co.: The First One Hundred and Fifty Years* (New York: Lazard Frères, 1998), 21-22.

56 Merlo J. Pusey, *Eugene Meyer* (New York: Alfred A. Knopf, 1974), 25, 28, quotation from 25.

57 Paul Baerwald, draft letter to André Lazard, July 19, 1927, Box 2, Paul Baerwald Papers, Columbia University Library.

disputes were sometimes felt throughout the entire Lazard structure. From Paris in late 1919, André Lazard told Robert Brand that the French firm had received what seems to have been a decidedly undiplomatic letter from its New York house. Baerwald, who was then visiting Paris, was greatly embarrassed by this missive, and told Lazard that, if he had been back in New York, it would never have been sent in the first place. Lazard sent Brand a copy of the telegram he sent in reply to Lazard New York, with which Brand agreed, saying that the "incident has been an unfortunate one," though he still hoped it would "turn out satisfactorily." Baerwald promised Lazard that, once back in the United States, he would do all he could to smooth matters down on both sides as speedily as possible, and Lazard hoped his endeavors would be successful.[58] They were not. For a further six years the relationship between the Paris and New York houses would be troubled. One further source of friction seems to have been the French partners' urgings that the New York and London firms should work closely together in future, counsel that Blumenthal staunchly resisted, repeatedly proclaiming in summer 1920: "I fear that we will never be able to work effectively together."[59]

Lazard New York did not take the lead in organizing loans for European governments; that role was left to J. P. Morgan & Company, bankers to the British and French governments. In 1920 and 1921 the Lazard firm did, however, join the syndicates organized by J. P. Morgan & Company that floated two major loans for the French government on the New York market. In August 1920, Altschul was one of almost thirty leading New York bankers and businessmen who attended a luncheon at the Midday Club in honor of Jean Parmentier of the French finance ministry, then heading a French financial mission to the United States to negotiate a loan or credits for France on the American market. When word of this gathering leaked to the press, the French representatives hastily put out a statement that it "was purely a social luncheon to give M. Parmentier the opportunity of meeting some of his personal friends, and that there had been no discussion whatever of the French financial situation."[60] Three weeks later, the French government successfully issued a $100 million loan in New York, the Twenty-Five-Year External Gold Loan, secured on gold at what was generally considered the exceptionally high interest rate of 8 percent, which was quickly oversubscribed. Most of the banks represented at the lunch three weeks earlier, including Lazard, participated in the Morgan-led syndicate that handled this loan.[61] A further $100 million loan for the French government was offered on the American market in June 1921, this time at 7.5 percent, and again the New York Lazard firm took part in the issuing syndicate headed by J. P. Morgan & Company.[62]

Frank Altschul's correspondence with his partners provides some glimpses of his other activities during the 1920s. In collaboration with Lazard Brothers, in January 1920 the New York firm

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58 André Lazard to Brand, December 2, 1919, Brand to Lazard, December 9, 1919, File 48/2, Brand Papers.

59 Blumenthal to Lazard Frères New York, July 18, August 15, 1920, quoted in Rougemont, *Lazard Frères*, 381.

60 "French Loan Envoy and Bankers Dine," *New York Times*, August 26, 1920.

61 Silverman, *Reconstructing Europe After the Great War*, 214-216; Leffler, *The Elusive Quest*, 28.

62 Silverman, *Reconstructing Europe after the Great War*, 219-226.

offered 80,000 shares of De Beers Consolidated Mines, Ltd., the South African gold and diamond company, on the American market, an issue that was fully subscribed within two days.[63] Some time earlier, Lazard New York had invested in the Consolidation Coal Company, an American firm in which John D. Rockefeller of Standard Oil had the controlling interest. In late 1921 Altschul, who had been appointed as a director on its board in 1917, visited its mines in Kentucky. He left the board in 1924.[64] In May and June 1922, the New York house also offered an issue of securities on behalf of the National Bank of Commerce.[65] Taking advantage of personal family connections, from 1920 onward Altschul tended to work closely with the investment bank of Lehman Brothers on securities issues, an additional source of tension between him and Blumenthal, who jealously guarded the independence of the New York firm and sometimes found Lehmans too assertive. Blumenthal tended to feel that Altschul's loyalties were to his in-laws rather than himself.[66] Despite continuing exhortations from Paris that the New York firm should be more active in issuing securities on the American market, such business nonetheless remained limited, and managing its equities portfolio still continued to be the first priority of Lazard Frères New York. Some recruits found this emphasis unattractive. Daniel Koshland, a young San Franciscan banker with family connections to both Blumenthal and the Meyers who joined the New York firm as a trainee in 1919, when "they were looking for young men, came in "as a fair-haired young Lochinvar from the west that was going to become a partner" but left after a few years and returned to California, where he joined Levi Strauss. Although he liked New York as a city, and had already spent time employed by the Equitable Trust Company, he found he was "not cut out for" work in Lazard New York, which was "a peculiar kind of business, not the kind [he had] expected it to be." The firm "was not engaged in bringing out new issues of securities," Koshland recalled, but was "mainly . . . investing and speculating in the stock market" and "at that time only served families in New York, France, and London."[67]

Altschul, who had a particular talent for investment, found the atmosphere more congenial. According to a colleague, he "was developing fast & in all his views had [the] entire support" of the Paris partners "from the start," winning their backing thanks to "his ability his active mind & his ambition."[68] By mid to late 1921, Frank Altschul was already optimistic about future

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63 "African Diamond Stocks for America," *New York Times*, January 19, 1920; "New York Stock Exchange: Gold from Canada: Renewed Weakness of Sterling," *The Times*, January 20, 1920; "City Notes," *The Times*, January 22, 1920; "City News in Brief," *The Times*, January 24, 1920; Rougemont, *Lazard Frères*, 381.

64 Frank Altschul to André Lazard, November 21, 1921, File André Lazard, Frank Altschul Overbrook Foundation Papers, New York; "Consolidation Coal Profit," *New York Times*, March 22, 1917; "Consolidation Coal Earned $6.43 a Share," *Wall Street Journal*, March 20, 1924.

65 Rougemont, *Lazard Frères*, 381.

66 Rougemont, *Lazard Frères*, 447-448.

67 Daniel E. Koshland, Sr, "The Principle of Sharing," Oral History, February-May 1968, 68, 93-94, recorded for University of California at Berkeley Regional Oral History Office, http://digitalassets.lib.berkeley.edu/roho/ucb/text/koshland_daniel_e_sr__w.pd, consulted April 23, 2011.

68 Baerwald, draft letter to Lazard, July 19, 1927, Box 2, Baerwald Papers.

economic developments in the United States, telling André Lazard that after "a year and a half of rather drastic liquidation in all lines, this young country of ours should be nearing the end of this period and approaching the upward swing." He thought the "trend . . . distinctly upward," and anticipated that "the money market will serve ere long as an incentive to constructive enterprise in this country, long held in abeyance first by war conditions and then by high money rates." He also felt that, in recent years, Americans had become too accustomed to giving "the European situation . . . undue weight in local affairs, and to forget this great and growing country which provides the largest homogeneous market as well as the most productive geographical unit in the world."[69] In an intriguing glimpse of his desire to play a backstage advisory role in politics, in May 1924 Altschul wrote to Edward T. Clark, President Calvin Coolidge's private secretary, to discuss how best the Republican president might handle amendments by the Senate to the "statesmanlike" taxation bill he had recently submitted. Since this legislation included substantial refunds on 1923 tax payments, Altschul suggested that Coolidge state his disagreement with many provisions of the amended bill, emphasizing that it was "much more burdensome than circumstances warranted," but nonetheless affix his signature to it, on the grounds that he did not wish to deprive American taxpayers of the refunds which it provided. This would, Altschul believed, "have a distinctly favorable effect on the elections." Seeking to carve out a political niche for himself, Altschul told Clark that he would "gladly . . . at any time . . . discuss with you this or other matters pertaining to the political situation."[70]

In January 1923, Frank's father reported that he was "doing very well in business and has materially solidified his position in the house, I am happy to say."[71] He was fortunate to be fairly well entrenched. By mid-1923 Blumenthal and his younger partners in New York, Frank Altschul and Paul Baerwald, apparently had their own differences of opinion over the merits of investing in preference shares, with the younger men keen to do so, but Blumenthal opposed.[72] Although Blumenthal had initially handled purchases of American securities for the personal accounts of André and Christian Lazard of the Paris house, by 1923 Altschul was increasingly taking responsibility for such transactions, buying and selling U.S. Treasury bonds and shares in General Electric and Oil for André, and General Electric for Christian.[73] So successful was he that in 1925 André Lazard paid $137,000 in American taxes.[74] By mid-1925, David Weill, the dominant partner in Paris, had sufficient confidence in Altschul to send him $8,000 to invest on

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69 Altschul to Lazard, November 21, 1921, File André Lazard, Altschul Overbrook Papers.

70 Altschul to Edward T. Clark, May 8, 1924, Clark to Altschul, May 12, 194, File Cl, General Correspondence, Altschul Papers.

71 Charles Altschul to Paul Hammerschlag, February 3, 1923, File Paul Hammerschlag 1923, Charles Altschul Files, Altschul Papers.

72 Altschul to André Lazard, May 18, 1923, File André Lazard, Altschul Overbrook Papers.

73 Altschul to André Lazard, May 16, 1923, March 10, May 12, 1925, André Lazard to Altschul, May 28, October 8, November 20, 1923, April 23, 1924, February 28, 1926, June 15, 1928, File André Lazard, Altschul Overbrook Papers; Christian Lazard to Altschul, March 27, 1924, File Christian Lazard, General Correspondence, Altschul Papers.

74 André Lazard to Altschul, May 12, 1925, File André Lazard, Altschul Overbrook Papers.

behalf of his cousin General René Alexandre, leaving the choice of securities entirely to Altschul and only cautioning him that the general's means were very modest.[75] Given his talent for such operations, from the early 1920s onward Altschul was eager to establish an investment trust, effectively a mutual fund, to enable Lazard New York to trade on behalf of a wide range of clients, rather than doing so separately for each one.[76] Altschul's skills in wealth management were perhaps one reason why at the beginning of 1924 he was able to bring a close friend, Raymond McGrath, into Lazard Frères as a junior partner. The two men first met in Paris in World War I, when both served in the U.S. Army's Ordnance Department. Four years younger than Altschul, McGrath, who had worked for the Guaranty Trust Company and then the Continental Insurance Company in New York, was thirty-two when he joined Lazard Frères.[77] McGrath replaced Fred Greenebaum, the son of a long-time Lazard associate from California whom Altschul and his New York colleague Paul Baerwald considered too much of a dilettante, another issue on which they found themselves at odds with Blumenthal.[78]

While the profits he made for his Paris colleagues may have done much to cement Frank Altschul's ties to them, his assistance in their dealings on behalf of the French government was perhaps equally significant in helping him to win ascendancy within Lazard Frères in New York. This episode also quietly aligned Altschul with his French partners in divisive disputes between the Lazard firms in London and Paris that centered around postwar international financial diplomacy and Franco-German relations. Although it was 1926 before France reached and 1929 before the country ratified its war debt settlement with the United States, whereas Britain did so in early 1923, fundamentally the British and French governments were not far apart on this issue. This was not true of other matters relating to postwar international financial diplomacy, especially efforts to reach a reparations settlement with Germany and, more broadly, initiatives to stabilize European currencies and return them to the gold standard. The 1920s saw large-scale international moves, orchestrated largely by European and American bankers, usually supported either officially or unofficially by their countries' governments, to facilitate European financial recovery from the ravages and disruptions wrought by the First World War by creating a stable exchange regime, underpinned by international loans and credits to the governments of the nations involved, that could underpin the resumption of normal economic activity. Among the financiers, the members of the foremost New York investment bank, J. P. Morgan & Company, together with Benjamin Strong, first governor of the New York Federal Reserve Bank, and

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[75] David Weill to Altschul, November 12, 1925, Altschul to Weill, November 21, 1925, File Lazard Frères & Cie., Altschul Overbrook Papers.

[76] Christian Lazard to Frank Altschul, February 26, March 19, 1924, File Christian Lazard, Altschul Papers; Altschul to André Lazard, April 2, 1925, File André Lazard, Altschul Overbrook Papers; William D. Cohan, *The Last Tycoons: The Secret History of Lazard Frères & Co* (New York: Doubleday, 2007), 25-26.

[77] Charles Altschul to Hammerschlag, January 6, 1924, File Paul Hammerschlag 1924, Charles Altschul Files, Altschul Papers; "Raymond D. M'Grath of Lazard Freres," *New York Times*, April 10, 1971.

[78] Rougemont, *Lazard Frères*, 448-449.

Montagu Norman, the governor of the Bank of England, took the lead in these ventures.[79] Partners of both the French and British Lazard houses performed significant ancillary roles in their countries' policies on these issues, on each side supporting their own government's position. The potential for clashes between the Paris and London firms was therefore considerable. The fact that both European Lazard branches had significant political ties to policymakers within their own states, and followed ambitious international business strategies during the 1920s, only compounded these difficulties.

The Paris Lazard firm had a long tradition of handling gold shipments for the Bank of France, business that almost disappeared during the First World War, as the Bank of France placed restrictions on dealings in gold and sought to hold on its stocks of that metal. The French Lazard partners returned from the wartime service, determined to rebuild their firm's financial position and standing. Most members of the Lazard and Weill families had enlisted in the armed forces, though their wartime service had tended to be in staff positions or liaison work with France's allies. At least two younger men who became partners after the war, Georges Wormser and Jean-Frédéric Bloch-Lainé, had worked under Georges Clemenceau, France's radical and fiercely anti-German premier, who nursed his country from the military disasters of 1917 through to victory in 1918, and represented France at the Paris peace conference. Rather cattily, in 1937 one of the partners of the French branch of the Morgan firm remarked that "the Lazards . . . have always been adepts at pulling political strings and exerting influence."[80] As France sought to recover from the war, Lazard in Paris aligned itself firmly behind its own government. From 1918 to 1923 French troops occupied much of the Rhineland, and at the French government's request, for the duration of the occupation Lazard opened an office in Mayence (Mainz), largely

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[79]On Europe's economic recovery of the 1920s, see especially Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York: Atlantic Monthly Press, 1990), 270-359; Stephen V. O. Clarke, *Central Bank Cooperation, 1924-1931* (New York: Federal Reserve Bank of New York, 1967); Barry Eichengreen, *Golden Fetters*; Michael J. Hogan, *Informal Entente: The Private Structure of Cooperation in Anglo-American Economic Diplomacy, 1918-1928* (Columbia, MO: University of Missouri Press, 1977), chs. 1-5; Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919-1933* (Chapel Hill: University of North Carolina Press, 1979), chs. 2-5; William C. McNeil, *American Money and the Weimar Republic: Economics and Politics on the Eve of the Great Depression* (New York: Columbia University Press, 1986); Richard Hemmig Meyer, *Bankers' Diplomacy: Monetary Stabilization in the Twenties* (New York: Columbia University Press, 1970); Stephen A. Schuker, *The End of French Predominance in Europe: The Financial Crisis of 1924 and the Adoption of the Dawes Plan* (Chapel Hill: University of North Carolina Press, 1976); Dan Silverman, *Reconstructing Europe after the Great War* (Cambridge, MA: Harvard University Press, 1982); R. S. Sayers, *The Bank of England 1891-1944*, 3 vols. (Cambridge: Cambridge University Press, 1976), vol. 1, chs. 6-9, 15; Zara Steiner, *The Lights That Failed: European International History 1919-1933* (Oxford: Oxford University Press, 2005), esp. chs. 4 and 8; *The City of London*, Vol. III: *Illusions of Gold 1914-1945* (London: Chatto and Windus, 1999), chs. 5-6; Cohrs, *The Unfinished Peace after World War I*, chs. 5-10, 18; Emily Rosenberg, *Financial Missionaries to the World: The Politics and Culture of Dollar Diplomacy, 1900-1930* (Cambridge, MA: Harvard University Press, 1999), 151-155, 166-183; and Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin, 2009).

[80] Bernard S. Carter, "Memorandum: French Business in London," August 5, 1937, Box 30, Files France 1919-1938, Morgan European Bank Papers, Pierpont Morgan Library, New York. Somewhat characteristically for the sometimes self-righteous Morgan partners, he continued that the Morgan firm "would be unable and unwilling to do" so.

to facilitate the government's ability to pay the *poilus*. The venture proved profitable, earning over a million francs in 1923. Once the occupation was over, the branch moved to Basle in Switzerland.[81] From early 1922, the firm contemplated establishing a Franco-Rhenish bank, which they hoped might be equally lucrative.[82] In late 1923, with the Ruhr under occupation and the German mark worthless, the Lazard firm also displayed interest in an abortive scheme the French government backed to establish an independent Rhenish currency in the occupied territory, a move French officials hoped would encourage separatist forces in the Rhineland and ultimately help to persuade them to repudiate German rule and establish an autonomous Rhenish republic. The French Lazard partners, who supported the idea of establishing a Rhenish bank until at least early 1924, had ulterior motives in favoring this plan, which they believed might offer them valuable business opportunities in the region where their family had originated.[83] With the French currency decoupled from gold until 1927 and exchange rates fluctuating wildly, for much of the 1920s the value of the franc gyrated dizzily. Postwar French governments also ran substantial budget deficits. The Paris house of Lazard—characterized by its rivals in the Morgan firm as "the most capable exchange people on the continent"[84]—placed its financial connections and its thirty years of expertise in dealing in gold at the disposal of the French Treasury and the Bank of France, in efforts both to moderate the swings in value of the franc and to raise the funds needed in international markets. In recognition of these services, in 1934 David Weill, one of the two leading partners of Lazard Frères in Paris, was appointed to the council of regents of the Bank of France, a coveted position that effectively anointed his firm as one of the small and exclusive elite of top French banking houses.[85]

In London, Lazard Brothers aspired to a similar position in the top ranks of the City. David Kynaston, the historian of the City of London, contends that in the postwar period Lazard Brothers was one of "the two main rising forces among [British] merchant banks."[86] When Brand joined in the firm in 1910, Alfred Lord Milner, his patron and mentor, told him that Lazard was "not quite in the first rank but has a growing reputation and may in time attain to that

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[81] Frank Altschul, "Introductory Remarks," January 8, 1936, File Lazard History, Altschul Overbrook Papers; Rougemont, *Lazard Frères*, 372, 402; Anne Sabouret, *MM Lazard Frères et Cie.: Une Saga de la Fortune* (Paris: Olivier Orban, 1987), 69.

[82] Rougemont, *Lazard Frères*, 402.

[83] Walter A. McDougall, *France's Rhineland Diplomacy: The Last Bid for a Balance of Power in Europe* (Princeton: Princeton University Press, 1978), 325; Rougemont, *Lazard Frères*, 402. On this effort, see also Steiner, *The Lights That Failed*, 235-236.

[84] Norman Dean Jay to Thomas W. Lamont, January 6, 1926, File 113-5, Thomas W. Lamont Papers, Baker Library, Harvard Business School, Boston, Massachusetts.

[85] Guy de Rougemont, *Lazard Frères: Banquiers des Deux Mondes (1840-1939)* (Paris: Fayard, 2010), 395-397, 483-484; Lazard Frères, *Lazard Frères & Co.,* 24-25; Martine Orange, *Ces Messieurs de Lazard* (Paris: Éditions Albin Michel, 2006), 78-86; Sabouret, *MM Lazard Frères et Cie.*, 64-85; Laurent Chemineau, *L'Incroyable Histoire de Lazard Frères: La Banque Qui règne sur le Monde des Affaires* (Paris: Éditions Assouline, 1998), 31-33; Rougemont, *Lazard Frères*, 371-372.

[86] Kynaston, *The City of London*, Vol. III: *Illusions of Gold 1914-1945*, 73.

rank."[87] By the 1920s, it was coming to attain its potential. After the First World War, British shortage of investment capital seriously curtailed the ability of British banks to finance international business. The Bank of England and the British Treasury controlled the outflow of funds from the City of London, and from spring 1919 often refused to countenance huge international loans unless the bankers involved could avail themselves of foreign funds. An embargo on the export of gold was imposed in spring 1919, and remained in effect until the return to gold in 1925.[88] The Bank of England also exercised an informal control over foreign loans and credits. British bankers were expected to consult the Bank of England if they planned to give credits or issue loans of more than £1 million on behalf of a foreign client. Should the would-be issuer prove recalcitrant, Bank officials could exert pressure on both the borrower and on potential participating banks to refrain from a given transaction, and in extreme cases could refuse to allow an issue to be listed on the London Stock Exchange.[89]

Despite such restrictions, under the assertive leadership of Sir Robert Kindersley, Lazard Brothers maintained a prominent international business profile during the 1920s, and made aggressive efforts to build up their overseas dealings. He was ably seconded by the quieter and more cerebral but much respected Brand, even though the younger man was known among his intellectual peers as "formidably clever on paper, but lacking in self-confidence."[90] Writing to Kindersley in March 1923, Brand expressed his own belief that Lazard Brothers' "whole position and business is based on being an acceptance house," and even told his partner that: "If we were to become in the future merely a finance house, the superior British, foreign and colonial corporation, instead of an international banking house, my interest would certainly wane a great deal." Even though their "losses on the acceptance business ha[d] been exceedingly heavy in the last few years, and . . . we shall have to exercise great caution in the future," financing foreign trade, not simply issuing securities, was in his view fundamental to Lazard Brothers' operations, something he felt the Paris partners failed to appreciate.[91]

During the 1920s, the two top Lazard British directors fixed their sights firmly on the outside world, as opposed to providing finance for British industry. Somewhat ironically, during the First World War, Brand published an article in 1916 in *The Round Table*, pointing out how, while German and American banks had close ties to industries in their own country, this was not the case with Britain, where "a reflective mind is constantly struck by the peculiar lack of contact between the chief financial centre of the world and the industry of its own country." Financing the development and expansion of British industries was often left to company promoters, who

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87 Lord Milner to Brand, December 30, 1909, File 187, Brand Papers.

88 Kynaston, *The City of London*, Vol. III: *Illusions of Gold 1914-1945*, 57-59, 60-61, 144; Sayers, *The Bank of England*, 1:116-118, 124-125, 138, 148; Sir Henry Clay, *Lord Norman* (London: Macmillan, 1957), 117, 123-132, 144-145, 220.

89 D. E. Moggridge, *British Monetary Policy 1924-1931: The Norman Conquest of $4.86* (Cambridge: Cambridge University Press, 1972), 199-227.

90 Robert Skidelsky, *John Maynard Keynes: The Economist as Savior 1920-1937* (New York: Penguin, 1994), 23.

91 Brand to Kindersley, March 1, 1923, File 49/1, Brand Papers.

had only short-term goals and sought to make quick profits. "There are no first-class financial institutions in London which act as organisers or reorganisers of companies, or which issue on their own responsibility industrial securities. . . . In a word, there are no financial institutions in London whose aim it is, as it is the aim of German banks, to act as a kind of general staff to industry." To this absence, Brand ascribed British inability to compete with Germany and the United States in such fields as armaments, chemicals, and steel. He ended by calling for "the co-operation of finance and industry in some manner more effective than that which has been provided by the existing machinery of the City of London."[92] Brand's article and pressure from likeminded associates led to the creation in 1917 of the British Trade Corporation, with a mandate from the British Chancellor of the Exchequer, Sir Reginald McKenna, to encourage foreign ventures to employ the services of British industry, but this organization encountered much hostility from other financial institutions, and according to Brand eventually "became merely one more accepting house."[93]

In practice, during the 1920s Brand and Kindersley themselves made no serious effort to follow the younger man's earlier prescriptions. At the end of the decade, Brand was a member of the Macmillan Committee on Finance and Industry, established in October 1929 by Britain's new Labour government as a major depression took hold, to investigate weaknesses in the British economy. Giving evidence before the committee in January 1930, Kindersley emphasized that Lazard Brothers was first and foremost a specialized acceptance house, whose concentration on a particular kind of financing meant it could not easily turn to industrial financing:

> We do not come very much into contact with industry for this reason, an acceptance house must keep its funds liquid and it has to confine itself to the issue of what it believes to be first class bonds or debentures, it cannot assume liabilities which are going to mean a great locking up of monies, or it cannot father a particular industry. It cannot father a company; in my opinion, it should not.

Pressed by Keynes, a member of the Macmillan Committee, Kindersley admitted that it was very difficult for a solid but small British industrial concern to raise £50,000 in debenture capital, saying that he thought it "a great weakness in the City of London that there is not such machinery . . . to place small issues." In private discussions among the committee members in March 1930, Brand also responded to suggestions by Keynes that "issuing houses could do an immense amount towards increasing home investment relative to foreign if they definitely took up a policy," by stating that "profits [we]re too low" to make domestic investment as attractive as overseas. He did, however, agree when Keynes stated that "there is reason to suppose that

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[92] Brand, "Industry and Finance," *The Round Table* 7:25 (December 1916), 31-66, quotations from 53-55, 66; cf. Brand to Sir Charles Addis, July 28, August 17, 1916, Brand to H. Bell, July 22, 1916, Brand to Cecil F. Parr, August 22, 1916, Brand to R. H. Inglis Palgrave, October 3, 1916, Brand to Philip Kerr, July 26, 1916, and enclosed notes by Brand, Brand to Hugo Scherer, August 16, 1916, File 35, Brand Papers.

[93] Kynaston, *The City of London*, Vol. III: *Illusions of Gold 1914-1945*, 39-41; quotation from Brand, memorandum to the Committee on Finance and Industry, August 13, 1930, File 29, Brand Papers.

[issuing houses] have not pursued a passionate policy of trying to find everything they could at home in preference to abroad."[94] Brand asked a close German banking associate to give evidence to the Macmillan Committee on the relationship between German banks and industries, and how this differed from the British situation.[95] In August 1930, Brand circulated a lengthy memorandum to his fellow Macmillan Committee members, in which he tried to place Britain's problems in the broadest possible context. Bluntly, he asserted:

> We have long left behind the halcyon days when we led the world in all industry, when we were practically the only lenders of capital to the world, when London was the only and the undisputed financial centre of the world, when we were accustomed to believe that we had the power to compel the rest of the world to adjust itself to us, and when we all held more or less subconsciously the belief that it was in the nature of things that, with all our difficulties and notwithstanding the poverty of great masses of the population, we should possess in general a higher standard of living than any other country except the United States.

In such areas as iron and steel and the electrical and chemical industries, Germany and the United States had clearly overtaken Britain, especially in terms of overall organization of these sectors of the economy. Brand confessed: "In the last few years I have often had an uncomfortable feeling that perhaps some foreign nations were regarding us – and not entirely wrong in regarding us – in the same light as we are inclined to regard, for instance, the Spaniards." Brand argued that Britain's external trade and connections had in the past enabled it to support a disproportionately large population, and rejected arguments that Britain should turn inwards and concentrate on "home trade" at the expense of its dealings with the outside world. "Politicians have been talking of insulating ourselves from the electric shocks of the outside world. . . . But it seems to me better policy to try to cure the disequilibrium which now handicaps us rather than abdicate our position in the world." He was much in favor of "overhauling and modernising the great British industries, . . . a painful process which our Conservatism has postponed too long." He also highlighted the same problem he had described in 1916:

> The City is very highly and efficiently organised as an international and local money market, as a market for first-class international issues and for granting short term credit to home and also to foreign trade, and as a provider of all ordinary banking facilities and advances to home industry, trade and commerce. But its relations with British industry are not to my mind all that is required in modern days. Finance and industry should be much more closely integrated, not in the sense of the Banks tying their funds up in industrial securities, but by a continuing relationship. . . . There are few of our bankers indeed in my opinion who really know a great deal about industry. True they can never

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[94] Kynaston, *The City of London*, Vol. III: *Illusions of Gold 1914-1945*, 193-197, quotations from 195, 197.
[95] Brand to Jakob Goldschmidt, March 5, 1930, File 27/1, Brand Papers.

> and should never be industrial experts. But it is only by means of a close knowledge of industry that they will be able to act properly in the very important role of financial advisers.

As things stood, Brand argued, as a matter of safeguarding its own reputation, a bank that brought out a foreign issue of bonds on the London market felt an obligation and responsibility to investors to ensure that it was "sound," whereas the same was not true where bonds of domestic businesses were concerned. He therefore suggested creating "ad hoc institutions to act as an additional link between the [Joint Stock] Banks proper and their industrial clients," with specialized personnel who would "be in continuing and intimate relations with the Companies for whom they issue," and "probably be represented on the Board." He admitted that "some institutions do already exist to carry out the functions under discussion," and anticipated that more would be created, possibly adapted to the particular circumstances of different industries or clusters of industries. "But whatever form it takes, a clearer partnership between British finance and British industry is clearly desirable."[96]

Whatever its merits in principle, during the 1920s Brand and Kindersley did not in practice consider that establishing such a partnership was the primary mandate of Lazard Brothers. Brand never, however, entirely forgot his interest in such schemes. In 1926 he told Kindersley: "I feel myself more and more strongly that there is a great opening for some strong concern in the City which will take up industrial financing. . . . I think it must come. The financial side of this movement cannot be undertaken either by the joint stock banks alone or by the existing issuing houses. There is, I think, as I have always maintained, a gap here, which requires filling. Any concern taking up this business would have to have a strong organisation and a big capital, and there would be a great deal of arduous work about it." He wondered if the Whitehall Trust, one of the organizations that came under the umbrella of the Pearson interests, which also had a stake of close to 50 percent in Lazard Brothers, might be interested in taking this project up, or "whether there is any other way in which this particular question could be dealt with."[97]

Later that year, Brand welcomed the merger which led to the creation in 1926 of Imperial Chemical Industries, chaired by Josiah Stamp, a former British civil servant who was well known to the Lazard directors. Brand hoped the new conglomerate would be able to compete with American and German firms; he also offered Stamp the services of Lazard should ICI wish to avail itself of acceptance credit facilities.[98] The following year, Brand told Sir Joseph Flavelle, one of his closest Canadian associates, that an American businessman, Owen D. Young of General Electric, was "anxious . . . to see formed in England and the British Empire strong Companies controlled by British interests, but big enough to be capable of negotiating on equal

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[96] Brand, memorandum to the Committee on Industry and Finance, August 14, 1930, File 29, Brand Papers; cf. Brand to H. Powys Greenwood, December 18, 1929, File 27/1, Brand Papers.

[97] Brand to Kindersley, April 6, 1926, File 59/1, Brand Papers.

[98] Brand to Josiah Stamp, December 3, 1926, File 82/1, Brand Papers.

terms with the great American and German concerns. Our view is that this is very much wanted here, and therefore we have been glad to cooperate with him. . . . [W]e are trying to cooperate in the same direction in forming a big amalgamation of the Electrical Manufacturing Companies."[99] Brand never entirely abandoned his interest in a banking institution that could oversee and nurture industrial development. By early 1928 Lazard Brothers was apparently considering establishing a "Finance Corporation," which would be "a Company actively engaged . . . in nursing new concerns, interested in mergers and re-organising industrial concerns and every kind of varied business where the management is all-important," to do "a good deal of foreign as well as British business." Lazard Brothers considered establishing "two Companies, one in New York and one in London, closely co-operating," and toyed with the possibility that the London arm might, for income tax reasons, be "a Canadian Company with the management technically there, but really in London."[100] Nothing, it seems, ultimately came of this proposal.

During the 1920s the "fundamental orientation" of the City of London, one historian has remarked, "remained international."[101] This was equally true of Lazard Brothers which, under the direction of Brand and Kindersley, concentrated primarily on assorted foreign business. Much of the business of Lazard Brothers was acceptance financing, short-term credits to facilitate foreign commercial transactions. The firm also had a substantial issuing business, both bringing out and placing securities for governments or businesses that wished to raise funds for some purpose and in some cases underwriting these. In his evidence before the Macmillan Committee in early 1930, Kindersley gave a breakdown of his bank's issuing business since shortly before World War I, stating that it had handled almost £90,000,000 of issues, about £24,000,000 of which were for British industry, "£19,000,000 to £20,000,000 of colonial stocks, mostly Canadian railway debentures," and £45,000,000 of foreign issues. Of the domestic British issues, about £15,000,000, or three-quarters, consisted of securities placed for Lever Brothers, which became a major Lazard Brothers client in 1920.[102] (Though Kindersley did not mention this, some at least of the offerings for Lever Brothers, beginning with £2,500,000 in 8 percent Seven-Year Notes in late 1920, were West African issues of the Niger Company, which Lever Brothers controlled.[103]) Other important British clients for whom Lazard Brothers handled issues during the 1920s included Debenham's, the major department store chain; the

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99 Brand to Sir Joseph Flavelle, October 17, 1927, File 89/1, Brand Papers.

100 Unsigned memorandum, "Finance Corporation," March 20, 1928, file 89/1, Brand Papers.

101 Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 143.

102 Evidence of Sir Robert Kindersley, January 24, 1930, *Minutes of Evidence Taken Before the Committee on Finance and Industry* (London: His Majesty's Stationery Office, 1931), paras. 1485-1488; also Prospectus for Lever Brothers Limited £4,000,000 Issue of Five Per Cent. First Mortgage Debenture Stock, 1931/1941, *The Times*, May 8, 1922; Rougemont, *Lazard Frères*, 381.

103 The Niger Company Limited Prospectus, advertisement, *The Times*, November 24, 1920; "City Notes," *The Times*, April 5, 1921; "City Notes," *The Times*, May 19, 1925; "City Notes," *The Times*, May 20, 1925; The Niger Company Limited, Prospectus, advertisement, *The Times*, May 28, 1930; Rougemont, *Lazard Frères*, 381.

shipbuilding firm Cammell Laird; and Newcastle-upon-Tyne Electric Supply Company.[104] In 1930 Lazard Brothers undertook the financial reorganization of the English Electrical Company.[105] Seeking to rebut suggestions that Lazard Brothers was "very largely a French house" and so essentially a foreign concern, Kindersley also told the Macmillan Committee that the majority of stock in Lazard Brothers was held "very definitely in England." He also stressed that most of its profits remained in England, "and that in the last ten years the profits have been very largely put back into the business and have remained in [Britain], and have not been taken by the French people."[106]

While Kindersley sedulously sought to stress the benefits the British economy derived from Lazard Brothers' business, he nonetheless left his audience in little doubt that the firm's orientation was primarily toward foreign transactions. By 1920 Lazard Brothers had established offices in Madrid, Brussels, and Antwerp. In the latter city, they bought the offices that had previous belonged to the Disconto-Gesellschaft, a German bank.[107] By fall 1922 the Spanish office was doing "a large foreign exchange business . . . with Banks all over Spain who telephone . . . in the morning before the exchange market is open."[108] Across the Atlantic, Frank "Peter" Perry, a long-time associate of the firm who had assisted in Canadian war financing operations, acted as the Lazard Brothers agent in Montreal, Canada, handling Lazard's operations for such prominent corporations as the Canadian Marconi Company, which Lazard Brothers controlled, and the Canadian Pacific Railway. (By 1928, Brand thought it unnecessary for Perry to send copies of his official correspondence with Lazard Brothers to the Paris house, an index, perhaps, of the growing distance between the French and British firms.[109]) From 1915 to 1925 Sir Robert Kindersley was the director, effectively the chief executive, of the Hudson's Bay Company, one of Canada's largest trading concerns and a particularly important Lazard client.[110] Significant Canadian interests did not exclude casting the Lazard net still wider, to the United States. When the London office of International Harvester of Chicago, a major American manufacturer, "suggested a little chat over banking business" in 1921, Brand quickly responded

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104 "City Notes," *The Times*, July 9, 1920; "Forthcoming Capital Issues," *The Times*, July 10, 1920; "Debenhams Limited" advertisement, *The Times*, July 12, 1920; announcement re Newcastle-upon-Tyne Electric Supply Company, *The Times*, March 4, 1921; "City Notes," *The Times*, May 6, 1921; "New Capital Issues," *The Times*, September 12, 1921; "Cammell Laird Scheme," *The Times*, April 16, 1930; "Newcastle-upon-Tyne Electric Supply Co., Ltd," prospectus, *The Times*, July 1, 1930.

105 "City Notes," *The Times*, February 4, 1930; "English Electric Scheme," *The Times*, February 4, 1930; "City Notes," *The Times*, February 26, 1930.

106 Evidence of Sir Robert Kindersley, January 23, 1940, *Minutes of Evidence Taken Before the Committee on Finance and Industry*, paras. 1198-1199.

107 Brand to Sir Hubert Llewellyn Smith, June 20, 1919, File 17/2, Brand Papers; Charles Altschul to Brand, March 25, 1920, Brand to Altschul, April 7, 1920, File 48/1, Brand Papers; "Messrs. Lazard Brothers & Co., Limited," announcement, *The Times*, March 13, 1920; Rougemont, *Lazard Frères*, 373-374.

108 Kindersley to Lazard Brothers, October 10, 1922, File 49/2, Brand Papers.

109 Brand to Perry, January 23, 1928, File 88/1, Brand Papers; on their control of the Canadian Marconi Company, see Brand to Basil P. Blackett, January 11, 1929, File 89/2, Brand Papers.

110 Rougemont, *Lazard Frères*, 332, 380.

that Lazard Brothers would "be very pleased to renew the business relations with you before the war, and are always ready to consider any proposition you have to make."[111]

Europe was another important sphere of activity. In the early 1920s Lazard Brothers also acquired significant stakes in the Banque Charpentier, a financial institution based in Cognac, France, and in the Internationale Bank of Amsterdam, established by a group of Swedish, Swiss, Dutch, German, and British banks in early 1924 to undertake foreign business.[112] By 1921 the firm was the London agent of the Swedish bank, Stockholms Inteckning Garanti Aktiebolg.[113] It had other significant Scandinavian interests, including particularly close ties with the Norwegian entrepreneur Anders Jahre, who dominated the northern whaling industry.[114]

Lazard Brothers' range of financial transactions encompassed every continent. Well before World War I, Lazard Brothers had successfully floated a loan for the City of Nagoya in Japan. In mid-1922, they were enthusiastically contemplating another issue of £1,500,000 for the city, part to be handled by themselves in London, the rest to be offered on the New York market by the Guaranty Trust Company.[115] In 1925 they allowed the Bank of Taiwan, a Japanese-run concern, an acceptance facility of £200,000, and were prepared to allow the Toho Electric Light Company acceptance and overdraft credits of £100,000.[116] In addition, Lazard Brothers possessed substantial interests in Latin America, offering loans for the Argentine and Colombian governments among others.[117] During the early 1920s, they were bankers to the Government of Colombia, discussing potential international loans for that government and acting as its financial agent in Britain. When Dillon Read took over that role in 1925, a somewhat affronted Brand gently warned Colombia's new bankers that the country's financial practices were rather questionable, and might not be improved by a major $25 million loan just obtained in the United States. Eventually Lazards agreed to take a 20 percent participation in Colombian business, in collaboration with Dillons and the Guaranty Trust of New York, provided they were "satisfied as to intrinsic value of bond."[118] In 1928 they issued £1,000,000 of 7% Sterling Mortgage Bonds on the London market for the Mortgage Bank of Bogotá, with an additional £400,000 going to

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111 Brand to Alexander Legge, October 17, 1921, File 49/2, Brand Papers.

112 See Brand's correspondence with A. J. van Hengel, 1924, File 62/1, Brand Papers; Brand to Lionel Hichens, March 6, 1924, enclosing memorandum, File 58/1, Brand Papers. On the origins of the connection with Charpentier, see Brand to André Lazard, June 19, 1920, File 48/2, Brand Papers.

113 Display advertisements, *The Times*, January 28, 1921, January 31, 1922.

114 Rougemont, *Lazard Frères*, 382.

115 Brand to Lazard Frères & Co., July 28, 1922, File 50/1, Brand Papers.

116 Brand, "Bank of Taiwan," August 12, 1925, Brand, "Toho Electric Light Company," August 13, 1925, File 82/1, Brand Papers; Brand to S. Suzuki, August 14, 1925, File 80/2, Brand Papers; see also Montagu Norman, diary, February 11, 12, 1925, File ADM34/14, Bank of England Archives.

117 Rougemont, *Lazard Frères*, 382.

118 Brand to E. O. Goss, July 9, 1921, File 46/2, Brand Papers; Brand to Pedro A. Lopez & Cie., October 26, 1922, File 53/1, Brand Papers; Brand to Clarence Dillon, October 13, 1925, File 74/1, Brand Papers; quotation from Brand to Guaranty Co. New York, October 6, 1925, File 74/2, Brand Papers; see also Brand to Dillon, October 6, 1925, Dillon to Brand, September 9, 1925, File 74/2, Brand Papers.

Switzerland and Holland. A further £600,000 on identical terms followed early in 1929, with an additional £1,200,000 for the Agricultural Mortgage Bank of Colombia a few months later.[119] The position changed again in mid-1931, when Colombia named Lazard Brothers in London as its British bankers and Lazard Frères & Cie. of Paris as its French bankers, with the National City Bank and the First National Bank of Boston sharing the honors as Colombia's financial representatives in the United States.[120]

While Lazard Brothers was extremely turf-conscious where Colombia was concerned, its role in poaching the lucrative Brazilian San Paulo coffee business from the Schröder banking firm in 1925 not only confirmed Sir Robert Kindersley's well-deserved reputation for hard-nosed buccaneering, but caused a legendary City feud between him and Baron Bruno Schröder.[121] Lazard Brothers served as British bankers to the Coffee Institute of San Paulo State in Brazil, and—in conjunction with a group of Swiss banks—provided funding of about £20 million in credits and bonds during the 1920s to San Paulo State, secured against the coffee crop. The first of these offerings was a £4 million issue of 7½ percent sterling bonds floated on the London market in January 1926.[122] By 1927 the firm was investigating the possibility of floating a loan to finance Brazilian currency stabilization, and considering other Brazilian lending.[123] These activities brought Kindersley into conflict with Montagu Norman, governor of the Bank of England, who complained in September 1927 to Benjamin Strong, governor of the New York Federal Reserve Bank: "Kindersley is in Brazil & making a deal of trouble by promising Credits & discussing Schemes for valorising coffee—Certainly more than we want to carry & probably poor policy. But his is a difficult firm to deal with & only seem to look on business from just <u>one</u> angle."[124] Strong had already taken pre-emptive action. He had, he told Norman, "heard about Kindersley's discussion in Brazil from one of his New York partners," and immediately suspected "that if he [Kindersley] were placing credits in London for the purpose of buying gold for their currency reserve it might prove embarrassing" to the Bank of England. He had therefore told Paul Baerwald, the American Lazard partner involved, that the New York Federal

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119 "City Notes," *The Times*, March 23, 1928; Mortgage Bank of Bogota Prospectus, *The Times*, March 26, 1928; "City Notes," *The Times*, January 9, 1929;"City Notes," *The Times*, April 22, 1929; Agricultural Mortgage Bank of Colombia, Prospectus, *The Times*, April 24, 1929.

120 "Colombian Government Finance," *The Times*, July 1, 1931; "Bankers for Colombia," *Wall Street Journal*, July 2, 1931; on the antecedents of this arrangement, see also Granville Tyser to Lazard Brothers, June 3, 1930, File Lazard Brothers, Altschul Overbrook Foundation Papers.

121 Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 146.

122 See correspondence between Lazard Brothers and Union de Banques Suisses, 1926, File 72/2, Brand Papers; Brand to Keynes, October 15, 1930, File 198, Brand Papers; "City Notes," *The Times*, January 4, 1926; "State of San Paulo Coffee Institute" advertisements, *The Times*, January 6, June 7, 1926; "City Notes," *The Times*, November 24, 1927; Bank of the State of San Paulo Prospectus, *The Times*, November 24, 1927; Bank of the State of San Paulo Prospectus, *The Times*, March 22, 1928; "City Notes," *The Times*, March 22, 1928; Bank of the State of San Paulo Prospectus, *The Times*, October 1, 1928.

123 Brand to C. R. Murray, February 28, 1927, File 87/2, Brand Papers; Brand to Stanley G. Irving, December 5, 1927, June 29, 1928, File 90/2, Brand Papers.

124 Norman to Strong, September 18, 1927, File 1116.7, Strong Papers.

Reserve Bank "would not consider any proposal with regard to taking sterling off their hands which did not come directly from the Bank of England, which seemed the best way to turn the matter over to your [Norman's] attention."[125] The following year, Lazard Brothers nonetheless issued £800,000 in 7 percent sterling bonds for the city of Nichtheroy, the capital of the state of Rio de Janeiro, Brazil.[126] Within months, they followed this with £1,000,000 in 7 percent consolidated bonds for the State of Parana, Brazil, to finance the construction of a railway line to the Parana plantations, one of the state's major business operations.[127]

As this episode suggests, while Lazard Brothers on occasion provided acceptance funding for internal commercial transactions and raised capital for domestic British businesses, its overseas operations were far more substantial. Some of these were credits to finance international trade, including the resumption of postwar European commerce. In November 1922 Lazard Brothers granted Central Suiker Maatschappij, an Amsterdam firm owned by a Czech company manufacturing soap and margarine, with links to businesses in Switzerland and Czecho-Slovakia, a £500,000 credit to cover purchases of raw materials in Britain.[128] In August 1923 Lazard also had £239,000 outstanding against commercial transactions in Java sugar.[129] In May 1924, Lazard Brothers made an acceptance credit of £50,000 available to a Swiss firm, Ferrier, Lullin, & Cie., a facility it hoped would lead to additional business in future.[130] By July 1926 Lazard Brothers had a total of £10,253,777 outstanding in acceptances, including £2,304,900 acceptances of the Banco de Brazil, and £1,500,000 Coffee Loan Bills.[131]

More long-term lending was likewise considered. In early 1922 the firm was asked if it would arrange a loan to the Turkish government, but Brand warned "that it would be impossible to arrange the terms of any such loan except in London, and in the very closest co-operation with the British Government, and, furthermore, that no such loan would be possible until peace is definitely made between the British and Turkish Governments."[132] Lazard Brothers likewise did "not feel ourselves prepared to issue at present a loan for the Persian Government, which is not in very good odour in this country or in this City."[133] In May 1922 Lazard Brothers also rejected a request from Portugal to raise a loan for its colony, the Mozambique Government,

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125 Strong to Norman, September 27, 1927, File 1116.7, Strong Papers; for further details, see Strong to Norman, October 19, 1927, Norman to Strong, November 2, 1927, File 1116.7, Strong Papers.

126 "City Notes," *The Times*, February 28, 1928; City of Nichtheroy Prospectus, *The Times*, February 29, 1928.

127 State of Parana Prospectus, *The Times*, April 25, 1928; "Parana Plantations New Capital," *The Times*, May 4, 1928; "Parana Plantations," *The Times*, May 15, 1928; "Parana Plantations," *The Times*, July 13, 1928.

128 Brand, Memorandum, "Central Suiker Maatschappij," August 16, 1923, File 54/2, Brand Papers; also Brand, "£50,000 Credit to the Handels en Industrie Maatschappy," n.d., File 48/2, Brand Papers.

129 Brand to H. R. Greenhalgh, February 8, 1922, File 56/2, Brand Papers.

130 Brand to Ferrier, Lullin & Cie., May 29, 1924, File 57/2, Brand Papers.

131 Brand to Emile Pusch, July 19, 1926, File 81/1, Brand Papers.

132 Brand to Douglas Henry, March 10, 1922, File 48/1, Brand Papers.

133 Brand to John Thurston, February 10, 1922, File 62/1, Brand Papers.

business they refused again at a later date.[134] In 1924 the firm was equally cautious about a possible loan to Angola, another Portuguese colony, warning that "it would be an extremely difficult operation in this market at the present moment, unless the figures of the Province are exceptionally good, and unless some special security should be given."[135] Colonial issues were nonetheless of interest for the London house. In mid-1922 Lazard Brothers considered but rejected a proposal from the Paris house to float a thirty-year loan of £1,000,000 on the London market for the "Société Financière Française et Coloniale, a concern based in French Indochina, on the grounds that "Indo-china is quite unknown to the British public . . . and . . . bonds of this nature, which have never been well-known here, could not be placed."[136] Six months later, however, in January 1923, the London house successfully issued a loan of £5,000,000 at 6 percent for the Dutch East Indies, followed by a further £6,000,000 at 5 percent six months later.[137] The London firm also expressed interest in Siam (Thailand), telling the Paris house that "the soundness of their [Siam's] financial situation" was "quite remarkable."[138] Brand nonetheless thought it would be difficult to issue shares of concerns based in various portions of the British Empire, in Natal, Rhodesia, Australasia, Burma, and Malaya, on the London market.[139] He was more sanguine over a 1922 loan of £400,000 to Bloemfontein, capital of the Orange Free State in South Africa, describing it as "small . . . but absolutely safe," though he feared a competing bank would get the business.[140] On occasion he also provided advice to the government of Southern Rhodesia, through its High Commissioner in London.[141] Business was, it seems, often profitable. In 1923 Lazard Brothers made £44,789 on foreign exchange dealings, "Stock profits" were "handsome," "interest and Commission accounts . . .good," and "the balance available for dividend . . . £100,000 more than last year."[142]

European Recovery: The Gold Standard and Foreign Lending

While Lazard Brothers in London was first and foremost a bank, its directors saw themselves in addition as public-spirited men who were prepared to make their advice and abilities available in

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134 Brand to W. A. C. Davis, May 23, 1922, File 56/1, Brand Papers; Brand to K. C. Hawkin, March 2, 1924, File 58/1, Brand Papers; Brand to M. Terestchenko, July 21, 1924, File 62/1, Brand Papers.

135 Brand to Eduardo John, October 7, 1924, File 77/1, Brand Papers.

136 Brand to Lazard Frères, July 25, 1922, File 50/1, Brand Papers.

137 Brand to Lazard Frères, January 16, 1923, File 50/1, Brand Papers; Prospectus, Government of Dutch East Indies 6% Loan, 1933-1963, *The Times*, January 17, 1923; "City Notes," *The Times*, January 17, 1923; "City Notes," *The Times*, June 19, 1923; Rougemont, *Lazard Frères*, 381-382.

138 Lazard Frères & Cie., to Brand, February 27, 1924, File 58/1, Brand Papers.

139 Brand to Thomas Brand, October 21, 1923, File 53/2, Brand Papers.

140 Brand to Lazard Frères & Cie., July 28, 1922, File 50/1, Brand Papers.

141 Brand to J. Collyer, December 28, 1926, File 87/2, Brand Papers; Brand to Sir Francis Newton, December 22, 1926, File 93/2, Brand Papers.

142 Brand to Kindersley, March 6, 1924, File 58/1, Brand Papers.

the service of their own country's government. For Brand and Kindersley during this 1920s, this meant primarily attempting to implement the restoration of the prewar international financial system, by re-establishing a regime of stable currencies, and settling the Franco-German imbroglio over reparations that disturbed the smooth course of European affairs for the first half of the decade. Both, especially the second, had the potential to divide the French and British Lazard houses from each other, as did the provision of credits and loans to France and Germany. Less controversial, though in terms of its economic impact upon Britain and beyond, though almost certainly more detrimental to the broad international system, was the support of the British Lazard partners for restoring the pound sterling to the gold standard. During the 1920s, the majority of British financial opinion favored tying the pound to gold again, preferably at the pre-war parity of US$4.86, an operation that seemed to many a form of tangible proof that Britain had recovered from the damage done by the war and regained its former economic supremacy. Most bankers of the time, led by Montagu Norman, governor of the Bank of England, strongly supported this move, although some economists, the most prominent among them being John Maynard Keynes, opposed it, on the ground that sterling would be overvalued at this parity, inflicting damage on British exports and, by extension, increasing unemployment as trade declined; and that the need to maintain an artificially high exchange level for sterling against the dollar would force Britain to boost interest rates and follow deflationary policies, which would also serve as a brake on British economic activity.[143] More broadly, economic historians, including Barry Eichengreen and Liaquat Ahamed, have argued that the decisions of international bankers of the 1920s to return European currencies to fixed exchange rates against gold in a system effectively linked to the dollar imposed such financial rigidities on the international economic system that it must ultimately be held responsible for the Great Depression of the 1930s.[144]

Brand greatly admired Keynes, whom he once described as "different in the flashing character of his intelligence from anyone I have ever met. I felt always when I was with him like the boy at the bottom of the school talking to the boy at the top."[145] After Keynes' death, he told a friend that he was "the only man I have ever met to whom I should unhesitatingly apply the word 'genius.' Not simply because of his extraordinarily versatility, but because his brain was <u>different</u> from others. It was like something constantly throwing off sparks."[146] Yet Brand was not prepared to break with the conventional wisdom on currencies. He, like many other British bankers, sympathized almost instinctively with the views put forward in 1920 by his American

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143 On Britain's decision to return to gold, see Sayers, *The Bank of England*, vol. 1, ch. 5; Ahamed, *Lords of Finance*, ch. 12; Eichengreen, *Golden Fetters*, 163-166; Skidelsky, *John Maynard Keynes: The Economist as Savior*, 187-204; Costigliola, *Awkward Dominion*, 127-131; Steiner, *The Lights That Failed*, 439-440; Clay, *Lord Norman*, 134-171; Boyle, *Montagu Norman*, 178-191; Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 102-125; Moggridge, *British Monetary Policy 1924-1931*, chs. 2-3.

144 Eichengreen, *Golden Fetters*; Ahamed, *Lords of Finance*.

145 Quoted in James Fox, *The Langhorne Sisters* (Cambridge: Granta Books, 1998), 292.

146 Brand to Barbara Wootton, November 20, 1946, File 199, Brand Papers.

friend Alexander Legge, of the International Harvester Company, who expressed shock at the postwar fall in sterling exchange rates, warning Brand:

> Your merchants and business men are no doubt strongly in favor of a still lower value on English money, which undoubtedly puts them in better position to compete with the low rates of exchange existing in continental Europe. I doubt, however, if they fully appreciate the possible future results of the pound sterling being dethroned in the outside markets of the world, especially the dark continents and remote corners of the earth where the English pound sterling has always been the one standard of value in which even the most ignorant native seemed to place implicit confidence. Our men blowing in from South America and other of the bush countries agree that the natives in place are badly shocked by what has happened to your exchange rates.[147]

Brand and Kindersley had an equally high opinion of their country's financial standing in the world. As chairman of the National Savings movement, Kindersley staunchly opposed the movement to establish premium bonds, securities that did not bear interest but were periodically entered in lotteries which might yield high prizes, as mere legalized gambling. "the very negation of the spirit of steady and persistent individual effort." Brand was fully in accord with his senior partner, writing to one newspaper that "the attraction of Premium Bonds lies in their appeal to the gambling instinct, and I should regard it as a great misfortune that gambling should receive State encouragement." Even worse, should the British government adopt such a method of raising money, this would "in the eyes of the world . . . depress its credit." He warned that "before the war only the countries with third rate credit adopted such an expedient, and it would be humiliating now for the country which still claims to be the financial centre of the world, and which has such a splendid financial record behind it to be forced to follow their example."[148]

By 1921, Brand thought it "vital that the chief trading countries of the world should return as soon as possible to the gold standard."[149] In late 1923, Keynes published his *Tract on Monetary Reform*, advocating a "managed currency." Though decidedly intrigued by Keynes' proposal, Brand, suspicious of political manipulation of the currency, told him that he "still prefer[red] to rely on the gold standard, defective as it is . . . than entirely on the skill and economic knowledge of bankers harassed by politicians."[150] He remained "in favour of returning by some means or

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147 Alexander Legge to Brand, January 9, 1920, File 48/2, Brand Papers.

148 Quotation from "Premium Bonds: Sir Robert Kindersley's Disapproval," *Times*, January 11, 1918; "Premium Bonds and War Savings: Sir R. Kindersley on 'a National Disaster,'" *Times*, November 19, 1919; Brand to The Editor, *Daily Chronicle*, November 26, 1919, File 48/1, Brand Papers; on Kindersley, see also John Orbell, "Kindersley, Robert Molesworth," *Oxford Dictionary of National Biography*, Vol. 31 (Oxford: Oxford University Press, 2004), 599.

149 Brand to J. Grant Forbes, November 24, 1921, File 46/2, Brand Papers.

150 Brand, "Why I am Not a Socialist," 1925, quoted in Skidelsky, *John Maynard Keynes: The Economist as Savior,* 161.

other to the gold standard."[151] He believed, however, he told the youthful French Lazard partner Pierre Weill, that the level of British taxation was already so high, that this would be impossible unless "America inflates and the value of gold falls." Any other course would involve "further deflation, . . . a fall in prices and . . . an increased burden of taxation," and he himself did not believe Britain could "stand such a process."[152] To his colleague Sir Robert Kindersley, who had raised some questions with him about sterling exchange, Brand repeated sterling could only return to parity against the dollar "permanently by a fall in prices here or a rise in prices in the United States of from 10% to 15%, or partly by one and partly by the other. By far the best thing for us would be that prices should rise in the United States sufficiently for our purpose, but not more." Brand feared that, if Britain had to increase its bank rate and further deflate prices, this would "depress our industry considerably," and that it would be "a matter of very great difficulty to carry through to the end at this moment the measures necessary to put our exchange back to par." The solution, he believed, lay with the Americans, who would, he thought, "see the dollar . . . get into a much stronger position in consequence." (He disagreed, however, with Kindersley's fears that, between the dollar and the mark, the pound would be forced into third place, as the other two currencies "crush out sterling.") As so often, British bankers in the postwar period looked across the Atlantic for the ideal solution. According to Brand:

> The advantages of a return to the gold standard are so great that sacrifices are certainly justified. But it seems to me essentially an occasion when the United States should share these sacrifices. It is equally to their benefit as to ours that we should get back to gold. Our doing so would soon bring in other nations, and the United States might see some of their gold flowing back. The Federal Reserve Board ought to be prepared to assist in raising prices in the United States in order to make our task easier. If we were to have to bear the whole burden, possibly even against further deflation in the United States, we might well be unable to see the matter through.[153]

Brand took part in the public campaign in favor of gold. He was the author of an article in the March 1925 *Round Table*, advocating the resumption of gold, and stating that, "whatever may be the risks inherent in this policy, the influences, psychological and other, compelling them to attempt it, as soon as the conditions seem favourable, are too strong to be withstood."[154] Brand sent copies of this article to numerous friends and associates.[155] Charles Altschul wrote to him applauding it.[156] Governor Benjamin Strong of the New York Federal Reserve Bank, Montagu Norman's staunchest ally in the return to gold, responded admiringly that, while "theorists"

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151 Brand to F. Wigglesworth, October 8, 1923, File 58/2, Brand Papers.

152 Brand to Pierre Weill, March 27, 1924, File 58/2, Brand Papers.

153 Brand to Kindersley, June 30, 1924, File 67/1, Brand Papers.

154 "The Gold Standard," reprint of article published in *The Round Table* (March 1925), quotation from 2, copy in File 83, Brand Papers.

155 See File 75/1, Brand Papers.

156 Charles Altschul to Brand, March 23, 1925, File 75/1, Brand Papers.

might "believe in a managed currency and all that sort of thing," that would open the door to efforts at political control. In his view: "What we need is something more nearly automatic in the maintenance of a world poise of prices such as has reasonably been afforded heretofore by the operation of the gold standard, and then possibly some reasonable cooperation between the banks of issue of the world may make it possible to produce a greater degree of stability under the operation of the old gold standard than was possible before the war."[157]

In Brand's view, the resumption of the gold standard was not the real problem, since, although "there might be a temporary difficulty in adjusting our prices here to our exchange," he was "quite convinced that a return to the gold standard was necessary for this country, and that its benefits will before long outweigh any temporary difficulties." According to his analysis, the fundamental problems went deeper:

> [T]he position at present is that there is a world depression due to the fact that the world has not adjusted itself in a very large number of ways to post-war conditions. We are nowhere near the kind of world equilibrium which existed in 1914. Political conditions, tariffs, fluctuating currencies, troubles like the Russian and Chinese, and so forth, all play their part. Except in the case of America, and where trade is artificially stimulated, as in France, by depreciation, depression more or less severe exists everywhere. This lack of equilibrium, plus the depreciation and consumption of capital caused by the war, and inflation, results in decreased purchasing power, which hits all countries exporting manufactured articles, e.g. Germany; but particularly this country, which is the most sensitive of all to any world difficulties.[158]

Brand did not waver from his faith in gold. In summer 1925, he sent Charles Altschul *The Economic Consequences of Mr. Churchill*, a pamphlet by Keynes opposing the return to gold, telling the former banker that while he thought Keynes' "arguments extreme," Britain would "undoubtedly . . . have to go through a difficult period until we have really established ourselves firmly on the gold standard."[159] He told another banker that Keynes was "anxious to 'get back' at those who a responsible for putting the gold standard into force."[160] Though Brand wrote publicly opposing Keynes' position, it was, he said, "an extremely difficult problem, and . . . I have a great opinion of Keynes' views, as there is always a great deal in them."[161] Once the decision had been implemented, Brand even told an academic critic, who argued that Britain had resumed the gold standard in the interests of international finance rather than industry and trade that the reverse was true:

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157 Benjamin Strong to Brand, **check date** File 75/1, Brand Papers.

158 Brand to F. Vernon Willey, July 7, 1925, File 67/2, Brand Papers.

159 Brand to Charles Altschul, August 10, 1925, File 71/1, Brand Papers.

160 Brand to Marc Wallenberg, August 8, 1925, File 82/1, Brand Papers.

161 Brand to Charles Altschul, October 6, 1925, File 67/1, Brand Papers.

> [W]hat has impressed me is the knowledge that has been forced upon one day by day over the last few years of the enormous disadvantages to industry and trade of rapid and large exchange fluctuations, and the great importance, particularly for this country of the world getting back to a comparatively stable exchange basis. This was not possible without England's return to the gold standard. Now that we have returned, all the other European countries will group themselves round us. France will be the last, but I think that when the whole of the rest of civilised Europe is stable, the pressure on France to put her house in order will be overwhelming.[162]

Two years after Britain returned to gold in 1925, Brand told Sir Arthur Balfour "that, rightly or wrongly, (I think rightly) the gold standard has been definitely adopted, and . . . not even its most extreme opponents wish to go back on that decision."[163] In 1928 Brand wrote to his brother that "the gold standard is not perfect, but in all the circumstances of the world I consider it far preferable to any other course at present, and for us to contemplate abandoning it strikes me as fantastically impracticable."[164]

Stabilizing European currencies against gold was only one aspect of the program for the continent's economic revival. A substantial amount of Lazard Brothers' business related to European recovery, in some cases involving governments as well as private businesses. Their efforts were only part of a broader trend toward enhanced British investment in Europe during the 1920s, which meant that British capital ranked either first or second among foreign investments in every country on the continent during that decade.[165] Some of the firm's efforts had to be devoted to trying to reach settlements on outstanding debts that Austrian and Hungarian businesses had owed to Lazard Brothers in August 1914, and that had been frozen throughout the war.[166] Lazard Brothers also, as Brand told a newly arrived Latvian envoy to Britain, had "considerable business interests in Latvia, having made a large public issue for the city of Riga before the war."[167] Unfortunately, this £1,300,000 loan went into default after the First World War, and Lazard's main interest was in trying to reach a settlement with the city on behalf of the bondholders, something not accomplished until 1934. "The trouble with all these

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162 Brand to J. H. Jones, October 22, 1925, File 67/1, Brand Papers.

163 Brand to Sir Arthur Balfour, November 22, 1927, File 93/1, Brand Papers.

164 Brand to Viscount Hampden, June 1, 1928, File 90/1, Brand Papers.

165 Steiner, *The Lights That Failed*, 285-286; Orde, *British Policy and European Reconstruction*, 327-329. On the City's interest in European issues, see also Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 149-153.

166 Brand, "Austrian & Hungarian Banks," July 11, 1921, File 44, Brand Papers; "City Notes," *The Times*, September 19, 1923.

167 Brand to E. C. Wilton, May 25, 1922, File 62/2, Brand Papers.

small people in that part of the world," Brand told his brother, Admiral Sir Hubert Brand, "is that their ideas of business are so very different from ours that it is hard to get on with them."[168]

For the most part, however, the British firm was looking to future rather than past business. As early as April 1920, Lazard Brothers was one of a number of "leading" British firms—others included such well-known city banks and businesses as Frederick Huth & Co., Rothschilds, Kleinworts, Lloyds Bank, the British Trade Corporation, and the Hudson's Bay Company—that established a syndicate known as the Anglo-Danubian Corporation, whose "intention" was "if possible to develop trade between this country [Britain] and all the former States of the Austrian Empire."[169] In the same month, at the request of the Belgian government Lazard Brothers made a private issue of £1,380,000 three-year 7½ percent notes on behalf of Armstrong, Whitworth & Company, to finance a Belgian order for locomotives as part of that country's postwar effort to rebuild its railway system.[170] In February 1922, the directors of Lazard Brothers informed the City of Antwerp, which had expressed interest in floating a loan in London, that "now might be a pretty good time" for such an operation.[171] Three months later, Lazard arranged a credit for the Polish State Bank.[172] Often, however, Lazard Brothers viewed East European business as somewhat problematic. Almost simultaneously the once German city of Danzig, now a free city under League of Nations administration, inquired as to the possibility of raising 100 million marks on the London market, but Lazard Brothers declined the business, though they did suggest that, "when political and financial conditions get more settled," they might be interested in handling it.[173] In 1922 the firm considered, but rejected, a suggestion that they "should take in hand the raising of a loan for Austria by a financial group on the security of the tobacco monopoly, making our profit naturally out of the tobacco monopoly, which would be leased to us."[174] Eventually, they "turned down the project brought before us because it was quite clear to us that the political difficulties were so great that it really was not worth while spending time on it. turned down the project brought before us because it was quite clear to us that the political difficulties were so great that it really was not worth while spending time on it turned down the

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168 Brand to Admiral Sir Hubert Brand, July 29, 1922, File 45/2, Brand Papers; also Brand to Lazard Frères & Co., July 28, 1922, File 50/1, Brand Papers; Brand to Harry Sturgis, February 1, 1928, File 88/2 Brand Papers; on the negotiations, see "City Notes," *The Times*, June 23, 1922; "City of Riga Loan," *The Times*, July 26, 1922; "City Notes," *The Times*, June 11, 1923; "City of Riga 4½% Bonds," *The Times*, January 14, 1926; "Riga Debt Negotiations," *The Times*, June 14, 1930; P. J. Hannon to the Editor, *The Times*, November 28, 1933; "City Notes," *The Times*, January 27, 1934; "Foreign Bonds in Default," *The Times*, May 4, 1934; "Riga Debt Arrears," *The Times*, June 4, 1934; "City Notes," *The Times*, July 16, 1934; "The Riga Debt Settlement," *The Times*, July 18, 1934; "Riga Debt Settlement," *The Times*, July 26, 1934; "City News in Brief," *The Times*, August 6, 1934; "Riga Loan Settlement," *The Times*, October 17, 1934; "Riga Debt Remittance," *The Times*, November 6, 1934; "Foreign Bond Defaults," *The Times*, May 14, 1935.

169 Brand to Lazard Frères & Cie., April 20, 1920, File 48/2, Brand Papers.

170 "City Notes," *The Times*, April 1, 1920.

171 Brand to M. Horn, February 20, 1922, File 48/1, Brand Papers.

172 Brand to W. A. Doman, May 9, 1922, File 56/2, Brand Papers.

173 Brand to Arthur Grünspan, February 21, 1922, File 56/2, Brand Papers.

174 Brand to Jean Monnet, November 23, 1922, File 83D, Brand Papers.

project brought before us because it was quite clear to us that the political difficulties were so great that it really was not worth while spending time on it."[175]

Occasionally, Lazard Brothers were less discouraging. In 1922, they apparently extended an acceptance credit of £1 million to the Polish government.[176] By 1923, they were prepared to consider discounting commercial acceptances held by a Polish business and drawn on "first class" British or American firms.[177] A few weeks later, however, they refrained from organizing a syndicate to raise funds for Poland secured by that country's tobacco monopoly, "as we think the position is still too uncertain in that part of the world."[178] In November 1923, Lazard Brothers also declined "to take an interest in a Company formed for the purpose of financing Roumanian industries."[179] Feelers for an offering of £500,000 of three-year Greek Treasury bills were rejected in 1924, and Brand "doubt[ed] whether there is any other financial house in the City which would consider" this transaction.[180]

Russian business seemed even less attractive. In late 1917 the radical communist regime of the Bolshevik Party took power in Russia, and one of its first actions was to repudiate most of the foreign financial obligations of the preceding Russian governments. In June 1918 Kindersley became one of a committee of prominent British bankers that was set up to protect the interests of Russian bondholders.[181] Given the Soviet government's continuing reluctance to pay these debts, the organization accomplished rather little. In 1923, as the British government prepared to sign treaties recognizing the Soviet Union, Brand wrote a lengthy memorandum opposing a potential British government guarantee of a loan to the Russian government, arguing that "not a single investor . . . would invest in a Russian loan on the strength of Russia's own credit," yet British bankers could "lend all we want to abroad on good terms without any guarantee." The Russian government had, in fact, "been responsible for by far the greatest wholesale repudiation of debts and obligations known in history," and until it had settled with its foreign creditors, was unlikely to be able to raise funds abroad. Brand saw no reason why the British government should grant the existing rulers of Russia "the almost unprecedented favour" of a guarantee of a loan "which they could not possibly borrow on their own credit and performance."[182] Three years later Brand told a German banker that Lazard had "[h]itherto . . . on principle steered entirely clear of Soviet business." He saw no "immediate likelihood that we shall change our

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175 Brand to Monnet, December 6, 1922, File 83D, Brand Papers.

176 Norman to Basil P. Blackett, April 3, 1922, File G3/178/133, Bank of England Archives.

177 Brand to Robert Geyer, July 2, 1923, File 57/2, Brand Papers.

178 Brand to A. J. van Hengel, August 31, 1923, File 62/1, Brand Papers.

179 Lazard Brothers to Lazard Frères & Cie., November 27, 1923, File 58/1, Brand Papers.

180 Brand to Lionel Hichens, April 3, 1924, File 77/1, Brand Papers.

181 "City Notes," *The Times*, June 19, 1918.

182 Brand, memorandum on Russian borrowing, n.d. [1923], File 83, Brand Papers; cf. Brand, memorandum on speech by J. Ramsay MacDonald, n.d. [1923], File 80/2, Brand Papers.

view."[183] In 1928 he told another correspondent that "personally" he could not "help feeling that the Russian situation is very bad. Of course this may mean that it is not far from the turning point, but I propose to wait anyhow somewhat longer before taking any interest in the country."[184]

As stability returned to Europe, Lazard Brothers sought to increase its European network of financial contacts. In 1924, the firm established what it trusted would be a "permanent" relationship with the Credit Anstalt Bank of Austria, making a £50,000 revolving credit available as needed to its new associate.[185] In 1925, Lazard Brothers established close relations with the Hungarian General Savings Bank of Budapest, helping to guarantee an increase in the institution's capital by taking 10,000 shares in the bank, in the expectation that it would steer its London business toward their firm. Other banks based in Austria and France did likewise.[186] In 1928 Lazard Brothers brought out an issue of £500,000 7½% Sterling Mortgage Bonds for the Hungarian General Savings Bank on the London market, funds that allowed the bank to increase its share capital, and early in 1930 they placed a further £250,000 of such bonds privately. Lazard Brothers also had a substantial shareholding in this bank.[187] By 1927 the firm was also interested in propositions that the Banque de Bruxelles might bring to their attention.[188] That same year, Brand warmly thanked Clarence Dillon of New York's Dillon Read for allotting Lazard Brothers a $1,000,000 participation in a syndicate offering $30,000,000 of bonds for the City of Milan, Italy.[189] Lazard Brothers declined to make a loan of £1,500,000 to the City of Plovdiv in Bulgaria, but directed the business toward the Bank of Amsterdam.[190] In 1927, the firm agreed to take $1,000,000 of a credit that their old associate Jean Monnet, by then working for Blair & Company, an American bank, and heading a New York banking syndicate including Kuhn, Loeb & Co., the Chase National Bank, and the Guaranty Trust Co., was arranging for the government of Poland, as part of a stabilization package.[191] Lazard Brothers issued the £2 million London portion of the October 1927 stabilization loan, with a further $62,000,000

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183 Brand to H. Fürstenburg, April 6, 1926, File 74/2, Brand Papers; Kynaston, *The City of London*, Vol. III: *Illusions of Gold 1914-1945*, 149.

184 Brand to M. C. Harman, November 9, 1928, File 90/1, Brand Papers; also Brand to Harman, October 26, 1928, ibid.

185 E.P. to Rudolph Sieghart, April 4, 1924, File 61/1, Brand Papers.

186 Brand to Hungarian General Creditbank, July 28, 1925, File 59/1, Brand Papers; Brand to Lazard Frères & Cie., May 29, July 2, 1925, File 59/2, Brand Papers.

187 Prospectus, Hungarian General Savings Bank, *The Times*, March 9, 1928; "Hungarian General Savings Bank," *The Times*, June 2, 1928; Prospectus, Hungarian General Savings Bank Limited, *The Times*, February 26, 1929; "Hungarian General Savings Bank," *The Times*, February 26, 1929; "City Notes," *The Times*, May 19, 1930.

188 Brand to J. Tanner, July 28, 1927, Brand to W. Thys, August 2, 1927, File 92/1, Brand Papers.

189 Brand to Clarence Dillon, April 13, 1927, File 76/1, Brand Papers; see also Brand to Bankers Trust Company, April 6, 1927, File 73/1, Brand Papers.

190 Brand to H. A. van Nierop, July 29, 1927, File 92/1, Brand Papers.

191 Brand to Monnet, July 6, 1927, File 87/1, Brand Papers; also Kindersley to H A. Siepmann, May 30,1928, File OV110/1, Bank of England Archives, London.

offered in New York and other markets, served as the Polish government's London bankers.[192] Brand and his partners were bitterly resentful when the government of Estonia, a long-time Lazard client, turned to other bankers in 1927 to organize a stabilization loan under League of Nations auspices.[193] In 1927-1928, Lazard Brothers took the lead in negotiations for a major international loan for the Portuguese government, issued eventually through the League of Nations, to stabilize that country's currency.[194] It was also one of a syndicate of British banks that, in collaboration with American financial houses headed by J. P. Morgan & Co., provided credits for Spain in mid-1928 to underwrite stabilization of the peseta.[195] In 1929, the firm took part in discussions for a Rumanian stabilization loan, an issue in which Monnet and other French and American bankers were also involved. The issue was eventually organized in Paris and floated internationally in francs, dollars, and sterling with the French Lazard firm one of the six banks that sponsored it, and the London and New York houses helping to market the bonds.[196]

During the 1920s, German and French financing and the associated political difficulties were probably the most problematic business for Lazard Brothers, especially in terms of relations with their Paris partners. Credits to private businesses were the least controversial. In September 1920 Lazard Brothers arranged to lend "£200,000 to the English Company of the Galeries Lafayette," a leading Paris department store, initially for two years. The loan was subsequently renewed for a further year, and the terms later renegotiated by the Paris firm, with the principal increased to £250,000, to be paid off in three annual instalments between December 1924 and December 1926. As the length and amount of the loan increased, Lazard Brothers also demanded options to buy stock in the English Galeries Lafayette company, some at least of

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192 "City Notes," *The Times*, October 14, 1927; Prospectus, Republic of Poland Stabilization Loan, 1927, *The Times*, October 18, 1927; Brand to Under Sheriff, County of London, November 12, 1928, File 91/1, Brand Papers. On the background to Polish stabilization, see Neal Pease, *Poland, the United States, and the Stabilization of Europe, 1919-1933* (New York: Oxford University Press, 1986); Rosenberg, *Financial Missionaries to the World*, 176-183; Richard Hemmig Meyer, *Bankers' Diplomacy: Monetary Stabilization in the Twenties* (New York: Columbia University Press, 1970), 58-99; François Duchêne, *Jean Monnet: The First Statesman of Interdependence* (New York: Norton, 1994), 45-47.

193 Brand to Arthur Salter, June 22, 1927, File 88/2, Brand Papers; Brand to Sir Walter Williamson, June 3, 1927, File 92/2, Brand Papers.

194 See material on Portugal, 1927, File 88/1, Brand Papers; also Norman to Strong, November 1, 23, 1927, and enclosures, File 1116.7, Strong Papers; correspondence between Kindersley, Brand, and Norman, 1927, OV62/1, Bank of England Archives.

195 "City Notes," *The Times*, August 8, 1928; "The Peseta Exchange," *The Times*, August 8, 1928.

196 Brand to Linklater and Paines, January 21, 1929, File 90/2, Brand Papers; unsigned memorandum, "Roumania," February 20, 1929, Brand to R. P. Sloan, February, 1929, File 91/1, Brand Papers; "Rumania to Get Loan of $75,000,000," *Wall Street Journal*, February 4, 1929; "Roumanian Stabilisation and Development Loan," Prospectus, *The Times*, February 13, 1929. On the earlier history of Lazards' participation in credits to Rumania, see Memorandum, "Roumania," July 13, 1927, Pierre Quesnay to H. A. Siepmann, July 13, 1928, File OV114/2, Bank of England Archives.

which they exercised.[197] In 1922 the firm was one of three banks, the others being Morgan, Grenfell & Co. and M. M. Rothschild & Co., that floated an issue on the London market of £3,000,000 in 6 percent bonds for the Midi Railway and £2,000,000 in 6 percent bonds for the Orléans Railway, business in which Morgan, Grenfell only grudgingly accepted Lazard Brothers' name in third place in the syndicate. André Lazard nonetheless proclaimed that the railway company would have won better terms had it allowed the Lazard interests to handle this offering.[198] In July 1923 Lazard Brothers renewed for three months its own £200,000 share of a three-month acceptance credit the firm of Samuel Montagu & Co. had organized for the French Paris, Lyons, & Mediterranean Railway Company, while making it clear that any further renewals beyond six months should not be granted automatically, but would require special negotiations.[199] Loans and credits to French railways were not, strictly speaking, government business, but they were regarded as obligations of an industry so vital to the country's infrastructure that they were effectively guaranteed by the French government.

The London Lazard firm was normally willing to try to raise funds for the French government, but on occasion the British partners expressed reservations as to just how creditworthy and stable that country was in reality. The Bank of England also imposed increasingly stringent standards on foreign lending. As early as mid-July 1919, when Brand inquired of Governor Montagu Norman how the Bank of England would regard a £4 million three-month acceptance credit to France for the purchase of wool, with three renewals of three months apiece, secured by French Treasury bills denominated in sterling, he was told that the Bank would discriminate against such credits, since they were "not self-liquidating."[200] Only with considerable difficulty, especially on the part of the British partners, did the London and Paris firms eventually, in July and August 1919, organize a global consortium of bankers that provided £4,225,000 in loans and credits to enable twenty northern French wool businesses to recover from the devastation the war had wreaked on their plants.[201] In September 1920, Brand and Kindersley were holding discussions with French government representatives on reissuing outstanding French loan bonds.[202] Early in 1921, Lazard Brothers engaged in abortive negotiations with French government representatives as to the possibility of offering a French loan for £37,500,000 at 6 percent on the British

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197 Lazard Brothers to Lazard Frères & Cie., October 8, 1923, March 3, 1924, File 58/1, Brand Papers; Lazard Brothers to Lazard Frères & Cie., August 19, 20, 24, 25, 26, 1925, File 59/2, Brand Papers.; Galeries Lafayette Prospectus, *The Times*, October 1, 1925.

198 Charles F. Whigham, "Memorandum by C.F.W. for B. S. Carter: French Government Business," August 17, 1937, Box 30, Files France 1919-1938, Morgan European Bank Papers; Edward C. Grenfell to J. P. Morgan, Jr., March 14, 1922, Box 11, Morgan Miscellaneous Material, Morgan European Bank Papers; Prospectus of Midi Railway Company and Orléans Railway Company loans, *The Times*, March 14, 1922; "City Notes," *The Times*, March 14, 1922; André Lazard to Lazard Frères New York, March 24, 1922, quoted in Rougemont, *Lazard Frères*, 383.

199 Lazard to Samuel Montagu & Co., July 3, 1923, File 61/1, Brand Papers.

200 Montagu Norman, diary, July 21, 24, 1919, File ADM34/8, Bank of England Archives.

201 Rougemont, *Lazard Frères*, 382.

202 Brand to Kindersley, September 27, 1920, File 37/1, Brand Papers.

market.[203] In April 1921 Lazard Brothers arranged a £3,000,000 three-month acceptance credit on the London market to finance wheat purchases by the French government. When, however, the French government asked three months later that this be renewed for an additional three months, and an additional £2,000,000 credit for further wheat purchases arranged, Lazard strongly advised the French Ministry of Finance that the first three million should be paid off when it became due. Kindersley warned that, if the French government won a reputation for extending rather than repaying its credits, it would become increasingly difficult to raise "credits of this character" on the British market. He did, however, suggest that it might be possible to extend some of the original three million through negotiations with some of the individual banks involved. It seems, however, that the new £2,000,000 credit went through.[204] Lazard Brothers also offered to arrange a renewal of 53,000,000 Yen of an 83,000,000 Yen loan the French government had made to the government of Japan.[205]

Reparations: A Divisive Issue

While Lazard Brothers was willing to undertake limited financing for the French government in the early 1920s, the British partners deplored France's policies toward Germany on one of the major international economic issues arising from the war, the question of a German reparations settlement. The first half of the 1920s saw an almost continuous round of conferences on the subject of reparations and European economic recovery, "usually attended by the same personnel who were nicknamed 'the circus.'"[206] Brand and Kindersley were among its charter members. Their attitude caused major strains in their relations just with French officials but also with their own colleagues in the Paris firm. Perhaps the most contentious subject of the immediate postwar decade was the German payment of reparations to the victors of the war, especially France, as compensation for the damage inflicted on their territory and people during the conflict. The amount Germany was to pay was left undecided at the Paris Peace Conference, to be settled later by an international Reparations Commission. Arriving at a figure for such payments quickly divided the former Allies. The United States government took no official role in any reparations settlement, but Americans sat as observers on the Reparations Commission, and private American bankers and businessmen, who often liaised quietly with their country's State and Treasury Department officials, were heavily involved in efforts to reach a reparations settlement. So, too, were Brand and Kindersley in London, among others. On the whole, the French supported heavy reparations payments, in part because this would benefit them economically, making it possible for them to pay the war debts they owed to Britain and the United States and

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203 Norman, diary, February 4, 7, 8, 9, 22, 1921, File ADM34/11, Bank of England Archives.

204 Kindersley to Henri Pouyanne, June 14, 1921, File 52/1, Brand Papers; Brand to Phyllis Brand, June 15, 1921, Robert H. Brand Papers, Reading University Library, Reading.

205 Brand to Pouyanne, June 13, 1921, File 52/1, Brand Papers.

206 Sir Frederick Leith-Ross, *Money Talks: Fifty Years of International Finance* (London: Hutchinson, 1968), 77.

to recover from the ravages of war, but also because they viewed it as a means of keeping Germany relatively weak. For several years after the peace conference, the German government prevaricated over the payment of reparations, pleading economic hardship, high inflation, and exchange difficulties to justify defaults in scheduled transfers of funds and payments in kind. From 1920 onward, French leaders often threatened to occupy German territory, especially the industrial heartland of the Ruhr, and seize the products of German factories or other assets as a means of forcing the Germans to honor their obligations to France. From January 1923 until summer 1924, French troops did enter and control the Ruhr, an internationally unpopular move that nonetheless eventually impelled both German and French leaders to join negotiations that eventually resulted in a compromise reparations settlement, the 1924 Dawes Plan, brokered by American bankers and businessmen.

The French stance often attracted criticism, as being vindictive and an indication of France's support for a Carthaginian peace rather than reconciliation, but—as Brand himself appreciated—and as several historians, including Jon Jacobson, Stephen A. Schuker, Dan Silverman, and Zara Steiner, have pointed out, it sprang not from strength but from French leaders' sense of vulnerability, their consciousness that, both economically and in terms of population, Germany was stronger than France, and in future might well wish to reverse the outcome of the First World War. The French also had Germany as a neighbor, which was not the case for Britain and the United States. British and American officials and private bankers tended to support a far more lenient reparations settlement, as they sought to reintegrate Germany into the European and international system. Scholarly debate still rages as to whether the amounts and schedules of reparations payments ultimately fixed by committees of international bankers and financial officials, under the 1924 Dawes Plan and the 1929 Young Plan, would have been manageable had the German government been prepared to honor these arrangements. In practice, these financial transfers were so unpopular with the German public that German political parties of every complexion, from the far left to the far right, opposed the payment of reparations as a demeaning and humiliating reminder of their country's defeat in the First World War. The result was that, while Germany probably had the economic ability to pay reparations over the more than fifty years envisaged by the architects of the Dawes and Young Plans, in terms of practical politics it was inevitably highly problematic whether successive German governments would be willing to adhere to any of the agreements reached during the 1920s, even if their terms were relatively lenient.[207]

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[207] For the continuing debate over the economic and political feasibility of German reparations payments, see inter alia, Steiner, *The Lights That Failed*, esp. chs. 4, 8, 12; Schuker, *The End of French Predominance in Europe*; Hogan, *Informal Entente*, 57-60, 66-71; Marc Trachtenberg, *Reparation in World Politics: France and European Economic Diplomacy, 1916-1923* (New York: Columbia University Press, 1980); Eichengreen, *Golden Fetters*, 127-134; Orde, *British Policy and European Reconstruction*, 208-265; Kent, *The Spoils of War*; Maier, *Recasting Bourgeois Europe*, esp. chs. 4, 6, 8; Cohrs, *The Unfinished Peace*, esp. chs. 5-10, 25-26; McDougall, *France's Rhineland Diplomacy*; Silverman, *Reconstructing Europe After the Great War*; Niall Ferguson, *The Pity of War: Explaining World War I* (New York: Basic Books, 1999), 395-432; articles by Marc Trachtenberg, Walter A,

For much of the first half of the 1920s, the British and French Lazard partners found themselves seriously at odds over German reparations. The French Lazard house's strong support for their government's policies did not necessarily imply any intention to ostracize Germany commercially or financially. One reason why the firm originally opened an office in Mayence (Mainz), in the occupied Rhineland, was because the partners believed—wrongly, as it transpired—that this city would become an important economic center after the war. By late 1920, the firm had established close and cordial relations with the Oscar Oppenheimer of the Oppenheimer bank in the Rhineland city of Frankfurt, as well as with representatives of the Bank für Handel und Industrie in Mayence. On a visit to Berlin in November 1920, André Lazard met with officials of that institution, the Reichsbank, the Dresdner Bank, the Disconto-Gesellschaft Bank, and the Mendelssohn and Hardy banking firms. The French banker and his German opposite numbers united in deploring the sudden and unpredictable swings in the value of the mark, and he gained the impression that they were willing to cooperate in the payment of reparations. Although there were economic problems, particularly the government's increasing budget deficits arising from welfare spending and the provision of jobs for men who would otherwise be unemployed and be readily recruited to take part in bolshevist-inspired unrest, Lazard thought the social situation in Germany had improved over the past year, in that labor and employees were getting back to work and the trend toward equality was in retreat.[208] In correspondence with Charles Altschul and Brand Lazard was, however, adamant that Germany was both capable of paying reparations to France and had a moral as well as legal obligation to do so.[209]

While Lazard Brothers in London was at least equally eager to develop German business, on reparations the French partners were at odds with Brand and Kindersley. In late December 1920, André Lazard sent Brand a letter written by his brother Max, who had spent most of the war in New York, to one of his friends, the leading Harvard law professor Manley O. Hudson, a strong supporter of the League of Nations. André felt that his brother had summed up the real situation so accurately and clearly that he felt all the British Lazard Brothers directors would benefit from reading it. Max Lazard contended that, while the French had no objection per se to revision of the Treaty of Versailles, "one thing was in my mind essential for making this plasticity of the Treaty acceptable to a French mind, or better still to a French heart: that was that the inner circle of the Allies, viz. the U.S., Great Britain, France, Italy, and I would certainly add Belgium rather than Japan, should continue to form a solid bloc ready to make practically any national sacrifices to one another to preserve in the face of the World their solidarity." France would have been much readier to reduce German reparations, he argued, if Britain and the United States had in

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McDougall, and Charles S. Maier, special issue of *Journal of Modern History* 51:1 (March 1979), 4-85; and Jon Jacobson, "Is There a New International History of the 1920s?," *American Historical Review* 88:3 (June 1983), 617-645.

208 André Lazard to Lazard Frères New York, November 29, 1920, File Lazard, Charles Altschul Files, Altschul Papers.

209 André Lazard to Charles Altschul, September 15, December 10, 1920, File Lazard, Charles Altschul Files, Altschul Papers; André Lazard to Brand, October 6, 1920, File 37/2, Brand Papers.

their turn, as Keynes had suggested, been willing to forgive and cancel the war debts that France owed to them. Equally, if those two powers had been prepared to sign the treaty pledging to assist France against German aggression, this would have made a great difference. "What France was looking for was only some sort of guarantee that, if unjustly submitted to a German aggression, it would be supported by English and American friendship." All French politicians recognized that, in practice, the reparations bill demanded of Germany would have to be reduced. Summing up his position, Lazard proclaimed: "The only thing France is after is security. The means it would prefer above all to obtain that security is solidarity with our former Allies. If that solidarity is denied to us, how can you be surprised that we try at least to obtain what has been promised to us by the Treaty, or rather – because we do not even really insist on the complete fulfilment of the Treaty—how can you be surprised that we try to obtain by an attitude of firmness towards Germany the maximum amount that it is reasonable to expect?" Rather grimly, he argued that "the future remains dark, primarily because of the continuing strength of "[n]ationalism—the great plague of modern times." Presciently, he argued that, under the Treaty of Versailles, "the fatal dogma of unrestricted competition between nations was left unshaken. If this conception of the World's organisation—or rather unorganisation—continues to prevail, France will be one among its first victims because our own nationalism will be supported by less material strength than German nationalism."[210]

Brand and Kindersley soon became recognized British experts on the subject of reparations, architects of policy who were called upon by their own government to take part in major international meetings on the topic. In May 1921 the Reparation Commission set a Schedule of Payments for reparations, under which Germany would pay a total of 132 billion gold marks to the former Allied powers. Kindersley was the British representative on the Committee on Guarantees, set up by the Reparation Commission in 1921 to try to assure German payments to the former Allied powers. Lazard Brothers helped the German government to pay the first billion marks, due in August 1921, by borrowing short-term funds for two to three months on the London market.[211] Brand later recalled that it was the German efforts to repay these funds to London bankers when they became due in late 1921 that "first sent the mark tumbling down. When we made the loan it was, if I remember, about 200 marks to the £. Two or three months later, by the effort to repay, they sent it down to about 1000. That was the moment, I think, when the mark really started in earnest on its downward course."[212] As the mark began a protracted and ultimately spectacularly disastrous fall in value, Brand thought a German settlement essential to broader European recovery. In October 1921, he told an American business associate that the "extraordinarily abnormal state of the exchanges has upset all business." He believed "that if only we could get Europe peaceably settled down, and the indemnity question settled, these fluctuations would rapidly become much smaller, and we could

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[210] Max Lazard to Manley O. Hudson, December 9, 1920, enclosed in André Lazard to Brand, December 20, 1920, File 49/1, Brand Papers.

[211] Orde, *British Policy and European Reconstruction*, 167.

[212] Robert H. Brand, "The Reparation Problem," *International Affairs* 8:3 (May 1929), 206.

begin to get to work again." He feared, however, that "the politicians will not begin really to settle these questions until we are face to face with disaster; we are not very far from it now."[213] Rather more optimistically, in December 1921 Brand told a Canadian friend: "Kindersley has recently been playing a considerable part in Germany, France and this country [Britain] in getting the reparation question reconsidered, and we hope some reasonable settlement may soon be arrived at."[214]

By the end of 1921, the German situation was deteriorating, and it seemed unlikely that the country could continue to meet these payments much longer. A second payment was due in January 1922, and in November 1921 Kindersley visited Berlin, where the German government asked him about the possibility of floating a loan on the British market to cover this payment. That same month, Jean Monnet, deputy secretary general of the new League of Nations, visited Britain and held talks with leading financial personalities, including Kindersley, Norman, and Basil P. Blackett of the British Treasury. All told him that it would be counter-productive for Germany to make frequent reparation payments in the years immediately after the war, and that it would be better to postpone those due in the near future. Kindersley was particularly anxious to ensure that France and Belgium received capital to finance their economic recovery and stabilization, suggesting they might do so by raising international loans secured by German assets. He believed that Germany would not, at present, be able to float any kind of loan, but thought it advisable to indicate to the Germans what conditions it would be necessary for them to meet to enable them to obtain such funds. The best way to do this would, he thought, be by summoning an international meeting of bankers to lay out the measures Germany would need to take to satisfy potential lenders.[215]

Even the rumor that Lazard Brothers was involved in negotiations between Germany and Britain involving potential credits to Germany alarmed the French Lazard partners. On November 30, the French firm sent Kindersley a lengthy telegram, warning him "never to forget the special position of France and what is due to her." The view of the Paris partners was, they said, "unanimous: any further concessions [to Germany] that are not counterbalances by additional material assistance [to France] from our former allies, and backed up by guarantees from Germany, would lead France into certain ruin." The French partners also warned Kindersley that anyone associated with negotiating new arrangements would be subjected to "violent criticism," and it was therefore essential that the Lazard name should not be associated in any way with these discussions.[216] Responding immediately, Kindersley protested that he had merely tried to organize, in collaboration with the Bank of England, a short-term credit that would enable Germany to make its next reparations payment without defaulting. Should this effort fail he

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[213] Brand to Alexander Legge, October 17, 1921, File 49/2, Brand Papers.

[214] Brand to Sir Joseph Flavelle, December 19, 1921, File 46/1, Brand Papers.

[215] Kindersley, memorandum, n.d. [November 1921], File OV34/100, Bank of England Archives; Orde, *British Policy and European Reconstruction*, 167-168.

[216] Lazard Frères Paris to Lazard Brothers, November 30, 1921, quoted in Rougemont, *Lazard Frères*, 389.

would, he claimed, insist that France must receive adequate compensation.[217] Somewhat mollified, his Paris partners told Kindersley to continue his endeavors, but to do so behind the scenes, as the subject was exceptionally sensitive, and they had already had several inquiries from leading journalists.[218] Several weeks later, Kindersley complained that he had failed to persuade anyone involved to make any concrete move to ensure the payment of the next German instalment, since all the politicians involved were apparently determined to avoid "taking the bull by the horns."[219]

After consultations with Kindersley and other leading British international financiers, in late November 1921 the Bank of England issued a public statement requesting a temporary moratorium on German reparations, "a comprehensive readjustment" of reparations "as part of a general and simultaneous settlement of all international indebtedness arising out of the War," and readjustments in Germany's "own economic and financial position." The statement, which was also approved by the visiting American banker J. P. Morgan, implied that no international loans to the German government would be forthcoming until such measures had been implemented taken.[220] Governor Benjamin Strong of the New York Federal Reserve Bank also liked Kindersley's suggestion of a Bankers Committee to set conditions for German loans.[221] Winning broad international acceptance of these measures, however, was unlikely to be easy. In mid-January 1922 the hard-line Raymond Poincaré became prime minister of France, announcing his intention of taking coercive measures against Germany, including the imposition of Anglo-French economic sanctions, to extract the outstanding reparations payments due to France. Brand's French partner André Lazard wrote to him and the New York firm applauding this speech, praising Poincaré as "the best defender of [France's] interests we possess" and a man who should therefore be entrusted with representing his country.[222] Brand, however, retorted that, while he agreed with Poincaré that "the reparation problem is the most important thing of all to settle," he was "convinced that it cannot be settled satisfactorily on the lines he suggests." He rightly anticipated "another prolonged period of turmoil" over the issue.[223]

Brand attended the Genoa Conference of April 1922, sitting on the Currency Committee and also representing the South African government, and Kindersley was also present there. This meeting, summoned by British Prime Minister David Lloyd George, was originally intended to address the topic of European reconstruction, including reparations, guarantees of French security, and the reintegration of Germany and Soviet Russia into the international system, though France's refusal to permit any discussion of reparations and the absence of any American

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[217] Kindersley to Lazard Frères Paris, November 30, 1921, quoted in Rougemont, *Lazard Frères*, 389.
[218] Lazard Frères Paris to Lazard Brothers, December 1, 1921, André Lazard to Kindersley, December 2, 1921, quoted in Rougemont, *Lazard Frères*, 389-390.
[219] Kindersley to Lazard Frères Paris, December 22, 1921, quoted in Rougemont, *Lazard Frères*, 390.
[220] Clay, *Lord Norman*, 199-201.
[221] Orde, *British Policy and European Reconstruction*, 168.
[222] André Lazard to Lazard Frères New York, January 13, 1922, quoted in Rougemont, *Lazard Frères*, 390.
[223] Brand to André Lazard, January 20, 1922, File 49/2, Brand Papers.

representatives ultimately restricted it to fruitless efforts to restore relations with Russia. The economic representatives present also expressed their support for measures to facilitate currency stabilization throughout Europe, in order to restore the continent's ability to function economically.[224] Before agreeing to attend this gathering, Brand told Kindersley that he thought it unlikely "that the Conference will accomplish much," but that from the firm's point of view, "one might make a good many new connections."[225]

Brand's report to his French partners, however, suggested that he felt there had been some concrete achievements. The sensation of the conference was the surprise announcement that Germany and the Soviet Union had concluded the Treaty of Rapallo, whereby they normalized their diplomatic relations, renounced all war-related financial and territorial claims against each other, and agreed to cooperate on economic issues. This demarche, which many interpreted as a united front by two countries that had effectively become diplomatic pariahs after World War I, alarmed most of the statesmen present at the conference and stymied Lloyd George's effort to reintegrate the Soviet Union into the international system. Brand recounted to his Paris partners his conversations over dinner with a dozen leading Germans, including the Chancellor, Dr. Joseph Wirth, and several leading bankers. The Chancellor spoke to him "freely about the German-Russian Treaty," and made it clear that it was the handiwork of Walter Rathenau, the German foreign minister, rather than himself. According to Brand, "although the Chancellor did not say so, all the other Germans . . . seemed to regard it as a great mistake and an error of judgment." His own belief was that "the Germans, full of the same suspicion and lack of confidence which . . . is the main characteristic of international dealings at present, got in a funk that the Allies' Russian negotiations were practically completed, lost their heads, and precipitately signed the Treaty with the Bolsheviks." Brand himself questioned their judgment in doing so, describing the move as "an astounding step to take at that moment," one that demonstrated "the German inability to appreciate the effects of their actions still remains as complete as ever."

On the financial side, Brand had been one of a Committee of eleven experts that prepared a report on the European economic situation, of which he sent a copy to the Paris firm. It recommended, among other strategies, a meeting of central banks to consider measures to address Europe's problems, something Brand thought "should be fruitful of good." Overall, he thought the committee's work "satisfactorily done, and . . . all that could be done at the moment." In conclusion, he told his partners: "I came away with the conviction that some settlement of the reparation question, willingly accepted both by France and Germany, however difficult it may be, is urgently required." He hoped that a forthcoming meeting of financiers, to

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[224] See File 23, Brand Papers; Steiner, *The Lights That Failed*, 163-166, 210-213; Costigliola, *Awkward Dominion*, 107-110; Clay, *Lord Norman*, 203-204; Cohrs, *The Unfinished Peace*, 72-74; Orde, *British Policy and European Reconstruction*, 183-207; Kent, *The Spoils of War*, 177-179; Sayers, *The Bank of England*, 1:156-160; Eichengreen, *Golden Fetters*, 157-162; Kenneth Mouré, *The Gold Standard Illusion: France, the Bank of France, and the International Gold Standard 1914-1939* (Oxford: Oxford University Press, 2002), 52-56.

[225] Brand to Kindersley, February 3, 1922, File 49/2, Brand Papers.

be attended, among others, by Kindersley, would "conduce to that end."[226] In the event, this did little to break the Franco-German deadlock. In May and June 1922 Kindersley was one of a committee of top-level international bankers, including J. P. Morgan, Jr., who met in Paris in a fruitless effort to resolve the growing reparations imbroglio and consider the possibility of an international loan to Germany. Governor Montagu Norman of the Bank of England prevailed upon Kindersley to accept this assignment, telling the Lazard partner "how difficult it is in London to find any suitable person except himself" and trusting that there would "not [be] any opposition from his French people."[227] France tried but failed to prevent the committee from considering the question of whether German reparations should be cut back. Their report, which the French representatives refused to sign, recommended that the overall reparations bill assessed on Germany be reduced, and that Germany should balance its budget and pursue prudent fiscal policies, as conditions of receiving an international loan.[228]

At least once, the German government also used Kindersley as a conduit to pass on unofficial communications to the British prime minister. In July 1922, a few weeks after this committee met, Kindersley sought an interview with Lloyd George on the subject of reparations. One of his German banking associates from the Mendelssohn firm in Berlin had come to England, to pass on a message from Chancellor Wirth to Kindersley that, unless he could show some real progress on reparations, he feared he would lose his hold on parliament and be forced to call an election, which "would very likely lead to serious disturbance and disorder in many parts of the country an electoral fight would very likely lead to serious disturbance and disorder in many parts of the country." Edward Grigg, Lloyd George's private secretary, reported that Kindersley "gathered that a mere moratorium, even for two or three years, would not be sufficient, and that the only result which would serve Wirth's purpose would be some definite and final settlement of the Reparations question." Kindersley himself seems to have found the slow pace of progress on the subject frustrating. He believed that, if Raymond Poincaré, the French prime minister, visited Britain later that month, as he planned, the British "must have some definite plan ready which we can manage to put through, or else risk so serious a disillusionment in Europe that the financial consequences will be very serious."[229]

Kindersley's suggestions had little impact, and the impasse continued. Publicly, as British negotiations over its debt settlement with the United States approached, Brand spoke out in favor of British cancellation of the debts the French owed Britain, if they in turn were prepared to moderate their demands upon Germany. In a letter to *The Times* published in August 1922, Brand bluntly stated that, until German credit was restored, France would be unable to collect

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226 Brand to Lazard Frères & Cie., April 25, 1922, File 49/2, Brand Papers.

227 Norman to Sir John Bradbury, April 11, 1922, File G3/178/145, Bank of England Archives.

228 Steiner, *The Lights That Failed*, 214-215; Hogan, *Informal Entente*, 48-49; Clay, *Lord Norman*, 204; Orde, *British Policy and European Reconstruction*, 211-212; Maier, *Recasting Bourgeois Europe*, 286-287; Kent, *The Spoils of War*, 182; Leffler, *The Elusive Quest*, 73-76.

229 Edward Grigg to David Lloyd George, July 12, 1922, File F/86/2/6, David Lloyd George Papers, House of Lords Record Office, London.

appreciable reparations payments from Germany. Although inflation in Germany had virtually wiped out that country's internal debt, "Germany can pay nothing for some time," until the currency was stabilized and Germany obtained access to foreign credits. Stating that "a speedy settlement of the whole Reparation problem is vastly more important to this country than the collection over a period of years even of large sums from other Governments," Brand recommended that the British abandon all claims to reparations payments from Germany and the war debts that France and Italy owed them. He argued that, "by a return of international prosperity our industrial and trading profits would in a short period very largely exceed anything that we are ever likely to get out of" war debts or reparations. In return for British financial restraint, the French should be prepared to "rehabilitate German credit and to give stability to the mark," and grant a two- to three-year moratorium on reparation payments, after which it should be possible to set a manageable schedule that Germany could afford to pay.[230] Despite Brand's relative moderation, the issue of reparations remained a constant irritant in the relations between the Paris and London houses. His French partners, who disliked that newspaper's editorial stance on reparations, expressed some misgivings when, in late 1922, Brand was invited to join the board of directors of the London *Times*, even though he assured them repeatedly that his personal views had no impact on the paper's position on any issue. Not until a reparations settlement had been reached in 1924 were they prepared to acquiesce in his taking such a position, though they were aware that, even when not officially on the board, on occasion he gave advice to the editor, his old South African Kindergarten associate Geoffrey Dawson.[231]

In August 1922 Brand had told Kindersley that, "[i]f a moratorium could be arranged for some time, and the obligations on Germany definitely fixed, and Germany could obtain a small loan, . . . it would still be possible to stop the mark falling, and . . . in a very short time Germany would be balancing her budget."[232] The road to such an outcome, however, was far from straightforward. By early September 1922 David Weill, dominant partner in the Paris firm, believed that, given further delays in German payments of reparations, it would be "outright folly" should France refrain from seizing German assets in the Ruhr as "justified collaterals" to guarantee eventual payment of these obligations.[233] During 1922 and 1923, German hyperinflation steadily intensified. Forty years later, Brand recalled how at this time "German bankers whom he knew well would come over to London for a few days saying they must get

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[230] Brand, letter to the editor, *The Times*, August 19, 1922; cf. Brand to Basil P. Blackett, November 23, 1922, File 37/1, Brand Papers.

[231] Brand to John Jacob Astor, November 13, 16, 1922, File 96/i, Brand Papers; Brand to André Lazard, February 19, 1923, October 28, 1925, André Lazard to Brand, February 21, 1923, November 24, 1924, October 27, 1925, File 95i/1, Brand Papers; Brand to Lazard Frères, November 28, 1922, André Lazard to Brand, February 14, 1923, Brand to André Lazard, October 26, 30, 1922, December 2, 1922, February 16, 1923, File 95i/2, Brand Papers; André Lazard to Brand, March 14, 1923, Brand to André Lazard, March 16, 1923, File 37/2, Brand Papers; Brand to Pierre David Weill, March 26, 1924, File 58/1, Brand Papers..

[232] Brand to Kindersley, August 16, 1922, File 49/1, Brand Papers.

[233] David Weill to Lazard Frères New York, September 1, 1922, quoted in Rougemont, *Lazard Frères*, 393.

over for a short time out of the lunatic asylum in which Germany was then living."[234] In 1958, he told a British committee on the workings of the monetary system how, when visiting Germany at that time, he "used to take a rucksack into the bank to get my change; there was a vast number of notes. Prices changed about twice a day."[235] In November 1922 Brand served on a committee of financial experts who met in Berlin, to advise the German government on how best to tackle the spiraling German currency inflation and restore the economy. The French representatives refused to sign the various reports submitted by the committee, which included John Maynard Keynes and Brand's old associate, Gerard Vissering of Hope and Company. The committee recommended a two-year moratorium on reparation payments, together with the fixing of a definite repayment schedule, and fiscal and budgetary discipline on Germany's part. The authors remained non-committal as to the possibility that Germany might be able to obtain an international loan. "All they [the Germans] hope," Brand wrote to his wife Phyllis, "is that we shall lend them money & we shan't. If they can get off Reparations for the time being, they must dare themselves." He also confessed to her: "These currency problems are the very devil. I often feel out of my depth in them as indeed most bankers do."[236] When publishing this report, which all parties involved subsequently ignored, the German government also leaked a private memorandum, written by Brand at the request of the German Finance Minister, in which he stated that private investors in Britain were unlikely to be willing to finance a loan to Germany until there was "certainty as to Germany's future obligations." They were also likely to demand "a complete moratorium for a period in respect of Germany's obligations under the Peace Treaty." Unless, moreover, a reparations settlement was reached, so that there were assurances that there would not be "a complete collapse in the German financial structure at the end of that period, the lenders would require the certainty of repayment before the expiration of the moratorium." While Brand was supposedly acting in a private capacity, his memorandum on the unavailability of foreign loans and credits for Germany unless these conditions were met repeated conclusions reached by Governor Montagu Norman of the Bank of England, in consultation with Kindersley, Keynes, Sir John Bradbury of the British Treasury, and J. P. Morgan, while the German discussions were in progress.[237]

The episode riled Brand's French partners, who saw it as yet another instance of sharp practice that demonstrated why Germany must be treated with great caution, and he corresponded at length with them on the matter, explaining its antecedents in some detail. In a nine-page letter to the Paris firm, Brand also stated how "strongly" he took "the view that for the sake of Central Europe and the sake of France herself the Reparation Commission should immediately come to

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[234] Brand to Lord Hailey, March 1, 1961, File 200, Brand Papers.

[235] Brand, Minutes of Evidence taken before the Committee on the Working of the Monetary System, Forty-Fifth Day, October 16, 1958, File 200, Brand Papers.

[236] Robert Skidelsky, *John Maynard Keynes: The Economist as Savior 1920-1927* (New York: Penguin Books, 1994), 118-120, quotations from Brand's letters to Phyllis Brand from 119; on this meeting, see also Kent, *The Spoils of War*, 193; Clay, *Lord Norman*, 205; Moggridge, *Maynard Keynes*, 380.

[237] Brand, memorandum, early November 1922, File 25, Brand Papers; Clay, *Montagu Norman*, 205.

some settlement which will enable Germany's credit to be restored." He nonetheless confessed himself "very pessimistic . . . because I do not believe the Reparation Commission and the French Government will act in time." He feared that the German currency would fall even further, and that, since "the Rhine [wa]s a flimsy barrier," the "infectious disease" of "currency depreciation will very rapidly" spread to France.[238] Brand also told a German banking associate that "the French Government must either tax the people much more highly or see a fall in the franc." Moreover: "The underlying and most fundamental question of all is of course that of political security for France. I do not see how this is to be got. I do not think France would agree to a one-sided pact with England and if America continues to decline to come in as I feel sure she will, the outlook is not very hopeful."[239] Brand sent a copy of his report to Charles Altschul, warning that he considered "the position in Central Europe as very serious, and currency and economic conditions in Germany . . . quite chaotic."[240] Altschul was rather more sympathetic than the Paris partners, but ascribed much of the responsibility for these problems to the Germans themselves, telling Brand how "particularly" pleased he was "that you emphasized the necessity of Germany helping herself, since he was "convinced that the flight of the Mark was engineered by German 'haute finance'—possibly with the connivance of the government, and no attempt of a serious manner is being made to bring that exported capital into the taxable fold."[241] Altschul warned "that the leading German financiers as well as politicians, do not try nearly hard enough to pull the cart out of the mire."[242]

Returning from this conference, as the German currency continued to depreciate and France moved ever closer to occupying the Ruhr, Brand wrote a paper on the subject of reparations, which he forwarded to Bonar Law, the prime minister, at the latter's request, and also to Miles W. Lampson, head of the Central Department of the British Foreign Office. Brand felt that it was important to assure France of, "Most of all, the great question of political security," something he hoped that American involvement in a "general arrangement about reparations and Inter-Allied Debts" might provide. "General political security" would make less pressing French concerns of assurances to guarantee the payment of reparations. Unless France's heavy budgetary shortfall was met either by "payments from Germany," which could not be anticipated in the near future, or "large international loans," which Brand thought undesirable, the deficits France faced were likely to generate pressures to depreciate the franc. The only solution he thought likely to work would be if "the French investor . . . lend to the German Government

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238 Quotations from Brand to Lazard Frères, November 10, 1922, File 25, Brand Papers; see also Brand to André Lazard, November 16, 1922, André Lazard to Brand, November 14, 1922, File 25, Brand Papers.

239 Brand to Erich Kocherthaler, December 18, 1922, File 37/1, Brand Papers.

240 Brand to Charles Altschul, November 13, 1922, File 45/1, Brand Papers.

241 Charles Altschul to Brand, November 26, 1922, File 45/1, Brand Papers; see also Altschul to Brand, December 24, 1922, File 45/1, Brand Papers.

242 Altschul to Brand, November 10, 1922, File 45/1, Brand Papers.

instead of his own Government." Brand also argued that it was essential that the "total sum" for reparations "be fixed now, and must be within Germany's capacity."[243]

In the enclosed paper, Brand warned that "the situation in Germany [w]as very dangerous." The currency was collapsing, and his hotel bill for a stay of eight or nine days a month earlier had come to less than £1. A moratorium of two to three years on reparations payments would be needed. He had also "come to the conclusion in the last month that, if a policy of sanctions and of threats of force is to accompany a moratorium, it will be almost useless, and that an attempt at stabilization, until a final settlement is arrived at, would be even more risky." Brand endorsed a scheme put forward by Keynes, under which Germany would pay £2000 million in reparations, on a sliding scale, with no interest payments due until 1935, and the total to be paid off no later than 1950. The existing German government was so weak that any offers it made to settle reparations could not be considered credible. For several years, France's population had financed their government's deficit by buying French Treasury bonds, but this situation could not be expected to continue indefinitely, and a flight from the franc must be anticipated in the not too distant future. Brand warned: "The French people have ever since the Armistice been governed by two conflicting impulses, the one to get cash from a strong and prosperous Germany, the other to keep Germany weak, and perhaps to disintegrate her by creating an independent Rhineland and an independent Bavaria." Within "the next 2 or 3 years" the financial "squeeze will come." Fundamentally, he thought "the driving force" of French policy "to be fear," since he could not "believe that a nation so intelligent as the French really suppose in their heart of hearts that the policy of force can bring them Reparations." Yet "the much deeper and the permanent emotion in favour of security remains, and it is naturally an immensely strong temptation to the French . . . to use the Reparation weapon ostensibly for the one purpose but in reality for the other." If France genuinely wished to collect reparations, it needed to abandon its policy of threats and occupation, fix "a definite and reasonable total," and restore German credit, making "Germany strong so that she can pay." This, in turn, would involve trusting Germany to make such payments. Brand was totally opposed to suggestions by France's premier, Raymond Poincaré, that Britain should join with France in occupying the Ruhr. Although he himself "ha[d] always been in favour of generosity to France," and "always urged that we treated her shabbily at Paris," he would not recommend any cancellation of France's war debt to Britain until France abandoned all further attempts at occupation of Germany or the use of force, and fixed a moderate total bill for reparations, a sum that Germany could pay. This would also involve British cancellation of the war debts owed by other European powers. Brand also recommended ending the postwar Allied occupation of the German Rhineland. While his proposals would represent a heavy and perhaps unfair economic burden on Britain, this would be amply defensible as "part of a general settlement bringing peace to Europe." Brand feared, however, that there was no "chance of France accepting such a policy on our part." The only

[243] Brand to Bonar Law, December 18, 1922, File 37/2, Brand Papers; see also Brand to M. W. Lampson, December 29, 1922, File 37/2, Brand Papers, and Lampson to Brand, December 31, 1922, File 37/1, Brand Papers.

other means of persuading France that he could discern was by "enlist[ing] the help of America." He suggested that, if French and British policy on German reparations proved irreconcilable over the following weeks, the British government might invite the American government to "take part in a Conference to deal both with Reparation and Inter-Allied debts so as to see whether some solution was still possible." At a time when negotiations over the British debt settlement were still pending, he suggested that Britain should deliberately exclude the topic of its own obligations to the United States from the agenda of any such meeting, and "make this last sacrifice for European civilisation." Gloomily, however, Brand concluded:

> The advantages of American co-operation, both in making France reasonable, and in deepening the obligation which Germany would feel, are exceedingly great. But I have no illusions as to the real chances of our securing it. If we cannot, and if France will not change her policy, I see no option to letting her go and collect her money in her own way, first in the Ruhr and perhaps if she does not find it there, even in Berlin.[244]

Brand declined to publish this paper, citing the "susceptibilities" of his Paris partners.[245] Predictably, Brand deplored the occupation of the Ruhr France began in January 1923, in an effort to extract at least some reparations from Germany. He warned his French partners the English believed "that economically it cannot conceivably be successful from the French point of view, while from the point of view of the other Allies it makes any chance of reparation far more unlikely, and . . . politically it may lead to the very gravest troubles throughout Europe."[246] Telling Christian Lazard in January 1923 that "[t]he situation looks very bad," Brand thought "nothing can be done until the French public are satisfied the Ruhr adventure was a wrong step to take." He hoped, though, that eventually France and Germany would accept a settlement "within the bounds of possibility."[247] Brand also continued to express apprehensions about the impact of French policies on the franc's exchange rate. In February 1923 he told his French partners that Lazard Brothers considered the franc undervalued at its then level of 77 to the pound. What did seem alarming, however, were suggestions that in 1923 the French government expected to run a substantial budget deficit, totaling perhaps 24 milliard francs, a shortfall it would have to raise by borrowing from French investors, given the reluctance of foreign investors to lend to France in these circumstances. Should French investors lose financial "confidence" in their own country's stability, if, for example, "political developments in Europe were to shake [their] faith in the possibility of a satisfactory outcome," the only ways the

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244 Brand, paper on The Reparation Problem, December 1922, File 37/1, Brand Papers; Silverman, *Reconstructing Europe after the Great War*, 194.

245 Brand to Keynes, December 21, 1922, File 37/1, Brand Papers.

246 Brand to Lazard Frères, January 16, 1923, File 50/1, Brand Papers.

247 Brand to Christian Lazard, January 24, 1923, File 50/1, Brand Papers.

government could deal with increases in French internal debt would be either to raise taxation or further depreciation of the franc.[248]

In March 1923, Brand wrote to André Lazard that, while he believed in principle in "sticking to the Treaty of Versailles, and trying to base Europe upon it, . . . [t]he trouble is that the reparations part of it was never workable, and had to be amended."[249] In June 1923 Brand informed his French partners that he had received an invitation to address a French society on Reparations, telling them that he was "a sincere friend of France" and "ha[d] always been in favour of the most generous treatment by this country of France. On the other hand, I cannot say that I agree with the policy of the present French Government."[250] In response, André Lazard replied vetoing the invitation, since: "Unfortunately, we differ so completely from you on the way to treat Germany, and until now the policy of patience followed until we went into the Ruhr has had such bad results and is so contrary to general feeling in France, without even speaking of your views in particular, that we believe it highly desirable that the views that you hold and which are moreover held by a great number of English people, should not be publicly expressed here by a member of our firm." He and the other French partners feared that, if Brand did so, his views would erroneously be taken as representing theirs. Lazard also argued that France's former allies had not accorded it the strong support against Germany the country might have been entitled to expect.[251] Given his partners' sensibilities, Brand therefore declined the invitation. He did, however, tell Lazard of his hopes that "the British and French Governments will find some means of acting together now in such a manner as to bring back peace to Europe."[252] Yet a few weeks, later, in August 1923, Brand warned Geoffrey Dawson, editor of *The Times*, he could see no "chance of the Reparations question being settled."[253]

Writing to an eminent French journalist, Brand placed most of the blame for the impasse on the Allies, whose policies had destroyed Germany's credit and made it impossible for the country to pay reparations.[254] Behind the scenes, Brand privately advised South African premier Jan Christiaan Smuts, in London to attend the Imperial Conference, on a speech he intended to give on reparations. Brand told one of Smuts' aides how essential he considered it that, when making this address, Smuts should make it "clear that the French point of view and the French case are fairly understood and recognized." Smuts should, he thought, distinguish between the French people and their government. In addition:

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248 Brand to Lazard Frères, February 14, 1923, File 50/1, Brand Papers.
249 Brand to André Lazard, March 6, 1923, File 37/2, Brand Papers.
250 Brand to Lazard Frères, June 18, 1923, File 50/1, Brand Papers.
251 André Lazard to Brand, June 19, 1923, File 37/2, Brand Papers.
252 Brand to André Lazard, June 20, 1923, File 37/2, Brand Papers.
253 Brand to Geoffrey Dawson, August 18, 1923, File 95i/1, Brand Papers.
254 Brand to Sir Valentine Chirol, August 18, 1923, file 67/1, Brand Papers.

> One ought to recognise, too, that the whole French agreement to the Treaty of Versailles was secured by the Treaty of Guarantee with England and America; that the French were let down badly here, and felt themselves left alone in the world. They have therefore been misled by their leaders into a policy of force. I think one ought to appeal to them as to whether they really believe that their security is to be obtained by the sword, and whether they really can in the end bear the burden of dominating the whole of Europe. Do they really suppose that after the last war they will, if they pursue a policy consonant with the liberal ideals of England and America, be deserted by those two great powers? Do they really believe that they are less likely to be supported in the future by England than they were in 1914? Is not their future security to be found in aligning themselves with the great liberal powers of the world, instead of going back to 18th century ideals and militarism?[255]

The same day, he complained to James G. McDonald, head of the Foreign Policy Association, a New York-based organization, that "British foreign policy . . . has been liberal and constructive in intention. Our desire is that the nations of Europe should live in peace and amity in the future, and we think they could do that if they were wisely led. If America were prepared to support British policy everything could be done, but I know there is no possibility of that at present."[256] "Can any sane man," Brand asked a British friend, "say that the Germans are in a position at the moment to do what Poincaré demands, and can we contemplate with equanimity the chaos into which he is pushing us all?"[257]

Brand's pessimism was misplaced. In November 1923 Raymond Poincaré, France's hard-line prime minister, finally yielded to American pressure to submit the reparations issue to consideration by outside authorities. In April 1924, an international conference of experts—former government officials, bankers, and businessmen—chaired by the American Charles G. Dawes, a Chicago financier, held at Paris reached agreement on a reparations settlement that reduced the total amount payable by Germany and set a definite schedule of payments, provided that Germany had the foreign exchange available to cover them. A coalition of international bankers, led by the Morgan firm and including the Lazard houses, then floated a loan that underpinned the stabilization of the German mark. Sir Robert Kindersley, head of Lazard Brothers in London, was one of the British representatives at the Dawes conference.[258]

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255 Brand to E. F. C. Lane, October 22, 1923, File 67/2, Brand Papers; see also Brand to Lane, October 15, 1923, enclosing Brand, covering memorandum and draft statement, October 15, 1923; Brand, "Reparation Problem," n.d.; and Brand, draft of speech for Smuts, n.d., File 67/2, Brand Papers.

256 Brand to James G. McDonald, October 22, 1923, File 67/2, Brand Papers.

257 Brand to Sir Henry Birchenough, October 29, 1923, File 67/1, Brand Papers.

258 Sayers, *The Bank of England*, 1:178-183; Kent, *The Spoils of War*, 245-261; Orde, *British Policy and European Reconstruction*, 245-265; Leffler, *The Elusive Quest*, 90-112; Hogan, *Informal Entente*, 66-71; Steiner, *The Lights That Failed*, 240-250; Cohrs, *The Unfinished Peace after World War I*, chs. 8-10; Schuker, *The End of French Predominance in Europe*, chs. 4-8; Costigliola, *Awkward Dominion*, 116-127; Ahamed, *Lords of Finance*, 193-216; Clay, *Lord Norman*, 209-217.

At this point, the complicated international situation, and its financial ramifications, gave Frank Altschul, and even his father Charles, the opportunity to align themselves with their French partners. As the French currency came under speculative attack in early 1924, with the Dawes conference in progress, Frank Altschul took the lead in advising his partners on how to reverse the dizzying fall in the franc and bolster France's financial standing. This episode was not merely his major contribution to the international financial diplomacy of the 1920s. By the end of 1925, Altschul had become the dominant force in Lazard Frères, New York. In all probability, his involvement in this operation, which boosted the position of the members of the Paris Lazard house with their own government and the Banque de France, was highly significant in facilitating Altschul's rise to the top in his own bank.

Until that time, Charles Altschul had been more vocal than his son on both French and German international policies, as well as the failure of the United States to be more actively engaged in European affairs. Altschul's early support for Harding quickly evaporated, as he expressed great disillusionment with the handling of American international affairs in both the political and the economic sphere. As recession took hold in the United States, he told Brand in June 1921: "I very much fear that our country will have to go through the bitter experience of economic disaster before it is realized that we cannot any longer draw a line of demarcation between economic and political isolation; the world has gone much too far along another path."[259] By September 1921, however, Altschul felt that the American "tendency away from European participations" was becoming ever "more pronounced."[260] In late 1921, he stated: "The position of America towards Europe is as you know not what I should advocate if I were a person in power," though he did concede that "the squabbles which break out between the different European nations every now and then . . . give ammunition to those who insist that we should keep aloof from everything European." Moreover: "One must always remember that Europe is a sealed book to most Americans; I don't suppose that of the 100 millions a half percent really know anything about the details of European politics, and still less know anything from their own observation."[261]

In December 1921 Altschul welcomed the Washington Conference, but this event offered only a temporary respite from his litany of complaints. As 1922 began, Altschul bemoaned that "public affairs, no matter where, are sickening at present. I feel, at times at least, very much discouraged, and fear that all the suffering of the past ten years and all the sacrifices have been in vain."[262] Altschul placed "much of the blame" for the near-impasse in European affairs upon his own country. "Nobody," he stated, "can regret more than I do the growing sentiment in this

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[259] Altschul to Brand, June 1, 1921, File 43, Brand Papers.

[260] Altschul to Paul Hammerschlag, September 7, 1921, File Paul Hammerschlag 1921, Charles Altschul Files, Altschul Papers.

[261] Charles Altschul to Paul Hammerschlag, November 20, 1921, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

[262] Altschul to Hammerschlag, January 6, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

country against helping the disentanglement of European troubles; I consider the attitude distinctly unfair." He "continue[d] to believe that the force of circumstances and of economic forces will sooner or later force a readjustment, and that the line of duty and of enlightened self-interest will once more throw us into the arms of our war affiliations." Only "a real optimist," however, could believe this would be "apt to come before real damage is visible to all."[263] Altschul admitted that he was "much depressed . . . by the lack of moral and forceful leadership" on the part of American politicians, without which there could be "no recognition of the moral responsibility to share in the correction of existing evils in Europe." He feared the American people would not "realize the actualities until much suffering and unemployment have at last convinced them of the futility to play all by themselves."[264] His dissatisfaction intensified steadily. Later that year, he complained that the "gulf [between Europe and America] which some of us have been endeavoring to bridge, seems a yawning abyss." Growing economic recovery in the United States brought no consolation to him, since he did "not belong to those who believe that the U.S. can be prosperous while Europe is distressed." He believed that, although the "apparent improvement" might "last a while . . . the reaction will only be the more marked: the world is too closely interlaced to make a permanent improvement in one country conceivable, until Europe is put on her feet." With interest rates falling, Altschul warned: "Easy money will drive up investment securities, but the day of reckoning will not be so very far off if America continues her inflation." Nor did he consider private investment sufficient. Even though there was "quite a lot of American money going into European investments," he told Brand, "what is needed . . . is official and complete cooperation."[265]

By late 1922, such "cooperation" had still to materialize. Charles Altschul welcomed Republican losses in the 1922 mid-term American elections as "a rebuke to the party due to too much tariff, too much temperance, and too much aloofness."[266] At the end of 1922, he confessed that he felt "utter disgust with public affairs," only "relieved by the impression that President Harding will be pushed into activity with regard to Europe . . . by the force of public opinion."[267] A few weeks after this, when no such event had occurred, Charles rather despairingly claimed to his Austrian cousin, Paul Hammerschlag: "The people all over the country are merely waiting for a definite leadership in the direction of taking an active part in the rehabilitation of Europe, but for some reason or other, our President has neither the courage to lead – nor apparently the understanding of the feeling throughout the country." He claimed that, "[i]f a presidential

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263 Altschul to Hammerschlag, January 24, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

264 Altschul to Brand, February 6, 1922, File 44, Brand Papers.

265 Altschul to Brand, May16, 1922, File 44, Brand Papers.

266 Altschul to Brand, November 10, 1922, File 45/1, Brand Papers.

267 Altschul to Hammerschlag, December 29, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

election were held today, . . . the Democratic party would be back in power."[268] He complained, however, that "[a] real palsy seems to have fallen on our Administration," and deplored "our continued and exasperating unwillingness to cooperate [in Europe]; a situation which is resented by a very large part of our own population and which nobody seems to be able to account for."[269]

The specific European issues on which Altschul would have welcomed more extensive American involvement included not just the escalating impasse between Germany and France over the payment of reparations, but also proposals to encourage the recovery of Austria, where he had significant family roots. While Charles Altschul had little sympathy for Germany, he believed that the peace settlement meted out to Austria had been unduly harsh, telling his cousin Paul Hammerschlag that Austria had been "much more severely dealt with" than Germany, with the country "cut to pieces, and not in an intelligent manner either . . . in consequence of a phantastic [sic] theory of self-determination, and to that many people in this country do not subscribe." Altschul particularly regretted the treatment of Austria, not just because he had warm ties with his Hammerschlag cousins of Vienna, but also because he believed that Germany, not the Austro-Hungarian empire, bore the primary responsibility for beginning the First World War.[270] The Altschuls found "very distressing" the reports of acute economic distress and hardship in Vienna, and in late 1919 sent a "shipment of merchandise" to their relatives in that city. Americans, Altschul told his cousin, felt "very little resentment against Austria, but on the other hand a distinct appreciation of the fact that German-Austrian politicians have played a cleaner role throughout than the Germans, and that the people at large accept the inevitable with much better grace."[271] As reports of starvation and distress in Austria mounted in late 1919 and early 1920, the British Lazard firm also contributed £100 to a Vienna Emergency Relief Fund set up in London to send food, soap, and medical supplies to that country.[272]

Paul Hammerschlag, Altschul's cousin, was one of the leading directors of the Credit Anstalt Bank of Vienna, with particular responsibility for its foreign dealings. As early as 1919, he was looking to rebuild Austria's banking and business position. In a secret 1919 report to the British delegate on the Reparation Commission, Hammerschlag suggested that Austrian banks would be able to re-establish their economic ties with the other successor states. He was also very active in seeking foreign capital for Austrian banks, including his own, and in 1920 persuaded a group of American and German banking interests, including the American Kuhn, Loeb & Co., the Guaranty Trust Company of New York, the Hamburg banker Max Warburg, to buy a stake in

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268 Charles Altschul to Paul Hammerschlag, February 3, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

269 Charles Altschul to Paul Hammerschlag, January 30, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

270 Altschul to Hammerschlag, September 9, 1920, January 10, 1921, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

271 Altschul to Hammerschlag, January 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

272 "Vienna Relief Fund," *The Times*, January 13, 1920.

Credit Anstalt. The following year the Dutch banks Hope & Company and the Neederlandsche Handel-Maatschappij also invested in Credit Anstalt, even though its business in the successor states was actually shrinking. Credit Anstalt also made a modest investment in the International Acceptance Bank, established by its German and American stockholders in 1921 to finance raw materials purchases for European reconstruction. Credit Anstalt had important links with major German firms, including the Krupp manufacturing interests and other iron and steel companies, and the growing electrical industry. It also provided finance for the Central European oil industry, in which it had significant holdings, and for Austria's foreign trade.[273] In pursuit of foreign capital, Hammerschlag traveled extensively in Europe, visiting Paris for the first time in early 1920, after which Altschul encouraged him to call on both the French and London Lazard partners, telling him that he would find a "friendly reception." Hammerschlag was at first hesitant, but by the end of 1921 was apparently calling from time to time at the London and Paris houses, and wished to know whether they had "any interest in Austrian industrial undertakings."[274]

The first major international reconstruction venture for Europe was a loan to Austria floated in May 1923 by the League of Nations, in collaboration with American and European bankers, to stabilize the Austrian currency and promote the country's economic recovery.[275] Charles Altschul clearly found this development gratifying; his only regret was that it did not happen earlier. By early 1922, he hoped "that above all German Austria will be assisted in a more liberal and more self-respecting way than so far has been the case," since the peace treaty had left Austria "cut up and economically destroyed," and it therefore had "a just claim against all who participated in the operation."[276] Well before the League loan was negotiated, he welcomed indications that the component "subdivisions" of the former Austro-Hungarian empire were starting to negotiate "new trade and financial treaties with German Austria," that Austria was beginning to receive English and Czech credits, and that the United States was prepared to postpone some Austrian payments due to it, and followed attentively reports that conditions were improving.[277] As Austria's economy began to recover, Charles Altschul bought 10,000 shares in the Credit Anstalt of Vienna.[278] In summer 1922 he visited Europe with his family and, though

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273 Eduard März, *Austrian Banking & Financial Policy: Creditanstalt at a Turning Point, 1913-1923*, trans. Charles Kessler (London: Weidenfeld & Nicolson, 1984), 352-362, 449-455, 544-551.

274 Charles Altschul to Hammerschlag, January 22, 1920, Hammerschlag to Altschul, March 26, 1920, file Paul Hammerschlag 1920, Charles Altschul Files, Altschul Papers; Altschul to Hammerschlag, November 20, 1921, File Paul Hammerschlag 1921, Charles Altschul Files, Altschul Papers.

275 For details, see März, *Austrian Banking & Financial Policy*, 478-505; Hogan, *Informal Entente*, 60-66; Steiner, *The Lights That Failed*, 279-282; Orde, *British Policy and European Reconstruction*, 123-144; Sayers, *The Bank of England*, 1:163-171; Clay, *Lord Norman*, 159-173.

276 Altschul to Hammerschlag, January 6, 24, April 17, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

277 Altschul to Hammerschlag, February 15, October 13, 1922, File Paul Hammerschlag, 1920-1922, Altschul to Hammerschlag, February 3, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

278 Altschul to Hammerschlag, June 30, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

he did not personally venture into Austria or Germany, his daughter and son-in-law, Edith and Herbert Lehman, met with the Hammerschlags.[279]

Charles Altschul was deeply frustrated by the delays in implementing an Austrian recovery scheme, as the attention of the Western powers was focused upon the final weeks of the 1919-1922 Greco-Turkish war, in which they had supported Greece but Turkey finally emerged victorious. In October 1922, Altschul thought "[t[he near Eastern situation with its ultimate real defeat of the great Christian nations and the revival of the Turk, seems deplorable." Yet he found few excuses for Turkey's opponents, adding: "The more I read and think about it, the more the Turk appears to me the more reliable and sinned against; the Christians who surround him seem by far the less to be trusted."[280] A month later, his stance had hardened, as he complained: "European and American politics are enough to drive a person to drink." In his view: "The spectacle of the good Christian nations allowing the Turk to 'come back,' while sticking in the mud with all schemes for the improvement of German and Austrian affairs, is enough to make the devils shriek with laughter."[281] With the Austrian loan finally floated, and the currency on course for stabilization, in May 1923 he exulted to the banker Paul Hammerschlag: "At all events, it is not in doubt that Austrian marks are improving; and while it is going to be hard and exacting work all the time, at least those who – like you – have devoted their energy and faith towards this goal, will have the satisfaction to see their efforts bear fruit." Hammerschlag's dedicated efforts to restore the Austrian economy had apparently won the admiration of Altschul's Lazard associates in Paris, and he congratulated his cousin on "the impression of good faith created in the minds of those with whom you have worked."[282] Lazard Brothers in London also extended credit facilities to the Credit Anstalt, though the Viennese bank took some pride in not needing to avail itself of these.[283] In August 1923, the Credit Anstalt also invited Sir Robert Kindersley to become a director, though because he did not speak German he hesitated to accept.[284] The two firms did, however, undertake additional business transactions with each other.[285] In 1923 Lazard Brothers extended £150,000 in credit facilities to the Credit Anstalt Bank of Vienna, and an additional £100,000 to the Arthur Krupp Manufacturing Company,

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279 See correspondence between Altschul and Hammerschlag, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

280 Altschul to Hammerschlag, October 13, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

281 Altschul to Hammerschlag, November 15, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

282 Altschul to Hammerschlag, May 26, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

283 Altschul to Hammerschlag, September 9, 1924, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

284 Altschul to Hammerschlag, August 8, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

285 Charles Altschul to Hammerschlag, September 30, November 11, 1924, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

under a Credit Anstalt guarantee. These facilities were increased a year later.[286] By early 1924, Charles Altschul felt that "the reports from [Austria] are so much better than anyone could have expected a year ago that one may be truly thankful."[287]

His feelings about Germany, as a settlement of the reparations issue began to seem probable, were far less straightforward. After the war Charles Altschul followed a bifurcated policy toward France, on the one hand showing considerable sympathy for the often difficult dilemmas France confronted, but simultaneously warning his French associates in Lazard Frères when aspects of their country's policies were unacceptable to the United States. His feelings toward France were never as warm as his sentiments for England. Immediately after the war, Altschul had suggested that "the French, in the settlement of their post-war obligations, do not in any way work along the high plane adopted by the English."[288] He nonetheless defended the peace treaty as far from overly harsh on Germany, telling a cousin with the Credit Anstalt Bank in Vienna: "[A]s long as I live, I am sure to carry the resentment against Germany in my breast."[289] Charles Altschul was by no means entirely in agreement with Keynes' highly publicized condemnation of the Paris peace settlement, describing his book as "a masterful but very prejudiced presentation of the subject matter." Charles told his Austrian cousin that he "object[ed] to [Keynes'] partisan view of France, to his utter abstaining from criticizing the outrageous conduct of Germany, and to his overemphasis of the sacredness of the fourteen points. In the economic chapters he wastes a lot of time on matters which everyone knew would in time be changed."[290] His father's reservations about Keynes' book did not, however, deter Frank Altschul from seeking to make the British economist's acquaintance when he visited Cambridge in England in December 1920. Brand sent Keynes a letter introducing the younger Altschul, describing his New York partner as someone "much interested in general financial and economic matters" who was "very anxious to meet you."[291]

Referring to the abortive treaty guaranteeing French security against outside attack that was signed by Britain and the United States at the Paris peace conference but never ratified by those governments, Charles Altschul himself sympathized with the "disappointment . . . of France who thought an Anglo-American guarantee would be forthcoming to assure her against German aggression in future." He believed "it would have been far better to have given that guarantee than to let matters drift as they have done." As right-wing nationalism began to gain strength in

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286 Brand to Paul Hammerschlag, July 30, August 14, 1924, File 77/1, Brand Papers.

287 Altschul to Hammerschlag, January 6, 1924, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers; cf. Altschul to Hammerschlag, January 29, 1924, ibid.

288 Altschul to Brand, December 28, 1918, File 17/1, Brand Papers.

289 Altschul to Hammerschlag, January 10, 1921, File Paul Hammerschlag 1920-1922, Charles Altschul Papers; also Altschul to Hammerschlag, no date, File Paul Hammerschlag, 1920-1922, Charles Altschul Papers.

290 Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

291 Brand to Keynes, December 1, 1920, File 49/1, Brand Papers.

Germany, Altschul was also concerned that the new republic was making no efforts to prevent this by reining in "the outrageous gang which brought them to disaster and which is today expressing the most treasonable ideas without any rebuke" from the German government.[292] The hopes for eventual German reintegration into the international system that Altschul had expressed during the First World War had been conditional upon German repentance and acceptance of broadly liberal ideals and principles. Altschul discerned little sign of either under the Weimar republic, whose leaders he feared were too weak to stand up to nationalist and right-wing domestic political forces. It would, he felt, "be the worst ending of the war if the Hohenzollern or any of the old Gang should return to power, after having resisted all punishment supposed to have been inflicted by the Treaty of Versailles and having made money out of their country's misfortune, while the middle classes have been destroyed and all liberal elements sacrificed on the altar of capitalistic greed."[293] In the early 1920s, he declined to visit Germany himself, for fear of being attacked or harassed in retaliation for his anti-German wartime stance.[294] Even in 1924, Charles Altschul felt that "under prevailing circumstances I should not take a chance on passing through Germany, particularly not through Munich with all its pan-Germans and Nationalists."[295]

When Charles Altschul scrutinized political developments in Germany during the early 1920s, he was disturbed not just by the signs of support for right-wing nationalist politicians, but also by the efforts of revisionist writers and historians, in Germany and in other countries, to disavow any responsibility for the outbreak of war in 1914, and place the blame for the conflict largely upon other countries. Altschul was adamantly opposed to this historical reinterpretation, effectively a rejection of German war guilt, since he feared this would be used to justify German demands for the revision of the peace terms imposed by the Treaty of Versailles. Charles repeatedly emphasized his belief that by far the greatest responsibility for starting the war rested with Germany, whose leaders had deliberately embarked on a course they knew would lead to hostilities.[296] Charles Altschul showed the same real appreciation of the importance of public opinion he had manifested during the war. In an effort to rebut the revisionist case, Charles

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[292] Altschul to Paul Hammerschlag, November 20, 1921, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

[293] Altschul to Simonds, November 17, 1923, File Frank Simonds, Charles Altschul Files, Altschul Papers.

[294] Altschul to Hammerschlag, September 21, 1921, File Paul Hammerschlag 1921, Charles Altschul Files, Altschul Papers.

[295] Altschul to Hammerschlag, March 31, 1924, File Paul Hammerschlag 1924, Charles Altschul Files, Altschul Papers.

[296] Altschul to Hammerschlag, April 22, 1920, September 9, 1920, January 24, 1922, no date [1922], File Paul Hammerschlag 1923-1924, Altschul to Hammerschlag, September 8, 1924, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers; Altschul to Paul Hammerschlag, February 16, 1927, File Paul Hammerschlag 1926-1927, Charles Altschul Files, Altschul Papers; Altschul to Frank Simonds, no date, File 1 General Correspondence A-D, Charles Altschul Files, Altschul Papers; Altschul to Raymond Turner, January 23, 27, February 11, March 27, 1927, File O-Z General Correspondence, Charles Altschul Files, Altschul Papers; Altschul to James T. Shotwell, February 24, 1926, File James T. Shotwell, Charles Altschul Files, Altschul Papers; Altschul to Lazard Freres & Cie., October 7, 1924, File Lazard, Charles Altschul Files, Altschul Papers.

conducted extensive research in available primary sources, tracking down materials through the office of the *Times* newspaper in London, of which Brand was a director, as well as his cousin in Vienna.[297] He was particularly concerned to "tone down [the] preconceived notions and pro-German bias" of Prof. Sidney B. Fay of Smith College, Massachusetts, who published an influential historical work in 1928 arguing that the primary responsibility for the outbreak of war in 1914 rested upon the European system of alliances, rather than on any one belligerent. In early 1927, Altschul both corresponded and met with Fay, though he did not succeed in changing the views Fay presented in his book when it appeared.[298] He also discussed his own views and those of Fay at some length with a sympathetic classmate of his son, Prof. Charles Seymour, a diplomatic historian at Yale University who himself edited for publication the papers of Colonel Edward M. House, President Woodrow Wilson's close adviser, and later became president of Yale.[299] Seeking to affect the public debate, with the encouragement of Prof. James T. Shotwell, in June 1926 Charles Altschul published an article in the journal *Current History* on "The War Guilt Controversy," a piece that sought to place the responsibility for the actual outbreak of the war firmly on the shoulders of German military and civilian leaders.[300] "Its real, though not expressed object is," he told Brand, "to criticize the loose manner in which even prominent professors of history in the U.S. as well as general writers with us and in Germany discuss the question of War Guilt. Practically every paragraph is directed against certain commentators and will be recognized by them and their pupils. There has again developed a widespread tendency in the U.S.to whitewash Germany."[301]

Charles Altschul's distaste for German postwar policies, very much a continuation of his prewar and wartime perspectives, reinforced his opposition to revisionist historical interpretation. In 1921 he told André Lazard of his firm's Paris office that he perceived no "signs of [German] repentance or contrition," merely regret "that they lost the war." Altschul had "no doubt . . . that if they today had a chance to reach the goal which their leaders had in mind in 1914, they would jump at the chance." Meanwhile, in his view, "Pan-Germanism" still reigned in Germany, and Altschul believed that a "change of sentiment . . . . cannot be expected until Germany had travelled through the Valley of Sorrow a good deal further." Yet he felt that France's demands on Germany at Versailles over the Rhineland, the Saar basin, and reparations had been

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297 Altschul to Hammerschlag, November 9, 29, December 28, 1926, February 16, 1927, File Paul Hammerschlag 1926-1927, Charles Altschul Files, Altschul Papers; correspondence between Brand and Altschul, Files 95i/1 and 72/1, Brand Papers.

298 Correspondence between Charles Altschul and Sidney B. Fay, 1927, File General Correspondence F-K, Charles Altschul Files, Altschul Papers; Altschul to James T. Shotwell, February 10, 25, 1927, File James T. Shotwell, Charles Altschul Files, Altschul Papers.

299 Charles Seymour to Frank Altschul, December 22, 1925, January 12, 1926, Seymour to Charles Altschul, January 13, February 18, 1926, Charles Altschul to Seymour, January 6, 14, February 22, 1926, Seymour to Shotwell, March 11, 1926, File Charles Seymour, Charles Altschul Files, Altschul Papers.

300 Altschul, "The War Guilt Controversy," June 1926, in Altschul, *Occasional Papers*, 109-127; Shotwell to Altschul, March 20, 1926, File James T. Shotwell, Charles Altschul Files, Altschul Papers.

301 Charles Altschul to Brand, May 29, 1926, File 72/1, Brand Papers.

"exaggerated," and that French figures on the latter issue were "nothing but a dream, and it might have served the purpose better if the claims had never been made."[302] André Lazard strongly disagreed with him, claiming that France needed reparations in order to restore the areas devastated by war. A visit to the German cities of French-occupied Mainz, Frankfurt, and Berlin in late 1920, left Lazard convinced that German factories were undamaged and working, and that provided Germany received the wheat, copper, and other raw materials it required from Britain or the United States, the country would be able to make the necessary payments to France.[303] Lazard failed to change his former partner's views. As early as spring 1920, Charles Altschul thought the peace treaty with Germany "economically likewise subject to serious review," and expected it to be "revised in that respect."[304] By late 1921, he believed that the "muddle in international exchange" would sooner or later "force that economic readjustment which will compel the cancellation of international financial obligations, whether reparation, or inter-Allied war debts, or any other form."[305] In early 1922 he warned another Lazard family member that France's insistence on breaking with the Anglo-American stance on submarines at the ongoing Washington Disarmament Conference ran the risk of alienating those countries on other and more vital questions, particularly that of war debts, on which France had yet to reach accommodation with the United States.[306]

Charles Altschul was, however, far from unsympathetic to the dilemmas facing France. He did, have an acute appreciation of the difficulties of France's position, not far removed from that of Brand in England. "[T]he French of all the Allies," he wrote in mid-1920, "are in the worst position on account of the fear that a regenerated Germany—and that unfortunately covers Austria—will again make their lives miserable; the others have the sea between them, and the navy of Germany non-existent. One must therefore not expect the French to act with the same liberality which may be shown by English or Americans."[307] By mid-1921, as disputes over reparations escalated, Altschul was particularly alarmed by the degree to which international tensions aligned France against both Britain and the United States. Recalling that one American delegate to the peace conference had later informed him that the British representatives there "had been far abler and far better prepared than any other, and that your country derived much advantage therefrom," he urged Brand that the British should show greater sympathy for France's position, and its desperate need for security.

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302 Altschul to André Lazard, September 30, 1920, File Lazard, Charles Altschul Papers.

303 André Lazard to Charles Altschul, September 15, December 10, 1920, Lazard to Lazard Frères New York, November 29, 1920, File Lazard, Charles Altschul Files, Altschul Papers.

304 Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

305 Altschul to Hammerschlag, November 29, 1921, File Paul Hammerschlag, 1920-1922, Charles Altschul Files, Altschul Papers.

306 Altschul to Max Lazard, January 4, 1922, File Lazard, Charles Altschul Papers.

307 Altschul to Paul Hammerschlag, June 15, 1920, File Paul Hammerschlag 1920, Charles Altschul Files, Altschul Papers.

> [N]o Anglo-American understanding, or improved understanding, will be possible if it is attempted to be built upon any lack of sympathy with the French point of view of the present day. I think I may safely say that if America harbors any sentiment for Europe – I mean the American public, generally speaking – it is the protection of France rather than the upholding of England. No matter how much some of us might like to feel otherwise, there is no use fooling oneself. I, personally, agree entirely with the present French contributions though my sympathy is entirely English. The war will have been fought in vain unless a repetition of German aggression is made impossible, and it can only be prevented by protecting the Eastern French frontier. We jointly expected to give the requisite guaranty, by the Am. Senate refused. It is for England and the U.S. to find some other way to make the French people feel safe, and if in doubt we must not stand in their way to accomplish it after their own fashion, even if it should interfere with our trade. Just as much as Alsace-Lorraine was a stumbling block during the past forty years, so will be the feeling of uncertainty and fear on the part of France, if it be permitted to continue.[308]

Altschul's fullest statement of his position came in a letter to his Austrian cousin, Paul Hammerschlag, in January 1922, in which he stated that France's "policy is controlled by the fear of another attack,--not now, but at a time when Germany may have recuperated and when their sixty millions [of population] will have risen, while the forty millions of the French are likely to have remained rather stationary." The French were, in his opinion, well aware that both Britain and the United States went to war "not to save France" but to protect their own interests. France had only agreed to various concessions toward Germany in the Versailles treaty in return for "assurances that [US President Woodrow] Wilson and [British premier David] Lloyd George would secure from their parliaments a guaranty for France against future German aggression." The failure of those countries to ratify this treaty had aroused fears in France that Britain would not come to her assistance if she were attacked by Germany. Then, when the United States called the Washington disarmament conference, the United States "government announced an unheard of program for disarmament, and without a moment's hesitation, the English sided with" the Americans. "It was enough to take the breath away from the French. . . . English and Americans think very much alike in spite of all their quarrels; but it must have made a very threatening impression on the French who now found themselves confronted by an apparent Anglo-American block which had failed to carry through the guaranty treaty of the Versailles discussions." He continued by analyzing the differences between the British and French positions:

> Ever since the Peace it has become more and more apparent that the English and the French point of view are totally different—not as to German guilt or to the desirability of <u>punishing</u> her for what she had done, but as to the possibility of doing so without injuring

[308] Altschul to Brand, June 1, 1921, File 43, Brand Papers.

> oneself. England depends upon the world's commerce and upon outside supplies to nourish her people; France can get along much better without assistance of that sort and sells manufactured goods which do not compete so directly with German or English products: more specialized industry. England wants to restore trade to improve her 'devastated districts' as they call the vast army of unemployed; France wants to get out of Germany whatever she can for the real restoration of her devastated districts, and for her ultimate public security. The two theories do not work alongside of each other, and the attitude of England seems to Germany much more sympathetic, as of course it quite unintentionally is. The United States are also anxious to secure work for a great army of unemployed and are therefore also very anxious to see trade restored; their attitude towards Germany therefore seems also more friendly than that of France. The upshot of all this is that France is charged quite unjustly with responsibility for everything that goes hard with the Germans, and they entirely overlook what they have themselves done to create all the opposition and fear.

In addition, the French doubted Germany's willingness to pay reparations at all, and the ability of the German government to enforce any reparations agreement. Altschul found it impossible not to "sympathize with" the French viewpoint, even though: "That in no way is intended to say that I agree with their policy! I do not." He believed that France should have made a greater effort to accept the Anglo-American position at the recent Washington conference, since "England will always stand by France to protect the Belgian channel ports from being seized by Germany, unless changes come over the European map which we cannot foresee now. Yet he could not "blame the French from [sic] seeing it differently." Altschul's only real hope was "that after a while, the English will comply with the French request for a real guaranty, the misunderstandings between the two countries will be adjusted, and the attitude of the French government will gradually come around to the British point of view, that is to that British point of view which wants to make it as easy as is consistent with the general interests, for Germany to meet her engagements, which will be fixed at a point where the question of her ability will no longer be an open one."[309] Two weeks later, Altschul likewise told Brand of his hopes that the "misunderstandings" between Britain and France would soon be "cleared up and the best of feeling be reestablished." He thought that France was entitled to be treated with "great patience . . . because she has not fared as well as she had a right to expect." In the "rapidity with which England and America have learned to understand each other better," they had sometimes "been rather reckless of [France's] feelings." He argued that most of France's inflated demands for German reparations were intended to obtain a better deal on security, and that, "if assured of her safety in the East, she would soon give up all the exaggerated and fanciful claims which have been brought forward."[310]

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[309] Altschul to Hammerschlag, January 24, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

[310] Altschul to Brand, February 6, 1922, File 44, Brand Papers.

However "exaggerated" or "fanciful" Charles Altschul might consider France's stated expectations, by mid-1922 he felt that German intransigence over the payment of reparations was primarily responsible for its problems with France.[311] When the French, unable to extract reparations from Germany, took over the Ruhr, Germany's industrial heartland, in early 1923, Altschul was more sympathetic than many Americans to the French case, and repeatedly condemned as German and British "anti-French propaganda" criticism of France's policies on Germany and the Ruhr.[312] Initially, he told Brand that "no matter what the consequences, France could no longer permit her former Allies as well as Germany to pass her by, but had to assert herself or risk being relegated to the position of a second class power." He believed that this move represented France's only chance of "get[ting] something out of the debacle." Altschul also suggested that media reports that Americans disapproved of the French action in the Ruhr were exaggerated, citing occasions when newsreels showing French troops marching into the Ruhr were warmly cheered in American cinemas.[313] By the end of the year, however, he was concerned that their shared disapproval of French policies toward Germany had brought Britain and the United States into growing accord, something he would normally have welcomed warmly, but not "over the corpse of France." Altschul found this "virulently anti-French disposition" on the part of those two countries particularly disturbing since he believed that, had Britain and the United States honored the treaty they negotiated but never ratified at Paris in 1919, guaranteeing France's security against Germany, the French would not have needed to follow such extreme anti-German policies.[314] The Germans in the Ruhr initially adopted policies of "passive resistance" to French occupation, non-cooperative tactics intended to make France's task as difficult as possible. In September 1923 these were officially abandoned, but even then Charles Altschul was skeptical, and believed the Germans could not be trusted to fulfill their obligations. Writing to Brand, he warned of a resurgence of German militarism:

> Passive resistance is over but the change has been accompanied by so many manifestations of aggressiveness on the part of those elements which are a danger to France, by so many displays of a returning military dictatorship, so much flaunting of armed bands and hidden ability to resist, that it would be suicidal of the French Government to fall into line until it is shown that the spirit so manifested is not the real but the superficial sentiment of Germany; and I doubt seriously that it is other than the

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311 Altschul to Paul Hammerschlag, July 3, 1922, File Paul Hamerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

312 Altschul to Simonds, November 17, 1923, August 30, 1924, File Frank H. Simonds, Charles Altschul Papers; also Altschul to Hammerschlag, January 27, 1925, File Paul Hammerschlag 1925, Charles Altschul Papers.

313 Altschul to Brand, March 20, 1923, File 37/1, Brand Papers.

314 Altschul to Simonds, November 17, 1923, File Frank H. Simonds, Charles Altschul Files, Altschul Papers; cf. Altschul to Brand, October 12, 1923, File 67/1, Brand Papers.

> controlling and real spirit of today. Let us all ask ourselves what we would advise our governments to do if they were faced by similar contingencies![315]

Charles Altschul pleaded the French case to others, but he also sought to moderate French tactics. In late 1923 he warned the French Lazard partners that most Americans were unhappy with French policies, and that even he himself had "been greatly surprised at the uncompromising attitude of your Government after the Germans showed what I thought a decent regard for their engagements this summer." He implored that, if the French government possessed convincing evidence of German duplicity to justify its own policies, this should be made public. He also urged that the French government should dramatically improve its relations with American journalists and mount a major propaganda offensive in the United States to counteract prevailing adverse publicity, a proposal he elaborated in several subsequent missives to the Paris partners.[316] David Weill, concerned that the French government sought to employ the same methods as Germany to defeat Germany, specifically asked Charles to draft a comprehensive proposal for French propaganda in the United States that the Lazard partners could submit to French officials. Charles responded by suggesting a major French campaign to place articles rebutting the British and German line in strategic American publications, supplemented by lectures in the United States by prominent French personalities.[317] How successful Weill's efforts to influence French officialdom were remains problematic. In December 1924 Christian Lazard, another French partner, wryly told Altschul that, although he and his colleagues would welcome "intelligent and well organized French propaganda in the United States, the French were undoubtedly poorly suited to such political undertakings."[318] Altschul's sympathies for France remained unhanged. Even in summer 1925, well after the reparation crisis had been settled, he told Brand: "I still cling to the idea that the Ruhr occupation will gradually be recognized by the best minds in England as the only move which could have produced, and did produce actual results."[319]

With the Dawes conference about to begin, Charles Altschul had some reservations about the situation in Germany, confessing that, despite "rejoic[ing] to hear better reports from Dresden and Berlin," he thought "the basis for their optimism. . . very shaky." He was dubious over the new schemes proposed to stabilize the German currency, telling his Viennese cousin: "I cant make out why the Rentenmark or what they call them should be much better than the Reichsbank notes – in the long run. They are not covered by any gold but by mortgages, and I don't see how the government could be stopped from inflating them too if the occasion therefor should

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315 Charles Altschul to Brand, October 12, 1923, File 67/1, Brand Papers.

316 Altschul to Lazard Frères & Cie., November 21, December 25, 1923, April 22, 1924, Altschul to David Weill, April 22, 1924, File Lazard, Charles Altschul Papers; Rougemont, *Lazard Frères*, 405.

317 David Weill to Altschul, April 9, 1924, Altschul to Weill, April 22, 1924, File Lazard, Charles Altschul Papers.

318 Christian Lazard to Altschul, December 5, 1924, File Lazard, Charles Altschul Papers.

319 Charles Altschul to Brand, July 26, 1925, File 71/1, Brand Papers.

arise."[320] He nonetheless congratulated Lazard Brothers on their overseas operations, particularly on "taking an active interest in a new Holland bank and [being] ready to do so in connection with the proposed German Gold Bank." He was, he said, "always delighted when I see that the old concern [Lazard] is forging ahead in world estimation."[321]

Ironically, Brand shared some of Altschul's misgivings. From January to April 1924, Kindersley was in Paris, as one of the official British representatives taking part in the deliberations of the Dawes Committee. His colleague Brand was often in touch with him over details of the negotiations, and also went to Berlin and met with Dr. Hjalmar Schacht, head of the German Reichsbank, and other leading bankers. Brand was dubious as to the plan for a gold bank, linking the German mark to gold, that Schacht advanced in January 1924, which he feared "might be like putting a piece of plaster over a festering wound," unless other measures were taken first. "[T]he vital question," he told Kindersley, "is to balance the budget, and . . . if this is done, everything else will follow in time. The balancing of the budget depends, of course, on a settlement of the Reparations and Ruhr problems. If these were settled, then a foreign loan might be raised. . . . If a foreign loan were assured for this purpose, then the currency might be put on a settled basis."[322] Brand clearly had reservations over the settlement eventually reached. In late March, Brand warned Kindersley that he, like many others, believed the sums being mentioned as potential reparation payments were "much greater than anything that can be paid, at any rate for a good many years." Even though transfers of funds would only take place when Germany possessed sufficient foreign exchange, "the problem is only thrown one step backwards," since the very fact that these were anticipated at some future date would produce "difficulties" in the exchange market. "[A]s long as the camel which has to go through the eye of the needle is still much too big," Brand concluded, "I think it is extremely difficult to produce any scheme that will actually work." Resignedly, he told his colleague: "It may be, of course, that in order to reduce the expectations of the allied nations to what is practicable, one has still got to go through many years of confusion before the final satisfactory settlement can be made."[323]

Kindersley, in his turn, attempted to allay Brand's reservations, citing pragmatic considerations in the Dawes Plan's defense. According to the Edgar D'Abernon, the British ambassador in Berlin, Kindersley "prided himself on his independence" and initially declined to consult the established experts on reparations, arriving instead in the German capital with "wild notions about what was possible and what was desirable," ideas that experience soon "slightly watered down."[324] Kindersley did not even pretend the assembled members of the reparations "circus"

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[320] Altschul to Hammerschlag, January 6, 1924, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

[321] Charles Altschul to Brand, February 4, 1924, file 54/1, Brand Papers.

[322] Brand to Kindersley, January 26, 1924, File 58/1, Brand Papers.

[323] Brand to Kindersley, March 28, 1924, File 58/1, Brand Papers.

[324] Edgar D'Abernon, *An Ambassador of Peace: Lord D'Abernon's Diary*, Vol. III: *The Years of Recovery January 1924-October 1926* (London: Hodder and Stoughton, 1930), 46.

had reached a final settlement of the problem. As the conference came to an end, Kindersley wrote to one of the British Treasury officials who had shared his labors: "Thank heavens we are through at last and on the whole the effort is not, I think, too bad. Anyhow, it is much better than I thought possible when we started. . . . I hope you will approve the report in its final form! We have at least succeeded, I think, in eliminating the most objectionable features and it should form a sort of basis of a final settlement."[325] Before departing for a three-week holiday in Italy, Kindersley returned to England "to see the [British Prime Minister, J. Ramsay MacDonald] and if necessary fight for the acceptance of the plan." He took with him Owen D. Young, the American businessman who was perhaps its major architect, and they "found [the Prime Minister] quite ready to be convinced." While in London Young and Kindersley also discussed the report with Governor Norman of the Bank of England, and Governor Strong of the Federal Reserve Bank of New York, who was visiting Britain.[326] Seeking to address Brand's misgivings, Kindersley told him: "I think when you have carefully read the plan you will realize its full significance better." He defended it as the best deal available, and reminded Brand:

> You will remember before I started abroad I told you that I was convinced that the avenue of approach to a solution should be by examining what Germany could & ought to pay in her own currency—entirely disregarding the question of exchange. This principle we have adhered to throughout and in my opinion is the only way to satisfy world opinion on the point of justice opposite those peoples bearing heavy burden.
>
> This figure we felt ourselves competent to assess on actual statistics available. Having done this we proceeded to frame as far as possible a piece of human machinery which would protect the German exchange. Obviously this is experimental -- & experience or demonstration will alone give the correct answer. You will see this Com[mit]tee has wide powers to stop 'accumulations' at <u>any</u> stage.
>
> Now what were the alternatives? To fix a sum which you felt <u>certain</u> could be got over the exchange? This figure would have been so low as to badly shock the sense of justice of the world! Or to fix it at a figure of say 70 million which would still have shocked the world similarly though to a less degree and at the same time run the risk of busting the German Exchange. By our method we satisfy world opinion so far as equity goes. A burden is placed on German Industry which places the latter more or less on terms which are similar to those which Industry bears in other countries. By this means we hope to get an atmosphere of calm by the removal as far as possible of the existing sense of injustice. In a few years the 'demonstration' will be clearly made as to whether or not this sum can be paid in foreign currency. I believe the world will be prepared to be convinced by such actual demonstration. I am equally certain that the world is not prepared to see a figure fixed which is based on the guesses of economists & which must

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[325] Kindersley to Sir Frederick Leith-Ross, April 9, 1924, quoted in Leith-Ross, *Money Talks*, 86

[326] Quotation from Kindersley to Brand, April 14, 1924, File 67/1, Brand Papers; see also Clay, *Lord Norman*, 211.

> in the nature of things be on the low side – and be one which must disregard the one point which interests 95 per cent of the Allies, i.e. 'How much as a tax payer in his own country should the average German pay in comparison to tax payers in the other countries?'
>
> This letter is badly expressed but I am anxious you shd realize our method of approach. We felt we could not & should not disregard the essential human standpoint of the average man.[327]

Almost simultaneously, as the Dawes Committee issued its report, Charles Altschul wistfully "hope[d] that the Reparation trouble may soon advance to a more peaceable stage to everyone's advantage."[328]

Stabilizing the Franc and Implementing the Dawes Plan

Between January and March 1924, while the Dawes Committee was meeting, Charles' son Frank Altschul made what was perhaps his most significant contribution to interwar financial diplomacy, devising a scheme to stabilize the French franc, arresting and reversing what seemed like its inevitable downward fall. The state of French exchange and France's budget deficit were questions he often discussed with his French associate, Christian Lazard. In August 1923 the latter remarked that it was "curious to watch the effects on the exchange market of the speeches delivered in London, Paris or Berlin. If a fellow wants to make a real lot of money in Exchange these days, he ought to make himself a Prime Minister to start with. But . . . as long as I do not see a material change in our internal financial policy I shall keep my opinion that the $ and £ will remain high." Turning to France's fiscal shortfall, he told Altschul that "people all over the country are working hard and putting money aside," which they then invested in French government securities, "enabl[ing] the Treasury people to find the money they need from month to month. If it last for ever everything will be O.K."[329] Three months later, Lazard did not share the "optimism" of others in his country that "the franc cannot go lower," since he could "not see as yet any material change in our internal finance policy."[330] International events conspired to weaken the franc further. The French occupation of the Ruhr had lasted almost a year, without any conclusive results. In November 1923, the right-wing politician Adolf Hitler tried to overthrow the German government. Although the Beer Hall Putsch, as it was known, failed, it generated further international uncertainty as to the prospects of any reparation settlement that

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327 Kindersley to Brand, April 14, 1924, File 67/1, Brand Papers.

328 Altschul to Hammerschlag, April 15, 1924, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.

329 Christian Lazard to Altschul, August 25, 1923, File 264 Christian Lazard, General Correspondence, Altschul Papers.

330 Lazard to Altschul, November 2, 1923, File 264 Christian Lazard, General Correspondence, Altschul Papers.

might be reached by the international Committee of Experts headed by General Charles Gates Dawes, a Chicago banker, that began meeting in Paris in January. In June 1923 the franc-dollar exchange rate was 15.87 to the dollar; by December 1924 it was 19.02 to the dollar, falling to 21.32 in January 1924 and a low of 22.66 in February 1924. International speculators targeted the franc en masse, selling it short in the expectation of quick profits.[331]

Frank Altschul later wrote his own account of his part in efforts by the French government over the next months to reverse the franc's downward trajectory, which coincided with rises in domestic prices in France. The mark had already fallen victim to hyperinflation, and fears were rife that the franc was on a similar path. Altschul recalled how in December 1923 he visited Europe and "observe[d] the Foreign Exchange situation in various continental centres." He concluded "that the French Exchange was being attacked by continental bearish speculators and that unless strong measures were taken it, in all probability, would go the way of the German Mark." He believed, however, "that appropriate measures to protect the Franc, if conceived on a sufficiently broad scale, would prove successful and that the Franc could be protected in part on the strength of an enormous existing short position." He returned to Paris in early 1924, and explained his views to his partners, who arranged an interview for him at the French Ministry of Finance on January 24. The handwritten memorandum he used as a guide for his presentation to the assembled officials, which he later deposited in Yale University Library, listed several reasons why the French economy possessed "fundamental strength" and French exchange might be expected to improve in France's favor, but also various negative factors that made it "quite possible that unless aggressive steps be taken the exchanges may become further demoralized." He warned that a "vicious circle of enforced inflation" might well set in, and that with "[e]ach day of weakness the problem becomes more difficult." He recommended a large-scale government-funded operation to bid up the value of the franc through government purchases. Altschul thought that "a banking group could readily be formed in New York to extend the necessary facilities under appropriate guarantees on reasonable terms."[332]

According to Altschul, one of the minister's assistants immediately replied: "C'est de l'enfantillage, ca!" [Why, this is childishness!] In his recollection: "I expressed my dissent but said that if that was the way they felt about it I would go forward with my plans to sail for the United States within a few days." He predicted, however, that within a few weeks "circumstances would force [the] adoption" of his plan. He believed "that J. P. Morgan & Co. would arrange the necessary credits in New York and that [Lazard] could be helpful to the

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331 Schuker, *The End of French Predominance in Europe*, 53; Eichengreen, *Golden Fetters*, 177; Mouré, *The Gold Standard Illusion*, 72.

332 Altschul to Bernhard Knollenberg, September 8, 1941, enclosing Altschul, "Memorandum on Exchange Situation," January 23, 1924, Frank Altschul Papers, Yale University, New Haven, CT; see also Altschul, "Exchange Situation," memorandum presented to the French ministry of finance, January 24, 1924, Altschul, memorandum, "En étudiant l'opportunité," no date but clearly 1924, two other draft memoranda, possibly by Altschul, probably for French government's use, 1924, File Christian Lazard, General Correspondence, Altschul Papers; Rougemont, *Lazard Frères*, 409.

French Government in the handling of the Exchange market." Altschul duly departed for New York, where "within a few weeks . . . we received a cable from our Paris office asking what amount we could place at the disposal of the French Government in advance of the conclusion of negotiations with Morgan then under way, in order that operations on the Exchange market should be inaugurated before the news of the stabilization credit had reached the speculators. We placed a substantial amount at their disposal and were immediately charged with the Exchange operations – not only in New York but in London and other important cities as well."[333]

The currency operation was eventually pushed through by a group of bankers and politicians centered upon the Lazard Paris house. It was put in place in March 1924, funded by a $100 million loan from J. P. Morgan & Co. against France's gold reserves, plus additional funds from British and American banks. Lazard Brothers in London arranged a six-month cash advance of £4,000,000 to the French government, as partial funding for this scheme, £1,000,000 to be provided by each of the major British joint stock banks, Lloyds, the Westminster, the National Provincial, and Barclays.[334] Lazard New York organized a further credit of $22 million. It was widely believed that the Morgan loan was conditional upon French acceptance of the Dawes Committee's findings on reparations, though in fact this was not the case. The Bank of France lacked personnel skilled in foreign exchange trading, so had to rely upon the services of Lazards—described by the Morgan firm as "the best exchange dealers anywhere on the continent"—to handle the technical side of these dealings, which involved coordinated currency trades in all the major centers of Europe. In a fortnight, the franc rose from 29 to 18 to the dollar, and soon had almost doubled in value, from 124 to 63.5 to the pound by late April. At that point it came under renewed pressure and, somewhat ironically, the French government ignored the advice of the French and British Lazard houses and Morgans, to allow it to slip to 80 to the pound, and spent heavily to maintain it at 68 for an additional two weeks. The French Treasury still, however, made enough in profits to pay off the Morgan credit. Support for the franc only ended in early May.[335]

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333 Altschul to Knollenberg, September 8, 1941, Altschul Papers, Yale University.

334 Brand to Kindersley, March 10, 1924, File 58/1, Brand Papers; Norman, diary, March 14, 17, 1924, File ADM34/13, Bank of England Archives; "City Notes," *The Times*, March 17, 1924; Orde, *British Policy and European Reconstruction*, 247; Mouré, *The Gold Standard Illusion*, 75; Schuker, *The End of French Predominance in Europe*, 114.

335 H. Clark Johnson, *Gold, France, and the Great Depression, 1919-1932* (New Haven: Yale University Press, 1997), 79; Rougemont, *Lazard Frères*, 410-423, 428-429; Schuker, *The End of French Predominance in Europe*, 104-106, 111, 114-115, 117-120; Anne Sabouret, *MM Lazard Fréres: Une saga de la fortune* (Paris: Olivier Orban, 1987), 67-72; Orange, *Ces Messieurs de Lazard* (Paris: Albin Michel, 2006), 79-82; Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression, 1919-1939* (New York: Oxford University Press, 1992), 176-178; Charles S. Maier, *Recasting Bourgeois Europe: Stabilization in France, Germany, and Italy in the Decade after World War I* (Princeton: Princeton University Press, 1975), 460-461; Cohan, *The Last Tycoons*, 23-25; Ahamed, *Lords of Finance*, 203-205; Michel, *Ces Messieurs de Lazard*, 81-83; Eichengreen, *Golden Fetters*, 177-178; Mouré, *The Gold Standard Illusion*, 71-76.

Given the sensitivities of the French government, Altschul's name and that of Lazard Frères New York were not publicly associated with this operation, even though, as his partner Christian Lazard wrote to him, "the first idea of the whole scheme came from you." Describing the atmosphere in the French Lazard office in mid-March, Lazard explained that "all our thoughts and all our activity have been since twelve days constantly applied to one sole object and you can imagine what thrilling hours we have gone through.—I do not think the Firm of L. F. & Cie, Paris, had ever known a period like that one before." Even two weeks into the operation they were, he explained, "still pretty busy, running all day from the office to the Bank, then to the Rue de Rivoli [the French Finance Ministry], then to the Bourse, then back to the office, etc., etc." He exulted: "Every part of our plan has up to now worked out perfectly well and I can only hope that things will continue to come our way." Lazard recalled how the French partners had experienced moments of apprehension over "tak[ing] a big responsibility and the first two days we felt that if we did not succeed we would be nicely 'dropped' by everybody," but he nonetheless "wouldn't have missed these two weeks for anything!"[336] The various Lazard firms accepted no remuneration from the French government for these transactions, though two years later, in early 1926, Frank Altschul would receive the Légion d'Honneur in recognition of his services.[337] Altschul himself felt that accounts of these operations, which boosted the franc at the psychological moment when implementation of the Dawes Plan was under consideration, omitted his role and exaggerated that of Raymond Philippe, another French Lazard partner who later published an account of this episode. Altschul himself clearly took great pride in this accomplishment, and included an account of his efforts to boost the franc in his quarter-century Yale Yearbook.[338]

Although the London Lazard firm participated in the French exchange credit of early 1924, the directors still took a gloomy long-term view of the prospects for the French franc, given the government's fiscal situation. In early 1924, Brand suggested that a British friend of his family who was "a believer in France" and wished to keep his money in French securities would be wise "to invest it, not in any government securities, but in some first-class industrial shares."[339] In early March, Brand told his French partners that their London colleagues "still [thought] the chances of a very considerable appreciation of the franc are less than those of a similar depreciation."[340] J. L. Garvin, editor of *The Observer* and a strong opponent of French policies on reparations, publicly and privately criticized the behavior of British banks in extending credits to the French government to support the franc, telling Brand that "a little further financial disarray in France would have had invaluable political results and would have led to a big

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336 Christian Lazard to Altschul, March 19, 1924, File Christian Lazard, General Correspondence, Altschul Papers.

337 Christian Lazard to Altschul, March 27, 1924, File Christian Lazard, General Correspondence, Altschul Papers.

338 Altschul to Knollenberg, September 8, 1941, Altschul Papers, Yale University; Richard R. Smith, *History of the Class of 1908 Yale College*, Vol. III: *Quarter Century Record 1914-1939* (New York: n.p., 1940), 77-78; see the account by Raymond Philippe, *Le drame financier de 1924-1928* (Paris: Librairie Gallimard, 1931), 25-46.

339 Brand to Lazard Frères & Cie., February 23, 1924, File 58/1, Brand Papers.

340 Lazard Brothers to Lazard Frères & Cie., March 3, 1924, File 58/1, Brand Papers.

economic improvement a little later."[341] Brand disagreed, informing Garvin that both the Bank of England and the British Treasury had consented to this operation, taking "the absolutely sound stand that what was being carried through was a business transaction with which they were not prepared to interfere." Banks in London had extended a credit to "one of the greatest banks in the world," secured on "gold, which is still the most completely liquid and satisfactory security in the world." The only reasons for refusing "to assist the Bank of France, the central bank of a friendly and allied country, at a moment of financial crisis," would have been political ones. If banks began making financial decisions for political reasons, this would undercut and "render useless one of the very few influences that at present are used in favour of international co-operation and peace." He also believed such measures would have been counter-productive, telling Garvin: "[N]o one is more strongly opposed to Poincaré's policy than I am, but I am convinced that the last way to settle the difficulties between ourselves and France would be for the British Government to instruct British banks to decline the most legitimate aid to the Bank of France, and, in fact, to declare financial war upon her." More broadly, Brand also viewed this operation as vital to the efforts to restore a functioning international gold standard, in which he staunchly believed. He argued:

> The whole world desires stability of currencies and exchanges. There is no question but that a return to the gold standard is the simplest means to this end. But what a blow to the gold standard if gold reserves are no longer a really liquid international security, and if in a national crisis, when these reserves, if ever, can be legitimately used, and should indeed be freely used, it is found that gold itself has lost its value because other official banking centres refused on entirely non-business grounds to accept it as security. The determination of the Bank of France to use its gold reserves as security was an absolutely sound one. The franc was collapsing through the failure of confidence in it in France, and through very big speculative attacks outside France. Gold reserves are there to be used on just such an occasion. Of course, they depend for their permanent efficacy on the other financial measures of the French Government, but I think no economist would deny that the Bank of France was right to use them at the moment it did.[342]

When Garvin remained skeptical, Brand admitted that he, like Garvin, thought Poincaré's policies toward Germany entirely mistaken, but repeated his "own feeling that international relations all round would be immensely embittered if we were all to use our financial and industrial resources in this sort of manner." He also stressed that "the collapse of the franc in the way it was collapsing was not justified by economic and financial conditions." He himself, however, believed "that the French Government will only find their financial difficulties multiplied by having let it improve to such an enormous extent." He had, moreover, "expressed"

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[341] J. L. Garvin to Brand, April 2, 1924, File 67/1, Brand Papers.

[342] Brand to Garvin, March 31, 1924, File 67/1, Brand Papers.

this view "to my Paris partners, although they do not appear to agree with it."[343] In an editorial, the influential London *Times* likewise took the line that balancing the national budget was the most essential task facing the Bank of France and the French government, and that they would have been wiser to have used their foreign credits to simply steady the exchange and then bring about a very gradual improvement, once it had become clear that France had addressed its fiscal problems.[344]

In March 1924, Brand also engaged in correspondence on this episode with one of his younger French associates, Pierre Weill, that suggested a new flexibility in the Paris firm's outlook on exchange. In summer 1923, the two men had apparently "agreed that until the French Government adopted a sound financial policy there would be no means of improving french [sic] exchange." Reflecting on the recent rise in the franc, fueled by the credits France obtained earlier that month, Weill told Brand that his country now "ha[d] the will to fight" further attacks on French exchange. The French government, he argued, was now prepared "to definitely balance the budget, to allow consolidating and refunding of our whole interior debt." Weill told Brand that "no one here imagines that the rise in the franc can be pursued too far because after a certain point it would modify the main economic trends which are actually favourable to our country." He asked Brand, however, not to criticize, but rather to give his "advice about what can be done to confirm and consolidate the advance of the franc."[345] Within a few days, Brand replied, telling Weill that he believed the recent spectacular rise in the franc exchange rate was likely to be only a temporary phenomenon, even though it had "give[n] a lesson to the bear speculators, which they will not forget." Brand did not consider France's fiscal problems by any means insoluble, since "[h]er foreign creditors are not pressing her," and "[h]er balance of trade is perfectly good." If anything, Brand believed "that France has always underestimated her financial strength." In his view, the major problem facing the French government was the "internal" one of how to liquidate the government's accumulated national debt, securities predominantly held largely by French investors, and balance the budget, something that would eventually "be solved, either by taxation or by inflation." A fall in the French currency would cause prices to rise, thereby reducing the Treasury's demands on French taxpayers. It would therefore, he told Weill, be "unwise to let the franc appreciate much beyond the point at which your taxation problem becomes too serious, since sooner or later it will have to fall back to it."[346]

Brand was not the only non-French Lazard banker trying to use quiet exchanges with the Paris firm to influence official French policies at this critical juncture. Frank Altschul, too, clearly relished the role of unofficial adviser to governments. Seeking, like his father, to improve France's image in the United States, Altschul also suggested that the French government should

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343 Brand to Garvin, April 3, 1924, File 67/1, Brand Papers.

344 "France and the Franc," *The Times*, March 20, 1924.

345 Pierre Weill to Brand, March 21, 1924, File 67/2, Brand Papers.

346 Brand to Pierre Weill, March 27, 1924, File 58/1, Brand Papers.

capitalize on these developments to improve its standing in Britain and the United States. To Christian Lazard he wrote:

> At some date in the not distant future, the French government should issue . . . a statement calling attention in no uncertain terms to the efforts that they are making to put their [financial] house in order at this time, and expressing the real sense of gratitude felt for the support obtained among their American and English friends, and stating that their first concern must be to solve their financial problems at home; that they feel that they are in a fair way to doing this, and that once this is an accomplished fact, that they will take up in a spirit of frankness and fairness the question of their foreign obligations and, notably, the inter-allied debt.[347]

The Morgan partners gave similar advice to the French government.[348] Such counsels, however, were largely ignored. In May 1924, Poincaré fell from power, replaced by an indecisive leftwing government, the Cartel des Gauches. Once more, as Brand had predicted a few weeks earlier, the franc began to fall steadily, as decisions on negotiating debt settlements with Britain and the United States were deferred yet again, and it was unclear just what new taxes, if any, would eventually be imposed. Ironically, the new government made efforts to continue to implement its predecessor's measures of raising new taxes and reducing government expenditures, in an effort to address the country's persistent deficits, though it was some time before the effect of these initiatives became widely apparent.[349] Announcements by Lazard Frères in New York that the French government would continue to support the franc, and that the Poincaré government's policies of increasing taxes and cutting government spending would remain in place, had little impact on the franc's renewed and persistent decline.[350] Nor did half-hearted and sporadic efforts by the reluctant French Lazard partners, at the behest of the Banque de France, to manipulate the currency markets during the second half of 1924, maneuvers temporarily abandoned as too expensive in mid-December 1924.[351]

Kindersley, meanwhile, spoke out publicly in favor of the adoption of the Dawes Plan, telling a meeting of the British National Savings Movement, of which he was the chairman, that he regarded the plan as "a very important factor in bringing about a European settlement." He also sought to use it as a lever for the restoration of sterling to the gold standard. Putting the plan in a broader perspective, he warned his audience that "[b]efore Europe could regain her economic and financial stability she would need an immense amount of financial aid." Up to that time, Britain had provided the bulk of foreign credits and loans for Europe, but it "could not continue

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347 Altschul to Christian Lazard, March 13, 1924, also draft statement for French government, File Christian Lazard, General Correspondence, Altschul Papers.

348 Schuker, *The End of French Predominance in Europe*, 148, 153-154.

349 Eichengreen, *Golden Fetters,* 176-178; Rougemont, *Lazard Frères*, 430.

350 "Paris Supports Franc," *New York Times*, May 14, 1924.

351 Rougemont, *Lazard Frères*, 430-431.

to carry the burden alone." He envisaged "closer cooperation between America and this country [Britain]" for this purpose. "America had accumulated the greater portion of the gold of the world, and therefore possessed the basis of credit on a large scale." The British "had centuries of knowledge and experience in regard to the credit situation in Europe, and a unique machinery for carrying through all the intricate financial operations" that would be required. To implement these on the scale that would be necessary, "the financial intercourse between this country and America must be absolutely unfettered." Until the pound returned to gold, there would exist "a barrier which completely prevented the partnership in finance between Britain and America." This was because "the pound sterling stood at a discount, and no real solution for Europe's financial difficulties would be found until the pound sterling returned to parity and [Britain] was again able to allow a free export of gold."[352]

In July 1924 a conference opened in London, chaired by British prime minister J. Ramsay MacDonald, to endorse the Dawes Report and make arrangements for its implementation, including the withdrawal of French forces from the Ruhr, provisions for the transfer of reparations in kind and cash from Germany to its creditors, and the flotation of a large international loan for Germany. Kindersley was present again at this conference, chairing a committee on the relatively non-controversial topic of the management of German reparations payments in kind.[353] In collaboration with Dr. Hjalmar Schacht, chairman of the Reichsbank, he also drew up quite stringent provisions for the Reichsbank's reserves, raising these from one-third to 40 percent of liabilities, three-quarters of which had to be held in gold rather than foreign currency.[354] Other issues were more contentious. The Morgan stabilization credit came up for renewal in autumn 1924, and besides the extension of this facility, the French government requested a further long-term loan of $100 million.[355] Additional business was pending at that time. J. P. Morgan & Co. was about to issue a loan of 800,000,000 gold marks for the German government, to underpin the Dawes Plan. The Morgan partners, who had been staunchly pro-Allied in the First World War, were less than happy to be landed with this responsibility, and dubious as to whether the offering would be successful. Besides demanding stiff concessions from the French in terms of renouncing their right to extract reparations in kind from Germany or impose sanctions in case of default, they therefore insisted that French bankers must offer a substantial tranche of Dawes Loan bonds on the Paris market, as tangible evidence of French support and faith in the Dawes Plan.[356]

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352 "Economic Stability of Europe," *Times*, June 14, 1924; also "Urges Financial Unity: Sir Robert Kindersley Says Britain and America Must Cooperate," *New York Times*, June 14, 1924.

353 Elspeth Y. O'Riordan, *Britain and the Ruhr Crisis* (Basingstoke: Palgrave Macmillan, 2001), 165-172.

354 Stephen V. O. Clarke, *Central Bank Cooperation 1924-31* (New York: Federal Reserve Bank of New York, 1967), 66.

355 Leffler, *The Elusive Quest*, 107; Schuker, *The End of French Predominance in Europe*, 145-152.

356 Schuker, *The End of French Predominance in Europe*, 153, 289-294; Leffler, *The Elusive Quest*, 101-111; Steiner, *The Lights That Failed*, 246.

The French were decidedly dissatisfied with this arrangement. Blumenthal went so far as to doubt whether Germany needed any international loan, and to suggest that German banks should be responsible for raising any such funding.[357] Frank Altschul's French partner Christian Lazard complained to him that Thomas W. Lamont of the Morgan firm "says that if the French do not subscribe, the Americans wont either. I understand, of course, the sentimental argument, but one thing must be recognized: the loan is a loan in gold. We have to subscribe in francs. Therefore, if the Dawes Plan is a success, as we hope and believe it should be, the Franc will appreciate and the subscribers of a gold loan will be the losers. In other words, to ask us to subscribe to that loan is really asking us to gamble against the Franc."[358] Altschul replied to him sympathetically, stating that he himself did "not share [the Morgan firm's] view at all," and that he believed that, in terms "of helping to sell the German Bonds" on the American market, French participation would be "a perfectly negligible factor."[359] The views of Altschul and his colleagues failed to change the Morgan firm's position. Lamont bluntly told the Paris partners that French participation was indispensable, to persuade the American man in the street, who was still suspicious of German obligations, to subscribe to the loan.[360] When French Treasury protests continued, the Morgan banker warned that France could expect no further financial assistance from his firm in efforts to stabilize the franc or other endeavors unless the country's investors participated in the Dawes loan.[361] When the loan was offered in October 1924, the various Lazard firms helped to market these bonds, which were heavily oversubscribed, in France, London, New York, and elsewhere.[362] In return, the next month the French were able to obtain a long-term loan from Morgans, of $100 million for twenty-five years. In November 1924 Lazard New York formed part of the syndicate offering the French government loan on the American market.[363] In London, meanwhile, Kindersley also hosted a private dinner in honor of Young, at which Lord Balfour, the former British prime minister and foreign secretary, lauded Young's efforts. The banquet was also an opportunity for Balfour to urge "the United States to take the fullest possible share in the common burden of Western civilization," since "the future of the world largely depended on the manner in which the two great English speaking peoples were able to cooperate." Balfour hailed Young's presence in Europe and his work on the Dawes Plan as tangible evidence that Americans were not "indifferent to the fate of that civilization from which they themselves sprang and of which they were one of the great pillars."[364]

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357 Blumenthal to Lazard Frères New York, July 30, 1924, quoted in Rougemont, *Lazard Frères*, 424.

358 Christian Lazard to Altschul, August 27, 1924, File Christian Lazard, General Correspondence, Altschul Papers.

359 Altschul to Lazard, September 15, 1924, File Christian Lazard, General Correspondence, Altschul Papers.

360 Lazard Frères Paris to Lazard Frères New York, September 5, 1924, quoted in Rougemont, *Lazard Frères*, 425.

361 Rougemont, *Lazard Frères*, 426-427.

362 Rougemont, *Lazard Frères*, 427; Laurent Chemineau, *L'Incroyable Histoire de Lazard Frères: La Banque qui Règne sur le Monde des Affaires* (Paris: Editions Assouline, 1998), 32.

363 Altschul to André Lazard, November 24, 1924, File André Lazard, Altschul Overbrook Papers; Leffler, *The Elusive Quest*, 127-128; Schuker, *The End of French Predominance in Europe*, 165-166.

364 "Balfour Praises Owen Young's Work," *New York Times*, November 7, 1924.

At least one member of the Paris Lazard firm found the new reparation settlement reasonably acceptable. After the Dawes Plan was announced, Brand and Pierre Weill continued their correspondence. Pierre Weill's new prominence in discussions among the Lazard firms was the harbinger of a new and sometimes ruthless pragmatism and flexibility on the part of the Paris house, that would soon become evident in its advice on French efforts to stabilize the franc. His active involvement in these debates was significant, too, in that, as the son of David Weill, Pierre—born in 1900, so still only twenty-three or twenty-four when he began to take an interest in these issues—was the heir apparent to the Paris house. The firm's official history described him as "an original thinker," with "a good mind for detail, [who] held a broad view of the world, putting situations in a long-term context."[365] Pierre did not even become a partner until 1927, but already he was a force to be reckoned with. In April 1924, shortly after the announcement of the Dawes Plan, Weill described it to Brand as "the first reasonable scheme that has been drawn up since the Peace Treaty." He thought "the delicate point is the transfer of the amounts outside Germany, but this may be more quickly solved than it would appear by the big amounts of foreign capital which may be invested in Germany if things look like being settled there."[366]

Weill hoped to facilitate such investments. Not until mid- to late 1925, almost a year after the Dawes Loan was offered, was there a major surge of international and especially American capital into German and other European investments, and even then, much of this was directed to municipal bonds rather than industrial securities.[367] Weill believed that, while short-term commercial credits for Germany and Eastern Europe would not be particularly difficult to arrange, long-term investment in German industrial concerns might be a more difficult proposition. He argued "that a great number of very important and formerly prosperous concerns in Germany need some fresh capital and that supplying this capital by a capital increase in ordinary or preferred shares, or by issuing bonds, would very quickly prove to be profitable." While European institutions had the experience to handle such business, he feared that they lacked funds on the scale needed, which could only be found in the United States. Weill "very much doubt[ed] if even first class German shares or bonds would appeal to the American public." He therefore suggested to Brand "that the solution would possibly be the formation of an international company composed of, say an American group (including Morgan if possible), an English group, a French group, an Austrian group, a German group – or, may be, instead of a German group the International bank in which the Darmstädter and yourself are interested." Besides issuing ordinary and preferred shares of its own, to provide it with a reservoir of investment capital, this organization would be able to issue secured bonds on behalf of companies in which it took an interest.[368] In August 1924 Brand concurred with Weill that it would "be a long time before the ordinary British investor, and probably the ordinary American

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365 Lazard Frères & Co., *Lazard Frères & Co.*, 30.

366 Pierre Weill to Brand, April 16, 1924, File 67/2, Brand Papers.

367 Steiner, *The Lights That Failed*, 431.

368 Pierre Weill to Brand, August 5, 1924, File 67/2, Brand Papers.

investor will invest directly in German and other [long-term] industrial securities in Europe." The two men agreed that it would be necessary to set up "some sort of intermediary machinery for persuading them to invest, . . . probably some sort of Trust company which would issue preference shares and bonds to the public."[369]

In practice, as Weill's scheme acknowledged, Lazard Brothers had already established European banking arrangements which could perform such functions. In the first months of 1924, while Sir Robert Kindersley was taking part in the deliberations of the Dawes Committee on reparations, Lazard Brothers had, in fact, been careful to avoid German transactions which might place the firm in a false position. In February 1924, Lazard Brothers declined to join in a credit to the Rhine-Elbe-Union, business arranged by the Internationale Bank of Amsterdam, in which Lazard was a major shareholder, "to assist the big German industries in the Ruhr." Their reason for doing so was "not so much the uncertainty as to the course of events in the Ruhr, but the political objections which are felt strongly in England at present." Rumors were rife in Britain that the French government had "secret agreements" with German industries obliging the latter "to hand over a certain proportion of their share capital," which had turned British opinion against such business. Lazard Brothers was, however, prepared to consider separate credits to German industries, such as the Siemens electrical firm or the Hamburg-Amerika shipping line, in the territories not under French occupation.[370] A fortnight later, the firm also politely turned down a request from an Amsterdam bank to take part in a three-month credit of £500,000 for the Eisenbahnbedarfs A.G., stating that "the demand for credits of this nature is greater than can be fulfilled in London."[371]

Other German and Austrian business was less problematic. In 1923 Lazard Brothers extended £150,000 in credit facilities to the Credit Anstalt Bank of Vienna, and an additional £100,000 to the Arthur Krupp Manufacturing Company, under a Credit Anstalt guarantee. In addition, it had already granted a £50,000 credit to the Krupp Manufacturing Company, on condition that the latter firm switch its London banking account to Lazard. In mid-1924 the Credit Anstalt-guaranteed Krupp credit was increased to £150,000, subject to the provision of stock options and other securities to Lazard Brothers.[372] In September 1924, a £100,000 acceptance credit Lazard Brothers and the Darmstädter and National Bank had jointly granted to the Hirsch, Kuperfer-und Messingerwerke A.G. of Berlin was renewed for an additional year.[373] The firm was somewhat circumspect in granting such facilities. Around this time, Lazard Brothers cautioned one of their

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369 Brand to Pierre Weill, August 15, 1924, File 82/2, Brand Papers.

370 Brand to van Hengel, February 20, 1924, File 62/1, Brand Papers.

371 Lazard Brothers to A. H. Keyser & Tonen, March 7, 1924, File 58/1, Brand Papers.

372 Brand to Paul Hammerschlag, July 30, August 14, 1924, File 77/1, Brand Papers.

373 Brand to Goldschmidt, September 30, 1924, File 75/1, Brand Papers.

partners who was visiting Berlin that any credits to German businesses should be for a fixed term, "such as six months rather than [an] indefinite period."[374]

By the middle of the year, with the Dawes Committee's report published and an international loan for Germany on the horizon, things had changed. In August 1924 Lazard Brothers offered the Reichs-Kredit-Gesellschaft A.G. of Berlin a three- to six-month acceptance credit on behalf of the Vereinigte Industrie-Unernehmungen A.G., "conditional . . . upon the successful issue of the London Conference," which was then negotiating the Dawes Loan, and upon the companies involved using Lazard Brothers for their "banking transactions" in London."[375] In June 1924, as negotiations for a German reparation settlement finally seemed likely to succeed, Brand responded to inquiries whether Lazard Brothers would now be interested in providing financing for German industrial concerns by directing them to the Internationale Bank of Amsterdam, an organization his firm—in company with assorted British, German, Dutch, and Swedish institutions, including Lloyds Bank, the Stockholms Enskilda Bank of Sweden, the Darmstädter Bank, and the Whitehall Trust--had helped to establish at the beginning of the year.[376] One purpose of this new financial institution was, as Brand himself stated in correspondence, to make German industrial credits and securities palatable to the British investor.[377] As early as July 1920, a partner in the Disconto Gesellschaft Bank of Berlin had expressed hopes for the "start to closer relations" between his own institution and Lazard Brothers. In an interview in Amsterdam, he told Brand that, even though they already had dealings with other banks in London, the Disconto Gesellschaft did not have a branch in the City, and "they would be very glad to open an account with us, do foreign exchange business and develope [sic] other relations with us." Brand, in return, "said we would be glad to do business with them."[378] By mid-1921, Lazard Brothers had "discussed . . . credit facilities" with the Disconto Gesellschaft Bank, and "come to a satisfactory arrangement" with them."[379] By the mid-1920s Lazard Brothers had established close relations with Jakob Goldschmidt, president of the Darmstädter and National Bank of Berlin, the Guaranty Trust Company of New York, the International Acceptance Bank, an American financial institution with close connections with the German financial house, M. M. Warburg & Co. of Hamburg, and the New York investment firm of Dillon Read, all of whom were willing to work with them on German issues as well as other assorted business transactions.[380] Goldschmidt, whom Brand said was "generally recognised as perhaps the cleverest banker in Berlin," was one of the most dynamic financiers in Weimar Germany, a self-

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374 Lazard Brothers to Pusch, May 19, 1924, File 80/1, Brand Papers.

375 Brand to Reichs-Kredit-Gesellschaft A.G., August 14, 1924, File 80/2, Brand Papers.

376 Brand to G. Grisar, June 17, 1924, File 57/2, Brand Papers; Brand to Lionel Hichens, March 6, 13, 1924, Memorandum, no date, File 58/1, Brand Papers; "City Notes," *The Times*, January 30, 1924.

377 Brand to Jakob Goldschmidt, February 21, 1924, File 57/2, Brand Papers.

378 Brand, Memorandum, July 9, 1920, File 43, Brand Papers.

379 Brand to Direction der Disconto-Gesellschaft, June 21, 1921, File 46/1, Brand Papers.

380 See, e.g., correspondence between Brand and Jakob Goldschmidt, 1925-1926, File 74/2, Brand Papers.

made man who sat on over one hundred boards, many of them among Germany's biggest and most respected companies, and was extremely active in numerous major industrial reorganizations.[381] Lazard Brothers developed a particularly warm relationship with him, and at the end of 1926 Brand told Goldschmidt how much they "value[d]" their "collaboration and friendship," and hoped this would "be still more strengthened in the future."[382] L. Behrens & Söhne of Hamburg was another firm with which Lazard Brothers had by 1924 enjoyed "close and friendly relations . . . for many years," and did "a great deal of business."[383]

In the aftermath of the Dawes Plan's implementation, the prospect of expanding German business continued to attract the British Lazard house. By late October 1924 Brand believed that, though Germany would "for a long time . . . suffer from a lack of capital, first-class concerns like the A.E.G. should be able to get what they want."[384] In early 1925 Sir Robert Kindersley's son Hugh moved to Berlin, to be on the spot to facilitate German business.[385] The following June, Brand made an extended tour of Germany. In notes on this trip, during which he visited major manufacturing plants in or near Berlin, Cologne, the Ruhr, and Hanover, Brand claimed that German industry was "certainly not as badly off as English industry." He noted that German plants had been extensively modernized during the 1920-1924 period of inflation, but thought that many of them had over-invested in equipment, leaving them short of "floating capital." Brand believed "Germany's great industrial difficulty" would be "to maintain her production on a high enough level to make profits and absorb the available labour." He suspected that domestic and foreign markets were too limited to absorb German productive capacity. Germany's worst problem was, he believed, "the extreme scarcity of capital." Businesses had been surviving on short-term credits "from England and America, which has enabled her hitherto to carry on with a substantially unfavourable balance of trade." Brand did not think shares in German industrial concerns particularly competitive, as compared with other investments.[386] In terms of his own firm's commitments, Brand reported back to his French partners that Lazard Brothers were "quite satisfied" with those German companies to which they extended credits, though they were gradually trying to reduce those that were "finance" rather than "reimbursement" credits, in other words, acceptances tied to a specific commercial transaction, which would automatically be liquidated once that business was completed. He also discussed with Goldschmidt of the Darmstädter National Bank the possibility of issuing "long-dated industrial securities" for German industrial concerns. The two men had concluded that this

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381 Quotation from Brand to Geoffrey Dawson, May 28, 1924, File 95i/1, Brand Papers; on Goldschmidt, see also W. E. Mosse, *Jews in the German Economy: The German-Jewish Economic Élite 1820-1935* (Oxford: Clarendon Press, 1987), 331-333; and W. E. Mosse, *The German-Jewish Economic Élite 1820-1935: A Socio-Cultural Profile* (Oxford: Clarendon Press, 1989), 325-327.

382 Brand to Goldschmidt, December 29, 1926, File 76/2, Brand Papers.

383 Lazard Brothers to Lazard Frères & Cie., March 6, 1924, File 58/1, Brand Papers.

384 Brand to Perry, October 13, 1924, File 80/1, Brand Papers.

385 Hugh Kindersley to Brand, March 5, 1925, File 77/1, Brand Papers.

386 Brand, "Germany," June 26, 1925, File 94/1, Brand Papers.

could not be done on the London market, and "[t]he only possibility of German industry obtaining such credits appears to be in New York. He hoped, therefore, that both the Internationale Bank and the Darmstädter Bank could "enter into some good relationship in New York through which, if opportunity arises, good industrial issues could be made there."[387] Brand did not, however, think it desirable that such issues should be made in marks, as opposed to sterling or dollars.[388] By late 1926 the French and British Lazard houses were also interested in traffic in the reverse direction, investing and trading in top American securities in Europe. Each held 20 percent of a total of $1,250,000 United Steel Bonds, an account in which the Darmstadter Bank and the Amsterdamsche Bank likewise held 20 percent each, and the Whitehall Trust and the Internationale Bank 10 percent each. They were planning to resell additional United Steel Bonds on either the Amsterdam or Berlin markets.[389]

Some of the German transactions the London house undertook may on occasion have been less than acceptable to their Paris colleagues. Early in 1925, for example, Lazard Brothers extended a total of £163,000 in short-term credits to the Stinnes firm of Hamburg, whose chairman, Hugo Stinnes, had since 1919 taken the lead in aggressively opposing and undercutting the reparations provisions of the Versailles treaty.[390] Since the Stinnes concerns went bankrupt in summer 1925, the Lazard partners' reservations had some justification, though Goldschmidt, who was one of the committee of trustees charged with liquidating them assured Brand that "no creditor, and especially none of the Banks belonging to the Banking Syndicate, will suffer any loss through Stinnes."[391] At Christmas 1925, Goldschmidt wrote to Brand, saying that he was "fully convinced that the New Year will present you as an English banker many opportunities to do successful business, and that he was "sure that after having passed through the inevitable crisis" Germany would "return to sound and favourable economic conditions." Goldschmidt was particularly encouraged by the ever increasing "development to a more increased international cooperation."[392] Even after the Dawes Plan had settled, if only temporarily, the reparations imbroglio, it seems that at least as late as 1926 the Paris partners still placed certain "restrictions" on "German issues," though the London firm apparently managed to evade these by working indirectly through other channels and intermediaries, of which an increasing number were available to them.[393] By spring 1926 Kindersley and his associates, including Lazard Frères New York, were considering expanding their existing German ties with closer links to M. M. Warburg

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387 Brand to Lazard Frères & Cie., June 29, July 1, 1925, File 59/2, Brand Papers

388 Brand to D. B. Grant, July 9, 1926. File 76/2, Brand Papers.

389 Lazard Frères & Cie. to Lazard Frères, New York, December 6, 1926, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York.

390 Brand to Goldschmidt, July 20, 1925, File 74/2, Brand Papers.

391 Goldschmidt to Brand, August 8, 1925, File 59/2, Brand Papers.

392 Goldschmidt to Brand, December 22, 1925, File 74/2, Brand Papers.

393 Brand to Kindersley, April 6, 1926, File 59/1, Brand Papers.

& Co. of Hamburg, and the New York-based International Acceptance Bank.[394] German business continued to grow. In February 1926 Lazard Brothers planned to issue £1 million in bonds for the City of Leipzig.[395] In July 1926, the firm agreed to make available £25,000 to £50,000 in credit to a German firm for three months, secured by "first-class German domiciles deposited with us."[396]

With German reparations at least temporarily off the agenda, the international spotlight turned to France. In late 1924 the American government began to demand that the French government negotiate a definite schedule of payments on the war debts it owed to the United States. It was made clear that the French government would receive no further long-term loans from American bankers until this was done, and until, moreover, the franc was definitely stabilized.[397] Charles Altschul disagreed with his government's stance on the French war debt. In early 1925 he told James G. McDonald, the president of the Foreign Policy Association, that he would have preferred that, if the debt were to be funded, portions of it should be written off, while the question of how much France was able to pay should be deferred for another three years, until it was clearer just how much France would receive in reparations under the Dawes Plan.[398] This, however, was not practical politics. Throughout 1925 and most of 1926, the franc was in persistent decline, and French governments continued to delay dealing with their budgetary and war debt problems.[399] On the instructions of the French Finance Minister, Joseph Caillaux, between January and October 1925 the Paris Lazard firm undertook exchange transactions intended to maintain the franc at a level of approximately 100 to the pound, but these dealings ceased after Caillaux lost power in October.[400] In March 1925, Brand told an American business associate that if he "had to be either a 'bull' or 'bear' of francs for the next year, I would undoubtedly prefer to be a 'bear', and I think I should make money." His greatest concern was "that the French people themselves seem to have lost confidence in the franc, and are placing their money . . . abroad." Presciently, Brand stated: "Their loss of confidence is their great difficulty. If their political situation was strong, and they had confidence in themselves, I think a government determined to take drastic measures could ere long put the situation right."[401] Charles Altschul was watching the "interesting developments on the political horizon in Europe," which included not just France's currency problems, but also negotiations leading up to the Geneva Protocol and the fall 1925 Locarno Treaties, with "intense interest." As always, he

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394 Brand to Lazard Frères & Co., March 3, April 1, 1926, File 59/2, Brand Papers; Brand to Goldschmidt, April 1, 1926, File 74/2, Brand Papers.

395 Norman, diary, February 9, 1926, File ADM34/15, Bank of England Archives.

396 Brand to Siegfried Aufhäuser, July 9, 1926, File 72/1, Brand Papers.

397 Schuker, *The End of French Predominance in Europe*, 156-160, 164-168; Leffler, *The Elusive Quest*, 141-142.

398 Charles Altschul to James G. McDonald, February 8, 11, 1925, File James G. McDonald, Charles Altschul Files, Altschul Papers.

399 Eichengreen, *Golden Fetters*, 178-182; Mouré, *The Gold Standard Illusion*, 86-90; Rougemont, *Lazard Frères*, 431-433.

400 Rougemont, *Lazard Frères*, 432.

401 Brand to Alexander Legge, March 11, 1925, File 77/2, Brand Papers.

"hope[d] some fundamental agreement between British and French views could be found–then all would turn out well in the end."[402] By late 1925, Brand once again thought: "The French problem looks extraordinarily threatening at the moment, and it seems quite impossible to foresee what is going to happen. It looks as if there is great danger of the financial having a really serious effect on the political situation."[403] "The franc," he told André Lazard, "looks very bad, and it seems to me that any finance minister in your country is now 'right up against it.'" He thought the French situation "a most extraordinarily difficult problem," though trusting that "in the end somehow or other it will be met." He had, however, no prescription to offer for this.[404]

The success of Frank Altschul's earlier advice seems to have impelled the French government to turn to him again. In December 1925, at the request of Robert Lacour-Gayet, the French financial attaché in the United States, Altschul prepared a summary of his own views on the French financial position. He bluntly told Lacour-Gayet that there "appear[ed] to be a growing feeling that your financial problem is so overpowering that it is politically impossible for you to deal with it." The decline of the franc, he argued, "represent[ed] largely the expression of a profound disturbance in confidence on the part of the French themselves." French policy gave the impression of constant drifting. "It has," he continued, "become almost a platitude to draw attention to the two prime requisites to the restoration of a sound financial situation: Budgetary equilibrium and a stabilized exchange." He suggested that the best solution might be to appoint "a non-partisan Committee of Experts, whose task it should be to study this whole question." Inter-allied war debts apart, the French government was still carrying a heavy weight of indebtedness, which could be reduced either by currency depreciation or a refunding operation, or possibly both. Major transfers of funds to repay Allied war debts might again destabilize the exchanges, and he suggested that a transfer arrangement similar to that put in place to supervise German reparation payments might be advisable. He warned, too, that even a settlement of the French war debt to the United States was unlikely to bring the "flow of capital from our country to yours on a large scale" on which the French were counting to solve their economic problems.[405]

Several months later, in late May 1926, France did indeed convene a Committee of Experts to consider how to end the French financial crisis. Altschul's recommendations may well have played a part in this, since Raymond Philippe of the Paris Lazard firm was apparently the moving spirit in pushing the government to adopt this policy, and he also served on the committee. From London, Kindersley likewise warned his American partners that efforts to stabilize the franc would prove unsuccessful unless the government took measures to restore

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402 Charles Altschul to Brand, March 23, 1925, File 75/1, Brand Papers.

403 Brand to Paul M. Warburg, October 28, 1925, File 67/2, Brand Papers.

404 Brand to André Lazard, October 22, 1925, File 59/2, Brand Papers.

405 Altschul to Robert Lacour-Gayet, December 22, 1925, File 263 Robert Lacour-Gayet, General Correspondence, Altschul Papers; Rougemont, *Lazard Frères*, 441.

public confidence and reduce the internal floating debt.[406] In May 1926 Lazard Frères in Paris told members of the Morgan firm "that as the result of a number of conferences with" Aristide Briand, the French Prime Minister, and Raoul Péret, the Finance Minister, "during the past few days in which they urged upon the Government the necessity of monetary and fiscal reforms and the necessity of taking the finances out of politics the Government have agreed in principle to the appointment of an independent Committee of Bankers." This committee was to "devise a program for fiscal and monetary reforms."[407] As the French franc slid relentlessly in value, in May 1926 Lazard New York at the Paris partners' request contributed to a government fund, headed by the First World War hero Marshal Joseph Joffre, intended to support that currency. They did so purely for symbolic reasons. All involved apparently agreed on the "uselessness of such measures," but felt that, given the French firm's "particular situation in Paris," this move was "wise and well-taken."[408]

The Paris Lazard firm also took more concrete though ultimately fruitless action to boost the franc. Debates leading to the creation of the Committee of Experts took place simultaneously with discussions among French officials and financiers during May 1926 over whether or not to launch another initiative to rescue the franc, which was reaching new lows of 160 to 175 to the pound. The French Lazard partners were apparently eager to do so, telling the French government that "it was necessary to intervene in the market and check the fall of the franc as the lack of confidence was spreading through the country." They began operations on May 21.[409] Other influential Paris bankers, particularly Baron Édouard de Rothschild, at first argued any such action would be futile without a major initiative to tackle France's fundamental and underlying economic problems. Rothschild eventually decided to support intervention in support of the franc, using the balance of the existing Morgan funds, approximately $89 million, to finance this, and if necessary seeking new foreign credits for this purpose. Rothschild and the other regents and officials of the Bank of France were nonetheless unwilling to pledge the Bank's gold reserves as security for such credits, and without such guarantees, neither Morgans nor the Federal Reserve Bank of New York were ready to make further financial advances. The result was a half-hearted campaign, from May 21 to June 2, 1926, during which Lazards in Paris bought heavily on the exchanges, using $56 million of the Morgan credit to bring the franc up from 178 to 150 to the pound sterling. The effort collapsed when the Bank of France refused to negotiate further credits, and by mid-June the franc has fallen back to 175, reaching new temporary lows of 243 in June 1926. It was an episode which led to major recriminations among all parties involved, as each sought to shift the blame for the fiasco to other protagonists. Allies

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[406] Kindersley to Lazard Frères New York, May 20, 1926, quoted in Rougemont, *Lazard Frères*, 437.

[407] Morgan Harjes & Co. to J. P. Morgan & Co., May 21, 1926, File 7 France, Box 28, Morgan European Bank Papers; also Rougemont, *Lazard Frères*, 441-442.

[408] Altschul to André Lazard, May 25, 1926, File André Lazard, Altschul Overbrook Foundation Papers. On this fund, see Ahamed, *Lords of Finance*, 252.

[409] Morgan Harjes & Co. to J. P. Morgan & Co., May 21, 1926, File 7 France, Box 28, Morgan European Bank Papers.

of Rothschild claimed, maliciously but probably erroneously, that the Lazard firm had acted to protect its own position, after speculating on the exchanges that the franc would appreciate. [410]

In an effort to pressure the French government into concluding a debt settlement, in early 1925 the United States Treasury had refused to countenance any further loans to that country until a settlement had been reached and the French budgetary situation had improved.[411] In late April 1926, France and the United States negotiated a war debt settlement, the Mellon-Berenger Agreement, under whose terms the French paid about 40 cents on the dollar, but popular resentment of its terms meant that France did not ratify this accord until June 1929. The American government therefore determined to leave its loan embargo in place until after French ratification.[412] The French government had continued to explore possibilities of obtaining foreign funds. In April 1926, the French Treasury representative in London opened an overdraft account of £250,000 with Lazard Brothers, informing the directors that the French government had similar facilities with no less than 28 banks in the British capital, a number the Lazard Brothers directors considered excessive.[413] At some point in the previous two years, Lazard New York had opened a French Bond Account with J. P. Morgan & Company. In June 1926, Altschul told Russell C. Leffingwell of the Morgan firm that "conditions ha[d] changed since the transaction was inaugurated," the reason why the account was at that time "inactive." He readily admitted that the Lazard firm had "been feeling our way very cautiously, which is fortunate in view of the disappointing character of recent developments in France. In the light of these developments, the operation appears to be somewhat premature." He did, however, think "that the moment when it will recommend itself to us as advisable may not be too long postponed; and that it would be desirable to keep the account open."[414]

The Report of the Committee of Experts, published in May 1926, recommended stabilizing the franc at a realistic level against gold and other currencies; bringing the balance of payments into equilibrium; balancing the budget; settling France's foreign commitments; adapting the national economy to the monetary situation; and keeping adequate reserves of gold and foreign currencies in the central bank.[415] In June 1926 Joseph Caillaux, head of the French Treasury, named a new

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410 Philippe, *Le Drame Financier*, 95-106; Rougemont, *Lazard Frères*, 433-441; Mouré, *The Gold Standard Illusion*, 89-98; Orange, *Ces Messieurs de Lazard*, 83-86. Developments may also be followed in Herman Harjes to Thomas W. Lamont, May 21, June 9, 1926, Morgan Harjes & Co. to J. P. Morgan & Co., May 29, June 10, 1926, J. P. Morgan & Co. to Harjes, May 29, 1926, File 7 France, Box 28, Morgan European Bank Papers.

411 Leffler, *The Elusive Quest*, 127-130; Costigliola, *Awkward Dominion*, 132-133.

412 Leffler, *The Elusive Quest*, 130-150; Costigliola, *Awkward Dominion*, 134-137.

413 Lazard Brothers to Lazard Frères & Cie., April 29, 30, 1926, File 59/2, Brand Papers.

414 Altschul to Russell C. Leffingwell, June 20, 1926, File 126 Russell Leffingwell, Catalogued Correspondence, Altschul Papers.

415 Émile Moreau, *The Golden Franc: Memoirs of a Governor of the Bank of France: The Stabilization of the Franc (1926-1928)*, trans. Stephen D. Stoller and Trevor C. Roberts (Boulder, CO: Westview Press, 1991), 23-25; Bank of England, "Report of the French Committee of Experts," July 3, 1926, File OV45/1, Bank of England Archives; Rougemont, *Lazard Frères*, 441-443; Philippe, *Le Drame Financier*, 104-112; Johnson, *Gold, France, and the Great Depression*, 122-126; Mouré, *The Gold Standard Illusion*, 94, 105-106.

governor to head the Banque de France: Émile Moreau, who had served on the recent Committee of Experts and was known to favor fiscal austerity and stabilizing the franc. Kindersley welcomed this appointment, which he believed would facilitate the stabilization of the franc and improve relations between the Treasury and the Banque de France.[416] Shortly afterwards, in July 1926, the French government fell and a national unity government, headed yet again by Raymond Poincaré, took power. Raymond Poincaré returned to power as prime minister in July 1926, heading a national unity government. Though the American war debt agreement was not ratified by the French until 1929, in December 1926 the French government began making payments on it notwithstanding. The French budget was also balanced.[417] The French now faced the problem of valuing their currency at a level that would not, on the one hand, make French exports uncompetitive, but would not make French payments overseas prohibitively expensive. In doing so, the government apparently paid close attention to the advice it received from the Lazard firm. At this juncture, the Morgan firm reported that "Lazard Frères are in daily touch with the French Government and the Bank of France on exchange matters."[418] About this time the French government turned a corner. With backing from Poincaré, in December 1926, the Bank of France had begun a policy of using its gold reserves to keep the franc stabilized in a range of around 120 to the pound and four cents to the dollar.[419] By the end of 1926, as André Lazard told Charles Altschul, France's problem was not how to prevent the further depreciation of the franc, but how to stop it rising to a level that would be detrimental to French industry. Lazard feared, however, that the situation was so unsteady that quite possibly, if another left-wing government were elected, the franc would once again fall dramatically.[420]

American bankers welcomed the new developments, and both they and Kindersley could see the prospects of new business on the horizon. By November 1926 the Morgan firm was beginning to contemplate the "possibility that France might require a Stabilisation Loan." This provided the opportunity for Kindersley to launch one of the aggressive campaigns to win his firm a leading role in specific business for which he was by then somewhat notorious. A British Morgan partner later recalled how, in conversation with one of the partners of Morgan, Grenfell, the London branch of the Morgan firm, Kindersley "intimated that [Lazard Brothers] felt rather aggrieved at being left out of the Belgian Stabilisation Loan" Morgans had recently arranged. He "gave notice that if any financial operation was done in London for the French Government his firm must be in the picture because of their relations with the French Government both in London and in Paris." The Morgan Grenfell partners eventually "felt that Kindersley's claim

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416 Rougemont, *Lazard Frères*, 443.

417 Leffler, *The Elusive Quest*, 151-154; Costigliola, *Awkward Dominion*, 138.

418 N. Dean Jay to Vivian Smith, November 6, 1926, File 9 France, Box 28, Morgan European Bank Papers.

419 On the Bank of France's policies, see Rougemont, *Lazard Frères*, 444; Ahamed, *Lords of Finance*, 263-271; Leffler, *The Elusive Quest*, 153-154; Mouré, *The Gold Standard Illusion*, 104-115; Eichengreen, *Golden Fetters*, 182-183.

420 André Lazard to Charles Altschul, November 4, 1926, File André Lazard, Charles Altschul Files, Altschul Papers.

was not unreasonable" and agreed to include Lazard Brothers in any French Government business that might arise, though in the event the agreement proved a dead letter, since no such loan was required.[421] They were, however, unwilling to accept Kindersley's "theory that they (Lazard Brothers) should be considered the London bankers of the French Government and in the event of France requiring a loan in the near future that Lazard Brothers should take the lead." Kindersley based this claim on his firm's role in organizing the British franc stabilization credit of 1924, but the Morgan firm considered its own historic claims, dating back to a loan to the French government during the 1870-1871 war, entitled them to priority. The American Morgan partner George Whitney, who was visiting Paris at the time, commented dryly on "Kindersley's calm air of assumption."[422] Discreet Morgan enquiries with the Ministry of Finance revealed that the French Government had no "regularly established Bankers in London," and also that "Kindersley had recently had a long interview with the [French] Minister of Finance." In addition, the Ministry of Finance revealed "that they had not considered the possibility of a loan or credits in London in connection with any possible stabilization program."[423] In October or November 1926, just before Altschul sailed from New York for Europe, he "had a long talk with Leffingwell[,who] anticipate[d] very little French financing even after stabilization."[424] On both the British and American markets, longer-term loans also remained problematic. Despite his own obvious interest in handling such financing, in response to a cable inquiry from Altschul, in December 1926 Kindersley told him that French government borrowings in the British market were "impossible," and "that the sooner the Authorities make up their mind that there is no back-door of escape, the better."[425] Given French lack of interest in the funding he had been seekinig to offer a few weeks earlier, his stance had a certain irony.

On occasion, American financiers used members of the Lazard firm as intermediaries in their dealings with French officials. In May 1927, Lamont of J. P. Morgan & Company told André Lazard, who was visiting New York, that should the French government likewise decide to return the franc to a fixed exchange rate, he believed it would be possible for his own firm to extend a credit of one to two hundred million US dollars to the Bank of France for a period of between one and two years.[426] It seems that Benjamin Strong, governor of the New York Federal Reserve Bank, likewise used Lazard as a conduit for such information. On his return to Paris, Lazard duly passed on the message to the governor of the Bank of France, Émile Moreau, telling him "that Mr. Poincaré and the Bank of France were held in high regard both at the

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421 Charles F. Whigham, "Memorandum by C. F. W. for B. S. Carter: French Government Business," August 17, 1937, File 15 France, Box 30, Morgan European Bank Papers.

422 Quotation from J. R. Carter to Smith, November 8, 1926, File 9 France, Box 28, Morgan European Bank Papers; see also Smith to Carter, November 5, 8, 1926, George Whitney to Jay, November 9, 1926, File 9 France, Box 28, Morgan European Bank Papers.

423 Jay to Smith, November 16, 1926, File 9 France, Box 28, Morgan European Bank Papers.

424 Frank Altschul to Brand, n.d. [early November 1926], File72/1, Brand Papers.

425 Kindersley to Altschul, December 10, 1926, File Lazard Brothers, Altschul Overbrook Foundation Papers.

426 André Lazard to Michel Lazard and David Weill, May 4, 1927, File André Lazard, Altschul Overbrook Foundation Papers.

Federal Reserve Bank and the Morgan Bank." In addition, Moreau wrote: "He had been expressly asked to tell me that I would find in America all the credits I might need to stabilize the franc."[427] Brand, too, told the financial attaché of the French embassy in London that "the only permanent solution is stabilization in France."[428] Eventually, in June 1928, France stabilized its currency at the existing exchange rate, without resorting to further foreign loans and credits.[429]

The firm's role in stabilizing the franc helped to enhance the status of Lazard Frères in Paris against some of its older rivals, especially the once pre-eminent Rothschild banking house. The Lazard partners had been among the moving spirits in the operations of early 1924, that temporarily defused the exchange crisis. The eventual stabilization of the French currency was undertaken against the advice of Baron Édouard de Rothschild, head of the Rothschilds' Paris house, who had favored a return to the pre-war parity of the franc against sterling and the dollar, rather than an effective devaluation of the franc to one-fifth of its 1914 exchange rate. Lazards, by contrast, supported this far more realistic valuation of the franc, a pragmatic admission that returning to the pre-1914 world was no longer feasible. Rothschild's stance brought a lasting decline in his own firm's stature, while the standing of the Lazards in French financial and political circles appreciated dramatically. It was generally believed that the prominent role the Lazard partners played in the diplomacy of financial stabilization, including both their intellectual contributions and their ability to tap American funds when needed, had much to do with David Weill's admission in 1934 to the exclusive ranks of the council of regents of the Bank of France, a coveted honor in the world of high French banking. (Ironically, given the French partners' differences with the London firm over such issues as war debts and issues, their British and American connections gave rise to suspicions that they sometimes sacrificed their own country's interests to the demands of "Anglo-Saxon friendship" and even of Germany.)[430] When Michel Lazard, another French partner "particularly proficient in foreign exchange," died suddenly in 1928 at the age of sixty, obituaries in the foreign press paid tribute to his talents, stating that "the close relations of the Lazard firm with the French Government had called not only for a high degree of tact but of expert banking ability." According to members of the New York house, Michel Lazard "was chiefly responsible for the successful handling of the foreign

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427 Moreau, diary entry, June 8, 1927, in Moreau, *The Golden Franc,* 306-307.

428 Brand to F. Pouyanne, July 21, 1927, File 88/1, Brand Papers.

429 Steiner, *The Lights That Failed*, 437-438; Mouré, *The Gold Standard Illusion*, 128-144.

430 Rougemont, *Lazard Frères*, 395-398; Herbert R. Lottman, *The French Rothschilds: The Great Banking Dynasty Through Two Turbulent Centuries* (New York: Crown Publishers, 1995), 167-170; Niall Ferguson, *The House of Rothschild: The World's Banker 1849-1999* (New York: Viking, 1999), 463; Ahamed, *Lords of Finance*, 265-268; Maier, *Recasting Bourgeois Europe*, 507-508; Orange, *Ces Messieurs de Lazard*, 92; Sabouret, *MM. Lazard Frères et Cie*., 96-100. Rothschild's persistent opposition to stabilizing the franc at this rate may be followed in detail in Moreau, *The Golden Franc*.

exchange problems and also for a general expansion which ha[d] taken place in the firm's business."[431]

The Paris firm's operations continued to grow. By 1926 the firm had become the French financial representatives of the Royal Dutch Shell group, a leading international oil company whose securities were "one of the favorite foreign issues with French investors."[432] In 1927 the Paris firm also acquired a major stake in the French car manufacturer Citroën, buying 400,000 preferred shares at 500 francs each, the equivalent of $8,000,000, thereby trebling Citroën's capital. In collaboration with J. P. Morgan & Co. Lazard then undertook a wideranging financial reorganization of the rapidly growing company, equipping it to produce at least 400 and potentially 1,000 automobiles daily, and overhauling and upgrading the subsidiary finance company which provided credit to purchasers of Citroën vehicles.[433] Much of the credit for this particular undertaking belonged to the energetic André Meyer, a new Lazard partner, who was recruited by David Weill in 1927, and had quickly become a close friend of Pierre Weill.

Early in 1929 an older partner, Raymond Philippe, left the Paris Lazard house, the loser in a power struggle between himself and Meyer. According to Meyer's biographer, "[t]here was not a trader in France who was lionized as Philippe was, who commanded the prestige and influence he had at his fingertips."[434] Somewhat to Altschul's irritation, Philippe arrogated to himself much of the public credit for the rescue of the franc in 1924; he also had a habit of proclaiming that, without his contributions, Lazard Frères would collapse. The firm simply was not large enough to contain two such strong personalities as himself and Meyer.[435] Kindersley commented to Altschul that this "parting has been inevitable for some time in my opinion, but it has come sooner than I expected."[436] As Altschul would eventually to his own discomfiture discover, this would not be the last time that Meyer would brutally oust a business rival who initially appeared far better entrenched than himself. The French Lazard firm's growing eminence became apparent in February 1929, when it was one of six banks, only two of them French—the others being the Bank of Paris, the British Hambros Bank, and three American firms, Blair & Co., Dillon Read, and the Chase Securities Corporation—that arranged a $75,000,000 loan to

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431 "Michel Lazard Dies Suddenly in Paris," *New York Times*, July 10, 1928; Rougemont, *Lazard Frères*, 464-465.

432 "City Notes," *The Times*, April 27, 1926; "Royal Dutch in Paris," *Wall Street Journal*, April 28, 1926; "Royal Dutch," *Wall Street Journal*, November 6, 1926.

433 "Lazard Freres Buys Citroen Stock," *New York Times*, June 8, 1927; "Purchase French Auto Stock," *Wall Street Journal*, June 8, 1927; "Citroen Automobile Entering New Phase," *Wall Street Journal*, December 8, 1927; "Citroen-Selling Organization," *Wall Street Journal*, July 17, 1928; Rougemont, *Lazard Frères*, 454-462, 467-470; Lazard Frères & Co., *Lazard Frères & Co.*, 25; Cary Reich, *Financier: The Biography of André Meyer* (New York: John Wiley, 1983), 29-30; Orange, *Ses Messieurs de Lazard*, 92-95; Sabouret, *MM. Lazard Frères & Cie.*, 91-94.

434 Cary Reich, *Financier: The Biography of André Meyer* (New York: John Wiley, 1983), 29.

435 Rougemont, *Lazard Frères*, 465-466; Anne Sabouret, *MM. Lazard Frères: Une Saga de la Fortune* (Paris: Olivier Orban, 1987), 83-84; Martine Orange, *Ces Messieurs de Lazard* (Paris: Éditions Albin Michel, 2006), 91.

436 Robert Kindersley to Altschul, February 20, 1929, File Lazard Brothers & Company, Altschul Overbrook Foundation Papers.

stabilize the Rumanian currency. The London and New York houses both helped to market these bonds. In a deliberate effort to rival the Bank of England as a leader of international recovery, the arrangement, which was perceived as ratifying France's economic regeneration, was brokered by the Bank of France, one of whose officials became was appointed adviser to the Rumanian National Bank for three years.[437]

Frank Altschul in Lazard New York, 1925-1929

Frank Altschul's dramatic though publicly unheralded part in providing assistance to the French government almost certainly gave him added advantages in the internecine battles within the New York Lazard house. Thereafter his stock stood high with the Paris partners. In March 1925, David Weill asked Altschul to serve as intermediary in a proposed deal whereby the Société Franco-Belge de Matériels de Chemins de Fer, a railway concern in which Lazard Paris had a large stake, would make the Baldwin Locomotive Company of the United States its foreign agent for sales everywhere but in France and Belgium.[438] Later that year, the firm offered $5,000,000 of fifteen-year gold debentures for the American Type Founders Company, a prestigious undertaking even though one year later differences over policy and personality clashes would lead a Lazard director to resign from that company's board.[439] In summer 1925 Altschul made a brief visit to Paris, a trip that André Lazard told him had, for both the Paris and New York houses, been "as satisfactory as possible," and that Altschul could set to work "in the spirit of friendship and reciprocal confidence absolutely essential to success."[440] Altschul also steered potential underwriting and issuing business for American firms on the London market toward Lazard Brothers.[441] In October 1925 Frank Altschul, who had taken over George Blumenthal's New York Stock Exchange seat two years earlier, was elected a governor of that body. He told his Paris partners that, given Blumenthal's anticipated retirement at the end of the year, this "represent[ed] a recognition on the part of an important element of the business community of the fact that L.F. continues to carry on regardless of pending changes." He was

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437 "Rumania to Get Loan of $75,000,000," *Wall Street Journal*, February 4, 1929; Ahamed, *Lords of Finance*, 301-302; Steiner, *The Lights That Failed*, 282; Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 155-156; Mouré, *The Gold Standard Illusion*, 167-171; Clay, *Lord Norman*, 260-265; Chandler, *Benjamin Strong*, 403-422; Meyer, *Bankers' Diplomacy*, 100-137; Duchêne, *Jean Monnet*, 47.

438 David Weill to Altschul, March 5, 1925, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York.

439 "$5,000,000 Issue by Type Founders," *New York Times*, October 9, 1925;"$5,000,000 American Type Founders 6s," *Wall Street Journal*, October 9, 1925; "McGrath Quits Type Co.," *New York Times*, September 17, 1926.

440 André Lazard to Altschul, June 8, 1925, File André Lazard, Altschul Overbrook Papers.

441 Lazard Brothers to Lazard Frères New York, December 2, 1925, File 59/2, Brand Papers.

also pleased, as was his father, that he would immediately have a seat on the Committee on Stock List, the most prestigious of the Exchange's assorted committees.[442]

For some time, it seems, the tensions between Blumenthal and the other American partners had made the atmosphere in Lazard's New York establishment decidedly strained. In Baerwald's recollection, "differences in N.Y. began to develop. Peace was not always easily kept & later on things began to move towards a crisis. . . . Turbulent months followed until the final decisions opened a new chapter."[443] Matters in New York came to a head in spring 1925 when the younger men, Altschul, Baerwald, and McGrath, demanded full powers during Blumenthal's customary extended spring and summer trip to Europe, and the French house backed them in this demand. Infuriated at this threat to his authority, in May 1925 Blumenthal left New York, accompanied by his protégé Fred Greenebaum.[444] Efforts by Sir Robert Kindersley to mediate proved fruitless.[445] In July 1925, Charles Altschul told Brand how, with Blumenthal away in Europe, "[a]t the office . . . happiness prevails." Altschul did not expect this situation to last, predicting "that upon G.B.'s return, his disappointment at realising that N.Y. is quietly going along the path as usual, will irritate sufficiently to let him forget the friendly warnings he has received, and will induce fresh outbursts. But the firm will stand firmly for all that."[446] At the end of 1925 Blumenthal retired from Lazard, taking most of his clients with him, and leaving Frank Altschul as the leading partner. At this time Altschul also brought in as a partner a Yale classmate and friend, Lester Perrin, who had earned a degree in engineering the Massachusetts Institute of Technology and served as a captain in the infantry in France. During the Paris peace conference, Perrin was attached to the American Peace Commission's Section on Political and Territorial Intelligence, in charge of the office collecting information on the boundary problems of new states, and was American secretary of the commission that recommended boundaries for Romania and Yugoslavia. After the war, he had worked for the Guaranty Trust Company.[447] Three years later another Guaranty Trust Company vice-president, George Burr, followed Perrin to Lazard Frères as a partner, replacing Paul Baerwald, who felt somewhat "obsolete" among his younger American-born colleagues, especially since the Paris firm "supported Altschul at all

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442 Altschul to Lazard Frères & Cie., October 23, 1925, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York; see also Charles Altschul to Hammerschlag, November 9, 1925, File Paul Hammerschlag 1925, Charles Altschul Files, Altschul Papers; "Committees Named on Stock Exchange," *New York Times*, May 13, 1926.

443 Baerwald, draft letter to Lazard, July 19, 1927, Box 2, Baerwald Papers.

444 Rougemont, *Lazard Frères*, 449.

445 Kindersley to Frank Altschul, June 8, 30, 1925, File Lazard Brothers, Frank Altschul Overbrook Foundation Papers.

446 Charles Altschul to Brand, July 26, 1925, File 71/1, Brand Papers.

447 "Year-End Changes in Wall St. Firms," *New York Times*, December 18, 1925; "Stock Exchange News," *New York Times*, December 20, 1925; "George Blumenthal, 43 Years in Wall Street, Quits Banking for Philanthropic Work," *New York Times*, December 31, 1925; Frank Altschul to David Weill, December 7, 1925, File Lazard Frères, Paris, Frank Altschul Papers, Overbrook Foundation, NY; "Lester W. Perrin, 86, Dies; Former Investment Banker," *New York Times*, January 8, 1973; Richard R. Smith, *History of the Class of 1908 Yale College Volume III Quarter Century Record 1914-1939* (New York: privately printed, 1940), 124-125; Rougemont, *Lazard Frères*, 449-450.

points."[448] Although "the Paris firm was very greatly pleased" at Blumenthal's departure, the separation was acrimonious enough to cause Charles Altschul to mention "the unpleasantness of the changes in the firm here."[449] At this point Altschul and his Paris partners were apparently in accord, that it was essential to follow extremely prudent business policies.[450] Two months later, André Lazard wrote Altschul, expressing his delight that Frank was now in control of the New York house.[451] Altschul, who was planning an extended tour of France in April and May 1926, accompanied by his wife and eldest son, looked forward to "the first vacation that I have had with no unpleasant worries to disturb it in several years."[452]

Scarcely had Altschul won control of the New York firm, however, before it became the target of a determined campaign by his British partners to steer the bank's business in an almost completely new direction. The London firm was eager to develop close ties with one or more American financial houses, primarily as a means of tapping the resources of the New York market. Logically, given their common antecedents, Lazard Frères New York might have seemed the only real candidate for such a role. Yet, as early as August 1921, Lazard Brothers had inquired whether Lazard New York would be interested in undertaking acceptance business on behalf of the London firm, only to discover that the commissions New York wished to charge them were too high, and all the partners of the American firm felt "this kind of business does not suit us." Lazard Brothers, who felt it "very important . . . in order to keep and extend our good connection here [in London], that we should be able to offer facilities of this kind in New York," therefore felt "free to make other suitable arrangements in other quarters if we find it necessary."[453] Three years later, little had changed. In December 1924, Brand reported back to his colleagues in London that the New York house handled little in the way of acceptances or commercial paper, and was not eager to develop this area, on the grounds "that the risks of the business and the fierce competition make it not worth their while to develop it either as regards

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[448] Rougemont, *Lazard Frères*, 450; Baerwald, draft letter to Lazard, July 19, 1927, Box 2, Baerwald Papers.

[449] Quotations from Charles Altschul to Hammerschlag, November 9, 1925, File Paul Hammerschlag 1925, and Charles Altschul to Hammerschlag, January 12, 1926, File Paul Hammerschlag 1926-1927, Charles Altschul Files, Altschul Papers. On the acrimonious aspects of their parting, which apparently left Blumenthal bitterly and in all probability inaccurately recounting to various friends that in 1904 he had rejoined the Lazard firm only at the pressing entreaty of its other members, see also Charles Altschul to André Lazard, September 8, 1926, enclosing Charles Altschul to Lazard Frères & Cie., Paris, April 25, 1904, and Lazard to Altschul, September 24, 1926, File Lazard, Charles Altschul Files, Altschul Papers. Almost ten years later, however, in April 1934, Blumenthal made overtures to Frank Altschul, suggesting to him via another partner that it "was about time to put an end to old disagreements ." Altschul responded warmly, visited Blumenthal at the latter's house, where a reconciliation between the Lazard houses and their former partner took place, a development that David Weill, the firm's patriarch, welcomed, thinking it "very pleasant to be able to put an end to old disagreements in such a decent way." Altschul to André Meyer, April 14, 1934, File André Meyer, General Correspondence, Altschul Papers; David Weill to Altschul, April 21, 1934, File David Weill, General Correspondence, Altschul Papers.

[450] David Weill to Altschul, December 4, 1925, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers.

[451] André Lazard to Altschul, February 28, 1926, File André Lazard, Altschul Overbrook Foundation Papers.

[452] Altschul to André Lazard, March 11, 1926, File André Lazard, Altschul Overbrook Foundation Papers.

[453] Brand to Frank Altschul, August 3, 1921, File 43, Brand Papers.

dollar or sterling acceptances." If Lazard Brothers London wished to break into this field in the United States, they would have to collaborate with other New York financial institutions. The New York house had not, as yet, done much issuing business, and in this area too Lazard London would do better to work with some other investment bank, such as Dillon Read or the Guaranty Trust Company. Brand did, however, consider Lazard Frères in New York "exceptionally well placed for advising foreigners, whether in England or the continent, on American investments." He thought that "we might build up a big business which would pay them and might pay us."[454]

In spring 1920, Frank Altschul gave his former Yale classmate, Harold Stanley, then a vice-president of the Guaranty Trust Company of New York, an introduction to Brand, describing Stanley as "one of the most promising of the younger men in the large [New York financial] institutions today."[455] On at least one occasion, in 1922, the two firms collaborated together in issuing Japanese bonds.[456] By 1925 Stanley had become president of the Guaranty Trust, and Altschul, knowing that Lazard Brothers were seeking to establish closer American links, gave him a further introduction to Sir Robert Kindersley. Since Kindersley would be out of town for the next two months, Brand replied, stating that "[e]verything I have seen of [Stanley] was, I thought, good," and promising Lazard Brothers would "take all the opportunities we can to see him here this time."[457] Brand saw Stanley at least once more, and informed him of Altschul's request that the New York house "should have an opportunity of joining [the Guaranty Trust] in any business originating with [Lazard Brothers]."[458] Lazard Brothers also gave him an introduction to Jakob Goldschmidt of the Darmstädter and National Bank of Berlin, their closest German associate.[459] The contacts seem to have been fruitful. In June 1926 Lazard Brothers acted as intermediaries in arranging an acceptance credit of 8 million francs with Lazard Frères in Paris, on behalf of the Guaranty Trust Company, which wished to finance an American firm's import of calculating machines to France.[460] They also collaborated on Colombian financing. In early 1927, Brand would refer to the Lazard Brothers-Guaranty Trust relationship as an "alliance."[461]

Blumenthal's departure seems to have been a signal for Lazard Brothers in London to suggest major changes in the future strategy of the various Lazard firms and their relations with each other. For the London partners, the possibility of expanding their own operations in New York was clearly alluring. Bank of France officials believed that Kindersley was one of "a group of

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454 Brand, "Memorandum," December 22, 1924, File 94/1, Brand Papers; see also "Confidential Memorandum," n.d. [1924], File 75/1, Brand Papers.

455 Frank Altschul to Brand, April 15, 1920, File 48/1, Brand Papers.

456 Brand to Lazard Frères & Co., July 28, 1922, File 50/1, Brand Papers.

457 Brand to Frank Altschul, August 17, 1925, File 71/1, Brand Papers.

458 Brand to Lazard Frères New York, October 7, 1925, File 59/2, Brand Papers.

459 Brand to Goldschmidt, August 27, 1925, File 74/2, Brand Papers.

460 Lazard Brothers to Lazard Frères & Cie., File 59/2, Brand Papers.

461 Brand to Kindersley, January 3, 1927, File 78/1, Brand Papers.

financiers who revolve[d] around" Governor Montagu Norman of the Bank of England. By 1926, with the pound back on gold and "British financial power restored, their efforts," Pierre Quesnay of the Bank of France reported back to Governor Émile Moreau, "are oriented towards making London a great center of international finance."[462] Yet, in order to facilitate Britain's return to gold, early in 1925 Norman imposed a temporary embargo on most foreign borrowing in London, to prevent an outflow of funds that might undermine this objective.[463] Brand was well aware that the London capital market could no longer meet all the demands for borrowing that came to it, in August 1925 describing to one correspondent how: "Recently Dominion Governments, like the Australian, have only been able to borrow part of their requirements in this country, and have for the first time gone to New York for the balance."[464] Around the same time he told Lazard's Canadian agent Peter Perry that it was "cheaper to issue in New York than London, and just now this country has very little money to lend to foreign countries."[465] Even if the Bank of England's embargo were relaxed, it was not clear just how much money would be available in London for foreign financing.[466]

For the directors of Lazard Brothers in London, the solution was increasingly clear: they should turn to the United States, and attempt to maximize the lucrative potential for themselves of their sister firm in New York. Kindersley visited New York in April 1926, where he addressed an audience of leading bankers at the monthly Bond Club luncheon meeting at the Bankers Club. He painted a moderately reasonably optimistic picture of the European situation, arguing that, even if there had recently been temporary setbacks to international progress, in terms of a failed international disarmament conference at Geneva and the postponement of Belgian currency stabilization, the public "had been wafted along in the ecstasy of the spiritual breezes of Locarno" into perhaps unreasonable expectations of constant accomplishment by the League of Nations. Overall, Kindersley claimed, the "profit and loss account of the League to date will show a heavy balance on the profit side." Kindersley also urged the need for Britain and the United States to follow different economic strategies. In Britain, he argued, the population must save and "accumulate money that we hope will enable England to increase her foreign loans, which will bring about larger exports of her products to many parts of the world." The situation in the United States, however, was different:

> If I were to shift my headquarters to New York, I should become a high priest of extravagance and preach the advantages of spending. For it is only by economy in Europe and extravagance in America that a proper adjustment can be made. It is by spending that your great industries were built up and are being maintained and money

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462 Moreau, diary entry for October 19, 1926, in Moreau, *The Golden Franc*, 126.

463 Sayers, *The Bank of England*, 1:148; Clay, *Lord Norman*, 220; Moggridge, *British Monetary Policy*, 205-211.

464 Brand to Sale & Co., August 18, 1925, File 80/2, Brand Papers.

465 Brand to Perry, July 7, 1925, File 80/1, Brand Papers.

466 Brand to Perry, March 25, 1925, File 80/1, Brand Papers.

> raised to enable Europe to expand her export trade, a necessary step in international progress.[467]

Kindersley and his partners viewed the United States not just as a market for European exports, but also as a source of investment capital for foreign loans and issues that they sought to tap on behalf of Lazard Brothers. In fall 1926 Brand spent two months in the United States, where he had lengthy discussions with the New York Lazard partners and other top American bankers. In late October 1926, shortly after his return, Brand reported to Sir Philip Cunliffe-Lister of the British Board of Trade his "impression" that New York was "by far the greatest capital market in the world. Its internal investment market has grown immensely, and even in foreign issues it far outstrips London at present."[468] He produced a lengthy memorandum on the situation there, to be discussed by Kindersley, Frank Altschul, and Pierre Weill. In a cover letter, he told Kindersley:

> The firms of Lazard depend for their future on their <u>international</u> position, particularly in face of the competition, increasingly more serious, of the big banks. New York is going to be in my opinion incomparably the most powerful financial centre in the world. Can Lazards maintain a first-rate position in Paris and London without being really strong in New York? On the other hand, what position might they not reach, if they were in a first-rate position there as well as in London and Paris.[469]

Brand's report on the New York situation described that city as being, "so far as weight of capital is concerned, by far the strongest financial centre in the world," one whose wealth was likely to continue growing "at a faster rate than that of the rest of the world." New York was at that time "lending a great deal more money to foreign countries than England." It also possessed "incomparably the biggest and most active internal issuing market in the world." In Brand's view:

> The main question is therefore whether the firms of Lazard wish their New York house to build up in this great centre a really active business, whether in the local or the foreign field, or both, or whether they are content to do a more or less purely investment business for their own account together with a Stock Exchange commission business which, while they should be remunerative, will not create a standing for them in the active world, or build up a goodwill, or assist the growth of London and Paris.

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467 Quotations from "British Banker Urges Extravagance Here to Counterbalance Thrift in Europe," *New York Times*, April 15, 1926; see also "Sir Robert Kindersley to Speak," *New York Times*, April 14, 1926; transcript of Kindersley's remarks to Bond Club of New York, April 14, 1926, File Lazard Brothers, Altschul Overbrook Foundation Papers.

468 Brand to Sir Philip Cunliffe-Lister, October 29, 1926, File 93/1, Brand Papers.

469 Brand to Kindersley, October 29, 1926, File 78/1, Brand Papers.

In Brand's opinion, a strong American connection would be particularly valuable to Lazard Brothers in London. Although "L. B. & Co. have built up in the past 20 years a position, which enables them to compete with much older established accepting and issuing houses in London," he felt "these latter have many advantages from having been first in the field." Most of these "chief competitors" in London also enjoyed exclusive relationships with well established New York financial houses, giving them still more of an edge.[470]

Brand found it more problematic, however, to prescribe just how the Lazard firms should respond to this situation. As he said: "L.F. [New York] admit this fact. But they ask quite rightly exactly what London wants them to do. They grant us a line of acceptance credit, which we hardly use at all; and they have expressed their willingness gradually to develop the issuing business." Careful investigation of the acceptance market in New York revealed that it was subject to strict regulation, not particularly profitable, and largely restricted to foreign transactions, reasons why several top New York banks had deliberately chosen not to develop this area. Yet, if the London firm opened a separate American branch, it would be treated as a foreign bank operating in New York, and therefore subject to additional restrictions.

Brand gave a frank and revealing analysis of the New York firm's existing operations at this time, one of the few surviving overviews of its dealings:

> L.F.'s present business is in the main that of investing their capital in easily realisable and largely speculative securities together with a satisfactory commission business bringing them about $500,000 a year and arising out of their Stock Exchange membership. It may be estimated that with reasonable times they may make $1500,000 a year, year in and out; much more in good times like the present, much less in bad times. The organisation is thoroughly efficient at and adapted to this business, which is more or less that of a private investment trust. The business has hitherto been remunerative, with less risk and effort than others, and it would be unreasonable for London to ask that it should be abandoned or largely curtailed solely for an accepting and foreign banking business, which would be more risky, less remunerative, and require a totally different organisation and aptitude. A business of the present kind, however, does not assist London.

The New York partners had told him that they intended "to build up their capital out of profits and gradually to enter more actively the issuing field." Brand suspected that this would not be easy, since their current operations required much "individual attention" from the partners, and it would be difficult for them to undertake "an active issuing and financing business" in addition to these. To do so would also require, he argued, that "either their investments would have to be largely curtailed or their capital considerably increased."

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[470] On foreign banks' representation in New York during the 1920s, see Mira Wilkins, *The History of Foreign Investment in the United States 1914-1945* (Cambridge, MA: Harvard University Press, 2004), 274-284.

Options Brand suggested included bringing in an additional partner or partners "with high standing in the financial world" to the New York firm, specifically to develop the issuing side of the business; merging with some other financial institution; or setting up a parallel Lazard organization "to do a general financial and banking business, foreign and internal issuing, accepting, etc." The third option "would of course require a new personnel and considerable capital." One possibility Brand raised was that all three Lazard firms, "and possibly other continental interests," should provide the capital for a new entity, with some such name as the "Lazard Banking Corporation," to specialize in financing and issuing. Whatever Brand proposed, however, he recognized that, given the ownership structure of the different Lazard firms, the ultimate disposition of these suggestions rested not with London but with Paris, and though he had "raise[d] far-reaching questions of policy [it was] for L. F. & Cie. to decide."[471]

Few if any records seem to have survived documenting the French partners' reaction to the suggestion that they undertake a major reorganization of their entire New York operations primarily as a means of enhancing the international position of the London house. Frank Altschul hurried over to Europe in late October 1926 for "joint discussions" in Paris with his British and French partners. Rather uncommunicatively, Brand later reported to his American partner's father that they had been "delighted to see Frank here looking well."[472] Frank Altschul's assiduous cultivation of his Paris partners over the previous six or seven years apparently paid dividends, as the French firm forbore to press London's recommendations on New York. Since the First World War, the London Lazard firm had marched to its own drummer, in a way that had not been open to New York. But, without the endorsement of the Paris house, London could not bend Lazard New York to its own purposes. It is tempting to speculate that earlier differences with Brand and Kindersley over reparations and French policy toward Germany may have led their Paris colleagues to prefer the status quo in New York, but this is at best an informed guess. A few weeks before Brand set off for the United States, Kindersley described his "Paris partners" to Brand as "extraordinarily indiscreet," further evidence that the London-Paris relationship still had its strains.[473] What is clear is that, just as the Round Table group saw an Anglo-American alliance as a means of preserving the British Empire's international standing, the Lazard partners in London looked to the economic resources of the United States as a means of escaping relegation to the second-class financial position that, in the aftermath of the First World War, institutions in the City of London enjoyed by comparison with their wealthier rivals in New York. Early in 1927, Brand confessed to the Canadian Sir Joseph Flavelle that it had "been painfully evident the last few years, that this country [Britain] now has much less money to lend abroad than it had before the war." Indeed, "at the moment we do not count in comparison with the United States. The flow of money from

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471 Brand, "Memorandum," October 26, 1926, File 87/2, Brand Papers.

472 Frank Altschul to Brand, n.d. [late October or early November 1926], Brand to Charles Altschul, November 29, 1926, File 72/1, Brand Papers.

473 Kindersley to Brand, July 16, 1926, File 59/1, Brand Papers.

that country to Europe is at the present moment truly astonishing."[474] Since the war ended, and perhaps even before, the riches to be found across the Atlantic had possessed an almost magnetic attraction for other international financiers, who saw in these potential salvation from the difficulties their own institutions and countries were facing. In 1927 Brand told J. Ramsay MacDonald, the Labour politician and former prime minister: "The wealth and savings of the United States are simply extraordinary now, and they have this advantage to us, that they will spread to some extent over the world, tend to reduce interest rates all over the world, and thus assist in our problem."[475]

As they pondered their American options, and realized that a major recasting of Lazard Frères New York was almost certainly not on the cards, Lazard Brothers also considered the advantages of a "really more or less exclusive" and "lasting . . . alliance" with the long-established New York investment bank, Kuhn, Loeb & Company. Brand believed that this "would have considerable advantages in view of the great strength and reputation" of that firm, though "one has to recognise the Jewish and non-Jewish division in New York, and we should be ranking ourselves on the Jewish side as against Morgans, the Guaranty Trust etc." He suspected that Lazard dealings with Kuhn, Loeb "would be almost entirely of the issuing and financial kind, as I understand they do no acceptance business, and therefore I suppose very little international banking as such." This would leave the London house "free to develop this side, either with our own house or with other institutions." Brand noted the fears of the New York house, now headed by Altschul, "that their growth will be stunted, and that they may be more subordinated than they would be if we developed our alliance with the Guaranty Trust." Perhaps somewhat optimistically, he nonetheless argued that, given the absence of competition from Kuhn, Loeb, the Lazard firm in New York would still be free to develop its "acceptance business," while Kuhn, Loeb would "recognise that they have to give our New York friends a position" in issuing business, which might "give them a standing in New York in a quicker way than any other." Brand believed that the Paris house would "find the kind of business that K.L. do fit in well with theirs," though he was not so sure that this was true of the various connections that the Internationale Bank of Amsterdam, in which Lazard Brothers had a large stake, had developed in Germany.[476] When André Lazard of the Paris firm visited New York in May 1927, Mortimer Schiff of Kuhn, Loeb said that his own firm would be happy to undertake business with the London or Paris house "on a non-competitive basis." Lazard, in return, told Schiff that, should such opportunities arise, the Paris firm would certainly ask its partners in New York to deal with Kuhn, Loeb, a response caused in part by the fact that, throughout their interview, Schiff seemed to have completely forgotten the very existence of Lazard New York.[477]

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474 Brand to Sir Joseph Flavelle, April 26, 1927, File 76/2, Brand Papers.

475 Brand to J. Ramsay MacDonald, February 9, 1927, File 92/2, Brand Papers.

476 Brand to Kindersley, January 3, 1927, File 78/1, Brand Papers.

477 André Lazard to Michel Lazard and David Weill, May 4, 1927, File André Lazard, Altschul Overbrook Papers.

The London Lazard partners discussed this and other options with Frank Altschul. When he visited Europe in summer 1927, he told Brand, who was away on holiday, that he would have welcomed "an opportunity of talking over your New York problems as so much new has developed since last we went over this ground together." He hoped, however, to discuss the situation with Altschul's partners, Emile Pusch and Granville Tyser, admitting, however: "My only regret is that I find it so much easier to see difficulties than solutions."[478] The British economic situation continued to be somewhat lackluster. Arriving in New York on a three-week visit early in 1928, Kindersley told reports that "[t]rade and industry in England appeared to be showing signs of recovery, assisted by the results of stabilization in the principal countries of Europe." He warned, nonetheless, that "recovery would be slow because England's capacity to save and therefore to lend had been seriously interfered with by the war and resultant taxation."[479] Britain's faltering economic resources were a continued incentive propelling the British Lazard firm's campaign to enhance its American links.

Eventually, Lazard Brothers decided to establish a long-term relationship with the Chase Bank of New York, a move that Lazard New York apparently applauded. Sir Robert Kindersley expressed the hope that this new link would "be beneficial not only to us in London, but to the New York House."[480] Altschul, in reply, said that the New York firm could with "pleasure . . . whole-heartedly approve this step." Looking back on several years over which Lazard Brothers had considered various strategies to enhance their American profile, he told Kindersley: "We have recognized for a long time that it was imperative for you to have a direct tie-up of this kind and if we have at times been reluctant to fall in with some of the solutions that appeared on the horizon, this has been, as you know, purely because we did not feel that the solutions proposed were themselves likely to prove satisfactory."[481] By the end of 1928, however, the agreement with the Chase still remained unfinalized, with the sticking point apparently "the paragraph regarding Continental issues." This may have been because the Chase was at that time lending heavily to German firms and municipalities, issues which would soon become extremely problematic, and did not wish to share such business with Lazard Brothers and its European affiliates.[482] In 1930, Altschul himself became a director of the reorganized Chase National Bank, with which Lazard New York had already cooperated on various issues in the American market.[483]

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478 Altschul to Brand, August 8, 1927, File 73/2, Brand Papers.

479 "British Banker Arrives," *New York Times*, February 10, 1928.

480 Kindersley to Altschul, March 14, 1928, File Lazard Brothers, Altschul Overbrook Papers.

481 Altschul to Kindersley, April 5, 1928, File Lazard Brothers, Altschul Overbrook Papers.

482 Percy Horsfall to Brand, December 24, 1928, File 90/1, Brand Papers. On Chase's policies on foreign loans, see John Donald Wilson, *The Chase: The Chase Manhattan Bank, N.A., 1945-1985* (Boston: Harvard Business School Press, 1986), 13-16.

483 "Long Records Back New Bank's Heads," *New York Times*, March 19, 1930; Chase National Bank display advertisement, *New York Times*, October 2, 1930.

With the British campaign to redirect Lazard Frères New York toward issuing and acceptance business checkmated, Altschul was finally free to establish General American Investors, the investment trust or mutual fund he had long sought to set up, to maximize the business potential of his "nose for investment." His firm did so in January 1927, with a public offering of $7,500,00 of twenty-five year 5½% debentures on the New York market, in collaboration with Lehman Brothers, an institution with which Altschul had close family ties and often worked. There were, apparently, some hurt feelings in London and Paris that some of these securities were not also offered through their good offices on those markets, but the issue was nonetheless oversubscribed. The new organization was chartered in the state of Delaware, with the expressed wideranging mission "to acquire, hold, sell and underwrite securities of any nature, both foreign and domestic." An exultant Altschul told the Paris firm that "this issue has done a great deal to add to the prestige of the New York firm."[484] His British colleagues apparently respected his expertise. Several years earlier, Brand had requested Altschul to "invest $35,000 for Mrs. Brand in stocks of same character as General Electric or good copper stocks. Leave you discretion."[485] In 1927, Brand requested Altschul's advice on investing £30,000 to £50,000 in American securities, with a view to "capital appreciation rather than income."[486] Warily, Altschul warned that "advances [in the stock market] have been too conspicuous and general to leave one with any other feeling than that of caution." Even so, he was "still . . . confident with regard to the outlook" and believed "we could find some good opportunities for you when you are ready."[487] In the eleven months after its establishment, General American Investors realized profits of $1,085,555, and the market value of its securities increased by $710,594.[488] In 1928 the new trust made a net profit of $3,307,748, and approved a one hundred percent stock dividend.[489] In October 1928 Lazard New York and Lehman Brothers set up an additional $15,000,000 investment trust, the Second General American Investors Co., which issued a further $10,000,000 in debentures. Subscribers to the original General American Investors were expected to be able to exchange their shares for holdings in the new company. All the directos of both concerns were drawn from Lazard Frères and Lehman Brothers.[490] In June 1929,

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484 See Altschul to Lazard Frères, Paris, January 28, 1927, File General American Investors, Altschul Papers, Overbrook Foundation; also Altschul to Lazard Brothers, January 28, 1927, Lazard Frères, New York, to L. A. Weill, January 27, 1927, ibid.; "General American Investors," *Wall Street Journal*, January 27, 1927; "Day's Bond Issues Cover Wide Range," *The Times*, January 28, 1927; advertisement for General American Investors, *New York Times*, January 28, 1927; Cohan, *The Last Tycoons*, 27.

485 Brand to Altschul, January 5, 1925, File 77/1, Brand Papers.

486 Brand to Altschul, August 3, 1927, File 73/1, Brand Papers.

487 Altschul to Brand, August 8, 1927, File 73/2, Brand Papers.

488 "Investment Fund Reports," *Wall Street Journal*, January 13, 1928; "Reports $1,085,555 Profits," *New York Times*, January 12, 1928.

489 "American Investors Plan 100% Dividend," *New York Times*, May 8, 1929; "100% Stock Dividend by Finance Concern," *New York Times*, May 9, 1929; "Ratify Stock Proposal," *Wall Street Journal*, May 30, 1929.

490 "New Investment Trust," *Wall Street Journal*, October 17, 1928; "$15,000,000 Capital for New Corporation," *New York Times*, October 17, 1928; "Second General American Investors Company, Inc.," advertisements, *New York Times*, October 17, 20, 1928; "A New American Investment Trust," *The Times*, October 18, 1928.

Altschul explained to his French partner André Lazard his plans to reorganize and consolidate General American Investors, combining the two trusts, so that altogether "the company would have assets in excess of $40,000,000," including $10,000,000 preferred stock, $7,500,000 of bonds, and $22,500,000 of "junior money."[491] This plan was put into effect in September 1929, when stockholders approved a merger of the two concerns.[492] At the end of 1929 the company reported profits of $6,707,745 on sales of securities before the market declined, though the value of its holdings had fallen $7,230,737 over the year, to $32,600,188. In January 1930, the firm was listed on the New York Stock Exchange.[493] So, too, was another investment trust formed in September 1929, the Lehman Corporation, capitalized at $100 million, an organization in which Lazard Frères New York and General American both invested heavily.[494]

Other business, some domestic, some international, flourished. Paul Baerwald, a partner in the New York house, visited Germany in 1926, and met with Jakob Goldschmidt, the British firm's long-time German ally.[495] Later that year, in November, Altschul himself met with Goldschmidt and other German bankers in Berlin, on a trip that also included a visit to Frankfurt and a meeting with Pierre Weill and his British partner Émile Pusch in Amsterdam.[496] In August 1926, Lazard Frères Paris named Frank Altschul as the third Lazard representative on the Canadian subsidiary, Lazard Investments Limited, just established in Montreal by Lazard Brothers.[497] In 1926 Altschul was one of the committee of stockholders charged with reorganizing the distressed Central Leather Company.[498] By the end of 1926 Lazard New York was involved in negotiations to become bankers to the prestigious Radio Corporation of America, one of the pioneers in both radio and the movie business.[499] For several years Altschul served as director of the Keith-Albee-Orpheum chain of motion picture theaters that RCA acquired in late 1928.[500] Lazard

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491 Altschul, "Memorandum for Mr. André Lazard," June 3, 1929, File André Lazard, Altschul Overbrook Papers.

492 "Investor Concerns in $40,000,000 Deal," *New York Times*, August 7, 1929; "Investment Trusts to be Consolidated," *New York Times*, September 5, 1929.

493 "Gen. Am. Invest. Report for '29," *Wall Street Journal*, January 13, 1930; "Trust's Holdings Shrink $7,230,737," *New York Times*, January 13, 1930; "Lehman-Lazard Trust Listed on Exchange," *New York Times*, January 23, 1930.

494 "Lehmans Forming Investment Trust," *New York Times*, September 11, 1929; "New Lehman Issue on Market Today," *New York Times*, September 16, 1929; "City Notes," *The Times*, September 17, 1929; "Lehman-Lazard Trust Listed on Exchange," and "Listings Approved by Stock Exchange," *New York Times*, January 23, 1930.

495 Brand to Goldschmidt, July 13, 1926, File 76/2, Brand Papers.

496 Altschul to Kindersley, November 26, 1926, File Lazard Brothers, Altschul Overbrook Foundation Papers; see also Altschul to Lazard Frères & Cie., November 25, 1926, File Lazard Frères, Altschul Overbrook Foundation Papers.

497 Lazard Frères to Altschul, August 5, 1926, Altschul to David Weill, August 17, 1926, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York.

498 "Central Leather Co. Readjustment Plan," *Wall Street Journal*, June 15, 1926; "Central Leather to Readjust Stock," *New York Times*, October 6, 1926; "Central Leather Company Readjustment of Share Capital," *Christian Science Monitor*, January 24, 1927.

499 Lazard Frères to Altschul, August 5, 1926, Altschul to David Weill, August 17, 1926, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York.

500 "New Management for Keith-Albee," *New York Times*, April 9, 1936.

Frères also planned to float a bond issue for the American International Corporation, "one of the largest holders of investment securities in Wall Street." Lazard Frères New York purchased a large stockholding in this organization in 1927, whereupon Frank Altschul joined its board.[501] In January 1929 Lazard New York took the lead, together with Lehman Brothers, in a syndicate offering $25,000,000 in twenty-year convertible gold debentures for the American International Corporation.[502] In March 1927 the Paris and New York Lazard Frères houses each subscribed a substantial amount of new capital to the Internationale Bank of Amsterdam, of which Lazard Brothers was one of the original founders, and Pierre Weill and Altschul both joined its board of directors.[503] Fairly routine business for the American firm included its participation in August 1927 in the syndicate headed by the First National Bank of New York that offered $15,000,000 in bonds for the City of Philadelphia.[504] In what was probably a move to increase the capital of the New York house, in January 1928 Paul Baerwald, then fifty-five, who had been a general partner since 1907, became a limited partner, putting in capital of $2,500,000, on which he was entitled to draw 4 percent interest annually, plus a share of the bank's profits. Baerwald's withdrawal also helped to cement Altschul's domination of the New York house.[505] In September 1928, the firm was one of four banks that offered 30,000 shares of W. T. Grant Company capital stock on the New York market.[506]

In the second half of the 1920s, the electrical industry was a particular focus of interest for all the Lazard firms. In December 1926 the London and New York Lazard firms joined the Japanese Mitsui, Mitsubishi, and Yasuda business interests and the Guaranty Trust Company, the International General Electric Company, the Whitehall Trust, and the Sale firms of Tokyo and London, in establishing the Japanese Electric Bond and Share Company, an organization initially capitalized at £1 million (10 million yen), and intended to facilitate the raising of American funds to develop electrical power in Japan.[507] In 1928 the banks involved organized a joint issue of £24,500,000 in 6 percent bonds on the Tokyo, London, and New York markets for the Tokyo Electric Light Company. Mitsui and Yasuda placed 60,000,000 yen (£6 million) in Tokyo; the Guaranty Trust Company issued $70,000,000 (£14,000,000) in New York; and Lazard Brothers and the Whitehall Trust were responsible for £4,500,000 in London. It was, the London *Times*

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501 Quotation from "Buy Stock Control in Holding Company," *New York Times*, December 30, 1927; "American International's Board," *New York Times*, April 7, 1927; "Blair & Co. Stock Sale Nets About $3,500,000," *New York Times*, December 31, 1927; see also Frank Altschul to Lazard Frères & Cie., December 21, 1926, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York; Brand to Lazard Frères & Cie., April 8, 1927, File 78/1, Brand Papers.

502 American International Corporation Display Advertisement, *Wall Street Journal,* January 21, 1929.

503 "International Bank of Amsterdam," *Wall Street Journal*, March 3, 1927; "Dutch International Bank's New Capital," *The Times*, March 15, 1927.

504 "Philadelphia Issue Is Offered Today," *New York Times*, August 3, 1927; "Philadelphia Bonds Offered," *Wall Street Journal*, August 3, 1927.

505 "Paul Baerwald in Lazard Freres," *New York Times*, January 19, 1928; Rougemont, *Lazard Frères*, 450.

506 "Offer W. T. Grant Stock," *Wall Street Journal*, September 7, 1928.

507 "City Notes," *The Times*, December 31, 1926.

reported, "the largest sum raised by a private foreign borrower as distinct from a foreign Government" up to that time, and was heavily oversubscribed.[508] In April 1929 a subsidiary of the Electric Bond and Share Company also purchased the Municipal Electricity Department of the International Settlement in Shanghai, China.[509] Six months earlier, in October 1928, the three Lazard firms were among the sixty-two British, Belgian, Swiss, Dutch, Spanish, German, New York, and Paris banks and businesses that established a limited liability company in Brussels, Belgium, the Trust Financier de Transport et Entreprises Industrielles (Sofina), a trust capitalized at 100 million francs. This was a recapitalization of an existing venture, "one of the largest trust companies in the world engaged in the creation and development of electrical enterprises." At that time it managed ventures worth £170 million in all.[510]

The New York firm prospered in the early days of Altschul's regime. In the New York financial world, his abilities won recognition from the New York Stock Exchange. In 1926, he was elected to a two-year term on that body's Governing Committee; in 1928, his term was extended by another four years; and in 1929 he became vice chairman of the Committee on the Stock List.[511] Altschul also won plaudits from his Paris partners. At the beginning of 1928, Pierre Weill told Altschul that "[t]he New York results were an agreeable surprise to all of us," and "justif[ied] our opinion of the present management of L.F."[512] At this juncture Altschul thanked André Lazard, one of the senior members of the firm, with whom he had a long friendship, for having "always been a confident supporter of the new regime in New York."[513] Later that year, he told Lazard effusively that it was "always such a satisfaction to talk things over with you, and I get endless comfort from the feeling of your continuing support, which I know is no more than an expression of the attitude of all my friends" in the Paris Lazard house.[514]

While some American bankers failed to recognize the gathering economic storm clouds of 1929, publicly proclaiming their confidence early that year that the country's prosperity would continue unchecked for the indefinite future, so far as Frank Altschul was concerned, the difficulties in the American stock market that began in September 1929 did not come out of an

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508 "City Notes," *The Times*, May 31, 1928; Tokyo Electric Light Company Advertisement, *The Times*, May 31, 1928; Tokyo Electric Light Company Prospectus, *The Times*, June 7, 1928; "City Notes," *The Times*, June 9, 1928.

509 "Shanghai Electricity Department: Sale for £10,000,000," *The Times*, April 18, 1929.

510 "New Belgian Financial Trust Formed," *The Times*, October 20, 1928; "City Notes," *The Times*, January 31, 1929.

511 "Stock Exchange Elections," *Wall Street Journal*, May 12, 1926; "Capital Traction Rises to 104 in Big Turnover," *Washington Post*, May 13, 1926; "Stock Exchange Nominations," *Wall Street Journal*, April 11, 1928; "Exchange Appoints Committee Members," *Wall Street Journal*, May 17, 1929; "Stock Exchange Votes," *New York Times*, May 12, 1926; "Committees Named on Stock Exchange," *New York Times*, May 13, 1926; "Simmons Nominated for his Fifth Term," *New York Times*, April 10, 1928.

512 Pierre Weill to Altschul, January 6, 1928, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York.

513 Altschul to André Lazard, February 2, 1928, File André Lazard, Altschul Overbrook Papers.

514 Altschul to André Lazard, May 18, 1928, File André Lazard, Altschul Overbrook Papers.

entirely clear sky. A quarter century later, Altschul recalled the "wild pyramiding of equities through the medium of holding companies and investment trusts"; the "building up of thinly margined positions in astronomical figures"; "the dissemination of hot tips . . . and other unethical practices"; and "the extraordinary manipulations of those days, which in the form of pools and other devices were used by the unscrupulous to stimulate the frenzy of speculation." Altschul told the Harvard economist John Kenneth Galbraith, who had just written an account of the Great Crash of 1929: "It was a fantastic period, and in the debacle many of the leaders who might have known better found themselves hoist—or should one say lowered—with their own petard."[515]

Altschul had no wish to be among their company. By late July 1929, he had decided that, given uncertainties in the stock market, "prudence demanded a material curtailment" in his firm's dealings in securities.[516] The following month, when Altschul visited Europe, as he did at least once a year, a new partner, Albert Forsch, reported to him from New York that "the cycle through which we are passing has not run its course, and aside from a slight change in the sentiment I fail to detect any indications of any betterment." Forsch enumerated several disturbing reasons for concern: "The construction figures are certainly most discouraging. The automobile business if anything is worse, commodity prices have not changed their trend, and unemployment shows not only no signs of improvement but seems to be on the increase, and I think we shall see real distress this winter for the first time in many years."[517] On the other side of the Atlantic, the situation was no better. As the American stock market fell dramatically in late 1929 and the reverberations reached Europe, Pierre Weill told Altschul that things in Paris were "very quiet" and the partners "were all waiting with patience for the time when things will be brighter again." They had, he said, "anticipated a depression but no doubt did not expect it to be so severe."[518] Even in December 1929, it is doubtful whether any of the Lazard partners, in New York, Paris, or London, would have predicted that the deepening depression would intensify for over three more years, and endure to the end of the 1930s. Coping with its ramifications, for both the business world and on the international scene, would preoccupy Frank Altschul and the assorted Lazard firms for the next decade and more.

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515 Altschul to John Kenneth Galbraith, April 6, 1955, October 6, 1954, File John Kenneth Galbraith, Catalogued Correspondence, Altschul Papers.

516 Altschul to André Lazard, July 30, 1929, File André Lazard, Altschul Overbrook Papers.

517 Albert Forsch to Altschul, August 28, 1929, File Fi-Fo, General Correspondence, Altschul Papers.

518 Pierre Weill to Altschul, December 10, 1929, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York.

CHAPTER FIVE

THE GREAT DEPRESSION, 1929-1933

The American stock market crash of late 1929 was only the beginning of a worldwide depression that would last for a decade. As stocks fell, credit became tight and foreign lending by American bankers declined dramatically, precipitating further problems overseas, and devastating the fragile equilibrium of the international financial arrangements constructed during the 1920s. A major depression ruthlessly exposed all the weaknesses in the intricate and interlocking structure of private credits and loans and governmental payments on war debts and reparations created by bankers and politicians in an effort to rebuild the world economy after World War I. During the 1920s, international cooperation had often been difficult. During the 1930s, such efforts broke down, as different states pursued increasingly independent national economic and financial paths. Meanwhile, under Adolf Hitler and the National Socialist Party, the hardline "pan-Germanism" whose resurgence Charles Altschul had always feared took hold in Germany, rejecting and seeking to overturn the entire postwar international order. For the triumvirate of Lazard firms, the economic difficulties that began in late 1929 marked an end to a decade of relatively straightforward expansion, and brought two of the three houses close to bankruptcy. For Frank Altschul, the impact of the international collapse and its ramifications would have reverberations that would dramatically affect the rest of his long career.

Many years later, Altschul recalled the Crash of 1929 and the subsequent Great Depression as "a dismal and rather terrifying period." In retrospect, he told John Kenneth Galbraith of Harvard: "It was not a pleasant experience to live through, but at least I can say with the Abbé Sieyés, 'J'ai survécu.'"[1] At Lazard Frères New York the immediate challenge Altschul faced was simply preserving the firm's financial security. With some pride, he later recalled that the firm's French founding fathers had "established for us another great tradition, that of *conservatism*." This involved two principles; firstly, "that the firm of Lazard, wherever established, should always be in a position to meet their commitments as they matured"; and secondly, "that they should maintain the maximum degree of flexibility, so that they should be able to accommodate themselves to changing circumstances and changing laws affecting the fate of private bankers." In 1936 Altschul recounted to his colleagues how the New York firm "had been through a period of crises which for severity and duration is unequalled in the history of the firm." In the years between 1929 and 1933, many American and European banks found themselves over-extended, and failed when they were unable to meet calls for funds from their depositors and creditors. According to Altschul, in 1929 the New York house's "deposits were in excess of $100,000,000." He decided to follow highly conservative policies:

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[1] Altschul to John Kenneth Galbraith, April 6, 1955, October 6, 1954, File John Kenneth Galbraith, Catalogued Correspondence, Frank Altschul Papers, Columbia University, New York.

> Then in line with the tradition of the house we set ourselves one objective, that we would conduct the affairs of the firm during periods of crises in such a manner that if all of our obligations to third parties and if all of our deposits were withdrawn and all of our obligations to third parties had to be liquidated we would be able to take care of all these liabilities without borrowing a cent from any bank.
>
> We often said to ourselves that the only excuse we could conceivably have for failing to meet any legitimate demand made upon us on demand was if the First National Bank of New York failed to honor our check against funds on hand. We did not know how necessary it was going to prove to have taken these precautions, but before the crisis was reached we found that we had to carry the bulk of our acceptances and that we would have to pay off the preponderant bulk of our deposits. Had we been less well steeped in the traditions of the firm I am doubtful as to what the outcome might have been.[2]

In late 1929, Altschul felt sufficiently confident to tell his French colleagues that the New York house was "absolutely 'happy and comfortable'" during the upheaval.[3] His cautious policy apparently impressed his French colleagues. Writing in late 1929, David David-Weill, the senior partner in Paris, complimented Altschul on his handling of the first major crisis he had faced since he became head of the New York house, which he felt had been well done not just on the financial side but also in terms of maintaining the prestige and good name of the firm. David-Weill was uncertain just how much the stock exchange crisis would affect the broader course of business. He also told Altschul that Paris had experienced a similar crisis, but so far it had only affected the luxury trades and the speculators of the capital, while the Bank of France and the French Treasury were both awash with funds, which should be of great assistance to French commerce and industry.[4]

In an undated letter, probably written in late 1929, André Lazard likewise praised Frank Altschul's handling of the financial downturn, telling him that he had lived "fully up to my expectations." Altschul had apparently told Lazard that he believed the crisis would be over in the relatively near future, and Lazard hoped that this prediction would be as accurate as Altschul's fears of a stock market decline the previous summer had been.[5] Lazard was probably referring to an unsigned memorandum in Altschul's Paris Lazard Frères file, almost certainly written by Altschul, which stated that, despite the "unreasoning wave of hysteria" then afflicting the United States, "calm consideration of the domestic and foreign situation strongly indicates that basic factors of fundamental importance are at present being entirely lost sight of." Altschul

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[2] Altschul, "Introductory Remarks," January 8, 1936, File Lazard History, Frank Altschul Papers, Overbrook Foundation, New York [hereafter Altschul Overbrook Foundation Papers].

[3] Pierre David-Weill to Altschul, December 10, 1929, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

[4] David David-Weill to Altschul, December 16, 1929, File Lazard Frères Paris, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

[5] André Lazard to Altschul, late 1929, File André Lazard, Altschul Overbrook Foundation Papers.

argued that, "looking a little beyond the next few months, it would appear as if there were good grounds for encouragement in the longer range outlook." According to his analysis, "exaggerated speculation centering in New York has for a long time been in itself the most dangerous factor in the world situation." Sucking in "a huge volume of credit," this had not simply diverted domestic American funds from "such a basic industry as building," but also "for some time past held in check an upswing in world business well justified by recent political developments abroad." He expected the "liquidation in New York will have as its immediate consequence a material easing in the money markets of the world." This, in turn, would permit "a forward movement in world commerce and industry," in which "the United States will have its full and appropriate share." Altschul therefore thought "that the beginning of a prolonged period of national progress on a sound basis may be just around the corner." In his view, "the American investor, in his own interest, should again take counsel of his hopes rather than of his fears."[6] While hoping that Altschul's forecast was correct, Lazard nonetheless warned his younger partner that most people in Paris were now very apprehensive over the long-term industrial outlook. He also hoped that Sir Robert Kindersley in London, who had faced some health problems and easily became overtired, would make a speedy recovery, "since his presence is still very much needed at the top of the firm."[7]

Kindersley's return to active direction of the London firm's affairs probably seemed the more desirable, because in October 1929 Robert Brand accepted membership on the Macmillan Committee on Finance and Industry, a top-level government inquiry established by Britain's new Labour government to investigate the causes of the long-term British economic slump and, if possible, recommend measures to improve the situation. Brand was one of the more active members of this body, which spent 49 days taking evidence and met 100 times between November 1929 and May 1931, finally submitting its report in June 1931, as an international financial crisis engulfed the world.[8] Time-consuming as his work on the Macmillan Committee was certain to be, Brand felt, and Kindersley and his French partners agreed, that "it would be exceedingly difficult to decline to serve." Self-interest also dictated this move, since, as he pointed out: "It is very important to British financial interests that the Committee's report should be sound as there are a great many anti-City elements in the Labour Party."[9] Congratulating Brand on this appointment, André Lazard also expressed his faith that, by familiarizing Brand with specific issues and putting him in touch with those individuals particularly involved, his work on the Committee would help their firm to play the role they wished for it in the future, in

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[6] Memorandum, n. d. [late 1929], File Lazard Frères & Cie. Paris, Altschul Overbrook Foundation Papers.

[7] André Lazard to Altschul, late 1929, File André Lazard, Altschul Overbrook Foundation Papers.

[8] Donald Moggridge, ed., *The Collected Writings of John Maynard Keynes*, Vol. XX: *Activities 1929-1931: Rethinking Employment and Unemployment Policies* (London: Macmillan, 1981), 38; Philip Williamson, *National Crisis and National Government: British Politics, the Economy and Empire, 1926-1932* (Cambridge: Cambridge University Press, 1992), 255-260.

[9] Robert H. Brand to André Lazard, October 22, 1929, File 30/1, Robert H. Brand Papers, Bodleian Library, Oxford University, Oxford.

reorganizing Britain's industry "with the support of the most solid and intelligent elements in the City."[10]

Whatever their long-term hopes, for all the Lazard firms, business was increasingly difficult. Funds may well have been tight for the French partners; in spring 1930, they planned to take profits on their holdings of Union Carbide and Carbon Corporation, the Associated Dry Goods Corporation, and the American International Corporation.[11] In March that year, Pierre David-Weill paid a visit to New York, telling Altschul on his departure that he went "home with a still increased confidence in the possibilities of the firm." He hoped that Altschul would soon repay the compliment, by visiting Paris and London.[12] Altschul, in return, sent David-Weill the news that the Chase National Bank of New York, of which he was a director, and the Equitable Trust Company, of which he became a trustee in January 1930, had agreed upon terms for their merger, and that "the Gulf States Steel matter, which was taken up just before you left, has come to a satisfactory conclusion."[13] Altschul was referring to the successful conclusion of another merger agreement, between Gulf States Steel Company and Republic Steel, an arrangement he had helped to negotiate. Under its terms, he was immediately elected a director and a member of the executive board of the new steel conglomerate.[14] In May 1931 Altschul also became a director of the Texas and Pacific Railway Company.[15] In 1929 Lazard Frères marketed $50,000 of fifteen-year bonds and $35,000 of twenty-year bonds for the Alleghany Railroad; the following year, it handled a further $35,000 of twenty-year securities for the same client.[16]

On Christmas Day, 1930, André Lazard told Altschul that 1930 had been the hardest year he had seen in his entire career, and he could as yet foresee no end to the problems ahead.[17] The following day, Altschul likewise told a French friend that had and his partners had "had rather a difficult and trying year of it and have no regrets at seeing it pass." In his view: "One of the main troubles has been the unwillingness to recognize the seriousness of the situation itself. This has led to an amount of temporizing which has merely postponed the date of eventual recovery."

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[10] Lazard to Brand, telegram and letter, October 23, 1929, File 30/1, Brand Papers; also Brand to Lazard, October 25, 1929, File 30/1, Brand Papers.

[11] Lazard Frères & Cie. to Lazard Frères, New York, March 6, 1930, File Lazard Frères Paris, Frank Altschul Overbrook Foundation Papers, New York.

[12] Pierre David-Weill to Altschul, March 12, 1930, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

[13] Altschul to Pierre David-Weill, March 12, 1930, File Lazard Frères Paris, Altschul Overbrook Foundation Papers; also "New Equitable Trust Trustees," *Wall Street Journal*, January 25, 1930.

[14] "Gulf States-Republic," *Wall Street Journal*, March 13, 1930; "Two Steel Boards Vote for Big Fusion," *New York Times*, March 13, 1930; "Billion-Dollar Steel Merger Gets a Start," *Christian Science Monitor*, March 13, 1930; "Obstacle to Steel Merger Cleared Away," *Los Angeles Times*, March 13, 1930; "Gulf States Steel Elects 3 New Men," *New York Times*, March 18, 1930; "Vote Rule Unchanged by Gulf States Steel," *New York Times*, March 25, 1930.

[15] "Texas & Pacific," *Wall Street Journal*, May 15, 1931.

[16] "Listing Practices of Stock Exchange Hit in Rail Inquiry," *New York Times*, January 16, 1937; "Interests of Stock Exchange Governors in Alleghany," *New York Times*, January 27, 1937.

[17] Lazard to Altschul, December 25, 1930, File André Lazard, Altschul Overbrook Foundation Papers.

Altschul predicted that 1931 would "prove to be a period during which facts will at last be faced and the foundation will be laid for better things." Even so, he accurately observed, how far such improvements would "be realized during the coming year is still a matter of considerable doubt."[18] The depression hit Lazard Frères' New York profits. In March 1931 Altschul wrote to one of the younger generation of Lazards regretting that "the results for recent years have been so unsatisfactory, but none of us had the foresight to see, or the will to believe that America with all her financial strength could suffer such a setback."[19] Earlier that month, André Lazard died. He was probably Frank Altschul's closest friend among all the French Lazard partners, of a generation who had known, worked with, and respected his father. For another four decades, Altschul would remain on terms of warm friendship with Ginette, Lazard's widow. Though he did not know this at the time, he had also lost perhaps his strongest protector within the Lazard hierarchy.

Decades later, in the 1990s, Altschul was still remembered as the banker who got his clients out of the market in time.[20] General American Investors, Altschul's investment trust, was not immune to the stock market's decline. By the end of 1929, the value of its securities had shrunk by $7,230,727 over the previous year, though its total assets still amounted to $39,385,356.[21] In 1930 the value of General American's assets fell further, to $33,328,970, and it reported a net loss from operations of $3,395,353. The trust also decided to write down the value of its own shares by 80 percent, and bought back large blocks of its own stock when these were selling at a discount.[22] The reduction in the nominal value of General American's own shares meant that in early 1931 its assets were listed at $23,186,872, with a further decline over the year to $16,751,478. To increase liquidity, during 1931 Altschul cut losses and sold off large blocks of stock, and by the end of that year 53 percent of General American's assets were held in cash, United States short-term government bonds, and municipal bonds.[23] In June 1932 the continuing fall in security values made it legally impossible for General American to pay the normal dividend on the preferred stock, since this would impair the capital of the trust, though a rally in securities prices over the following two months eventually permitted deferred payment of the delayed dividend.[24] Over that year, General American declined yet again, with its assets valued at $15,023,030, but the decline was relatively small. The trust had, moreover, positioned itself to take advantage of a market rally, as it had begun using funds freed by the disposal of past

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18 Altschul to Robert Lacour-Gayet, December 26, 1930, File Robert Lacour-Gayet, General Correspondence, Altschul Papers.

19 Altschul to Jean Lazard, March 30, 1931, File Lazard Frères, General Correspondence, Frank Altschul Papers, Lehman Suite, Columbia University, New York.

20 Personal communication, Stephen Foster, Overbrook Foundation.

21 "Trust's Holdings Shrink $7,30,737," *New York Times*, January 13, 1930.

22 "Trust Shows Loss of $3,395,353 in 1930," *New York Times*, January 7, 1931.

23 "Liquidity Increased by Investing Trust," *New York Times*, January 7, 1932.

24 "Trust to Omit Dividend," *New York Times*, June 11, 1932; "Securities Advance Sharply in Heavy Trading; Wall Street Cheered by Fifth Day of Gains," *New York Times*, July 26, 1932; "Trust Takes Advantage of Security Raly to Vote Dividend Delayed by Decline," *New York Times*, August 18, 1932.

holdings to purchase large blocks of new shares in a wide variety of blue-chip American enterprises.[25] While General American's performance over the previous four years had undoubtedly been dismal, with its assets valued at only one-third of what they had been at the end of 1928, overall it had done rather better than the market. On December 31, 1928, the Dow Jones industrial average of stocks was 300. It peaked at 381 on September 3, 1929, reached a low of 41 on July 8, 1932, and on December 30, 1932 stood at 60, precisely one-fifth of what it had been four years earlier.[26] Although Altschul had been unable to prevent massive losses, his talent for investment had helped General American to weather the financial storm and ready itself to rebound. Thirty years later, the *New York Times* recalled how General American "converted much of its position to cash at the time of the crash and so survived and kept growing since then."[27]

Throughout this period, the Lazard partners kept closely in touch with each other, on international affairs as well as business matters. Cables and correspondence were supplemented by much personal shuttling between Europe and the United States. Kindersley visited New York in February and March 1928.[28] In April and May 1928 Altschul and his wife spent several weeks in Europe.[29] The next year Altschul was over in Britain in February and early March 1929, and André Lazard commiserated with him after he fell victim to some illness.[30] In February and March 1930 Pierre David-Weill visited New York.[31] In May 1930, Granville Tyser from London visited New York.[32] In April 1931 Altschul anticipated a visit from Pierre David-Weill of the Paris firm and his London colleague, Granville Tyser.[33] Altschul made another transatlantic trip in fall 1931, traveling on the same luxury liner as two top Bank of France officials.[34] Brand and Kindersley made numerous trips to Paris, Vienna, Berlin, and other European cities during the financial crisis, and Brand also visited the United States in November 1932 and again a year later.[35]

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25 "Large Purchases by Trust in Year," *New York Times*, January 5, 1933.

26 Figures from New York Stock Exchange website, www.nyse.tv/dow-jones-industrial-average-history-djia.htm, consulted May 12, 2009.

27 "Mutual Funds: A Case for the 'Closed-Ends,'" *New York Times*, February 26, 1962.

28 Kindersley to Altschul, March 14, 1928, File Lazard Brothers, Altschul Overbrook Foundation Papers.

29 Altschul to Pierre Weill, May 18, 1928, File Lazard Brothers, Altschul Overbrook Foundation Papers; Altschul to André Lazard, May 18, 1928, File André Lazard, Altschul Overbrook Foundation Papers.

30 André Lazard to Altschul, March 2, 1929, File André Lazard, Altschul Overbrook Foundation Papers.

31 Altschul to Pierre David-Weill, February 10, 1930, David-Weill to Altschul, March 12, 1930, File Lazard Brothers, Altschul Overbrook Foundation Papers.

32 Tyser to Altschul, July 4, 1930, File Lazard Brothers, Altschul Overbrook Foundation Papers.

33 Altschul to Pierre David-Weill, April 7, 1931, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

34 "Memorandum of Conversations with Farnier, Deputy-Governor of the Banque de France, and Robert Lacour-Gayet on Board S. S. 'Europa' October 11, 1931," File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

35 Robert H. Brand to Montagu Norman, received November 20, 1933, File G1/470, Bank of England Archives, London; "Digest of the Remarks by Honorable Robert H. Brand on International Financial Problems," November 21, 1932, Meetings File, Council on Foreign Relations Papers, Mudd Manuscripts Library, Princeton University,

During the intensifying financial crisis of the late 1920s and early 1930s, members of the various Lazard firms wrote to each other in the full knowledge that their partners on the receiving end of such missives had the ear of various top policymakers in their own countries, including top government officials, high personages in the Bank of England, the Bank of France, and the Federal Reserve System of the United States, and other leading bankers. They were well aware that the recipients were likely to pass on particularly significant communications to such individuals. Through their services on official committees, as advisers to central banks or government departments, or as informal private consultants to politicians, the partners themselves also contributed on occasion to the making of policy. At times some, Frank Altschul among them, felt free to take the initiative in quietly offering suggestions to government officials, and also to shape public debate on controversial issues. Much of the surviving documentary record of such undertakings is tantalizingly fragmentary, but enough is still available to give some indication of how those belonging to the three Lazard firms sought to influence and steer the course of international financial diplomacy. Most of their efforts centered upon two major sets of problems: the impact of different countries' gold policies upon the currency system established during the 1920s, and the continuing economic and political repercussions of the international transfers involved in paying reparations and war debts.

As the 1920s drew to an end, there were occasional indications of difficulties to come. The British decision to return to gold at the prewar parity of $4.86 to the pound overvalued sterling, subjecting it to mounting pressure from other currencies, including by 1927 the franc, and forcing the Bank of England to keep interest rates high. The pound's role, together with the dollar, as a reserve currency for other countries' foreign exchange holdings, which could be converted into gold on demand, left it vulnerable to sudden calls from outside upon the gold bullion deposited in the vaults of the Bank of England. When sterling faced difficulties, Lazard Brothers were among the allies Governor Montagu Norman of the Bank of England could call upon. Acting for the Bank of England, in April 1927 Lazard Brothers confidentially transferred $10,000,000 to the New York Federal Reserve Bank, a payment apparently undertaken to try to support the sterling exchange rate.[36] In July 1927 the Federal Reserve Board yielded to pressure from Benjamin Strong, the dominating governor of the New York Federal Reserve Bank, and reduced the American discount rate from 4% to 3.5%, a move that many believed had been taken not for domestic reasons but primarily to lessen the difficulties of defending the British currency.[37] Frank Altschul agreed. While visiting Paris in August 1927 he told Émile Moreau,

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Princeton, NJ; Brand, memorandum, December 18, 1933, File 1066/1/98, Waldorf Astor Papers, Reading University Library, Reading.

36 Montagu Norman to Brand, April 13, 1927, Brand to Norman, April 13, 1927, File 87/2, Brand Papers.

37 Frank Costigliola, *Awkward Dominion: American Political, Economic, and Cultural Relations with Europe, 1919-1933* (Ithaca, NY: Cornell University Press, 1984), 201-204; Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919-1933* (Chapel Hill: University of North Carolina Press, 1979), 188-191; Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin, 2009), 292-300; Lester V. Chandler, *Benjamin Strong: Central Banker* (Washington, DC: Brookings Institution, 1958), 371-380; Silvano A. Wueschner, *Charting Twentieth-Century Monetary Policy: Herbert Hoover and*

governor of the Bank of France, "that the reasons given by Mr. Strong as justification for the reduction in the discount rate are being taken seriously by no one, and that everyone in the United States is convinced that Mr. Strong wanted to aid Mr. Norman in supporting the pound."[38] Debate would later rage among Federal Reserve officials, politicians, and economists as to just how far this decision was responsible for unleashing a speculative stock market boom in the United States, one whose eventual collapse precipitated an American stock market crash and ultimately the worldwide Great Depression. Herbert Hoover, in particular, the Republican who became president in April 1929 and endured four years of ever escalating economic disaster, always blamed Strong, "a mental annex to Europe," for pursuing policies that he held responsible for wrecking his presidency.[39]

The conclusion of the Dawes Plan was the signal for a flood of foreign lending of every kind to German businesses and municipalities. Interestingly, it seems that Altschul was far less enthusiastic than a great many other New York bankers in pursuing this business. In November 1926, Altschul visited Berlin, where thanks to the good offices of Kindersley and the other London partners in providing him with introductions, he had "a thoroughly interesting time." Altschul had lunch with Jakob Goldschmidt, head of the Darmstädter and National Bank and the close friend and business associate of the London Lazard house, and a "certain number of other bankers," but "limit[ed] these calls to an exchange of courtesies." He was not, it seems, actively seeking German business for the New York house during his Berlin stay, reporting to Kindersley that "there seems to be a rather general feeling that business is on the wane and that such as there is still about is fairly well pledged to existing connections." One of the highlights that Kindersley helped to arrange for Altschul in Berlin was "a most agreeable half an hour with Dr. Schacht," the head of the Reichsbank, on the morning of November 25. Altschul reported that Schacht was "giving constant thought to the question of foreign borrowings and their bearing on the transfer problem and is frank and outspoken on this subject to the last degree."[40]

Altschul's extremely cautious attitude toward German business would later prove prescient, and within a few years would stand the New York house in good stead. His lack of enthusiasm for such transactions, as well as Schacht's preoccupation with Germany's "foreign borrowings" and

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Benjamin Strong, 1917-1927 (Westport, CT: Greenwood Press, 199), 135-143; Allan H. Meltzer, *A History of the Federal Reserve*, Vol. I: *1913-1951* (Chicago: Chicago University Press, 2003), 217-227.

[38] Moreau, diary entry, August 24, 1927, in Émile Moreau, *The Golden Franc: Memoirs of a Governor of the Bank of France: The Stabilization of the Franc (1926-1928)*, trans. Stephen D. Stoller and Trevor C. Roberts (Boulder, CO: Westview Press, 1991), 343.

[39] See Herbert Hoover, *The Memoirs of Herbert Hoover,* Volume III: *The Great Depression 1929–1941* (New York: Macmillan, 1941), 2-15, quotation from 14. For further details of this debate, see Priscilla Roberts, "Benjamin Strong, the Federal Reserve, and the Limits to Interwar American Internationalism, Part II: Strong and the Federal Reserve System in the 1920s," *Federal Reserve Bank of Richmond Economic Quarterly* 86:2 (Spring 2000), 77-87.

[40] Altschul to Kindersley, November 26, 1926, File Lazard Brothers, Altschul Overbrook Foundation Papers; see also Altschul to Lazard Frères & Cie., November 25, 1926, File Lazard Frères, Altschul Overbrook Foundation Papers.

"transfer problem," reflected growing weaknesses in this area that would soon threaten to undercut and sabotage the Dawes Plan. Many of the loans and credits German businesses and municipalities raised overseas were for internal purposes, and generated little or no foreign exchange that could be used for their eventual repayment when that became due. By 1927 and early 1928, repaying the interest and principal on these securities was absorbing an increasing amount of available German foreign exchange, jeopardizing Germany's ability to continue reparation payments under the Dawes Plan. International bankers and businessmen began to call for further negotiations, to adjust reparations downward.[41] In 1926, Brand told one correspondent that he had "always considered that the transfer of the total sums mentioned in the Dawes report will undoubtedly prove impossible."[42] At that time Brand's view on German lending was that "the biggest banks, short of a catastrophe, may be considered safe."[43] Even in 1927, Brand doubted if the flood of American money into European investments "will continue exactly at the present pitch for many years, but meanwhile it is all to the good for everyone on this side at any rate."[44]

By 1928 Brand was concerned about the German situation, which he did not believe was "very satisfactory at the moment," and believed that at some stage a further reduction in reparations would be required.[45] Brand was also alarmed by the low rates at which credits and loans were being offered for foreign business, telling the chairman of the Midland Bank that he believed "the lending countries are doing harm to themselves and too much good to the borrowing countries by very low acceptance terms."[46] Such reservations were not sufficient to persuade Lazard Brothers to refrain from German business. In February 1928 the London Lazard house handled the issue of 10 million gold marks worth of 7 percent registered certificates on the London market for the Association of German Mortgage Banks.[47] In November 1928, Lazard Brothers issued a 6 percent Sterling Loan of £1,625,000 for the German city of Munich, with principal and interest on the bonds payable in either sterling or dollars at a fixed rate of exchange.[48] Two months later, the firm backed the application of Eastern Oil Industries, a

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41 Leffler, *The Elusive Quest*, 175-177, 182-187; Costigliola, *Awkward Dominion*, 196-200; Ahamed, *Lords of Finance*, 324-329; Zara Steiner, *The Lights That Failed: European International History 1919-1933* (Oxford: Oxford University Press, 2005), 431-432, 450-452; Bruce Kent, *The Spoils of War: The Politics, Economics, and Diplomacy of Reparations 1918-1932* (Oxford: Clarendon Press, 1989), 269-286; William C. McNeil, *American Money and the Weimar Republic: Economics and Politics on the Eve of the Great Depression* (New York: Columbia University Press, 1986), chs. 3-7; Patrick O. Cohrs, *The Unfinished Peace after World War I: America, Britain and the Stabilisation of Europe 1919-1932* (Cambridge: Cambridge University Press, 2006), 481-485, 492-500, 506-513.

42 Brand to Josiah Stamp, March 15, 1926, File 93/2, Brand Papers.

43 Brand to Emile Pusch, July 19, 1926, File 81/1, Brand Papers.

44 Brand to Sir Joseph Flavelle, April 26, 1927, File 76/2, Brand Papers.

45 Brand to Paul M. Warburg, February 6, 1928, File 92/1, Brand Papers.

46 Brand to Reginald McKenna, February 17, 1928, File 87/1, Brand Papers.

47 Association of German Mortgage Banks Announcement and Prospectus, *The Times*, February 28, 1928.

48 "City Notes," and City of Munich Prospectus, *The Times*, November 26, 1928.

German concern capitalized at £500,000, to trade its shares on the London Stock Exchange.[49] It was something of a warning sign when, in February 1929, Munich found that the funds Lazard Brothers had raised four months earlier were "only sufficient to cover the [city's] urgent needs," and raised another 10,000,000 marks through German banks.[50] Lazard Brothers' involvement in German business was nonetheless pronounced enough that, despite Brand's misgivings, in April 1929 the bank found it necessary to issue a denial that it intended to open a branch office in Berlin.[51]

Brand also had increasing reservations over the continuing payment of war debts. In 1926, after a controversy between Winston Churchill, the British Chancellor of the Exchequer, and Andrew Mellon, the U.S. Secretary of the Treasury, as to whether Britain or the United States had been more generous in the debt settlements just negotiated with France, Brand published another article on war debts in *The Round Table*. This piece argued that, while it was hypocritical for the former Allies to claim that they could not pay their war debts to the United States when they were demanding that Germany make much larger reparations payments to them, "it would have been right and wise for all the allied and associated nations to forgive their mutual debts, provided at the same time that there were a generous settlement of the reparations problem. Undoubtedly, had this been their policy in 1919, the world would be far further on towards peace and prosperity now." From Brand's perspective, the worst feature of the existing British debt settlement, under which Britain received far harsher terms than those granted to France, Italy, or Belgium, was the danger it posed to Anglo-American relations. While it had been "right and wise and even in our interests—considered in the broadest light—to settle," the growing discrepancy between the wealthy postwar United States and economically burdened Britain made the settlement very unpopular in the latter country, and boded ill for the future.

> The United States, we believe, have no intention whatever of revising the settlement. England will never ask for its revision and will punctually maintain it. She will fulfil her bargain and fulfil it, we hope and believe, in silence and without complaint. If she once more regains her prosperity the burden may appear less onerous to her than it does with all her present troubles. But to those who wish Anglo-American relations to remain unclouded the problem cannot but cause some apprehension.[52]

Underlining his message, Brand also told Alanson B. Houghton, the American ambassador to Britain, to whom he sent a copy of the article:

> I was in favour of the debt settlement being concluded, and expressed my opinion publicly at the time. But I also stated that I thought that different terms to other nations

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49 "Eastern Oil Industries," *The Times*, January 23, 1929.

50 "New Loan for Munich," *The Times*, February 28, 1929.

51 "Lazard Bros.' Denial," *The Times*, April 5, 1929.

52 [Brand], "Inter-Allied Debts," *The Round Table* 16:64 (September 1926), 721-732, quotations from 730-731, 732.

> would be bound in the end to create trouble. I continue to believe that, although the last thing I should wish would be that this country should ever make a move to alter the settlement. I was also, right away from the time I was at the Peace Conference at Paris, in favour of a very moderate reparation settlement, and the general cancellation of debts, or something more or less equivalent to it. Of course, this would have meant a greater sacrifice for the United States even than for us, but in the end there would have been no sacrifice for anyone, since the general peace and prosperity of the world would have been assisted.[53]

With the British economy mired in persistent depression, and private German indebtedness to American investors growing, these problems became more salient. International pressure to reduce both reparations and war debts, and for the United States government to admit the existence of a link between the two sets of payments, began to mount. In a speech delivered on Armistice Day, November 11, 1928, the outgoing American president, Calvin Coolidge, declared that the United States had made no profit out of the First World War, and had indeed contributed half its national wealth at the time it entered the conflict to winning the war. The implication was that no justification existed for reducing war debt payments. In response, Brand published a widely distributed letter in *The Times*, questioning Coolidge's figures, and pointing out that, on whatever basis calculations were made, whether proportionately to national wealth, per capita of the population, or as a lump sum, Britain had spent far more than the United States. While declining to state whether the United States had actually profited from the war, Brand proclaimed: "What is certain is that the American nation became much richer *during* the War, while all other belligerent nations became much poorer." American gold reserves increased £283,000,000 or seventy percent between 1914 and 1921, and £242,000,000 of this total was due to gold shipped by the British Treasury "in order to finance the British and Allied purchases in the United States of America." This sum was equivalent to 150 percent of the Bank of England's gold reserves in 1928. The surplus of American exports over imports soared from an average of £95,000,000 in the years 1910-1914 to £530,000,000 in the period 1915-1922, and net United States exports during the war years were £4,237,000,000. Figures of the U.S. Commerce Department showed that the pre-war United States had been the world's greatest debtor nation, owing £500,000,000 overseas in 1914, but by 1928 it was the world's greatest creditor, with net assets abroad amounting to £4,000,000,000 if war debts were included. "It seems indisputable," Brand concluded, "that during the War and as a result of the conditions arising out of the War, and despite any losses, destruction, or waste due to the War, the wealth and income of the American people increased very considerably."[54]

On the other side of the Atlantic, Frank Altschul largely shared Brand's views, and quietly sought to influence the American political debate on these questions. In 1928 his brother-in-law, Herbert Lehman, ran successfully for public office on the Democratic ticket, as lieutenant

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[53] Brand to Alanson B. Houghton, August 22, 1926, File 72/1, Brand Papers.

[54] Brand, letter to the Editor, *The Times*, December 4, 1928.

governor of New York state, second on the ticket to Franklin D. Roosevelt, the candidate for governor. Altschul contributed $5,000 to the Independent Citizens' Committee for the Election of Roosevelt and Lehman, while his mother gave $2,500, his sister Hilda $1,000, and his sister Edith Lehman, the candidate's wife, $14,000.[55] Lehman was close to Alfred E. Smith, who gave up his position as New York's governor that year to become the Democratic candidate for president. As 1928 came to an end, Altschul told the French financial attaché in New York that he had "been thinking of very little excepting the Reparations question."[56] Some time during the campaign, Altschul suggested to Lehman that Smith should be prepared to indicate that the United States would participate officially in forthcoming discussions intended to reduce the amount of reparations Germany paid under the Dawes Plan, and possibly, too, to cut though not cancel entirely the amounts the former Allies would have to repay the United States in war debts. In words that perhaps charted the evolution of the thinking of his French partners on the subject of reparations over the previous decade, Altschul told Lehman that the Dawes Plan "was designed not as a finality, but as a stop-gap between the period of post-war animosities and the period of complete return to normal conditions." He continued:

> As a stop-gap, it has functioned extraordinarily well, and close observers of the situation in France and Germany realize that during the period of its operation a new spirit has entered into Franco-German relations which augurs well for the future. A revision of the Plan appears essential and the atmosphere prevailing both in France and Germany is one which will lend itself to the handling of this important matter in a spirit which would have been quite impossible four years ago.[57]

Smith lost the election, but from February to June 1929 another committee of experts, chaired by the American businessman Owen D. Young, met in Paris, where they hammered out an agreement that substantially reduced German reparations payments, and purported to be a "final settlement" of the issue. Another international loan of $300 million for Germany was floated in June 1930, to facilitate the plan's implementation.[58] By early 1929 the torrent of American credits for and investment in Germany had slowed, making it more difficult for that country to find the foreign exchange it needed to pay both instalments on reparations and the interest and principal of other maturing foreign obligations. Few businessmen, however, anticipated an immediate economic crisis, though British officials still believed, like Brand, that ultimately a wholesale cancellation of war debts and reparations would be the only final and satisfactory answer to the problem.

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55 "Roosevelt-Lehman Contributors," *New York Times*, November 27, 1928.

56 Altschul to Robert Lacour-Gayet, December 29, 1928, File Robert Lacour-Gayet, General Correspondence, Altschul Papers.

57 Altschul, unfinished letter to Lehman, n. d. [1928], File 128, Herbert Lehman, Catalogued Correspondence, Altschul Papers.

58 Steiner, *The Lights That Failed*, 470-480; Costigliola, *Awkward Dominion*, 210-217; Leffler, *The Elusive Quest*, 202-218; Ahamed, *Lords of Finance*, 328-337; Kent, *The Spoils of War*, 287-307; Cohrs, *The Unfinished Peace after World War I*, 528-541.

Brand was moving ever closer to open support for the reduction of both reparations and war debts. At the end of 1928, Brand told a correspondent that "any work in favour of a more reasonable & practicable settlement of international debts is work well done."[59] In December 1928, just before the international Young committee of experts began meeting to consider a further reduction of reparations and a supposed final settlement of the question, *The Round Table* published another article, written by him, that strongly suggested that, so long as the Allies were making substantial annual war debt payments to the United States, they would be unable to reduce reparations to a level that Germany would be able to tolerate. The article also drew attention to the "hundreds of millions of dollars of German securities in one form or another" that had "been sold to the American investor" since 1924, warning that, once a final reparation settlement had been made, they would lose their transfer protection and, "if the resulting burden on the exchange is too great, all investors in German securities of every kind will suffer equally." This made it "of first importance to the American investor in German securities that the reparation burden should be fixed within German capacity."[60] Before publishing this article, Brand obtained the approval of Governor Montagu Norman of the Bank of England.[61] Sir Charles Addis, chairman of the Hongkong and Shanghai Bank, a director of the Bank of England, and a member of the Young Plan international committee of experts that was about to begin meeting, described this piece as "a model of lucidity, just and temperate, timely in its appearance, and replete with wisdom."[62] As what would become the Young Plan was under negotiation, Brand told an American correspondent that he did "not think that a 'final and conclusive settlement' of the Reparations question is possible now, or, indeed, until the question of inter-allied debts is dealt with too, and . . . it is early days for that."[63]

Brand repeated these themes in an address he delivered at Chatham House on February 26, 1929, later reprinted in the journal of the Institute of International Affairs, to an exclusive audience that included John Maynard Keynes and others. By this time, Brand was breaking publicly with the American refusal to link war debts and reparations, telling his audience that "the two problems of the Inter-Allied debts and Reparations are inextricably mixed, although the American attitude is that they have nothing to do with one another. Without the payments of the Allies to the United States the Reparation problem would be perfectly simple. It would be quite easy to fix a figure which Germany could pay, and which the Allies would accept; but once Europe has to pay these huge sums to the United States it becomes very difficult not to put the German debt too high." He bluntly stated that, despite the current schedules demanding that European nations continue to make war debt payments to the United States for another fifty or sixty years, "in 1975 or 1980 Europe will not be paying the United States 80 million pounds a year. I do not know how the

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59 Brand to N. S. Baker, December 20, 1928, File 86/1, Brand Papers.

60 [Brand], "Reparations and War Debts," *The Round Table* 19:73 (December 1928), 36-67, quotation from 63.

61 Montagu Norman, diary, November 5, 1928, File ADM34/17, Bank of England Archives.

62 Addis to Brand, January 21, 1929, File 93/2, Brand Papers.

63 Brand to J. R. Swan, March 8, 1929, File 93/2, Brand Papers.

change will come about, but I am perfectly convinced that there will be a change some day." Brand thought it "quite wrong to make these war debt payments last beyond, say, the next generation." The same principle, he believed, must apply to reparations.

Brand also warned that, although Germany had effectively been buying foreign money to finance the payment of reparations, this flow of funds was unlikely to continue indefinitely. "At this moment a very large number of bankers are looking at the amount of money that they have in Germany and wondering whether they have too much and what is going to happen about the Reparations settlement. I should say that no more money at present is going to Germany, and that if the development of [the Young Plan] negotiations was not satisfactory, money would be withdrawn." Although "Germany must go on borrowing for the time being if she is to pay large Reparations sums," he doubted whether Germany would in the future be able to raise as much money as she had in the past few years in long-term loans on the New York and London markets. Moreover, if too many German securities were offered on international markets, this would tend to depress the prices of all German bonds, and make their sale more different, unless they were actually guaranteed by the governments of the countries where they issued. Brand warned that, if Germany could not obtain financing overseas, the alternative would be a massive and highly competitive German export drive, which would tend to depress British industry even further than was already the case. While the Young Plan negotiations were supposed to arrive at a permanent resolution of the reparations problem, Brand doubted if this was "possible, so long as the United States is unwilling to consider any amendment of its Allied Debt claims." Entirely truthfully, he told his audience that he had always "been against extreme Reparations payments and in favour of a much more generous settlement of the Inter-Allied debts." In words whose truth would become only too evident over the next few years, Brand stated:

> These enormous payments from one Government to another have done immense harm to this country [Britain]. This country requires, above all, stability in international prices, international exchanges and international industrial relations. On the contrary, we have had, largely owing to these huge debts, prolonged currency crises in Europe which have done us a great deal of harm. It is certainly entirely against our interests to see a breakdown in the German currency and exchange system.[64]

One of Brand's most intriguing comments came during the discussion that followed, when he was asked about American lending to Europe. Brand suggested "that ultimately Europe will get into rather a peculiar situation if she turns over to the United States every year £80 million which they lend back to us at 7 or 8 per cent. interest. If that goes on for a large number of years, with compound interest amounting up, Europe will ultimately be in a state of extreme indebtedness to the United States." Brand continued: "An American banker whom I saw to-day held the extreme view that ultimately Europe would declare war on the United States in order to repudiate her

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[64] R. H. Brand, "The Reparation Problem," *International Affairs* 8:3 (May 1929), 203-226, quotations from 208, 209, 212, and 215.

debts."[65] Brand was almost certainly referring to Altschul, who visited London in late February and early March 1929. Altschul's view, though undoubtedly somewhat apocalyptic, and perhaps clouded by the fact that he succumbed to some kind of illness at this time, at least gives some insight into his persistent efforts to facilitate the reduction or cancellation of both war debts and reparations.

Acceptance and implementation of the Young Plan to reduce reparations was considered at the Hague Conference of August 1929, an international gathering attended by all the major European powers involved. While the Young Plan was under negotiation in early 1929, the German and European delegates had agreed, in a stipulation that was not included in the actual Young Plan, that if war debts were scaled down, reparations would also be commensurately reduced. The first Hague Conference was notable for the determined efforts by Philip Snowden, the new Labour government's Chancellor of the Exchequer, to increase the amount that Britain received from Germany in reparations.[66] Writing to the New York house on the day this meeting opened, Brand abandoned his oft-stated position that Britain should renounce all such payments to defend Snowden, telling his American colleagues that "[t]here is no one in this country [Britain] who does not sympathise with Mr. Snowden's stand although it comes very late in the day and although he may not be much of a diplomatist in method. The result of our trying to meet our debts on the one hand and behave generously to our creditors on the other has been that we have invariably, since the War, got the thin end of the stick. The country is sick and tired of it." The French government deeply resented Snowden's position, which reduced the amount France could hope to collect in reparations. Brand warned that, although France might use the financial leverage its massive gold and sterling holdings gave it over Britain "to make things exceedingly uncomfortable for this market," the British "would regard a direct use of their temporary power over this market for political purposes as a very serious act which might have quite unforeseen repercussions." He expressed confidence that London could if necessary "defend itself." Brand also admonished that: "Such warfare between financial markets instead of co-operation, which we do not anticipate, would, of course, be exceedingly damaging to everyone, not excluding our neighbours on the Continent."[67] Brand may well have quietly expected that Altschul would, in his turn, pass on this communication to the Paris house, for onward transmission to the French authorities, but whether or not Altschul did so remains uncertain.

The Hague Conference of August 1929 was intended to reach a final agreement on reparations, one that would effectively liquidate the issue as a point of contention in international relations. As the next four years would demonstrate, it did not achieve this. The Germans insisted on the Allied evacuation of the Rhineland by June 30, 1930, as a condition for their ratification of the

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65 Brand, "The Reparation Problem," 226.

66 Steiner, *The Lights that Failed*, 481-487; Cohrs, *The Unfinished Peace after World War I*, 545-546, 552-555; Kent, *The Spoils of War*, 303-313; Costigliola, *Awkward Dominion*, 215-216.

67 Brand to Lazard Frères New York, August 8, 1929, File Lazard Brothers & Company, Altschul Overbrook Foundation Papers.

Young Plan. Although the Young Plan reduced reparations by a quarter, it still envisaged that reparations annuities would be paid for a further fifty-nine years. Actual payment of reparations was left to be administered by a new organization, the Bank for International Settlements (BIS), a "world bank" headed by a respected American banker, Gates W. McGarrah, and run by a board on which the various central banks of the world were represented. German payments were divided into unconditional and conditional annuities, with provisions for postponement of the latter in difficult economic circumstances. The new BIS was also given a somewhat vague mandate to do what it could to provide credit facilities to assist with European recovery and reconstruction. The detailed implementation of these provisions was not finally decided until the second Hague Conference, held in January 1930. In any case, escalating international economic difficulties made their fulfillment ever more problematic.[68] Meanwhile, accelerating gold flows from Britain to France and the United States put growing pressure on the pound. British officials came to recognize that, if this continued, they would face the unpalatable choice of boosting interest rates, thereby increasing unemployment and intensifying the already existing economic slump in Britain, or abandoning the gold standard, which to many still represented the holy grail of economic thinking.[69] These issues were the source of real strains in relations among Britain, the United States, France, and Germany. To a surprising degree, during the worst crises of the Great Depression, members of the three different Lazard firms apparently saw it as their role to try to mitigate the international tensions created by differences among their various countries over the issues of reparations, war debts, European recovery, and gold policy. At best, their efforts had extremely limited success, but the fact that they were made was nonetheless significant.

Lazard Frères in New York acted as the agent of the French government in the United States, and was therefore extremely familiar with the growing accumulation of gold in France. In mid-December 1929, for example, the firm announced that it had just shipped $4 million in gold from New York to Paris, only one of a number of gold shipments totaling at least $26,280,000 dispatched from the United States to Britain and Germany as well as France at that time in what seems to have been an effort to strengthen foreign exchanges.[70] Two weeks later, Lazard New York sent a further $10,000,000 to France, bringing the total amount of American gold transfers to Paris since October to $66,659,000, an influx, the newspapers reported, that alarmed the

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[68] Kent, *The Spoils of War*, 310-321; Costigliola, *Awkward Dominion*, 211-217; Leffler, *The Elusive Quest*, 205-218; Cohrs, *The Unfinished Peace after World War I*, 546-571; Steiner, *The Lights That Failed*, 481-490; Stephen V. O. Clarke, *Central Bank Cooperation 1924-31* (New York: Federal Reserve Bank of New York, 1967), 145-147.

[69] Ahamed, *Lords of Finance*, 375-380; Costigliola, *Awkward Dominion*, 201-205; D. E. Moggridge, *British Monetary Policy 1924-1931: The Norman Conquest of $4.86* (Cambridge: Cambridge University Press, 1972), 133-140; Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression 1919-1939* (Oxford: Oxford University Press, 1992), 253-257; Clarke, *Central Bank Cooperation*, 134-141, 159-171 ; Kenneth Mouré, *The Gold Standard Illusion: France, the Bank of France, and the International Gold Standard 1914-1939* (Oxford: Oxford University Press, 2002), 180-200; H. Clark Johnson, Gold, France, and the Great Depression, 1919-1932 (New Haven: Yale University Press, 1997), esp. 131-145.

[70] "$4,000,000 in Gold Shipped to France," *New York Times*, December 15, 1929.

French authorities.[71] When asked earlier in 1929 by the Federal Reserve Bank of New York to provide "full information on foreign funds" held in the New York market, Lazard hesitated to do so, for fear that this would "unavoidably disclose the business of particular foreign clients." When George L. Harrison, Governor of the New York Federal Reserve Bank, discussed the matter with Altschul, he "said, quite frankly, that he referred to balances of the French Government and that he had tried to make up a statement in various different ways, by countries or continents, so as to conceal the balance of this particular client, but that it was very difficult, if not impossible, to do so." Neither Altschul nor Harrison wished to ask the French government for permission to provide these figures. How they ultimately resolved the problem is unclear.[72]

This was a relatively minor worry. By summer 1929, the British Lazard partners were clearly extremely concerned by the implications of the continuing flow of gold to both the United States and France, something they brought to the attention of both their French and American partners. During these years of financial crisis, the British Lazard partners apparently sought to serve as intermediaries between French banking officials and Governor Norman of the Bank of England, who was notorious for his anti-French outlook. In the later 1920s, the antipathy between Norman and his French counterparts compounded underlying policy differences between the Bank of England and the Bank of France over such issues as gold and currency policy.[73] Kindersley's distaste for the governor's stance was probably one reason why, in 1928, he was among those Bank of England directors who unsuccessfully sought to oust Norman from his lengthy tenure as governor of that institution. When the French repeatedly clashed with Norman during the Young Plan conference in early 1929, Lord Revelstoke of Barings Bank, who headed the British delegation, suspected that "some of the French intrigues against Norman might probably be traced to the jealousies of the Lazard lot, who would give a good deal to see M.N. [Norman] deposed from his present position."[74] French behavior during the Young Plan negotiations probably had more to do with differences on policy between Norman and French representatives, but Revelstoke's comment was an indication that, whatever their earlier disputes over reparations, the directors of Lazard Brothers and French officials were now on comfortable terms.

This did not mean that the British Lazard firm always endorsed French policies. It was rather that they sought to interpret French positions to British financial officials and mediate Anglo-French differences of opinion. In May 1929, the Bank of England had realized that the French Treasury, "[w]orking through Lazard's, quite independently and without the knowledge of the

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71 "$11,250,000 in Gold Leaves for France," *New York Times*, December 28, 1929.

72 George L. Harrison, memorandum, May 10, 1929, File 2610.2, George L. Harrison Papers, Federal Reserve Bank of New York.

73 R. S. Sayers, *The Bank of England 1891-1944*, 3 vols. (Cambridge: Cambridge University Press, 1976), 1:186-188; Mouré, *The Gold Standard Illusion,* 167-171; Lester V. Chandler, *Benjamin Strong: Central Banker* (Washington, DC: Brookings Institution, 1958), 416-422.

74 Roberta A. Dayer, *Finance and Empire: Sir Charles Addis 1861-1945* (New York: St. Martin's Press, 1988), 175-176, and Revelstoke, diary entry, March 4, 1929, quoted in Dayer, *Finance and Empire*, 192.

Banque de France," had been "operating in exchange on a big scale since the beginning of the year." Bank of France officials only became aware of the Treasury purchases when they realized that Lazards were always buying foreign exchange, no matter what the state of the market. Most of these funds were held in dollars or sterling, especially dollars. These balances had apparently been accumulated in anticipation of the ratification of the debt settlement with the United States, when certain payments would become due immediately. Irate Bank of France officials claimed "that the Treasury purchases have caused the greatest possible disturbance in exchange markets in return for the smallest advantages." Echoing Lazard Brothers' criticism three years earlier of the multiplicity of French government bank accounts in London, the Bank of England recounted that "Treasury balances are scattered about in all the holes and corners of the London market and English banks have been competing for them (somewhat to the surprise of the Banque de France) by offering especially favourable terms."[75] It is not clear just how far the London and New York Lazard houses, as well as the Paris firm, were involved in or privy to these purchases.

They were, however, alarmed by the implications of growing French holdings of gold and foreign exchange. In late July 1929 Brand spent two days in Paris, where, as he reported back to officials of the Bank of England, he discussed "the present exchange position" with members of Lazard Frères, Governor Émile Moreau and Pierre Quesnay of the Bank of France, and others from the financial world. At this juncture, very large reserves of gold, sterling, and dollars had accumulated in the vaults of both the major French banks and the Bank of France, leading to British pressure on the French to lower their interest rates. The French told Brand that there had "for some time been a latent distrust, not of the ultimate but of the immediate English financial situation. The constant advertisement of our unemployment problem, the difficulties of our export trade, our enormous budget, the huge excess of our imports over exports, have all contributed to a feeling that we are over-straining our resources." The "advent of a Socialist Government had further alarmed the French, who had concluded that the British had "for some time . . . been over-lending to foreigners and that the large deposits with us made by France and other countries made us think our own immediate resources were greater than they are." The Bank of France did not feel able either to buy more sterling exchange, or lower its rate. Brand believed that, "[u]ltimately . . . the solution of the problem can only lie in France lending freely on long terms to foreign Nations, so long as she has a favourable balance of trade." He warned that:

> If one looks beyond the immediate future it is obviously difficult for the gold standard to work if two great countries like the United States and France, with heavy favourable balances of payment, restrict within very narrow limits their long term lending abroad and instead either add to their gold or their short claims on other Nations, and particularly London. Such a situation must inevitably force London to still higher rates and also to protect herself by restricting foreign loans long and short so as to increase her gold and

[75] H. A. Siepmann, "Note of Conversations in Paris on Tuesday, 28th May, 1929," May 30, 1929, File OV45/80, Bank of England Archives.

> even build up balances abroad. Undoubtedly, developments in the United States and France if they continue on the same lines would mean a further rise in the value of gold, lower world prices, deflation, and further depression which must ultimately react on France as well as ourselves.[76]

A week later, Brand sent a copy of this memorandum to the New York Lazard house. He wrote on a day when, in an effort to damp down the speculative stock exchange boom, the United States Federal Reserve System announced a rise in its discount rate, putting additional pressure on the already beleaguered pound and making an increase in the British bank rate virtually inevitable. Brand highlighted the fact that the gold exchange standard of the postwar years, whereby countries could hold reserves either in gold or in sterling or dollars exchangeable for gold at demand from the issuing nation, was not functioning in the same automatic regulatory and corrective manner as the prewar gold standard. "Moreover, these gold exchange standard countries are not free gold markets and hoard such gold as they have, the classic example of this habit being the Bank of France. No gold which reaches them comes back again." Brand warned his American colleagues that "the enormous French balances held in our country as well as in yours while inconvenient, in our opinion, to them, are much more inconvenient to us, if we speak from the Market's point of view rather than our own. This situation is unlikely to right itself at once, or indeed at all, until the French begin lending money much more freely abroad." Brand also drew attention to the "huge mass of mobile capital on the international market which is quite a new phenomenon representing in fact unsettled transactions as between one financial market and another, the movement of which can produce very serious results." These sudden demands and transfers of capital were far larger than anything seen before the war. Even the United States, despite the protection of its large reserves of gold, was not necessarily immune to the effects of such swings. "[S]o great are foreign funds, whether due to the Gold Exchange or to investment and speculation, held on your market that they might, on occasion, be exceedingly disturbing to you and might produce serious results on your credit and security markets." He warned that Britain could not tolerate this situation indefinitely, and might well "appoint a Royal Commission or some body of enquiry to examine into this matter, for clearly this country can do little by itself to operate the gold standard satisfactorily unless all other countries collaborate." The Macmillan Committee, established two or three months later with Brand as a member, did indeed consider, among other issues, the question of international gold movements. In Brand's view, there was, however, a simple solution: "the situation would, of course, be entirely changed if [the United States] and France were both to recommence making foreign loans to the extent that is justified by your active balances of Trade."[77]

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[76] Brand, Memorandum, July 31, 1929, File OV45/80, Bank of England Archives; another copy in File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

[77] Brand to Lazard Frères New York, August 8, 1929, File Lazard Brothers & Company, Altschul Overbrook Foundation Papers.

If Brand sought to convey the British position to his American partners, he was equally anxious to familiarize British officials not just with the French viewpoint on gold, but also with what he saw as the broader implications of the international situation. Brand feared it might demand drastic remedies, in terms of government controls on British capital. Given the firm's prominence in exchange dealings, on occasion Lazard Brothers shipped gold from Britain to Paris, transactions of which the British partners sometimes informed the Bank of England in advance.[78] In late August 1929, about ten days after Lazard Brothers had dispatched one such batch of gold to France, Brand sent Montagu Norman, the governor of the Bank of England, a memorandum he himself had written "to try and clear my mind a bit . . . on the position as it appears to me." In this document, Brand confessed:

> It is certainly disturbing that the U.S., France and Germany are all drawing gold from us. It is true that the American and French situations may be abnormal yet it is quite uncertain when they will become 'normal'. Both these countries have favourable balances of payments which should enable them to lend money in the form of long term loans to the rest of the world. Yet the U.S. has very nearly stopped doing so during the last year and France has not done so since the war. The result must be either that these countries leave their favourable balances in short deposits in other markets and particularly in London or convert them into gold. . . . [S]till more disturbing, the U.S. sterilises this Gold and does not proportionately increase Credit supplies; in fact she is not working the Gold Standard according to the rules. The French authorities on the other hand do let the gold have its normal effects. But both countries, by using their favourable balances not to increase imports or to lend abroad, but in part at any rate unnecessarily to import gold, are endangering the sound working of the gold standard and are likely to bring severe troubles to the rest of the world, which will ultimately react on them.

Fundamentally, however, Brand believed the problem went even beyond this, and must reflect the fact that "the immediate claims of the rest of the world on us were greater than our claims on it." Overall, he believed, the British "balance of payments . . . must be unfavourable." Therefore: "However unpleasant the consequences of American and French developments may be, we must face them. If London is to be, if not the, at any rate a, financial centre of the world, she must be ready and able to meet her obligations. If we allow other countries to place immense sums on short deposit here, and if we utilise them meanwhile, we must be ready to pay them back when we are asked for them." In prevailing circumstances, he did not believe that a rise in bank rate, the standard prescription for such imbalances, would suffice to meet British difficulties. Breaking rather dramatically with orthodoxy, especially given his many years as an international banker, Brand suggested adopting aspects of French policies, arguing:

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[78] Norman, diary, August 16, 1929, File ADM34/18, Bank of England Archives.

> [I]t does not seem possible that London should continue to aspire to be the financial centre of the world and yet allow its situation to be much further weakened. It matters more at present whether the world thinks our gold reserve is too low than whether in a rational world it really is too low.
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> It is a question whether a policy of building up our own resources after the French fashion i.e. not lending abroad, strengthening the Central Bank reserves, therefore more credit and cheaper money and some rise in prices might not be the best solution. This would require taxes sufficient to prevent foreign countries borrowing here. It would be an entire departure from the traditions of the City but to me it seems a question between some such course and a higher Bank rate.

A higher bank rate would, he believed, bring money back to Britain, but it would also be detrimental to British industry, by raising British wages and hence the prices of British exports. He concluded that: "While such action would be out of line with our traditions, I am inclined to believe that the country's interests would be well served by temporary measures being taken e.g. by taxes on foreign issues to prevent foreign borrowing, until our reserves were strengthened, and credit could be made more plentiful and cheaper."[79]

The files of the Bank of England also contain a copy of a letter—provided, presumably, by either Kindersley or Brand—that the Paris house of Lazard Frères sent to the New York firm in November 1929, describing the foreign exchange situation as they saw it. According to the French partners, since the stabilization of their currency "our Banks, Bankers, and important commercial and industrial concerns disposing at times of large liquid assets have resumed their pre-war habit of investing abroad a certain percentage of their cash resources in order to take advantage of the higher interest rates obtainable in London, Berlin, New York etc." For the most part, however, they were putting their money into very short-term securities rather than long-term loans. For a variety of reasons, including fiscal and monetary needs, tourist expenditures, and the loss of confidence caused by the American stock market crisis and the election of a Labour government in Britain, by late 1929 many of these funds were being called back to France, resulting in "an unprecedented repatriation of funds from abroad." Technical regulations of the Bank of France and the French Treasury also meant that funds collected for taxes and other government purposes were simply sitting in the vaults, with "a vast volume of capital tied up unproductively." The French partners themselves believed "that not only our monetary position, but also economic development depends on the re-establishment of more normal relations between taxpayer and tax-collector." For the immediate future, however, they anticipated little if any relief, telling the New York house that: "The Bank of France in conjunction with other banks is now studying the question of remedying some of the most crying deficiencies of our money market, but taking everything into consideration we believe that unless

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[79] Brand to Montagu Norman, August 28, 1929, enclosing Brand, Memorandum, August 27, 1929, File G1/466, Bank of England Archives, London.

our financial authorities devise some new plan by which the funds now sterilised might be replaced and put at the country's disposal the repatriation of foreign balances will have to continue and may gain a new momentum owing to the approach of the end of the year when our market will have to meet very large cash and credit requirements."[80]

Giving evidence before the Macmillan Committee in early 1930, Kindersley declined to be overly critical of France's gold policies. He reminded its members that, until June 1929, France had not reached a definite war debt settlement with the United States, and feared that at some future date she might face sudden American demands for large sums. "Up till June, 1929, she had that always in front of her, and I think one can hardly blame her for not being normal, or not attempting to be normal, before that date." Kindersley also pointed out that France's "banking facilities are very much behind the times"; that high stamp duties made it difficult to issue large long-term loans in France; and that the Bank of France had very recently issued a report that "definitely stated that France would let gold go again."[81] Kindersley found few excuses, however, for the United States, where the Federal Reserve System had, in his opinion, kept call money rates extremely high, while maintaining gold reserves at far higher levels than were required by the legal ratio of gold held to back the currency. The United States had followed these policies in the hope of checking domestic tendencies toward speculation, but by doing so it had undermined the workings of the gold standard.

> In other words, although New York professed to be on the gold standard she really never allowed the gold standard to work properly in accordance with the movement of gold in her direction. Her reasons for that, as I understand them, were entirely domestic. . . . My point is that she had subjected the international situation to her domestic situation; and so far as the gold standard is concerned, if every country did that it could not possibly work. And in so much as America was such an important creditor nation and such a large holder of gold, her action in keeping up money rates compelled the whole of the rest of the world to keep their rates up.

Kindersley called for greater cooperation among central bankers of gold standard countries. He argued that what was needed was "some measure of agreement between those countries that are on the gold standard in regard to this question of rate of money and ratios," since if every country followed its own policies and was "governed by its domestic situation and not by the international situation then I think there is bound to be trouble." He called for "some sort of common rules of the game, so to speak, for the gold standard." With palpable frustration, Kindersley proclaimed: "Each country should play the game; if they do not, the thing cannot work. And one has to remember that America went on her bended knees, almost, to the rest of

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[80] Lazard Frères and Cie. to Lazard Frères New York, November 27, 1929, File G1/466, Bank of England Archives.

[81] Evidence of Sir Robert Kindersley, February 6, 1930, *Minutes of Evidence Taken Before the Committee on Finance and Industry* (London: His Majesty's Stationery Office, 1931), paras. 1600-1624, quotations from paras. 1605, 1607, and 1617.

the world to adopt the gold standard—after the War she was always pleading for everybody to adopt it—but no sooner had she got them to adopt it, than she refused to allow it to work."[82] Returning to the topic at the end of his appearance, Kindersley reiterated that, while in France, the "whole tendency to-day is very different from what it was," this was not true of the United States. "America is a great difficulty; there is no getting away from it. I believe that there it is a question of education, of discussion and ultimate realisation. How long it is going to take I do not know."[83]

The influence of his British partners may have been one reason why, in late 1929 or early 1930, Altschul apparently sent a memorandum to an official within the Federal Reserve System of the United States, in all probability George Harrison, governor of the New York Federal Reserve Bank. Alarmed by somewhat ill-founded newspaper reports of dissension among the governors of the various regional Federal Reserve Banks and the Federal Reserve System on whether or not to raise the discount rate to squeeze further speculation out of the system, he urged that there was no further need to do so, but that it was essential that all the Federal Reserve functionaries should present a united front on policy. Instead of adjusting interest rates, he urged a gradual increase in open market purchases of government securities, to restore "confidence in the level of bond prices" by the "summer months" of 1930 without rekindling speculation. The foreign situation was his main reason for pushing this policy. Altschul warned his correspondent that "Federal Reserve policy, or domestic speculation, or both, have led to a condition in which European prosperity is being much hampered by the absolute cessation of foreign financing in New York." In what was clearly a reference to Kindersley, he continued: "I have seen a cable from a Governor of the Bank of England and a prominent international banker to a banking correspondent of his in a South American country, in which it was pointed out that the financial situation in Europe was rapidly becoming critical because of developments in the United States, and that unless these were arrested the world situation would be much disturbed." Echoing themes sounded earlier by his British partners, Altschul warned: "Only . . . by a gradual willingness to allow the vast gold reserve and the vast secondary reserves of this country which have been more or less withdrawn for the time being from the credit system of the world as a whole to perform their normal functions in permitting ultimately some credit expansion, can a material setback in the domestic and in the world business situation be avoided."[84] Altschul's

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[82] Evidence of Sir Robert Kindersley, February 6, 1930, *Minutes of Evidence Taken Before the Committee on Finance and Industry*, paras.1592-1596, quotations from paras. 1594, 1595, and 1596.

[83] Evidence of Sir Robert Kindersley, February 6, 1930, *Minutes of Evidence Taken Before the Committee on Finance and Industry*, paras. 1678 and 1679.

[84] [Altschul], Memorandum, n.d. [late 1929 or early 1930], File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

understanding of the disputes within the Federal Reserve system was by no means entirely correct, but in any case his counsel was effectively ignored by its assorted governors.[85]

Altschul's British partners corresponded extensively with him on the economic situation. By March 1930, British interest rates were relatively low, and Sir Robert Kindersley hoped they would remain so for some time, as he feared any recovery would be slow. He told Altschul that there seemed "a great want of confidence generally throughout this country [Britain] and Europe, engendered by the large fall in commodity prices, and I think it will take some time before people recover their energy and initiative." Even in the United States, which he thought more resilient, Kindersley felt people had "somewhat over-estimated the rapidity of recovery in business conditions."[86] Six months later, Kindersley was still cautious about the British situation, telling Altschul that he could not "help feeling that we are not too far off the turning point; but the turn when it does come will probably be hardly perceptible and things will move very slowly. Confidence is very severely shaken and in consequence the absence of enterprise is bound to last for a very long time and to cause a continuation of very cheap money."[87] British banks were also finding it more difficult to tap funds in the United States. In October 1930, Lazard Brothers in London tried to arrange a £10 million credit for the Spanish government. On October 13, "Sir Robert Kindersley stated that his negotiations had broken down owing to the Americans having refused to participate. France and London were alright but he is not prepared to proceed without America."[88] Six months later, in March 1931, the Morgan firm and the Chase National Bank arranged a £15 million credit for Spain, with funds contributed by financial institutions in Paris and New York, but no participation by British banks, largely because the Bank of England deprecated any credit that was not part of a broader scheme to stabilize the Spanish economy and currency.[89]

One element that many bankers and economists blamed for intensifying and prolonging the depression by forcing higher interest rates elsewhere and subjecting other currencies to heavy pressure was France's gold policy, a question that became ever more divisive. Given his firm's role as bankers to the French government, Altschul enjoyed a ringside seat as France accumulated ever greater quantities of bullion. In mid-July 1930 Lazard New York sent $4,000,000 in gold on the *Bremen* to the Bank of France in Paris, "the first important gold export" from the United States since the previous January. A week later Lazard dispatched a

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85 On Federal Reserve policies during this period, see Barry Eichengreen, *Golden Fetters: The Gold Standard and the Great Depression 1919-1939* (New York: Oxford University Press, 1992), 246-257; Allan H. Meltzer, *A History of the Federal Reserve*, Vol. I: *1913-1951* (Chicago: Chicago University Press, 2003), 282-323.

86 Kindersley to Altschul, March 28, 1930, File Lazard Brothers & Company, Altschul Overbrook Foundation Papers.

87 Kindersley to Altschul, October 31, 1930, File Lazard Brothers & Company, Altschul Overbrook Foundation Papers.

88 Memorandum, "Spain", filed on December 31, 1930, File OV61/1, Bank of England Archives.

89 Memorandum "To the Comptroller", March 21, 1931, H. A. Siepmann, "Spanish Credit," March 24, 1931, File OV61/2, Bank of England Archives.

further $8,000,000 to Paris on the S. S. *Europa*, and two days later an additional $3,000,000 on the S. S. *France*. By that time total American gold exports to France in the second half of July amounted to $25,000,000, with the balance of this sum handled by the Guaranty Trust Company.[90] The shipments continued for the first week of August. On its next trip from New York to Paris, on August 1, 1930, the *Bremen* carried $13,000,000 in gold for the Bank of France, $10,000,000 sent by Lazard Frères New York, the remainder by the Guaranty Trust. Four days later the *Berengaria* left New York with a further $6,500,000 from Lazard and $3,500,000 from the Guaranty Trust, bringing the total gold outflow to France over the previous three weeks to $53,000,000.[91] Eight days later, the New York Federal Reserve Bank announced plans to export yet another $8,809,000 to France, with Lazard New York shipping $3,000,000 that evening on the *Europa*.[92]

The Lazard partners in London found ever more frustrating these developments, which they blamed on high interest rates in France, and which subjected the pound to additional pressure, leading to demands to increase British bank rate. In their view, the remedy was simple. Despite the suspicions Moreau had earlier displayed toward him in the late 1920s, Kindersley apparently had good relations with the Bank of France, where a new governor, Clément Moret, succeeded Émile Moreau in September 1930. By then, however, even the once sympathetic Kindersley could discern few excuses for its policies. Speaking to a conference of the National Savings Movement, he expounded the theory that the proper functioning of the gold standard depended upon the appropriate use of gold to generate credit, something the United States and France were failing to permit. In 1929 those two countries had "accumulated an additional £110,000,000 worth of gold," and since January 1930 they had drawn in a further £95,000,000, none of which had been employed as a monetary reserve against which additional currency in francs or currency had been issued. Kindersley charged that: "The rapid fall in commodity prices caused by this sterilization of gold has shaken confidence, destroyed initiative, and is largely responsible for the present economic troubles of the world." While he ultimately expected an economic revival, he anticipated that this would be slow in coming.[93]

As the Bank of France amassed yet more gold, officials there and at the French Treasury began to consider defusing such criticism by employing some of it to purchase foreign securities on the French market. Early in October 1930, the French Treasury used André Meyer of the Paris Lazard house, as well as other leading bankers, to initiate inquiries with Morgan & Cie., the

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90 $4,000,000 in Gold Shipped to France," *New York Times,* July 17, 1930; "Gold to Paris," *Wall Street Journal*, July 17, 1930; "$4,000,000 in Gold Sent to France," *Wall Street Journal*, July 17, 1930; "$16,000,000 More Gold Exported," *Wall Street Journal*, July 24, 1930; "Steady Close: France Takes $3,000,000 More Gold," *Wall Street Journal*, July 26, 1930' "Gold from New York," *The Times*, July 24, 1930.

91 "$13,000,000 in Gold Shipped to France," *New York Times*, August 2, 1930; "$10,000,000 in Gold Shipped to France," *New York Times*, August 6, 1930; "List Strong: Lazard Freres and Guaranty Trust Ship $10,000,000 Gold to France," *Wall Street Journal*, August 6, 1930; "U.S. Gold Outflow," *The Times*, August 2, 1930.

92 "More Gold from U.S. to France," *The Times*, August 14, 1930.

93 "Importance of Saving," *The Times*, September 20, 1930.

French branch of J. P. Morgan & Company. Meyer told Dean Jay, the foremost Paris Morgan partners, that "he had seen the Minister of Finance who said the Government desired to facilitate the placing of American securities with French investors to try and avoid the danger of gold inflation and wished that the French banks would see what could be done." He "inquired whether Morgan & Cie. would be interested to make an issue [in Paris] here with Lazard Freres & Cie. Paris, and possibly one or two of the leading French banks of shares of some important American company. He also said he thought Public Utility shares such as Columbia Gas & Electric Corporation, Public Service Corporation of N.J., and Commonwealth and Southern would be interesting also Kennecott Copper Corporation." Governor Moreau, the former head of the Bank of France who now headed the Crédit Lyonnais, a major French bank, made similar inquiries, and "mentioned especially U.S. Steel Corporation, New York Central R.R., International Harvester, E. I. Dupont de Nemours & Company, American Radiator Company." The Morgan firm was interested in principle, though it felt that as potential collaborators in such ventures the leading French banks, "credit establishments who have the placing power are more interesting than Lazard Freres & Cie., Paris, although latter would be useful in handling the market."[94] Further explorations of the idea between the French and American Morgan partners, French Treasury representatives and bankers, and the U.S. Secretary of the Treasury and his deputies continued for some time, with French officials eager to have American stocks marketed in France at a time when they believed price levels had reached their lowest point. Ultimately the proposal seems to have been put on hold until a Franco-American treaty on double taxation was signed.[95]

The following month, Kindersley told Altschul that he could not "understand why the Bank of France does not reduce its rate. If you put the question to the new Governor, he tells you that even if they put the rate down it would have no effect in so far as the attraction of gold to France goes; but this is hardly a convincing answer, and it seems an extraordinary thing that the Bank of France should hesitate to use the only automatic weapon it has."[96] The problems continued. In February 1931, Brand sent Sir Ernest Harvey of the Bank of England part of a letter from one of his colleagues in the Paris Lazard house, warning that fears of the weakness of the pound were making it increasingly difficult to find buyers for British Treasury Bills or other sterling securities, or to negotiate contracts with payment to be made in sterling some months later. The

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[94] N. Dean Jay to J. P. Morgan & Co., October 4, 1930, File J. P. Morgan, Jr., Personal Cable File (2) October 2, 1930-October 27, 1931, Box 23, Morgan European Bank Papers, Morgan Library, New York.

[95] Russell C. Leffingwell to Thomas W. Lamont, October 4, 1930, Lamont to Leffingwell, October 7, 1930, Leffingwell to Lamont, October 7, 1930, Leffingwell to J. P. Morgan & Co., October 7, 1930, Morgan & CIe. to Morgan, Grenfell & Co., October 8, 1930, J. P. Morgan & Co. to Morgan & Cie., October 9, 1930, Bernard S. Carter and Benjamin Joy to Morgan & Cie., October 9, 1930, Morgan & Cie. to Carter and Joy, October 9, 1930, Leffingwell to Morgan & Cie., October 9, 1930, Morgan & Cie. to J. P. Morgan & Cie., October 11, 13, 1930, File J. P. Morgan, Jr., Personal Cable File (2) October 2, 1930-October 27, 1931, Box 23, Morgan European Bank Papers.

[96] Kindersley to Altschul, October 31, 1930, File Lazard Brothers & Company, Altschul Overbrook Foundation Papers.

French banker complained that "all the people here [in Paris] who are prepared to help in the present emergency are greatly nonplussed by the apathy and the lack of co-operation they find on your side."[97]

Kindersley and his colleagues made energetic efforts to dispel any such apathy and take the leading in establishing non-automatic mechanisms to deal with the growing crisis, and put more money and credit in circulation. Leading bankers put forward financial schemes broadly resembling those advanced a decade earlier, to facilitate European recovery in the aftermath of the First World War. All three Lazard firms participated in at least one of these ventures, the Central Mortgage Loan Company (Compagnie Centrale de Prets Fonciers), established in Amsterdam in November 1930 by a consortium of European and American banks. This began as a European initiative, intended "to facilitate movement of funds from centers where capital is over-abundant to those where it is scarce, through investment in mortgage loans and bonds of mortgage companies." It could also "make loans to public utilities and governments on a secured basis."[98] The founders expected it to "issue its own securities in markets in which such securities can be sold to the best advantage." Although they initially hoped to employ abundant French credits in Germany, "where long-term accommodations are scarce," they intended to tap American funds as well. Desiring flexibility, they sought to make the new organization "as elastic as possible, so that it may readily take advantage of credit conditions in various countries." They hoped its "volume of operations will quickly mount into several hundreds of millions of dollars in view of the wide scope of contemplated activities." Early newspaper reports stated that: "Over a period of years, operations of the new organization are expected to play an important role in stabilizing world credit conditions." In September 1930, it was announced that Lazard Frères of New York would head this organization's American group, which would be "comparable in standing with the European banking section." The bulk of the initial capital of 10,000,000 guilders ($4 million) was expected to come from two French banks, Lazard Frères and the Société Générale of Paris, and additional subscribers would include the London and New York Lazard firms, Kreuger & Toll of Sweden, and other European financial institutions.[99]

At least financially, the Paris Lazard firm took the lead in establishing this new organization, and the French subscribers—Lazard Frères, the Société Générale, the Banque de l'Union Parisienne, and the Banque National de Credit, held the bulk of the initial capital of 10,000 shares at 1,000 guilders each. Other subscribers included many of the same firms who had worked closely with Lazard Brothers on European and especially German business during the 1920s: Lazard Frères, of course, in the United States, but also the International Acceptance Bank and J. Henry Schroder

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97 Brand to Sir Ernest Harvey, February 19, 1931, enclosing "Extract of letter Dated 16/2/31 from Lazard Freres & Cie., Paris to Lazard Bros. & Co. Ltd., London," File OV45/4, Bank of England Archives.

98 "Cent. Mortgage Issuing Bonds," *Wall Street Journal*, April 25, 1931.

99 "Funds Here to Aid World Credit Plan," *New York Times*, September 6, 1930; "International Mortgage Bank," *Wall Street Journal*, September 6, 1930.

Banking Corporation; from the Netherlands, the Amsterdamsche Bank and the Internationale Bank te Amsterdam, in which Lazard Brothers was a major stockholder; Lazard Brothers itself and also J. Henry Schroder & Co. in London; Kreuger & Toll of Sweden; in Czechoslovakia, the Zivnostenaka Banka of Prague; and from Germany, the Darmstädter und National Bank, the Berlinder Handelsgesellschaft, the Dresdner Bank, and M. M. Warburg & Company of Hamburg. To raise additional capital, in April 1931 the company made a public offering of 140,000,000 francs ($5.6 million) worth of 35-year bonds, bearing interest at 5½ percent. The bulk of these, 80,000,000 francs, were to be offered in France, with 10,000,000 to be marketed in Holland, 25,000,000 in Sweden, and 25,000,000 to be placed privately in Switzerland. Given capital stringency on the British market, none were marketed in London, and it was stated at the time that there was no current intention of making any further offering in the United States. To demonstrate its broad approval of the new institution's purposes, the Bank for International Settlements, established under the Young Plan to handle intergovernmental transfers in the best interests of all countries concerned, subscribed to a small portion of the bonds issued. On April 24 the *New York Times* reported that American bankers had "watched the formation" of this company "with keen interest because of its possible importance as a solution of the problem of the maldistribution of gold." Though relatively smallscale, its efforts were seen as a potential harbinger of larger ventures.[100] The loan was oversubscribed, and Lazard Frères in Paris announced that the participating bankers intended to offer additional bonds through the new institution in the near future.[101] The same month, the Paris Lazard house was one of two French banks, the other being the Banque de l'Union Parisienne, that negotiated a 5½ percent twenty-five-year loan of somewhere between $40,000,000 or $50,000,000 for the Czech government, to be used to pay off the bonds of a previous Czech Foreign Loan that bore interest at 8 percent.[102]

The leading role of the Paris Lazard firm in establishing the new financial institution in late 1930 conceivably gave evidence of a more proactive French approach to the intensifying international economic crisis, something that may have reflected the influence of their British and American partners, and also, perhaps, the growing prominence of the energetic André Meyer and Pierre David-Weill in the direction of the Paris house. The close ties of Lazard Frères to top figures in the Bank of France and the French government may have had something to do with the country's apparent willingness, by early 1931, to contemplate more decisive measures to address economic problems. In November 1930 the French Lazard house was one of fourteen leading French financial institutions that, after consultations with French government leaders and Bank of France officials, lent 80 million francs (£640,000) to the Banque Adam, which had suspended payments a week earlier. The rescue package was intended to avert a bank failure that might

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100 "World Bank Balks at Soviet's Bills," *New York Times*, April 21, 1931; "Foreign Loan Aimed to Equalize Credit," *New York Times*, April 24, 1931; "International Mortgage Issue," *Wall Street Journal*, April 22, 1931; "Cent. Mortgage Issuing Bonds," *Wall Street Journal*, April 25, 1931; "City Notes," *The Times*, April 25, 1931.

101 "New European Bank Floats First Loan," *New York Times*, April 30, 1931.

102 "Czechoslovak Loan Terms," *The Times*, April 24, 1931.

have triggered a crisis of public confidence in other French banks.[103] In January 1931 Lazard Frères in Paris was one of three leading banks, together with the Banque de l'Indo-Chine and the Banque de l'Unione Parisienne, that took in hand the affairs of the Société Financière Française et Coloniale. This firm was the largest French colonial enterprise, with interests in more than a dozen businesses in France itself and over twenty in Indochina, including rubber, sugar, coal, metallurgical mines, banking, and public utilities, plus further ventures in French Africa and Madagascar. The company was founded in 1920 by Octave Homberg, a long-time associate of the French Lazard firm, a former government official and banker who served in the French Ministry of Finance during World War I. Declines in world commodity prices, together with somewhat grandiose ambitions on Homberg's part, left the company overextended financially by the end of 1930. The Lazard partners, whose interest in French colonial ventures dated back to the 1890s, had been among Homberg's original financial backers in establishing this enterprise in 1920, shortly after the war, in an effort to bolster France's imperial position and standing. Bankers in Paris noted with some relief that the problems in the business had arisen once Homberg and Lazard parted company some time during the 1920s, and welcomed the company's return to their management. The new arrangement also avoided the repercussions that the bankruptcy of France's largest colonial enterprise would have had upon the country's overall economy.[104]

French officials welcomed efforts by private banks to rescue a major French institution, and were willing to acquiesce in the modest and largely private scheme Lazards spearheaded to establish a small international lending corporation. They were far less friendly to a much larger initiative devised by Kindersley in early 1931, a proposal that the Bank of England pushed officially in the Bank for International Settlements. Kindersley suggested that an "International Credit Bank" be established, with a capital of at least £25 million and, if possible, £50 million. These funds would serve as security for issuing bonds for three times as much, "and the money raised by the sale of the bonds should be lent to such Foreign Governments, Municipalities, Mortgage Banks, Harbour Boards, Railways and Public Utility Companies, as are in need of funds which cannot be obtained at the time through customary channels, and are in a position to offer really good security." Bonds would largely be issued in France and the United States, with some floated in Switzerland and Holland, "but only to a moderate extent in England." It was hoped that the effect of this scheme would be to divert "the existing flow of gold"; to re-establish "the credit of the foreign Governments, corporations, etc., to whom the money is lent, to improving the price of their securities in all markets of the world, and the purchasing power of their nationals"; and to restore "general confidence." Capital would be subscribed by "all Corporations and Companies of any magnitude as well as Banks in all the creditor countries of the World." This left the door open for central banks, including those with large gold holdings, to become

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103 "Banque Adam to Reopen," *The Times*, November 30, 1930.

104 "French Colonial Venture Spared," *Wall Street Journal*, January 17, 1931; Rougemont, *Lazard Frères*, 453, 486; Marc Meuleau, *Des pionniers en Extrême-Orient: la Banque de l'Indochine, 1875-1975* (Paris: Fayard, 1990), 349-350, 382-384.

shareholders. The corporation would lend its funds at a higher rate of interest than its own bonds bore, and so enjoy a margin of funds for administration and contingencies. There are intriguing hints that some French bankers had been involved in drafting this ambitious scheme, of a very different order of magnitude to the International Mortgage Corporation that Lazard Frères established, but based on similar principles. Forwarding a copy of this proposal to Governor George Harrison of the New York Federal Reserve Bank, Montagu Norman claimed that "it seems to have emanated from Paris but in a different form was given to me by Kindersley."[105] Lazard Frères in Paris sent Norman the first draft of this proposal received at the Bank of England, suggesting that the French Lazard partners were involved in its formulation.[106]

Kindersley's original memorandum, which he handed to the Bank of France in early February 1931, made it even more clear that the purpose of this corporation "should be, by reestablishing confidence, to reopen the American market and the Paris market to the issue of Foreign Bonds." The Bank of France noted that the redrafted proposal that Norman submitted to the Bank for International Settlements omitted certain phrases in the original Kindersley Plan, notably the words that "many authorities have agreed that the maldistribution of Gold is in large measure the cause of the existing World crisis," so that "the vital question is, therefore, to get the United States and France to lend again to the World."[107] With very slightly different wording, these portions were included in a draft of the Kindersley Plan, presumably an original version, that S. Parker Gilbert, the former Agent General for Reparations who had by then become a partner in J. P. Morgan & Company, sent to Harrison in early March 1931.[108] Norman, who supported the fundamental idea, to the degree that the proposal was sometimes known as the Norman Scheme, was by early March 1931 telling Harrison that:

> [T]he B.I.S. is already slipping to the bottom of a ditch and in that position seems likely to do no more than helpfully perform a number of routine and Central Banking transactions. A change of direction and of spirit is needed in order that it may also fulfil the hopes for its wider usefulness which were expressed, although perhaps vaguely, in the Young Plan. . .

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105 Montagu Norman to George L. Harrison, March 3, 1931, File Montagu Norman Correspondence 1926-1931, Harrison Papers; see also original draft of plan, February 2, 1931, "Sir R. M. Kindersley's Plan," February 9, 1931, and H. A. Siepmann, "Sir Robert Kindersley's Scheme," February 13, 1931, File OV4/23, Bank of England Archives.

106 Norman, cable to Harrison, March 2, 1931, February 27, 1931, File Bank for International Settlements 1930-1931, Stephen V. O. Clarke Material, Federal Reserve Bank of New York. For accounts of the Kindersley Plan and its fortunes, see also Stephen V. O. Clarke, *Central Bank Cooperation 1924-31* (New York: Federal Reserve Bank of New York, 1967), 179-181; Williamson, *National Crisis and National Government*, 199; Robert Skidelsky, *Politicians and the Slump: The Labour Government of 1929-1931* (London: Macmillan, 1967), 185-186; Diane B. Kunz, *The Battle for Britain's Gold Standard in 1931* (Beckenham, Kent: Croom Helm, 1987), 35-38, 42; Kent, *The Spoils of War*, 339-340; Ahamed, *Lords of Finance*, 381-383.

107 Robert Lacour-Gayet to J. E. Crane, February 24, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

108 S. Parker Gilbert to Harrison, March 3, 1931, and enclosed Memorandum, February 2, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

> Some such scheme as the one we have under discussion would serve as a good occasion to enable the B.I.S. to kill the two birds with one stone. But frankly I can find little hope of this scheme (or any designed to open up the Capital Markets) being entertained by the Board; there are a number of reasons for my doubts but perhaps the principal obstacle is the unwillingness, which we have seen in certain quarters, to support a scheme of which the control and the funds are truly international.[109]

Norman was correct. Bank of France officials opposed the Kindersley scheme, in private correspondence with the Federal Reserve Bank of New York as well as in communications to the Bank of International Settlements. Robert Lacour-Gayet, now director of research at the Bank of France, told J. E. Crane, deputy governor of the New York Federal Reserve Bank, that while the Kindersley Plan had "received a very favourable welcome" in London, most French bankers were opposed to it and believed, moreover, that if French funds were to be so largely employed, the proposed corporation should be under French control. In what he claimed was a "strictly personal and confidential" letter, Lacour-Gayet questioned why the Bank for International Settlements should even "be called upon to take an active part in the scheme." Nor, he pointed, out, would the U.S. Federal Reserve System, which had no formal involvement in the Bank for International Settlements, be able to play any role, leaving even more of the prospective financial burden to fall upon France's shoulders.[110] Three days later Governor Moret of the Bank of France, writing to Gates McGarrah, the American banker who was president of the Bank for International Settlements, damned the proposal with faint praise, with a certain irony pointing out that French banks had already "taken concerted action with foreign establishments looking towards the creation of an institution, the conception of which, on a more modest scale, resembles in certain ways the program submitted for the study of the Board." He hoped that this "experiment," if successful, might "serve as model and provide the basis for interesting cooperation." Meanwhile, the governor doubted if the Bank for International Settlements would be wise to sponsor an organization in which it could not "have the actual management."[111]

On March 9, 1931, the directors of the Bank for International Settlements met in Basle, and considered the Kindersley proposal. Their meeting lasted nine hours, and at the end they issued a special communiqué, stating:

> The board of directors was unanimous in recognizing that one of the fundamental prerequisites to the amelioration of general economic conditions is the reopening of investment markets with a view to facilitating the conversion of short-term capital into long-term capital and with a view to moving capital from where it is not employed to markets where it is required for desirable economic ends.

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[109] Norman to Harrison, March 3, 1931, File Montagu Norman Correspondence 1926-1931, Harrison Papers.

[110] Robert Lacour-Gayet to J. E. Crane, February 24, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

[111] Clément Moret to Gates W. McGarrah, February 27, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

> The board is agreed that the Bank for International Settlements should foster and stimulate this objective, and it is as a specific indication of its readiness to encourage such movements of capital that the President has been authorized to subscribe to the bonds of the International Mortgage Bank just founded at Basle.

It was suggested that this would be the beginning of systematic efforts by the Bank for International Settlements to encourage other efforts to develop long-term credits, a new departure for an institution that had up to that date made no investment for a duration of more than two years, and invested only eleven percent of its assets in obligations with maturities longer than six months. Newspaper reports nonetheless noted that this gesture represented "a sort of lowest common denominator of its members," being "all the French and Americans were willing to make for the moment, but not all the Germans and British hoped to obtain." It signally failed to create mechanisms of its own to carry out these purposes, and left one representative of the Bank of England, in all probability Montagu Norman, so frustrated that the *New York Times* reported him as telling a friend: "Today's meeting was one of the worst we have ever had. More talk and froth than ever. Imagine—they talked for two solid hours about the technicalities of the gold deposits left in the custody of the Bank for International Settlements! No sense of realities."[112]

Opponents of the Kindersley Plan soon rallied their forces, in well-organized efforts to ensure that even the lukewarm endorsement it had received from the BIS remained ineffective. In a subsequent memorandum to McGarrah, a copy of which he sent to Harrison in New York, Moret expanded on the Bank of France's objections to the Kindersley Plan, casting doubt on whether French investors would be prepared to buy bonds issued by the new corporation; querying the adequacy of the security offered; suggesting that the organization was far too complicated to be practicable; demanding that, if the majority of bonds issued by the corporation were placed in France, control of the corporation should also rest in French hands; and finally suggesting that, if the anticipated borrowers from the international corporation had not been able to obtain funding in the past, this was because they were not creditworthy.[113] At the New York Federal Reserve Bank, Crane found Moret's arguments sufficiently convincing to tell Governor Harrison that the Kindersley Plan was "impractical," and was unlikely to ease credit stringency on the New York market. He felt, moreover, that many of the "larger functions" originally envisaged for the Bank for International Settlements "were rather visionary and inflationary in character and should be left severely alone for the present."[114] In New York, leading partners in J. P. Morgan & Company seconded these reservations and passed them on to McGarrah, while suggesting that

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[112] Quotations from "World Bank Backs Long-Term Credits," *New York Times*, March 10, 1931; also "World Bank to Aid More Long Credits," *New York Times*, March 11, 1931.

[113] Moret to McGarrah, March 10, 1931, and enclosed memorandum by Moret to McGarrah, File Bank for International Settlements 1930-1931, Clarke Material.

[114] Crane to Harrison, March 12, 1931, File Bank for International Settlements 1930-1931, Clarke Material; also Crane to Moret, March 17, 1931, ibid.

the American market for foreign, especially German, securities had improved. Market forces were, they argued, the best judges of the merits of foreign bond issues in the United States. The Morgan partners, who had already consulted Harrison at the New York Federal Reserve Bank, also warned that, "[w]hatever the merits of the new institution proposed in the so-called Kindersley Plan, we all feel clear that it has no proper place in the Bank for International Settlements and that it would be a grave mistake for the Bank in any way to take it under its wing." The BIS should, they argued, remain simply "a central bank for the central banks with a portfolio of highly liquid paper." Similar schemes had, they warned, been discussed and rejected when the BIS was created, "so that the present plan represents in effect an effort to bring up through the back door a plan already rejected after full consideration."[115]

McGarrah concurred with the Morgan firm's dismissal of the Kindersley scheme, though he agreed that the BIS might give a "friendly impetus" to efforts by "private banking channels" to address the situation. He feared that, unless the BIS did so, expectations raised when the BIS was created that it would do more to help the German situation might rebound on his organization "unless we take some moral initiative in inciting others." His strategy was "to mark time until Board meeting April 20th, in the meanwhile discussing possibilities informally with various markets and encouraging private initiative to explore possibility of organizing investment trusts and also in our study opportuneness of aiding specific operations."[116] A classic bureaucratic strategy of steady and persistent reduction of the scheme's objectives and operations then came into play. By the time of the April BIS meeting, Norman was already suggesting modifying the Kindersley Plan, given the opposition of the Bank of France and the New York Federal Reserve Bank, to eliminate all provisions for financing from central banks, leaving the funds to be provided primarily by large industrial corporations.[117] When the BIS board met, it decided to take a token amount of the bonds just issued by the new Central Loan Mortgage Company of Amsterdam, and established a special committee chaired by the respected Belgian banker and diplomat Émile Francqui to examine what further could be done to provide more medium-term credit for Europe. Kindersley sat on this committee, as did Charles Farnier, deputy director of the Bank of France. The committee met in Brussels in early May, and submitted a report which, as Leon Fraser, vice-president of the Bank for International Settlements, cheerfully remarked, had "nothing sensational about it, and if this is the end of the agitation which was started in the first instance by Norman, then indeed the mountains have labored and begotten a ridiculous mouse."[118]

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115 J. P. Morgan & Co. to Morgan & Cie., March 13, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

116 McGarrah to Thomas W. Lamont and S. Parker Gilbert, March 18, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

117 "Urge Business Aid for Norman's Bank," *New York Times*, April 24, 1931.

118 Leon Fraser to Harrison, May 8, 1931, File Bank for International Settlements 1930-1931, Clarke Material; see also "Europe Now Plans Short Credit Bank," *New York Times*, May 2, 1931; "World Credit Bank Backed at Parley," *New York Times*, May 5, 1931.

The Francqui report, which was unanimous, stated that, "in view of the grave crisis through which the world is passing, every effort should be made to revive old markets and to open up new markets for international trade." It suggested that the BIS could "greatly assist in the attainment of this end with the means at its disposal," but dropped all suggestion that it should take the initiative in this by issuing bonds of its own. Noting that more than a dozen private organizations to provide medium and long-term credit to finance international trade and business, along the lines of the Amsterdam corporation, had by that time been created, the authors suggested that the BIS might coordinate the activities of these institutions and perhaps rediscount up to £10 million pounds (250 million Swiss francs) of their medium-term bills, with maturities up to five years.[119] Even this alarmed the Morgan partners and Harrison in New York, who cabled McGarrah, warning him that such rediscounting might well tie up much of the liquid capital of the BIS for too long a period. On behalf of the American shareholders in the BIS, they also pointed out that, according to its own charter, the BIS itself could not issue obligations of its own.[120] On May 18, 1931, McGarrah replied, reassuring the Morgan partners that the BIS board of directors had that day rejected the proposal that it should rediscount medium-term bills, referring the report back to the committee for further examination of how its purposes could be accomplished, "with the comment that the Board unanimously agreed to the desirability of additional financial facilities for financing international trade by some form of intermediate credits."[121]

Even though French and American opposition meant that the Bank for International Settlements never approved the Kindersley Plan, the French made a number of apparent concessions in its direction. In late April Governor Moret told Norman that a group of leading French financial institutions, including the Crédit Lyonnais, the Société Générale, the Comptoir Nationale d'Escompte, the Banque de Paris et des Pay-Bas, the Banque de l'Union Parisienne, and Lazard Frères, had agreed to form a committee to examine all foreign requests for medium-term credits. If they decided the proposal was worth supporting, they would then move to establish an issuing syndicate of banks, who would make a commercial loan to the applicant. Moret suggested that Norman and the Bank of England might like to take the lead in establishing a similar banking group to handle issues on the London market.[122] It was an index of the prominence the Paris Lazard house had by this time won for itself among French banking houses that it was included among this list.

The French Lazard firm was also involved in what may have been another move to undercut support for the Kindersley proposal. Internal documents from the period reveal that Bank of

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119 "Report of the Committee Created to Examine the Question of Middle Term Credits," May 5, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

120 Gilbert to Harrison, May 13, 1931, enclosing Gilbert and J. P. Morgan to McGarrah, May 13, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

121 McGarrah to Morgan and Gilbert, May 18, 1931, File Bank for International Settlements 1930-1931, Clarke Material.

122 Moret to Norman, April 27, 1931, OV45/82, Bank of England Archives.

France officials remained wedded to orthodox deflationary views, and thought the best and only effective remedy for sterling's problems was to raise British interest rates. Yet, as the economic historian Kenneth Mouré has observed: "The Bank of France accepted the flow of gold as the proper working of the gold standard and just homage to the stability and security of the franc, but was concerned by the negative press it inspired abroad."[123] If only in self-defense, by April 1931, French officials were, it seems, nonetheless making moves to demonstrate rather more flexibility on gold policy. At the beginning of the month, Lazard Frères in Paris made a "small shipment of gold," later reported to be worth $1 million, to Germany, the first time gold had actually left France since July 1930. Newspaper reports noted that French gold holdings had almost doubled, from 28,935,000,000 francs since the stabilization of the franc in June 1928 to 56,102,000,000 francs on March 20, 1931, with most of the additional gold coming from Britain and the United States. *The Wall Street Journal* of April 2, 1931 drew attention to "two angles to the shipment considered . . . of the greatest importance. One is that the franc has ceased, at least for the time being, to be a menace to other important currencies. The other is that conditions within Germany have improved to such an extent that a return flow of capital has made shipment of gold feasible."[124] Three weeks later, Lazard Frères in Paris sent $3,500,000 of gold to Lazard Frères in New York on behalf of the French government, the first time France had made any major gold shipment to the United States since February 1927. This was expected to be the first of other more substantial transfers of bullion. By that time French gold holdings stood at 56,107,000,000 francs ($2,244,280,000), whereas exactly one year earlier they had been 42,324,000,000 francs ($1,692,960,000), an increase of one-third in just twelve months. Bankers noted that the Bank of France could, had it so desired, have shipped foreign exchange from its reserves rather than gold. Like the earlier shipment of gold to Germany, this shipment was seen as symbolizing France's intention to divest itself of some of its gold, since prices were now rising in France while the country had an adverse trade balance.[125] Two days later, the Bank of France announced that it was sending a further $12,500,000 of gold to the United States on the S. S. *Europa*, $6,500,000 to be handled by Lazard Frères in New York and $6,000,000 by the Guaranty Trust Company.[126]

Whatever maneuverings were still in progress to neuter the Kindersley Plan were soon overtaken by events that stalemated all such initiatives. In the year that began in May 1931, the Austrian and German banking systems collapsed, a moratorium was declared on war debt and reparation payments, Britain abandoned the gold standard, and two of the three Lazard firms faced financial ruin. In all these events, perhaps the most dramatic of the Great Depression for both their

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123 Mouré, *The Gold Standard Illusion*, 183-193, quotation from 183.

124 "List Steady: Lazard Freres Ship Gold from Paris to German Reichsbank," *Wall Street Journal*, April 1, 1931; "Germany Gets French Gold," *Wall Street Journal,* April 2, 1931.

125 "Paris Sending Gold: Big Flow Forecast," *New York Times*, April 21, 1931; "France Sends Gold to U.S.," *Wall Street Journal*, April 21, 1931; "French Gold for U.S.," *The Times*, April 21, 1931.

126 "Sterling 4.86 5/32: London Rate Advances Following the Cut in Local Acceptances," *Wall Street Journal*, April 23, 1931.

countries and their own banking conglomerate, the Lazard partners were participants behind the scenes, albeit in relatively small supporting capacities. Frank Altschul was by now joining in such operations as a protagonist on equal terms with his British and French partners.

Robert Brand recalled in later years how, when he returned to the partners' room at Lazard Brothers in early May 1931, after two or three months away, largely devoted to drafting the report of the Macmillan Committee on the British economy, one of his colleagues greeted him with the words: "I suppose you know that a first-class crisis is going to break out this week-end in Central Europe?"[127] This turned out to be an example of classic British understatement. The crisis in question was the collapse of the Credit Anstalt Bank in Vienna, the largest bank in Austria, a financial institution with which Lazard Brothers had long-established ties and to which it had extended substantial credit facilities, and also the one in whose management Paul Hammerschlag, an Altschul cousin, was prominent, especially in foreign business. By early May 1931 it was clear that misappropriation of funds, a mass of maturing short-term obligations, and the bank's inability to obtain further credits had brought it to the point of collapse. Once one major bank collapsed, other banks and businesses with financial links to it were likely to follow suit, and the entire country was soon affected. Pressure mounted on the schilling, the Austran currency. Since there were close economic links binding the two Central European states, the Austrian contagion rapidly spread to neighboring Germany, threatening to trigger major defaults and business failures there too. Numerous banking houses in the rest of Europe and the United States, as well as private investors, had lent money to institutions in Austria and Germany, so that they were also financially exposed to the ever expanding crisis, whose ramifications were truly international. After two weeks of negotiations, in late May 1931 the Bank for International Settlements provided the Credit Anstalt with a credit of 100 million schillings, which was almost immediately exhausted, as depositors withdrew their funds from the bank. The following month, in early June, the Bank of England provided an additional 150 million schillings, to be secured by an issue of Austrian treasury bonds. [128]

Brand and Kindersley were both deeply involved in the diplomacy involved in resolving the Austrian and German financial crises. Ironically, in a January 1931 report to the Westminster Bank, Lazard Brothers had described the Credit Anstalt as "[t]he leading bank in Austria and most important bank in Central Europe, perfectly good for its engagements."[129] When it became clear that the Credit Anstalt situation was serious, Norman had, he told Governor Harrison of the

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[127] Robert H. Brand, "A Banker's Reflection on Some Economic Trends," *The Economic Journal* 63:252 (December 1953), 769; Minutes of Evidence Taken Before the Committee on the Working of the Monetary System, Forty-Fifth Day, October 16, 1958, File 200, Brand Papers.

[128] On the Credit Anstalt crisis, see Aurel Schubart, *The Credit-Anstalt Crisis of 1931* (Cambridge: Cambridge University Press, 1991); Steiner, *The Lights That Failed*, 646-648; Kynaston, *The City of London*, Vol. III: *Illusions of Gold,* 222-223; Patricia Clavin, *The Great Depression in Europe, 1929-1939* (London: Macmillan, 2000), 121-123; Eichengreen, *Golden Fetters*, 264-270; Sir Henry Clay, *Lord Norman* (London: Macmillan, 1957), 375-377; Ahamed, *Lords of Finance*, 404-406.

[129] Quoted in Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 222.

New York Federal Reserve Bank, "asked Kindersley to go out there [to Austria] as the best person he knows of to find out what is the situation and what it is all about. Kindersley he said would leave the next day."[130] Kindersley was one of three merchant bankers—the other two were Lionel de Rothschild and Charles Whigham, a Morgan Grenfell partner—chosen by forty British creditor banks on 29 May to represent them on an international committee of creditors, a body that sought to safeguard the interests of no less than 130 foreign banks that had lent to Credit Anstalt. Shortly afterwards, he departed for Vienna, and upon arrival, according to a Dutch colleague, "made an awful proud English speech condemning Austria & the interpreter took all the bad out of it."[131] One later economic historian agreed with Kindersley's condemnation that "the management had been both extravagant and incapable."[132] In mid-June 1931 Kindersley negotiated a standstill agreement, whereby the bank's creditors would not withdraw their money for two years, provided that their obligations were guaranteed by the Austrian government. To win the government's consent to this arrangement, at a time when the full extent of the Credit Anstalt's liabilities were still not known, Kindersley threatened "that the consequence of non-acceptance would be the withdrawal of all foreign credits from the bank." [133] For the next year, Kindersley and other representatives of the Credit Anstalt's foreign creditors made repeated visits to Vienna, taking part in negotiations with the Austrian government, which now effectively owned the bank. They sought to pressure the government to reorganize the Credit Anstalt and to honor the obligations to its foreign creditors.[134] The situation was complicated by the fact that in late 1931 the Austrian government was forced to suspend payments on its 1923 loan organized under League of Nations auspices. A financial reorganization of the bank was initiated in January 1933, under whose terms the foreign creditors eventually received a combination of stock in the reconstituted Credit Anstalt, 51 percent of which was now owned by the Austrian government; shares and bonds in a holding company that took over half its foreign asserts; and government annuities to cover the remainder of their obligations. The Austrian government was also allowed to raise a new international loan of 300 million schillings from the League of Nations, negotiated at the Lausanne Conference held in June and July 1932. In the early stages of the crisis, Kindersley was instrumental in negotiating a hard bargain on behalf of the bank's foreign creditors, but these efforts could do little to stem the spread of financial panic throughout Europe and beyond.

The following month, disaster struck Lazard Brothers in London. Robert Brand, who had taken up the Austrian negotiations, returned in early July from a stint in Germany and Vienna, during which he had sought to quantify the firm's losses in the Credit Anstalt. Arriving at the railway station in Brussels, where he was to transfer to an onward train to London, he encountered a

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130 George L. Harrison, memorandum, "Austria," June 18, 1931, File 3115.2, Harrison Papers.

131 Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 222-223.

132 Schubert, *The Credit-Anstalt Crisis*, 40.

133 Schubert, *The Credit-Anstalt Crisis*, 15-17.

134 "Urge Vienna to Act on Creditanstalt," *New York Times*, November 26, 1931; "Austria Postpones Moratorium Action," *New York Times*, May 28, 1932; "Creditors Reject Austrian Proposal," *New York Times*, June 14, 1932.

junior Lazard partner, Joe Macartney-Filgate. Brand told the younger man that he believed the firm's losses in the Credit Anstalt business would amount to £40,000, a substantial sum for the time, especially given that the firm's entire capital amounted to £3 million. It ultimately transpired that the figure was closer to £200,000, of which Lazard Brothers eventually regained about 20 percent. Later that month the firm faced further losses when the German railways, another substantial debtor of Lazard Brothers, suspended payment on its foreign debts. Even so, Brand soon realized that these problems with German businesses were merely a drop in the ocean. In return, Brand's partner informed him that a rogue Czech trader in the Brussels office had speculated on foreign exchange and run up what were believed at the time to be losses of £4 million, though the final figure amounted to £5.85 million. The firm's Belgian operations had at times been problematic. In 1922 the Antwerp office had, it seems, been responsible for a loss of £70,000, and even profitable short selling of the Belgian franc by Lazard Brothers in 1923 still left an additional £3,200 to be written off in that year's accounts.[135] Their even smaller Brussels office, however, had been responsible for these latest and far more startling shortfalls. The trader in question had already committed suicide, but the liabilities remained. The two men caught the last night train to Britain, and over a bottle of scotch traded such information as they could with each other on the details of these losses.

On the evening of July 14, Kindersley sought an interview with Montagu Norman, to request assistance from the Bank of England in meeting these losses, which he estimated at £5 million. In great secrecy, three days later a special meeting of the Bank's Committee on Treasury decided that, given the existing financial crisis, it could not allow Lazard Brothers to fail, since the bankruptcy of a leading accepting house in the City was liable to trigger yet further disasters. After intense negotiations, the Bank of England agreed to lend £3 million to Pearson's, which already had around a 40 percent stake in Lazard Brothers, a loan secured by all Pearson's assets. The money was to be repaid over seven years, at high rates of interest. The Lazard firms in Paris and New York each contributed £500,000, while the British Inland Revenue Service refunded £1 million in taxes that Lazard Brothers had paid in the past five years. The Bank of England required the closures of the firm's offices in Brussels and Antwerp, as well as that in Madrid, where a less spectacular rogue trader had also incurred losses speculating on foreign exchange. Clive Pearson later told Norman it cost his firm £7 million in all to rescue Lazard Brothers from disaster. At this point, Pearson's effectively owned 80 percent of Lazard Brothers, having purchased the British partners' interest of around 13 percent, and 27 percent of the 47 percent held by Lazard Frères in Paris. Within eight months, however, that would change. By May 1932, the Paris house faced serious difficulties. The notes of the Bank of England's Committee of the Treasury for that month recorded that: "The Paris House are now in trouble and need £2,000,000 to enable them to continue, but they cannot borrow in Paris without affecting their credit." Lazard Brothers presented this problem to the Bank of England as a matter that was

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[135] Brand to Kindersley, August 10, 1923, enclosing "Memorandum by Mr. Arland, August 10, 1923, Brand to Kindersley, March 6, 1924, File 58/1, Brand Papers.

salient to "maintaining the credit of the City." Eventually, the Bank of England lent Lazard Brothers a further £1,000,000, against the collateral of "French Securities" the Paris house sent to London. The National Provincial Bank provided an additional £1,000,000. By this time, Pearson's effectively owned one hundred percent of Lazard Brothers in London, a stake that was valued for probate in 1933 at £931,250 as part of Lord Cowdray's estate. Possibly the French partners put up their interest in Lazard Brothers as temporary security for additional funding from Pearson's. At some point in the 1930s, however, it seems that they retrieved their 20 percent interest in the British house; in 1944, the Paris firm had a holding at this level, and two of its representatives, David David-Weill and Pierre David-Weill, were directors of the London firm.[136]

Impressively, for over thirty-five years, the fact of Lazard Brothers' 1931 bail-out remained a secret. The British partners lost their ownership stakes in the firm, effectively becoming managing directors, but Kindersley insisted that his colleagues continue their existing well-heeled lifestyles, so as to allow no hint to escape that the firm faced any problems. Business continued as usual. Both Kindersley and Brand continued to assist in efforts to resolve the financial emergency, and the firm also undertook more mundane transactions. In November 1931, Lazard Brothers underwrote an issue of £1,400,000 in redeemable debentures, with maturities between 1947 and 1991, for the Galloway Water Power Company, a newly established Scottish firm in which Brand was a director.[137] During the 1930s, as foreign lending decreased, the British Lazard house built up a solid underwriting business—in November 1930, for example, it underwrote an issue of £650,000 guaranteed mortgage debenture stock for the Manchester Brewery Company[138]—and the outstanding loans were repaid on schedule, while its members remained prominent figures in the City of London.

The rescue of the Paris house orchestrated by the Bank of England was not revealed for an additional thirty years, when David Kynaston mentioned it in his history of the City of London. When the Bank of England was considering the details of the July 1931 package to enable Lazard Brothers to survive, Lazard Frères in Paris suddenly reduced its initial pledge of £1 million to half that sum, pleading that this "might unduly weaken their position." The remaining £500,000 apparently came from New York.[139] This may have been why, from 1931 to 1934, the French partners only drew part and in 1934 none of the standard 4 percent annual interest they normally expected on the capital they had invested in the New York firm. There seems to have

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136 The fullest account of these transactions is given in William D. Cohan, *The Last Tycoons: The Secret History of Lazard Frères & Co.* (New York: Doubleday, 2007), 28-35. See also Brand to The Chancellor of the Exchequer, May 8, 1944, File 195, Brand Papers; Rougemont, *Lazard Frères*, 473-478; Orange, *Ces Messieurs de Lazard*, 87-88; Sabouret, *MM. Lazard Frères et Cie.*, 85-88; Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 227-228, 360; Andrew Boyle, *Montagu Norman: A Biography* (New York: Weybright and Talley, 1967), 264.

137 "City Notes," *The Times*, November 25, 1931; Galloway Water Power Company prospectus, *The Times*, November 26, 1931; "Galloway Water Power Co.," *Wall Street Journal*, November 26, 1931.

138 "The Manchester Brewery Company Limited," advertisement, *The Times*, November 21, 1930.

139 Cohan, *The Last Tycoons*, 31-32.

been some agreement that the transfer of these funds would be postponed until the money had actually been earned, possibly a means of compensating for assistance provided by the New York house in 1931 and 1932.[140] To judge by one telegram in the Altschul Papers that Lazard Brothers in London addressed to Altschul in New York on August 10, 1931, less than a month after the Bank of England came to their own succor, in the wake of the British crisis the Paris house was already facing its own difficulties, and considering asking the Bank of France to advance some considerable sum. The London partners, who were still learning the precise details of the losses they had incurred, told Altschul:

> In view of what we must be prepared to do here [in London] not for sake of prestige but as a matter of necessity in the event of those extremely unfavorable developments which appear every day more likely[,] we feel it might be serious and fundamental mistake to disturb our present position which though comfortable is no better than it really should be. [M]oreover it seems to us Paris would be in far better position if they borrowed entire amount from the Banque de France at the beginning when skies are clear than if they borrowed a lesser amount and then filled their line under stress of circumstances at a time when doing so might create most unfavorable impression.[141]

Whether the Banque de France was forthcoming at this time is not known. Why, in spring 1932, the Paris house should have turned to the Bank of England rather than the Banque de France, surely its lender of first as well as last resort, remains unclear. It is equally uncertain just why the Bank of England should have felt some obligation to give rather generous assistance to a French bank, when the obvious course would have been to refer a foreign financial institution to the good offices of its own central bank. The vaults of the Bank of France were still, after all, choked with quantities of gold and foreign exchange. Given its continuing ownership stake in Lazard Brothers in London, the French Lazard house's collapse might have impinged on the British firm, but it would probably have been substantially less expensive for the Bank of England to meet those losses than to help the Paris firm remain in business. For decades, right-wing conspiratorial interpretations of history have tended to highlight the Paris Lazard firm as an Anglo-American Trojan horse, whose loyalties to France were subverted both by the partners' intention to make undue profits out of their relationship with the French government, and their commitment to establishing a world government.[142] Rival French bankers, notably the well-established Rothschilds, liked to suggest that the relatively upstart Lazard firm placed Anglo-American concerns and even those of Germany before the interests of France itself.[143] Without going to such extremes, it is worth speculating whether, over the previous years, Lazard Frères &

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[140] Pierre David-Weill to Altschul, July 20, 1936, handwritten draft memorandum on contract, no date [but later than 1934], File Pierre David-Weill, General Correspondence, Altschul Papers.

[141] Lazard Brothers to Altschul, August 10, 1931, File Lazard, General Correspondence, Altschul Papers.

[142] Pierre Beaudry, *Synarchy Movement of Empire (ICLC Draft Document) Book IV: The Mennevee Documents on the Synarchy* (Leesburg, VA: Beastman Skorzeny, 2005), 188-223.

[143] Rougemont, *Lazard Frères*, 396.

Cie. had incurred sufficient debts of gratitude in top British financial circles, for unspecified services rendered, perhaps in mitigating what were seen as the worst excesses of French monetary and gold policies, to merit major aid from the Bank of England when this was really needed.

An unnamed senior partner of Lazard, most probably Kindersley, wrote to Norman in 1931, at the height of the financial crisis, "to express appreciation and also my regret that circumstances led us to request facilities at so inconvenient a time and when you are carrying exceptional burdens on your shoulders."[144] These included developments in Germany, as well as the growing pressure on sterling. The Austrian credit crisis quickly spread to Germany, threatening Germany's ability to continue paying reparations, and by implication the capacity of the former Allied powers to make payments on their own war debts to the United States. In the first week of June German Chancellor Heinrich Brüning issued a public proclamation that German reserves were almost exhausted, and the country might be unable to make further any reparation payments under the Young Plan, leading to a loss of investor confidence in the mark and German securities. On June 21, 1931 President Herbert Hoover proposed an arrangement whereby a one-year moratorium would be imposed on all inter-governmental financial transfers, including both war debts and reparations. The French government initially refused to accept the terms of this agreement, insisting instead that Germany must continue to make payments on unconditional reparations annuities owed to France, but that France would then lend the proceeds back to Germany.[145]

This demand gave rise to numerous telephone conversations among members of all three Lazard firms, including Altschul, Kindersley, Pierre David-Weill, André Meyer, and Frédéric Bloch-Lainé, who were involved in intense discussions with Pierre Laval, France's prime minister, Andrew Mellon, the U.S. Secretary of the Treasury, Governor Norman of the Bank of England, and Emanuel Mönick, financial attaché at the French embassy in Washington, over the details of this arrangement, under which the funds paid by Germany were to be deposited with the new Bank for International Settlements and lent back to Germany. At one point France tried to insist that some of these monies then should be relent not to Germany but to other Central European powers that France wished to assist, but these efforts ultimately failed, though the BIS agreed to establish a fund backed by the British, French, and American central banks to underwrite Central European stability.[146] Back in London, Brand also passed on information to the Bank of England

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144 Boyle, *Montagu Norman*, 264.

145 Costigliola, *Awkward Dominion*, 232-238; Leffler, *The Elusive Quest*, 234-256; Steiner, *The Lights That Failed*, 651-653; Cohrs, *The Unfinished Peace after World War I*, 591-592; Kent, *The Spoils of War*, 340-353; Patricia Clavin, *The Failure of Economic Diplomacy: Britain, Germany, France and the United States, 1931-36* (London: Macmillan, 1996), 14-16; Ahamed, *Lords of Finance*, 407-414.

146 Memorandum of "conversation between F.A. and Paris," n.d., "memo of conversation between Mr. Altschul & London," n.d., Memorandum, "Conversation between Mr. Frank Altschul and Mr. Bloch Laine," June 26, 1931, Memorandum, "Second point," n.d., Altschul to Emanuel Mönick, June 22, 1931, three memoranda detailing French payments and receipts, n.d., File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

on the subject.[147] The Lazard partners hoped that success in reaching an accord on these matters would prove only the prelude to a broader understanding between France and Germany. On July 7, 1931, André Meyer told Altschul that Paris was "very much pleased with the outcome of the negotiations, which they look upon as being a first step toward more general prosperity." He also reported that earlier that day France's Prime Minister, Pierre Laval, had delivered "a conciliatory speech toward Germany and negotiations are underway preparatory to a conference between France and Germany to examine into all aspects of their relationships, including such questions as Poland and Danzig. This suggests the possibility of an important Franco-German entente."[148]

At this juncture, Altschul apparently had conversations with his brother-in-law, Herbert Lehman, discussing the possibility of a major initiative based on "statesmanship of a higher order" that would abandon "paliatives" [sic] in favor of dealing with the situation "in a comprehensive manner." The two issues it was essential to tackle were reparations and the "Central European position." He traced Europe's problems back to "the war and the settlement which followed it." In Altschul's analysis, "the outstanding fact that more than anything else continues the European disequilibrium is the discontent of Germany. As long as Germany rankles under a sense of real or fancied injustice, and as long as it struggles with a burden which its economy can only with the utmost difficulty support, so long in my opinion will we be faced with periodic outbursts beyond the Rhine leading to reciprocal demonstrations on the part of France and her satellites." It was therefore essential to reach a settlement that "would recommend itself as fair and reasonable to the vast majority of the German people." Such papers as have survived do not make it clear precisely what solutions he recommended. Altschul did, however, seem to feel that the European situation was now so grave that "the next few months offer to the President a Heaven-sent opportunity" to "appeal to the country, if necessary over the heads of politicians and political factions, . . . on the basis of a constructive program of far-reaching importance." In doing so, he would need to reverse his administration's existing stance on a number of unspecified issues, most probably war debts, government lending to Europe, American commitments to French security, and cooperation between the United States and the League of Nations. Altschul argued that "the effect on the country of a program thoughtfully conceived in this spirit would be electric," believing "it would do more than any single thing to change the present unhappy drift in world affairs in a manner that could only redound to the credit of the Administration. Little is to be lost and conceivably much to be gained."[149] With domestic problems mounting, however, President Hoover remained unsympathetic to the idea of such an initiative.

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147 H. A. Siepmann, "Telephone message received from Mr. Brand of Messrs. Lazards," June 23, 1931, File OV45/4/65, Bank of England Archives.

148 Walter Kahn, Memorandum of Telephone Conversation with Mr. André Meyer (Paris), July 7, 1931, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

149 Altschul, draft memoranda, n.d. [summer 1931], File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

The Credit Anstalt crisis and the moratorium agreement marked only the beginning of additional financial problems. Private obligations that German banks, businesses, and state and municipal governments owed to foreign investors and institutions were not covered by the Hoover moratorium. By early July 1931 Brand was on the continent, turning most of his attention to Germany, where panicked depositors had been withdrawing their funds from the banks en masse throughout June. A short-term credit for Germany, orchestrated by the Bank of England, the New York Federal Reserve Bank, and the Bank of France, proved insufficient to stem the tide. The withdrawals became a flood with the announcement on July 1 that Nordwolle, Germany's largest textile concern, had collapsed, owing large sums to the Darmstädter und National Bank, one of Germany's largest banking houses and a long-time partner of Lazard Brothers in continental business. As the crisis intensified, the Danat Bank faced major difficulties, and other major financial institutions came under increasing pressure, as did the mark. The German Finance Minister sought to put in place a rescue operation for the Danat Bank, and unsuccessfully sought new foreign loans abroad. On July 13, 1931, the Danat Bank was finally forced to close its doors; it was then placed under state administration, as, over the next three months, were the Dresdner Bank, the Deutsche Bank, the Disconto-Gesellschaft, and the Commerzbank. It would later be merged with the Central Bank. On July 13, the German government also temporarily closed all private banks, froze all foreign credits to Germany, and took over all foreign exchange transactions.[150] Almost simultaneously, Lazard Brothers had informed the Bank of England of its own financial difficulties. The German Gold Discount Bank, a subsidiary of the Reichsbank, had taken over the liabilities of the Danat Bank, and guaranteed that foreign creditors would be repaid in full, provided they were prepared to hold their obligations for a two-year interim period. A substantial amount of funds owing to Lazard Brothers were tied up in the Danat Bank. Negotiating with German officials, Kindersley ascertained that short-term credits would be included under the guarantee. He also apparently tried, but failed, to obtain a commitment from the Gold Discount Bank that the monies owing to Lazard would be repaid at an earlier date.[151]

In early July, as the crisis intensified, Brand was staying with Dr. Jakob Goldschmidt, chairman of the Danat Bank, who was, he recalled, "pressed every day to take drastic measures." He left Berlin, he recalled, a day or two before the bank actually ceased business. Brand had an intimate view of the ever escalating panic and the continuous demands on German funds, as lenders sought to obtain their money while it was still available. According to Brand's account, a suggestion of his helped to bring about the creation of what became known as the Standstill agreement:

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150 Steiner, *The Lights That Failed,* 648-658; Harold James, *The German Slump: Politics and Economics 1924-1936* (Oxford: Clarendon Press, 1986), 302-323; Clavin, *The Failure of Economic Diplomacy*, 12-18; Ahamed, Lords of Finance, 414-420; Leffler, *The Elusive Quest*, 246-256.

151 H. A. Siepmann, "Note of a Telephone Conversation with Directors at 11.50 a.m. on Saturday, 18th July 1931," July 18, 1931, and Siepmann, "The Danat Bank," July 18, 1931, OV34/2, Bank of England Archives.

> During these days in Berlin millions of dollars and pounds were being drawn out, particularly by the American banks, but also by the English and Continental banks as well, as short-term deposits became due. It was obvious that if repayment of your money became due say on August 7 and you knew there were other banks who would certainly withdraw their loans becoming due on August 8, 9, 10 and so on, you would withdraw yours on the 7th.
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> I remember telephoning from Berlin to my partner, then Sir Robert Kindersley, urging him to get the British banks together and persuade them all to enter into a self-denying ordinance not to withdraw any more money, and also to get into touch with the New York bankers asking them to do the same. This, I think, was one of the first steps which led to what was called the Standstill, whereby international bankers in all countries who were creditors of Germany agreed to co-operate in withdrawing no more money from Germany and to enter into an agreement as between themselves and the Germans as to how the debts would ultimately be redeemed. By that time I think only £20 million worth of gold was left in the Reichsbank.[152]

Possibly at Kinderley's instigation, on July 10 Norman a group of leading London bankers met to discuss "ways and means of stopping the withdrawal of credits from Germany." A Special Committee of nine, chaired by Frank Tiarks of J. G. Schröders, most of whose capital was locked up in German credits and acceptances, was set up, with Brand as one of the members. By July 18, they had determined that outstanding British acceptances to German firms amounted to £55 million.[153] Brand and Tiarks went to Berlin to open negotiations on behalf of the British creditors. So too, on behalf of their American counterparts, did James H. Gannon, a vice-president of the Chase National Bank, the New York associate of Lazard Brothers, the American financial institution with the largest holdings of German short-term credits, about $190 million, or half the bank's total capital.[154] Further talks took place in Basle, under the auspices of a committee of economic experts, nominated by the central bank governors, that had been set up in early July, after international statesmen gathered in London for two weeks to try to devise solutions to the mounting economic crisis. On August 19, 1931, a Standstill Agreement was concluded, whereby German banks and companies would continue to pay interest in convertible currency on their acceptances and short-term credits, in return for a six-month extension of these facilities. Over the next eight years, until September 1939, further negotiations ensured the continuation of interest payments on these debts, and brought additional extensions of the Standstill Agreement and the due date of the obligations, together with provisions for creditors who wanted to obtain at least some of their money back to liquidate the securities, obtaining payment in Reichsmarks. The proceeds could then be invested in German businesses and, after

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152 Brand, "A Banker's Reflections on Economic Trends," 769-770.

153 H. A. Siepmann, memorandum of committee's meeting with Governor Norman, July 18, 1931, File OV34/2, Bank of England Archives.

154 Costigliola, *Awkward Dominion*, 233, 239-241.

five years, eventually repatriated overseas, albeit at an unfavorable exchange rate. In September 1939, £34 million in obligations were still outstanding. The last of these credits were not paid off until October 1961.[155]

In 1934 Brand told Keynes that "the longer I am in business the more I am convinced that much capital must always be lost by bad shots, and that the writing off capital as lost as soon as it is lost is a healthy, in fact an essential, process."[156] Undoubtedly, he knew whereof he spoke. Throughout the 1930s, Tiarks was the chief representative of the British financial houses involved in the German Standstill, with Brand as the committee's secretary. As early as 1934, Brand was discontented with the Standstill situation. After that year's annual renegotiation of the Standstill Agreement, he told a Swiss banker that "the Agreement was the best that could be obtained at the present moment." He went on, however, to add that he personally thought things were "developing very unsatisfactorily in Germany. The combination of very large Government expenditure within the country, of rising internal prices and of a rigidly controlled exchange must more and more turn the balance of payments against Germany with very serious effects on Germany's creditors. How far this process of depressing the prices of Germany's foreign bonds in foreign markets and buying them up with the proceeds of additional exports will go on before the bondholders bring further severe pressure on their Governments to do something in order to help them, I do not know, but the only alternative that I can see is a depreciation of the German mark, which I personally think must in the end be produced by the policy of internal expenditure."[157] Brand later recalled how for at least five years from 1931 onward, he "went for about six weeks every winter with Mr. Tiarks of Messrs. Schröder to Berlin to represent the British Banks at the Reichsbank meetings of Bankers from all over the creditor countries, first for the drawing up of the Standstill Agreement and then in each subsequent year for its amendment and renewal." Rather grimly, he added: "Those of us who were in Berlin in the years 1931-36 had every opportunity to follow the lunatic development of the Hitler craze."[158]

As agreements over German credits were in the process of initial negotiation, the British pound also came under increasing pressure. By mid-July the German financial crisis, together with the publication of the Macmillan Report, which supported the retention of the gold standard but also revealed that Britain was running a deficit of £254 million, had begun to precipitate large outflows of gold from Britain. The result was a run on sterling. Seeking to shore up the pound, Britain sought credits from both France and the United States. Kindersley traveled to Paris on Saturday, July 25th, to discuss the British position, and asked the Bank of France to provide a credit to support sterling. Kindersley had a reputation for being pro-French, one reason why the

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155 Sayers, *The Bank of England, 2:503-612;* Kynaston, *The City of London*, Vol. III: *Illusions of Gold*, 229, 368-369, 432-442, 451-455; Steiner, *The Lights That Failed*, 655-656; Richard Roberts, *Schroders: Merchants & Bankers* (London: Macmillan, 1992), 252-262.

156 Brand to Keynes, November 26, 1934, File 198, Brand Papers.

157 Brand to P. Jabert, March 27, 1934, File 190, Brand Papers.

158 Brand, "A Banker's Reflections on Economic Trends," 770. For Brand's involvement in these negotiations between 1931 and 1939, see Files 190-193A, Brand Papers.

Bank of England used him as an intermediary with the French government and the Bank of France. On this occasion, Governor Moret of the Bank of France apparently specifically requested that he be the British negotiator sent to Paris.[159] After discussions over the weekend, by Monday the bank was prepared to authorize a sterling credit of £20,000,000, half to be provided by the Bank of France to the Bank of England and half by French private bankers to British private bankers. The French also offered to arrange a long-term loan to Britain, but the Bank of England did not take them up on this offer. Further negotiations ensued, as the British decided the matter should "be left open for a few days," during which time several Bank of England officials, together with leading bankers from the big joint stock banks, proved extremely reluctant for Britain to avail itself of these facilities. The Bank of France had suggested that Britain also seek a similar credit from the Federal Reserve Bank of New York, whose governor insisted that the credit should be restricted to central banks, though British obligations could then be resold on to private bankers should they wish to purchase these. Kindersley returned to Paris on Friday, July 31, and in conversations press reports in the *Times* of London described as "cordial," finally reached agreement on the terms of the credit.[160]

To many British bankers and officials, however, the need to seek financial support from France seemed an intolerable humiliation. By July 28, reports were reaching the New York Federal Reserve Bank that Kindersley was decidedly angry, since the British government, having sent him to negotiate the credit, now seemed to wish to block it, and he felt he was wasting his time.[161] Other American officials were also sending similar reports to Washington. In late July 1931 Aimé de Fleuriau, the French ambassador in London, "spoke highly of Sir Robert Kindersley" to Charles G. Dawes, the American ambassador and an old friend of the British Lazard partner since their time in 1924 on the Dawes Committee, saying "that he was respected and trusted by the Bank of France and the French Government." De Fleuriau claimed to be disturbed by "misrepresentation of the French" by some leading London bankers, especially claims that they were making financial assistance to Germany conditional on political concessions. De Fleuriau also told his American counterpart that "the French Government and the Bank of France were willing to cooperate and aid England in the protection of its gold reserve in any way possible." Later that day, Kindersley, who "had spent most of the day at the Bank of England," himself called on Dawes, and discussed the financial crisis and Anglo-French relations. According to Dawes' account in his diary, Kindersley told him: "The gold

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159 Diane B. Kunz, *The Battle for Britain's Gold Standard in 1931* (Beckenham, Kent: Croom Helm, 1987), 106 n. 21.

160 Harrison, memoranda on "Proposed credit to the Bank of England," July 31 (2 memoranda), August 3, 1931, File 3125.2, Harrison Papers; "Sir R. Kindersley in Paris: Discussions at Bank of France," *The Times*, August 1, 1931; "Paris Parley Meets to Halt Gold Flow; Big Credit is Likely," *New York Times*, July 28, 1931; "Britain is Assured of French Credits," *New York Times*, July 29, 1931; "British Resent Idea They Seek Paris Aid," *New York Times*, July 30, 1931; "Paris and New York Plan $250,000,000 Credit to Britain," *New York Times*, August 1, 1931; "France Puts Hope in Loan to Britain," *New York Times*, August 2, 1931; "New York and Paris Extend Large Credit to Bank of England," *New York Times*, August 2, 1931.

161 Kunz, *The Battle for Britain's Gold Standard*, 86.

withdrawals there today were small. He hopes that the acute demand is over, and that things will quiet down." Referring to the recent French adjustments to the Hoover moratorium, Kindersley "regretted the delay caused by France in the acceptance" of the president's proposal, but "stated that he understood perfectly the French standpoint and apprehensions. Of their recent attitudes he had no criticisms." Kindersley concluded by assuring Dawes: "He believes in mutually trustful and close cooperation between the Bank of England and the Bank of France. He is assisting just now in preserving a proper and needed cooperation of the Bank of France with the Bank of England."[162]

It seems that Kindersley went further. Frustrated by the obstacles the British side was placing in the way of a French credit after dispatching him to negotiate this, he told Dawes that he believed that the antagonism both Norman and Snowden felt for the Bank of France and the ill-considered statements they were issuing on the crisis were themselves putting pressure on the pound. The following day, Dawes reported these views back to Washington.[163] He also elaborated in his diary on Kindersley's opinions and their significance, recalling that:

> Only a week ago at the White House the President, in my presence, was receiving through New York the substance of telephone conversations with certain bankers in England impugning the sincerity of the proffers by France of cooperation in the financial relief of Germany. Kindersley can testify better than anyone else as to the real attitude of the Bank of France.
>
> Kindersley, as the head of the banking house of Lazard Frères, is the actual agent of the Bank of France in its present purchase of English exchange in France to assist the Bank of England in protecting its gold reserve. Besides that he is a director of the Bank of England, and, as one respected and trusted by both institutions, is the real liaison between them.

Dawes worried that "[t]he reported intransigent attitude of Snowden toward France seems to be a dangerous factor in a delicate financial situation." At that juncture, Dawes himself sought to prevent the reopening of any additional diplomatic or economic questions, recording that "Ambassador de Fleuriau and Kindersley are both in accord with me that at the present juncture no other Governmental conferences should be called. They would inevitably discuss political considerations jointly with financial problems. This would add to public distrust, and tend to undermine financial confidence."[164]

On August 1, the Bank of France finally announced the terms of the credit extended by itself and the Federal Reserve Bank of New York to the Bank of England. It totaled £50,000,000, half

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162 Charles G. Dawes, diary entry, July 29, 1931, in *Journal as Ambassador to Great Britain* (New York: Macmillan, 1939), 373-374.

163 Kunz, *The Battle for Britain's Gold Standard in 1931*, 86.

164 Dawes, diary entry, July 30, 1931, in *Journal as Ambassador*, 374-375.

advanced by the French and half by the American institution, to run for three months, with a high probability of extension beyond that time. The Bank of France allowed leading French banks, Lazard & Cie. among them, to take up half of the French share of this credit. Kindersley publicly applauded the outcome of the negotiations among the three institutions as "proof to the whole world of the solidarity relations existing between the three central banks of Paris, New York and London" and of "their desire to cooperate in a friendly way." He hoped it would put an end to the major financial disruptions in all the nations involved caused by recent "sudden and reasonless movements of gold." Kindersley was careful to thank Governor Moret of the Bank of France "for the courteous and friendly way in which he had conducted the negotiations." Looking to the longer term, he also "added that the necessary basis for the reestablishment of confidence and prosperity in the world must be a real and durable understanding between France and Germany."[165]

Kindersley's hopes were shortlived. Less than two months later, Britain abandoned the gold standard. The publication of the Macmillan Report in July 1931 made it clear that Britain was living beyond its means, in terms of budget and balance of payments deficits, and the expectation was that the Labour government would shortly announce drastic cuts in public expenditure. With Kindersley's support, on August 20, 1931, Brand published a letter in *The Times*, arguing that British costs and incomes were too high in relation to those in other countries, a disparity that was making British exports too expensive, was subjecting sterling to pressure to depreciate, and was responsible for the government's fiscal shortfall. "With prices at anything like their current level we are faced with the necessity of reducing our costs," something that would be accomplished either by voluntary reductions or by currency depreciation. The fundamental problem was that Britain's "standard of life is higher than we can for the time being afford."[166] Geoffrey Dawson, editor of *The Times*, reported that the newspaper's staff "thought it so good that we scrapped an article and put it in an unusually prominent place."[167] Since Brand was willing to speak out on the subject, British officials then sought to use him to defend the government's policy. One week later, on August 28, 1931, Austen Chamberlain, a past Chancellor of the Exchequer and Foreign Secretary who was then First Lord of the Admiralty, urged him to write a series of articles for *The Times*, laying out the reasons for the financial crisis and the imperative need to remain on the gold standard.[168] Brand took the matter up with Dawson, who was broadly in favor, though warning him that each article should be relatively short and self-contained, but their plans were soon overtaken by events.[169] French and American

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165 "France Puts Hope in Loan to Britain," *New York Times*, August 2, 1931.

166 Brand, letter to the Editor, *The Times*, August 20, 1931.

167 Dawson to Kindersley, August 20, 1931, File 115/1, Brand Papers.

168 Austen Chamberlain to Brand, August 28, 1931, File 115/1, Brand Papers; also Kunz, *The Battle for Britain's Gold Standard*, 120.

169 Dawson to Brand, September 7, 1931, File 115/1, Brand Papers.

credits proved unavailing, and eventually, on September 20, 1931, Britain finally abandoned gold.[170]

In the immediate aftermath of the departure from gold, for some months Kindersley chaired the Bank of England's Foreign Exchange Committee, which met on an almost daily basis to monitor developments in the exchange market and direct the bank's foreign exchange operations, as it bought and sold gold and foreign currencies.[171] Kindersley was also dispatched yet again to France, to explain the decision to leave gold to Treasury and Bank of France officials, who were understandably upset that the large credits they had extended to Britain, and their substantial sterling holdings, had suddenly dropped severely in value. Governor Moret, it seems, told Kindersley at length of his disappointment with the British decision, as well as expressing his hopes that Britain would now follow strict deflationary policies and return to gold as soon as possible.[172] Kindersley apparently passed on to Bank of England officials a request from the Bank of France that Britain should compensate the French government and French holders of British government securities financially for the losses on exchange they had sustained as a result of Britain's decision to jettison gold. The Bank of France itself lost almost $125 million on its holdings of sterling exchange. The Bank of England, however, recommended to the British Foreign Office that no such recompense should be made, reminding diplomats there that British holders of French government securities had lost heavily since the war due to the depreciation of the franc.[173] After repeated requests, in December 1931 the Treasury finally agreed to provide partial compensation for French losses.[174]

The day before the British government announced that it would leave the gold standard, Altschul sent his French partners a memorandum, urging that the world was in a state of unprecedented crisis, and "it would seem as if today the best hope lay in attempting to re-establish confidence on the basis of some very fundamental political move." Given the "spread of novel doctrines" and "new ideas abroad in the world today to which the minds of men turn readily in times of stress," he feared that the alternative might well be that the forthcoming winter would bring "developments subversive of the existing order" and serious political unrest. He believed that an impending meeting in about ten days' time between Pierre Laval, the French prime minister, and Heinrich Bruening, the German chancellor, might provide an opportunity for this, even though it was "evident that both in French and in German quarters, little hope is held today that this

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170 On Britain's abandonment of the gold standard, see Kunz, *The Battle for Britain's Gold Standard*; Ahamed, *Lords of Finance*, 431-433; Clavin, *The Failure of Economic Diplomacy*, 19-21; Sayers, *The Bank of England*, 2:387-415; Steiner, *The Lights That Failed*, 658-665; Eichengreen, *Golden Fetters*, 279-285; Williamson, *National Crisis and National Government*, 255-266, 280-296, 408-424.

171 Sayers, *The Bank of England*, 2:421.

172 Moret to Sir Ernest Harvey, October 6, 1931, Moret to the French Minister of Finance, October 6, 1931, File OV45/82, Bank of England Archives.

173 S. D. Waley to O. G. Sargent, October 8, 1931, File OV45/82, Bank of England Archives. The figure for the losses of the Bank of France on their sterling holdings is taken from Ahamed, *Lords of Finance*, 433.

174 Clavin, *The Failure of Economic Diplomacy*, 22.

meeting will lead to any conclusions of substantial value." What was needed, Altschul argued, was "a program . . . sufficiently far-reaching in its scope to offer real hope of substantial improvement to the despairing masses in the leading industrial countries" and rally public opinion behind their governments. The measures Altschul recommended included:

(a) A Moratorium for X Years on the discussion of certain purely political questions.
(b) A complete and final settlement of the reparations question on the basis of some figure not only within the capacity but within the willingness of Germany to pay.
(c) A program of progressive disarmament by France and, consequently, by certain other countries, as the background for the ultimate success of the Geneva Disarmament Conference.
(d) The postponement of payments on Inter-Allied Debts to such a remote date as to be the politically practicable equivalent of cancellation.

Altschul hoped that a massive reduction in reparations would impel Germany to accept a ban on further efforts to change its Eastern frontier with Poland, one of the sore questions arising from the Versailles peace settlement. Perhaps not realizing quite how close Britain was to leaving the pound, he seems, too, to have believed that his proposal might "materially improve" the situation in that country. It was essential, in his view, that the United States participate in such an oversall settlement. French concessions on disarmament would, he thought, "have an important effect on public opinion" in the United States, predisposing the American people to support these moves, while the French would benefit from a more stable economic and political climate in Europe, a non-threatening German neighbor, and the cancellation of their debt obligations.[175]

Altschul presumably hoped his French partners would prevail upon Laval to make a dramatic demarche and announce these initiatives. In reality, his visit to Berlin brought no concrete results, and during a visit to Washington in October Laval showed himself far from conciliatory on such issues as disarmament and French security. Altschul himself, it seems, found enlightening if hardly encouraging several shipboard conversations he had with Deputy Governor Charles Farnier of the Bank of France and Robert Lacour-Gayet, the bank's director of research, on a transatlantic crossing in early October 1931. Farnier and Lacour-Gayet had recently pressured the Federal Reserve System to raise the discount rate so as to strengthen the dollar in the aftermath of sterling's collapse.[176] The two Bank of France officials told him that the French view was that most of the current "economic difficulties" sprang from "an over-extension of credit which has permitted the development and the continuation of production enormously in excess of any requirements existing or apt to exist in the near future." They recommended drastic cuts in wages and prices, and warned him that if the United States "continue[d] on a contrary path rather in the direction of inflation," its currency would fall in

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175 Altschul, Memorandum, September 19, 1931, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.
176 James L. Butkiewicz, "Governor Eugene Meyer and the Great Contraction," *Research in Economic History* 26 (2008), 283-285.

value, it might be forced to leave the gold standard, and the dollar might well go the way of the German mark in the early 1920s. Altschul "discussed with them the question of whether a world-wide readjustment through world-wide inflation might not be a simpler way out of the impasse than the wholesale national and corporate defaults which must follow upon a further drop in world prices, and a continuation of the world price level at present or a lower level." Neither side, it seems, succeeded in convincing the other, but the episode did give Altschul valuable insight into the French position.[177]

With Britain off the gold standard, Frank Altschul and Brand discussed by cable the possibility that the United States would be forced to follow suit. In mid-October 1931, he told Brand that the "highest banking quarters" in New York seemed to believe "that our being forced off the gold standard is out of the question." Altschul himself was less sanguine, thinking "that in view of gold exports and domestic hoarders danger is clearly very real although possibility not so immediate." Unorthodoxly, he also questioned whether this would be entirely disastrous, reflecting: "One sometimes wonders whether when so large part of the economic world has sought through the temporary abandonment of the gold standard a way to more or less restore the equilibrium resulting from the fall in world prices, forces may not have been set in operation which in the long run will inevitably drive us along same road." This raised the "question whether temporary abandonment gold convertibility by us may not be the necessary prelude to the re-establishment of a functioning gold standard in the world as a whole and whether this may not constitute the final step in the liquidation of the world crisis." Altschul admitted that these views were "heterodox and not at all popular in Wall Street," but nonetheless, his "inclination" was "rather in the affirmative." He asked Brand not just to give his own opinion, but also to consult John Maynard Keynes and seek his views.[178] Keynes replied that he believed the United States and France would probably rigidly insist on sticking to gold for as long as possible, even at the cost of "a prolonged depression," and thought only "hard practical experience" was likely to cause either country to abandon gold for other experiments.[179]

This was by no means Altschul's last encounter with the brilliant British maverick economist, who seems to have intrigued him. By the early 1930s, Altschul was quite willing to question conventional wisdom in economic thinking. In October 1932, he sent Keynes a pamphlet co-authored by Alexander Sachs, an economist working for the Lehman Corporation, that set forth fairly orthodox business wisdom on recovery from the depression, with the suggestion that Keynes might send him "a few lines indicating your major points of disagreement." Keynes was clearly on good form that day. In reply, he assailed this "early Victorian curio" as "showing the extent to which what one might call political or anti-socialist bias is capable of taking the place

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[177] "Memorandum of Conversations with Farnier, Deputy-Governor of the Banque de France, and Robert Lacour-Gayet on Board S. S. 'Europa' October 11, 1931," File Lazard Frères Paris, Altschul Overbrook Foundation Papers.
[178] Altschul to Lazard Brothers, October 15, 1931, enclosed in Brand to Keynes, October 15, 1931, Reel 64, John Maynard Keynes Papers, King's College, Cambridge (microfilm ed.).
[179] Keynes to Brand, October 23, 1931, Reel 64, Keynes Papers.

of any kind of scientific thought." He continued that it struck him "as being governed almost entirely by moral, emotional and political reactions and a craving for conventionality, and to be just about as devoid of fundamental scientific thinking as anything over such competent and responsible names could possibly be. What secret crimes the signatories must have committed to produce in them so hypocritical a craving after respectability!"[180]

Altschul's dealings with Keynes were only one aspect of increasingly bold ventures on his part to become involved in efforts to devise solutions to some of the most pressing international dilemmas of the time. Lazard Frères New York was one among many American banks that had made advances to German firms, that were subsequently frozen under the Standstill agreement. Attending a meeting at the Council on Foreign Relations on the Standstill Agreement in December 1931, Altschul suggested that simply hoping for the agreement's indefinite extension was not enough, and that what was needed was "a fundamental settlement" that would "establish the background" so that "German credit will be sound or ought to be sound." Otherwise, whatever stopgap arrangements were made, neither the British nor the American creditors of Germany were likely to receive much of their money back.[181]

Seeking to address this problem, in late 1931, Altschul sent Brand a memorandum he had prepared, suggesting how the German Standstill short-term credits might be treated. Copies of this document also went to Albert Wiggin, head of the American Standstill Committee; George L. Harrison, governor of the New York Federal Reserve Bank, and his deputy, Walter Case. Altschul felt that acceptances based on some specific commercial transaction could quickly be liquidated, but that "[t]hose representing pure finance operations," effectively unsecured obligations, were more problematic. He suggested that "some corporate entity with the unconditional guarantee of the German Government" take over these debts, negotiate with the individual debtors for their settlement at less than face value, and issue ten-year notes to the creditors, payable in the currency of those countries. Every year, this body would receive a sum, presumably from the borrowers and if necessary the German government, equivalent to ten percent of the obligations, and creditors would be able to redeem their obligations at prices fixed by themselves, the corporation accepting the most favorable offers. As the end of the ten-year period came closer, the value of the remaining securities would increase, while those creditors who preferred speedy settlement would obtain a proportion of the funds owing to them sooner rather than later. "Creditors prepared to hold these obligations to maturity, or those who purchased them in the market at a discount with this in view should ultimately be rewarded by being paid in full." Altschul anticipated that, with time, "gradually a real market in the notes could be built up." When necessary, "the German Government will be required to make up

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[180] Altschul to John Maynard Keynes, October 10, 1932, Keynes to Altschul, October 21, 1932, File 116, John Maynard Keynes, Catalogued Correspondence, Altschul Papers.

[181] Digest of Meeting, "Economic and Financial Conditions in Central Europe: The Standstill Agreement," December 21, 1931, Council on Foreign Relations Papers, Seeley G. Mudd Library, Princeton University, Princeton, NJ.

temporarily the difference between the corporation's cash income and cash outgo." Transfer provisions would have to be worked out together with those for German reparations and the country's long-term debt. Rather idealistically, Altschul claimed that the greatest advantage of his proposal was that:

> In the broader sense it would represent a step in the direction of avoiding the threatened disastrous conflict between reparations and commercial debts in that it would be a contribution by commercial creditors towards working out a solution in which their main and avowed objective was no longer to get paid as much as possible and to get paid as soon as possible, but to contribute to the restoration of the German economy, which all must consider as fundamental to a restoration of normal business conditions in the world as a whole.[182]

Persistent German refusals to pay anything more than interest on these obligations, unless they were liquidated at a massive discount, made such schemes a dead letter. The time and energy Altschul put into advancing this proposal was nonetheless an index of his desire to contribute to international financial diplomacy at the highest levels. Altschul also discussed the German situation at length with Dr. Otto C. Kiep, the German consul general in New York, to whom he gave a copy of his proposal. To Kiep, Altschul queried the logic of the position taken by the German ambassador at a Council on Foreign Relations meeting in January 1932, that Germany was unwilling to continue paying reparations because the devastation France had suffered due to the First World War was now repaired, pointing out that much of the funding for this recovery had come from the French themselves, not German reparations. Altschul suggested that, if the German government sought to end the payment of reparations, they should do so by laying the blame on the shortcomings of the Treaty of Versailles, notably its "violation of the pre-armistice agreement" of World War I between the United States and Germany, and "the sole war-guilt theory of the Treaty of Versailles." (Ironically, Altschul's father Charles had spent much of the final decade of his life seeking to promote and justify the view that Germany was primarily responsible for the outbreak of World War I.) Kiep and Altschul lunched together that same month, and Altschul urged on the German diplomat "that now is the time for Germany to speak, and not later. He believed: "A sound statement of the German position at this juncture will provide the corner-stone on which the reconstruction of Europe can be based." Should Germany delay doing so, however, and retreat "behind the veiled curtain of diplomacy for the next six months," Altschul feared "that we would again pass through a 'crise de confiance' infinitely disturbing to world economy."[183] Rather over-optimistically, Kiep thanked Altschul for his advice, and expressed his faith "that a compromise of some kind on the lines you have been

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[182] Altschul, memorandum, November 25, 1931, File Lazard Brothers & Company, Altschul Overbrook Foundation Papers; see also Altschul to Brand, November 25, 1931, Altschul to George L. Harrison, November 25, 1931, Harrison to Altschul, November 27, 1931, Altschul to Walter Case, November 25, 1931, Altschul to Albert H. Wiggin, November 25, 27, 1931, File Lazard Brothers & Company, Altschul Overbrook Foundation Papers.

[183] Altschul to Otto C. Kiep, January 20, 1932, File Otto C. Kiep, General Correspondence, Altschul Papers.

advocating with such convincing reasoning, will be brought about, as there is no other alternative."[184]

By spring 1932 international attention was fixed upon the approaching Lausanne Conference, a meeting of French, German, and British representatives that took place in Switzerland in June and July 1932, to decide what should be done once the one-year Hoover moratorium on war debts and reparation payments ended. In the event, the participants effectively decided to end reparation payments, supposedly subject to reaching an understanding with the United States on war debts, but this stipulation quickly became a dead letter. Hoover, meanwhile, unilaterally extended the moratorium for an additional six months, meaning that war debt payments would once more become due at the end of 1932, after the presidential election but before he left office. Months before the attendees gathered at Lausanne, it was clear that reparations would be the major item on the agenda.[185]

In April 1932, therefore, Altschul publicly took up the questions of war debts and reparations. In company with Alanson B. Houghton, a former U.S. ambassador to Germany and Britain, Shepard Morgan, a vice-president of the Chase National Bank who had been the finance director of the office of reparation payments in Berlin, and Bainbridge Colby, U.S. secretary of state under President Woodrow Wilson, Altschul took part in a discussion of reparations and war debts organized by the Academy of Political Science in New York. This was one of the relatively few occasions on which Altschul, throughout his life a poor public speaker, delivered a formal address, perhaps an index of just how urgent he thought the subject to be. Morgan quite simply proposed the complete cancellation of both reparations and war debts. Altschul's solution was rather less comprehensive. He deplored the "breakdown in the machinery of commerce and industry" at both the national and international level, and the "ever-widening spread of a spirit of intense economic nationalism." In the interests of international economic recovery and "a return to the spirit of Locarno," Altschul recommended an "early and . . . drastic revision" and final settlement of both war debts and reparations, though not their total cancellation, measures he hoped might also facilitate tariff reduction. Altschul warned that the situation was critical, since "by inaction we in no sense prevent the inevitable and material downward readjustment of Reparations and, in all likelihood, of War Debts as well. We merely elect that this should take place in a catastrophic and destructive manner." The measures he proposed would also, he hoped, avoid the possibility of international defaults, which would undermine "that confidence in contract and in treaty on which the security of our social and

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184 Kiep to Altschul, January 27, 1932, File Otto C. Kiep, General Correspondence, Altschul Papers.

185 On the Lausanne Conference, see Leffler, *The Elusive Quest*, 291-294; Costigliola, *Awkward Dominion*, 256-257; Kent, *The Spoils of War*, 365-372; Steiner, *The Lights That Failed*, 658-688; Clavin, *The Failure of Economic Diplomacy*, 30-33; Elliott A. Rosen, *Roosevelt, the Great Depression, and the Economics of Recovery* (Charlottesville: University of Virginia Press, 2005), 10-13.

political structure rests," and "would everywhere accentuate that growing sectionalism which already is so seriously restricting human opportunity."[186]

Ambassador Houghton endorsed the pleas of the two bankers for very substantial reductions in both reparations and war debts. The only exception to the session's united front was former Secretary of State Colby, who insisted that there should be no link between war debt and reparation payments, and that the former Allies were amply capable of honoring in full their existing obligations to the United States. This event was apparently coordinated with an address the same evening by Alfred E. Smith, former governor of New York and the Democratic presidential candidate in 1928, for the drastic reduction of both war debts and reparations, the first occasion on which a prominent American politician had advocated this approach. Smith, who was by then a candidate for the 1932 Democratic presidential nomination, proposed a twenty-year moratorium on war debts, and to encourage international trade was willing to offer European countries a credit of twenty-five percent of the value of their annual imports from the United States to be offset against eventual war debt payments. He also called for reductions in American tariffs. It was to Smith, a close political associate of his brother-in-law Herbert Lehman, who was now lieutenant governor of New York, that Altschul had in 1928 suggested he should endorse major cuts in both debts and reparations. Precisely what impact Altschul and Lehman had on Smith's decision to speak out publicly on the subject in 1932 is hard to determine, but it seems highly likely that Lehman helped to orchestrate the pronouncements of his erstwhile political patron and his brother-in-law. Newspaper reports hailed these speeches, especially that of Smith, as a new departure.[187] Brand, who received a copy, applauded Altschul's speech, warning that, although Britain did not wish to default, should it cease to receive reparation and debt repayments from Germany and France, "[t]he position of this country is going to be very difficult."[188] Two Wall Street lawyers, John Foster Dulles and Allen Wardwell, likewise endorsed his views.[189] Altschul himself, however, was unpleasantly "surprised to see how little impression it made on what I thought as a rather sympathetic crowd." He told Arthur Hays Sulzberger, publisher of the *New York Times*, that "Bainbridge Colby, with his 100% Americanism, seemed to me much more successful."[190]

Although Altschul's advice only too often fell on barren ground, his partners seem to have felt some confidence in it. In early 1932 Altschul had several conversations with André Meyer, who,

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[186] Altschul, "Reparations and War Debts: A New Approach to an Old Problem," address before the Academy of Political Science, New York, April 13, 1932, Speeches and Writings File, Altschul Papers; "Debt Revision Urged as Needed Sacrifice," *New York Times*, April 14, 1932.

[187] "Debt Revision Urged as Needed Sacrifice," *New York Times*, April 14, 1932; "Al's Telling Blow: Smith First Man in Public Life to Speak Plain Truth About War Debts," *Wall Street Journal*, April 18, 1932. On Smith, see also Christopher M. Finan, *Alfred E. Smith: The Happy Warrior* (New York: Hill and Wang, 2002), 275.

[188] Brand to Altschul, April 25, 1932, File 5, Speeches and Writings File, Altschul Papers.

[189] John Foster Dulles to Altschul, April 19, 1932, Allen Wardwell to Altschul, April 19, 1932, File 5, Speeches and Writings File, Altschul Papers.

190 Altschul to Arthur Hays Sulzberger, April 14, 1932, File 5, Speeches and Writings File, Altschul Papers.

it seems, cherished ambitions to be an international statesman and governmental adviser rather than simply a bond salesman, on the subject of the Lausanne Conference. A few weeks before the conference opened, Meyer asked Altschul to summarize his views in a memorandum that he presumably hoped to pass on to French officials and politicians. Somewhat grandiloquently, Altschul stated that "Lausanne will witness the most important meeting of statesmen that has been held possibly since the Congress of Vienna, and the results of its deliberations are fraught with consequences for all of us that it would be difficult to exaggerate." Looking back to the difficulties and resentments of the past decade and more, Altschul warned:

> Ever since the Treaty of Versailles, rightly or wrongly, resentment towards France appears to have been gradually developing in Germany. Similarly, the French fear of Germany has been growing apace. Looked at through Anglo-Saxon eyes, it appears as if up to the Treaty of Versailles, Germany had done many things to justify French fears; and since the Treaty of Versailles, France has done many things to justify German resentment. If the world is going to be dominated for long by these forces, the outlook seems well-nigh hopeless.

By this time, he thought the French fears of German resentment were well-founded, and that the French should therefore tread carefully, making no unreasonable demands on Germany, in order to maintain international public opinion in their favor. He also sought to broaden the conference's agenda, "to take common counsel with a view to laying the foundation for world reconstruction." In this context, reparations and debts would still be "a problem of enormous importance," but only "one of many which have to be dealt with" to arrest "rapidly developing demoralization" and regain economic equilibrium. The highest priority would be "the restoration of world confidence which has been so badly shattered by the growing distrust among nations, and by the growing tendency towards political and commercial defaults." This would involve reducing tariffs and other barriers to trade and flows of international capital. As he had the year before, Altschul suggested that, in return for French generosity toward Germany, Germany should postpone all action on the issue of Poland, France's ally, and the Polish corridor that Germany sought to regain. He hoped that Britain, France, and the United States would agree to "cooperate in the reorganization of the finances of other countries in which they are interested, with a view to preparing the basis for the resumption of the normal flow of international capital." This would facilitate the dismantling of tariffs and the restoration of the gold standard. He also hoped for initiatives in the "direction of progressive disarmament and the budgetary control of armaments" at the ongoing International Disarmament Conference whose first session took place at Geneva from February to early June 1932, a meeting expected to resume in autumn that year. Finally, Altschul hoped his own country would join in these endeavors, telling Meyer that "if a program as comprehensive as this could be developed and could be presented to the United States as a well-conceived basis for world revival and reconstruction requiring for its success our cooperation, in the first instance, to the extent of debt cancellation, and, beyond this, to the extent of participation in the other activities proposed, it would be far more than likely of favorable

reception." In his view, "[t]he economic situation in our country has been developing in such a disastrous way that we are nearly ready for a revolutionary change of policy." If Americans could be "convinced" that they "would be laying the foundation for a revival and providing for the security of the existing order," he thought that shortly after the impending presidential election of November 1932 the country "would be ready to act."[191]

By spring 1932 it was, however, only too obvious that, until the outcome of the presidential contest in the United States was known, little further action could be expected from that country. Once the moratorium on war debt payments expired, the next payments were due on December 15, 1932, by which time the identity of the next American president would be known, though he would not take office until early March 1933. Congressional opposition to any further postponement or concessions on war debts was strong, but it was still uncertain just what action the United States would take on war debts once the six months had expired.[192] Otherwise, for the most part, real progress in international affairs perforce marked time throughout 1932, with few real initiatives. By late 1931 British officials were also beginning to look to the future after the 1932 American presidential election, efforts in which Brand took something of a formal advisory role to his own country's government. As massive studies by Zara Steiner and Patrick O. Cohrs have demonstrated, it is difficult to exaggerate the degree to which, from the end of World War I until 1933, the attention of British policymakers was fixed on the United States and the need to cooperate with American officials if British international objectives were to be attained.[193]

The Lazard partners in London undoubtedly shared this pro-American orientation. Giving evidence before the Macmillan Committee in early 1931, Kindersley affirmed his belief that, at least where acceptances were concerned, London was "still far and away ahead of any other centre in the world, and has absolutely maintained her position." Even Kindersley, however, admitted that New York had become increasingly important in terms of issuing securities.[194] For a decade, from 1929 to 1939, Kindersley produced an annual survey of the state of British overseas investments. In his second such report, published in 1930 and covering the year 1928, Kindersley pointed to a growing trend toward "the acquisition by American finance and other companies of substantial or controlling interests in British companies operating at home or abroad." He was alarmed by the "prevailing ignorance [in Britain] of the dimensions" this trend toward the "growing encroachment of American interests in British industry, commerce and finance" had reached. Kindersley's fear was that, as the ownership of these firms became more Americanized, they would transfer orders for equipment and credit and service requirements to

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191 Altschul to André Meyer, May 30, 1932, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

192 Costigliola, *Awkard Dominion*, 253, 257-259; Leffler, *The Elusive Quest*, 288-295; Clavin, *The Failure of Economic Diplomacy*, 31-32.

193 Steiner, *The Lights That Failed*; Cohrs, *The Unfinished Peace after World War I*.

194 Evidence of Sir Robert Kindersley, January 23, 1930, *Minutes of Evidence Taken Before the Committee on Finance and Industry*, paras. 1219-1225, quotation from para. 1223.

American suppliers, shippers, and bankers, a tendency that he believed "constitute[d] a grave menace to [British] economic prosperity."[195]

Restoration of that prosperity was indeed the first order of business of the British government. Within days of Britain's decision to leave the gold standard, Prime Minister J. Ramsay MacDonald established a small advisory committee on economic affairs and financial questions. It included Brand; John Maynard Keynes; Lord Macmillan, who had chaired the Macmillan Committee; Reginald McKenna, a former Chancellor of the Exchequer and chairman of the Midland Bank; Sir Walter Layton, editor of *The Economist*; Sir Arthur Salter, a former League of Nations official who later became Warden of All Souls College, Oxford; and Sir Josiah Stamp, a respected economist and former civil servant. Initially, the committee decided that it was premature to try to return the pound to gold, but that it was desirable to prevent undue fluctuations in sterling.[196] In March 1932 its Sub-Committee on Financial Questions submitted a further report to the prime minister, favoring "a moderate recovery of the pound," but warning that "the recovery of the pound should not be allowed to proceed too far. It is essential that our exporting industries should retain a substantial part of the competitive advantage they have derived from the abandonment of gold parity." Some rise in the level of sterling prices was desirable. The committee essentially suggested that the British government should hedge its bets on the subject of returning to gold, summarizing its position:

> In our opinion it would be unwise to make it our governing aim to return to gold in the existing conditions or in any which seems likely to obtain in the near future, even on the basis of a new and lower parity, and we should regard it as unfortunate if the Government were to commit itself to the adoption of such a policy. On the other hand we should regard it as no less undesirable for the Government to make any declaration that we had no intention to return to the gold standard. In our opinion, the most prudent course would be to make a limited statement as follows, that in view of the uncertainties attaching to the future movements of gold prices it would be premature at present to attempt the stabilization of sterling on a gold or any other basis.[197]

About the same time, Kindersley publicly stated his own confidence that, now that Britain had abandoned gold, recovery would ultimately come as the result of "the fall in money rates," something that "would reduce the burden of the hard-pressed debtor countries." He anticipated that "a long period of cheap money" would eventually restore international prosperity by enabling a resumption of "the flow of trade" and "the exchange of goods in adequate volume.[198]

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195 R. M. Kindersley, "British Foreign Investments in 1928," *Economic Journal* 40:158 (June 1930), 176-177.

196 Minutes of an Informal Conference, held at 10 Downing Street, S.W.1, on Tuesday, September 29th, 1931, at 12 noon," File 112, Brand Papers.

197 Revised draft report, Economic Advisory Council, Sub-Committee on Financial Questions, March 8, 1932, File 112, Brand Papers.

198 "Sir R. Kindersley on Money Values," *The Times*, March 12, 1932.

Almost simultaneously, in early March 1932, Brand delivered a panoramic lecture on the economic situation at the London School of Economics, before the League of Nations Union Conference on disarmament and unemployment. Placing much of the responsibility for prevailing economic problems upon gold, he told his audience that criticisms of the gold standard were nonetheless misplaced, since the "real problem was the underlying causes which had led to the maldistribution of gold. If those underlying causes were not eradicated, then nothing much could be accomplished." With hindsight, he stated, it was clear that the astonishing American prosperity of the 1920s had in fact been "built up on a great inflation of credit due to an excessive accumulation of gold." As things stood, before any international return to the gold standard, the United States and France would have to get rid of much of their vast surpluses of gold, either by lending on a large scale, which seemed unlikely in the near future, or by "what is now in fact rapidly taking place, the destruction of their export trades." The global economic system of the 1920s had been sustained for a while by countries with surpluses on international account "lending freely at high rates of interest" to debtor nations, but ultimately it had imploded. Central to this failure was the United States, where the "vast accumulation of gold resulted in an inflation and then in a collapse, leading to a great fall in prices, that fall again making the position of many debtor nations quite hopeless." Brand appealed for the immediate reduction of both reparations and war debts payments, and also of tariffs, and warned that "one nation cannot prosper at the expense of another. The countries receiving debts have prospered for the time being, but now it is their turn. The fact that they have sucked other nations dry is going to bring its Nemesis in the ruin of their export industries." Brand nonetheless confessed himself "an optimist" who "believe[d] we might see some improvement before long." He nonetheless thought there were "one or two serious danger spots in the world. Central Europe certainly still constitutes the most serious of all, and a real improvement must, in my opinion, wait upon some solution of the difficulties existing in that part of the world."[199]

Kindersley's annual report on British overseas investments, published three months later, was rather less optimistic, "reveal[ing] that in 1930 not only did [Britain] fail to maintain the total amount of our foreign investments, probably for the first time in over fifty years, but also that the income derived from these investments declined considerably. Nor does the immediate future hold out prospects of a reversal of these downward tendencies."[200] Faced with such discouraging indicators, by mid-1932, after the Lausanne Conference had cancelled virtually remaining German reparations payments, the Prime Minister's Advisory Committee was moving toward more decisive action. Its fourth report, submitted in July 1932, suggested that, in order to restore the international economy, a major increase in the world's monetary supply would be advisable. The committee suggested that the Bank for International Settlements should issue up to £1,000

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199 "World Economic Outlook: Debts and Trade: Mr. R. H. Brand's Survey," *The Times*, March 3, 1932.
200 R. M. Kindersley, "British Overseas Investments in 1930," *Economic Journal* 42:166 (June 1932), 195.

million in additional currency, to be distributed among the various countries facing economic problems, facilitate credit expansion, and unfreeze the existing deadlock.[201]

Brand's March 1932 lecture demonstrated his interest in broader Central European questions. By October 1932, he was definitely turning his attention to developments beyond the economic, especially German demands for rearmament. That month, he was one of a large cross-party group of the British great and good, including his sister-in-law Nancy Astor, his long-time friend and Round Table associate Lord Lothian, former Liberal Prime Minister David Lloyd George, Walter Layton, editor of *The Economist,* Lord Robert Cecil, Lord Grey of Fallodon, Britain's First World War Foreign Secretary, Gilbert Murray of the League of Nations Union, the Labour politicians Stafford Cripps, Hugh Dalton, and George Lansbury, and J. H. Hertz, Britain's Chief Rabbi, who signed an open letter to *The Times* on German demands for rearmament. The letter was written before the National Socialist Party headed by Adolf Hitler made substantial electoral gains in Germany in 1933. The signatories argued that Germany could not be allowed to breach the limits set in the Treaty of Versailles, either unilaterally or with an agreement that even moderate increases over the treaty stipulations could be permitted, since once that occurred, the genie would have escaped from the bottle, and an arms race would be in progress. The only alternative, therefore, they contended, was an initiative on armaments "of drastic reduction sufficient to unite world opinion, and the support of the principal countries, against a contention that rearming is justifiable." They believed that, "if we will co-ordinate our disarmament policy with America, we can give with her a lead to which we may hope the world generally would respond; and we may hope to secure the adhesion of both France and Germany, for both of which, in their respective difficulties and dangers, the attitude of the rest of the world would be decisive." The signatories sought to appeal to the "strong and powerful forces for reduction and against rearming" in both France and Germany. As history would demonstrate, they failed to convince even their own government, whose international interests remained primarily economic, let alone those of France, Germany, and the United States.[202]

By fall 1932, the British government was already anticipating a World Economic Conference to consider adopting coordinated international approaches to such issues as currency stabilization, tariffs, war debts, and the revitalization of trade and investment. The Lausanne Conference had called for such a meeting to be convened, and it was scheduled to take place in London in early summer 1933, shortly after the inauguration of the next American president. Under Hoover, the United States government began planning for this next international gathering.[203] The British government likewise established a Committee on International Economic Policy, including Keynes, Layton, Stamp, and Salter, together with Sir Charles Addis of the Hong Kong and

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201 Economic Advisory Council, Committee on Economic Information, Fourth Report: Survey of the Economic Situation, July 1932," July 20, 1932, File 112, Brand Papers.

202 "German Claim to Equality: The Collective System of Disarmament," *The Times*, October 12, 1932.

203 Costigliola, *Awkward Dominion*, 258; Leffler, *The Elusive Quest*, 299-300, 304-305; Clavin, *The Failure of Economic Diplomacy*, 33-34.

Shanghai Bank, Waldorf, Viscount Astor, chairman of the Royal Institute of International Affairs, Sir Basil Blackett of the British Treasury, and Lord Essendon, to prepare for the conference. Although Brand was not, for once, a member of this particular group, he received and commented on a copy of its draft report, which envisaged that Britain should press for a modified version of the plan to provide credits for recovery through the BIS, through a massive "International Note Issue," probably US$5 billion in all, and also favored a modified gold standard, with a "system of variable gold parities" allowing for the adjustment of a currency's relationship to gold in times of crisis, as opposed to complete abandonment of the gold standard.[204] Brand, it seems, had doubts as to the feasibility and effectiveness of the BIS lending scheme, telling Keynes that he was "inclined to doubt, even if you could get it accepted, whether in the present circumstances it would do the trick." Brand felt that it was necessary first to "reduce all countries more or less to a common level, when they are neither debtor nor creditor, the debtors getting even by either defaulting or compounding their debts and by not buying the exports of the creditor countries, the latter's surplus being reduced by not receiving debts due and by the destruction of their export trade. When we are all on a level and the debtor countries feel they have some elbow room we might begin to build up again."[205]

Three months later, Brand thought it "hopeless" to suppose the International Note Issue plan would be accepted, and in any case "doubt[ed] whether it would work out satisfactorily," warning Keynes:

> It seems to me equivalent to a series of loans by the strong countries to the weak countries. The Central Authority would be unable to keep a hold on the method in which the weak countries used these additional facilities, and to my mind it would probably mean that, in a short time, a great part of the Notes would have found their way to the creditor countries. As a creditor towards a large number of these countries, I should like to see this result, but I am very much inclined to doubt whether, when the Central Authority wish to redeem a proportion of the 5 billion Notes, the countries would have any capacity to repay.[206]

Brand had recently returned from a visit to the United States, where he had met President-elect Roosevelt, someone he had known since his time in Washington during World War I, who in the course of conversation "asked me whether he s[houl]d. devalue the $ by 33%!"[207] There is no record of Brand's reply. Brand went to the United States on business, in the company of his sister-in-law, Nancy Astor, a Conservative member of parliament, and her husband, Waldorf, Viscount Astor. The party was in Washington and New York from around November 10 until

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[204] Economic Advisory Council, Committee on International Policy, Draft Report, September 1932, File 112, Brand Papers. On early British and international preparations for the World Economic Conference in 1932, see Clavin, *The Failure of Economic Diplomacy*, 37-49.

[205] Brand to Keynes, December 30, 1932, File 198, Brand Papers

[206] Brand to Keynes, March 29, 1933, File 198, Brand Papers.

[207] Brand to Norman, received November 20, 1933, File G1/470, Bank of England Archives.

early December. Their visit coincided with a sudden upsurge of tensions of European payments of war debts. The Hoover moratorium on war debt and reparation payments was about to expire, and Britain and France had instalments coming due on December 15, 1932. Congress indicated that it expected payments to be made, and the incoming president was unwilling to make any commitments before he took office. The British government paid its instalment of $95,550,000 in full, while stating publicly that, with German reparation payments at an end, future war debt payments would have to be scaled down dramatically. The French, Italians, and most other European countries defaulted. These events immediately generated fierce resentment among many Americans, including influential politicians.[208] The prominent British visitors arrived as suspense was mounting as to whether the British government would honor its forthcoming December 15 payment, and therefore found themselves perforce drawn into the controversy. On November 21, Brand addressed the Council on Foreign Relations in New York on the subject of "International Financial Problems." The American-born Astors and Brand spent a weekend in late November with the president-elect, and also had a meeting at the White House with Herbert Hoover on December 6. Lady Astor was asked to speak to the Senate Committee on Foreign Relations on the subject of war debts, and all the visitors discussed this topic virtually every day with a wide array of American politicians, bankers, newspaper editors, and other influential figures. Waldorf Astor returned to England concerned that Roosevelt did not appear to realize that, when the British and French spoke of a reduction of war debts, in practice they meant an arrangement that would amount to virtual cancellation, on the lines of the settlement on reparations recently reached at the Lausanne Conference.[209]

While in the United States, Brand delivered a talk to the Council on Foreign Relations in New York. He was introduced by John Foster Dulles, a prominent international lawyer who specialized in financial arrangements, and spoke after dinner to an audience of twenty that included Shepard Morgan of the Chase National Bank, who had recently publicly advocated the cancellation of war debts, S. Parker Gilbert, the former Agent General for Reparation payments, and his partners Harold Stanley and Russell C. Leffingwell of J. P. Morgan & Co., and Lester W. Perrin of Lazard Frères New York. In the circumstances, it was hardly surprising that Brand concentrated on the highly topical issue of war debts. Dulles was told that Brand would "not make a formal address, and seeks to hear American views as much as to present his own."[210] Brand warned that, even without war debts, Britain as at that time running a trade deficit of between £60 and £70 million pounds, as opposed to the £200 million surplus of earlier years, and that even leaving the gold standard had failed to bring anything more than a temporary

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208 Clavin, *The Failure of Economic Diplomacy*, 49-59; Costigliola, *Awkward Dominion*, 258-259; Leffler, *The Elusive Quest*, 300-322; Steiner, *The Lights That Failed*, 689-690.

209 Waldorf Astor to J. Ramsay MacDonald, December 24, 1932, enclosing Waldorf Astor, memorandum on his trip to the United States, Astor to Sir Ronald Lindsay, December 3, 1932, Astor to MacDonald, January 6, 1933, File 1066/1/822 War Debts, Waldorf Astor Papers, Reading University Library, Reading.

210 "Memorandum for Mr. Dulles," November 21, 1932, and list of attendees, Meetings File, Council on Foreign Relations Papers, Mudd Manuscripts Library, Princeton University, Princeton, NJ.

alleviation of this problem. Debtor and creditor countries were slowly reaching "a new equilibrium," but one that was dependent on "a much lower level of international trade," which was continuing to decline, even as gold was "still flowing towards the U.S." He opposed any British default on war debts, implicitly favoring a negotiated settlement with the United States, but could not see any way in which continued payments could be made, that would not involve either savage deflation and wage cuts in Britain in order to make British exports competitive, or the massive depreciation of the pound sterling. Either course would greatly intensify existing international economic problems. Replying to a question from Shepard Morgan, Brand stated: "The debts question must be settled in a positive manner before we can get ahead at all. The world can't go ahead until some arrangement is made that avoids drastic measures. If this question were settled there might be an upturn fairly soon." Brand did not believe that Britain could yet return to gold, something he believed would not be possible until "a relationship between countries [is] restored whereby the price level is more stable and whereby balances can be settled by only small movements of gold . . . so that a settlement with creditor countries does not enforce constant deflation on the debtor countries." Brand believed that a reduction of tariffs by creditor countries or a rise in their levels of prices would at least alleviate difficulties. The real solution, he believed, ultimately lay in the United States, since "your great country is the best situated to help. You are sufficiently independent of the world to get going on your own account. World prices might then begin to rise, international trade would then slowly recover, and indebtedness all over the world would be lightened."[211]

Sounding a theme he would repeat again, once he returned to Britain Brand argued that the "most important obstacle" to international recovery was "the internal situation of the United States," telling Keynes: "At the present moment it seems to me they are being driven towards further deflation; yet, in the end, through some channel or other, I feel that such deflation must turn into inflation. Even so, it seems to me likely that their bond market would improve before their common stock market. When I was there it seemed to me that the most important question for them was to re-establish the Government's credit, so that they could then begin to apply the methods we have applied over here. But we cannot get much further without improvement over there."[212] Astor and other associates of Brand's apparently hoped that it might be possible to persuade the British government to send him back to the United States as an unofficial envoy, to reach informal agreements on war debts with the incoming president and his closest advisers before he took office. This called, a friend wrote to Astor, for "an extraordinarily tactful individual who could go there without arousing suspicion that conversations were taking place.

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[211] Brand, text of speech to Council on Foreign Relations, November 21, 1932, File 1066/1/822 War Debts, Astor Papers; Council on Foreign Relations, "Digest of the Remarks by Honorable Robert H. Brand on International Financial Problems," November 21, 1932, Meetings File, Council on Foreign Relations Papers.

[212] Brand to Keynes, March 29, 1933, File 198, Brand Papers.

A man like Bob Brand would be ideal."[213] The British government, however, drew back from such suggestions. J. Ramsay MacDonald, the British prime minister, believed "[i]t would be a great mistake at the moment to involve the Government in propaganda" by dispatching anyone on such a mission. Instead, he simply "encourage[ed] everybody who has good American connections just to go ahead and do everything they possibly can to influence that opinion."[214] As public and congressional opinion on war debts hardened during the Hoover-Roosevelt interregnum and became a governing force on the president-elect's policies, Brand remained on the British side of the Atlantic.

Altschul, though a member of the Council on Foreign Relations, did not attend Brand's talk to that organization in November 1932. He was, of course, already quite familiar with Brand's views, but he may also have been absent because he was already occupied positioning himself for what he hoped would be an influential role behind the scenes in the next administration. This was a quest that would, at least temporarily, lead Altschul to recommend economic policies whose entire emphasis departed entirely from that favored by his British partners. In 1928 Franklin D. Roosevelt was elected governor of New York state, with Altschul's brother-in-law, Herbert Lehman, as his lieutenant governor, effectively his second-in-command. Although he called himself a Republican, in 1928 and 1932 Altschul not only campaigned for Lehman, but also voted for the Democratic presidential candidates from his home state, in 1928 former Governor Alfred E. Smith of New York and, of course, Roosevelt for governor with Lehman as his deputy.[215] By 1931, Altschul was flirting with Roosevelt, whose plans to run for the Democratic presidential nomination were becoming well known. In January that year, he "spen[t] a quiet evening chatting with" Roosevelt, advising him on the best way of ensuring that the funds of depositors in thrift institutions received the same state protection as those in savings banks.[216]

In October 1932, a month before the election, Altschul told Roosevelt how much he approved of the candidate's speeches during his campaign, which had "shown a degree of vision and of courage and particularly of sensitiveness to the needs of the country as a whole and to the position in which it finds itself today, that I find altogether lacking in the utterances of the spokesmen of the present administration." All that was needed, he declared, to persuade him not just to vote for Roosevelt, but also to make a substantial contribution to the governor's campaign funds, was a pledge by Roosevelt that he would not authorize early payment of the bonuses due in 1945 to American veterans of the First World War. This was a sensitive issue, since

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[213] Herbert H. Spender Clay to Astor, January 3, 1933, and enclosed memorandum, File 1066/1/822 War Debts, Astor Papers; also Felix Frankfurter to Astor, December 31, 1932, Astor to MacDonald, January 6, 1933, File 1066/1/822 War Debts, Astor Papers.

[214] MacDonald to Astor, January 16, 1933, File 1066/1/822 War Debts, Astor Papers.

[215] Altschul to Franklin D. Roosevelt, October 4, 1932, File 176 Franklin D. Roosevelt, Catalogued Correspondence, Altschul Papers; also Herbert Lehman Files, Catalogued Correspondence, Altschul Papers.

[216] Altschul to Roosevelt, January 15, 1931, Roosevelt to Altschul, January 16, 1931, File 176 Franklin D. Roosevelt, Catalogued Correspondence, Altschul Papers.

unemployed former soldiers from the conflict had marched on Washington earlier that year, only to be violently dispersed in July 1932 by U.S. military forces under the command of General Douglas MacArthur, the chief of staff. Roosevelt did not in fact wish to accelerate payment of the bonus but, as he often did, he hedged his bets during the campaign, and took no definite stance on the issue.[217] Altschul even drafted a possible statement for Roosevelt to issue, rebutting recent charges by Hoover that the Democrats could not be trusted to run the economy responsibly so as to facilitate the country's recovery. The statement affirmed Roosevelt's commitment and that of the Democratic Party to maintaining the dollar on the gold standard, balancing the budget, and refusing to authorized additional bonus payments to former World War I veterans.[218]

Roosevelt, busy campaigning, evaded giving any firm response to "the several excellent points" Altschul had made. He did not reply until five days before the election, and while warmly avowing that he would "always have time to read your letters and to answer them," politely said he currently had no time to "discuss in detail" these matters. The candidate did, however, hold out a tantalising prospect of future access to his presidency, telling Altschul that he would "look forward to many another chat, either at the Executive Mansion, in New York,--or it may be in Washington."[219] Roosevelt's eventual reply to Altschul was probably precipitated by the fact that two days earlier, on November 1, Altschul was one among a number of previously uncommitted business voters who issued a statement, drafted by Altschul, publicly endorsing Roosevelt and the Democrats. They specifically rebutted claims by Hoover and his supporters that measures the Republicans had taken to deal with the emergency had "already laid a sound foundation for recovery," and that if "a super-structure of renewed prosperity is to be erected" upon this, the Republicans should be left undisturbed in power. Altschul warned that Republican policies to date to deal with the depression were "merely palliatives and that the battle is yet to be won." Rebutting Republican charges that the Democrats could not be trusted to run the economy, Altschul's statement gave a ringing endorsement of Roosevelt, his party, and his plans for solving the country's economic crisis:

> We are satisfied that we are confronted with new problems which require for their solution a new mentality and a new method of approach. We feel that the situation calls for no radicalism, but calls for a reasonable amount of tentative experimentation along new lines. We have no misgiving that the Democratic party will have any less concern with the integrity of our currency than their Republican colleagues, and we are convinced that with the executive and legislative branches of the Government securely in the hands

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217 Altschul to Roosevelt, October 4, 1932, File 176 Franklin D. Roosevelt, Catalogued Correspondence, Altschul Papers.

218 Draft statement for Roosevelt, n.d. [October 1932], Writings File, Altschul Papers.

219 Roosevelt to Altschul, November 3, 1932, File 176 Franklin D. Roosevelt, Catalogued Correspondence, Altschul Papers.

> of the Democrats, progress will be made with far greater effectiveness and with far less friction than would otherwise be the case.[220]

Six years later, Altschul claimed that he had voted for Roosevelt in 1932 for two reasons. Firstly, because he "was innocent enough in politics to believe that the Democrats meant what they said in their 1932 platform, and I felt there was very little in this document that a good Republican at that time could not accept." The second was that, since "it was quite apparent that Congress was going to be preponderatingly Democratic," he believed that "in times of national crisis" it was desirable for the president and Congress to be of the same party.[221] One suspects, however, that the magnetic attraction of power, and the intoxicating possibility that he would quietly be able to exercise political influence behind the scenes, also had much to do with how Altschul voted in 1932.

As depression overwhelmed the international economy, unraveling and destroying the complicated financial arrangements constructed during the 1920s, Altschul had shown growing interest in participating in the making of economic diplomacy. While the Republicans remained in power in the United States, he had done so largely through quiet advice proffered to Democratic politicians and his British and French business partners, who were probably closer to leading policymakers in their own country than Altschul was to American officials. In 1932, Altschul also took part in the public debate over war debts and reparations, trying to encourage popular sentiment for the reduction or cancellation of both. The victory of Franklin Roosevelt in 1932 seemed to offer him an enviable opportunity to become a presidential adviser, with access to the corridors of power comparable to that enjoyed by Kindersley, Brand, and the French Lazard partners. It would also, in time, reveal to him just how difficult and problematic such political associations could be.

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220 Statement, November 1, 1932, Writings File, Altschul Papers.

221 Altschul, answers to Republican party questionnaire, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers.

CHAPTER SIX

THE PRIVATE FRANK ALTSCHUL TO 1940

During the 1920s, Frank Altschul's major preoccupation was to establish himself in control of the American house of Lazard Frères, steering a sometimes fraught course among the conflicting demands of his New York, British, and French colleagues. Yet business was far from his only preoccupation. By 1920 he was the father of two boys and two girls: Charles, born in 1913, named for his grandfather and the cynosure of many of his father's hopes for the future; two daughters, Margaret, born in 1915, and Edith, born in 1917; and a second son, Arthur, born in 1920 and named for Helen's younger brother. Altschul was also developing a range of interests and hobbies, and during the 1920s began to reveal aspirations to be something more than just a banker, and to play a role in public life.

For a while, the Altschuls lived at the Orvista Apartments on West Eighty-first Street, "for the most part a way station for Jewish families with ideas of better places to be." They took over the entire twelfth, top floor, which had been "the love nest of a notorious playboy," where the flamboyant décor included a huge bed decorated with carved dragons." When they moved on to the East Side, at 550 Park Avenue, Henry Morgenthau, Jr., and his wife Elinor, Helen Altschul's cousin, inherited the Altschul penthouse apartment.[1] In the late 1920s Frank Altschul and his wife also acquired a country estate in Stamford, Connecticut. Although he always kept their large apartment as a base in New York, for the rest of his life Overbrook Farm would be very much the center of Frank Altschul's existence, a personal kingdom of four hundred and fifty acres where he kept a stable of hunters, with a "spacious training field where he graciously permits his neighbors to put their horses over the jumps," a printing press, and a photography studio.[2] So important was the place to him that, when he and his wife eventually set up a foundation, that too took the Overbrook name.

Throughout his life, Altschul generally eschewed publicity. During the 1930s, however, when he involved himself in first Democratic and then Republican politics, there were occasional glimpses of him in the press. In September 1933, Forrest Davis of the *New York World Telegram* published a lengthy interview with Altschul, in which he discussed economic reform. The journalist described his subject, then forty-six, as "lean, incisive, a fox-hunting type, an internationally known bibliophile, a scholar and patron of learning."[3] Five years later, in October 1938, the *New York Mirror* interviewed Altschul in his office, seated beneath a vivid picture of a whaling crew harpooning their prey. On the walls of the room were photographs of his children, and it also contained a bookcase of works on economics and another full of volumes on public

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[1] Henry Morgenthau III, *Mostly Morgenthaus: A Family History* (New York: Ticknor and Fields, 1991), 235.
[2] Quotation from Richard R. Smith, ed., *History of the Class of 1908 Yale College*, Vol. III *Quarter Century Record 1914-1939* (New York: n.p., 1940), 137.
[3] Forrest Davis, "Can Capitalism Survive?", *New York World-Telegram*, September 27, 1933, Clippings File, Frank Altschul Papers, Butler Library, Columbia University, New York.

relations. In an effort to suggest that overly ambitious government plans to improve the world or individual lives might be counterproductive, Altschul quoted from a poem by Robert Browning the words: "It is dangerous to play with souls . . . and trouble enough to save your own."[4] In April 1941, when Altschul published a short book, *Let No Wave Engulf Us*, he granted a third interview, again in "his comfortable, picture-lined office at 120 Broadway." The interviewer described him as "tall, dark, quiet-spoken," and an accompanying photograph showed him relaxed in an armchair and smoking a pipe.[5] Such public glimpses of Altschul were, however, rather rare. For the most part, he disliked courting attention, and preferred to operate quietly behind the scenes.

Frank and Helen Altschul enjoyed a lifestyle that mingled affluence and great comfort with hard work and a sense of social obligation, a combination not uncommon among the Jewish haute bourgeoisie of New York's "Our Crowd." The expectations placed on them were high. Their milieu was also one in which family ties remained very important, and much of their social life centered upon their two families. Helen Altschul's mother was notoriously possessive and demanding, and family legend had it that her younger brother Arthur Goodhart, one of Frank Altschul's best friends, chose to move to Britain in 1920 and make his career there as a way "to put the Atlantic between him and his mother," thereby escaping almost intolerable maternal pressures.[6] Frank Altschul's youthful social ineptitude never entirely deserted him, and he did not find it particularly easy to make close friends. He later stated that, until his father Charles Altschul's death in 1927, when Frank was in his fortieth year, the older man was his son's "closest companion."[7] Throughout his life, Frank remained "my dear boy" to his father. To the elder Altschuls, Frank and his wife were collectively known as Frankelen, while Herbert and Edith Lehman were Edibert. In the 1920s the Lehmans purchased an estate at White Plains, New York, and the elder and younger Altschuls and their children all spent much time there.

Charles' letters provide some glimpses of his son's life in the 1920s, as well as the activities of his other children. In February 1923, he told his Austrian cousin, Paul Hammerschlag, that "Frank is doing very well in business and has materially solidified his position in the house." Meanwhile: "Their four youngsters are developing splendidly, the oldest, Charles, being wild about Wireless telegraphy."[8] The Altschuls' establishment went through the standard childhood diseases. In late 1921, Charles reported that three of the Altschul children had succumbed to chicken pox.[9] In January 1924 the Altschuls' "household" went through "all the stages of

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[4] Interview with Altschul, *New York Mirror*, October 1938, Clippings File, Altschul Papers.
[5] "Wall Street Banker Convinced U.S.A. Needs Just Economic System," newspaper clipping, April 23, 1941, Clippings File, Altschul Papers.
[6] Kenneth Libo, ed., *Lots of Lehmans: The Family of Mayer Lehman of Lehman Brothers Remembered by his Descendants* (New York: Center of Jewish History, 2007), 78.
[7] Quotation from Smith, ed., *History of the Class of 1908 Yale College*, Vol. III, 137.
[8] Charles Altschul to Hammerchslag, February 3, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.
[9] Charles Altschul to Hammerschlag, January 6, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

mumps."[10] Charles attended Hotchkiss School, graduating in 1931. Margaret attended the exclusive Brearley School and Bennington College, Vermont, and Edith the Ethel Walker School. Arthur, the youngest, went to Deerfield Academy, and then on to Yale, by then an almost automatic progression for an Altschul son.[11]

Charles and Camilla Altschul were devoted grandparents to their seven grandchildren—four Altschuls and three Lehmans. After Camilla's death, one nephew recalled how "[s]he used to tell me constantly of the various children & grandchildren of whom she was so proud."[12] In December 1923 Charles reported: "Our life is largely centred around the youngsters, and I try to see each one of the seven grandchildren at least every other day. When some of them come to us for dinner, it is always a special treat." The Altschul children, unfortunately, had "already so much to do in and for school that it is difficult to arrange matters with any regularity." The proud grandfather nonetheless rejoiced that: "They are all progressing highly satisfactorily." His namesake, Frank's eldest son Charles, apparently already had a mind of his own about his future. According to his grandfather: "Frank recently asked Charley – just ten years old – whether it would not be nice if some day he would join the same business, to which the boy replied, 'Perhaps, dad; does your business do anything for humanity?' I do not think that any of us of the older generation would have put such a question at that age; it shows how times have changed."[13] Charles, at least, would later be allowed to evade his father's early expectations and follow his own inclinations, in a career that was tragically truncated.

As his children grew older, Altschul was reasonably tolerant of youthful high spirits. In his final year at Hotchkiss school, Charles Altschul was Sports Editor of the school newspaper. One Saturday afternoon in 1932, when Charles was in his sophomore year at Yale, in the aftermath of a football game his father "dropped in unexpectedly and found to my distress that he was staging a wild party in his rooms." Altschul "snatched him away" to Overbrook, where his apparently unrepentant son "went out dancing and arrived back at home six o'clock Sunday morning."[14] Receiving a letter from Arthur "as usual, made up of nothing but a long list of wants," he requested that his younger son, away at boarding school, "tell us something about what you are doing, what you are learning, what kind of a horse you are riding, what kinds of friends you are making, and in general what a school week seems like."[15] Arthur, the youngest, apparently sometimes bore the brunt of paternal strictures; when he stood at 38 in a class of 44, his father

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[10] Altschul to Paul and Bertha Hammerschlag, January 29, 1924, File Paul Hamerschlag 1923-1924, Charles Altschul Files, Altschul Papers.
[11] "New Yorkers are Victims," *New York Times*, January 16, 1936.
[12] Lawrence Arnstein to Altschul, June 6, 1952, Folder 21 Camilla Altschul Condolences 1952, Box 63, Charles and Camilla Altschul Files, Altschul.
[13] Charles Altschul to Hammerschlag, November 12, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.
[14] Altschul to Arthur G. Altschul, October 18, 1932, File Arthur G. Altschul, Box 12, General Correspondence, Altschul Papers; Altschul to Edith Altschul, October 19, 1932, File Edith Altschul, Box 13, General Correspondence, Altschul Papers.
[15] Altschul to Arthur G. Altschul, October 25, 1932, File Arthur G. Altschul, Box 12, General Correspondence, Altschul Papers.

suggested that he might "at least drop down to the bottom of the list. There may be some distinction, although of a somewhat doubtful nature, in that position." Frank threatened that, unless Arthur turned a new leaf, he might "skip" a planned Thanksgiving trip with his younger son.[16] To his daughters he was rather more indulgent. In November 1933 his daughter Margaret planned a party, a gathering about which Helen Altschul consulted her husband, on the grounds that Margaret had "invited far too few girls. It would," her father tactfully told her, "be rather distressing for you to find that you have a lot of boys and not enough girls to give them even remotely a good time." He recommended that she "rack [her] brains at once and send Mother a list of some additional girls." He also suggested that she invite all her room-mates from school, and a few of her sister Edith's friends.[17]

The acquisition of Overbrook Farm was also an index of Altschul's worldly success. Although Altschul's undergraduate career at Yale had been undistinguished, by 1939 he was regarded as one of the more successful members of his class, entitled to special mention in the "Magna Cum Laude" section of his class yearbook reserved for those members whose accomplishments were considered particularly noteworthy. He was also one of 37 men from his class, twelve and one half percent of its 295 surviving graduates, to be listed in *Who's Who in America*.[18] Throughout his life, Altschul's personal style was undoubtedly hyper-kinetic. Grandchildren recalled how he needed very little sleep, and had the BBC World Service playing almost unremittingly in his bedroom at night. In the late 1950s Walter Arnstein, one of Altschul's San Francisco cousins who was a regular visitor in New York, told Altschul's son of an episode that had occurred on one such trip, probably in the 1920s or 1930s, when "your Dad invited me to take lunch with him in the Board room of Lazard Freres. Walter Sachs [of Goldman Sachs] sat on one side of your father and I sat on the other. At that time he was a very energetic go-getter and did not intend to let lunch interfere with his activities. He had a telephone right next to him at the lunch table and had three or four calls and long conversations in between a word or two to me and a word or two to Mr. Sachs. After this continued for a little while, Walter Sachs turned to your father and said, 'Frank, I didn't come up here to take lunch with a telephone and unless you tell them to quit calling you, I'm going to go take lunch some place else.' Of course, I was greatly amused and gratified as your father told the operator to cease calling him, which gave me an opportunity to visit with him for a while as part of a hurried trip to New York."[19]

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[16] Altschul to Arthur G. Altschul, November 25, 1934, ibid.
[17] Altschul to Margaret Altschul, November 16, 1933, File Margaret Altschul, Box 13, General Correspondence, Altschul Papers.
[18] Smith, ed., *History of the Class of 1908 Yale College*, Vol. III, 98.
[19] Lawrence Arnstein to Arthur Altschul, January 9, 1959, Folders Lawrence and Flora J. Arnstein, Box 16, General Correspondence, Altschul Papers.

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Frank and Helen Altschul maintained a strenuous program of social and intellectual activities, which often brought them into contact with distinguished foreign visitors. In late 1921, they were in Washington "for the burial of the unknown soldier and for the opening of the [Washington] Conference" on arms limitation, though they could not stay to watch the conference itself.[20] In company with Charles, some time in 1922, they attended a debate in New York between teams from Oxford University and Columbia University, at which the two argued the case whether "the United States should at once join THE League of Nations."[21] In January 1923, while the two were away on a European trip, Helen broke her leg, an injury that ended the couple's plans to go on to visit Egypt, where the recently discovered tomb of Tutankhamun was proving a magnet for international travelers.[22] In 1925, Charles Altschul described New York as "full of notable parliamentarians who are going to Washington for the convention of the International Parliamentary Union. We dined this evening with the British delegation, at a dinner given by the English Speaking Union. Frank lunched the other day in company with [the German chancellor] Dr. Wirth at some similar function."[23] Every year during the 1920s and 1930s, Frank made at least one and often two trips to Europe.[24] Early in 1928 he succumbed to appendicitis, requiring an emergency operation. While still making regular trips to Europe once or more every year, some time in the 1930s he began to take holidays tarpon fishing in Florida, vacations he found sufficiently enjoyable to mention in the thirtieth anniversary History of his Yale Class of 1908.[25] Occasional vignettes of his later travels in Europe survive. To Germaine Gentilhomme of Paris, who with her husband Philippe would become a family friend for several decades, he suggested in 1938 that she take his visiting Lazard colleagues, Jack Harrison and Walter Kahn, for onion soup at the Cloche d'Or at four in the morning, an experience that had clearly been memorable for him.[26]

Altschul moved in a sophisticated and cosmopolitan milieu. New York during the Jazz Era was hardly the old New York of Edith Wharton's *Age of Innocence*. To those he cared for, Altschul was a kind and loyal friend. As the banking holiday of March 1933 came into effect, Mrs. Frederica "Freddie" Field, editor of the New York magazine *The Golden Book*, to whom Altschul was close, had just arrived at a ranch in Reno, Nevada, intent on divorcing her husband as swiftly as possible and remarrying another man. Given the moratorium on bank withdrawals, Altschul wired her to see if she needed any money. Since all the banks in Nevada were closed,

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[20] Charles Altschul to Paul Hammerschlag, November 14, 1921, File Paul Hammerschlag 1919-1922, Charles Altschul Files, Altschul Papers.
[21] Charles Altschul to Arthur Goodhart, January 8, 1923, File Arthur Goodhart, Altschul Papers.
[22] Altschul to Hammerschlag, January 30, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.
[23] Altschul to Hammerschlag, September 30, 1925, File Paul Hamerschlag Correspondence 1925, Charles Altschul Files, Altschul Papers.
[24] Smith, ed., *History of the Class of 1908 Yale College*, Vol. III, 137.
[25] Smith, ed., *History of the Class of 1908 Yale College*, Vol. III, 137.
[26] Altschul to Germaine Gentilhomme, October 5, 1938, Folder Germaine and Philippe Gentilhomme, Box 23, Altschul Papers.

she allowed him to wire her $300, sending a cheque in exchange.[27] Although Altschul claimed to have done all he could to dissuade her from seeking to dissolve her marriage, once she had taken the decision he not only made sure she was not deprived of funds, but wrote to her and sent her packages of books while she waited to complete the necessary period of residence, describing his new library at Overbrook Farm and inviting her to spend a weekend there once she returned.[28] To a niece waiting for a divorce in Reno, Nevada, he admitted that he once had "five girl friends of mine" there simultaneously, each marking time until her marriage could be dissolved, and that some succumbed to the temptation to acquire a "cowboy lover."[29]

The younger Altschuls were dependable contributors to NewYork philanthropies, especially Jewish charities. In 1922, they gave $500 to assist in the relief of Jewish war sufferers in Europe.[30] In 1923 Altschul served as a member of the Stock Exchange Committee established to raise funds to assist Japan after the Tokyo earthquake.[31] In 1926 Helen Altschul contributed $1,000 to Greater New York's United Jewish Campaign to relieve the sufferings of starving Jews in Eastern Europe, and two weeks later Frank Altschul gave another $5,000 to the same cause.[32] Later that year the Altschuls gave another $3,000 to the tenth anniversary campaign of the Federation for the Support of Jewish Philanthropic Societies.[33] At Christmas 1928, Helen Altschul gave $1,000 to the Neediest Cases Fund of New York.[34] Two weeks later, her husband donated $10,000 to the Mount Sinai Hospital drive.[35] The following Christmas, he sent $1,000 to the Neediest Cases Fund.[36] Later that month, the Altschuls gave $2,500 to the Federation for the Support of Jewish Philanthropic Societies, which was facing a budgetary shortfall as the depression began to hit home.[37] In February 1931, they contributed $500 to the New York Red Cross drive for drought relief.[38] Altschul was also one of ten directors of the New York Stock Exchange who served on its Emergency Unemployment Relief Committee, which had raised over $8 million by the end of December 1932.[39] In 1938 Altschul sponsored a drive by the vocational guidance committee of the New York Welfare Council to provide $10,000,000 to assist unemployed young people in finding jobs.[40] The following year, he was one of almost 250

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[27] Altschul to Mrs. Franklin Field, March 3, 1933 (telegram), March 7, 1933, Mrs. Franklin Field to Altschul, March 4, 1933, File Fi-Fo, Box 23, General Correspondence, Altschul Papers.
[28] Altschul to Frederica Field, March 7, 22, April 10, 1933, ibid.
[29] Altschul to Camilla Master, September 7, 1955, File Hilda Altschul Master, Box 41, General Correspondence, Altschul Papers.
[30] "Jews Contribute $1,100,000 to Relief," *New York Times*, February 20, 1922.
[31] "$200,000 to Open Drive," *New York Times*, September 6, 1923.
[32] "Gifts of $3,700,000 Open Jewish Drive," *New York Times*, April 26, 1926; "City Gives $4,375,000 for Jewish Drive," *New York Times*, May 9, 1926.
[33] "Jewish Relief Fund Goes to $2,035,783," *New York Times*, November 12, 1926.
[34] "$24,283 Gifts in Day Send Neediest Fund to New High Record," *New York Times*, December 25, 1928.
[35] "Speyer Gives $150,000," *New York Times*, January 10, 1929; "In and Out of the Banks," *Wall Street Journal*, January 11, 1929.
[36] "$23,089 is Added to Neediest Fund," *New York Times*, December 11, 1929.
[37] "Jewish Federation Needs $483,000," *New York Times*, December 26, 1929.
[38] "Smith to Ask 1,000 to Aid Red Cross," *New York Times*, February 16, 1931.
[39] "$500,327 Donated to Unemployed," *Wall Street Journal*, December 8, 1932.
[40] "Value of Guidance in Job Hunt Noted," *New York Times*, April 24, 1938.

members of a Citizens Committee that launched New York's annual United Hospital Campaign, designed to meet the minimum needs of 91 voluntary hospitals and health services in the city.[41] Almost simultaneously, Altschul served as one of three chairmen of the banking committee for the 1939 fund drive of the New York and Brooklyn Federations of Jewish Charities, its objective to raise almost $7,500,000 for 116 different welfare agencies.[42] In November 1939 he gave $500 to the Community Service Society of New York to support its work in the city boroughs of Manhattan, Queens, and the Bronx.[43] In January 1940, he followed this with a further $250 to the Young Men's Christian Association of New York to finance its youth program.[44]

Helen Altschul demonstrated a special interest in the conditions of women. As the great depression took hold, in March 1931 she gave $500 to a fund specifically intended to assist destitute unemployed women in New York, and the following December she contributed a further $1,000 to the Girls' Service League of New York, to take care of girls who were out of work.[45] She was a member of the Women's College Clubs Unemployment Relief Committee.[46] As president of Barnard women's college club, in 1933 she took part in the women's campaign of the Citizens Family Welfare Committee of New York, as the organization sought to raise $4,000,000 to assist the jobless in New York who were beyond the reach of government relief agencies.[47] In 1937 she gave $1,000 to the flood relief fund established by the New York Chapter of the American Red Cross.[48] In 1940 Helen Altschul donated $250 to the New York United Hospital Campaign.[49]

Contributions to the favored philanthropies of "Our Crowd" were virtually de rigueur for the Altschuls. So was membership in appropriate clubs. In the 1939 record of his Yale Class, Altschul mentioned that in New York City he belonged to the Lotos Club, National Arts Club, Yale Club, Recess Club, and the Columbia Yacht Club; he was also a member of the Westchester Country Club in Rye, New York; the Sands Point Club of Port Washington, Long Island; the Cosmos Club of Washington, and the exclusive Union Interalliée in Paris.[50] Membership in the equally exclusive Century Association of New York, whose members were expected to possess literary and cultural interests, followed in 1952.[51]

Despite his unimpressive academic record as a Yale undergraduate, a profound love of and affinity with books was one of Frank Altschul's lifelong passions. By 1939 he belonged to an

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[41] "Hospital Drive Opens Tomorrow," *New York Times*, October 22, 1939.
[42] "Chairmen Chosen for Charity Drive," *New York Times*, October 29, 1939.
[43] "$101,371 Pledged in Charity Drive," *New York Times*, November 3, 1939.
[44] "Y.M.C.A. Fund Drive to be Renewed Here," *New York Times*, January 7, 1940.
[45] "Idleness Loss Here $80,000,000 a Month," *New York Times*, March 27, 1931; "State's Job Grants Rise to $5,270,400," *New York Times*, December 14, 1931.
[46] "College Women to Plan Relief," *New York Times*, November 7, 1932.
[47] LaGuardia in Plea for Welfare Fund," *New York Times*, November 28, 1933.
[48] "New Gifts Here to the Red Cross Flood Fund," *New York Times*, February 4, 1937.
[49] "$29,000 Is Added to Hospital Fund," *New York Times*, November 21, 1940.
[50] Smith, ed., *History of the Class of 1908 Yale College*, Vol. III, 138.
[51] Century Association, *The Century Yearbook 1982* (New York: The Century Association, 1982), 205.

impressive array of organizations for dedicated bibliophiles, scattered across the United States and Europe: the prestigious Grolier Club of New York, of whose council he was a member; Boston's Club of Odd Volumes; Yale's Elizabethan Club; the Caxton Club in Chicago; the Rowfant Club of Cleveland; the American Advisory Committee of the Bibliographical Society of England, which he chaired; Les Cent Bibliophiles, Le Livre Contemporain, and the Société du Livre d'Art, all in Paris; and the Société des Bibliophiles et Iconophiles de Belgique, Brussels. He was also a trustee of the Yale Library Associates, and from 1925 to 1930 had spent five years as chairman of the Yale Publishing Association.[52] His rare press interviews usually commented on his love of books.[53] Extremely bad at public speaking, though quite possibly effective in small groups and in private settings, he was almost invariably a man of the written rather than spoken word, albeit one whose published literary output consisted primarily of reviews, newspaper articles, and letters to the editor, together with one short if timely book and various National Planning Association reports. Anything concerning books and the written word exerted an almost magnetic pull on Altschul.

It was perhaps not surprising that, when Frank Altschul eventually acquired a country estate of his own, shortly after his father's death in 1927, and built a house there, he should establish a printing press there. For the rest of his life Overbrook Farm—bought despite the caveats of one of the French Lazard partners that it was too close to the road—became his base of operations. Despite broad support after World War II for the establishment of the United Nations, Altschul and his Stamford, Connecticut neighbors reacted with horror to the suggestion that the new international organization should be located upon their properties, and fought tooth and nail against the proposal.[54] In the Washington, DC garden of Frank Altschul's grandson Stephen, there is today a bronze plaque bearing the motto, "Here the Embattled Altschuls Stood," commemorating the efforts of Frank and Helen Altschul to beat off all attempts to evict them from their property in favor of the United Nations. Almost certainly, it was the place Frank Altschul loved best in the world, a wooded private enclave with a lake, all tailored to his interests, hobbies, and preoccupations, including riding, printing, photography, and politics. On Altschul's sixtieth birthday, his Uncle Julius commented that he had found the contentment he had sought as a difficult teenager. "Comfortably installed on your beautiful Overbrook Farm, I never heard you ask Helen: 'Wann gehen wir wieder fort?' [When can we leave?] Strolling across your lovely wooded hills, you never doubt that here is 'Der tiefe Wald' [the deep forest] that you were looking for in your youth."[55]

The Altschuls became prominent members of the Stamford community, donating generously to local causes and making Overbrook Farm available as the venue for special fetes and parties

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[52] Smith, ed., *History of the Class of 1908 Yale College*, Vol. III, 138.
[53] Forrest Davis, "Can Capitalism Survive?," *New York World-Telegram*, September 27, 1933; "Only Human by Candide," *New York Mirror*, October 1938.
[54] "Site for UNO Stirs Wave of Protests; Evictions Feared," *New York Times*, February 4, 1946; "North Stamford Action," *N*ew *York Times*, Mach 16, 1946.
[55] Julius Altschul to Frank Altschul, April 21, 1947, File Julius Altschul, General Correspondence, Altschul Papers.

hosted by community organizations. Stamford Hospital, on whose board Altschul was for many years a trustee, was one of their long-term philanthropies, and in 1973 they donated a new clinical laboratory. The United Way, on whose board Altschul also served for several decades, likewise received substantial gifts. In October 1958 the Overbrook Foundation presented a natural science center to the Stamford Museum and Nature Center, a one-storey annex to the museum, intended to help children understand the world of nature.[56] Two years later they presented Stamford with an observatory, a joint project between the museum and the Fairfield County Astronomical Society.[57] In 1975, Helen Altschul gave 150 acres of the Overbrook Farm property to the Connecticut Nature Conservancy. Altschul was also chairman of the Civic Development Division of the Stamford Postwar Planning Council. [58]

At Overbrook, Helen and Frank Altschul could entertain on a grand scale, producing food of "spectacularly high standards," one nephew recalled. The drinks were equally potent. Frank Altschul was notorious for his ability to mix an "innocent-looking but lethal cocktail." One family anecdote recounted how, when Helen hosted a meeting of a women's group at Overbrook, Frank plied them with such beverages, whose effects were so devastating that Helen's elderly mother, coming downstairs after a nap, commented how "very tired" her daughter's friends appeared to be.[59] In 1932 he gleefully recounted to one daughter how he and Helen hosted a hunt breakfast for sixty one Saturday, which was "a great success," while putting up five house guests simultaneously. After the breakfast the hunt had two good runs. Helen, meanwhile, was attending to the garden, putting in a perennial border and a rock garden.[60] Altschul also reported to his children on the progress of ducks' nests in the lake.[61] The property stood on the Miamus River Gorge. One mayor of Stamford who visited the farm and was taken by Altschul on a walk through the gorge discovered, to his surprise, that Altschul was "a great naturalist" who could "identify all the trees and birds."[62] His library there was one great love. As Overbrook Farm took shape, in spring 1933 he happily told a daughter: "We moved up to the country yesterday afternoon and I spent the whole evening putting books on the bookshelves. By Saturday I think I shall be through with this chore. The curtains and some of the furniture will come in the following week, and in two or three weeks the library will look as it ought to. It is going to be lovely."[63] His large and varied library was housed in the River Room at Overbrook, while his rare book collection eventually overflowed into the Georgian Room. Although his inclinations apparently lay primarily with the written word, at Overbrook Farm Altschul also had the space to

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[56] "Stamford To Get a Nature Center," *New York Times*, October 9, 1958; "Nature Site Dedicated," *New York Times*, October 13, 1958.
[57] "Astronomy Buffs Get Observatory," *New York Times*, October 3, 1960.
[58] "Frank Altschul, philanthropist, is dead at 94," *Stamford Advocate*, May 30, 1981.
[59] Libo, ed., *Lots of Lehmans*, 82.
[60] Altschul to Edith Altschul, October 25, 1932, File Edith Altschul, Box 13, General Correspondence, Altschul Papers.
[61] Altschul to Edith Altschul, April 27, 1933, ibid.
[62] "Frank Altschul, philanthropist, is dead at 94," *Stamford Advocate*, May 30, 1981.
[63] Altschul to Margaret Altschul, April 27, 1933, File Margaret Altschul, Box 13, General Correspondence, Altschul Papers.

indulge in his hobby of photography, with at least one of his photographs eventually featured in the annual report of the Council on Foreign Relations. After one or two of Altschul's special Silversmith cocktails, which one partaker described as "God's nectar," guests were inveigled either into clearing undergrowth in the woods, or into posing for portraits in his large and "sub-freezing" photography studio.[64]

Altschul wanted the written word to be beautiful, not simply utilitarian. As a boy in San Francisco, Altschul had briefly enjoyed the use of a printing press as a gift one Christmas, until his profligate distribution of ink all over the house impelled his mother to confiscate it. Soon after his marriage, he set up a small press in one room of his and Helen's apartment, until it was needed as a nursery for one of their children. At Overbrook Farm, in 1934, Altschul established the Overbrook Press in "a long abandoned pigpen on the left bank of the Mianus River," installing a "secondhand Colt's Armory Press." Altschul later discovered, from the *Jewish Encyclopedia*, that "no less than ten Altschuls had been printers" in Bohemia during the seventeenth century, a revelation that delighted him. For thirty-five years, until advancing age led Altschul to close it down in 1969, the press produced relatively short and beautifully printed and illustrated works, the longest being an edition of the Abbé Prévost's classic novel *Manon Lescaut* in 1958, a volume that met such high standards that it took no less than six years to complete. Altschul was fortunate in securing the services of dedicated employees and craftsmen, including Margaret Evans, previously of the Ashlar Press; John McNamara, John Logan, and Frederick Warns, together with illustrators, including Jean Hugo in the 1930s and Tom Cleland in the 1950s, who were perfectionists. While waiting for their output, he was prepared to display what he himself admitted was "a quite uncharacteristic degree of patience."[65] In an interview in 1938, Altschul admitted to his pride that, every year since its inception, at least one of the press's books had been "included in the Fifty Books of the Year Show of the American Institute of Graphic Arts."[66]

Altschul's private hobby not only absorbed some of his surplus energies, but quickly won recognition as one of the leading small presses in the United States. In this project, his political and aesthetic interests overlapped. Some of the works he printed were chosen purely for their literary merits, or in a decidedly lighthearted spirit, as with an essay by Francis Plimpton, *In Praise of Polygamy*, for which, he recalled, there was a constant demand for reprints. According to an assessment of the press's output, it published thirty-five items of belles letters, whose merits alone "would have earned for itself a permanent position in the galaxy of American and English private presses of the 20th century." All his life Altschul was a chess enthusiast, leading him to bring out a series on chess problems. In a rather melancholy last tribute, as time went on the press turned out orders of service for funeral and memorial services for Altschul family

[64] Folder 164, Annalita, Be Careful, 1968, Overbrook Press Files, Lehman Suite, Columbia University.
[65] Altschul, Foreword to *The Overbrook Press Bibliography* (May 1963), File 175 The Overbrook Press Bibliography, Folder 2 Foreword by Frank Altschul, Overbrook Press Files, Lehman Suite, Columbia University.
[66] "Only Human by Candide," *New York Mirror*, October 1938, Clippings File, Altschul Papers.

members and friends. It also brought out a brief history of the Council on Foreign Relations, in which Altschul was extremely active from the 1940s onward, produced for its twenty-fifth anniversary, and the remarks of Walter Mallory, the Council's long-term executive director, at his retirement dinner. Other items were chosen for political reasons, a tendency which became more pronounced over time, so that, of its 269 titles, sixty-four were devoted to national affairs, thirty-eight to international affairs, and twenty to education. A survey of the press's output remarked that Altschul "said at one time that he had always been interested in propaganda," leading him to become "a sort of midwife pamphleteer, selecting from significant addresses those which he felt most compatible to his own thinking, dressing them up in attractive typographic garb and mailing them to a selected list of names." In 1937 he published an essay on Franklin D. Roosevelt's court packing plan; in subsequent years he brought out beautiful limited editions of addresses or writings by public figures of whom he approved, sometimes as a delicate compliment to win their support, at other times out of simple admiration. In the 1950s and the 1960s, friends of the Altschuls were likely to receive, not Christmas cards, but a beautifully produced speech or address on some public issue of the day. In 1968 Altschul reprinted Martin Luther King's "Letter from a Birmingham Jail," as a tribute to the murdered civil rights leader. Addresses and other items of whose message he approved might also be sent to senators, members of congress, and other selected recipients, the mailing lists being anywhere between 100 and 1,000, and in a few cases rising to two, three, or even four thousand.[67]

Besides producing fine books, Altschul collected them. His correspondence with his British and French partners often included requests for auction catalogues of such works, and occasionally a Lazard partner would be asked to bring a particular volume over to the United States for him. A love of books was also apparent in Altschul's growing involvement with Yale University, which became a lifelong interest. In 1947 Altschul told Yale's president, his 1908 classmate, the historian Charles Seymour, that he now felt "very close to Yale—far closer than I ever felt as an undergraduate." Perhaps tellingly, however, he added that the caveat, "possibly closer than I have any real warrant for feeling now."[68] Until at least the 1950s, Yale still had something of the atmosphere of an upper class boarding school, with fairly rigid quotas on Jewish entrants imposed throughout the 1920s, 1930s, and 1940s.[69] Sons of alumni were exempt from such restrictions, but could not necessarily expect a particularly warm welcome. Both Altschul's sons, Charles and Arthur, would attend Yale, but it seems that Charles, at least, did not have particularly happy experiences there. In reply to a suggestion that he might make a gift to Yale in commemoration of Charles, whose death in an air crash in Arkansas in early 1936 was perhaps the greatest personal tragedy of Altschul's life, his still grieving father sent a deeply

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[67] See the Overbrook Press Files; an assessment of the press's output is given in Norman H. Strouse, "The Overbrook Press: An Example of Collecting in Depth," 1975, File 337, Overbrook Press Files.
[68] Altschul to Charles Seymour, May 14, 1947, File 675 Yale University-Correspondence, Organizations File, Altschul Papers.
[69] For further details, see Dan A. Oren, *Joining the Club: A History of Jews and Yale* (New Haven: Yale University Press, esp. chs. 3, 4, and 9; and Jerome Karabel, *The Chosen: The Hidden History of Admission and Exclusion at Harvard, Yale, and Princeton* (Boston: Houghton Mifflin, 2005), esp. chs. 4, 7, and 11.

personal response. Altschul stated that his own experiences at Yale, three decades earlier, had not been particularly fortunate, something he ascribed in part to anti-semitic prejudice, but also to his own immaturity and personal shortcomings. Charles, however, he felt was cut from different cloth:

> During his short life, Charles . . . showed much promise. He made friends easily, and was a loyal, devoted and agreeable companion. He was full of enthusiasms, which were often, it is true, expressed in a muted key. He was clearly no scholar and showed more interest in practical than in academic activities. It was this quality that led him to follow the Reserve Officers' training course, and finally led him into aviation. . . .
>
> On the other hand, I would be lacking in frankness if I did not tell you that he was never really happy at Yale. I recognize that he was a little young when he went there and immature compared with many of the other boys. Yet, it seems to me that he had many of those qualities that in a more normal atmosphere should have made for an agreeable college experience. He ran up, however, against the stone wall of prejudice which is the experience of so many who come from his group; and this saddened him to a great degree, although I assure you it never embittered him at all. He accepted the situation as philosophically as he could, and threw himself into activities outside the ordinary life of Yale in which he found he was more readily accepted and more fairly appraised on his merits.

Altschul frankly admitted to Yale's treasurer that one reason for his own involvement in Yale affairs, at least in its inception, was "the hope that Charles at least would come to Yale a less anonymous individual in the Yale community than his father had been when he was an undergraduate. I never had the feeling that I was creating any obligation which would of necessity inure to Charles' benefit; but I did have the idea that he and his name would be known and that he would have a better chance than if he were just another Jewish boy about whose general cultural and social background nothing was known." By 1938, Altschul had no intention of breaking his connection with Yale. "Having developed this interest for psychological reasons which are probably obscure but which I have just done my best to explore, in the course of developing it I have had a great personal satisfaction, and have formed with you and with many other individuals with whom I have been in contact fast friendships which make up to me to a degree for those friendships which I all too readily recognize I was not entitled to in college days." He nonetheless believed it would be "singularly inappropriate" to make any gift to Yale in memory of his son.[70]

If Altschul's initial involvement with Yale had in part been designed to smooth Charles' future path there, it also reflected the trajectory of his developing range of interests. At first, books and the library were his major area of activity, one that he never abandoned, though over time other

[70] Altschul to George Parmly Day, April 5, 1938, Folder 789, Yale University-Library, Organizations File, Altschul Papers.

interests came to rank as high. In the early 1920s Altschul, together with Wilmarth "Lefty" Lewis of the Class of 1918, a specialist in the works of the writer Horace Walpole, founded the Yale Library Associates, for whose activities during its first ten years the two men were largely responsible. Altschul chaired it until 1933, when Lewis took over, and he remained a trustee for many further years.[71] The major preoccupation of the Associates at this time was to plan and finance the building of a massive new university library, the Sterling Library, modeled architecturally on a medieval cathedral or monastery. Given his lifelong proclivity for feminine company, one wonders just how much Altschul had to do with choosing the mural by Eugene F. Savage over the circulation desk, depicting an attractive female figure representing Yale University, "symbolizing the inspiration that directs the University's spiritual and intellectual efforts," a woman somewhat scantily clad in a rather revealing white robe. By 1924 Altschul had also become chairman of the Yale Alumni Library Committee, which undertook a major fundraising campaign for this purpose, and he handled most of the associated paperwork. In 1924, he established a fund, named for himself, to enable the library to purchase rare items that it would otherwise have been unable to afford. An initial donation of $10,000 was supplemented with a further $25,000 in 1926. By 1934, the principal of this fund amounted to $46,911.88, and in 1961, the income was $4,361.21. He also personally donated numerous books, including a major collection of the works and manuscripts of George Meredith in May 1931. For decades thereafter the Altschul family financed the acquisition of additions to this collection. Altschul was also a major donor to the library's collection of works by the British writer Caroline Norton. Funding from Altschul was responsible for initiating the publication of the *Yale Library Gazette* in the mid-1920s. From 1925 to 1930 he was also a governor of the Yale Publishing Association. This interest in Yale's library would continue throughout Altschul's life. In 1967 he gave Yale's new Beinecke library for rare books and manuscripts his collection of more than three hundred illustrated French books, valued at almost $75,000 for tax purposes. Two years later, Altschul—then eighty-two—confessed: "I never enter the Beinecke without a feeling of excitement."[72]

Frank Altschul moved in a family milieu in which it was almost taken for granted that the individual, besides making money, would do something for the general good. His sister Edith met Herbert Lehman when both were involved in social settlement work. Over time, the two maintained and expanded their interest in social reform, first to include work for Jewish refugees overseas, and then into politics, with Lehman serving as lieutenant governor, governor, and senator for New York, as well as heading the United Nations Relief and Rehabilitation Administration at the end of World War II. Altschul's younger sister Hilda, who remained single until 1930, when she married Arthur Master, a distinguished cardiologist, was a medical

[71] Altschul to Seymour [not sent], June 1, 1949, Folder 675, Yale University, Organizations File, Altschul Papers.
[72] See Folders 774, Yale University Library Correspondence, Folders 783-789, Yale University Library, Folder 790, Yale University Library-Altschul Fund, and Folders 791-792, Yale University Library Associates, Organizations File, Altschul Papers, quotation from Altschul to Herman W. Liebert, November 3, 1969, Folder 785, Yale University Library; see also Smith, ed., *History of the Class of 1908 Yale College*, Vol. III, 137-138.

social worker who kept up a busy schedule. In February 1923 her father reported that she was "very much engaged in work on behalf of the cardiac children in the public schools, and is at present the head of a committee which has this matter in charge. She works much too hard when she is at home and wears herself out."[73] A few months later, Charles recounted that "Hilda is at work again on some charitable business and has conferences and meetings almost every day and is already dead tired."[74] Summing up his children's achievements, the patriarch of the family, already suffering from heart problems, remarked with a slightly weary pride: "Everything is overdone nowadays, it seems to me. Edith is at her hospital and other charitable work as is Herbert who is still trying to save all the Jews in creation besides attending to his business. Frank is well occupied in business and is well satisfied, and continues his interest in books and other outside matters. Altogether, we old folks can look upon our childrens' efforts with much satisfaction, though we should prefer less pressure in some directions."[75]

Altschul's two closest male friends were probably his two brothers-in-law, Herbert Lehman and Arthur Goodhart. The former he saw often, since he lived in New York, pursuing his business, charitable, and political interests. Unlike Altschul, the short, rather tubby Lehman was gregarious, friendly, and outgoing. Helen Altschul, his niece, who regarded Lehman, only nine years older than herself, more as an older brother, recalled that "the whole family always adored Herbert. He was the great favorite. His sisters just worshiped him, and all his nephews and nieces were all crazy about him."[76] Frank and Helen were both four years older than her younger brother, Arthur Goodhart, a Yale graduate who began studies in law at Cambridge in 1912, tried unsuccessfully to join the British army in 1914, and served with the American Expeditionary Force during World War I. He became counsel to the American Mission in Poland in 1919 after the war ended, reporting on the plight of the Jews there in the book *Poland and the Minority Races* (1920). Called to the bar in London in 1919, Goodhart returned to Corpus Christi College, Cambridge, to teach law, and in 1931 became professor of jurisprudence at Oxford, a position he held until 1951, when he became master of University College, Oxford. He also spent much of 1929 as a visiting professor at Yale University, where he was made an associate fellow of Jonathan Edwards College. Goodhart married a British wife, Cecily Mackay, the niece of a well-known professor of theology at Cambridge. Eventually, his efforts to promote good relations between Britain and the United States won him the unofficial title of "Mr. Anglo-American." In 1937 a *New York Times* editorial hailed Goodhart's election to the chairmanship of the Law Faculty of Oxford University, "the first time that an American or any foreigner has been given this distinction." Asa Briggs later recalled Goodhart as being "right at the heart of Oxford." For more than fifty years, the two brothers-in-law saw each other regularly, as each crossed the

[73] Charles Altschul to Hammerchslag, February 3, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.
[74] Charles Altschul to Hammerschlag, November 12, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.
[75] Charles Altschul to Hammerschlag, November 12, 1923, File Paul Hammerschlag 1923-1924, Charles Altschul Files, Altschul Papers.
[76] Helen Altschul, oral history, June 6, 1957, Columbia Oral History Project Office.

Atlantic, and corresponded prolifically on the issues of the day. The younger of Altschul's two sons would be named for his brother-in-law.[77]

Altschul's siblings and in-laws aside, his Arnstein cousins from San Francisco were also models of civic responsibility, with staunchly progressive or liberal attitudes who embarked on careers with a strong emphasis on social welfare . One cousin, Margaret G. Arnstein, had an eminent career as a professor of nursing, winning the Rockefeller Public Service Award in 1965, and becoming Dean of the Yale School of Nursing in the late 1960s.[78] Her brother, Lawrence Arnstein, who shared Herbert Lehman's interest in settlement houses, originally worked in his father's textile firm, but from around 1913 became increasingly involved in public health activities, and during World War II gave up his business career to work full time on community projects. He served in the 1940s and 1950s as Executive Director of the San Francisco Hygiene and Health Association, and sent Altschul regular reports on its activities. He was responsible for establishing a wide range of community public health programs in Northern California. On his seventy-fifth birthday, San Francisco hailed Arnstein, who had won the unofficial title of California's "Mr. Public Health," as "the Conscience of the Community."[79] His wife, Flora Jacobi Arnstein, was a poet, writer, and educator who, with her sister-in-law Helen Arnstein Salz, founded the Presidio Open Air School. As a young woman she spent some time in New York, where the "only woman" she really liked was Helen Altschul, because she was the sole New York woman who took the trouble to have a "personal relationship" with her, whereas the rest were "very insular". Flora Arnstein eventually died in 1990, aged one hundred and five.[80] Salz, a poet and painter and the sister of Margaret and Lawrence, was also from the 1930s onward an activist with the Northern California branch of the American Civil Liberties Union. In the 1930s her daughter Elizabeth married an African-American university lecturer, Bill Cummings, a match considered very unusual at that time, and for several years she kept this union concealed from the Altschuls, Frank, his wife, and his two sisters and their husbands. Describing these events, Salz—admittedly a woman who could not resist telling a good story—claimed that the "entire Altschul family were utterly conventional," and recalled that "we never discussed the unusual marriage with them as they all lived in New York and this to them unheard-of marriage could not from any angle be accepted. Five years later when Elizabeth and Bill's marriage was public and they lived in Mexico as publishers of a newspaper and had three children, in some way establishing their regularity, we broke the news to our still rather reluctant relatives." (In all fairness, Salz and her husband originally sought to dissuade their daughter

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[77] Tony Honoré, "Goodhart, Arthur Lehman," in H. C. G. Matthew and Brian Harrison, eds. *Oxford Dictionary of National Biography*, Vol. 22 (Oxford: Oxford University Press, 2004), 783-785; personal communication from Lord Briggs; see also the extensive correspondence between Altschul and Goodhart in General Correspondence, Altschul Papers; and in the Arthur Goodhart Papers, Bodleian Library, Oxford University, Oxford; "An Oxonian Recognition," *New York Times*, November 2, 1937.

[78] See Folder Margaret Arnstein, Box 17, General Correspondence, Altschul Papers.

[79] See Folders Lawrence and Flora J. Arnstein, Box 16, General Correspondence, Altschul Papers; oral history of Lawrence Arnstein, 1964, Bancroft Library, University of California at Berkeley.

[80] Guide to the Papers of Flora J. Arnstein, Bancroft Library, University of California at Berkeley; Flora J. Arnstein, Oral History, 1984-1985, quotations from p. 5, Bancroft Library, University of California at Berkeley.

from such a marriage, fearing that the social pressures the couple were likely to face would eventually prove overwhelming.) A further Arnstein sister, Gertrude, was likewise a talented painter, but died giving birth to her second child.[81]

As he surveyed his colleagues in New York, Altschul could find other potential role models. One of his closest friends was Arthur A. Ballantine, the son of a former president of Oberlin College, Ohio, and a leading tax lawyer, who served as under secretary of the Treasury in the final two years of the administration of Herbert Hoover. During the 1933 Banking Crisis, Franklin Roosevelt, a Harvard classmate of Ballantine's, insisted that he stay on for a few weeks, to draft the emergency banking legislation required before the banks reopened. Altschul and Ballantine, who had a large estate on Oyster Bay, Long Island, were congenial companions, and both supported Landon in 1936.[82] Altschul's Yale classmate Harold Stanley, who headed the Guaranty Trust Company, with which the Lazard firms worked closely during the 1920s, moving to J. P. Morgan & Company in 1927, was the only member of their Yale class of 1908 to rival Altschul in his dizzying ascent through the upper echelons of the financial world. Stanley's career, however, took him to the highest reaches of the non-Jewish banking firms of New York, and the two men, though on cordial terms, were apparently not close friends.[83] Altschul seems to have found another Morgan partner, the rather aloof and reserved Russell C. Leffingwell, more temperamentally congenial. Leffingwell, originally a lawyer, served as assistant secretary of the treasury from 1917 to 1920, handling many of the economic problems caused by World War I and its aftermath, and joined the Morgan firm in 1924. Intellectually brilliant, he was another banker whose forte was the written rather than the spoken word. Leffingwell produced pithy letters, memoranda, and articles on a wide variety of economic and international issues and, like Altschul, was prepared to abandon conventional wisdom on such subjects as the gold standard and currency policy. His weakness was a tendency to pursue an intellectual argument to its logical conclusion, regardless of the political feasibility or otherwise of his proposals. From 1944 to 1953 Leffingwell also served as chairman of the Council on Foreign Relations, to which his firm and its partners made munificent donations.[84]

It remains unclear why Frank Altschul almost assiduously avoided personal publicity, and usually sought unobtrusive backroom roles in political and other organizations. It may have had something to do with the fact that he was a poor public speaker. There are also some indications that his father Charles had a sense that Jews should not draw political attention to themselves. In 1922, after serious food riots had taken place in Vienna in December 1921, "the fact that Americans were much molested during the last unpleasantness, and the violent anti-Semitic

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[81] Helen Arnstein Salz, "Sketches of an Improbable Ninety Years," 1973-1975, pp. 8-9, 66-67, Oral History, Bancroft Library,University of California at Berkeley.
[82] On Ballantine, see Melvin I. Urofsky, "Ballantine, Arthur Atwood," in John A. Garraty and Mark C. Carnes, eds., *American National Biography*, 24 vols. (New York: Oxford University Press, 1999), Vol. 2, 80-81.
[83] On Stanley, see Ron Chernow, *The House of Morgan: An American Banking Dynasty and the Rise of Modern Finance* (New York: Atlantic Monthly Press, 1990), 388-389.
[84] On Leffingwell, see Chernow, *The House of Morgan*, 485-491; Edward Pulling, ed., *Selected Letters of R. C. Leffingwell* (Oyster Bay, NY: Exposition Press, 1979).

feeling which shows its head there," led Charles Altschul to decide that he would not visit that city.[85] In 1925, after Jewish organizations had held a Zionist Conference in Vienna, which provoked anti-semitic demonstrations, Charles Altschul complained to his Viennese cousin Paul Hammerschlag of the "lack of tact" of the Zionists in holding such a meeting where they knew they would not be welcome. He suggested that "the Jews are their own greatest enemies, and that those who are willing to live quietly among Christian and other people are handicapped by the aggressiveness and self assertiveness of the rest. What other but Jewish people would have thought of holding a congress in a city so thoroughly advertised as anti-semitic as Vienna?" In his opinion, rather than seeking "to show that they have just as many rights as the next man," Jews needed to remember that "they are a minority which should consider the feelings of the majority."[86] The following year Charles Altschul repeated his view that the anti-semitic demonstrations during the Zionist Congress had been "self-invited," complaining that "the mass of our Jews never seem to see what is provocative in their own acts but stand ready to condemn the acts of others very quickly."[87] Conceivably, Frank Altschul's lifelong diffidence in seeking any notable public position may have been inherited from his father, whose concerns over drawing undue attention to his Judaic roots he had internalized. It was certainly not shared by his brother-in-law Herbert Lehman, who by the 1920s had become highly active in working to improve the position of Jewish refugees abroad, and by the end of the decade was one of the foremost Jewish political figures in the United States.

Altschul's relationship with his own Judaic background would always be complex. According to his grandson Arthur, he deeply resented any efforts to classify him primarily as a Jew. After World War I, Charles Altschul defended himself against charges that he had betrayed Germany, where his ethnic roots lay, by identifying himself as an American citizen, born in Britain to a Bohemian father and Prussian mother who were themselves naturalized American citizens.[88] Interestingly, at this time Charles Altschul also stated that Jewish roots were less easy to renounce than allegiance to a particular country, since "[a] Jew even if he is baptized remains a member of the race as which he was born; there is no getting away from it. He cannot by legal or other act cease to be of the race, though he may choose to adopt another religious association."[89] Altschul himself, though not an observant Jew, could not avoid the label. In the early 1920s his sponsors temporarily withdrew his nomination to the National Arts Club of New York, for fear that it would be blackballed due to prejudice lingering from a recent case in which "a young Jew . . . was so anxious to get even with the Club, in case he was not admitted, that he

[85] Charles Altschul to Hammerschlag, January 6, 1922, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.
[86] Charles Altschul to Hammerschlag, August 29, 1925, File Paul Hammerschlag 1925, Charles Altschul Files, Altschul Papers.
[87] Charles Altschul to Hammerschlag, March 5, 1926, File Paul Hammerschlag 1926-1927, Charles Altschul Files, Altschul Papers.
[88] Charles Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.
[89] Charles Altschul to Hammerschlag, April 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

sent secret service officers here to see if there was discrimination against Hebrews in the Club." Altschul's nomination was later resubmitted and unanimously endorsed in 1924 and, though he rarely used the organization's facilities, he remained a member until the 1970s.[90]

Invited by Herbert Lehman to attend a meeting of prominent New York Jewish leaders in 1939, Altschul told his brother-in-law that he "appreciated" the invitation, "even though you know without my reminding you that I hardly qualify as a Jewish leader."[91] However galling he may have found it that he could never entirely escape the label of Jew, Frank Altschul would always feel obliged to defend Jewish interests. He was invariably hyper-sensitive to the possibility that Jews were being deliberately slighted, or to any tolerance for anti-Semitism. During the 1930s, in collaboration with the Lehmans, he was instrumental in helping many of his own and his wife's family members and his business associates to escape from Europe.[92] Early in 1937 Altschul—while continuing to support Yale University Library, a long-time interest of his—declined to contribute to Yale's Alumni Fund, as a protest against his alma mater's decision to send representatives to celebrations of the six hundred and fiftieth anniversary of the University of Heidelberg in Germany the previous year. Altschul had protested verbally at the time of this decision, and took this means of making his views felt more strongly. Unlike Yale, British academic institutions had boycotted the ceremonies, fearing that their presence would be taken as an endorsement of Nazi Germany's anti-semitic policies. Altschul bluntly told a Yale administrator: "The attitude of great English seats of learning in this matter seemed to me more truly representative of what the point of view of institutions like Yale should be. . . . Frankly, I was disappointed."[93] A few months later Yale too declined to send representatives to similar celebrations at the University of Göttingen, a decision of which Altschul approved.[94] Ten years later, Altschul complained to a sympathetic Charles Seymour, the historian and his former classmate who became president of Yale in 1937, that distinguished Jewish alumni of Yale, such as his brother-in-law Professor Arthur Goodhart, now an eminent legal scholar and master of University College, Oxford, had not received the honorary degrees that might have been expected of Yale, though other universities, including Oxford, Cambridge, Edinburgh, and Durham, had bestowed such honors upon him. Willing to be blunt when he felt this was necessary, Altschul told Seymour that it was "hard for me to avoid the impression that there must be something wrong" with Yale "when recognition of a graduate of such outstanding achievement is withheld year after year." President Charles Seymour told Altschul that such

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[90] Charles L. Robinson (Chairman, Committee on Admission, National Arts Club) to John Clyde Oswald, November 18, 1924, Folder 49, Clubs-National Arts Club, Organizations File, Altschul Papers.
[91] Altschul to Lehman, March 10, 1939, File Herbert Lehman, Catalogued Correspondence, Altschul Papers.
[92] See the files relating to various Altschul family members, including his Hammerschlag cousins and Otto Fürth, Otto Jeidels, and to the Lazard family and partners, including André Meyer and members of the David-Weill family, in the Altschul Papers; also Helen Goodhart Altschul, oral history, June 6, 1957, Columbia University Oral History Project.
[93] Quotation from Altschul to L. Horatio Biglow, April 15, 1937, Folder 673, Yale University, Organizations File, Altschul Papers; see also George Parmly Day to Altschul, June 26, 1936, enclosing Day to Carl Meyer, May 16, 1936, ibid.
[94] Day to Altschul, April 28, 1937, Altschul to Day, May 14, 1937, File 826 Yale University Press, Altschul Papers.

decisions were made by the Committee on Honorary Degrees, an independent group including alumni, faculty, and members of the Yale Corporation, over whose deliberations he possessed relatively little influence. A few months later, the university nonetheless decided to bestow this honor on Goodhart.[95]

Even as a relatively young man, Frank Altschul had a strong liberal streak, demonstrated not simply in his initial support for the New Deal, but in his financial backing of a celebrated but unpopular cause during the 1920s, the defense of the Italian anarchists Ferdinando Nicola Sacco and Bartolomeo Vanzetti, executed in 1927 on charges that they had been involved in 1919 bombing attacks on the U.S. Attorney General, A. Mitchell Palmer, and other public figures. Both were immigrants of Italian origin, involved in radical anarchist organizations and opponents of American involvement in World War I, whose arrest many liberals believed was due to the need to find suitable scapegoats to be held responsible for the bombing outrages of 1919. It became a radical *cause célèbre*, that dragged on for two-thirds of the 1920s, with the accused spending seven years in jail. While the two men's case was still under appeal in the courts of Massachusetts, Prof. Felix Frankfurter of Harvard Law School published an article in the March issue of the *Atlantic Monthly*, subsequently the basis for a short book, pointing out major irregularities in the conduct of the two men's trial, and demanding a retrial. The Communist Party of America also took up their cause. In April 1927, the death sentence on the two men was nonetheless confirmed, and in August they were executed.[96]

Altschul later recalled that he "followed the Sacco-Vanzetti case at the time with the keenest interest and used to argue about it daily with Arthur Ballantine as we walked down Park Avenue, taking my girls to the Brearley School." The case also "brought [him] together with Felix Frankfurter for the first time."[97] William H. Cohan suggests that Altschul gave hundreds of thousands of dollars to the defense funds for the two men.[98] In reality, Altschul's contributions were apparently more modest. After reading Frankfurter's article, in late March 1927 Altschul wrote to him, stating that "it is hard to see how anyone can remain unmoved by the whole story so lucidly told." He offered Frankfurter up to $1,000 towards the expenses involved should he plan to take further legal action on behalf of Sacco and Vanzetti, funds Frankfurter gratefully accepted.[99] After their execution, Altschul also contributed a further $500 towards the cost of printing volumes containing the entire court record, to be deposited in libraries in the United

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[95] Altschul to Seymour, May 14, 1947, February 24, 1948, Seymour to Altschul, May 26, 1947, Folder 675 Yale University-Correspondence, Organizations File, Altschul Papers.
[96] On the Sacco and Vanzetti case, see Louis Joughin and Edmund M. Morgan, *The Legacy of Sacco & Vanzetti* (Princeton: Princeton University Press, 1978, reprint of 1948 ed.); Francis Russell, *Sacco & Vanzetti: The Case Resolved* (New York: Harper & Row, 1986); and Bruce Watson, *Sacco & Vanzetti: The Men, the Murders, and the Judgment of Mankind* (New York: Viking, 2007).
[97] Altschul to Bethuel Webster, October 29, 1963, File Bethuel Webster, General Correspondence, Altschul Papers.
[98] William H. Cohan, *The Last Tycoons: The Secret History of Lazard Frères & Co.* (New York: Doubleday, 2007), 22.
[99] Altschul to Felix Frankfurter, March 6, 9, 1927, Frankfurter to Altschul, March 7, 1927, Reel 24, Series III, Felix Frankfurter Papers, Harvard Law School, Cambridge, Masschusetts (microfilm ed.).

States and overseas. His one concern was that sending copies overseas might be "inviting trouble," since there might be a "danger of unduly arousing American feeling should foreigners concern themselves critically with what most of us consider a purely domestic question." Frankfurter, however, assured him that many people in Europe were already deeply interested in the subject, and it would be impossible to put the genie back in the bottle.[100] While Altschul's donations to the defense may have been less munificent than has been claimed, this was not a cause likely to appeal to many rising New York bankers. Altschul's financial support was evidence of what would become a lifelong commitment on his part to civil rights and opposition to injustice, especially when those involved were from disadvantaged social groups. It is probably not too speculative to link this sensitivity to his own Jewish origins which, however little he might wish to emphasize them, inevitably meant that many others perceived him first and foremost as a Jew.

One early effort by Altschul to broaden the scope of his activities was his application, in November 1923, to become a Major in the Ordnance Officers' Reserve Corps, drawing on his wartime experience. There were no vacancies at the rank of Major, and Altschul declined an offer of appointment as Captain. He then turned his sights to an appointment as Major in the Military Intelligence Officers' Reserve Corps, citing his knowledge of languages and describing his other qualifications at some length: "As a member of the firm of Lazard Freres, I have to be in constant and close contact with political and economic developments in France and England no less than here. Beyond this more or less general knowledge, a detailed and thorough acquaintance with the handling of large financial problems in their broader aspects is required. Furthermore, in the course of my business it is necessary for me to organize and supervise comprehensive studies of special industrial situations in the United States, and for work of this kind I can claim a considerable degree of expert experience." He also "point[ed] out that my business activities are so organized that I am not much tied down, and accordingly, it would probably be possible for me, even though not called into active service, to place time at the disposal of the existing organization in order to help in the working out of the many problems confronting them; and I would be only too happy of an opportunity in doing this." His pleas proved unavailing, but in June 1924 his reapplication for a Majority in the Ordnance Officers' Reserve Corps was successful.[101] In August 1924 Altschul was assigned to the Finance Section of the New York District Ordnance Office.[102] By February 1925 he had become Chief of the Finance Division, with sections on Allotment, Credit, and Disbursing under him.[103]

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[100] Frankfurter to Altschul, November 9, 15, 1927, Altschul to Frankfurter, November 6, 10, 30, 1927, April 10, 1928, *ibid*., quotation from letter of November 10, 1927.
[101] Quotation from Altschul to Adjutant General, April 16, 1924, Folder 651 U.S. War Department 1921-1926, Organizations File, Altschul Papers; see also Adjutant General to Altschul, February 15, April 15, 29, May 24, 1924, Altschul to Adjutant General (Robert C. Davis), March 1, May 5, 1924, H. W. Churchill to Altschul, May 27, 1924, Altschul to Col. T. L. Ames, June 23, 1924, ibid.
[102] See list of Reserve Officer Assignments, August 25, 1924, and Altschul to War Department, Office of Chief of Ordnance, NY District Ordnance Office, August 27, 1924, ibid.
[103] R. D. Coombs, memorandum, February 18, 1925, and enclosure, ibid.

Unfortunately, he was rarely if ever able to attend exercises or training sessions, due to pressure of work and absences abroad. In March 1929 he decided not to renew his commission.[104]

Altschul was not, however, abandoning his efforts to exercise some part in the wider world of affairs, beyond his financial work and his books. As he surveyed the ranks of the Lazard partners, different role models were available to him. There was, of course, always the example of Charles, his scholarly and understated father, who spent the years after his retirement in 1916 commenting and writing almost incessantly on international affairs, with a strong bias towards anything that might promote harmonious relations between Britain, the country where he was born and with whose values he identified, and the United States, of which he had always been a citizen. To German and Austrian relatives Charles went so far, when defending the "thoroughness" of his "Americanism as against any inherited tendency or belief," as to state that "Anglo-Americanism" would be "the better expression" of his position.[105] Charles also had a voracious appetite for writings on international affairs, scrutinizing with close attention everything on World War I, its causes, and effects that was published on either side of the Atlantic. In his final years he energetically sought to rebut revisionist historians' suggestions that Germany and Austria bore little responsibility for the outbreak of the conflict in 1914.

In his later years in New York, Charles Altschul became closely associated with a number of internationally-minded journalists, such as Frank Simonds, and academics and public intellectuals based at Columbia University. Foremost among these was the energetic Canadian-born James T. Shotwell, whom Charles first encountered when working on pro-Allied historical propoaganda projects during World War I. A member of the wartime Inquiry established by Woodrow Wilson's adviser Colonel Edward M. House I to draw up plans for the peace settlement, Shotwell attended the Paris Peace Conference as one of the American delegation and helped to establish the International Labor Organization. Shotwell, initially a medievialist and ecclesiastical historian, switched his interests to modern international relations and became something of an academic entrepreneur. From 1924 he headed the Division of Economics and History of the Carnegie Endowment for International Peace; he was general editor of the Endowment's massively thorough Economic and Social History of the War, a group project of 152 volumes and more than 300 monographs that scrutinized these aspects of the conflict in almost mind-numbing depth. Shotwell spent several years in Europe after World War I, based at the London School of Economics, launching this huge, multi-authored, international undertaking, which produced in-depth studies by experts from all the countries involved in the war. Ideas put forward by Shotwell for a Draft Treaty of Disarmament and Security contributed to the abortive Geneva Protocol of 1924, which sought to set clear standards to define an aggressor state, against which all signatories to the protocol would be bound to impose sanctions. The hope was that not

[104] Altschul to Maj. E. R. Householder, March 14, 1929, Folder 652, US War Department 1921-1926, Organizations File, Altschul Papers.
[105] Charles Altschul to Hammerschlag, January 22, 1920, File Paul Hammerschlag 1920-1922, Charles Altschul Files, Altschul Papers.

only member states of the League, but other nations, including the United States, would be willing to sign this agreement. Ironically, although Shotwell's suggestions had played a significant role in generating this Protocol, it went further than he and his American associates on the New York-based Committee on Disarmament and Security he established in 1924 thought advisable. The British government ultimately rejected it the Protocol, but—working with scholars and public figures he knew through his labors on the Carnegie Endowment history—in 1925 Shotwell was instrumental in setting up German and French Committees on Disarmament and Security, whose deliberations and proposals were important in the negotiations that ultimately produced the 1925 Locarno Pact, whereby France and Germany recognized and agreed to respect each other's post-1919 frontiers. Shotwell was deeply involved in the complicated maneuverings among the French and United States governments and American and European peace groups and politicians that ultimately produced the multilateral Kellogg-Briand Pact of Paris for the Renunciation of War in 1928, a treaty whereby nations agreed to renounce aggressive war.[106] Until his death in 1927, Charles Altschul was privy to many of the negotiations spearheaded by Shotwell in an effort to involve the United States more closely in the affairs of Europe and the League of Nations.

George Blumenthal, who intermittently headed the New York Lazard office from the 1890s until his final ouster in 1925, was a far more flamboyant character, the owner of magnificent mansions in New York, Paris, and the South of France, together with a spectacular art collection of medieval paintings, sculpture, and decorative works, much of which, together with his New York house at 50 East Seventieth Street, he eventually donated to the Metropolitan Museum. Blumenthal's gross estate was eventually valued at $8,252,957, putting him on a par with the members of the firm in Paris. Blumenthal had extensive philanthropic and intellectual interests, establishing a foundation that supported many young artists and writers. He and his wife Florence, a daughter of Eugene Meyer, Sr., numbered among their friends leading French intellectuals, writers, composers, artists, politicians, and military men. The Blumenthals were generous patrons of numerous charitable and non-profit organizations, including the Sorbonne University in Paris and hospitals on both sides of the Atlantic. After finally leaving the Lazard firm, Blumenthal he became president of the Metropolitan Museum in 1934, and he also served as president of New York's Mount Sinai Hospital from 1911 to 1938, giving lavishly to both during his lifetime as well as in his will.[107]

Among the reasons for the tensions that arose between Blumenthal and his Paris partners was, apparently, Blumenthal's belief that the younger members of the Lazard family were less

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[106] Harold Josephson, *James T. Shotwell and the Rise of Internationalism in America* (Cranbury, NJ: Associated University Presses, 1975), esp. chs. 6-9; also George T. Blakey, *Historians on the Homefront: American Propagandists for the Great War* (Lexington: Kentucky University Press, 1970).

[107] "Geo. Blumenthal, Museum Head, Dies," *New York Times*, June 27, 1941; "Blumenthal's Art To Go To Museum," *New York Times*, July 12, 1941; "Blumenthal Estate Valued at $8 Million," *New York Times*, September 13, 1941; "Gets Blumenthal Home," *New York Times*, February 3, 1942; "Museum and Moses at Odds Over Will," *New York Times*, March 26, 1942; Rougemont, *Lazard Frères*, 445-447.

dedicated businessmen than the founding generation, who took a disproportionate share of the profits of the New York firm to support themselves in equally lavish style, indulging in "sybaritic living" and "chiefly interested in girls and horse racing."[108] One history of the firm recounted how several of its partners, notably the three cousins André and Michel Lazard and Thibaut Cahn, all had pronounced preferences for worldly high living, fast women, and the turf.[109] On his death in April 1927, Charles Altschul left an estate valued at $2,081,337 gross and $1,857,446 net, an extremely comfortable fortune, but hardly comparable to that of Thibaut Cahn of the Paris firm, who died suddenly in November 1926.[110] Though based in Paris, Cahn, a bachelor, was an American citizen. He left an estate valued at $6,694,900 gross and $5,121,192 net, including almost $4 million in American securities. Gossip had it that Cahn was a better judge of horseflesh than of business, a view confirmed by the firm's official historian. His personal property in France included a racing stable, an interest shared by others among the French Lazard partners.[111] Michel Lazard, senior partner and foreign exchange expert of the Paris house, another bachelor who died suddenly in July 1927, was also "well known and very much liked and respected, both in business and in sporting circles." His judgment and expertise in the foreign exchange market were important assets for the firm. He too kept a racing stable, and left a woman friend, Mrs. Victor Thomas of Paris, four of his race horses, her choice of any ten of his mares, together with a life annuity of $12,000.[112]

From the early 1900s, the French partner who bore most responsibility for handling relations between the Paris headquarters and the London and American houses was the dashing, outgoing, and strikingly handsome André Lazard, son of one of the original founders of the bank. Flamboyant and worldly, André Lazard, who died suddenly in 1931, aged sixty-two, enjoyed driving a four-in-hand coach at great speed, a conveyance eventually replaced by a Rolls-Royce after he broke his clavicle in an accident; he too was a devotee of both the race course and the hunting field, as well as attractive women. Although a free-thinker, he also claimed to be a monarchist, on the grounds that, should the monarchy be restored, he himself would be ennobled. As a young man, he travelled extensively in the United States and Asia, and spent substantial stretches of time in London, enjoying considerable success in both British and American high society. His stylish joie de vivre—inherited by his great-grand-daughter, the well-known model and fashion personality Inès de la Fressange—apparently appealed to the younger Frank Altschul, who remained close to his widow until her death more than forty years later.[113]

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[108] Merlo J. Pusey, *Eugene Meyer* (New York: Alfred A. Knopf, 1974), 28.
[109] Anne Sabouret, *MM. Lazard Frères et Cie.: Une Saga de la Fortune* (Paris: Olivier Orban, 1987), 50-51; also Rougemont, *Lazard Frères*, 464-465.
[110] "Will of Banker Gives the Estate to Widow and Children," *New York Times*, July 18, 1928.
[111] "Thibaut Cahn Left $5,121,192 Estate," *New York Times*, December 14, 1929; see also Sabouret, *MM. Lazard Frères & Cie*., 51; Rougemont, *Lazard Frères*, 291.
[112] Quotation from "Death of M. Lazard," *The Times*, July 10, 1928; "Michel Lazard Dies Suddenly in Paris," *New York Times*, July 10, 1928; "Wills and Bequests," *The Times*, March 18, 1929; Rougemont, *Lazard Frères*, 286.
[113] Rougemont, *Lazard Frères*, 240-242, 275, 283-286; Didier Lazard, *Destins Inattendus: Les Descendants du Fondateur de la Banque Lazard* (Neuilly: n.p., 1992), 12-35; Sabouret, *MM. Lazard Frères & Cie*., 50-51; "André Lazard Dies; Prominent Banker," *New York Times*, March 6, 1931.

Younger members of the Lazard family, especially André's brothers Max and Jean Lazard, provided Altschul with an entrée into top Parisian literary and social circles. Max abandoned a banking career in his twenties for writing and social work, which he found more congenial, and eventually helped to found the International Labor Organization. Jean Lazard first opted for life as a French military officer, but his Jewish antecedents restricted his prospects in the army. With his career stagnating, after several years he chose to take up farming as a country gentleman. Throughout his life he was a close friend of the French novelist Marcel Proust, whom he first met at high school.[114] David Weill of the Paris house, who became its dominant figure around 1900, was also a classmate of Proust's; other fellow students of his included the painter Édouard Vuillard, Horace Finaly, who would later head the Banque de Paris et des Pay Bas, Édouard de Rothschild of the Paris Rothschild house, and the socialist politician Léon Blum. Like André, David Weill—he changed his family's surname to the more prestigious David-Weill in 1929—lived in sumptuous style, in a massive mansion near Neuilly, but abjured the sporting lifestyle so many of his partners embraced. His great passion was building up one of the world's best private art collections, buying at least one piece of art for himself or a museum almost every day of his life; he also gave munificently to the Louvre Museum in Paris.[115]

While Altschul admired and saw a good deal of his Paris partners, and even adopted elements of their lifestyles, these were not, it seems, the role models he most wished to emulate. His British partners, Sir Robert Kindersley and Robert Brand, perhaps provided him with examples of careers that combined elements of business success, high-minded public service, and the quiet exercise of political power, that he found particularly appealing. Kindersley, sixteen years older than Altschul, joined the London Lazard house in 1905, and quickly became the dominant force there, in company with Brand, whom he recruited four years later. The physically imposing Kindersley, something of a freebooting financial buccaneer, built up Lazard Brothers into a major force in the London financial world, a status recognized by his lengthy tenure as a director of the Bank of England. By the 1920s Kindersley, like his colleague Brand, was almost invariably a candidate for British official or quasi-official assignments involving economic and business issues, such as reparations or government inquiries. Kindersley, the son of a former military officer who had grown up in genteel poverty, also had a somewhat paradoxical reformist streak, demonstrating considerable concern for the well being of the poor and the working class. For thirty years, from World War I onward, he devoted himself to the National Savings Movement, of which he was the founding president. In part, probably, he did so as a means of safeguarding and consolidating Britain's national and international position. In 1933 he told a conference of Savings Association personnel: "No nation can be great or remain great unless its people learn to spend wisely, and therefore to save wisely. It is a fundamental necessity for any progressive country over a period of years to provide capital for its own progress and for its

[114] Rougemont, *Lazard Frères*, 237-240, 242, 250, 252-253, 263-266; Lazard, *Destins Inattendus*, 67-124, 156-212; *Max Lazard 1st Août 1875-18 Décembre 1953* (Paris: n.p., 1954), 15-24.
[115] Rougemont, *Lazard Frères*, 232-237, 286-291, 481-485; Cohan, *The Last Tycoons*, 37-39; Martine Orange, *Ces Messieurs de Lazard* (Paris: Albin Michel, 2006), 74-75; Sabouret, *MM. Lazard Frères & Cie.*, 51-56.

increase in population." Echoing the Duke of Wellington's comment after the Great Reform Act of 1832, that now it was necessary to educate the new masters, Kindersley also emphasized that "there has been since the [First World] War a vast redistribution of wealth," whose "recipients" had to be taught "to handle it wisely."[116]

Kindersley also, however, had a social reformist streak. He was not, it seems, comfortable in advocating national recovery through deflation at the cost of high unemployment, the strategy Britain effectively followed for much of the 1920s. At the height of the Great Depression, Kindersley proclaimed that Britain had "chosen the course of increasing the standard of living of the majority at the expense of the minority, as witnessed by the unemployed. Personally, I believe that a slightly lower standard of living would bring more happiness to the nation as a whole, and would entail a much more even distribution of employment and wealth, thus avoiding the demoralization of character which long periods of unemployment must entail."[117] As recovery began to take hold in Britain in the mid-1930s, Kindersley told an American audience in Paris that one thing must be "remembered at all costs":

> Prosperity could not conceivably last unless its reappearance were accompanied by a better distribution of its benefits. In Great Britain to-day only 4 per cent. of the population enjoyed incomes over £8 a week. That proportion must be greatly extended in the interests of social justice as well as in those of national prosperity. Greater well-being for all, not for the few, was the essential basis of democracy triumphant.

It was perhaps not entirely surprising that more than one person who heard him compared the outlook of this Director of the Bank of England to that of President Franklin D. Roosevelt in the United States. [118] In 1937 he called for reform of the House of Lords, warning that this was a time when "democracy was on . . . trial," meaning that British leaders "could not afford to neglect to right what they knew to be wrong and to fail to strengthen the Parliamentary system, thus leaving it open to justifiable criticism."[119] A few months later, Kindersley went to far as to remark that: "The final and deciding factor between democracy and dictatorship was the happiness of the people."[120] At the end of the year, he warned that "prosperity must be shortlived unless the results of prosperity were widespread and shared reasonably and fairly between capital and labour." He applauded the "remarkable redistribution of wealth since the War," and the million in 1934-1935, with £91 million of the second figure representing a direct transfer of money "from the rich to the poorer classes." Somewhat over complacently, he argued that, except in Britain's permanently depressed "special areas," "relations between capital and labour were the envy of the world, and had probably not been better for many years. Our whole social background was infinitely more satisfactory than it had been probably at any time in our

[116] "National Thrift: Sir R. Kindersley's Review," *The Times*, October 7, 1933.
[117] "Importance of Saving: Effects of Heavy Taxation," *The Times*, September 20, 1930.
[118] "Sir R. Kindersley on World Recovery," *The Times*, November 6, 1936.
[119] "Reform of the House of Lords: Sir R. Kindersley's Views," *The Times*, March 24, 1937.
[120] "'Parasites Working Overtime': Sir R. Kindersley's Warning," *The Times*, October 16, 1937.

history." Kindersley therefore called for a "partnership of effort" and higher productivity, technical innovation, "more efficient management, and application of scientific invention," to ensure the future preservation of the "increased purchasing power of labour through increased wages."[121] In 1938 Kindersley urged the state to provide family allowances to working-class families with more than one or two children, since if Britain "was to fulfil its destiny in the world it could not look with complacency upon the falling population." Anticipating concerns of the late twentieth and early twenty-first that domestic prosperity in one country might be bought at the expense of workers in other countries, he warned that Britain "must see that improvements in our standard of life extended to other countries, especially those producing primary commodities," and that this was not currently the case even in some of Britain's own colonies.[122]

Kindersley's social reformist views of the 1930s probably resonated with Altschul, who broke with the New Deal but nonetheless expressed similar support for moderate domestic liberalism. The British partner whom he found probably found even more congenial, however, was the somewhat younger Robert Brand, who joined the congeries of Lazard houses in 1909, around the time that Altschul himself formally entered the ranks. Six years older than Altschul, he was described by James Paul Warburg, scion of another banking dynasty, as "a charming, thoughtful, scholarly sort of man, very retiring, who about once a year would write a very brilliant little piece for the Economist. . . . a very, very quiet aristocrat."[123] Immediately after the Boer War, Brand—straight out of New College, Oxford, with a first in modern history—was one of the group of brilliant young Oxford graduates who served in South Africa under Lord Milner, who remained the patron and inspiration of this "Kindergarten" for the rest of their lives. All believed fervently in strengthening the links among the component parts of the British Empire, a mission they subsequently hoped to establish by establishing Round Table groups—named, rather revealingly, for the Arthurian legends to popular in late Victorian Britain—in Britain and the all the dominions committed to this purpose. Their journal *The Round Table*, generously funded by the Rhodes Trust, sought to preach this gospel. Many Round Table members, including Brand and his close friends Philip Kerr, heir to the marquisate of Lothian and private secretary to British Prime Minister Lloyd George during World War I and the Paris Peace Conference, and Lionel Curtis, a fellow of All Souls College, Oxford, were also convinced advocates of closer ties between the British Empire and the United States, as was their close friend, the American-born millionaire Waldorf Astor, who inherited a British peerage from his father in 1919. That same year, Round Tablers were prominent among the British founders of the Royal Institute of International Affairs, and for the next two to three decades Kerr, Curtis, Brand, and Astor—whose town house in St. James's Square was only a few doors away from Chatham House, the Institute's home—were among the new Institute's most active members. Brand and Astor, married to American sisters, Phyllis Langhorne Brooks and Nancy Langhorne Shaw, were also brothers-in-law, and Brand and his wife, together with other Round Table members, were almost

[121] "Prosperity in Britain: Redistribution of Wealth," *The Times*, December 3, 1937.
[122] "Allowances for Families: Sir R. Kindersley on a State Scheme," *The Times*, September 24, 1938.
[123] James Paul Warburg, oral history, 998-999, Columbia University Oral History Project Office.

fixtures on the guest list for house parties at Cliveden, the Astors' Buckinghamshire country mansion overlooking the River Thames.[124]

Brand was a member of what the biographer of the economist Walter Layton has described as a British "group of Liberal radicals who exercised a major influence on public opinion in the interwar years." This "tightly knit group" included not just Brand, but such Cambridge-trained economists as Layton, John Maynard Keynes, Hubert Henderson, and Dennis Robertson; former civil servants, including Josiah Stamp, Arthur Salter, and William Beveridge, later head of the London School of Economics; the Oxford professor Gilbert Murray; "businessmen with a social conscience," Seebohm Rowntree and Ernest Simon, for example; and various idealistic politicians, including Brand's friend Kerr, Philip Noel Baker, and Charles Masterman. The majority had been civil servants of one kind or another during the First World War, and they knew how to navigate their way along the corridors of power in Whitehall and the British parliament. They tended to believe in at least some degree of state intervention, to solve social problems. Most identified themselves politically as Liberals, but their major interest was not in partisan politics, but in identifying practical solutions to the problems facing Britain and implementing these. They sought "to work out more rational and humane policies, both in home and overseas policies." These individuals "met each constantly, in Whitehall, in the Westminster lobbies, in clubs, in Fleet Street, the City and at the ancient universities," and also in such forums as the Tuesday Club, founded by the stockbroker Oswald Falk in 1917.[125] The Oxford-educated Brand, a younger son of the second Viscount Hampden, who had served as governor of New South Wales and was a friend of Milner, moved easily and as of right in such circles within the British establishment. A director of *The Times* newspaper and of Lloyds Bank, an active official of both the Round Table group and Chatham House, an adviser to the British government on reparations and war debts, and a member of the Macmillan committee on finance and industry, Brand was, his entry in the *Oxford Dictionary of National Biography* rightly states, "one of those quietly powerful men—one of 'the great and the good'—who, while not holding elected public office, are repeatedly called upon by policy makers, domestic and foreign."[126] More diffident, less forceful, and less imaginative than his close friend Keynes, with whom for a quarter of a century he maintained a dialogue on economic and international affairs—"I have always regarded him, in the strict sense of the term, as a genius," Brand remarked on hearing of

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[124] On Brand and the Round Table group, see Kathleen Burk, "Brand, Robert Henry, Baron Brand," H. C. G. Matthew and Brian Harrison, eds. *Oxford Dictionary of National Biography*, Vol. 7 (Oxford: Oxford University Press, 2004**)**, 344-346. He also features extensively in Norman Rose, *The Cliveden Set: Portrait of an Exclusive Fraternity* (London: Jonathan Cape, 2000); James Fox, *The Langhorne Sisters* (Cambridge: Granta, 1998); John Kendle, *The Round Table Movement and Imperial Union* (Toronto: Toronto University Press, 1975); and Walter Nimocks, *Milner's Young Men: The `Kindergarten' in Edwardian Imperial Affairs* (London: Hodder and Stoughton, 1970).

[125] David Hubback, *No Ordinary Press Baron: A Life of Walter Layton* (London: Weidenfeld and Nicolson, 1985), 64-66.

[126] Quotation from Burk, "Brand, Robert Henry, Baron Brand," 346.

Keynes's death[127]—Brand was perhaps rather more widely respected, since he lacked the iconoclastic's Keynes's acerbic edge and his gleeful delight in challenging conventional wisdom.

Brand's Anglophile convictions and connections and his intellectual acuity meant that during World War I, when he spent lengthy periods of time in Canada and the United States, he developed a close relationship with the likeminded Charles Altschul. In the decade before the older man's death the two corresponded prolifically, focusing upon Anglo-American relations and international affairs, especially reparations, war debts, relations with France and Germany, and the international policies and position of the United States. Frank's relationship with Brand—and that, too, with Kindersley—was slower to develop. For much of the 1920s, his position in the Lazard New York house was somewhat precarious. In the first half of the decade, the firm had to weather the difficulties caused by George Blumenthal's disputes and confrontations with his colleagues in both New York and Paris. Once Altschul had won control, he had to beat off suggestions from Kindersley and Brand that the American house reorient its entire operational strategy so as to facilitate the plans of Lazard Brothers in London to take advantage of the resources and capital markets of the United States. It is probably understandable that, until Altschul was firmly established at the helm of Lazard Frères in New York in the late 1920s, he was cordial but somewhat circumspect in his dealings with Brand and the somewhat overwhelming Kindersley. Once Altschul felt confident in his position in New York, however, his correspondence files suggest that his friendship with Brand blossomed and became much warmer. It would remain so for more than thirty years, until Brand's death in 1963. At that time, Altschul recalled how, ever since the two men met "many, many years ago, he ha[d] always seemed to me to have been the prototype of all that is best in the English Gentleman. While holding strong views of his own, he had . . . a kindly consideration for the views of others." For Altschul, "the interchange of ideas with [Brand], whether man to man, or through correspondence," would be "a source of delight . . . over the years." He would later recall "the twinkle in [Brand's] eyes, with which he so often underscored the point he was making."[128]

Although Brand was the elder by nine years, he began his work in banking a year or two after Altschul, who had moreover grown up in a family in which it was, apparently, taken for granted that, after his graduation from college, he would follow in his father's footsteps and join Lazard Frères. Another great difference, of course, was that Brand spent most of his life wrestling with the problems of being one of the ruling class of a country that, while still the world's greatest power when he was a young man, was even then dealing with problems of imperial overstretch and decline that would become all-consuming after World War I. Altschul, however, belonged to the elite of a nation that had the potential to replace Britain globally as the most powerful state, and would spend most of his life confronting the benefits, demands, costs, and burdens that

[127] Brand to Hugh Dalton, April 23, 1946, Folder 5, File 197, Brand Papers.
[128] Altschul to Virginia Lady Ford, October 3, 1965, File Robert H. Brand, General Correspondence, Altschul Papers.

position conferred upon his own country. But if any one figure was a role model for Altschul, it was probably Brand, quietly influential, respected throughout Britain's entire policy-making apparatus, consulted and called upon behind the scenes in government, with an automatic entrée into the circles of power and an acceptance of his presence there. For much of his adult life, it seems, especially after he was apparently secure in the New York Lazard firm, Altschul was casting about for avenues where he might himself attain a similar role.

It was in 1932 that Brand, speaking at the London School of Economics to a League of Nations Union Conference on disarmament and unemployment, made perhaps his most impassioned and eloquent defense of his and Altschul's own chosen avocation. After complaining that it was "an unfortunate result of the world crisis that a narrow nationalism appears to be, and may even for a short while actually be, real patriotism," he declared:

> I have been for many years engaged in the profession of international banking, and perhaps it is in this profession that sees, or ought to see, the vast harm done by these extreme nationalistic feelings. For the international banking community have inevitably gone farther than any other in international co-operation and in eliminating national animosities. Capital knows no boundaries. It flows where it appears that it can be put to the most profitable use, in other words, where it can best assist the world's economic development.
>
> International bankers, therefore, must look at the world internationally. They are natural free-traders; they want peace; they want stability of currency and prices; and, above all, they want no national friction to come and tear to pieces the delicate fabric of international credit. They are, perhaps, together with artists and scientists, the one really international society in the world. It is this which often makes them suspect to the nationalists of all countries, but which also, with all their faults of omission and commission, makes them the forerunners of a more internationally minded society to come. Living in this international world, it naturally becomes clear to one how extraordinarily hampering to the development of world prosperity are wars, reparations, tariffs, and all other obstacles placed by national hostilities to the free intercourse between nation and nation.[129]

For Brand, and perhaps for Altschul too, the ideal world order was the pre-1914 system in which he had grown up and spent the early years of his career, first in South Africa, then in the City of London, where he went as a banker in 1910. In 1953 Brand told the Royal Economic Society that he was "glad to have had those four years, from 1910 to 1914, under the old dispensation of the gold standard. . . . . My early days were spent under conditions which were in some ways vastly superior to anything existing now. . . . There were no doubt great evils, great poverty and times of great unemployment, but on the whole this country was steadily improving the lot of the

[129] "World Economic Outlook: Debts and Trade," *The Times*, March 3, 1932.

mass of the population, even if wealth was very unevenly distributed." For Brand, August 1914 destroyed for ever those "halcyon days,"and everything that happened thereafter was in many ways an effort to recover from the havoc that the First World War wreaked on the world.[130]

In an address prepared for the Council on Foreign Relations in New York in late 1932, at the height of the Great Depression, Brand expounded on the theme of the profound damage that the war that began in 1914 inflicted on the world's entire economic system. He laid the fundamental responsibility for the prevailing global economic crisis not on the weaknesses of the system itself but on the Great War, telling his audience:

> Had we never had the Great War, I am convinced that day by day, week by week, month by month the necessary adjustments would have been made without too much suffering, certainly without a collapse of the whole international monetary mechanism, and that we should have seen not a reduction by more than half of the world's international trade, but rather its constant growth. No. I attribute the crisis to the dislocation caused by the war and by post-war policy. I do not think we appreciate the extraordinary complexity of the world, now that it has yearly been drawn closer and closer together, or the delicacy of the international credit fabric. In normal times and after many years of peace, the world's monetary and price structure and the current debit and credit relationship between the different nations acquires [sic] a certain stability, which enables the vast mass of individuals and institutions engaged in business to work very satisfactorily more or less as bees work, quite unconscious, so to speak, of the honeycomb which has been provided for them by this stable structure. It was this comb which has been smashed since 1914. Governments are now engaged in the task of trying to recreate it, and there is a large mass of opinion which wants them to go further and make the honey itself. Indeed one of the most profound cleavages of opinion today is between those who believe it is best that human beings should work – subject no doubt to many qualifications – more or less as bees or ants, provided with as stable a monetary structure as possible and guided in the main to right decisions by the economic forces of price and interest, and those who believe that the activities of whole nations should be consciously determined by the reason and foresight of the supermen, whom their natural intelligence will lead them to choose as their Governors. . . .
>
> Now my view is that the Great War had the same effect on the world's economic and financial structures as a man has on an ant-heap when he takes a stick and pokes it into complete confusion. Who would expect it to be restored except after all the infinite number of connections and strands had again been painfully restored? I believe indeed that our present complicated economic structure cannot stand war or enduring hostility between great nations, and that we have to choose between a generous friendship

[130] Brand, "A Banker's Reflections on Some Economic Trends," *Economic Journal* 63:252 (December 1953), 763.

> between them or a simpler form of civilisation and less international intercourse, which would involve a lower standard of life, in some countries might call for a large reduction in population, and in the transition period at any rate would be fraught with great social dangers.[131]

Altschul would probably have concurred in most of Brand's analysis. In some ways, indeed, it might be argued that both men spent much of their lives trying to adjust their respective countries' strategic and economic policies to the impact of not just one but eventually two world wars.

One of the biggest differences between Brand and Altschul was perhaps that, whereas Brand found that his profession of international finance gave him a springboard from which he could easily move almost seamlessly to other activities that gave him an unobtrusive role in official policymaking, for Altschul the transition from banking to political influence was far more difficult to achieve. Why this should have been so is more problematic. Perhaps it was because he could not conceal a certain avidity for power, rather than waiting for power to come seeking him. The occasions in the 1920s when Altschul seems to have affected the making of French currency policy were apparently episodes that occurred almost accidentally when he happened to be on the spot. Although he belonged to a trans-national banking house whose three firms were in constant contact with each other over international conditions, and which was constantly engaged in major currency transactions, it is also true that his particular interests and expertise lay mostly in managing investment funds, rather than negotiating international loans with diplomatic implications. In New York it was those bankers who handled the latter transactions, especially the partners of J. P. Morgan and Company, who had the best opportunities to affect international financial diplomacy, and Altschul was only peripherally involved in such matters. In terms of American politics, Altschul's efforts to influence the making of New Deal policy and then to reorient the Republican policy in a more liberal direction were by no means entirely successful. Great wealth and in many cases personal connections might win him initial access, but in both parties there were many competitors vying for influence, especially with leading political figures, and he seems to have lacked the sharp elbows and talent for infighting that might have helped him there. His pronounced disinclination toward personal publicity, perhaps a legacy of his father's feeling that Jews should not draw too much attention to themselves, may also have been a handicap. With minor exceptions, rather than seeking public office, Altschul sought to work behind the scenes, meaning that he needed to locate a suitable target recipient or audience and a means of delivering his advice.

For most of the 1930s, Altschul was still exploring and trying out different ways in which he might be able to affect the making of policy. Fundamentally secular in outlook, a few years later during World War II he was alarmed when his sister-in-law developed what he less than tactfully termed "an almost medieval preoccupation with religious mysticism, . . . a field in which," he

[131] Brand, text of address to Council on Foreign Relations, November 21, 1932, File 1066/1/822 War Debts, Waldorf Astor Papers, Reading University Library, Reading.

confessed, "I find myself peculiarly little at home." Concerned that she had embarked on "an almost headlong flight from reality," Altschul begged her to abandon "the Elysian fields" and turn from "the problems of the hereafter to what would seem to me to be a more practical interest in the problems of our world today."[132] It was to such problems that Altschul himself bent his attention. By no means a conservative, he was ready to entertain liberal, even redistributive ideas, but by the mid-1930s he thought the New Deal had gone too far, and turned his attention to seeking to reform the Republican Party. Following Keynes, he rather broke with much of the conventional wisdom of his partners Brand and Kindersley, especially on currency and tariff policy, and for a while endorsed the Roosevelt administration's policies of recovery in one country. Ultimately, however, it seems that international affairs and the intersection between the making of domestic and foreign policy exerted the most compelling magnetic pull upon him, an inclination that gradually became more pronounced during the 1930s, as the world situation became ever more threatening and the Fascist powers became both stronger and more demanding.

Altschul's interests in international affairs were of long standing. While Charles Altschul was the family member who wrote most extensively on international affairs during the 1920s, his son apparently scrutinized foreign developments as closely as did his father. Both men were assiduous readers of *The Round Table*, and in 1921, Brand renewed Frank's subscription for him.[133] Frank Altschul subscribed to the multi-volume History of the Peace Conference that was one of the first projects undertaken by the new British Institute of International Affairs.[134] He was a member of the New York-based Council on Foreign Relations that was one of the two organizations—the other being the American Institute of International Affairs, created at the Paris Peace Conference—that joined forces in late 1920, taking the name of the Council on Foreign Relations. As early as 1921, Altschul had hoped that the newly-established Council would serve as a body that provided discreet and informal advice to government officials on major policy issues. His hopes at that time proved largely abortive, in part, probably, because the infant organization was still only just establishing itself.[135]

If Altschul's surviving papers are a guide, during the 1920s his comments on international issues were relatively few and far between, perhaps because he was concentrating on consolidating his position in Lazard Frères New York. The three constituent Lazard firms, in London, New York, and Paris, did, however, exchange lengthy letters and cables on at least a weekly basis, assessing the prevailing economic and political situation, domestic and international, in their own countries and beyond. While these evaluations were primarily intended to allow the partners to make prudent and intelligent business decisions, given these bankers' intimate connections with the financial and political elites in each of their own countries, they inevitably contained significant amounts of confidential inside information and gossip on governmental as well as business affairs. As recounted in Chapter Four, there are indications that Altschul, working through his

[132] Altschul to Cecily Goodhart, March 22, 1945, File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.
[133] Brand to Frank Altschul, September 2, 1921, File 43, Brand Papers.
[134] Frank Altschul to Brand, January 21, 1921, File 48/1, Brand Papers.
[135] See Chapter III.

French partners, may have quietly given advice to the French government, not just during the 1924 currency crisis but on other occasions. In the late 1920s and early 1930s, he also sought to affect public policies on the topical issues of war debts and reparations, publicly and privately advocating the reduction if not total cancellation of both, a position that was almost standard among American international bankers.

Apart from giving advice to politicians behind the scenes, during the 1930s Altschul had links with at least three organizations that sought to explore and perhaps influence the making of foreign policy: the Foreign Policy Association; the Council on Foreign Relations; and Yale University. His involvement with the Foreign Policy Association was perhaps the least satisfying to him. The organization was established in 1918 as the League of Free Nations Association, to work for American membership in the League of Nations, and reconstituted in 1923 as the Foreign Policy Association. Its programs focused upon educating the broad public, through lectures, seminars, short books and pamphlets, and a bulletin. In 1927-1928, Altschul's mother donated $1,500 to the organization, and he himself gave $500.[136] The FPA's emphasis on popular education was not, however, particularly to Altschul's taste; he found it insufficiently elitist and exclusive. He admired James G. McDonald, the young Indiana University academic who became chairman of the League of Free Nations Association in 1919 and remained chairman and president of the remodeled FPA until 1933, when he was appointed League of Nations High Commissioner for Refugees (Jewish and Other) Coming from Germany. McDonald. This may have been because McDonald was not intimidated by him. In May 1933, shortly before he was offered the High Commissioner position, McDonald, who had recently returned from Germany, where he had discussed the Jewish situation with many individuals, including officials at the American Embassy in Berlin, delivered a radio broadcast on the situation there in the Town Hall of the Air series. Some of McDonald's listeners complained that his description of the situation had not been sufficiently hard-hitting. In June, McDonald had lunch with Altschul, who "began by reporting certain criticisms he had heard of my Town Hall talk." According to McDonald: " I resented this from him and replied that my observation was that most of those who had criticized me were Jews who had only within the last few months discovered that they were Jews; that the older, more faithful Jews much more nearly understood what I was getting at, but in any case the consideration of the Embassy had made it impossible for me to say everything that I might otherwise have said, but I had no apology to make either for what I said or had left unsaid. He seemed to grasp this interpretation. At any rate, I had the feeling that he respected me for standing up to him."[137] Two years later, in June 1935 McDonald tried to help his old associates at the FPA raise somd funds, and "stopped in to see Frank Altschul." He reported that Altschul was "concerned about anti-Semitism, showed interest in my

[136] List of Contributions of $500 and Over, October 1927-September 1928, enclosed in James G. McDonald to Frederick P. Keppel, November 28, 1928, Folder 18, Foreign Policy Association, Box 147, Series III, Grants Files, Carnegie Endowment Papers, Butler Library, Columbia University, New York.

[137] McDonald, diary entry, June 27, 1933, in Richard Breitman, Barbara McDonald Stewart, and Severin Hochberg, eds., *Advocate for the Doomed: The Diaries and Papers of James G. McDonald 1932-1935* (Bloomington: Indiana University Press, 2007), 77-78.

work, but was adamant against any contribution to the FPA. He said, 'I am not interested in it, I doubt if it is accomplishing anything, and earlier I was interested in you, not the organization.'"[138]

Far more to Altschul's taste was the more low-key, patrician Council on Foreign Relations, as it gradually established itself during the 1920s. He had been a member from its inception in 1920, and would eventually be the last survivor of those who took part in the merger that created the organization. For most of the 1920s, however, he was not very active, perhaps due to some lingering sensitivity over the effective rejection of his 1921 suggestion that the Council take an active part in advising the American government on the forthcoming Washington conference. Altschul, it seems, shared his father's staunch belief that Anglo-American concord and cooperation was crucial to maintaining international order. From comments he made in the in the 1960s, it appears that from the time of its establishment immediately after the First World War Altschul supported the English-Speaking Union, which sought to encourage links between the British Empire and the United States.[139] The first occasion on which Altschul showed marked interest in a specific Council activity was when the Council established an Anglo-American Group in 1928, its purpose to alleviate rising tensions between Britain and the United States over naval policies and economic issues, especially reparations and war debts. Chatham House in London simultaneously established a similar group, with the same objective. At the suggestion of Hamilton Fish Armstrong, editor of the Council's journal *Foreign Affairs* and its first executive director, the Council mailed a "timely memorandum on Anglo-American relations" to its members. On receiving this document, Altschul wrote back with warm approval, telling Walter Mallory, who had recently replaced Armstrong as executive director, "that the Council on Foreign Relations has a real service of far-reaching importance to perform in doing whatever it can to attempt to cope with the feeling of antagonism which is apparently developing between the two countries." Altschul "hope[d] that this memorandum will be the forerunner of others and that the interest of the Council in this important question will tend to broaden." He also expressed a wish to discuss the entire issue with a Council official.[140] Although Altschul did not join this particular study group, his initiative was evidence of growing interest in his part on the Council.

For its part, the Council was developing its profile around a programme of small study groups of well-qualified individuals, confidential meetings featuring often eminent speakers, a well-regarded journal, and a small but influential membership drawn from business, academe, and

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[138] McDonald, diary entry, June 20, 1935, in Breitman, Stewart, and Hochberg, eds., *Advocate for the Doomed*, 772-773.

[139] Altschul to Charles Saltzmann, January 29, 1963, Organizations File English-Speaking Union, Altschul Papers.

[140] Altschul to Council on Foreign Relations, December 17, 1928, Box 128, Folder 9, Vol. 2, Records of Studies, Council on Foreign Relations Papers, Mudd Library, Princeton University; see also Mallory to Altschul, December 18, 1928, ibid. This memorandum was almost the only item on the Council on Foreign Relations during the 1920s and 1930s to survive in Altschul's papers. On this study group, see Priscilla Roberts, "Underpinning the Anglo-American Alliance: The Council on Foreign Relations and Britain between the Wars," in *Twentieth-Century Anglo-American Relations*, ed. Jonathan Hollowell (London: Palgrave, 2001), 25-43.

government, that would characterize it for many decades. It sought to win the ear of top policymakers, rather than a mass audience, and could draw quite heavily for funding on its well-heeled business members, as well as the major foundations. Conveying the atmosphere of a top private club rather than a mass meeting, it also functioned as something of a haven for those Americans who believed that their country should play a much larger role in international affairs. By the early 1930s, Altschul found the organization increasingly congenial, and his involvement became increasingly significant. He never gave a talk or address himself, but he did become an increasingly active attendee at both selected groups and meetings for individual speakers.

Given events of the late 1920s and early 1930s, German policy was clearly a major interest for the bankers of Lazard Frères, as it was for other top international financiers. On December 21, 1931, Altschul covered for one of his colleagues, Walter B. Kahn, at a meeting of the Council's Reorganized German Study Group, making quite extensive comments during the discussion on the German Standstill agreement.[141] In November 1932 Altschul attended a meeting of the German Group where the chief speaker was the liberal German journalist Paul Scheffer, who was staunchly anti-Nazi and anti-Soviet. The next month, the group held a dinner meeting where the speaker was Dr. Richard von Kuhlmann, a German diplomat who had served as foreign minister for ten months during World War I, at which Altschul again was present.[142] The maverick British economist John Maynard Keynes, a close friend of his partner Robert Brand, had long intrigued Altschul, who had corresponded with him earlier and may have met him. On May 21, 1934 Altschul was one of eighteen members of the Council on Foreign Relations who attended a small informal dinner in honor of the British economist, who was on a four-week visit to the United States, during which he met Roosevelt and received an honorary degree from Columbia University.[143]

Altschul's blossoming interest in the Council on Foreign Relations brought him to the attention of the small inner group of directors who ran the organization. In 1934 Otto H. Kahn of Kuhn, Loeb, one of New York's leading German Jewish bankers and a founding director of the Council, suddenly died. That November the Nominating Committee asked Altschul to serve out Kahn's unfinished term, which he did. He would remain a Council director until the early 1970s. At the same time, Altschul was also nominated as a member of the Finance and Budget Committee, a tribute, at least in part, to his wealth, some of which, it was hoped, he would bestow on the Council. Acknowledging his deep interest in books, he also became chairman of

[141] List of attendees and digest of First Meeting of the Reorganized German Group, December 21, 1931, Folder 6, Box 129, Records of Studies, Council on Foreign Relations Papers.
[142] Records of meetings of German group, November 10, 1932, January 16, 1933, Folder 6, Box 129, Records of Studies, Council on Foreign Relations Papers.
[143] Material on meeting with John Maynard Keynes, May 1934, Meetings File, Council on Foreign Relations Papers; Moggridge, ed., *The Collected Writings of John Maynard Keynes*, Vol. XXI: *Activities 1931-1939*, 320-321; Skidelsky, *John Maynard Keynes*, Vol. II: *The Economist as Savior*, 504-509.

the Library Committee.[144] Altschul's fundraising skills were greatly appreciated by the Council. By 1940 he had risen to the position of chair of the Council's Special Committee on Finance, which sought to raise $225,000 for a five-year programme of research and publication on the Foreign Policy and Foreign Interests of the United States as Affected by the War.[145]

Throughout the 1930s, Altschul continued to attend Council events of interest to him. In January 1935 he was present at a small Council dinner on International Monetary Disorder and the Possibilities of Currency Stabilization, organized under the aegis of the US Foreign Financial Policy Group.[146] In 1936-1937 he was a member of the Council's Economic Group, attending one meeting, in January 1937.[147] Although he was never the featured speaker at Council meetings, Altschul was becoming more active in terms of moderating discussions on such occasions. In April 1937, he introduced and chaired a meeting by the French André Philip, who gave a Comparison of French and American Labor Problems. He performed a similar role in January 1939, when Jacques Kayser spoke on French Policy Since Munich.[148] By the late 1930s, the Council undoubtedly bulked much larger in Altschul's life—and he in its affairs—than had been the case during the 1920s.

The other significant addition to Altschul's roster of interests during the 1930s came through his deepening ties with Yale. During the late 1920s and early 1930s, Altschul also helped the Yale Economics Club, a student organization, to attract well known and qualified speakers. In November 1931 he even took part himself in an informal discussion of the German situation, focusing particularly upon reparations and interallied debts.[149] More personally absorbing to him, however, was his involvement with the Yale Institute of International Studies, founded in 1935. Altschul's interest in this new university department almost certainly owed something to his increasingly warm friendship with Arnold Wolfers, from 1935 master of the newly founded Pierson College at Yale, of which Altschul became a founding Associate Fellow in 1933.[150] He would remain one until the 1970s, when declining health finally forced his resignation. Tall, aristocratic, elegant, and a lover of jazz, Wolfers, a Swiss-born German émigré scholar five years younger than Altschul, proclaimed himself a "Tory-Liberal." He possessed both two doctorates and excellent connections in to government officials in Washington, especially the State

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[144] Minutes of 46th (annual) meeting of Board of Directors, Council on Foreign Relations, November 14, 1934, and report of the Nominating Committee to the Board, Folder 5 Minutes of Board January 1932-November 1934, Box 12, Series I Board of Directors, Council on Foreign Relations Papers.
[145] Council on Foreign Relations, A Five-Year Program of Research and Publication, flier, 1940, Box 11, Folder 6 Correspondence 1923-1946, Series I Board of Directors, Council on Foreign Relations Papers.
[146] See list of attendees, Box 130, Folder 4, Vol. 6, Records of Studies, Council on Foreign Relations Papers.
[147] See Box 131, Folder 1, Vol. 7 1936-1937, Records of Studies, Council on Foreign Relations Papers.
[148] Online finding aid to Council on Foreign Relations Papers, Meetings Files, Mudd Library, Princeton University, http://diglib.princeton.edu/ead/getEad?id=ark:/88435/h415p9557.
[149] See Folder 703, Yale University-Economics Club, Organizations File, Altschul Papers.
[150] Alan Valentine to Altschul, December 23, 1933, Folder 801, Yale University-Pierson College, Organizations File, Altschul Papers. On the relationship between Altschul and Wolfers, See Folders 801 and 802, Yale University-Pierson College, and Folder 817, Yale University-Arnold Wolfers, ibid.; and File Arnold Wolfers, General Correspondence, Altschul Papers.

Department, and to what would soon become the American intelligence community. Wolfers and his wife Doris made Pierson College into a notable campus center of entertainment. During World War II, his sister-in-law undertook highly secret work for the Office of Strategic Services, the wartime precursor of the Central Intelligence Agency.[151] Altschul contributed generously to the college; in 1949, the Altschul Fund, which provided both library support and scholarships for students, stood at $16,000. Since 1945, it seems, his donations had funded library purchases for the College at the rate of approximately $1,000 annually.[152]

Wolfers was prominent among the founders of the realist tradition of international theory in the United States, a foreign policy outlook that emphasized the importance of power in international affairs, the need to preserve national security by maintaining a strategic balance of power among states. Realists stressed the role of military force as well as international organizations and collective security, and emphasized that foreign affairs often involved unpalatable and what might seem immoral decisions, or hard choices between unpleasant alternatives. They sought to attain a balance between the demands of morality and statecraft. While they might debate with each other just how appropriate the use of force in any given situation was, and precisely how much force should be employed on a particular occasion, they accepted military power and war as inevitable though possibly unpleasant aspects of international relations. Perhaps the most influential exponent of this outlook was Hans J. Morgenthau, a second German refugee scholar who settled at the University of Chicago. This theoretical perspective effectively updated the navalist teachings of Alfred Thayer Mahan, that American security depended upon a close alliance with the British Empire, the worldview to which both Altschul and his father subscribed, one that was used by pro-Allied activists in 1939-1941 to justify American intervention in the Second World War. The Realist perspective would become highly influential in American strategic thinking during the Second World War and the early Cold War. Such influential American policymakers as Dean Acheson, James V. Forrestal, George F. Kennan, Paul H. Nitze, and Henry Kissinger are often listed as adherents of the realist tradition.[153]

Wolfers became another notable academic representative of American realism, as were his colleagues Percy Corbett, Bernard Brodie, Frederick S. Dunn, William T. R. Fox, Grayson Kirk,

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[151] Robin W. Winks, *Cloak and Gown: Scholars in the Secret War, 1939-1961* (New York: William Morrow, 1987), 40-41.

[152] Wolfers to Altschul, April 6, 1949, File 789 Yale University-Library-Correspondence-Altschul Fund, Gifts 1937-51, Organizations File, Altschul Papers.

[153] On the Realist tradition, see William T. R. Fox, *The American Study of International Relations* (Columbia: Institute of International Studies, University of South Carolina, 1968); Bruce Kuklick, *Blind Oracles: Intellectuals and War from Kennan to Kissinger* (Princeton: Princeton University Press, 2006); Harald Kleinschmidt, *The Nemesis of Power: A History of International Relations Theories* (London: Reaktion Books, 2000), ch. 8; Joel H. Rosenthal, *Righteous Realists: Political Realism, Responsible Power, and American Culture in the Nuclear Age* (Baton Rouge: Louisiana State University Press, 1991); Michael Joseph Smith, *Realist Thought from Weber to Kissinger* (Baton Rouge: Louisiana State University Press, 1990); Greg Russell, *Hans J. Morgenthau and the Ethics of American Statecraft* (Baton Rouge: Louisiana State University Press, 1990); Kristoph Frei, *Hans J. Morgenthau: An Intellectual Biography* (Baton Rouge: Louisiana State University Press, 2001); Richard Ned Lebow, *The Tragic Vision of Politics: Ethics, Interests and Orders* (Cambridge: Cambridge University Press, 2003).

and Nicholas Spykman at Yale, and Edward Mead Earle at Princeton. Wolfers and his Yale colleagues met regularly for lunch and, when other colleagues listened in to their conversations, launched Wednesday seminars to discuss international issues. For sixteen years, from 1935 until 1951, the Yale Institute of International Studies was one of the most influential American centers of teaching and publishing for the Realist school, running undergraduate and graduate programs that trained such distinguished future diplomatic scholars and practitioners as Walt W. Rostow, Raymond Garthoff, Roger Hilsman, Max Millikan, Warner Schilling, and Lucian Pye. It often set up study groups to work on problems for the State Department, which Wolfers visited every second week. Altschul was one of the Institute's founding donors, a patron who took a great interest in its activities, attending seminars and lectures organized by the Institute, reading its publications, giving several thousand dollars a year to support its programs, and encouraging others to provide funding for these. "[W]hen the Institute of International Studies was started," he told President Charles Seymour of Yale some years later, "I was glad to have an opportunity to help it get on its feet in the initial stages."[154] He undoubtedly found particularly congenial the Institute's emphasis from its inception on the desirability of close and cooperative Anglo-American relations, which was a keystone of the Institute's program from its first meeting in 1935. Through Wolfers, in particular, Altschul kept closely in touch with the Institute's progress. During World War II, the Yale Institute, like the Council on Foreign Relations, would become one of the vectors through which Altschul would seek to affect the making of official policy.[155] Altschul's involvement with the Yale Institute was further evidence that by the mid to late 1930s he was developing close ties to with organizations that would facilitate his playing the kind of public role, in terms of associating with likeminded colleagues and setting and developing the national agenda, that he had coveted for many years. As the international situation became ever more ominous during the 1930s, and he did what he could to help his family and business associates escape from Europe, Altschul's interests also tended to evolve away from strictly economic concerns, to the contemplation of larger philosophical and social questions.

One last question remains: did the sudden death of Charles, his only son, have any impact upon Altschul's growing concern with broader issues? Charles Altschul was, it seems, adept in managing his sometimes formidable father. Altschul had pinned many of his hopes to Charles, but did not insist that Charles follow him into Lazard Frères. His father recalled that Charles' time at Yale had not been entirely happy, something he blamed on anti-semitic prejudice and clearly deeply resented on his son's behalf. Although Frank himself had not cut any great figure at Yale, he felt this had been due at least in part to his own immaturity, whereas "Charles was cast in a very different mold, and with any spirit of fair play . . . he would have had a happier

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[154] Altschul to Seymour [not sent], June 1, 1949, File 675 Yale University, Organizations File, Altschul Papers.
[155] On the Yale Institute of International Studies, see Record Group 482, Yale Institute of International Studies, Yale University Archives; Boxes 416 to 418, Projects Series, Rockefeller Foundation Archives; Winks, *Cloak and Gown*, 40-43; Paul Jorge Batista Ramos, "The Role of the Yale Institute of International Studies in the Construction of the United States National Security Ideology, 1935-1951" (Ph.D. dissertation, University of Manchester, 2003); Kuklick, *Blind Oracles*, 84-86.

time in New Haven than in fact was the case." Charles had nonetheless found a variety of outside activities to interest him while at Yale, and his father believed that "he had finally found himself and was doing what he really cared most about when tragedy overtook him; and he was exceedingly happy in the beginnings of a career that seemed so much in keeping with his instinctive preferences."[156] Charles did, it seems, have a somewhat easier time at Yale than his father had experienced. Two of his cousins, Joseph H. Rossbach of the same class, and Richard M. Rossbach, of the class of 1936, were up at Yale with him, which presumably left him less isolated. Both his scholarly and sporting records were rather more distinguished than those of Frank. In his sophomore and junior years, Charles was a scholar of the third rank. As a member of Davenport College, he was coxswain on Davenport's rowing team in 1934, and in his senior year he was on the Polo Squad. He also found time to become an army reserve officer, a second lieutenant in the field artillery.[157]

Charles graduated in 1935 from Yale. Like many young men of the time, he was a flying enthusiast, and he wished to follow a career in aviation, brushing aside any qualms on the part of his father with the cheerful remark that flying was no more dangerous than international banking, a comment that had some wry accuracy during the New Deal years. Charles held an amateur's pilot license, and after leaving Yale, enrolled in the Curtiss-Wright School in Glendale, California, to study aeronautical engineering. He spent the Christmas holidays of 1935 with his family, at Overbrook Farm and in New York, and in January 1936 started out on the lengthy return journey by air to California, choosing to travel via the southern states. As his flight approached Nashville, Tennessee, he cheerfully told a stewardess that she would be seeing him again before too long, since he would be coming back from California. On the evening of Tuesday, January 14, 1936 the young man boarded a twin-engined Douglas transport plane on a scheduled American Airlines flight, the "Southerner," from Nashville, Tennessee to California. Some time between 7.18 p.m., when the crew sent out a routine radio message, and 7.30 p.m., the eleven-ton aircraft plunged into a swamp near Goodwin, Arkansas, killing all seventeen people on board, shattering into thousands of pieces and leaving a trail of debris 400 yards long. It was the worst air disaster in the United States up to that time. To compound the macabre horror, the wreck and the bodies were apparently looted. Charles' body was returned to his parents, and a private funeral service was held for him on Friday, January 17, 1936, in their apartment at 550 Park Avenue.[158]

Over the previous two or three years, Secretary of the Treasury Henry Morgenthau, Jr., had had various political spats with Altschul, but he put these aside, as he employed his official connections to speed the recovery and identification of the young man's mangled body, efforts

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[156] Altschul to Day, April 5, 1938, File 789 Yale University Library-Correspondence, Organizations File, Altschul Papers.
[157] *History of the Class of Nineteen Thirty-Five Yale College* (New Haven: n.p., 1935), 77.
[158] "New Yorkers are Victims," *New York Times*, January 16, 1936; "Vital Plane Parts Missing in Inquiry," *New York Times*, January 17, 1936; see also File Charles Altschul, Box 12, General Correspondence, Altschul Papers.

for which Altschul later thanked him.[159] Charles' father was outwardly stoical, continuing with his business and political activities. His son's car he left in California, to be used by his fellow students at the Curtiss-Wright School, and the portion of Charles's tuition that had not been used Altschul donated as a fund to help one or more students who encountered financial difficulties. Frank made almost obsessive efforts, however, to find out every detail he could about his son's last hours, and to get hold of any written notes or photographs he had left behind. He was grateful for a lengthy letter from one of the passengers on Charles's penultimate flight, which gave details of a conversation with him, where the young man had sat, and what he ate. The bereaved father hoped that reels of film from Charles's camera would contain photographs showing some of the final things his son had looked at, but when these were returned, they proved to have been exposed, so no images were recovered. Frank tracked down a studio portrait of his son that had been taken in the weeks before his death and commissioned several copies, as well as a painted portrait based upon it.[160]

Well over two years later, the depth of Frank Altschul's hurt was perhaps apparent when he filled in a questionnaire in 1938 for the Republican Party which asked for a brief description of his family. After stating that he had "a wife and three children," Altschul continued: "My oldest boy, who was an amateur pilot and an aviation enthusiast, was killed when a transport plane went down in Goodwin, Arkansas on January 14, 1936." He was, he said, giving this information "so that the record be complete," though he wanted no publicity about it. The restrained words did little to hide the ever present sense of loss.[161] For the rest of his life, Frank Altschul would be known for his "perennial mistrust of air flights."[162] Over a decade later, when George Parmly Day, director of the Alumni Fundraising Office at Yale and an old friend, again incautiously approached him and Helen for a donation in memory of Charles, Altschul sharply retorted that he found the appeal "in shockingly bad taste," and knew that other bereaved individuals shared his feeling. Shown many examples demonstrating that in many cases families welcomed the opportunity to create a memorial to the deceased, a mollified Altschul recounted how, despite the "friendly and generous terms" of the original appeal, he "had felt deeply shocked by it, for it seemed to me to be little more than an attempt to exploit tragic memories as part of another fund raising campaign." Altschul's secretary, who recalled the earlier correspondence, had located these exchanges and "thus brought into full consciousness some things which no doubt had been deeply buried in the subconscious." Almost certainly correctly, Altschul concluded "that in my

[159] Morgenthau, conversations with Arthur Sulzberger, Captain Covell, Dr. H. S. Cumming, and Mrs. Johnson, January 15, 1936, Vol. 15, Henry Morgenthau, Jr., diary, Franklin D. Roosevelt Library, Hyde Park, NY.
[160] See File Charles Altschul, Box 12, General Correspondence, Altschul Papers.
[161] Altschul, Republican Party questionnaire, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers.
[162] Otto Furth to Altschul, July 19, 1961, Folder Stephanie Altschul, Box 16, General Correspondece, Altschul Papers.

case you had inadvertently touched a wound that somehow or other the passage of time had failed to heal."[163] In all probability, it never did heal.

Until around 1936, Altschul's efforts to influence public affairs had focused largely upon technical issues—currency and gold policy, debts, and reparations—that drew on his business and financial expertise. Despite his wide-ranging literary interests, and his obvious yearning to play some role in the making of policy, he restricted himself to a rather narrow compass. Around this time, however, one can discern a broadening in his interests, a readiness to consider more wide-ranging and speculative matters, such as the nature of genuine political leadership, the purpose of the state, or the nature of the international system, that were more intellectually challenging and perhaps less easy to decide. Charles's death coincided with the growing strength of Nazism and Fascism in Europe, as Altschul spent much of his time in the later 1930s orchestrating the escape from Europe of numerous family members and associates. That experience alone might have inclined Altschul in a more reflective direction. Altschul himself never discussed the psychological and emotional impact upon himself of the loss of Charles. Yet it is at least arguable that the loss of the son in whom he felt so much pride—the son who had once asked his father, "does your business do anything for humanity?"— impelled Altschul to greater efforts to make some mark of his own upon the world and ensure that his life would not merely be that of a very wealthy investment banker who managed to make a great deal of money.

[163] Altschul to George Parmly Day, April 6, 22, 1950, Day to Altschul, April 20, 1950, File 789 Yale University-Library-Correspondence-Altschul Fund, Gifts 1937-51, Organizations File, Altschul Papers.

CHAPTER SEVEN

DEALING WITH THE NEW DEAL

For Altschul, the election of Franklin D. Roosevelt seemed to offer the possibility of political access, and the informal advisory role in international economic and diplomatic affairs that he had, it seems, coveted since at least 1921. The incoming president was a New York gentleman and distant cousin of Theodore Roosevelt who had been active in Democratic politics on the state and national scene for more than twenty-five years. Eleanor, his wife, enjoyed particularly close connections with New York social reformers, including Herbert and Edith Lehman. For the past four years Lehman, who succeeded Roosevelt as governor of New York at the end of 1932, had been lieutenant governor of the state, effectively Roosevelt's deputy. Like his father, Altschul was also on good terms with prominent faculty members at Columbia University, an institution from which Roosevelt had recruited several academics as advisers. Professor Felix Frankfurter of Harvard Law School, another prominent Roosevelt adviser, was also a good friend of Altschul's. In addition, his banking connections gave Altschul an important range of European contacts with intimate insight into economic and monetary conditions and policies in Britain, France, and elsewhere on the continent. He might have seemed ideally placed to provide some of the intellectual fire power for the incoming administration. In the event, his political odyssey during the 1930s would demonstrate many of the pitfalls awaiting an American banker who sought to influence the policies of the United States government.

For almost four months, from election day on November 8, 1932, until Roosevelt's inauguration on March 4, 1933, there was a virtual interregnum, during which Herbert Hoover was still president but as a lame-duck president found it very difficult to take any decisive initiatives, yet Roosevelt lacked the authority to do so. During this time the president-elect was also putting together his team of cabinet secretaries and other officials. At this point, it was quite unclear precisely what Roosevelt's policies were likely to be, beyond an emphasis on trying to bring about economic recovery. His "Brain Trust" of academic advisers, headed by Raymond Moley, a professor of political science at Columbia University, were stressing policies to bring about internal recovery by raising domestic price levels within the United States, and laid relatively little emphasis upon the role of international factors. Besides Moley, this group included two other Columbia University professors, Rexford G. Tugwell, an agricultural economist, and Adolf A. Berle of Columbia Law School. Many influential Democratic politicians also focused upon domestic recovery, to which, they believed, all international considerations took second place. For decades, Western silver interests and other American politicians who resented what they perceived as the national dominance of Eastern financial interests had favored basing the American dollar on silver as well as gold, and they were now pushing the campaign for the monetization of silver. Other Roosevelt advisers, such as Frankfurter and Norman H. Davis, who served in the Treasury and State Departments under Woodrow Wilson and took a leading

role in disarmament negotiations during the 1920s and 1930s, favored much greater emphasis on international collaboration to combat the economic downturn, with coordinated moves to stabilize currencies, reduce tariffs, and raise prices internationally. So, too, did Thomas W. Lamont of the Morgan firm, a long-time Roosevelt friend, and Cordell Hull, a Tennessee congressman whom Roosevelt nominated as secretary of state, as well as Henry L. Stimson, the outgoing secretary of state. To complicate matters, Moley was given responsibility for working on the new administration's preparations for the forthcoming World Economic Conference that would be held in London in June 1933. In the four months before he took office, Roosevelt himself left it extremely unclear precisely what economic policies he intended to follow, at home and abroad, and apparently was by no means certain himself just which course he would chart. The confusion was confounded by the fact that the president often gave advisers the impression that he agreed with them, while ultimately deciding to follow other counsel.[1]

Altschul was one of a number of relatively young progressive or liberal financiers and members of leading American international law firms who gravitated toward the New Deal in its early days, often parting company with it relatively soon. Among them were the banker James Paul Warburg, the only son of Paul M. Warburg, one of the founders of the Federal Reserve System, who served as an unofficial State Department adviser in the New Deal's early month; Lewis W. Douglas, an Arizona congressman and banker, who became head of the Bureau of the Budget; Dean Acheson, a Washington lawyer who was appointed assistant secretary of the treasury; W. Averell Harriman, heir to a railroad fortune and a Wall Street banker with interests in Russian investments; and two Morgan partners, Russell C. Leffingwell, a former assistant secretary of the treasury during the Wilson administration, and S. Parker Gilbert, who had also held that position, in addition to serving as Agent General for Reparations in Germany under the Dawes Plan. These individuals tended to be slightly adventurous but by no means radical in their political and economic outlook, and by 1932 had usually become somewhat disillusioned with Herbert Hoover's failure to take more decisive measures to combat both internal depression and international problems.[2]

Even before his election, Altschul had made overtures to Roosevelt. Once the result was known, he swiftly sought an entrée into the president-elect's circle of close advisers. Henry Morgenthau, Jr., who was married to a cousin of Altschul's wife, was also a neighbor and close political associate of Roosevelt, very much one of his inner circle. Within a year, he would become Roosevelt's secretary of the treasury, a position he would retain until Roosevelt's death twelve years later. After the election, Morgenthau provided Altschul with an introduction to Moley,

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[1] On Roosevelt's policies during the interregnum, see Frank Freidel, *Franklin D. Roosevelt: Launching the New Deal* (Boston: Little Brown, 1973), 3-195; Elliot A. Rosen, *Hoover, Roosevelt, and the Brains Trust: From Depression to New Deal* (New York: Columbia University Press, 1977); Melvyn P. Leffler, *The Elusive Quest: America's Pursuit of European Stability and French Security, 1919-1933* (Chapel Hill: The University of North Carolina Press, 1979), 316-329.

[2] On these bankers, see, e.g., Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin, 2009), 457-458.

telling the Columbia professor that Altschul had "some very interesting ideas on the foreign debt situation, and in December 1932 the two men made an appointment to meet.[3] The impending December 15, 1932 deadline for resumption of war debt payments had brought consultations between Roosevelt and Hoover. Neither man wished to extend the moratorium, which had not been politically popular in the United States. For the longer term, Hoover favored re-establishing the non-partisan World War Foreign Debts Commission, that had negotiated debt settlements with the former Allies, to handle discussions over potential permanent reductions of these obligations. Hoover and his secretary of state, Henry Stimson, hoped that this would be part of broader negotiations, linking American debt concessions to European currency stabilization, tariff reductions, and possibly cuts in armaments. On December 17 and 20, Hoover wrote to Roosevelt proposing establishing a commission to discuss war debts and other issues with those nations that had paid their December instalments. Moley himself, together with Tugwell, opposed such cooperation, fearing that focusing on these issues might divert attention from domestic reforms. On December 19 and 21, Roosevelt replied to Hoover, stating that the president was free to appoint a fact-finding commission, but that he should do so on his own authority, since Roosevelt feared that any collaboration by himself might be interpreted by foreign nations as binding the incoming administration. The president-elect hedged his bets as to whether any relationship existed between war debts, other economic problems, and disarmament, and warned that it would be undesirable if efforts at disarmament swamped other preparations for the forthcoming World Economic Conference.[4]

At this time Moley seems to have asked Altschul's advice on the war debt question, which, as Astor and Brand had observed during their recent visit, had become one of the most controversial issues in American politics, due to Britain's payment of the December 15 instalment and the failure of the other European debtor nations to follow suit. Altschul had already made his position on war debts publicly known the previous spring, when he advocated dramatic reductions in the war debts. On this occasion, he replied to Moley on December 20 in a four-page, single-spaced letter, focusing on procedures rather than policy. Altschul warned that, while he thought it unwise for Roosevelt to hold completely aloof from the ongoing war debt discussions, he did not think that Roosevelt should "allow himself, by implication, to be placed in the position at this time of accepting President Hoover's views in regard to the inter-relation of war debts, world economic conference and disarmament." He did, however, think it important that Roosevelt should be fully in command of all the information available on war debts and the world economic conference at the time he took office on March 4, 1933. He suggested, therefore, that the president-elect should name "three personal representatives," one to deal with each of the subjects of war debts, the world economic conference, and disarmament, who would work closely with the outgoing administration on these issues in gathering information, but

[3] Henry J. Morgenthau, Jr., to Raymond Moley, December 6, 1932, Altschul to Moley, December 16, 1932, File Raymond Moley, General Correspondence, Altschul Papers.
[4] Leffler, *The Elusive Quest*, 317-319; Zara Steiner, *The Lights That Failed: European International History 1919-1933* (Oxford: Oxford University Press, 2005), 689.

would not endorse Hoover's policies on them.[5] At the time he wrote this letter, Altschul was unaware that Roosevelt had already replied to Hoover. Passing on the letter to Roosevelt, Moley described Altschul's reaction as "interesting," though he said he did "not agree with his concrete proposal at all."[6]

In January 1933, Altschul seems to have tried to broker an arrangement whereby France would continue to make war debt payments to the United States once Franklin D. Roosevelt became president. Moley recorded in his diary that he had seen Altschul and that: "The general idea seems to be that France is willing to hand the money over to Roosevelt if there can be adduced some fact which she can use as an explanation for the change of mind."[7] Such documents as survive leave it unclear just how far Altschul's French partners and officials in the Bank of France and the French government were involved in this overture, but it seems likely that they knew of it. Similar suggestions were made to Roosevelt by Thomas W. Lamont of J. P. Morgan & Company, and during the interregnum and the early weeks of his presidency, Roosevelt had cordial discussions with French representatives centering upon the implementation of such a solution to the French debt problem, to be followed by negotiations to reduce the remaining debts.[8] In late March 1933, the *Washington Post* reported that French officials had been engaged in talks with Roosevelt over the resumption of debt payments, and that Altschul was one of "several private bankers" who had given the president "assurances . . . that France would acquit her international obligations at such a time as would enable her to maintain her personal and private opinions on the conditions of payment."[9]

In late January 1933, Altschul was one of a number of individuals who had dinner with Moley. Others present included the young banker James P. Warburg; David Sarnoff, head of the Radio Corporation of America; Edwin R. A. Seligman, a prominent Columbia University economist who was one of the founders of the New School of Social Research; William W. Cumberland, an economist and former foreign trade adviser to the State Department, who had joined the Wall Street firm of Wellington and Company; Ralph West Robey, the financial editor of the New York *Evening Post*; the economist Alexander Sachs, research director of the Lehman Corporation; and Paul Mazur of Lehman Brothers. Each of them had received in advance "a list of questions covering war debts, tariff, Russian recognition, deflation, the Allotment plan and so on."[10] This was apparently only one of a number of times during December 1932 and January 1933 that Altschul had met with Moley to discuss international and domestic economic issues, leading Moley to ask him to put his ideas in writing. Altschul, about to depart on a three-week

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[5] Altschul to Moley, December 20, 1932, File 359 Raymond C. Moley, General Correspondence, Altschul Papers.
[6] Moley to Roosevelt, December 20, 1932, File Raymond D. Moley, Box 743, President's Personal File, Franklin D. Roosevelt Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, NY.
[7] Raymond Moley, diary, January 1, 1933, Box 1, Raymond Moley Papers, Hoover Institution, Stanford, CA.
[8] Leffler, *The Elusive Quest*, 310-313, 319-320, 324, 326, 328, 331, 334.
[9] "Trade Negotiation at Intensive Stage," *Washington Post*, March 30, 1933.
[10] Moley, diary, January 23, 1933, Box 1, Moley Papers.

cruise, wrote a rough draft but professed himself unsatisfied with the end-product, so declined to submit anything to Moley until his return in mid-February.[11]

It is unclear whether Altschul eventually submitted this memorandum to Moley, but the draft has survived among his papers. James Paul Warburg, a banker who served as an adviser on international economic policy to the U.S. Treasury during the early months of the New Deal, later described Moley as "a very strange combination of nationalism—a completely selfish, isolationist kind of nationalism—and internationalism. It's a very ununderstandable kind of a mixture."[12] The historian Elliot A. Rosen termed Moley an "intranationalist," one who gave primacy to domestic measures as the means to bring about recovery in the United States, but also showed an interest in employing international mechanisms if these were appropriate and available. Only when the United States and other nations had successfully tackled their internal economic problems, this school of thought argued, would it be possible to proceed to efforts to resolve international difficulties. Rosen also considered Altschul one of those "who helped to fashion the policy of intranationalism" advocated by Moley. Others who helped to do so included the economists Cumberland, Robey, Sachs, and Mazur. Their position was that economic revitalization at the international level would only be possible after individual countries had achieved internal recovery, a stance that the British economist John Maynard Keynes also espoused.[13] Altschul's draft memorandum, which expanded on ideas he had already discussed verbally with Moley, bears this out, and is probably the fullest exposition of his own economic thinking at this point. Altschul warned that, although many people wished to believe that the worst of the depression was over, and there were some encouraging signs, many economic indices were still falling, leading him to take a "somewhat pessimistic" view. Analyzing the overall economic picture, Altschul stated:

> The most significant factor in the present situation it seems to me is the decline in the world price level. This has increased the burden of debts to such an extent that a profound disequilibrium has been set up in our economic structure, and I do not believe that any material and prolonged improvement can be confidently looked for until this disequilibrium has in some manner been adjusted.
>
> The existing debt structure cannot for any long period be sustained on the basis of the present volume of business and the present level of domestic prices. I restate the thesis in this form, because later on in the argument I intend to advance the point that the difficulties of dealing with the world price level are so great that we may be forced to attack the problem on the more limited side of the domestic price level.

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[11] Altschul to Moley, January 27, 1933, File 359 Raymond C. Moley, Altschul Papers.
[12] James P. Warburg, oral history, p. 228, Columbia University Library.
[13] Elliot A. Rosen, *Roosevelt, the Great Depression, and the Economics of Recovery* (Charlottesville: University of Virginia Press, 2005), 23-24, quotation from 33; Rosen, *Hoover, Roosevelt, and the Brains Trust*, esp. chs. 6, 7, 13, 14.

Three strategies were being advance to restore the equilibrium between debts and prices, at both the national and international levels: reducing the debt structure by following deflationary policies; increasing price levels by encouraging or inflation; and his "own view, which I choose to call that of the reflationist," which held that "prices must be brought up and debts must be brought down to some point at which equilibrium results." Altschul opposed deflation as so economically disruptive that it "could only be carried through with the accompaniment of the most intense social disturbance." Inflation alone, he feared, would prove ineffective. He therefore advocated "a policy which aims at bringing the price level back to a point at which a considerable part of the debt structure can be supported, while permitting the orderly writing off of that part which could no longer reasonably be carried by any business renewal of normal proportions."

Turning to the international scene, Altschul discussed preparations for the forthcoming World Economic and Monetary Conference, which were, he stated, "based upon the conception that the abandonment of the gold standard by certain countries, the adoption of exchange restrictions by others and the throwing up of tariff barriers on all sides are in themselves primary causes of the present disturbance in the economic world." The corollary was that, if these problems were remedied, global recovery would then ensue. Altschul, however, disagreed with this view, considering these problems as primarily symptoms rather than causes of international disequilibrium. This would mean that "any attempt to bring about a world revival through attacking these three factors is foredoomed to failure." As Altschul's earlier admiration for the British economist John Maynard Keynes presaged, this was, of course, a major break with orthodox interpretations of the depression's causes, such as his British partners still largely espoused, and of the conventional liberal received wisdom his father had always proclaimed. Altschul argued that the First World War had broken existing patterns of international trade, causing nations to become much more self-sufficient, in both agriculture and industry, than they had been before 1914, meaning that old markets for commodities and manufactured goods were no longer available. The 1920s had also seen great increases in both domestic and foreign debt. From 1929 onward, the decline in both world prices and exports had led countries with balance of payments problems to leave the gold standard, impose exchange controls, and erect tariff barriers, and place other restrictions on imports. He thought it unlikely that governments would be able to reach any real accord on measures to reverse these policies, but in the event they could do so, Altschul believed that "we would find that the agreement was merely the prelude to a new disappointment. The unbalanced position in which the economic world finds itself would, in all probability, sooner rather than later, lead to a renewed demand that the so-called barriers to trade which had been removed, be promptly reinstated." Rather gloomily, he concluded "that an attempt to improve the world price level and to increase the volume of world trade along the lines at present being discussed is unlikely to succeed, and I see no lines along which it can be made successful." He saw "no likelihood that planning in the international field is either possible or promising."

Altschul did, however, discern "some basis for hoping that we as Americans attacking this problem from a purely domestic point of view may attain some measure of success," and that, if "we place emphasis on the national aspects, we may make a considerable deal of progress." He thought it possible to "embark upon a certain degree of domestic planning with fair prospects of success. . . . Some method of restoring a balance between agriculture and industry within our own frontier does not seem unattainable." This would, he thought, probably require the imposition of additional tariffs, embargos, and quotas, to protect American agricultural producers against foreign imports of commodities whose prices had fallen due to currency depreciation. He apparently envisaged a "Buy American" campaign. Defending this position against potential internationalist critics, Altschul contended:

> It will be argued that such economic nationalism is anti-foreign and almost anti-social. The answer to this, in my opinion, lies along the following lines: The greatest contribution that America can make to a world in turmoil is to be sure of maintaining the integrity of her own institutions. If we are to maintain the integrity of our own institutions, we must find some way of dealing with the price level in relation to the burden of debts. There is no way open to us to deal with the world price level. Accordingly, we are forced to deal with the domestic price level. The only way in which we can deal with domestic price level is by restoring equilibrium within our own frontiers, and, once restored by protecting it from undue disturbance from outside forces. A similar program we could recommend to all other countries on the general theory that world equilibrium can only again be restored when every nation has been forced to accommodate itself to the position which it actually occupies in the existing world.

Altschul did not rule out an eventual return to liberal internationalist norms, but argued that only when each country had followed similar prescriptions and "work[ed] out its own salvation" would it "become possible to again think in international terms." At that point, he expected, tariffs and other trade barriers would gradually be removed "in response to the realities of the situation as it then exists, and a new period of world trade expansion will take place possibly along entirely different lines from those of the past." Meanwhile, in the interests of these predominantly national economic policies, the foreign debts governments and private businesses owed in the United States would, for the most part, have to be written off, since Americans could not "expect any material payment on account of interallied debts, and we will be forced to make concessions in connection with commercial debts." However "unpleasant" such financial sacrifices might appear, Altschul felt they were justified, since "it is far more important for us to maintain in so far as we may the security of our domestic debt structure than to allow this to be undermined in following the will-o'-the-wisp of a broad internationalism."[14] At this time, his rejection of the prevailing economic orthodoxies of the New York financial world could hardly have been more comprehensive. While Altschul's views probably only reinforced Moley's

[14] Altschul, "Memorandum," n.d. [January 1933], Writings File, Altschul Papers.

existing predilections, the fact that a prominent banker who was the senior partner in a leading investment house was willing to endorse this stance gave it additional credibility.

One reason for Altschul's tardiness in producing the memorandum Moley had requested may have been his preoccupation with other matters. In January 1933 the Senate Committee on Banking and Currency launched an investigation of Stock Exchange Practices.[15] Apart from the general devastating decline of stock prices since 1929, one of the particular stimuli for this inquiry was the suicide in March 1932 of Ivar Kreuger, a Swedish magnate who had made a fortune out of the match industry and then invested in a vast array of other enterprises spread across Europe.[16] Many years later, Altschul told the economist John Kenneth Galbraith, that although "by sheer good luck" he himself "never had any financial dealings" with the match king,

> a few days before he left for Paris on that last fateful visit he had lunch with me at my office downtown. He was a most impressive talker and on that day was particularly expansive in his criticism of the 'loose' financial practices of Andrew Mellon with whom he had just had a long talk in Washington.
>
> The following night Helen and I were giving a big dinner for the French Ambassador, Paul Claudel. Kreuger had made such an impression on me that I invited him to join us. Fortunately, he had the good taste to decline—or I should have been quite embarrassed at having exposed my guests, however innocently, to this arch swindler just as he was leaving on the voyage that ended in suicide.[17]

In 1934 Sir Robert Kindersley, who became something of an expert at representing international creditors of businesses that had failed spectacularly, took part in negotiations in Stockholm on the International Kreuger Commission, set up to disentangle the complicated business affairs of Kreuger's estate.[18] Well before then Altschul, who won another four-year term as a member of the New York Stock Exchange's governing committee in May 1932, and was once more appointed chairman of the New York Stock Exchange's Stock List Committee, that decided which stocks should be eligible to change hands on the exchange, had to give evidence to the Senate Committee on just why that body had believed Kreuger's companies merited being listed and traded on the New York Stock Exchange.[19] The intention of this inquiry was, Senator

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[15] Steve Fraser, *Every Man A Speculator: A History of Wall Street in American Life* (New York: HarperCollins, 2005), 449-450; Vincent P. Carosso, *Investment Banking in America: A History* (Cambridge, MA: Harvard University Press, 1970), 322-351.
[16] David Kynaston, *The City of London*, Vol. III: *Illusions of Gold 1914-1945* (London: Chatto and Windus, 1999), 359; Carosso, *Investment Banking in America*, 317-318.
[17] Altschul to Galbraith, March 14, 1957, File John Kenneth Galbraith, Catalogued Correspondence, Altschul Papers.
[18] "Davis Going to Sweden," *New York Times*, March 6, 1934; "Take Up Kreuger Affairs," *New York Times*, March 10, 1934.
[19] "Whitney Nominated for a Third Term," *Christian Science Monitor*, April 12, 1932; "Whitney Renamed to Head Exchange," *New York Times*, April 12, 1932; "Stock Exchange Re-Elects Whitney," *New York Times*, May 10,

Norbeck of South Dakota nationalistically proclaimed, "to find out to what extent the American investor has been played for a sucker by European promoters, with the help of American bankers and the stock exchange."[20]

Rather wryly, Altschul told his interrogators that Kreuger's reports were so "engagingly frank" that they beguiled the committee's members "into thinking him an exceptionally honest man of business." Altschul explained that "Kreuger's reports went so much further than those from other European countries that they were beyond suspicion." With hindsight, however, he admitted that the "entire mess" had "indicated the need of independent audits of companies whose securities are listed on the Exchange," and declared himself in favor of insisting on such audits, even to the point of striking off the Stock Exchange list any company that refused to provide this information.[21] In the past, he explained to the senators, the Stock List Committee had been reluctant to exercise such sanctions, regarding striking off as "a last resort that we wanted to avoid if it could be avoided, but I think the public is entitled to the information we have been seeking in their behalf and I think when it comes to a showdown we are going to have to exert our power, unaffected by the fact that stockholders in a particular situation may suffer."[22] A few days later, Altschul filed a report from the American Institute of Accountants with the Senate Banking and Currency Committee, on accounting practices to be followed by corporations listed on the exchange. Its recommendations included measures that would clarify the precise status of a company's assets and liabilities, greater transparency of balance sheets and other information, and the employment by corporations of generally accepted principles of accounting.[23]

As Roosevelt took office, Altschul was in New York. The new president's inauguration coincided with a nationwide banking crisis, that began in Michigan in mid-February 1933 and spread throughout the country. Numerous banks failed in late February and early March, and by March 3 bank holidays had been declared in twenty-one states. Governor Herbert Lehman of New York, Altschul's brother-in-law, had intended to go to Washington to watch Roosevelt take office, but the banking difficulties meant that he stayed in his apartment in New York City, where Altschul joined him. The situation worsened when the Manufacturers' Trust Company of New York failed. In a classic bank run scenario depositors, fearing that other banks might fail, hastened to withdraw their funds from those institutions, thereby making their closure more likely. On March 3, the evening before Roosevelt's inauguration, officials in Washington,

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1932;"Whitney is Praised by Exchange Board," *New York Times*, May 12, 1932; "Exchange Names 13 Committees," *Wall Street Journal*, May 13, 1932.

[20] "Senators Will Reopen Stock Market Investigation Today," *Chicago Tribune*, January 11, 1933.

[21] "Kreuger Fooled Stock Exchange," *New York Times*, January 13, 1933; also "Topics in Wall Street," *New York Times*, January 13, 1933; "Along the Highways of Finance: Stricter Control of Corporations by Stock Exchange Forecast," *New York Times*, January 15, 1933; "Legislation to Aid Investors Sought," *Washington Post*, January 13, 1933; "Kreuger Smash Paves Way for Finance Change," *Christian Science Monitor*, January 12, 1933.

[22] "Outside Audits May be Forced," *The Wall Street Journal*, January 13, 1933; "A Finish Fight," *Wall Street Journal*, January 13, 1933.

[23] "Accountants Aid Exchange on Rules," *New York Times*, January 19, 1933.

including Eugene Meyer, head of the Federal Reserve System, Secretary of the Treasury Ogden Mills, Treasury Secretary-designate William H. Woodin, and Moley, who was in Washington with Roosevelt, were in constant telephone communication with Lehman, urging him to declare a bank holiday in New York, the nation's foremost financial center. Leading New York bankers, led by Thomas W. Lamont of J. P. Morgan & Company, still resisted, hoping that Roosevelt's inauguration would bring an immediate upsurge in confidence. Investment bankers such as the Morgan partners and Altschul could perhaps afford to be slightly less alarmist, since, unlike the clearing house banks, they did little deposit business. Lehman refused to take action until he received a definite request from the clearing house banks to close the state's financial institutions, but they refused to do so until late in the evening. Altschul, who was present in Lehman's apartment, together with Lamont and Russell C. Leffingwell of the Morgan firm, Joseph Broderick, New York State's superintendent of banking, William C. Potter, head of the Guaranty Trust Company, Gordon Rentschler of the National City Bank, and others, later recalled that what swung the balance was the arrival around midnight of George L. Harrison, governor of the New York Federal Reserve Bank. According to his account:

> George Harrison arrived, closed the door behind him and exposed the drain to which he stated the Clearing House banks would be subjected if they opened the next day. This statement made a profound impact, and Bill Potter led off with words to this effect: I have been opposed to a bank holiday from the start. But, having listened to George Harrison, I am convinced that we should have one. And if you insist, Governor, on our asking for it, I will be glad to join in doing so. The request followed promptly and the holiday was granted.[24]

At 4.20 a.m. on March 4, Lehman declared a two-day bank holiday in New York state, and Illinois, where Chicago, the nation's second financial center, was located, quickly followed suit. Later that day, almost as soon as Roosevelt took office, he extended the moratorium to the entire nation for the next week, while his administration prepared emergency banking legislation.[25] To a close friend, a magazine editor who had just gone to Nevada to obtain a divorce from her husband, Altschul wrote three days later how "so many of the things that you and I have talked about during the last year have happened in the short space of time since you left New York," so "that the primeval ooze is more rapidly and more surely rising to engulf us." He warned: "It is impossible to give you any idea of the utter confusion that prevails in New York today. While our office is open, there are no transactions that we are able to carry out, and those of us who are here. . . are busy holding autopsies and postmortems and making wise prognoses about the after-

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[24] Altschul to Moley, April 13, 1967, File 359 Raymond Moley, General Correspondence, Altschul Papers; Raymond Moley, *After Seven Years* (New York: Harper and Brothers, 1939), 140-148.

[25] Allan Nevins, *Herbert Lehman and His Era* (New York: Scribner's, 1963), 135-137; Arthur M. Schlesinger, Jr., *The Crisis of the Old Order 1919-1933* (London: Heinemann, 1957), 494-498; Schlesinger, *The Coming of the New Deal* (London: Heinemann, 1960), 4-7; Merlo J. Pusey, *Eugene Meyer* (New York: Alfred A. Knopf, 1974), 232-237; Liaquat Ahamed, *Lords of Finance: The Bankers Who Broke the World* (New York: Penguin, 2009), 446-448; Helen M. Burns, *The American Banking Community and New Deal Banking Reforms 1933-1935* (Westport, CT: Greenwood Press, 1974), 31-40.

life of an organism that appears to be in any event thoroughly dead." He continued: "I am spending all of my time at Governor Lehman's, finding myself able to contribute very little to this business of reconstruction."[26]

Altschul was winning himself a position among Roosevelt's economic advisers, though perhaps one whose business interests, especially in the field of foreign exchange, meant that he was always liable to arouse at least some slight suspicion that he had financial objectives of his own to promote. In March 1933, ten days after Roosevelt took office, James P. Warburg wrote in his diary: "Talked to [James Handasyd] Perkins [of the National City Bank] after Union Pacific meeting and found that he and I are in full accord on foreign exchange policy. Talked also to Schubart here, [Schubart was the foreign exchange manager of the Bank of Manhattan] who is likewise in accord. [Later addition by Warburg: In other words both these people corroborated my feeling that we should not be supporting the dollar at all; that it was better for us to have the dollar go down.] Perkins told me that Altschul, after flopping around a good deal, had also come to this conclusion. (I know from [Harvard University economist Frank] Taussig that Altschul has been trying to feather his own nest by suggesting that the entire foreign exchange transactions of the country be conducted through his firm.)"[27]

Some time towards the end of April, when Roosevelt had been in office several weeks and launched many of the initiatives that would become key features of the first "Hundred Days" of his New Deal recovery effort, Altschul wrote to Moley, discussing the agenda for the forthcoming World Conference on Monetary and Economic Questions, to be held in London later that year at a still unspecified date. Altschul took up questions similar to those he had highlighted in his earlier draft memorandum. Altschul told Moley that, while numerous issues, including monetary, credit, and exchange policies, price levels, capital movements, and trade barriers, were included on the agenda for meetings held in preparation for this conference, a much broader and more "vital" issue, "namely the century old controversy between economic internationalism and economic nationalism," had been omitted. He pointed out "that both theories are at one in recognizing the importance of foreign trade and of home markets as elements in domestic prosperity; but the proponents of economic internationalism tend to place increasing emphasis on foreign trade, while the advocate of economic nationalism tend to place increasing emphasis on home markets." It was, Altschul said, clear that those who had called the conference in the first place and most of the delegates who were likely to attend it would share "a profound belief in the conception of economic internationalism." Ultimately, however, policy decisions would rest not with the conference delegates, but with their governments, and "in back of these governments today, there are great democracies who, irrespective of the theories of their economists, have instinctively arrived at a viewpoint of strong economic nationalism; and it is this viewpoint that is likely to determine the course of events."

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[26] Altschul to Frederica Field, March 7, 1933, File Fi-Fo, Box 23, General Correspondence, Altschul Papers.
[27] James P. Warburg, diary entry, March 14, 1933, James Paul Warburg oral history, Columbia University Library, New York.

While economic internationalism was based upon past experience, specifically that of the pre-war world dominated by the British empire, economic nationalism reflected "the facts of the present," a world already over-supplied with productive capacity, with few "great under-developed areas" to provide outlets for "intensive development." This "profound disequilibrium" was "the reason why democracies can no longer follow the theories of their economists." In Altschul's view, the most important question was not to decide which school of thought was correct, but "to recognize that in a realistic world a sharpening of the post-war economic nationalism is apt for some time at least to continue," and the United States would have to decide "how to accommodate itself to a world so constituted." Both political parties had adopted confusing stances, including elements of both economic nationalism and internationalism. The Democrats had committed themselves to extensive tariff reduction, but in circumstances of "disequilibrium," when "standards of living undergo abrupt and catastrophic changes, and exchanges fluctuate from one day to another more than the whole range of exchange fluctuations that occurred at any time during the normal function of the gold standard," increases in tariffs and quotas might be essential to protect domestic conditions in the United States. Such policies would, Altschul argued once again, be "inconsistent with a policy of collecting substantial amounts on foreign debts," whether private or governmental. He thought the outlook for doing so was, in any case, "at best uncertain; and the debts owed by foreigners to the United States are trifling compared with our internal obligations." Altschul's first priority was to prevent domestic debt repudiation, something he believed a combination of protective tariffs, currency measures, and an agricultural relief program would help to accomplish. Once more he argued: "It is far more important to re-establish the credit of domestic borrowers than it is to chase the will of the wisp of foreign debt collection."[28] He did not, however, suggest any specific means of dealing with the war debts European countries owed to the United States, and on which it seemed increasingly unlikely the debtor nations would continue to make scheduled payments on these.

Since Altschul's memorandum made no mention of this event, it was probably written shortly before Roosevelt's announcement on April 19, 1933 that he was taking the dollar off the gold standard and imposing an embargo on gold exports, a decision that meant that the dollar quickly began to depreciate against both the pound and the franc.[29] Altschul's endorsement of a policy of putting economic nationalism first was somewhat inspecific, in that he rarely expressed explicit support for particular New Deal domestic measures. In 1933 he was, however, aligning himself with the intranationalists within the Roosevelt administration, those who believed that the United States had to seek recovery at home, if necessary largely divorced from the European

[28] Altschul, draft letter to Moley, n.d. [late April 1933], File 359 Raymond Moley, General Correspondence, Altschul Papers.

[29] On this decision, see Leffler, *The Elusive Quest*, 337; Rosen, *Roosevelt, the Great Depression*, 25-28; Steiner, *The Lights That Failed*, 692; Barry Eichengreen, *Gold Fetters: The Gold Standard and the Great Depression 1919-1939* (Oxford: Oxford University Press, 1992), 330-332; Ahamed, *Lords of Finance*, 459-462; Freidel, *Franklin D. Roosevelt: Launching the New Deal*, 320-339; Rosen, *Roosevelt, the Great Depression*, 24-28; Brendan Brown, *The Flight of International Capital: A Contemporary History* (London: Croom Helm, 1987), 34-37.

situation and international efforts to stabilize currencies at fixed rates against gold. Roosevelt's Brain Trust advisers from Columbia, Moley, Rexford Tugwell, and A. A. Berle, generally espoused this viewpoint. One of the most influential of Roosevelt's advisers in urging such a course, however, was probably Russell C. Leffingwell of the Morgan firm, a former assistant secretary of the treasury under President Woodrow Wilson, a man who was something of a business intellectual and whose views Roosevelt respected. During the early New Deal Leffingwell likewise argued that, given the prevailing economic climate of international autarky, currencies valued in gold at fixed levels were producing instability rather than stability, having a deflationary impact, and checking the freedom of individual countries to pursue domestic recovery and raise prices.[30] Leffingwell's reasons for abandoning gold were pragmatic. "The gold standard was a swell ship," he told a journalist in 1934. "I believe in it, and did my best in every walk of life to support it and maintain it; but when she stove a hole in the bottom the thing to do was to take to the boats, and that right quickly. . . . [Y]ou can't deal with the greatest depression since the middle ages by just going on fighting the Bryan-McKinley campaign.[31] Fifteen years later, Leffingwell recalled "that the deflationary effect of holding to the old gold standard when most all of the trading world was off it, was not bearable, and in the long run devaluation was the only real remedy."[32] "The automatic gold standard, if it ever existed, came to an end in 1914," he told another correspondent in 1934. "We have had managed or mismanaged currency for twenty years, and I have no notion that we can go back to an automatic standard in our time."[33] While Leffingwell's views were undoubtedly more influential with Roosevelt, Altschul, who knew the Morgan partner reasonably well, was at this time of much the same mind.

Unlike Altschul, in London Robert Brand, his British partner, was still wedded to internationalist solutions to economic problems. He believed that no permanent revaluation of sterling was possible until the United States had recovered, telling his friend John Maynard Keynes in March 1933: "In my opinion, the big countries have got to go forward more or less together if at all and we can't really go very far ahead until America and Germany come along with us."[34] In early April 1933, Brand wrote a letter to *The Times* criticizing a plan advanced by Keynes, whereby the Bank for International Settlements would issue up to $5,000,000,000 in additional "gold notes," to be distributed among all countries in proportion to their gold holdings as of 1928. Keynes hoped that loosening credit in this way would jump start international economic recovery, whereas Brand clearly regarded the scheme with considerable suspicion, especially its reliance on a paper fiat currency only very loosely based upon gold. "I cannot," he proclaimed, "bring myself to believe that the world has yet got far enough for the remedy to be found in the creation and management by a central authority of a non-metallic international currency." Brand

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[30] Rosen, *Roosevelt, the Great Depression*, 21-22, 38, 66-68.
[31] Leffingwell to John W. Owens, March 24, 1934, Box 6, Russell C. Leffingwell Papers, Manuscripts and Archives, Sterling Memorial Library, Yale University, New Haven, CT.
[32] Leffingwell to Arthur A. Ballantine, April 15, 1948, Box 1, Leffingwell Papers.
[33] Leffingwell to B. H. Inness Brown, April 14, 1934, Box 1, Leffingwell Papers.
[34] Brand to Keynes, March 20, 1933, File 198, Brand Papers.

had few prescription of his own to put forward, believing that everything depended upon economic improvement in the United States. In his view: "In the economic and financial sphere I believe the world waits most upon a real betterment of the American internal situation, and with that achieved we shall see a general upturn." The most that Europe could do was to try to tackle such problems as war debts and political disputes among the various nations. Otherwise, "[t]o an outsider it would seem that a restoration of confidence in the capacity of the Federal Government, at least to keep its Budget problem under control, combined with a persistent and determined policy of very cheap money and a real lowering of the American tariff, offers the best general line of advance. If the United States were to get to the point at which we [the British] are now, and we could both advance together, European countries would, in my opinion, quickly improve."[35] Keynes could perhaps be forgiven for publicly criticizing Brand's "passivity" in an almost immediate rejoinder: "There may be a gloomy satisfaction in going to perdition according to the rules. But I hate to sit back, hoping for something to turn up in America, while abject poverty consumes the possibilities of life and civilisation crumbles."[36]

In response, Brand published another lengthy letter in *The Times*, explaining why he believed developments in the United States were "the main cause of the extremity of the crisis." The First World War had, he stated, changed the United States from a debtor to a creditor country, and in the course of ten years it lent overseas about as much as Britain had done during the entire nineteenth century, while also running a huge export surplus. The end of the American boom had brought a "sudden cessation" of this foreign lending, a development that exerted "a deflationary pressure on the whole world." Brand argued that the fact that by April 1933 the United States was simply seeking to liquidate its overseas obligations and then "to leave the European financial scene as hastily as she entered into it is one of the chief stumbling-blocks" to European recovery, since "with a still favourable balance of payments and with no possibility of disposing of it by lending abroad, the United States is still exercising a definitely deflationary pressure on the rest of the world." This situation would end once the United States either reduced its exports or increased its imports or, alternatively, when its foreign debtors defaulted. In Brand's view, as "the world's greatest long and short term creditor, the greatest potential absorber of raw materials, the most highly protected country, and the country with still the largest favourable balance of payments, the United States has bigger opportunities to help the world, and by so doing to help itself, and also greater capacity to hinder progress, than any other country." In his view, the "best hope is that the United States Government will follow an enlightened policy on War debts, tariffs, and moderate, but not immoderate, reflation." Once these policies had been implemented and taken effect, the next step would be "some definite

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[35] Brand, "The Means to Prosperity: A Comment on Mr. Keynes: America the Key," *The Times*, April 7, 1933. On Keynes' suggestions for recovery, see Robert Skidelsky, *John Maynard Keynes,* Vol II: *The Economist As Savior 1920-1937* (New York: Allen Lane, 1994), 467-475.

[36] Keynes to the Editor of *The Times*, April 7, 1933, in *The Collected Writings of John Maynard Keynes*, Vol. XXI: *Activities 1931-1939: World Crises and Policies in Britain and America*, ed. Donald Moggridge (London: Macmillan, 1982), 187-189, quotation from 189; published in *The Times*, April 11, 1933, and also quoted in Skidelsky, *John Maynard Keynes: The Economist as Savior*, 475.

action towards a stable international monetary standard, which is the most essential step forward of all."[37]

In Europe and beyond, international affairs at this time were in a state of almost constant flux. French governments came and went within a few months of each other. In Germany, in January 1933 the National Socialist leader Adolf Hitler became chancellor; two months later, he prevailed upon the Reichstag and Paul von Hindenburg, the German president, to pass and sign an Enabling Act, suspending parliamentary government for four years, effectively permitting the Nazi Party to rule as a dictatorship. Somewhat ironically, by late April 1933 the French government was facing fiscal pressures, as it faced difficulties in balancing its budget, and sought a credit of £30 million on the London market, to be arranged by Lazard Brothers.[38] The Bank of England waived its ban on foreign lending, and the credit was authorized.[39] In late 1933, Lazard Brothers in London considered making a short-term, six-month loan of £600,000 to the Chemin de Fer d'Alsace-Lorraine, an obligation that would effectively have been a credit to the French government, but the interest rate suggested was too low to attract them.[40]

Robert Brand's regular trips to Germany gave him many opportunities to observe developments there. Visiting Berlin in January 1933, he watched a Nazi funeral procession and wrote to his wife: "The youth are in a state of wild exultation. Their leader is almost divine. . . . The poor Germans are like children with their politics, parading & uniforms etc. But they shoot one another every day. They are getting quite used to it. Really there is a sort of madness in this people. I just don't understand them." At a social event hosted by his friend, the Jewish banker Jakob Goldschmidt, in his home, Brand's dinner partner was a woman who "declaimed to me passionately how right the Germans were to hate the Jews as a race and this in J.G.'s house! It gave me a good light into German mentality. She was very sincere and modest but felt very deeply that the Jews disintegrated German life."[41] Conditions for German Jews rapidly deteriorated. On his next visit, in May 1933, Brand reported that Goldschmidt's brother had been "beaten up and that his family couldn't recognise him." Cautiously, Brand thought it wise "not to express any political opinions" in his letters, just in case they were opened. His Lufthansa airplane had been repainted with Nazi swastikas, while: "Everywhere you see Nazi

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[37] Brand, "Trade of the World: America as Creditor: The Key to European Recovery," *The Times*, April 19, 1933; and Brand's subsequent correction, "Trade of the World," *The Times*, April 20, 1933.

[38] H. A. Siepmann, "The French Government Credit (April, 1933)," April 29, 1933, File OV45/6, Bank of England Archives; on the antecedents of this credit arrangement, see also Charles F. Whigham to N. Dean Jay, February 13, 17, 1933, Jay to Whigham, February 14, 1933, File 14 France (1932-1935), Box 30, Files France 1919-1938, Morgan European Bank Papers, Pierpont Morgan Library, New York.

[39] "City Notes," *The Times*, April 29, 1933; R. S. Sayers, *The Bank of England 1891-1944*, 3 vols. (Cambridge: Cambridge University Press, 1976), 2: 466; Kenneth Mouré, *Managing the Franc Poincaré: Economic Understanding and Political Constraint in French Monetary Policy, 1928-1936* (Cambridge: Cambridge University Press, 1991), 167-168.

[40] Morgan Grenfell & Co. to Morgan & Cie., December 14, 1933, Box 22, Morgan Grenfell File, File #403C(1): Miscellaneous Correspondence, ff. 6, Morgan European Bank Papers.

[41] Letters by Brand to Phyllis Brand, January 1933, quoted in James Fox, *The Langhorne Sisters* (London: Granta Books, 1998), 451.

flags." Brand saw several of the Nazi leaders when he attended the Berlin Horse Show. In terms of financial negotiations, Brand noted the "air of suppressed excitement as none of the creditors knew what Schacht is going to say."[42]

By spring 1933 those statesmen and bankers who still believed in the possibility of concerted international action to deal with the global economic crisis were pinning their hopes upon the forthcoming World Economic Conference, scheduled to meet in London in June. Brand hoped that this gathering would provide the opportunity for British and American officials to meet and coordinate their approaches to such issues as currency stabilization, gold policies, war debts, reparations, tariffs, and international lending. Even Brand, however, admitted that there were distinct limits to Britain's ability to influence American behavior. In May 1933, when a Round Table colleague proposed a tripartite alliance between the British Empire, France, and the United States, Brand retorted: "No one recognises more strongly than I do the vital importance to the world, and particularly to the British empire, of securing the active co-operation of the United States. But I doubt if we can get her along more than one step at a time, and even then she is always going to be an exceedingly unreliable partner, at any rate until the Senate is quite a different body from what it is now."[43]

The World Economic Conference would conclusively demonstrate just how little influence Britain was likely to exert over American economic decisions, as well as the confusion prevailing in the making of United States currency, gold, and other economic issues. As the World Economic Conference began, both the directors of Lazard Brothers in London and Altschul were involved as advisers. They were, however, very far apart in terms of the policies they supported. Representatives of Lazard Brothers were included on a consultative committee of American, Dutch, Swiss, French, Swedish, and Belgian bankers, including officials of those countries' central banks, established during the conference to advise the politicians on economic issues.[44] Altschul's role was less formal, inasmuch as he did not attend the conference, but quietly gave advice behind the scenes to Assistant Secretary of State Raymond Moley.

Roosevelt initially dispatched a delegation that included Secretary of State Cordell Hull, a doctrinaire believer in free trade, and several Democratic politicians, including Senator Key Pittman of Nevada, a dedicated advocate of the monetization of silver, together with a group of Treasury representatives to handle currency discussions. Among the latter were James Paul Warburg, who had devised a scheme he hoped would facilitate international currency stabilization at readjusted parities against gold; Governor George L. Harrison of the New York Federal Reserve Bank; and Oliver W. M. Sprague, a Treasury economist. The conference opened on June 12 at the Geological Museum in Kensington, London. Alarming reports soon reached Roosevelt, who was still wavering over just how far he should allow the dollar to depreciate and whether or not he should tie American currency policies to those of other nations,

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[42] Brand to Phyllis Brand, May 1933, quoted in Fox, *The Langhorne Sisters*, 451-452.
[43] "Memorandum by Mr. Brand," May 2, 1933, File 128/1, Brand Papers.
[44] "Meetings of Experts: Currency Stabilization," *The Times*, June 14, 1933.

that the Warburg-Sprague-Harrison group had reached agreement with European central bankers and finance ministers on stabilization of currencies against gold at a level that would be disadvantageous to the United States. The dollar promptly rose by ten percent against gold and other currencies, while the American stock market and commodity prices fell commensurately. Roosevelt publicly rejected these proposals on June 22, and by that time had already decided to dispatch Moley to London, in his capacity as secretary of state, to reach an arrangement that Roosevelt considered would better promote his own country's economic interests.[45]

Moley sailed for London on June 20. The day before, Altschul cabled him to make an appointment to meet.[46] In the aftermath of this encounter, Altschul sent Moley a letter summing up his advice, a missive that made it clear that Altschul had ranged himself firmly in the camp of those who believed American domestic recovery must precede any effort to reconstruct the international economic mechanism. He expressed his delight that the Roosevelt administration had, over the previous two days, definitely announced its opposition to premature stabilization, which, Altschul argued, "would interfere with the reestablishment of a domestic equilibrium which is so obviously a corner stone of the Administration's national recovery program." While Altschul thought that "constant and progressive depreciation of our currency" would be "a national disaster of major importance," he did not consider this a major danger of the current situation. He believed that business recovery was already underway, and that much of the credit for this was due to the boost to national confidence that had resulted from taking the dollar off the gold standard. Yet again, he rejected as a "will-o'-the-wisp" the "French view, and possibly with minor modifications the European view, . . . that the way out of the depression is to be found through maneuvers in the international field and, that as a prelude to such maneuvers, stability in the exchanges must be sought." Again, Altschul put forward the "American view," demonstrated by Roosevelt's policies, "that the way out of the depression for the world as a whole lies in urging each country to direct itself in the first instance to its domestic problem with a view to the restoration everywhere of domestic equilibrium, leaving equilibrium in the international domain to follow as a logical consequence of successful domestic effort." Although the United States had begun to deal with its problems, the Roosevelt administration had by no means solved all of these as yet, while other countries, Altschul argued, had not even begun to tackle their difficulties. Once equilibrium had been restored, it would be time to re-establish "a currency of stable purchasing power" in the United States, which Roosevelt had recently stated remained his ultimate goal.

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[45] On the preparations of the Roosevelt administration for the London Economic Conference and its early stages, see Rosen, *Roosevelt, the Great Depression*, 27-36; Eichengreen, *Golden Fetters*, 332-333; Leffler, *The Elusive Quest*, 329-355; Clavin, *The Failure of Economic Diplomacy*, 89-131; Steiner, *The Lights That Failed*, 690-694; Raymond Moley, *After Seven Years* (New York: Harper & Brothers, 1939), 196-241; Albert U. Romasco, *The Politics of Recovery: Roosevelt's New Deal* (New York: Oxford University Press, 1983), 82-86; Mouré, *Managing the Franc Poincaré*, 91-107.

[46] Altschul to Moley, June 19, 1933, File 359 Raymond Moley, General Correspondence, Altschul Papers.

Altschul urged Moley, when discussing the situation with others, especially foreigners at the World Economic Conference, to emphasize several factors. The first was that the depreciation of the American dollar was having few, if any, detrimental effects on international trade, since the United States was allowing internal prices to rise. The second was that the "re-creation of a prosperous America is the best contribution that we can possibly make to a revival of world prosperity. In the last analysis, a prosperous America will inevitably be a large consumer of many things which Europe and the world as a whole has to sell." Altschul claimed that he had always believed that, "paradoxical as it may seem, a strong economic nationalism was in reality the most enlightened form of economic internationalism in the world as it exists today." Rather than using American currency policy as a means of threatening other countries or bargaining with them, tactics he considered "fraught with danger," Altschul thought Moley should seek to present the American position as the best means of facilitating world recovery, telling European officials:

> We have determined upon a policy which we consider will provide the soundest basis for our own recovery and which we unhesitatingly recommend to other countries as providing the most practical short-cut to world stability. Once the industrial world as a whole has adopted our theory, world stability would be measurably in sight and currency stabilization would follow as a matter of course. If the other great industrial nations fail to adopt our theory, we still believe that we can achieve measurable success in the domestic field' but international stability would be indefinitely postponed. The old and the new economics cannot usefully work hand in hand. We are bringing to Europe a well-conceived and reasoned philosophy. We consider it to our own interest and to theirs as well. We hope that they will accept it. Until they do, we must avoid all compromises which would even for a moment make it appear less necessary for them to fall in with our views.[47]

Altschul dispatched this letter to Moley, who was by then at sea, on his way to London. When the latter received it he described it as "excellent" and cabled back to Altschul, asking him to send copies to Steve Early, the president's secretary, to be passed on to Roosevelt, and also to William Woodin, the secretary of the treasury.[48] Altschul duly did so, though whether they reached their destination is not known. Four months later, as debates over the stabilization of the dollar were raging in Washington, Altschul clearly thought his perspective still had much to recommend it. In November 1933, Altschul sent another copy of this letter to Charles Michelson, director of public relations in the National Recovery Administration in Washington, with the request that he forward it to Roosevelt. Michelson sent it on to Stephen Early, the president's secretary, with a cover letter in which he described as "quite a personage—member of Lazard Freres & Co. and other international bankers, director of Chase, and all the rest of that sort of thing, and, I understand, quite an authority on the theoretical side of the money question

[47] Altschul to Moley, June 20, 1933, File 359 Raymond Moley, General Correspondence, Altschul Papers.
[48] Moley to Altschul, June 23, 1933, File 359 Raymond Moley, General Correspondence, Altschul Papers.

as well as a conspicuous practitioner of the same."[49] More than thirty years later, Altschul told Moley that he had always wondered whether the copy of this letter he had sent to Roosevelt in late June 1933 had anything to do, "even in a small way," with Roosevelt's decision a few days later to abandon collaborative efforts toward stabilizing international exchange rates at that time.[50]

It is possible that Altschul's letter may have played some part in Roosevelt's eventual decision to abandon all efforts at coordinated international stabilization. He was, in any case, much at odds with his British partners on the issue. After a sumptuous official dinner at the Guildhall in London during the London Economic Conference, James Paul Warburg "[s]aw Sir Robert Kindersley, who was his usual nice self and was very much disturbed about no stabilization and its probable consequences."[51] When Moley finally arrived at the conference, on June 28, he was confronted by a French and British proposal that, in order not to end in a complete fiasco, Britain, France, and the United States should issue an innocuous statement expressing their belief in the principle of exchange stability and in the need for an eventual return to the gold standard, but reserving the right of each nation to do so at a time of its own choosing. Even this, however, eventually became too much for Roosevelt.[52] Attending a garden party and dinner at Cliveden on July 1st, Warburg talked with Brand, who "took me out on the terrace and said that Hull had told him during dinner that Roosevelt had turned down the declaration [drafted by Moley on stabilization] flatly and we had a long talk about the probable result. Curious thing for Hull to tell Brand whom he does not know at all." Warburg later enlarged that "Hull had never seen [Brand] before this evening."[53] The episode was symptomatic of the disunity among the American delegation, with Hull greatly at odds with Moley and, indeed, with several if not most of the other delegates. It was, it seems, the first that Warburg had heard of Roosevelt's decision. On July 3, the president issued a public announcement vigorously rejecting the proposed tripartite declaration, and stating that it would be "a catastrophe amounting to a world tragedy, if the great Conference of Nations . . . should . . . allow itself to be diverted by the proposal of a purely artificial and temporary experiment affecting the monetary exchange of a few nations only. . . . The old fetishes of so-called international bankers are being replaced by efforts to plan national currencies with the objective of giving those currencies a continuing purchasing power." He did, however, state that ultimately: "Our broad purpose is the permanent stabilization of every nation's currency." The American delegation spent some hours trying to devise means of diluting the impact of this presidential "bombshell" before it was issued. In practice, it

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[49] Altschul to Charles Michelson, November 13, 1933, Michelson to Stephen Early, November 13, 1933, enclosing Altschul to Moley, June 20, 1933, File 229 Money (Inflation), President's Official File, Roosevelt Papers.
[50] Altschul to Moley, April 13, 1967, File 359 Raymond Moley, General Correspondence, Altschul Papers.
[51] James Paul Warburg, diary entry, June 26, 1933, p. 1026, James Paul Warburg Oral History, Columbia University Library.
[52] Leith-Ross, *Money Talks*, 170; Ahamed, *Lords of Finance*, 470; Leffler, *The Elusive Quest*, 355; Moley, *After Seven Years*, 243-255; Clavin, *The Failure of Economic Diplomacy*, 131-132; Steiner, *The Lights That Failed*, 694; Eichengreen, *Golden Fetters*, 333; Rosen, *Roosevelt, the Great Depression*, 36-37; Romasco, *The Politics of Recovery*, 86-87; Mouré, *Managing the Franc Poincaré*, 107-108.
[53] Warburg, diary entry, July 1, 1933, pp. 1071, 1072, Warburg Oral History.

effectively ended the World Economic Conference's efforts to coordinate international currency policies, beginning a period of several months when, in an effort to raise prices, Roosevelt experimented with setting the price of the dollar against gold on a daily basis. Most European governments condemned Roosevelt's actions, though the economist John Maynard Keynes applauded them, as did Leffingwell of the Morgan firm and, it would seem, Altschul. It marked the beginning of several years of uncoordinated international monetary policies, during which the United States focused primarily upon domestic recovery.[54]

In the aftermath of the World Economic Conference, the British had to decide just how what policies on sterling and gold they now intended to follow, deliberations in which the British Lazard partners were involved. Two weeks after Roosevelt's message of July 3, 1933, Kindersley and Brand met with Governor Montagu Norman of the Bank of England, and Brand "urged depreciating £--based on 'some internal prices': but not at all competing with $ nor anchored to gold."[55] Later that month, Brand and former Treasury official Lord Bradbury, who had also been a member of the Macmillan Committee, engaged in a public debate in the columns of *The Times* over the best future course for sterling to follow. In two articles published in *The Times* in mid-July, Bradbury argued that the British and American situations were sufficiently different, that at the present time it would be unwise to link sterling to the dollar even informally. In practice, informally the pound was temporarily stabilized against gold at a rate that had remained stable for some months, and he thought that, at least until it was clearer what might happen in future, sterling should be left there. The American priority was to raise domestic prices through inflation, thereby reducing the internal debt burden in the United States. It was still unclear what level of prices American officials sought or, indeed, whether they would be able to stop prices rising further once that level was reached. Bradbury feared the consequences of inflation in Britain, which was, moreover, was a low-tariff nation, whereas the United States had high tariffs. At some stage currency stabilization in both countries was probably desirable, but in the interim it would be unwise to try and tie their exchange rates together. Bradbury concluded "that any attempt to link the exchange value of the pound and dollar in the near future will probably break down, and that, whether it breaks down or succeeds, it will expose us to dangers which we shall be wise to avoid."[56]

When participating in this debate, Brand was, it seems, addressing the arguments not just of Bradbury and perhaps by implication the position of Keynes, but also the stance privately advanced by Altschul, of which he was undoubtedly aware. The fiasco of the London Economic Conference had led Brand to abandon neither his long-time faith in coordinated international

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[54] Clavin, *The Failure of Economic Diplomacy*, 132-134; Rosen, *Roosevelt, the Great Depression*, 37-40; Leffler, *The Elusive Quest*, 356-359; Steiner, *The Lights That Failed*, 694-695; Eichengreen, *Golden Fetters*, 333-338; Moley, *After Seven Years*, 259-268; Ahamed, *Lords of Finance*, 470-473; Romasco, *The Politics of Recovery*, 87-88; Robert Skidelsky, *John Maynard Keynes: The Economist as Savior 1920-1937* (New York: Allen Lane, 1994), 481-482.

[55] Norman, diary, July 17, 1933, File ADM34/22, Bank of England Archives.

[56] Quotation from Lord Bradbury, "Dollar and Pound. I. The Future of Sterling," *The Times*, July 17, 1933; and Bradbury, "Dollar and Pound. II. The Raising of Prices," *The Times*, July 18, 1933.

action, nor his overriding belief in Anglo-American collaboration. In July he told a conference of the Advertising Association:

> The great question was whether nations now could work peaceably and harmoniously together, or whether in trying to work out a system of that kind we were simply building on sand—whether each nation was so politically distinct from other nations that it must stand on its own feet and work alone. Personally he doubted whether in the end that policy was possible; he believed we should go through many years of disturbances and trouble until we found that the only solution was for all of us to live more internationally.

Brand believed that, while all nations sought currency stability if this was attainable, the "true division" was "between the nations which wanted a rise of prices and those that did not." In the first category he put the United States "and all raw material producing debtor countries, such as Autralia, India, and the South American countries." Those opposed to price inflation included the gold bloc nations of Europe, who were determined to stay on the gold standard, and the Central European nations that had experienced hyperinflation during the 1920s and were unflinchingly opposed to its recurrence, whatever the short-term arguments in favor of higher prices. Britain stood "[m]idway between the two groups." At the time he wrote, Britain's currency had effectively been informally tied to gold for the previous five or six months, but if the gold bloc countries continued to resist price inflation, that might not be a feasible long-term strategy. In the long run, he still hoped to work with the United States, believing that, if Britain did so, "we might do what would be extraordinarily important both to us and to them, and that was to help to moderate their policy and bring them back from extreme courses, if they contemplated them, to moderate courses in cooperation." He did not, however, believe it was possible to "peg the pound sterling to the dollar while the United States was shooting the rapids," nor did he favor tying sterling to the gold bloc, since he thought Britain "ought to be free to deal with our exchange according to our interests." His ultimate strategy of coordinated international action nonetheless remained unchanged, as he concluded:

> The greatest problem in the world at the moment was a wise currency policy on the part of the United States and on the part of this country. If we could see our way to cooperating with them—and they could make that possible to us—in a policy which was not seriously damaging to the gold countries, he believed that in a short time they might see quite a different world from the world they saw to-day.[57]

The next day, an editorial in *The Times* endorsed Brand's position, suggesting that sterling should in the short term be tied neither to the franc nor the dollar, but held at the level that would best promote the interests of Britain and the empire, while encouraging a gradual and less pronounced rise in prices in Britain.[58] Over the next two weeks, Brand and Bradbury exchanged letters in *The Times*, seeking to clarify their points of agreement and difference. Both agreed

[57] "A British Currency Policy: Problems of Exchange," *The Times*, July 19, 1933.
[58] "A Policy for Sterling," *The Times*, July 19, 1933.

that the time was not yet ripe for permanent stabilization, but Bradbury supported maintaining, at least on a temporary basis, tying sterling to the gold franc at a rate of 86 francs to the pound, a policy he believed would help to prevent further inflation. Bradbury could "expect little but evil from a rise in the general price level."[59] Brand supported moderate increases in British prices, "in order to make British industry more profitable," encourage "production and new enterprise," and thereby reduce unemployment. Social unrest, not inflation, was his greatest worry, since he believed: "No danger . . . could be as great as that which we face now from the continued presence of many millions of unemployed in the great industrial countries, particularly in the United States and Germany, which actually threaten the whole social fabric." In terms of currency stabilization, he advocated "a frankly opportunist policy," since Britain and its dominions, including Australia and Canada, did far more trade with the United States than with the gold bloc countries. Tying the pound to gold would make it more difficult to "cooperate as far as we can with the dollar world and not entirely separate ourselves from it. All the more so because the dollar and sterling worlds have common interests in favour of rising prices, and our more moderate policy might help to moderate theirs."[60]

From Brand's point of view, Britain's international financial status was a further complication. By summer 1933, fears of further depreciation in the dollar were causing short-term funds to flood into London, putting upward pressure on sterling, but also arousing fears that when the situation changed this 'hot money' might leave as rapidly as it had entered.[61] In an effort to moderate such swings, Britain had recently established an Exchange Equalization Fund, to trade in gold and foreign exchange, but given shifting American dollar policies, Brand felt that it might actually be counter-productive to try to use this mechanism to prevent such gyrations, since this might actually encourage short-term capital flows. As Brand pointed out, this made it far more difficult for Britain to pursue its own interests in isolation:

> If London were not a great world financial centre there should be little difficulty in following a policy which, for instance, a country like Sweden has recently laid down for itself–namely, to manage our currency in such a way as to facilitate a gradual rise of prices internally, even if that involved a certain depreciation against gold. But our difficulties are greatly increased through London being one of the two great financial centres of the world, the other one, New York, being for the moment largely out of commission. We therefore bear in a peculiar degree the burden of those large and rapid movements of short-term floating capital looking for safety which entirely overshadow in their immediate effects on the exchange the slow and more fundamental influences of the balance of payments.

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[59] Bradbury, letter to the editor, *The Times*, July 21, 1933; also Bradbury, letter to the editor, *The Times*, July 27, 1933.
[60] Brand, letter to the editor, *The Times*, July 24, 1933.
[61] Brown, *The Flight of International Capital*, 38-41; Eichengreen, *Golden Fetters*, 332-333.

Pressed by Bradbury to specify what "practical steps" he would take if he were responsible for British policy, Brand stated:

(1) I would gradually release control of the sterling-franc exchange in order to indicate by facts our intention to pursue our own policy.
(2) I would make the basis of my policy a regard for our own internal interests, recognizing that our cheap money policy will tend towards a further general rise of prices, and therefore some depreciation of sterling as against the exchanges of those countries which pursue a wholly different policy. I believe this would do something to discourage the flow of large temporary and fugitive balances here.[62]

Brand's public pronouncements on currency and exchange policy annoyed Governor Montagu Norman of the Bank of England, who was still smarting and depressed from the failure of the London Economic Conference, on which he had pinned many hopes. Such matters fell, he felt, within his own purview, and he resented what he viewed as Brand's efforts to influence policy in these areas, arguing that they might compromise his own freedom of action. Sir Robert Kindersley, Brand's senior partner and the chairman of Lazard Brothers, was a director of the Bank of England, and at the end of July Norman complained to him about Brand's "troublesome letters in Times."[63] Within a few days, the two Lazard directors paid a call on Norman, who reported that Kindersley "seems to have had a show-down with Brand who now regrets the Letters to 'Times.' So does RMK [Kindersley] who fully sees his personal responsibility to Bank for his partner[']s words & letters on National & Bank policy. Brand will write no more letters without RMK's agreement."[64] Three months later, the episode still rankled with Norman, who mentioned it again in his diary.[65] Brand, meanwhile, restricted his expression of opinions to less public arenas. Commenting in August 1933 on a potential article for *The Round Table* on sterling policy, Brand warned that, while "a moderate and regular rising of prices" in Britain was desirable, this should not be too "sudden and large," since it would be unwise to provoke an inflationary spiral. The recent depreciation in the United States should make it possible for British prices to rise against the dollar, while allowing British exchange to fall against the franc, which was still on gold. Given that Britain sought moderate inflation of prices, Brand remained somewhat alarmed at the possibility of pegging sterling to the franc, when France was pursuing deflation, because he feared that to do so might simply force Britain off gold again.[66]

Throughout 1933, Brand and Altschul were espousing radically different approaches to national and international recovery, and discussing their preferred strategies in great detail. If the two

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[62] Brand, letter to the editor, *The Times*, July 29, 1933.
[63] Norman, diary, July 31, 1933, File ADM34/22, Bank of England Archives.
[64] Norman, diary, August 3, 1933, File ADM34/22, Bank of England Archives.
[65] Norman, diary, November 8, 1933, File ADM34/22, Bank of England Archives. On Norman's efforts to stifle all such deviations from orthodox economic policy by directors of the Bank of England and other influential bankers, see Kynaston, *The City of London: Illusions of Gold*, 396-397.
[66] Brand, "Memorandum," August 3, 1933, enclosed in Brand to H. V. Hodson, August 3, 1933, File 128/2, Brand Papers.

men corresponded with each other on the subject, however, perhaps through the voluminous communications perpetually in progress among the three Lazard houses, no records of their interchanges have survived in either banker's papers. By summer 1933, less than six months after Roosevelt took office, the first signs of a growing distance between Altschul and the New Deal were already becoming evident. After Moley's return from London, Altschul wrote to him once more, in anticipation of a meeting the two men had scheduled for July 19th. Noting that economic indicators were improving, he told Moley that he had always "looked upon the Administration policies as parts of an organic whole designed to permit us to regain within the framework of the capitalist system much of the ground lost in recent years by a too dogmatic adherence to the theories of classical economists and the principles of laissez-faire." While describing the New Deal's measures as "extraordinarily well-conceived," so that they still "held every promise of accomplishing the result desired," Altschul warned Moley that he now perceived "certain dangers . . . emerging," in terms of industrial recovery, currency stabilization, and speculation, that might threaten "the possibility of complete and early success." The first of these was the National Industrial Recovery Act of 1933. While Altschul admitted the need to "increase the purchasing power of the farming community" and "to increase the pay envelope of the industrial worker," he recounted how many industrialists, managers, and others were coming to "fear a farmer-ridden and a Labor-ridden" government, "of the type which, in England for example, has been so disastrous to the common welfare." Altschul feared that this might bring a resumption of class warfare between capital and labor, and suggested that before long Roosevelt should speak to the nation "indicating that his concern is with the welfare of the country as a whole," not just particular interests or groups.

Turning to currency issues, Altschul told Moley that, while it was still too early to decide when or at what rate the dollar should eventually be stabilized, this should remain the administration's eventual goal. Continuous depreciation of the currency and persistent inflation would, he believed, "be little short of a national calamity." He suggested that the government begin an educational campaign, to combat "inflationist ideas" before these became "too deeply ingrained in the thought of the country." He also urged the government to begin operations on the international exchanges, to prevent massive swings in the value of the dollar against gold and other currencies, with either the Federal Reserve System or the Treasury doing so through a mechanism similar to the British Exchange Equalization Fund. He feared that otherwise, overseas speculation against the dollar and capital outflows and inflows from and to the United States might get out of hand, causing "new violent and undesirable fluctuations in the exchange rates." The government should also build up reserves of sterling and francs, as well as dollars, to facilitate its currency moves. Lastly, Altschul noted that there had been a "revival" of speculation on the New York Stock Exchange. He warned that any pronouncements the administration made on the subject to try and restrain such tendencies might easily prove counter-productive, and suggested that the government should work closely with Stock Exchange officials, among whom he himself, of course, was prominent, to put in place restrictions to discourage undue speculation. Moves he thought desirable included tighter

margin requirements, and closer supervision of pool operations and transactions based upon options. In Altschul's view: "Forward steps by the Stock Exchange in these fields would put effective barriers in the way of the lunatic fringe, from the uncontrollable activities of which we are all apt to suffer in the end."[67]

Such misgivings as Altschul had about the New Deal were still largely in abeyance when he gave a rare newspaper interview to the Scripps-Howard press in September 1933, on the topic "Can Capitalism Survive?" The journalist Forrest Davis, who interviewed him, reported that Altschul endorsed New Deal social reformist policies and "look[ed] forward to an economic organization in which rewards will be handed out more plentifully, in which the common life will be made more abundant and abuses gradually removed. He has no fear for the future." Indeed, Altschul apparently believed the United States had weathered the worst of the crisis and was "about to enter upon a period of expansion, its growth impeded temporarily by the depression, but not in any sense halted." He believed that the most important features of capitalism, specifically "the rewarding of initiative," would be preserved under the New Deal order. In terms of taxation, he believed this could be accomplished through "high inheritance duties" and heavier taxation levels on unearned income from investments, as opposed to income derived from salaries or wages. Overall, he "look[ed] without dread upon reforms in the conventional system: larger control over wide-scale enterprises, the assurance of well-being to underprivileged classes."

Here as elsewhere, Altschul reserved his greatest attention for issues of currency and stabilization and economic regulation. He repeated the themes he had sounded in earlier correspondence to Moley, that a degree of currency inflation was inevitable, but that it "should be governed minutely so that when and if the government returns to the gold standard with a revalued dollar the world will recognize it as a sign of strength." He supported the establishment by the U.S. Treasury of an exchange stabilization fund, to manage the dollar's price on international markets and to deal in foreign currencies and gold "with an eye to protecting the dollar and influencing the commodity price level." As a top Stock Exchange official, Altschul had already been involved in tightening and reforming that organization's regulations, in an effort to deter speculation. He bluntly admitted "that large numbers of Americans indulge in gambling on the rise and fall of security prices," something he thought should be discouraged because it was "bad for the economic structure." He favored higher margin requirements, at least $5,000, and believed that stockbrokers had been too aggressive in establishing high-street branch offices that attracted small customers who treated the stock market as they would a "casino." Too much popular attention had, he felt, been focused in recent years upon the stock market, contributing to "the wide swings which disturb conditions," something that should be discouraged in future.[68]

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[67] Altschul to Moley, July 18, 1933, File 359 Raymond Moley, General Correspondence, Altschul Papers.
[68] Forrest Davis, "Can Capitalism Survive?," *New York World Telegram*, September 27, 1933, Writings File, Altschul Papers.

Roosevelt eventually stabilized the depreciated dollar in January 1934 at $35 to the gold ounce, a devaluation of 40 percent on its gold level at the beginning of his presidency.[69] In the interim, the dollar fluctuated, and currency policy continued to rank high among Altschul's concerns. In August 1933, he sent a lengthy letter to John Dickinson, the Assistant Secretary of Commerce, that focused upon currency policy. Altschul applauded the Roosevelt administration's initial focus on raising the domestic price level, a strategy to which he believed abandoning the gold standard had been "vitally necessary." He feared, however, that if no further attention were given to "currency and credit manoeuvres," inflation might easily soar out of control in the near future, undercutting "broad business revival." To safeguard against this eventuality, Altschul "recommend[ed] that plans be advanced looking towards the formation of an exchange equalization fund and towards the creation in New York of a free gold market in which the United States Government would be prepared to intervene." Such operations would help "to determine or influence the course of domestic prices"; they would also be "a prelude to the ultimate determination" of a new gold-dollar price level. At this point, Altschul could not contemplate permanently abandoning the gold standard, since "sooner or later, the long-term capital market must again be opened for financing, and it is hard to believe that long-term investment is going to take place on any scale commensurate with the normal requirements of the country until the restoration of the gold standard, on a basis generally accepted and approved, has either become an accomplished fact or is measurably in the offing." He believed that the measures he suggested would allow the American government to "dominate" the free gold market, and to accumulate substantial reserves of French and British exchange which would enable the American Treasury to counter any future mass flight of capital from the dollar.[70] Dickinson discussed Altschul's proposals with various Treasury officials, who expressed some interest but pointed out that the embargo on exports of gold from the United States seemed to preclude using transactions in gold to affect the American price level.[71]

By fall 1933, as the American dollar oscillated in price from time to time but overall continued to decline in value, large amounts of American capital were leaving the United States for Britain and elsewhere.[72] In October 1933, Altschul wrote to Roosevelt, congratulating the president on a radio address he had just delivered on currency policy. Altschul thought "fundamentally and essentially sound" Roosevelt's "conclusion that to revalue the dollar before some measure of domestic equilibrium had been attained would be clearly putting the cart before the horse." He endorsed the New Deal's objective of encouraging "higher commodity prices." He also suggested that Roosevelt's existing strategy of intervention in the domestic gold market might in future need to "be supplemented by the willingness to intervene directly in the exchange

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[69] Ahamed, *Lords of Finance*, 473-474; Eichengreen, *Golden Fetters*, 338-345; Clavin, *The Failure of Economic Diplomacy*, 172; Sayers, *The Bank of England*, 2:467; Romasco, *The Politics of Recovery*, 137.
[70] Altschul to John Dickinson, August 8, 1933, File Dev-Dry, General Correspondence, Altschul Papers.
[71] Dickinson to Altschul, August 19, 1933, also T. W. Walker to Altschul, File Dev-Dry, General Correspondence, Altschul Papers.
[72] Eichengreen, *Golden Fetters*, 345.

markets."[73] The following month, as rumors of an impending American stabilization led to increases in the price of the dollar against gold and sterling, Altschul wrote to his wife's cousin-by-marriage Henry Morgenthau, Jr., at that time acting secretary of the treasury, who had just postponed a tentative scheduled appointment with him to discuss the somewhat precarious exchange rate situation. Altschul suggested that the United States would enjoy a far more advantageous position in negotiations with European countries over currency stabilization with a dollar "weaker than it is today," and to accomplish this suggested that the U.S. Treasury consider "a somewhat aggressive program of buying gold in the European markets." This would also, he thought, prevent gyrations in the American "commodity and security markets in response to premature and ill-considered stabilization talk."[74]

For the rest of the year, stabilization remained a major preoccupation for Altschul. In September 1933 Moley, Altschul's first patron within the Roosevelt administration, resigned as assistant secretary of state and, although for quite a few years he still gave advice to Roosevelt on a variety of topics, was now editing a magazine. Morgenthau's star, by contrast, was rising, as he moved from heading the Federal Farm Board to take over the Treasury, due to the serious illness of William Woodin, Roosevelt's first secretary of the Treasury. After several months as acting secretary, on January 1, 1934 Morgenthau was confirmed as secretary, a position he retained until Roosevelt's death more than eleven years later. When Roosevelt nominated Morgenthau for this position, Altschul wrote congratulating him, and offered the new treasury secretary the benefit of his "experience in connection with matters of foreign exchange and gold." Altschul was, he stated, willing to provide "assistance behind the scenes in greatest confidence."[75] The relationship between the two men tended, however, to be problematic, as Morgenthau was often suspicious of Altschul's advice and motives.

Altschul also enclosed for Morgenthau's use two memoranda on a "Suggested Program" of currency stabilization that he had prepared and redrafted over the previous weeks, in consultation with Charles Michelson, publicity director of the Democratic National Committee.[76] Altschul sought to consider stabilization of the dollar in its broader international and domestic context. He suggested that any profits arising from these operations would be held by the Treasury and used to expand the American economy, while helping to meet fiscal deficits. Such funds would, he hoped, "have a tonic effect on the market for short term and long term Government bonds." Some of the profits accruing to the government should, he thought, be assigned to the Deposit Guarantee Corporation, an agency just established to guarantee deposits in American banks, and

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[73] Altschul to Roosevelt, October 23, 1933, File 176 Franklin D. Roosevelt, Catalogued Correspondence, Altschul Papers.
[74] Altschul to Morgenthau, November 27, 1933, File 151 Henry Morgenthau, Jr., Catalogued Correspondence, Altschul Papers.
[75] Altschul to Henry Morgenthau, Jr., November 15, 1933, File Henry Morgenthau, Jr., Catalogued Correspondence, Altschul Papers.
[76] For Altschul's preliminary work on currency stabilization, see Altschul to Charles Michelson, November 10, 13, 14, 1933, and Altschul, Memorandum: Position in the Light of Recently Adopted Gold Policy," November 10, 1933, File Mic-Miles, General Correspondence, Altschul Papers.

they would thereby strengthen "the banking structure as a whole." Altschul also advocated directing profits from stabilization into a fund to maintain the prices of farm products, thereby discouraging speculation in the commodity markets.

Despite his espousal of economic nationalism over the previous year, Altschul's instincts were still internationalist, and ideally he would have preferred to coordinate an American stabilization program with the authorities in both Britain and France. Britain had gone off gold in 1931, but the pound had effectively found a stable level against gold, while France was still on the gold standard, with French officials grimly determined to remain part of what had become known as the gold bloc, those countries—France, Belgium, Holland, Switzerland, Czechoslovakia, and Poland—that had up to that time resisted pressure to devalue their currencies or leave the gold standard. Altschul feared that independent stabilization by the United States "accompanied by appropriate measures to restore confidence at home would be attended with a repatriation of domestic capital so great in volume that the gold bloc would, in our opinion, be forced off gold almost immediately. The European exchanges would then decline in terms of the new stabilized dollar, thus introducing into the world economy a new element of uncertainty." This, in turn, would then compromise American economic recovery. He was particularly concerned about the potential "unfavorable effects on the prices of domestic farm products of a new depreciation of foreign currencies." Altschul's ideal solution was that the United States government should decide the level at which it wished to return to gold, and "should then determine the extent of the devaluation of the pound sterling that would express a parity of exchange between London and New York considered by us as satisfactory." The French would be left on the gold standard at their existing level, though he anticipated that they might need to adjust the franc's value in terms of gold by about ten percent. In return, the United States would offer to impose exchange controls on "flight capital," to prevent a "huge repatriation of American funds" from Europe to the United States once stabilization occurred, and the disruption of the international exchanges that would ensue from this. All three countries would participate in the imposition of such exchange controls. The shipping of gold would be left in the hands of the three countries' central banks. Altschul believed that such an international arrangement would have advantages for all countries involved. In his words:

1. The basis would have been laid for a continuing world stability.
2. The specter of constantly depreciating exchanges, today the dollar, tomorrow probably the franc or the pound, would have been removed.
3. The French would see the threat to the gold standard, to which they attach such importance, removed.
4. The British would see, or could be shown, the possibility of resuming their position as world bankers on the basis of a London money market made extraordinarily easy for a long time to come by the blocking within the British economy of the flight capital.

Altschul had no problems with the fact that the scheme he suggested would involve the extension of government controls over the international movement of capital. He pointed out that "while

such a program involves the immobilization abroad for a prolonged period of a considerable sum of American liquid capital." In his view, there was "no need to waste undue sympathy on the individuals who have elected to invest for a rather longer period than they anticipated in other lands." Altschul also suggested that, if practical considerations in terms of the passage of legislation to implement these proposals meant they could not be carried out immediately, Britain, France, and the United States might cooperate in imposing exchange controls, and Britain and the United States should simultaneously embark on de facto stabilization, to be followed by de jure stabilization of their currencies at a later date. When such measures were taken, he hoped that the president would issue a statement emphasizing his "intention to bring about domestic stability within the framework of the existing order"; to ensure that "the abuses of the past recently so abundantly disclosed shall not reoccur"; his objective "to bring about a more equitable distribution of the national income"; and his "recognition of the importance of stimulating business revival to the end that the national income which is to be more equitably distributed should in the aggregate tend to materially increase."[77]

Altschul had the opportunity to discuss these proposals with Robert Brand, who arrived in the United States in late November and remained there for about ten days. Just before his departure on what he described as a brief visit to the United States to "look around for a day or two," Brand wrote to Norman at the Bank of England, offering to undertake any errands or commissions the governor might have for him, and noting that he knew "a good many people there including the President." Rather gloomily, Brand continued: "I am afraid you have a very difficult problem on your hands as between damaging the Gold countries, & the difficulties which will arise if we have to let the U.S.A. help to deflate prices here & throughout the sterling countries. If only American prices wd. rise equivalently to the fall of the $, things mt. be all right. But that can't be expected for a long time. There is no idea how F.R. [Franklin Roosevelt] proposes to keep the $ at $5.50 or $6. Is he ready to buy unknown quantities of gold or sterling? And behind all stands Congress & their actual financial situation."[78] Rather tartly, Norman commented on this letter that Brand's "trouble is he finds out too much -- & is muddy minded: always seeks best of both worlds in many words—also we are better without Lazards in Exchange."[79] Norman unavailingly discouraged Brand from making this trip, confiding to his diary that "he will learn nil!"[80]

As he had been a year earlier, Brand was accompanied on his journey by his long-time friend and brother-in-law, Waldorf, Viscount Astor. The two men divided their time between New York and Washington, flying down to Washington for tea with Roosevelt on December 8, 1933, the day before they left. During that time, Brand recounted, they "managed to see a good many people," and engaged in almost incessant discussions on the future of the dollar. In Washington,

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[77] Altschul, "Suggested Program," November 17, 1933, and "Suggested Program, Revised and Amplified," November 22, 1933, Writings File, Altschul Papers.
[78] Brand to Norman, received November 20, 1933, File G1/470, Bank of England Archives.
[79] Norman, undated handwritten note, G1/470, Bank of England Archives.
[80] Norman, diary, November 20, 1933, November 20, 1933, File ADM34/22, Bank of England Archives.

they met with Sir Ronald Lindsay, the British ambassador; Columbia University professors Rexford Tugwell, Adolf A. Berle, and James G. Rogers, key members of Roosevelt's Brains Trust; Herbert Feis, economic adviser to the U.S. State Department; Oliver M. W. Sprague, economic adviser to the Treasury Department; Lewis W. Douglas, the director of the Bureau of the Budget; Frances Perkins, the secretary of labor; Norman H. Davis, Roosevelt's adviser on disarmament and international economic policy; Henry A. Wallace, the secretary of agriculture; George N. Peek, administrator of the American Agricultural Agency; Adolph Miller, long-time governor on the Federal Reserve Board; and Eugene Meyer, who had just bought the *Washington Post* newspaper. In New York they encountered a wide array of bankers, including George Harrison, John H. Williams, W. Randolph Burgess, and Emanuel Goldenweiser of the New York Federal Reserve Bank; Thomas W. Lamont and Russell C. Leffingwell of the Morgan firm; James H. Perkins and George E. Roberts of the National City Bank. They also met with several journalists, most notably Walter Lippmann, the influential political commentator.

Returning from this trip with Astor on the S. S. *Majestic*, Brand wrote a lengthy memorandum on his impressions of the how U.S. gold and currency policies were likely to develop. He and Altschul differed as to whether the dollar was likely to strengthen against the pound and franc in the near future. Brand had "no doubt that the dollar has very great elements of strength and that one day the world will be put in a quandary, as it was by the French in rather similar circumstances, by capital wishing to return in large amounts to the United States." Brand recounted that this led Altschul "to believe the dollar must appreciate soon and that the United States, as well as Great Britain and France, will be forced to stabilise with the pound at any rate and probably the gold currencies relatively more depreciated in relation to the dollar than at present by whatever reduction in the gold content of each which may be agreed upon." Brand disagreed, since he thought it unlikely that Britain could "agree on a rate which the United States would now accept, or stabilise with the dollar until the United States have reached at any rate a little more stability." He also felt "it would be very risky for the United States definitely to stabilise with her affairs in the disorder which they are now in." According to Astor, during their stay the two visitors were on the receiving end of hints that the United States "wishes to stabilise shortly with Britain and France on the basis that Britain and France reduce the gold value of the pound and franc." Given the prevailing political influences against deflation in the United States, Brand thought the dollar was under-valued, but nonetheless believed it was unlikely to appreciate much above its former par with sterling, and that it was more likely to depreciate.[81]

The precise source of these hints on British revaluation of the pound is not clear, but given the policies that Altschul was advocating at this time, it seems likely that he was responsible for at least some of these overtures. Harrison of the New York Federal Reserve Bank almost certainly also did so, since he was involved in negotiations on the same subject with Norman at this time.

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[81] Brand, memorandum and attached "Notes," December 18, 1933, File 1066/1/98 Robert H. Brand, Waldorf Astor Papers, Reading University Library, Reading; see also Waldorf Astor, memorandum, December 14, 1933, File 1066/1/98 Robert H. Brand, Astor Papers.

During his White House meeting with Brand and Astor, the president, too, who hoped to undertake stabilization of the dollar in collaboration with Britain and France, seems to have sent out feelers on the subject.[82] Just before their ship left for the return voyage to Britain, Brand wrote a three-page letter to Roosevelt, following up on their conversation the previous day. Brand affirmed his fundamental conviction that "international currency stabilisation is of the highest importance" and told the president that, "imperfect as it is, I know of no adequate substitute for the gold standard." He did not, however, believe that the world was "in such a dangerous state through the instability of currencies" as to make it essential to stabilize the pound and dollar immediately against each other and against gold. He believed that at its present rate of more than $5.00 to the pound the dollar was undervalued. Normally, unless there were "a rapid rise of internal prices," that mismatch could be expected to "exercise . . . a disturbed deflationary effect on the rest of the world," which would quickly destabilize exchanges once more. Brand nonetheless thought that there were so many uncertainties in the existing situation in the United States, that it was impossible to tell whether this or the reverse was likely to occur, since a decline in confidence in the United States might easily lead to further flight of funds away from the dollar. Britain could not discount the possibility that, should the United States stabilize at "too low a level in comparison with the pound," the American dollar might once more be forced off gold, with all the disruptive consequences that would entail for other currencies. He therefore felt that, while "relative stability" of the dollar was highly desirable, "a definite stabilization would be dangerous until your internal conditions have reached a greater degree of equilibrium and your prices and level more in harmony with the present exchange value of the dollar." An essential precondition of such developments was, Brand believed, a revival of business confidence within the United States. To accomplish this required "above all such a rise of prices [in the United States] as will bring them into conformity with the exchange value of the dollar." Brand recommended that, besides pursuing inflationary measures, the Roosevelt administration should seek to establish the dollar at a reasonably steady level; and amend the new Securities Act so as to encourage bankers to offer new issues of stocks and bonds. Only when American internal problems had been addressed would it be possible for Britain and the United States to consider coordinated stabilization measures. Brand also warned that, as things stood, it "would be politically quite impossible" to persuade France to enter into a joint Franco-Anglo-American stabilization initiative "based on reducing the gold content of the franc."[83]

However tactfully Brand may have tried to phrase his communication to the president, at this juncture he was only expressing the prevailing opinion in British official circles: that however desirable a return to a situation in which currencies were linked to gold might be in theory, while Roosevelt's currency policy and his economic strategy were so erratic and unpredictable it would at this juncture in practice be unwise to tie the pound formally to the dollar at any fixed rate. In

[82] Romasco, *The Politics of Recovery*, 137.
[83] Brand to Roosevelt, December 9, 1933, File Robert H. Brand, Box 1396, President's Personal File, Roosevelt Papers; there is also a copy in File 1066/1/98 Robert H. Brand, Astor Papers.

all probability, Brand's views only reinforced Roosevelt's existing predilections that the United States should follow independent policies on currency stabilization. Brand's intervention in stabilization diplomacy nonetheless infuriated Montagu Norman of the Bank of England, who received suggestions in November and December 1933 from the head of the New York Federal Reserve Bank that it might be time for Britain and the United States to negotiate a de facto and perhaps even de jure stabilization agreement covering sterling and the dollar. Negotiations broke down when Britain refused to pledge to allow no greater depreciation in sterling than the dollar experienced.[84] Still, so far as the governor was concerned, Brand had been poaching on his own preserves. On learning of Brand's activities after his return, Norman apparently castigated both him and Kindersley verbally and in writing for ignoring their earlier agreement, and also complained to Sir Warren Fisher, the permanent secretary to the Treasury and head of the British civil service, leaving Brand "hot and angry and hurt."[85]

Given these circumstances, despite Altschul's increasing emphasis on coordinated international action the United States government initially eschewed cooperation with Britain and France and embarked on stabilization of the dollar in January 1934 as an independent initiative.[86] Altschul was among those financiers whom the Roosevelt administration consulted on currency and stabilization issues immediately prior to re-pegging the dollar against gold. Clearly, winning or coercing British and French acquiescence in American strategies on these issues was still an important objective for those involved. In mid-January 1934 Morgenthau, who had just become Secretary of the Treasury, met informally to discuss currency policy with several leading bankers, including Altschul, W. E. Crane of the New York Federal Reserve Bank, L. F. Loree of the Guaranty Trust Company, and S. Parker Gilbert of the Morgan firm. The gathering considered the possibility of an Exchange Equalization Fund along the lines of that Britain had established in 1932, something that Altschul had by then been advocating for several months, and concluded "that the only way we can keep the £ from going down is thru an equalization fund; that as soon as we have this fund that we should have a free gold market in N.Y. [New York]." Gilbert and Altschul were the most vocal in viewing such tactics as a means of forcing the Europeans to come to terms with the United States on currency policy. In the second half of 1933, American gold buying policies had already put the franc under heavy pressure.[87] "Parker Gilbert felt that we should first operate the fund and then let the British come to us. Altschul also thought that if we began to put the screws on the French by letting the French ship unlimited amount of gold to our free market in N.Y. that this would result in the French running to Great Britain for help and in turn having Great Britain come and talk to us. They all doubted whether we could single handedly control the return of capital from abroad to the U.S." Morgenthau's

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[84] Sir Henry Clay, *Lord Norman* (London: Macmillan, 1957), 407; Clavin, *The Failure of Economic Diplomacy*, 185-186; Rosen, *Roosevelt, the Great Depression*, 64-66; Romasco, *The Politics of Recovery*, 136-137.
[85] Norman, diary, January 19, 1934, File ADM34/23, Bank of England Archives; also Norman, diary, January 22, 24, 1934, File ADM34/23, Bank of England Archives.
[86] Romasco, *The Politics of Recovery*, 137.
[87] Mouré, *Managing the Franc Poincaré*, 145-146; Eichengreen, *Golden Fetters*, 353-356; Brown, *The International Flight of Capital*, 43-44.

ever lurking distrust of Altschul was apparent in his comment: "This seems to me to be a different position than what Altschul took a month ago. Out of the whole group I felt that Parker Gilbert was giving me the most sincere advice. My guess would be that Frank Altschul's position in the exchange is different today than it was when he was down here a month ago."[88] Political rivalries between the Lehman and Morgenthau camps perhaps contributed to the persistent strains in Altschul's relationship with Morgenthau. Herbert Lehman, the uncle of both Helen Altschul and Elinor Morgenthau, was more like an elder brother than uncle to both girls. The Morgenthaus and the Lehmans were very close for much of the 1920s, but when Lehman became lieutenant governor of New York and the two politicians "began competing for favor in the Roosevelt camp, the familial camaraderie cooled," Henry Morgenthau's son recalled. "I think both my parents harbored an uneasy feeling that they might be outbid in their political ambitions, especially because of the unspoken fear that there was some kind of Jewish quota at the top."[89] Altschul, whose sister was married to Lehman, may well have been caught in the eddies of this contest for power and influence in the Democratic Party.

Once the dollar was effectively stabilized in January 1934, heavy gold flows continued in both directions across the Atlantic, as short-term investors weighed the benefits of one currency against another.[90] With the franc temporarily strong, in August 1934 the New York Lazard house dispatched $5,000,000 in gold to France on the liner, the *Lafayette*.[91] A few days later, the Federal Reserve Bank of New York sent another $1,000,000 on the *Europa* to the Paris Lazard house and the Guaranty Trust Company.[92] Three months later, the situation was reversed, as Lazard Frères in Paris sent 44,530,000 francs in gold to New York.[93] In other ways, the French Lazard firm continued to be a prominent player in efforts to solve its own country's financial problems. In 1933 it was one of several French banks that put together a rescue package for the Banque de l'Union Parisienne, a leading financial house that had invested heavily in German obligations during the 1920s and experienced serious difficulties once payments on these were suspended in 1933.[94] The French government continued to encounter difficulties in raising funds to cover its budget deficits. It is not certain whether Altschul knew that in March 1934, the Paris Lazard house was involved in offering 100 million guilders worth (around 1,000 million francs) of three-month French Treasury bills with three renewals, meaning they could be extended for a total of twelve months, at 4 percent on the Amsterdam market. Members of the Morgan firm in Paris noted that these securities were redeemable in Dutch guilders or gold rather than French francs. Lazard Frères & Cie. had apparently "assisted in the negotiations" though, since they had no Amsterdam office, they were not among the issuing banks. They had also "purchased some

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[88] Henry Morgenthau, Jr., diary entry, January 19, 1934, Vol. I, Henry Morgenthau, Jr., Diary, Franklin D. Roosevelt Presidential Library, Hyde Park, NY.
[89] Henry Morgenthau III, *Mostly Morgenthaus: A Family History* (New York: Ticknor and Fields, 1991), 257.
[90] Eichengreen, *Golden Fetters*, 345-347, 352-353; Brown, *The International Flight of Capital*, 48-51.
[91] "Gold from United States," *The Times*, August 25, 1934.
[92] "City News in Brief," *The Times*, September 7, 1934.
[93] "Gold Movements," *The Times*, November 15, 1934.
[94] Anne Sabouret, *Lazard Frères & Cie.: Une Saga de la Fortune* (Paris: Olivier Orban, 1987), 99.

of the Bills." The Bank of the Netherlands, it seems, authorized this operation on condition that the subscribing French banks were prepared to pay for the notes out of their own existing gold holdings, rather than putting any pressure on the Dutch exchange.[95]

Although Altschul occasionally helped to arrange trans-Atlantic gold shipments in one direction or the other, and was in constant contact with his French and British partners, for much of the 1930s he was focusing primarily on domestic American questions. In this context, the often iconoclastic economic views of John Maynard Keynes, who had long since become an academic celebrity, continued to intrigue him. More than thirty years later, Altschul recalled that he met "Keynes on many occasions both [in the United States] and at Cambridge and he always made a deep impression on me."[96] On May 21, 1934 Altschul was one of eighteen members of the Council on Foreign Relations who attended a dinner in honor of the British economist, who was on a four-week visit to the United States, during which he met Roosevelt and received an honorary degree from Columbia University. Others at the dinner, which was intended to allow for an "informal exchange of views" between Keynes and the other attendees, included Leffingwell of the Morgan firm, the brothers John Foster Dulles and Allen W. Dulles, former Treasury secretary Ogden L. Mills, the journalist Walter Lippmann, and several Federal Reserve officials.[97]

Despite his occasional contacts with Morgenthau, Altschul's distance from the New Deal was apparently growing, as he developed distinct reservations toward its monetary and currency policies. He was particularly uncomfortable with the legislation the Roosevelt administration sponsored to regulate banking and the securities industry. As early as January 1934, less than one year after Roosevelt took office, the honeymoon was over. Altschul involved himself an effort to bring together a group of big businessmen, to present to the "American public . . . a 'middle of the road' program for recovery which will outline a clear-cut course between the extreme programs being urged on the one hand by the deflationists and on the other by the inflationists." The program he put forward included a major expansion of credit; reining in government spending; social reform policies; broad acceptance of the "profit system in business"; a sound currency; and moderate inflation, to restore prices to 1929 levels. Its main points were:

1. Credit expansion along every front to increase amount of available credit and thus restore trade and production.
2. Sound government credit.

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[95] A. V. Arragon to Rennell Rodd, March 16, 1934, File 14 France (1932-1935), Box 30, Files France 1919-1938, Morgan European Bank Papers.
[96] Altschul to John Kenneth Galbraith, May 18, 1965, File J. K. Galbraith, Catalogued Correspondence, Altschul Papers.
[97] Material on meeting with John Maynard Keynes, May 1934, Meetings File, Council on Foreign Relations Papers, Mudd Manuscripts Library, Princeton University, quotation from telegram, Lippmann to Keynes, May 7, 1934; Moggridge, ed., *The Collected Writings of John Maynard Keynes*, Vol. XXI: *Activities 1931-1939*, 320-321; Skidelsky, *John Maynard Keynes*, Vol. II: *The Economist as Savior*, 504-509.

3. Sound budgetary control of government expenditures.
4. A continuance of the profit system in business based on the principle of social justice to all the people of the country rather than to a limited few.
5. 'A sound but adequate currency.'
6. The re-establishment of a price level on which debts can be paid in dollars which, on the average, represent purchasing power at which the debts were contracted.
7. The rehabilitation of banks and bank credit to meet the needs of the American public.[98]

The proposed public business manifesto apparently never materialized. That it had been contemplated was, however, an indication of Altschul's growing distance from the Roosevelt administration, something he still at intervals sought to remedy.

In June 1934 Altschul wrote rather plaintively to Moley, who had returned from London some weeks earlier, recounting how he had several times over the past month left telephone messages with Moley, "in the hope that we might be able to resume the exchanges of views which had in the past been so extremely interesting to me, and as I thought possibly in some slight measure helpful to you." Moley had never returned his calls, leaving Altschul "wondering if there is some reason for this." Altschul nonetheless said he would be "delighted" if they could manage to "sit down and talk things over again," and offered to do all he could to find a time to suit Moley's convenience.[99] There was, it seems, some kind of reconciliation. In July 1934, Altschul met at least twice with Moley. On the first occasion, he laid particular stress on the need to instill greater overall confidence in the United States, to bring about "a change in public psychology" and break "the vicious circle of apprehension, contraction, stop-gap governmental spending, governmental interference in business and increasing contraction." Writing afterwards to Moley, Altschul argued that the United States was "in a period of transition involving a readjustment from the economics of scarcity to the economics of plenty." In his view, "we have now reached a point in the development of our national economy where, with reasonable effort, food, clothing, shelter, education and medical care can be provided for the whole population. To my way of thinking, this means that decent standards of living and a feeling of economic security should and could be brought within the reach of all. Beyond this, it seems that there is a large realm of things and services which must remain as the reward for unusual effort and accomplishment."

Altschul moved on to discuss why, given this situation, there existed the "paradox of want in the midst of plenty," so that "under our present economy the incidence of purchasing power is such as to create a great disequilibrium within the system." He argued that, in the past, an economy of scarcity meant that only those who succeeded economically were able to provide future security for themselves and their descendants. Thanks to this situation, the existing distribution of

[98] Edward L Bernays to Altschul, January 13, 1934, Altschul, letter sent to several big businessmen, January 16, 1934, File Frank Altschul Outgoing Letters, General Correspondence, Altschul Papers.
[99] Altschul to Moley, June 29, 1934, File 359 Raymond Moley, General Correspondence, Altschul Papers.

economic resources meant there was currently no great relationship between ability and wealth, since its prevailing pattern reflected past attainments and inheritance at least as much as it did present-day accomplishments and contributions. In his view, however, "the liquidation of the past and the development of a new system of rewards and the modification of an old one can at best only take place very gradually." Arguing for incrementalist change, he warned that overly rapid attempts to alter existing economic arrangements would prove self-defeating, because they were likely to diminish rather than increase or even sustain present levels of productivity. In his view, the "first essential in attempting to distribute annual productivity more reasonable and more fairly is to make abundantly sure that during the period of the attempt, productivity will be well maintained to the end that there may be an adequate amount to distribute."

As things stood, Altschul argued, Americans, who had usually trusted in the future, and been "characterized by a high degree of courage and resourcefulness, of self-reliance and self-confidence, and by an implicit belief in our own ultimate destiny," had recently lost those qualities. They had done so despite the fact that they still possessed "the same enormous advantages that had so often stood us in good stead in the past." These included: "[i]mmense natural resources, a homogeneous population, freedom from turbulent neighbors and from serious domestic cleavages, a tried and trusted system of Government." Yet Americans were nonetheless asking themselves, "not what new successes, but what further disasters lie ahead." Until this situation changed, there would be no "sound business revival" in the United States, something that was the precondition of recovery. Further social change and reform was dependent upon this. The president needed to "recognize that this objective can best be attained by first assisting the machine to function smoothly, and then gradually making such accommodations as may be necessary with a view to adapting our old and possible [sic] threadbare economic theories to the facts of today."[100]

As so often with Altschul's written communications, this letter was long on broad interpretation and short on specifics. In a subsequent conversation with Moley, he expanded on the measures he thought the president should take to inspire greater business confidence. On the general level, Altschul suggested that Roosevelt needed to make a major speech, in which he recognized that greater abundance depended on a healthy economy, so that "the primary objective must be to encourage the system to function; and that only secondarily must efforts be made so to distribute the abundance brought into being by a functioning economy that the average man would get a greater share than heretofore." The first of the specific questions that Altschul wished the president to address was securities legislation. He recommended that Roosevelt indicate that he recognized the need for "a functioning capital market," and therefore amend the Securities Act to facilitate underwriting of issues and simplify the filing of registration certificates, problems that were currently impeding the flotation of new investments. In rather less detail, Altschul also urged that the president should make it clear that he sought to reduce government intervention in the economy, and ultimately intended to liquidate the National Recovery Administration, so as to

[100] Altschul to Moley, July 20, 1934, File 359 Raymond Moley, General Correspondence, Altschul Papers.

end its "interference . . . in so many matters that have to do with the daily conduct of the country's business." He advised substituting direct relief for the employed in place of public works programs that provided those out of work with jobs, and thought "every encouragement must be given to private enterprise in order that, as soon as may be, the unemployed might again be absorbed on private payrolls." Seeking to rein in what he saw as radical tendencies on the part of trade unions, Altschul urged that labor should be encouraged to recognize that the "benefits" it had received from the administration "involved corresponding responsibilities," and that "labor must not overplay its hand, but must make its contribution during a period of disturbances to a reviving economy." Altschul once again brought up his own view that high taxes should be imposed on inheritances and unearned income. In conclusion, he hoped the president would "set at rest" rumors that inflation would continue; indicate his intention to reduce government spending; and recognize the importance of encouraging "the profit motive."[101] Roosevelt would soon adopt a more radical approach, but presidential speeches of June 29 and August 9, 1934, in whose drafting Moley assisted, sounded these themes of social harmony, as did editorials by Moley himself at this time.[102]

By summer 1934, Altschul's relations with Morgenthau were becoming increasingly strained. In August Altschul apparently shared one of his memoranda for Moley with the treasury secretary, as the latter recounted in his diary:

> Frank Altschul came in while I had my supper and read a long statement to me, which he had prepared for Ray Moley. It was a very florid, wordy statement supposedly analyzing the fear of the country but gave no suggestions for a remedy. When Frank was thru I said, that is a very pretty statement, but does not suggest anything. I then goaded him in a little bit and got him to talking about what he really had in his mind, namely, the income tax, the securities act, etc. I then said to him, give me the name of the company which wants to be financed and I personally will assist them in getting by the various Washington hurdles. Frank quite excitedly said, that is just what we do not want. We do not want Washington to finance business. I said, that is not what I suggested. I simply said, I will try to get them by the hurdles.

The counsel for the Stock Exchange, Roland Redmond, then called for Altschul, and the threesome carried on the conversation, with Morgenthau asking for an example of a company that wished to borrow money. Morgenthau noted with what may have been misplaced glee that Redmond finally claimed that "the psychological attitude of companies is not right for the moment to borrow money." This was, the Treasury Secretary rather smugly contended, the answer that he always received in such circumstances.[103] Yet, such spats notwithstanding, Altschul still on occasion liaised with Morgenthau on the international currency situation. In

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[101] Altschul, "Memorandum of Conversation with Raymond Moley Amplifying my Letter of July 20th, 1934," August 2, 1934, File 359 Raymond Moley, General Correspondence, Altschul Papers.
[102] Moley, *After Seven Years*, 290-293.
[103] Henry Morgenthau, Jr., diary, August 8, 1934, Vol. II, Morgenthau Diary.

November 1934 the French government was in the throes of one of its periodic cabinet crises, with a possibility that the government would resign in the near future. Altschul discussed the situation with his partners in Paris and reported back to Morgenthau on the implications for gold. His informants had told him that "everybody has been warned of danger of something in respect to gold," and gave him "a general impression from the way they don't say things" that French devaluation was "getting nearer," though there would be no "early Cabinet action" on the subject. They were also nervous about the possibility of "some disturbances or manifestations" of social unrest.[104]

The state of the international exchanges and prospects for currency stabilization also remained an important preoccupation for Altschul's British partners. In late 1934 Brand still hoped for the restoration of the gold standard, telling a radio audience that his "own opinion [was] that we shall ultimately find a return to gold at new parities the least unsatisfactory method of recreating such a standard. But since we have been forced off the gold standard once we must be quite certain first of all that we are strong enough in all circumstances to remain on it if and when we return, and, secondly, we must have some reasonable assurance that conditions in other countries, and notably the United States, are sufficiently stable to exclude the danger of our being dragged up hill and down dale by their vagaries."[105] In early 1935, Brand told Nancy Astor, his sister-in-law, that he had breakfasted the previous day with Pierre-Étienne Flandin, the French prime minister, to talk about stabilisation. But, while it is <u>necessary</u> for the world, the democracies are not going to let it be done for a long time, & so we shall have more tribulation."[106] The British Lazard firm continued to scrutinize developments in American banking policy rather closely. At the end of 1934, Kindersley passed on to the Bank of England information that under the forthcoming new United States Banking Act, legislation that Congress eventually passed in 1935, the Federal Reserve System was likely to regain considerable monetary power, but that the nexus of power would have shifted from the New York Federal Reserve Bank to the Federal Reserve Board in Washington. "In other words, it is to some body in Washington and not to New York that we must look in the future for the directing force in American monetary policy."[107] Kindersley's assessment of the impact of the new Banking Act, which most leading New York bankers opposed, was largely accurate.[108]

Around the same time, Altschul ran afoul of the Washington authorities charged with this direction. While he kept in contact with Morgenthau at the Treasury, by early 1935 Altschul was increasingly at odds with New Deal economic policies. The role of both the New York and Paris Lazard firms in handling gold shipments between France and the United States precipitated

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[104] Frank Altschul, conversation with Morgenthau, November 2, 1934, Vol. II, Morgenthau Diary.
[105] Brand, "A Banker's View of the Problem," *The Listener* (November 14, 1934), 814, copy in File G1/471, Bank of England Archives.
[106] Brand to Nancy Astor, February 2, 1935, File 1416/1/3/13 Robert H. Brand, Nancy Astor Papers, Reading University Library, Reading.
[107]Kindersley, "U.S.A.", December 17, 1934, File OV41/24/87, Bank of England Archives.
[108] On the 1935 Banking Act, see Burns, *The American Banking Community*, 139-175; Meltzer, *A History of the Federal Reserve*, 470-486.

something of a crisis in Altschul's relations with the United States Treasury. In February 1935 the U.S. Supreme Court, by a narrow 5-4 majority, upheld the government's right to regulate the gold content of the dollar. In the weeks before this decision was handed down, commercial shippers moving gold from Europe to the United States, fearing that the Supreme Court might rescind the government's authority, were reluctant to handle such transactions on behalf of the Federal Reserve System, since they feared that, once gold shipments arrived, they might be worth less than the contracted market price previously agreed. This was a matter of some concern to Altschul, since Lazard Frères were among the foremost shippers of gold bullion to the United States. In the first week of January, Altschul informed Morgenthau of this problem, and suggested to him that the Treasury might authorize the Federal Reserve System to agree in advance to a contractual price for the gold "for arrival." Morgenthau apparently preferred not to do so, nor would he commit the Treasury unconditionally to buying such gold upon its arrival. Altschul suggested to W. E. Crane of the New York Federal Reserve Bank that the Treasury might address the apprehensions of shippers by committing itself to purchase all such shipments at the existing price of $35.00 per ounce until ten days after it had made any public announcement of a change in policy. Again, the Treasury declined to do so, whereupon Altschul "advised our Paris firm that I preferred not to participate in the gold movement at this moment." The Bank of France thereupon discussed the situation with the New York Federal Reserve Bank, and instructed the Paris Lazard firm to prepare to dispatch another gold shipment in the near future. On receiving this news, Altschul recounted, he telephoned his Paris partners, telling them once more "that I did not think it was prudent business, under existing circumstances, for us to engage in transactions of this nature; and that I preferred to have them undo the transaction they had entered into in Paris, but that, in no event, did I care to do the business on joint account with them."

Altschul's decision to refrain from such transactions apparently provoked a major confrontation between himself and Morgenthau. He told Morgenthau that other American firms "normally engaged in the shipment of gold" had likewise in recent days avoided such business and "been extremely reluctant to grant the usual routine facilities." Morgenthau, however, did not take Altschul's decision in this spirit. In a telephone call to Altschul on January 16, 1935, the secretary of the treasury not only complained that he "had learned a great lesson" but told the banker, according to his own account, that "'people like us' ought not to be in this line of business." An infuriated Altschul drafted a response to Morgenthau, in which he defended his behavior as being really a matter of standard business practice, and proclaimed:

> In reaching this conclusion, no other considerations whatsoever weighed with me beyond those determining the decisions of a person responsible for the conduct of the affairs of his own firm. No suggestion had reached me from you or from anybody else that what I was doing or failing to do was in any way a matter of real interest to the Government. Had such a suggestion reached me, I would have relied completely on any assurances

> given me, but failing it, I felt that I was in the position of a person considering entering into a transaction for profit and entitled to weigh the risks involved.
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> . . . . We have been in this business for a great number of years. As far as I know, we have always conducted ourselves properly and we have cooperated with governmental agencies in all matters affecting the flow of gold or exchange whenever such cooperation was in any way sought or desired. I feel that I have nothing to apologize for in this matter whatsoever, and I hope that on a review of the facts you may reach the same conclusion.[109]

It would be some time before the relationship between Altschul and Morgenthau recovered.

New Deal legislation had a major impact upon Altschul's business, and indeed upon Wall Street as a whole. In 1933, the Roosevelt administration passed the Glass-Steagall Banking Act, intended to remedy abuses and weaknesses in the banking system, and the Securities Act, whose objective was to provide investors in securities with a degree of protection, in terms of full disclosure of information on their potential investments, and holding directors of corporations personally responsible for mis-statements and misleading information on the part of those businesses.[110] Altschul was not alone in feeling some discomfort over this legislation. To quote the banking historian Vincent P. Carosso, "Most investment bankers . . . expressed restrained and qualified approval of the law's broad purposes, and intense displeasure, if not actual alarm, with many of its specific provisions."[111] Altschul was at one with most of his Wall Street colleagues in his lack of enthusiasm for the Securities Act, and in ascribing to it much of the responsibility for the continuing absence of business confidence in the United States. Decidedly imbued with the spirit of Herbert Hoover's New Era of the 1920s, he greatly preferred voluntary self-regulation by enlightened businessmen to mandatory government direction of business practices.

Seeking to avoid the latter if at all possible, as Chairman of the Stock List Committee of the New York Stock Exchange, Altschul went to considerable lengths in efforts to introduce self-policing to the exchange. In a test case, in April 1933 Altschul, on behalf of the Stock List Committee, deliberately queried information submitted by the Allied Chemical and Dye Company, suggesting that the accounting methods used were misleading, and raising the possibility that it might delist the company's shares, a sanction the committee had never once employed in the past. The Stock List Committee had been dissatisfied with Allied Chemical's financial data for over four years, and the matter was reported to the Stock List Committee for further action. The committee also took the lead in requesting more frequent financial statements, preferably on a

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[109] Altschul to Morgenthau, January 16, 1935, File 151 Henry Morgenthau, Catalogued Correspondence, Altschul Papers.

[110] On this legislation, see Charles R. Geisst, *Visionary Capitalism: Financial Markets and the American Dream in the Twentieth Century* (New York: Praeger, 1990), 18-21; Carosso, *Investment Banking in America*, 353-375; Allan H. Meltzer, *A History of the Federal Reserve, Volume I: 1913-1951* (Chicago: Chicago University Press, 2003), 429-434; Burns, *The American Banking Community*, 77-93.

[111] Carosso, *Investment Banking in America*, 357.

quarterly rather than annual basis, from companies listed on the exchange.[112] By the end of the year, Altschul had spearheaded a movement to tighten stock exchange controls, including the imposition of "restrictions on purchases by companies of their own shares"; the requirements of "full disclosure of all options granted by companies on their securities"; and regulation of "the methods used in distributing large concentrated holdings of stock." One particular objective was to prevent companies trading in their own shares in order to improve the market for those securities.[113] Shortly afterwards, Altschul publicly declared that in future, companies with annual earning power of less than $750,000 or assets less than between $15 and $20 million were unlikely to be listed on the Stock Exchange, nor would those with less than 200,000 shares of stock outstanding. The reason he gave for the informal application of these minimum standards was that, the smaller the number of shares, the easier it was for speculators to manipulate the stock.[114]

Despite Altschul's efforts to reform the Stock Exchange from within, before long another scandal that further discredited the exchange arose. In February 1934, the Senate's Banking and Currency Committee investigated a lucrative 1933 stock pool organized by the officers and directors of the American Commercial Alcohol Corporation, which had been facilitated by their ability to list 66,000 additional shares on the New York Stock Exchange in support of a "dummy" transaction," a nonexistent purported purchase of a Kentucky distillery. Altschul was forced to make the embarrassing admission that, however laudable its intentions, the Stock List Committee found it very difficult to scrutinize and prevent the listing of questionable stocks, and that the committee had failed to go over the balance sheet of the corporation, which undoubtedly included several highly problematic entries. Even though every member of the exchange had received a copy of the Commercial Alcohol application, not a single one had commented on these shortcomings. Although Altschul contended that such lapses were rare, it was all too clear that the Stock Exchange's procedures to prevent fraud were the very reverse of failsafe.[115] "There was nothing in the application that disturbed us in any way," Altschul testified. He claimed that, though he would have been "suspicious" of several items on a balance sheet Commercial Alcohol had submitted, for some reason he had never seen the document in question. Altschul stated that the Stock List Committee intended to hold up a pending Commercial Alcohol application to list a further 25,000 shares, and would also investigate another suspect 1929 stock offering by General Theatres Equipment, in which the value of the company had been marked up sixfold, from $4 million to $24 million. Even so, in this very

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[112] "Stock Exchange to Hear Allied," *Wall Street Journal*, April 27, 1933; "Exchange Action on Allied Chemical," *New York Times*, April 27, 1933; "Along the Highways of Finance," *New York Times*, April 30, 1933.
[113] "Ruling on Options Requires Publicity," *New York Times*, December 28, 1933.
[114] "New Stock Watch by Exchange Seen," *New York Times*, January 13, 1934; "Along the Highways of Finance," *New York Times*, January 14, 1934; "Exchange List Rules Tighter," *The Wall Street Journal*, January 13, 1934.
[115] "Directors Had Pool in Their Own Stock," *New York Times*, February 16, 1934; "Exchange 'Slipped' on Alcohol Issue," *New York Times*, February 17, 1934; "Stock Market Here is Dodging Reform, Fletcher Charges," *New York Times*, February 22, 1934; "Juggling Shown in Stock Deals on Alcohol Pool," *Christian Science Monitor*, February 17, 1934; "Outlawing Stock Pools," *Christian Science Monitor*, March 7, 1934.

recent case the exchange had only too clearly failed to exercise adequate supervision. Altschul's protestations that the listing requirements of the New York Stock Exchange were far more stringent than those in London, Berlin, Paris, or elsewhere in the world seemed uncomfortably hollow.[116] The episode was significant in building congressional support for the Securities Exchange Act of 1934, which seems to have been the trigger that, for Altschul, marked his real parting of the ways with Roosevelt. The president enlisted the help of Altschul's former associate, Raymond Moley, on this legislation.[117] The economic historian Charles R. Geisst has described this act as "the most far-reaching piece of securities legislation ever produced" in the United States. It established the Securities Exchange Commission, which gradually tightened regulations and controls over trading in securities, margin provisions, and primary and secondary sales of securities to the investing public, as well as forcing disclosure of transactions by officers of firms in their own securities.[118]

For Altschul, this went too far. To a considerable degree at Altschul's instigation, over the previous two years the New York Stock Exchange had already tightened its own internal requirements in a number of ways. He disagreed, however, with some of the restrictions that new federal legislation sought to impose, and greatly preferred to rely on self-regulation. Seeking to damp down the pressure for government supervision of securities trading, on behalf of the Stock List Committee, at the beginning of March 1934 Altschul submitted a report to the Senate Committee on Banking and Currency, forcing individual or corporate holders of substantial blocks of stock to lend or even sell their shares in order to relieve the situation should a corner develop. The report also claimed that since August 1933 the Stock List Committee had contemplated unspecified action to deal with insolvent corporations.[119] At the beginning of March 1934, Altschul appeared before the Senate Banking and Currency Committee once more, to go over the draft Securities Exchange Bill in detail, endorsing some provisions and opposing others. He testified that, as long ago as 1926, Stock Exchange officials had been alarmed by the tendency of corporations to issue non-voting stock, leaving ownership divorced from management control, and had therefore decided to issue no more non-voting common stocks, an action which put an end to the creation of this variety of securities. He warned that corporate procedure was always changing, and rigid regulations might therefore prove counterproductive and self-defeating. He believed that onerous registration requirements, especially for existing securities, might "have the effect of freezing a large part of the liquid capital of the country with the most deflationary consequences to individual holders, banks, financial institutions, no less to the industry of the country as a whole." They might also dam up new capital investment. Altschul feared that requiring periodical monthly, quarterly, and annual reports from corporations would be too burdensome, and that there were too few qualified accountants in the

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[116] "To Hold Up New Alchohol Listing," *Wall Street Journal*, February 16, 1934; "Altschul Again Senate Witness," *Wall Street Journal*, February 17, 1934; "May Quiz Kahn on L-O-F Pool," *Wall Street Journal*, February 22, 1934.
[117] On Moley's role, see Moley, *After Seven Years*, 285-290.
[118] Carosso, *Investment Banking in America*, 375-381; Geisst, *Visionary Capitalism*, 21-23, quotation from 21.
[119] "Stock Exchange Acts to Prevent Corners; Demands Release of Shares if Necessary," *New York Times*, March 3, 1934.

United States to provide these for all the companies listed on American exchanges. He supported provisions forbidding the use of proxy votes without written authorization by shareholders. He thought that liability provisions in the draft act were poorly drafted, since they could apply not simply to false statements, but also to information that, though true, was misleading, and recommended that the committee emulate the provisions of the British companies act. Lists of all stockholders in a company should, he believed, be freely available to every stockholder, so that they could be aware in whose interests corporations were being managed.[120]

Altschul's testimony to the Senate Banking and Currency Committee was by no means his last attempt to influence the eventual form of the Securities Exchange Act, which still included several provisions he considered deplorable. To John Dickinson, the sympathetic Assistant Secretary of Commerce, he wrote that "in so far as it is possible the abuses that have grown up around the market place should be eliminated. This, however, can readily be done without crippling the Exchange in its performance of its very useful function in our national economy."[121] In September 1934, Altschul and Herbert Bayard Swope, the editor of the *New York World Telegram*, which had published an interview with Altschul a year earlier, sought to utilize their Washington connections to dilute the impact of the draft Securities Exchange Act. While this legislation was still under discussion in Congress, Altschul drew up a telegram to Moley which he apparently never sent, warning that existing provisions on stock exchange margin requirements in the draft bill were "unworkable and would constitute a new disturbing factor in the general business situation and one which could and should be avoided." Altschul argued that, since given existing circumstances it was unlikely that "any untoward speculation" would develop "in the near future," it was unnecessary at this stage to draft any "comprehensive regulations," and that very "simple regulations" on basic principles would suffice for a while. The task of deciding on "permanent regulations" could therefore be left to a later date, when "the very real dangers which we foresee in the present draft have been more fully explored." Altschul and Swope therefore asked Moley to "throw [his] influence in the direction of delay of formulation of permanent regulations."[122]

Once the Securities Exchange Act had passed, as a director and official of the New York Stock Exchange Altschul was subsequently engaged in efforts to moderate its impact while modernizing the exchange. The new legislation established the Securities Exchange Commission, a body that was given broad but less than clearly defined powers to regulate the country's stock exchanges. In May 1933, May 1935, and again in May 1937, Altschul was re-elected as chairman of the committee on stock list; in 1935, he also became a member of the

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[120] "Pecora Yields on Stock Bill," *Wall Street Journal*, March 2, 1934; "The World's Business," *Christian Science Monitor*, March 23, 1934; "Making Regulation Regulate," *Christian Science Monitor*, May 16, 1934.
[121] Altschul to Dickinson, March 8, 1934, File Dev-Dry, General Correspondence, Altschul Papers.
[122] Altschul to Moley, September 17, 1934, not sent, File 359 Raymond Moley, General Correspondence, Altschul Papers.

exchange's powerful law committee, winning reappointment in 1937.[123] In 1936, he was re-elected for another four-year term as one of the exchange's board of governors.[124] During these years, Altschul was involved in trying to resolve a variety of issues concerning the exchange. In July 1934 Altschul, together with Richard Whitney, president of the exchange, met for more than five hours with Joseph P. Kennedy, chairman of the new Securities Exchange Commission, to discuss the exact nature and implementation of regulations to govern the exchange. A further meeting took place in August.[125] Altschul also participated in meetings with the SEC and New York dealers to discuss the regulation of over-the-counter transactions in securities.[126] Domestic corporations listed on the exchange were now required to register and submit pertinent information, a process that Altschul supervised in his capacity as chairman of the Stock List Committee, which was entrusted with the responsibility of examining these statements and deciding whether to approve registration.[127] When some of the first companies to submit information for temporary registration made minor errors, Altschul discussed the situation and oversaw slight amendments to the questionnaire they were expected to complete.[128] In May 1935 a last-minute rush by corporations that had previously failed to register almost overwhelmed the exchange, and Altschul warned that the Committee on Stock List might find it impossible to examine all of these before the stipulated May 31st deadline.[129]

Foreign governments that had several hundred bond issues listed on the exchange were also required to provide financial information, and some initially threatened to delist their bonds rather than publish confidential data. Together with Charles R. Gay, the president of the New York Stock Exchange, in mid-1935 Altschul made several trips to Washington, to confer with the SEC, and eventually a compromise formula was devised whereby foreign governments did not have to provide a breakdown of all confidential expenditures, but only "a reasonable statement . . . as to the income and outgo of the particular registrant."[130] In 1935 Altschul became a member of a special committee of the Stock List Committee that spent more than a year considering whether, in order to increase the volume of business on the exchange, trading in

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[123] "Names Standing Groups," *Wall Street Journal*, May 11, 1933; "Green to Retire as Exchange Secretary but Remains for Year at Gay's Request," *Wall Street Journal*, May 23, 1935; "N.Y. Stock Exchange Chairmen," *Washington Post*, May 30, 1935; "Exchange Makes Shifts of Key Men," *New York Times*, May 23, 1935; "Stock Exchange Notes," *New York Times*, May 29, 1935; "Pan American Airways," *Wall Street Journal*, May 18, 1937; "Exchange Groups Undergo Changes," *New York Times*, May 13, 1937.
[124] "Suggested as Candidates," *Wall Street Journal*, March 10, 1936; "8 More Names on Slate," *New York Times*, March 10, 1936; "Gay Renominated to Head Exchange," *New York Times*, April 14, 1936; "Gay is Re-Elected Head of Exchange," *New York Times*, May 12, 1936; "Simmons Remains in Exchange Post," *New York Times*, May 13, 1936; "Whitney Vote Heaviest in Exchange Election," *Wall Street Journal*, May 13, 1936.
[125] "Discuss Workings of Exchange Law," *New York Times*, July 25, 1934; "Maps Registration of Stock Markets," *New York Times*, August 8, 1934; "Discuss Exchange Rules," *Wall Street Journal*, August 8, 1934.
[126] "Board Opens Study of Counter Sales," *New York Times*, August 17, 1934; "Four Companies Err in Registration Form," *New York Times*, August 17, 1934.
[127] "Many Seek to Register," *Wall Street Journal*, May 16, 1935.
[128] "Four Companies Err in Registration Form," *New York Times*, August 17, 1934.
[129] "200 Corporations Seek to Register," *New York Times*, May 16, 1935.
[130] "Gay Sees SEC Today on Foreign Bonds," *New York Times*, August 29, 1935; "SEC Clarifies Its Requirements on Foreign Bonds," *Wall Street Journal*, October 24, 1935.

unlisted stocks should be allowed, without reaching any definite conclusion.[131] In 1936, the Stock List Committee suddenly realized that a number of issues trading on the Stock Exchange contained provisions for payment in gold, when all such "gold clauses" had been invalidated by Public Resolution Number 10, abrogating gold clauses, passed in June 1933 by the United States Congress and since upheld by the Supreme Court. Some bond issues since that date had still specified payment in gold coin. The committee decided that, provided such bonds were overstamped with a statement calling attention to the Public Resolution, they could still be traded on the New York Stock Exchange.[132]

In 1937 Altschul was one of a New York Stock Exchange faction that largely supported its new president, Charles Gay, in efforts to professionalize and reform the exchange by transferring much of its administration from committees of members to a paid president and replacing its overly clubby operating committees with administrative departments. Opposition to any such reorganization was led by Richard Whitney, one of the most influential brokers within the exchange, who argued that the failure of the New Deal to bring about complete economic recovery was largely due to over-zealous regulation of the securities market that had destroyed business confidence. Negotiations between Gay and the Securities Exchange Commission, established in 1934 with the objective of supervising American stock exchange and securities dealing practices, broke down at the end of 1937, in part because William O. Douglas, chairman of the SEC, published a report that, in a statement of rebuttal Altschul apparently drafted for Gay, he characterized as misrepresenting the Exchange "as antiquated in structure, not alert to the public interest, tolerant of practices which may be detrimental to the public," and raising the question "whether the Exchange as now constituted should be allowed to play a vital role in the nation's economic life." Douglas' report argued that public administration of the Exchange was essential to correct these faults. In his draft reply Gay opposed proposals that the SEC should take over administration of the Stock Exchange, preferring cooperation rather than outside direction, and resentfully stating that he "believe[d] that the Exchange is truly alive to its public functions; that it stands ready to cooperate with the public authorities in every way for the better performance of those functions; and that the public can best be served through such cooperation, rather than by the suggested alternative of more pervasive administration of all phases of the Exchange's business."[133] After negotiations broke down, Douglas threatened to take over the Exchange completely. In February 1938 the spectacular prosecution of Whitney on charges of fraud and insider trading made such drastic moves unnecessary, as the stunned New York Stock Exchange accepted the earlier proposals for a paid president, the inclusion of representatives of the public on its governing body, and bans on short selling of stocks and various other

[131] "Topics in Wall Street," *New York Times*, November 7, 1936.
[132] "Gold-Clause Bonds a Thorn in Wall St.," *New York Times*, August 23, 1936.
[133] Draft #2, November 28, 1937, File Economics, Subject File, Altschul Papers; also draft of proposed letters between Douglas and Gay prepared at meeting held on November 13, 1937, File Economics, Subject File, Altschul Papers.

questionable practices.[134] In March 1938 Altschul's name was at first suggested—along with 113 others—as a potential candidate for the new board of governors but, given that there was a desire to break with the old guard who had run the exchange in the past, he did not, it seems, make the final slate, a rather dispiriting, even humiliating end to almost a dozen years as one of the exchange's directing elite.[135] Revelations that many members of the exchange had known of Whitney's misdeeds but failed to report them discredited the entire institution. It was left to Altschul to draft a statement condemning such behavior, together with a new regulation making it an offense for members to conceal such information.[136]

Stock exchange regulation was not the only issue on which Altschul had broken with the New Deal by the mid-1930s, becoming, as his writings reveal, increasingly seriously alienated from the Roosevelt administration's entire program. It is not clear who was the intended recipient of a memorandum that Altschul wrote in the aftermath of the eventual Gold Clauses decision, warning of the growing dangers that inflation and high government spending posed to the prospects of recovery in the United States. He disagreed with claims that the government was capable of carrying a debt load of 50 billion dollars, and that, if it could afford to spend 25 billion dollars "in fighting a war, why should we not spend an equal amount in fighting a depression," as arguments that tended "to lull us into a false sense of security." Ominously, he warned: "The important thing is not the amount spent, but the forces that are unleashed in the course of its spending." He feared that, once large classes of Americans grew accustomed to "receiv[ing] unusual grants in one form or another from the Government," this situation would become self-perpetuating, as it would become politically impossible to end such payments. Inflationary forces were "working against business recovery" and the government seemed to lack any "understanding of the importance of [business] confidence." Altschul considered inflation "a form of taxation" and "the mechanism through which the liquid resources of a moribund economy are gradually exhausted without new liquidity being built up coincidentally as a result of productive enterprise." He warned that various long-established safeguards against unsound economic policies, including control over expenditures, prohibitions on debasing the currency, and an "independent central banking system," had been lost "almost overnight without realizing it."[137]

Lazard Brothers in Britain: The Mid-1930s

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[134] Steve Fraser, *Every Man a Speculator: A History of Wall Street in American Life* (New York: HarperCollins, 2005), 460-463; Carosso, *Investment Banking in America*, 379-381; James F. Simon, *Independent Journey: The Life of William O. Douglas* (New York: Penguin, 1980), 160-175; Douglas, *Go East, Young Man*, 281-290; Bruce Allen Murphy, *Wild Bill: The Legend and Life of William O. Douglas* (New York: Random House, 2003), 116-162.
[135] "Brokers Suggest 113 for Governors," *New York Times*, March 15, 1938.
[136] Altschul, draft statement, May 5, 1938, File 130, Essays, Articles, Notes and Memoranda, Speeches and Writings File, Altschul Papers.
[137] Altschul, memorandum, n.d. [February 1935], Writings File, Altschul Papers.

In the mid-1930s, Altschul fell comparatively silent on matters of international economic and currency policy, turning his energies to the reorganization of his firm and to Republican politics. His British partners, however, continued to comment extensively on international issues, especially currency and trade policies. More than eighteen months after their confrontation of January 1934, Norman still demonstrated an almost comical anxiety over just what Brand might do or say. In October 1935, when Brand, who was a director of Lloyds Bank, committed himself to write an article for that institution's Magazine, Norman extracted from him the promise: "He will bear in mind his political loyalty to Ch Ex [the Chancellor of the Exchequer] (esp remarks on Stabil[izatio]n at Mansion House) & his loyalty to Whitehall & B of E [Bank of England] as accept[an]ce house & partner of RMK [Kindersley]. And will hold out no hope of even considering stabil[izatio]n for at least 2-3 years."[138] In the event, Brand's article was an exercise in the studiously non-committal, devoted largely to a review of the arguments put forward both by strong advocates of early currency stabilization, and those such as Keynes who still thought stabilization premature. Warning that, before stabilization was attempted, "there must be a reasonable degree of certainty that the attempt will be successful," Brand professed himself unsure of this, since while some conditions had become more encouraging, new difficulties had also arisen. He pointed out that Britain needed to retain its freedom of action until it became clear whether, and then perhaps Germany in turn, would choose to devalue. Turning to the American scene, Brand was less than complimentary, remarking: "The light-heartedness of the present United States administration in currency matters and the difficulties of the American political system fill the spectator if not with doubt at least with curiosity as to the future." He went so far as to warn: "If sterling is rigidly tied to gold our own credit and price system will be tied to those of the United States. With their far greater resources and self-sufficiency they can stand fluctuations which would be disastrous to us." Brand's conclusion was so even-handed as to be almost meaningless. He suggested that at some stage the situation of those countries which had chosen to stay on or return to gold might be more advantageous, in which case Britain might decide that these gains from joining them outweighed the benefits of the "complete autonomy over our internal price level and our domestic rate of interest" that Britain currently enjoyed. On the other hand, Britain's current independence might enable the British government to prove over time "that monetary stability can be preserved by the free exercise of wisdom, judgment and will." Elegantly platitudinous, Brand hedged all his bets by proclaiming: "The world changes so quickly that the wisest of us cannot see very far."[139] There was nothing in this bland pabulum to which the Bank of England could take exception. Its appearance was, however, an indication of the degree to which international currency policies were marking time during 1934 and 1935.

At this point, France was the most likely candidate for currency devaluation. The Lazard firm assisted in various operations intended to assist the French government overcome its financial difficulties. In 1935 Lazard Brothers, in collaboration with Morgan, Grenfell and N. M.

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[138] Norman, diary, October 31, 1935, ADM34/24, Bank of England Archives.
[139] "Currency Stabilization: Mr. R. H. Brand's Views," *The Times*, December 4, 1935; Charles A. Selden, "Stabilization Still Oppoe by England." *New York Times*, February 9, 1936.

Rothschilds, handled the conversion of the existing 6 percent sterling bonds of the Midi and the Orléans Railway Companies into 4 percent Forty-Year Sterling Bonds, an operation that substantially reduced the annual interest charges due on these obligations.[140] In 1935, Kindersley sounded an unaccustomed note of qualified optimism in his annual survey of British overseas investments, reporting that the "outlook for further improvement is undoubtedly brighter than for some time past." He warned, however, that "beyond a certain point, any further improvement would seem to depend upon an increase of trade throughout the world and a general advance in world prices. The problem of securing these is closely associated with that of stabilization of the major currencies at appropriate levels and of a general reduction in tariffs and other trade restrictions prior to or following stabilization."[141] By spring 1936, pressure to devalue the franc was growing, as it became increasingly difficult for the French government to maintain the existing rate against gold.[142]

With the support of the Bank of England, in February 1936 Lazard Brothers took the lead in organizing a British credit of £40 million, extended by a syndicate of British banks at an interest rate of 3 percent, to enable the French government to support the franc and meet French budgetary shortfalls, to run for a period of three months, renewable for two further three-month extensions if necessary.[143] In 1937 the Communist newspaper *L'Humanité* attacked both the French and British Lazard firms for arranging this 40 million credit in gold with British bankers, on the grounds that it eventually had to be repaid in sterling after France's devaluation, incurring a very substantial exchange loss. The newspaper article, which was reprinted in the Vienna press, claimed that the French government would have been wiser to borrow from French financial houses. The Bank of England issued a notice to the press, defending the integrity of Lazard Brothers.[144] On the other side of the Atlantic, in April 1936 Lazard Frères New York were reported to be organizing a shipment of $2,500,000 in gold from France to the United States.[145] As the French government gave serious consideration to leaving the gold standard, in May 1936 Brand passed on a "message fr[om] Paris" to Norman, mentioning their "fears of Exch[ange] Restrictions" and asking would the British government "suggest devaluation?" Norman non-committally replied that the British "could not interfere in [French Prime Minister Léon] Blum's politics—internal politics." Norman reported this conversation to Sir Robert Hopkins of the British Treasury.[146]

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[140] "City Notes," *The Times*, February 14, 1935; Conversion Offer for Midi Railway Company and Orleans Railway Company, prospectus, *The Times*, February 15, 1935.
[141] R. M. Kindersley, "Britain's Overseas Investments in 1933 and 1934," *Economic Journal* 45:179 (September 1935), 455; see also "Britain's Investment Income: Sir R. Kindersley's Estimates," *The Times*, September 4, 1935.
[142] Mouré, *Managing the Franc Poincaré*, esp. ch. 7; Kenneth Mouré, *The Gold Standard Illusion: France, the Bank of France, and the International Gold Standard 1914-1939* (Oxford: Oxford University Press, 2002), 226-231; Eichengreen, *Golden Fetters*, 372-377; Sayers, *The Bank of England*, 2:476-477.
[143] "British Credit for France," *The Times*, February 18, 1936; "City Notes," *The Times*, February 18, 1936; Sayers, *The Bank of England*, 2:466; Mouré, *Managing the Franc Poincaré*, 184-185.
[144] Norman, diary, October 14, 1937, File ADM34/26, Bank of England Archives.
[145] "French Gold for U.S.," *The Times*, April 25, 1936.
[146] Norman, diary, May 29, 1936, File ADM34/25, Bank of England Archives.

When France finally abandoned gold the following October, the enthusiastic Kindersley hailed this as a development "fraught with the utmost significance for the world" and praised the courage of French Prime Minister Léon Blum in taking this step. Kindersley believed that French devaluation heralded an effort to dismantle the apparatus of "quotas, exchange restrictions, and the like" and would serve as the "prologue to a gradual but ultimately immense expansion of world trade."[147] With the French franc under some pressure after devaluation, in January 1937 Lazard Brothers again headed a group of British banks that, with the approval of the Bank of England, organized a credit of £40 million for up to ten months, at 3½ percent interest, for the French railways, guaranteed by the French government, an operation intended to facilitate the operations of the somewhat depleted French Exchange Stabilization Fund. The credit was repaid when it matured at the end of the year.[148] Ideally, the French government would have liked to renew it, or better still, convert the credit "into some kind of direct obligation of the French Government, ostensibly to be issued on the London market."[149] Kindersley discussed a "possible renewal" with Georges Bonnet, the French Finance Minister, telling him that any such operation would have to be for "a much smaller amount" than the existing credit.[150] The partners of Morgan, Grenfell & Company and Morgan & Cie., the London and Paris branches of the Morgan firm, agreed with him, and even advised against a smaller renewal operation, since failure to repay the original credit when it matured would probably make it more difficult for the French government to raise further funds in future.[151]

These operations soon led to something of a showdown over French government business in London between the British and French Lazard houses on the one side, and Morgan Grenfell & Company in London and Morgan & Compagnie in Paris on the other. Displaying much of his old buccaneering panache in poaching business from other banks, Sir Robert Kindersley largely excluded Morgan, Grenfell & Company from negotiations over French credits on the London markets in the 1930s, claiming that these were different from long-term loans, which the London Morgan, Rothschild, and Lazard firms had agreed to handle in collaboration. In July 1937 Kindersley sought to increase disproportionately the shares of the commissions the London and Paris Lazard houses received on all French government business on which they worked with Morgans and the Rothschilds, and to place all negotiations for such operations in the hands of the London and Paris Lazard houses, excluding the other two banks from all discussions with French government officials. After lengthy and sometimes acrimonious talks between the London and

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[147] "Expansion of World Trade: Sir Robert Kindersley's Confidence," *The Times*, October 10, 1936.
[148] "British Credit for France," *The Times*, January 30, 1937; "City Notes," *The Times*, January 30, 1937; Sayers, *The Bank of England*, 2:466; "City Notes," *The Times*, November 15, 1937.
[149] Bernard S. Carter to Charles F. Whigham, September 2, 1937, also Carter to N. Dean Jay, Carter to Edward C. Grenfell, September 23, 1937, File 15 France (French Government Business in London), Box 30, Files France 1919-1938, Morgan European Bank Papers, Pierpont Morgan Library, New York.
[150] Grenfell to Carter, October 15, 1937, File 15 France, Box 30, Morgan European Bank Papers.
[151] Carter to Jay, September 23, 1937, Grenfell, "Interview in Paris on 13th September, 1937 between B. S. Carter, M. Pesson-Didion and Lord St. Just," September 20, 1937, Carter to Grenfell, October 18, 1937, Whigham to Carter, October 20, 26, 1937, Carter to Whigham, October 25, 1937, File 15 France, Box 30, Morgan European Bank Papers.

Paris Lazard firms and the American, French, and British Morgan houses, whose partners thought "Kindersley's demands . . . unreasonable and high-handed," it was finally decided to divide commissions on the French government's short-term British credits equally, as before, among the London Morgan, Lazard, and Rothschild houses. The French Morgan and Lazard houses would act jointly in all negotiations; the Paris Rothschild house, which had no great love for Lazard Frères, did not wish to take part in such discussions, but reserved the right to undertake them separately should it so choose. Where long-term loans for France in Britain were concerned, for historical reasons the Morgan firm expected to take the lead.[152]

While the Morgan firm adroitly repelled the efforts of Kindersley and André Meyer to exclude Morgans and Rothschilds from negotiations over French government business, the fact that the attempt was made was evidence of just how intimate the French Lazard partners had become with top French financial officials. The Paris house was particularly close to the Popular Front government of May 1936 to June 1938, headed for much of its time in office by Léon Blum, a socialist. Kindersley told Bernard S. Carter, a partner in the French Morgan house, that Lazard Frères in Paris had a "special position . . . and emphasized their closeness to the [French] Government at present, their great advantage in negotiating and the ability of André Meyer."[153] In 1937 members of the Paris Morgan firm admitted that André Meyer "at present had the inside track with Bonnet whom he sees almost daily." Cattily, they commented that the French Morgan partners "could not with dignity mouch round the Treasury as Meyer does." Indeed, with a leftist Popular Front government in power, the Paris Rothschild firm lacked access to top French government circles, and "the Haute Banque does not exist in Paris unless Lazards could count as such though of course they have never been considered to be in the purple." Although the older French Lazard partners were wealthy, it was Meyer who had "all the go and ability."[154] A Morgan Grenfell partner concurred that, while the Paris Morgan partners were on good terms with the Bank of France and the French Treasury, "undoubtedly André Meyer (Lazards) is always at the back or front door of the Treasury and has a special position."[155] It was Meyer who was primarily responsible in the mid-1930s for organizing a rescue package for the financially debt-ridden Citroën Motor Company, persuading the Michelin tire company to take over the ailing business and thereby resolving a major French industrial crisis.[156] During the 1930s, the French Lazard house also handled the financial reorganization of the French perfume company

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[152] For the development of these discussions, see the extensive documentation in File 15 France (French Government Business in London), Box 30, Files France 1919-1938, Morgan European Bank Papers, quotation from Carter to Jay, August 10, 1937.

[153] Carter, memorandum, Wednesday, July 28, 1937, enclosed in Carter to Whigham, August 13, 1927, File 15 France, Box 30, Morgan European Bank Papers.

[154] Carter to Jay, September 17, 1937, File 15 France, Box 30, Morgan European Bank Papers.

[155] Grenfell, "Interview in Paris on 13th September, 1937 between B. S. Carter, M. Pesson-Didion and Lord St. Just," September 20, 1937, File 15 France, Box 30, Morgan European Bank Papers.

[156] Cary Reich, *Financier: The Biography of André Meyer* (New York: John Wiley, 1983), 31-32; Rougemont, *Lazard Frères*, 487; Lazard Frères, *Lazard Frères & Co.: The First One Hundred Fifty Years* (New York: Lazard Frères, 1998), 25; Cohan, *The Last Tycoons*, 36; Orange, *Ces Messieurs de Lazard*, 95-98; Sabouret, *MM. Lazard Frères et Cie.*, 94-96; "Citroën Company's Offer," *The Times*, June 22, 1935; "City Notes," *The Times*, June 24, 1935.

Coty, whose assets included ownership of the well-known French newspaper *Le Figaro*, and acquired a stake in the capital of the Batignolles Construction Society.[157]

Both the French and British Lazard firms were also close to the banker Jean Monnet, who lived in China for several years during the 1930s, negotiating financial deals with European and American backers to promote China's economic development. In 1932 Monnet lost most of his assets when the value of stock in the California-based Transamerica Corporation (later the Bank of America) collapsed dramatically. There are indications that the British Lazard firm bailed him out with a substantial loan around this time, on which £93,000 was still outstanding in 1943.[158] In 1932 T. V. Soong, China's finance minister, appointed Lazard Brothers of London as the exclusive purchasing agent for Nationalist China in Britain.[159] The following year, Soong also persuaded Monnet to come to China as a financial consultant, together with David Drummond, son of Sir Eric Drummond, the first secretary general of the League of Nations. Monnet focused upon persuading western banks based in China to work with their Chinese counterparts in an organization known as the Chinese Financial Development Corporation, established in Shanghai in June 1934, that would provide capital for the construction of a Chinese railway network. The new group obtained funding from the American Export-Import Bank, and concentrated upon consolidating existing Chinese railway debts and integrating China's southeastern railway system. In 1935 Monnet entered into a partnership with George Murnane, an American banker he had known since the First World War, that worked for several years more on Chinese financing, seeking to strengthen that country's ability to resist the growing military, political, and economic threat from Japan.[160] The French Lazard firm participated in some of these operations. In 1938 Lazard Frères in Paris was one of four French banks, the others being the Banque Franco-Chinoise, the Banque de Paris, and the Banque d'Indo-Chine, that signed a contract with the Chinese government to build a railway from Hanoi, in French Indochina, to Nanning, the capital of Kwangsi province in southwest China, that would in turn connect by river steamer to Canton, the leading port of south China.[161] The Paris Lazard firm also had links to other French colonial banks in Asia, including the Crédit foncier de l'Indochine, the Crédit hypothecaire de l'Indochine, and the Banque franco-chinoise pour le commerce et l'industrie.[162]

Facilitating French government financing also continued to be a high priority of the French Lazard firm. From 1933 onward the Paris Lazard firm took the lead in negotiating various financial operations for the French Treasury in Brussels, Amsterdam, and London, as the French

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[157] Rougemont, *Lazard Frères*, 486.
[158] François Duchêne, *Jean Monnet: The First Statesman of Interdependence* (New York: Norton, 1994), 48-51.
[159] Duchêne, *Jean Monnet*, 51.
[160] Duchêne, *Jean Monnet*, 52-54, 56-59.
[161] "New Outlet for Canton," *The Times*, June 1, 1938; Lazard Frères, *Lazard Frères & Co.*, 26; Orange, *Ces Messieurs de Lazard*, 111-112; Orban, *MM. Lazard Frères & Cie.*, 122.
[162] Rougemont, *Lazard Frères*, 486.

government continued to encounter difficulties in raising funds to cover its budget deficits.[163] The French house worked particularly closely with the Banque de Paris et des Pay Bas, headed by Émile Moreau, the former governor of the Bank of France.[164] From 1933 onward the French Lazard firm also formed a working alliance with Fritz Mannheimer, head of the Mendelssohn bank of Amsterdam, a financier known for somewhat questionable operations, association with whom, the British and American partners warned in 1937, shed little luster upon the Lazard name. While Pierre David-Weill agreed with this assessment, and claimed that he intended eventually to break with Manheimer, the firm's dealings with him lasted until Mannheimer's death in murky circumstances in August 1939, followed almost immediately by the collapse of his bank. Straitened financial circumstances meant the French house could no longer afford to impose its past highly selective standards when seeking business collaborators.[165] The first joint Lazard-Paribas-Mendelssohn operation took place in February 1933, when the three banks organized an offering of French Treasury bills in the Netherlands, followed two years later by an issue of French government railroad bonds in Belgium. By 1936 Lazard Frères and Mendelssohn were the two largest shareholders in Paribas.[166]

Lazard Frères undertook numerous other French Treasury operations during the 1930s. In March 1934 the Paris Lazard house was involved in offering 100 million guilders worth (around 1,000 million francs) of three-month French Treasury bills with three renewals, meaning they could be extended for a total of twelve months, at 4 percent on the Amsterdam market. Members of the Morgan firm in Paris noted that these securities were redeemable in Dutch guilders or gold rather than French francs. Lazard Frères & Cie. had apparently "assisted in the negotiations" though, since they had no Amsterdam office, they were not among the issuing banks. They had also "purchased some of the Bills." The Bank of the Netherlands, it seems, authorized this operation on condition that the subscribing French banks were prepared to pay for the notes out of their own existing gold holdings, rather than putting any pressure on the Dutch exchange.[167] Similar transactions continued throughout the 1930s, with French Treasury bonds issued in the Netherlands in May 1939 in either Dutch, Swiss, or French currency renewable in Paris three months later with either Lazard Frères or its close collaborator, the Banque de Paris et des Pays Bas.[168] The French Lazard partners had, they politely boasted to their opposite numbers in Morgans, become accustomed to taking the lead in arranging such business, and so intimate was their relationship with French officials that "it often happened that they were asked to go to the Treasury at odd hours."[169] In 1938 Lazard Frères Paris was one of three French banks, the others

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[163] Jay, "French Government or Quasi-Government Business in London," January 6, 1938, File 15 France, Box 30, Morgan European Bank Papers.
[164] Rougemont, *Lazard Frères*, 486-487.
[165] Rougemont, *Lazard Frères*, 488.
[166] Rougemont, *Lazard Frères*, 488.
[167] A. V. Arragon to Rennell Rodd, March 16, 1934, File 14 France (1932-1935), Box 30, Files France 1919-1938, Morgan European Bank Papers.
[168] "French Treasury Bonds," *The Times*, August 21, 1939.
[169] Jay, "Memorandum," January 12, 1938, File 15 France, Box 30, Morgan European Bank Papers.

being Morgan & Cie. and the Banque de Paris et des Pay Bas, that with support from the Bank of France jointly established a new discount bank, capitalized at 20,000,000 francs. While the new institution was intended to handle all types of discounting business, its main objective was to expand the market for French Treasury bonds, the means whereby the French government obtained a great deal of the short-term capital it needed to finance its operations.[170]

One reason the French government relied so heavily on the Paris Lazard house was its own budgetary difficulties. In the mid-1930s the position of the franc became ever more precarious, something the British Lazard partners recognized. By late 1936, after almost three years during which the US dollar had effectively been stabilized against gold at 59.06 percent of the pre-devaluation rate, Kindersley believed that "the rise in the price of gold resulting from the depreciation of the pound and the dollar has been a potent factor in aiding world recovery, the influence of which may in the long run prove to have been considerably under-estimated." These developments were, Kindersley trusted, only the harbinger of still better things to come, meaning, he hoped, that

> an expansion in trade is a reasonable expectation in the near future, while at the same time the *raison d'être* for prohibitive tariffs, quotas, and other exchange restrictions will slowly disappear, and hopes for a gradual removal of these obstacles to international trade may be entertained. Moreover, it is permissible to anticipate that a gradual return to *de facto* stability in exchange rates will be accompanied by a more economic distribution of gold reserves in accordance with the requirements of various countries, and that these revalued reserves will provide an adequate basis for a greatly enlarged volume of world production and trade.

This in turn would, Kindersley believed, facilitate a return to pre-1929 levels of British overseas investment income, which would once again "provide a moderate surplus available for capital investment abroad."[171]

Kindersley, like Brand, also remained a staunch believer in coordinated international efforts to combat the world's still continuing inadequate economic performance. When France finally abandoned gold in October 1936, the British, French, and American governments announced a Tripartite Agreement on currency stabilization, whereby they sought to maintain their currencies at fixed rates against each other or, should that become impossible, implement revaluation in as orderly and smooth a fashion as possible, avoiding unpredictable oscillations and massive short-term currency fluctuations. This meant that, in the three subsequent years, international financial markets were significantly less turbulent than they were between late 1932 and late 1936.[172] In

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[170] "New French Bank," *Wall Street Journal*, June 28, 1938.
[171] R. M. Kindersley, "British Overseas Investments in 1934 and 1935," *Economic Journal* 46:184 (December 1936), 646, 661; also "Oversea Investment Income: Sir R. Kindersley's Estimates," *The Times*, December 19, 1936.
[172] Eichengreen, *Golden Fetters*, 377-382; Clavin, *The Failure of Economic Diplomacy*, 188-190; Sayers, *The Bank of England*, 2:475-481.

late June 1937, the Popular Front government brought in a new prime minister, Camille Chautemps, finance minister, Georges Bonnet, who finally embarked on a program of fiscal austerity and retrenchment in spending, intended to reduce the ballooning deficits of earlier years of heavy government expenditures on social welfare programs, and devalued the franc.[173] Brand urged *The Times* to be supportive and sympathetic toward the new regime, arguing that if the incumbents of these offices fell and were replaced by a more radical politicians, this would probably bring "the collapse of free exchanges in France, [and] the adoption of a regulated franc." Effectively, France would have left the ranks of "more liberal minded countries and join[ed] the regulated countries." Brand thought it "of very great importance to us and to the world at large that this should not happen."[174] Almost a year later, Kindersley publicly called on Britain to "do everything in its power to stimulate the programme announced at the time that the Tri-Partite Agreement between England, France, and the United States was made by trying to loosen controls, quotas, and currency restrictions." This would also, he believed, require a resumption of British overseas lending. He hoped for greater "cooperation between the lending countries, more especially between the United States and [Britain], in order that the greatest benefit to international trade might accrue." In particular, he hoped that lending nations would work together to blacklist "bad, untrustworthy debtors" and prevent future international defaults and bad loans.[175]

Kindersley's condemnation of derelictions by international debtors reflected long years of bitter experience on the part of Lazard Brothers. Not only did he, Brand, and Granville Tyser of Lazard serve on the committees representing bondholders' interests in such well-publicized international defaults as the Credit Anstalt, the German Standstill obligations, and the collapse of the business empire of Ivar Kreuger, the Swedish match king. Throughout the 1930s, Lazard Brothers also had to deal with the inability or refusal of many of the clients for which it had floated bond issues during the 1920s to repay those obligations. In 1934 Brand told Keynes that "the longer I am in business the more I am convinced that much capital must always be lost by bad shots, and that the writing of capital as lost as soon as it is lost is a healthy, in fact an essential, process."[176] By that time Brand knew only too well whereof he spoke, and almost certainly wished that many of the overseas capital issues for which Lazard Brothers had been responsible in the 1920s could simply be written off and forgotten. As it was, as the bankers representing these clients, during the 1930s Lazard Brothers found themselves negotiating ever less advantageous settlements to obtain at least partial payment of interest if not principal for bondholders, as most of the high-profile international offerings they had handled during the 1920s went into default. Making these arrangements involved extensive traveling. Early in 1935 Brand, who had just left Paris, complained to his sister-in-law that he was "like the Wandering

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[173] Maurice Larkin, *France since the Popular Front: Government and People 1936-1980* (Oxford: Oxford University Press, 1990), 55-61.
[174] Brand to Dawson, July 27, 1937, also Brand to Dawson, July 1, 1937, File 198, Brand Papers.
[175] "Prosperity in Britain: Redistribution of Wealth: Sir R. Kindersley on Oversea Lending," *The Times*, December 3, 1937.
[176] Brand to Keynes, November 26, 1934, File 198, Brand Papers.

Jew never time to stay anywhere long. I am now on my way to Berlin. . . Then go to Estoril." The major changes the previous two decades had wrought in almost every aspect of life had clearly disoriented the British banker, who continued:

> The world every day seems to me more queer & dream like. I constantly get into the habit of looking at it as if I was a newcomer, a visitor from Mars, seeing it for the first time & you have no idea how strange it is. Very often it seems to me it is just going to disappear. But it's not the world but I that am going to do that unfortunately. [177]

Austrian and German obligations were already problematic by mid-1931. Soon, difficulties spread to South America. In December 1931, the City of Nichtheroy in Brazil announced that exchange difficulties caused by the depreciation in sterling meant that it would make the next six-monthly payment due on the bonds Lazard Brothers had issued for it during the 1920s in sterling, rather than dollars.[178] Six months later, only partial payment was made on the interest due, a pattern that continued for much of the decade. In June and December 1934, for example, the city offered only 17½ percent which, if accepted by creditors, would constitute full satisfaction of the next half-yearly interest payment. Similar offers were made for the rest of the 1930s.[179] Political disturbances in Brazil meant that in mid-1932 the San Paulo Coffee Institute would make its interest payments on sterling obligations in US dollars at the prevailing exchange rate, rather than that pre-devaluation rate of $4.86 to the pound. Subsequent interest payments for 1932 were made in part rather than full, and although it was announced that full payment at the rate of $4.86 would be resumed in early 1933, together with sinking fund payments on portions of the bond issue, fulfillment of these promises was only partial. In 1934 the government of Brazil announced an offer whereby the country would pay off only about one-third on its outstanding obligations, a potential settlement to which many San Paulo bondholders objected, on the grounds that the coffee revenues were more than sufficient to meet the San Paulo debts. Payments of interest or redemption offers on these obligations became ever more partial, usually with stipulations that acceptance of payment at a discount should constitute satisfaction in full of that particular obligation. In late 1937 all San Paulo payments were suspended, pending settlement of a new debt plan.[180] The State of Parana in Brazil likewise fell

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[177] Brand to Nancy Astor, February 2, 1935, File 1416/1/3/13 Robert H. Brand, Nancy Astor Papers.

[178] City of Nichtheroy 7% Guaranteed Sterling Bonds, advertisement, *The Times*, December 3, 1931; "City Notes," *The Times*, December 3, 1931; "City of Nichteroy Loan," *The Times*, December 3, 1931.

[179] "Nichtheroy 7% Bonds," *The Times*, June 4, 1932; "Nichtheroy 7% Bonds," *The Times*, June 16, 1934; "City of Nichtheroy Seven Per Cent. Guaranteed Sterling Bonds," announcement, *The Times*, December 7, 1934; City of Nichteroy 7% Guaranteed Sterling Bonds, advertisement, *The Times*, December 17, 1935; announcements, *The Times*, June 15, 1936, June 15, December 29, 1937, June 5, 1940.

[180] "San Paulo Coffee Institute Bonds," *The Times*, June 16, 1932; "City Notes," *The Times*, September 23, 1932; "City Notes," *The Times*, December 14, 19, 1932; "San Paulo Bank Bonds," *The Times*, May 20, 1933; "City Notes," *The Times*, April 18, 1933; "State of San Paulo Coffee Institute 7½ Percent Bonds," announcement, *The Times*, December 22, 1933; "City Notes," *The Times*, February 23, 28, March 7, 1934; "San Paulo Coffee Institute Bonds: Holders' Protest," *The Times*, March 7, 1934; "San Paulo Coffee Institute Bonds," *The Times*, July 2, 1934; "San Paulo 7½% Coffee Bonds," *The Times*, November 14, 1934; "Bank of the State of San Paulo Bonds," *The Times*, December 22, 1934; "San Paulo Coffee 7 ½% Loan," *The Times*, January 11, 1935; "Bank of the State of San

behind on its obligations, and expected bondholders to regard partial payment as full settlement of debts owing to them.[181] By early 1933 the Mortgage Bank of Bogotá was also in default on its bonds, and Lazard Brothers dispatched a special representative to that country, who sent a rather discouraging report back to London, stressing that the fall in world commodity prices had affected Colombian exports, the bank did not have sufficient assets to meet its liabilities in full, and the Colombian government was in the process of passing legislation to deal with the situation. By 1938, the Mortgage Bank was seven years in complete default on its foreign bonds, though a small interest payment was made in April 1940. In mid-1933 Colombia offered partial payment on interest due on its obligations, with the remainder in deferred interest certificates. By 1935 the Colombian government was refusing even to issue promissory scrip in payment of its external debt.[182]

By 1933, the initial trickle of defaults was becoming a torrent. In mid-1933, the Tokyo Electric Light Company first announced that both sterling and dollar interest payments that were supposedly due in June 1933 in gold at 1928 parities would be paid in paper dollars, before eventually announcing that no payments would be made at that time, and outstanding obligations would be carried forward. In 1935, after Japan had left the gold standard and its currency had depreciated by two-thirds, the company offered payment on interest and principal at a very considerable discount, to take account of the yen's fall in value. Lazard Brothers recommended that bondholders accept this offer, which they considered fair in the circumstances. When the Japanese government reorganized that country's electrical industry in 1938, it was announced that the position of foreign bondholders remained unchanged, and the Japanese government would guarantee the payment of interest and principal on these obligations under the existing settlement.[183] In May 1933 the City of Munich made the sterling interest payments due on its bonds in paper rather than gold dollars; at the end of the year, the city announced that payment would only be made in reichsmark, partially in cash and partially as scrip.[184] In late 1933 the

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Paulo Bonds," *The Times*, January 16, 1935; "City Notes," *The Times*, July 23, 1935; "Miscellaneous Notices," *The Times*, January 2, 1936; "Bank of San Paulo 6% Bonds," *The Times*, January 30, 1936; "San Paulo Bank Tenders," September 1, 1937; "San Paulo Coffee 7½% Coffee Bonds," *The Times*, January 1, 1938.

[181] "State of Parana 7 Per Cent Consolidated Bonds," announcement, *The Times*, March 15, 1935; "City Notes," *The Times*, March 16, 1936; "City Notes," *The Times*, April 8, 1936; "Parana Seven Per Cent. Bonds," *The Times*, April 8, 1936; "State of Parana 7 Per Cent. Consolidated Bonds," *The Times*, September 21, 1940.

[182] Advertisement, *The Times*, February 14, 1933; "City Notes," *The Times*, June 26, 1933; "Republic of Colombia," advertisement, *The Times*, June 26, 1933; "Mortgage Bank of Bogota," *The Times*, October 2, 1933; "Mortgage Bank of Bogota 7% Bonds," *The Times*, November 3, 1933; "Republic of Colombia Deferred Interest Certificates," announcement, *The Times*, November 15, 1933; "Colombian External Debt," *The Times*, March 2, 1935; "Colombian Government Loans," *The Times*, March 23, 1937; "City Notes," *The Times*, October 12, 1938; "Mortgage Bank of Bogota Seven Per Cent. Sterling Mortgage Bonds," announcements, *The Times*, October 12, 1938, April 9, 1940.

[183] "City Notes," *The Times*, June 7, 1933; Tokyo Electric Light Company, advertisement, *The Times*, June 7, 1933; "City Notes," *The Times*, June 15, 1933; "Tokyo Electric," *The Times*, January 16, 1935; Tokyo Electric Light Company, announcement, *The Times*, January 16, 1935; Tokyo Electric Light Company, advertisement, *The Times*, February 14, 1936; "Changes in Japanese Electric Industry," *The Times*, July 5, 1938; Tokyo Electric Light Company, announcement, *The Times*, July 5, 1938.

[184] "City of Munich 6% Bonds," *The Times*, May 29, 1933; announcement, *The Times*, November 18, 1933.

City of Dresden also announced the suspension of payments during 1934 on the sinking fund for its 1927 loan. Early in 1934, Lazard announced they had only received funds sufficient to make partial payment on the interest due, a pattern that continued in following years.[185]

As the 1930s wore on, the melancholy litany of defaulting debtors continued unchecked. In February 1934, the Rumanian government remitted funds sufficient to pay only half of the forthcoming interest payment on its 1929 Stabilization Loan. For legal reasons, Lazard Brothers decided not to distribute these funds, as they might imply acceptance of these terms by the creditors. Negotiations over payment of this loan continued for much of the 1930s, with the Rumanian government continuing to insist that acceptance of partial payment of interest by bondholders must constitute payment in full. On behalf of the bondholders, Lazard Brothers and Hambros, the bankers involved, disputed these claims, on the grounds that the revenues of the Rumanian Stabilization and Development Loan Monopolies Institute, which were earmarked for the payment of these obligations, were more than sufficient to meet the necessary payments.[186] Early in 1935, the Dutch courts dismissed claims by Lazard Brothers and Hambros Bank that payment on the Dutch East Indies Sterling Loan Bonds should be made in gold.[187] In 1937, Lazard Brothers announced that the sterling and dollar issues of the Republic of Poland 7 Percent Stabilization Loan were about to go into default. In late 1937, Lazard Brothers announced a partial settlement offer from the Polish government, which they advised bondholders to accept.[188] In spring 1939 the Polish government also reduced the rate of interest on other foreign-held securities, including those of the Bank Gospodarstwa Krajowego (National Economic Bank) in Warsaw, some of whose bond offerings in Britain Lazard Brothers had handled. After the German and Soviet invasion of Poland in September 1939, payment on all Polish obligations was suspended indefinitely, but Lazard Brothers used funds already in hand to make a payment in respect of the interest payment due in April 1940.[189] By 1937 the Hungarian

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[185] "City of Dresden Loan," *The Times*, December 19, 1933; "City of Dresden 5½ percent Sterling Loan of 1927," announcement, *The Times*, January 22, 1934; "City of Dresden 5½ percent Sterling Loan of 1927," announcement, *The Times*, July 2, 1934; "City Notes," *The Times*, July 12, 1934; "Brazilian Warrant Agency & Finance Company," *The Times*, July 25, 1934; "City of Dresden 5½ percent Sterling Loan of 1927," announcement, *The Times*, January 21, 1935; "City of Dresden 5½ percent Sterling Loan of 1927," announcement, *The Times*, January 24, 1936.

[186] "Rumanian Stabilization Loan," *The Times*, February 5, 1934; "City Notes," *The Times*, February 9, 1934; "City Notes," *The Times*, July 28, 1934; "Rumanian Debts," *The Times*, July 28, 1934; "Roumanian Stabilisation and Development Loan," announcement, *The Times*, July 28, 1934; "Roumanian Monopolies Institute 7% Bonds," *The Times*, August 28, 1934; "Roumanian Stabilisation and Development Loan," announcement, *The Times*, January 24, 1935; "Roumanian Monopolies Institute Loan," *The Times*, August 2, 1935; "Roumanian Stabilisation and Development Loan," announcements, *The Times*, October 8, November 2, 1936, February 25, 1937; "City Notes," *The Times*, August 4, 1937; "Roumanian Stabilisation and Development Loan," announcements, *The Times*, August 4, 1937, May 24, September 12, 1938, February 24, October 31, 1939, February 2, 1940; "Rumanian Monopolies Institute Bonds," *The Times*, September 12, 1938.

[187] "Gold Payments Claim Dismissed," *The Times*, January 4, 1935.

[188] "Polish 7% Loan," *The Times*, March 5, 1937; "Republic of Poland 7 per Cent. Stabilization Loan of 1927," announcements, *The Times*, March 5, April 8, 1937, April 4, 1938; "Polish 7% Loan Coupons," *The Times*, October 15, 1937; "City Notes," *The Times*, December 15, 1937; "Miscellaneous Notices," *The Times*, April 4, 1938.

[189] Bank Gospodarstwa Krajowego, Warsaw, Poland, announcement, *The Times*, March 20, 1939; "Republic of Poland Stabilization Loan of 1927," announcements, *The Times*, January 4, April 9, 1940.

General Savings Bank obligations were also in default, with bondholders offered less than 20 percent of the interest due on coupons of that and other Hungarian loans.[190] In 1938, after the Austrian Anschluss, Granville Tyser of Lazard Brothers, who had become head of the Société Continentale de Gestion (Gesco), which gradually liquidated the Credit Anstalt's foreign obligations, was instrumental in arranging a final settlement of these debts, at something like 76 percent of their face value.[191]

The shortage of reasonably reliable international business was one reason why, during the 1930s, Lazard Brothers turned increasingly to underwriting domestic issues. Substantial offerings were made for the Manchester Brewery Company in November 1930; the Galloway Water Power Company in November 1931; and Lever Brothers Limited, a longstanding client, on whose behalf Lazard Brothers issued £3,440,000 of 5 percent consolidated debenture stock in March 1932.[192] In early 1933, Lazard successfully offered £2,500,000 in 5 percent debenture stock for Edmundson's Electricity Corporation, and at the end of the year £2,500,000 of 3½ percent Consolidated Debenture Stock for the North-Eastern Electric Supply Company, the reorganized Newcastle-upon-Tyne Electric Supply Company, another old client. A further £1,500,000 at 3 ¼ percent was issued for the latter client in 1935.[193] Later that year, Lazard Brothers issued £2,747,648 4 percent Consolidated Guaranteed Debenture Stock for the Niger Company, a Lever Brothers subsidiary.[194] In 1934 Lazard issued a further £1,350,000 of 4 percent Debentures for the Galloway Water Power Company, and £650,000 of 3½ percent for the Trust Houses hotel chain.[195] 1935 saw Lazard handling the private placement of £700,000 in preference shares for the hosiery manufacturer I. and R. Morley, and underwriting and issuing a further £2,000,000 in

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[190] "Hungarian Savings Bank," *The Times*, August 31, 1937; "Hungarian General Savings Bank Ltd. 7½ per Cent. Sterling Bonds," announcements, *The Times*, August 31, 1937, February 23, 1938; "Hungarian Trans-Danubian Electrical Company, Limited," announcements, *The Times*, September 30, 1937, March 31, September 30, 1938, April 3, September 28, 1939; "Miscellaneous Notices," *The Times*, March 15, 1938; Hungarian General Savings Bank, Ltd. Seven and a Half per Cent. Sterling Bonds," announcements, *The Times*, August 30, September 19, 1938, March 1, 1939; "Miscellaneous Notices," *The Times*, September 12, 1938; Hungarian General Creditbank, announcements, September 2, 1939, March 14, August 27, 1940; Hungarian Trans-Danubian Electrical Company, notice, *The Times*, September 7, 1939; "City Notes in Brief," *The Times*, April 2, 1940

[191] "City Notes," *The Times*, August 16, 1938.

[192] "The Manchester Brewery Company Limited," advertisement, *The Times*, November 21, 1930; "City Notes," *The Times*, November 25, 1931; Galloway Water Power Company prospectus, *The Times*, November 26, 1931; "Galloway Water Power Co.," *Wall Street Journal*, November 26, 1931; Lever Brothers Limited, *The Times*, March 14, 1932; "City Notes," *The Times*, March 14, 1932; "Lever Bros. Debenture Issue Success," *The Times*, March 16, 1932.

[193] "Edmundsons' Electricity Debenture Offer," *The Times*, January 18, 1933; "City Notes," *The Times*, October 27, 1933; North-Eastern Electric Supply Co. Ltd., prospectus, *The Times*, October 30, 1933; "City Notes," *The Times*, October 30, November 1, 1933; "City Notes," *The Times*, May 28, 1935; North-Eastern Electric Supply Co. Ltd., prospectus, *The Times*, May 29, 1935.

[194] The Niger Company Limited, prospectus, *The Times*, August 23, 1933; "City Notes," *The Times*, August 23, 1933.

[195] "City Notes," *The Times*, February 12, 1934; Galloway Water Power Company, prospectus, *The Times*, February 12, 1934; "City Notes," *The Times*, June 29, 1934; Trust Houses Limited, prospectus, *The Times*, July 2, 1934.

3¼ percent Debenture Stock for Edmundsons Electricity Corporation and £500,000 in 3½ percent Debenture Stock for the West of England Electric Investments, Ltd.[196]

In early 1936 Lazard Brothers handled a major conversion issue for Cammell Laird, exchanging 5½ percent debenture stock for 4% debenture stock, redeemable over thirty years.[197] A few months later, they underwrote a similar transaction for the English Electric Company, in this case a combined conversion operation and public offering that was heavily oversubscribed.[198] Moving away from public utilities and steel to the increasingly significant defense sector, almost simultaneously, in company with Barclays Bank, Lazard Brothers underwrote an issue of £200,000 of 5% cumulative redeemable preference shares for Blackburn Aircraft, Ltd.[199] In October 1936 Lazard Brothers underwrote the sale of £600,000 4 percent debenture stock in Everards Brewery Limited, another offering that was oversubscribed.[200] The following year they offered £1,000,000 of guaranteed 4½% debentures for a Scottish and Canadian distilling company, Hiram Walker & Sons. In early 1938 Lazard Brothers placed privately a further £500,000 of such securities.[201] In late 1937 Lazard Brothers were also among the initial shareholders in the New Mercantile Investment Trust, established with an offering of £3 million of shares, with Granville Tyser of Lazard Brothers as a director.[202] In 1939 the firm underwrote an offering of £500,000 in shares for the Westminster Press Provincial Newspapers, increasing that venture's capital by fifty percent.[203]

One field in which Lazard Brothers showed particular expertise in the 1930s was buying back the shares of British companies from previous American purchasers. In 1935 Lazard Brothers repatriated a substantial block of American-owned shares of the British General Electric Company, whose wholesale purchase by American investors in 1928 and 1929 had aroused great British apprehensions, leading that company's chairman, Lord Hirst, to introduce stock ownership provisions that denied foreigners any possibility of gaining control of the business. By the end of the year, Lazard Brothers had orchestrated the repatriation to Britain of virtually all

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[196] "City Notes," *The Times*, February 19, 1935; I. & R. Morley Limited, prospectus, *The Times*, February 20, 1935; "City Notes," *The Times*, November 26, 1935; Edmundsons Electricity Corporation Ltd., prospectus, *The Times*, November 27, 1935; "Edmundsons Electricity Issue," *The Times*, November 30, 1935; "City Notes," *The Times*, December 13, 16, 1935; West of England Electric Investments, Ltd., prospectus, *The Times*, December 16, 1935; "New Issue Results," *The Times*, December 18, 1935.
[197] "Cammell Laird," *The Times*, January 29, 1936.
[198] "City Notes, *The Times*, March 31, April 1, 1936; The English Electric Company Ltd., prospectus, *The Times*, April 1, 1936; "New Issue Successes," *The Times*, April 3, 1936; "City Notes," *The Times*, April 18, 1936.
[199] Blackburn Aircraft Limited, prospectus, *The Times*, April 3, 1936.
[200] "City Notes," *The Times*, October 16, 1936; Everards Brewery Limited, prospectus, *The Times*, October 19, 1936; "New Issue Results," *The Times*, October 21, 1936; "City Notes," *The Times*, October 22, 1936.
[201] "City Notes," *The Times*, November 12, 1937; Hiram Walker & Sons (Scotland) Limited, prospectus, *The Times*, November 15, 1937; "City Notes," *The Times*, April 5, 1938.
[202] "City Notes," *The Times*, December 2, 1937; New Mercantile Investment Trust Limited, prospectus, *The Times*, December 8, 1937.
[203] Westminster Press Provincial Newspapers Limited, prospectus, *The Times*, February 15, 1939.

the American-owned shares in General Electric.[204] The following year, Lazard Brothers bought for themselves and associates the holdings that the Utilities Power and Light Corporation of the United States had previously purchased in the Greater London and Counties Trust, which held all the non-British-owned ordinary shares of Edmundsons' Electricity Corporation, a business that controlled 99 electricity supply companies in Britain.[205] Four months later Lazard Brothers marketed £800,000 of Edmundsons shares in London, improving the company's financial position.[206] In May 1937 Lazards offered and underwrote £1,000,000 of 3½ percent debenture stock for the South Wales Electric Power Company, an Edmundsons subsidiary.[207] In January 1938, Lazard Brothers marketed an additional £1,125,000 in shares for Edmundsons.[208] This was followed in June by £1,650,000 3½% First Mortgage Debentures for B. C. & H. Power Station Company Limited, another Edmundsons subsidiary.[209] A year later, in June 1939, Lazard Brothers marketed and underwrote £1,500,000 in 3¾% debentures for the Edmundsons subsidiary, the Wessex Electricity Company.[210] Later that summer they managed a combined public and private issue of about £4,500,000 for the Eagle Oil and Shipping Company, two-thirds of which was offered on the open market.[211]

While domestic business flourished for Lazard Brothers during the 1930s, unreliable foreign debtors were one reason why, by the end of 1937, Kindersley took a far less sanguine view of Britain's future prospects, noting a "decline, not only in the total, but also in the quality of our loans abroad." Kindersley feared that "a progressive deterioration in our position as a long-term creditor may in the long run result in a substantial decline in income from abroad." This, in turn, might have undesirable social consequences, since it "would make it difficult to deal with the continued rise in imports without enforcing upon us a socially disturbing and detrimental reduction in the general standard [of living], in order to lower costs and raise the volume of visible exports."[212] Kindersley's next annual report underlined this theme, noting that, whereas until 1931, the amount of new issues of foreign loans on the London market had always substantially surpassed the amount received in repayment of foreign loans, since 1932 this trend had been reversed. Fewer high-class and reliable foreign securities of any kind, as opposed to risky investment ventures, were being offered, with the result that British investors were avoiding long-term commitments of capital and putting their money in short-term securities or in

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[204] "City Notes," *The Times*, August 16, 1935; "City Notes," *The Times*, November 5, 1935; "London Bankers in Stock Deal Here," *New York Times*, August 17, 1935.
[205] "City Notes," *The Times*, July 30, 1936.
[206] "City Notes," *The Times*, October 26, 1936; "Higher Electricity Dividend," *The Times*, May 19, 1937.
[207] "City Notes," *The Times*, May 28, 1937; South Wales Electricity Power Company, prospectus, *The Times*, May 31, 1937; "City Notes," *The Times*, May 31, 1937.
[208] "City Notes," *The Times*, January 7, 1938.
[209] "City Notes," *The Times*, June 21, 22, 24, 1938; B. C. & H. Power Station Company Limited, *The Times*, June 22, 1938.
[210] "City Notes," *The Times*, June 28, 29, 1939; Wessex Electricity Company, prospectus, *The Times*, June 29, 1939.
[211] "City Notes," *The Times*, August 12, 15, 1939; Eagle Oil & Shipping Company, Limited, prospectus, *The Times*, August 16, 1939.
[212] R. M. Kindersley, "British Overseas Investments in 1935 and 1936," *Economic Journal* 47:188 (December 1937), 662; also "British Oversea Investments: Sir Robert Kindersley's Survey," *The Times*, December 7, 1937.

speculative undertakings "of a kind on which returns, while conditions are temporarily favourable, are so large that ultimate loss of capital may be contemplated with equanimity." Kindersley was greatly disturbed by the decline in "those British oversea securities held for more permanent investment, from which a steady and substantial income has accrued over many years," since it was "this income, before all else, that has enabled the United Kingdom to secure a volume of imports greatly in excess of exports, and thus to maintain a standard of living higher than that of almost any other European country." Given intensifying international difficulties, his prognostications for the future were grim:

> The prospect is rendered worse by the possibility that political and economic pressure from abroad accompanied by rising costs at home may continue to restrict the outlet for exports; while requirements for intensified rearmament may make it difficult to bring about a corresponding reduction in imports. Should present trends continue, as seems likely, this situation can be met adequately only by a consciously directed national effort aiming at an improvement in efficiency of management and a substantial increase in output per head of the population. In any event, the strain on our social and financial structure must be severe; without a collective effort a considerable lowering in the general standard seems inevitable. The problem has indeed become as urgent as it is grave.[213]

Brand took an equally dark view of the deteriorating situation, which his travels gave him ample opportunities to observe, and which left him increasingly depressed. A year earlier, at the beginning of 1934, he reported to his wife how his failure to salute "a procession of soldiers" had so offended some bystanders that "one of them looked as if he wd have liked to have kicked me." Ominously, Brand predicted: "I feel as if the tension here were not nearly over. I'm not sure the world isn't going into many years—a generation or two—of trouble & chaos & autocracy and maybe war. I hope not. But human beings are mad and stupid." He was even less optimistic by August 1935, after the Italian invasion of Abyssinia, writing: "What a place the world is. Mussolini has killed the League of Nations. The only good I see is that it will waken the English from their dream. When one thinks of Mussolini and reads of gas masks & all the horrors of civilisation, what are we to do? What a horrible place the world is becoming for our children. Is the human race so mad that it can't stop the rot? I fear not." By autumn 1935 Brand had come to believe that the only solution was massive British rearmament, a policy he began to urge upon his associates and advocate to the reluctant British government.[214]

Brand almost invariably believed that the ideal solution to many of the world's problems, whether economic, political, or military, lay in close collaboration between the British Empire and the United States. It was therefore not surprising that, when the longstanding war debt

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[213] R. M. Kindersley, "British Oversea Investments, 1937," *Economic Journal* 48:192 (December 1938), 631-634, quotations from 633 and 634; also "British Oversea Investments: Sir Robert Kindersley's Review," *The Times*, December 12, 1938.
[214] Fox, *The Langhorne Sisters*, 457-459.

questions that had remained dormant for several years once more raised their head in Anglo-American relations, Brand soon found himself involved in these. Facilitating better understanding between the United States and Britain was invariably an important preoccupation for Brand. In January 1934, he responded to criticisms by the Harvard law professor Felix Frankfurter, who had a prestigious one-year visiting appointment at Oxford University, that coverage of the New Deal and American affairs in *The Times* was unbalanced and unfair, by introducing him to Geoffrey Dawson, the newspaper's editor. Frankfurter, a close friend and political ally of Roosevelt, not only gave Dawson a detailed assessment of why he felt the paper's treatment of New Deal policies was undesirably "pessimistic" and "unreliable," but—as he reported back to the president—agreed to produce a series of articles on administration policies for *The Times*.[215] This was by no means the last occasion Dawson and Brand teamed up in efforts to promote Anglo-American concord. On a visit to Britain in summer 1936, Thomas W. Lamont of the Morgan firm told Dawson that if Britain continued to make no attempt to settle its war debt to the United States, this would be "a real obstacle to the cooperation of the U.S.A. with this country [Britain] in dealing with the affairs of the world." Dawson asked Brand if he thought the newspaper should take up this question and start a campaign to settle the debt.[216] Brand agreed with Dawson that this was "an exceedingly important matter . . . and that if only the Americans would contemplate a reasonable settlement, we ought to try and fix it up," but thought it would be "unwise" to contemplate any move on the subject until the presidential election had been decided in November 1936. He believed that "a lump sum settlement would mean the British Government making a loan from the public in America and paying the proceeds to the American Government." Moreover, he did "not think we could pay less than say £100,000,000 and the Americans would probably want much more." Although Brand himself had once thought it best to pay the debt, in an ironic echo of his old friend Charles Altschul's stance, he now reflected that: "Looking back, the great trouble is that we should have not taken up the standpoint quite early that morally there was an enormous lot to be said for the view that the Debt could not properly be exacted."[217]

Lamont brought up the subject of war debts again at a joint conference that Chatham House and the Council on Foreign Relations organized in New York later that year. The idea of the conference was first mooted in 1934 by Ivison MacAdam, executive director of the RIIA.[218] It was very much a British initiative: Edwin F. Gay, a Harvard academic and long-time director of the Council, commented on "the insistence of our English friends at Chatham House" on setting up a study group to conduct "a thorough examination on both sides of the outstanding points of difference as well as of agreement followed by a non-public conference of carefully selected

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[215] Felix Frankfurter to Franklin D. Roosevelt, January 15, 2, 1934, in *Roosevelt and Frankfurter: Their Correspondence 1928-1945*, ed. Max Freedman (Boston: Little Brown, 1967), 188-191.
[216] Dawson to Brand, June 9, 1936, File 116/1, Brand Papers.
[217] Brand to Dawson, June 11, 1936, File 116/1, Brand Papers.
[218] Mallory to MacAdam, September 8, 1934, File Conference on Anglo-American Relations 1936, Records of Conferences, Council on Foreign Relations Papers.

representatives of both sides."[219] After much deliberation, it was decided that a delegation of RIIA members who were visiting the United States to attend a meeting of the Institute of Pacific Relations, another joint Anglo-American enterprise, should also participate in a lengthy evening dinner meeting with members of the Council on Foreign Relations, an event which occurred on September 8, 1936. Only seventeen people were present in all: on the British side A. V. Alexander; former First Lord of the Admiralty; C. I. C. Bosanquet of Chatham House's Council; Sir Frederick Hayward, Chairman of the Cooperative Movement in Britain; Hamilton W. Kerr, Financial Under-Secretary to the Treasury; Lord Snell, former Under-Secretary of State for India; and Rear-Admiral A. H. Taylor. The Americans included Norman H. Davis; Armstrong, Mallory, and Shepardson of the Council; Allen Dulles and Lamont; Herbert Feis, Economic Adviser to the Department of State; John M. Franklin of the International Mercantile Marine; Philo W. Parker of Standard Vacuum Oil; retired Admiral William V. Pratt; and Allan Sproul of the New York Federal Reserve Bank.

Opening the meeting, Norman Davis said: "I am sure that all of us at this table feel that there is nothing more important for the welfare of the world than for Great Britain and the United States to go step in step. . . . as concerns the broad bases we have a tremendous community of interest and a common political philosophy which really draws us together." Arguing that if the two countries could work together, this would also promote world peace, he remarked: "[A]nything that we can do that will help remove the obstacles to a closer cooperation and understanding is beneficial to ourselves as well as to the world at large." Speakers expressed the hope that the American side would likewise send a small delegation to attend a similar gathering in London. With international tensions mounting, frequent reference was made to the possibility of a broad European conflict, with Americans, among them Dulles and Lamont, expressing the belief that in such an eventuality the United States, even if it remained formally neutral, would nonetheless lean to the side of the Western democracies or, as Lamont expressed it, "the powers that are endeavoring to keep the peace." Lamont spoke of the heightened desirability in these circumstances of finding a solution to the continuing impasse on the war debts which the British owed the United States, and of bringing about international currency stabilization, measures whose accomplishment would, he argued, lead to greatly improved Anglo-American relations. In a similar vein, Feis suggested that mutual tariff reduction would do the same. Shepardson recalled the longstanding ties between the two organizations, despite their formal independence of each other, tracing the Council's roots to a memorandum written by Lionel Curtis in 1919 and reminding the British that one of the first large donations for Chatham House came from Lamont.[220]

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[219] Edwin F. Gay to A. Lawrence Lowell, March 23, 1935, Records of Conferences, Council on Foreign Relations Papers.

[220] Transcript of "Conference on Anglo-American Relations", September 8, 1936, Records of Conferences, Council on Foreign Relations Papers, another copy in File 9/15a Anglo-American Relations-Correspondence, Study Group Files, Royal Institute of International Affairs Archives, Chatham House, London; also "Anglo-American Co-

The September conference's fruits included the Council's most ambitious project up to that date, a two-year joint study group on Anglo-American relations, whose mandate was to consider the questions of war debts, currency stabilization, and reciprocal tariff reduction which Lamont and Feis had pinpointed as particular bones of contention between the two countries. In early 1937 the Council and the RIIA each established sub-groups on War Debts and Trade Practices, who exchanged memoranda and other documents across the Atlantic and commented on the other side's proposals and analyses. Great stress was laid on the need to maintain the confidentiality of these exchanges. The United States and Britain had by this time opened negotiations aimed at tariff reduction, and both the Council and the RIIA ensured that their study groups included some government officials. As Economic Adviser to the Department of State Feis even agreed "to place at the disposal of the drafting officer [of the sub-group's report on trade practices] the material which is available in the State Department"; when a first draft of the report was ready, Feis showed it to one of his colleagues and passed on the latter's comments to the Council's executive director.[221]

Of all the economic topics, the question of war debts was probably the most controversial. In 1933 the British Government, under budgetary pressure, announced that due to a temporary inability to find the funds it was suspending payment on the war debts which it still owed the United States. After making two token payments of $17,500,000 in 1933, the British ceased payment entirely on these obligations.[222] By 1937 there had been little improvement in Britain's financial situation and the dispute over war debts remained unresolved. Brand took the leading role in drafting a memorandum submitted by a group that also included Alexander, Lord Astor, Bosanquet, Geoffrey Crowther, and Sir Hubert Henderson, an Oxford economist. In an early preparatory memorandum, Brand once again expressed the view that war debts and reparations bore "a very great responsibility for the intensity of the [post-1929 economic] crisis." Resuming full payment immediately on war debts would, he believed, "increase very largely the flow of gold for the U.S.," something that "would not appear the height of wisdom," given that such payments would be "inconsistent" with and undercut "the most important thing for the world . . . to restore and maintain a stable international monetary system."[223] In subsequent discussions with the American visitor Norman H. Davis, Brand emphased "that, important though it was to

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operation: Report to Study Groups Committee, by Mr. Bosanquet," October 26, 1936, File 9/15a Anglo-American Relations, Study Group Files, RIIA Archives, Chatham House.

[221] Mallory to Percy W. Bidwell, March 16, 1937, Feis to Mallory, April 27, 1937, File Anglo-American Relations Group 1937-1938, Records of Groups, Council on Foreign Relations Papers.

[222] Clavin, *The Failure of Economic Diplomacy*, 174-181; Sir Frederick Leith-Ross, *Money Talks: Fifty Years of International Finance* (London: Hutchinson, 1968), 170-179; Steiner, *The Lights That Failed*, 689-690; Clavin, *The Great Depression in Europe*, 155-156.

[223] "Mr. Brand's Memorandum on War Debts," April 24, 1937, File 9/15d Anglo-American Cooperation-War Debt Memorandum, Study Group Files, RIIA Archives; also Agenda and Minutes of Sub-committee on the Proposed Study of Anglo-American Relations, January 11, 1937, File 9/15a Anglo-American Cooperation-Correspondence, Study Group Files, RIIA Archives; Report of the discussion held at 4, St. James's Square, on March 11th, 1937, on the subject of the British attitude to the War Debts Problem, File 9/15d, Anglo-American Cooperation-War Debt Memorandum, Study Group Files, RIIA Archives.

settle, it was more important to be able to keep the settlement."[224] In June 1937 the Council on Foreign Relations sent Chatham House suggestions that the debt be calculated at a total of $3,800,000,000, with an annual debt payment of £60 million over twenty, figures that horrified the British group, who felt they should be reduced by two-thirds.[225] The memorandum that Chatham House eventually submitted to the Council in September 1937 emphasized that British public opinion would not support payment of these debts in full, since the British regarded them as part of the American contribution to the joint war effort; expressed the hope that it might be possible to write the debts down to a level which the British public would find supportable; but recognized that it might well be politically difficult, if not impossible for the United States government to do so.[226]

To respond to this paper, the Council established a small group, consisting of George P. Auld, a New York accountant who had served on the Reparation Commission; Shepard Morgan of the Chase National Bank; Prof. Winfield Riefler of Princeton's Institute of Advanced Study; Raymond Gram Swing; and Garrard B. Winston, a former Under Secretary of the Treasury. Auld's report suggested that most Americans no longer expected to realize any substantial sums on the war debts, but that "the continued existence of this unliquidated controversy provides an element of strength to isolationist sentiment in this country, and at the same time represents an element of weakness to a respectable and apparently growing body of opinion which holds that any possible national policy of ours designed to keep us out of involvements in Europe will not in its main purpose be successful." Bearing this in mind, the Council group suggested that a merely "nominal" payment would not suffice to eliminate this irritant in Anglo-American relations and obstacle to further American international involvement, and expressed the hope that the two sides might be able to reach a compromise settlement. In view of the fact that other nations which had defaulted on their debts probably owed Britain more than she herself owed the United States, and that Britain now faced the expense of a heavy rearmament program, the Council group suggested that the British make a "definite offer" to pay off the principal of the debt, without interest, over a relatively short term of years.[227]

Taking up this suggestion, the British group welcomed the concreteness of this proposal and the response's sympathetic tone, but after calculating the potential budgetary effects, suggested that the amount proposed was still too high, and should be substantially reduced, perhaps by as much

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[224] Report of a Meeting of the Special War Debts Committee with Mr. Norman Davis, at 4 St. James's Square, on April 28th, 1937, File 9/15d Anglo-American Cooperation-War Debt Memorandum, Study Group Files, RIIA Archives.

[225] "Anglo-American Relations," minutes of Steering Committee meeting, July 4, 1937, File 9/15d Anglo-American Cooperation-War Debt Memorandum, Study Group Files, RIIA Archives.

[226] "The War Debts: A British View", September 1937, Records of Groups, Council on Foreign Relations Papers; copy in File 9/15d Anglo-American Cooperation-War Debt Memorandum, Study Group Files, RIIA Archives, Chatham House.

[227] "The British War Debts: An American View", April 1938, copies in Records of Groups, Council on Foreign Relations Papers; and File 9/15d Anglo-American Cooperation-War Debt Memorandum, Study Group Files, RIIA Archives, Chatham House.

as two-thirds.[228] At this impasse the matter was left to rest: the Americans believed the British counter-offer far too low to be politically acceptable, but recognized the force of their opposite numbers' arguments that the figure they proposed would prove equally politically unacceptable to the British public. "To bring up a proposition such as the British suggest at this time would, in my opinion, simply stir up feeling against England", Winston told Auld, and the other members of the group concurred that further discussion or response would be pointless.[229] When the British and American groups began work on this subject in early 1937, Walter Mallory, the executive director of the Council on Foreign Relations, had rather prophetically stated "that if our unofficial groups cannot reach a basis of agreement, it will reveal how difficult it is likely to be for the governments to do so."[230] At Shepardson's suggestion, the British response, which he described as "highly responsible, though unofficial", was forwarded to Feis at the State Department, on the grounds that: "People like Brand (on the British Committee) don't suggest figures unless they have a pretty good idea of the Government's view."[231] Although *Foreign Affairs*, the journal of the Council on Foreign Relations, published an article by Auld on the topic, the war debt issue remained unresolved at the outbreak of the Second World War.[232]

Frank Altschul in Business and Politics: The Mid-1930s

Altschul was not, apparently, involved in the Anglo-American study group, though he had become a director of the Council on Foreign Relations in 1934, a position he would retain for thirty-five years. In the mid-1930s he was probably preoccupied with other issues. New Deal policies had a major impact on two aspects of his life at this time. Professionally, the Roosevelt administration passed banking legislation, the Glass Steagall Banking Act and Securities Act of 1933 and the Securities Exchange Act of 1934, that forced a wideranging reorganization of the business operations of Lazard Frères New York, with unforeseen long-term consequences for Altschul's position in the firm. In the political sphere, Altschul abandoned his original support for the New Deal, and by 1935 was seeking to find a niche in what he hoped would become a revitalized and modernized Republican party.

Under the New Deal banking legislation of 1933 and 1934, banks were forbidden to engage in both commercial and investment banking, and had to decide whether to choose one or the other. In some cases, the Morgan firm being one example, financial houses actually split, and

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[228] "The War Debts: A Further Contribution to the Discussion of the Problem", September 1938, copies in Records of Groups, Council on Foreign Relations Papers; and File 9/15d Anglo-American Cooperation-War Debt Memorandum, Study Group Files, RIIA Archives, Chatham House.
[229] Winston to Auld, September 19, 1938, Auld to Winston, September 21, 1938, Auld to Mallory, October 1, 1938, Riefler to Auld, September 23, 1938, Records of Groups, Council on Foreign Relations Papers.
[230] Mallory to Ivison S. Macadam, March 1, 1937, File 9/15a Anglo-American Cooperation-Correspondence, Study Group Files, RIIA Archives, Chatham House.
[231] Shepardson to Mallory, September 16, 1938, Mallory to Shepardson, October 1, 1938, Records of Groups, Council on Foreign Relations Papers.
[232] Auld, "The British War Debt: Retrospect and Prospect", *Foreign Affairs* 16:4 (July 1938), 640-650.

established two entirely separate institutions, one to handle each aspect of banking. Lazard Frères in New York chose a different route, concentrating on investment banking, especially the issuing business. Somewhat ironically, this was the course that Brand and Kindersley had urged upon the American house in the later 1920s. It was not, perhaps, a solution that Altschul, whose first love was trading in securities rather than issuing them, found entirely congenial. He later recalled that:

> After the passage of the Glass Steagall bill, many of the avenues of activities previously open to [Lazard Frères] were curtailed, and these were further threatened by various Stock Exchange measures. Under these circumstances, I had felt that the competitive issue business was the chief field at our disposal. On this account, I had sought individuals whom I thought were thoroughly competent to develop this activity. I had explained that, neither by temperament nor by inclination was I inclined to do the spade work in this field; that I conceived my function to be that of representing the capital and continuity of the firm in the capacity of senior partner; that this involved assisting those engaged in the issue business in every way that I could and handicapping them as little as possible; that this involved the final decision on matters of policy and commitment; but it did not involve getting into the front-line trenches, in which I had been for many years and which for many reasons I now preferred to leave to others.[233]

In June 1934, Lazard Frères New York issued a statement that, after careful study of the Banking Act of 1933, it intended to "continue in the investment business." It would also retain membership in the New York Stock Exchange, and continue, "in view of the importance of its connections abroad, its foreign exchange business." It was, however, abandoning both its acceptance business and issuing travelers' letters of credit, and would not engage in deposit banking. Though the specifics were not necessarily entirely clear as yet, this announcement broadly indicated that Lazard Frères was opting for investment rather than commercial banking.[234] The new legislation also compelled Altschul to resign as a director of the Chase National Bank, which had chosen the commercial banking route, since investment bankers could no longer serve on the boards of such institutions.[235]

In September 1934, Lazard Frères New York announced that they were establishing a subsidiary corporation, Lazard Frères and Company, Inc., to handle underwriting and engage in the issuing of securities. Altschul was chairman of the new corporation, with Stanley A. Russell, previously a vice-president of the National City Company, as president, and John D. Harrison, a former vice-president of the Guaranty Company of New York, as vice-president. Lazard Frères, the parent company, intended to continue to handle Stock Exchange, general securities, and foreign

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[233] Altschul, memorandum, May 23, 1939, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.
[234] "Change by Lazard Freres," *New York Times*, June 13, 1934; "Keep Investment Line," *Wall Street Journal*, June 14, 1934; "Lazard Freres to Keep Investment Business," *Christian Science Monitor*, June 16, 1934.
[235] "Wide Changes in Chase Set-Up," *Wall Street Journal*, May 17, 1933; "Chase Bank Drops Half of Its Board," *New York Times*, May 17, 1933.

exchange business. The partners of Lazard Frères, together with the top officers of the new firm, constituted its board of directors.[236] The new corporation quickly engaged a vice-president, Randolph P. Compton, to specialize in municipal bonds.[237] As Lazard Frères and Company opened its doors, it was capitalized at $5,000,000 in preference shares and 6,000 shares of common stock. Stanley Russell, its president, proclaimed his faith that the recently established Securities and Exchange Commission intended to encourage "honest business," leading the officers of his corporation to believe "that the time is opportune for entering the underwriting and general investment fields." Echoing some of Altschul's reservations toward the Securities Exchange Act of 1934, he also expressed a "hope that regulatory measures, which in great part have much merit, may be so modified as to afford a maximum of protection to the investor and a minimum of interference with proper and conservative business."[238] In 1935 it opened branch offices in Boston and Chicago, and the following year a further office in Philadelphia.[239] The firm also began providing market advice for the general public and potential clients, seeking to serve as an intellectual leader in the financial field, not just a straight issuing house. The company soon began researching and publishing in-depth studies of the credit position and debt burden of particular municipalities and states, which included suggested future borrowing strategies. Among the cities thus scrutinized were Detroit, Michigan; Albany, New York; the Boston Metropolitan District; Boston, Massachusetts; New York City; Baltimore, Maryland; Cleveland, Ohio; Utica, New York; Minneapolis, Minnesota; St. Louis, Missouri; Pittsburgh, Pennsylvania, and Buffalo, New York. States subjected to such analysis included New Hampshire, New York, Maryland, Colorado, and Pennsylvania.[240] In 1936 the bond house also

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[236] "Investment Unit for Lazard Freres," *New York Times*, August 3, 1934; "Lazard Frères of New York," *The Times*, September 26, 1934; "In Underwriting Line," *Wall Street Journal*, August 3, 1934; "New Investment House," *Christian Science Monitor*, September 25, 1934; "Lazard Freres & Co. Open for Business," *Wall Street Journal*, September 25, 1934; "New Lazard Unit Will Open Today," *New York Times*, September 25, 1934; "New Security Business to Open Offices," *Washington Post*, September 25, 1934; William D. Cohan, *The Last Tycoons: The Secret History of Lazard Frères & Co.* (New York: Doubleday, 2007), 35; Martine Orange, *Ces Messieurs de Lazard* (Paris: Albin Michel, 2006), 89-90.

[237] "Joins Lazard Freres & Co.," *New York Times*, September 18, 1934; "Bonds and Bond Men," *Wall Street Journal*, September 21, 1934.

[238] "New Lazard Unit Will Open Today," *New York Times*, September 25, 1934; "New Security Business to Open Offices," *Washington Post*, September 25, 1934; "Lazard Freres & Co. Open for Business," *Wall Street Journal*, September 25, 1934.

[239] "Lazard Freres & Co. Open Chicago Branch," *Washington Post*, November 20, 1935; "Lazard Freres Opens Office," *Christian Science Monitor*, March 3, 1936.

[240] "See Further Refunding by Detroit Fairly Soon," *Wall Street Journal*, October 1, 1933; "Albany's Debt Service 25% of Expenditures," *Wall Street Journal*, November 29, 1935; "Boston Met. District Analyzed," *Wall Street Journal*, January 31, 1936; "Lazard Freres Analyze Debt Status of Detroit," *Washington Post*, January 18, 1937; "Survey Gives City High Credit Rating," *New York Times*, May 11, 1937; "Sees City Debt Maturing Earlier," *Wall Street Journal*, May 11, 1937; "Study of New Hampshire," *New York Times*, July 21, 1937; "Sees Boston Credit Affected by Short Term Factors," *Wall Street Journal*, October 14, 1937; "Banking House Discusses Albany's Credit Rating," *Wall Street Journal*, October 23, 1937; "Bonds and Bond Men," *Wall Street Journal*, October 29, 1937; "Finances of Baltimore," *New York Times*, November 21, 1937; "Cleveland's Credit Position Analyzed in Revised Survey," *Wall Street Journal*, December 24, 1937; "Credit Status of Maryland Rated High," *Washington Post*, April 11, 1938; "Colorado Credit Position Found Favorable," *Wall Street Journal*, May 3, 1938; "State of Pennsylvania Held in Sound Credit Position," *Wall Street Journal*, June 16, 1938; "Utica's Credit Status Held Generally Sound," *Wall Street Journal*, July 27, 1938; "Pension Fund in Arrears," *New York Times*, December 12,

published a booklet, "Bank Bond Buying," a guide that urged banks to buy and offer only high quality bonds, and refrain from committing themselves to "second grade issues."[241] The following year Lazard Frères and Company brought out a pamphlet listing and analyzing three hundred leading railroad, public utility, and industrial bonds; a revised edition was issued five months later.[242] In 1939 the reorganized firm brought out a "Bankers' Handbook of Bond Investment," setting "[y]ardsticks for the establishment of sound policies and minimum standards for bank investment programs."[243]

Lazard Frères and Company focused upon issuing and underwriting domestic American municipal and corporate bonds, normally as one of a syndicate of several bankers. The firm quickly became a significant presence in this field. It was one of a total of twenty New York-based financial houses that, between 1934 and 1939, handled $6,369,909,000 of a total of $7,367,741,000 of industrial bonds offered in United States financial markets. (The remaining $1,002,832,000 were handled by eighteen firms outside New York City.) Although Lazard Frères was not among the top six New York financial institutions, led by Morgan Stanley & Co., that were responsible for more than half this total, other banks considered it a solid partner.[244] In 1936, for example, Dillon Read included allotted Lazard $3,150,000 of a total of $60,000,000 of 3½% Shell Union Oil Corporation debentures marketed in New York.[245] Three years later, Morgan Stanley allocated Lazard a further $3,000,000 underwriting in an issue of $85,000,000 of Shell Union fifteen-year 2½% debentures.[246] The First Boston Corporation was another bank that generally gave Lazard a second-rank participation in its underwriting syndicates.[247] When Lazard led a syndicate, it reciprocated. Between 1935 and 1939, Lazard took $22,128,000 of

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1938; "Minneapolis Maturities Heavy Next Five Years," *Wall Street Journal*, January 5, 1939; "St. Louis Improves Long Term Outlook," *Wall Street Journal*, February 21, 1939; "N.Y. State Finances Discussed," *Wall Street Journal*, April 3, 1939; "'Cut Costs; Regain Credit,' City of Boston Is Told," *Christian Science Monitor*, May 22, 1939; "Boston Tax Burden Called Too High," *Wall Street Journal*, May 22, 1939; "Higher Detroit Taxes Urged in Analysis of City's Finances," *Wall Street Journal*, June 23, 1939; "Continued Improvement Shown in Pittsburgh's Financial Position," *Wall Street Journal*, July 5, 1939; "Surveys Buffalo's Debts," *New York Times*, August 14, 1939; "Debt Service and Relief Major Problems in Buffalo," *Wall Street Journal*, August 14, 1939.

[241] "Bonds and Bond Men," *Wall Street Journal*, November 10, 1936.

[242] "300 Callable Bonds Tabulated," *New York Times*, April 13, 1937; "Lazard Freres Issues New Bond Pamphlet," *Washington Post*, September 22, 1937.

[243] "Bankers' Handbook Published," *Christian Science Monitor*, April 17, 1939.

[244] Exhibit No. 2066, "Quality of Bond Issues Managed by 38 Investment Banking Firms, All Industries, January 1934-June 1939," U.S. Temporary National Economic Committee, 76 Cong., 3rd Sess., *Hearings: Investigation of Concentration of Economic Power*, 40 pts., (Washington, DC: Government Printing Office, 1940), 24:12993.

[245] Exhibit No. 1991-2, "Memorandum for Henry H. Egly, Esq., Re: Distribution of Shell Union 3½% Debentures in 1936," November 17, 1939, ibid., 24:12916-12917.

[246] Exhibit No. 2011, "$85,000,000 Shell Union Oil Corporation Fifteen Year 2½% Debentures," Contract, July 17, 1939, ibid., 24:12934; Exhibit No. 2041, "Shell Union Oil Corporation Debentures Purchased by Underwriters from Company and Reserved to Underwriters for Retail Distribution by Morgan Stanley & Co., Incorporated," ibid., 24:12965.

[247] Exhibit No. 1714-1, John M. Young to Willard Place, June 18, 1935, and Exhibit No. 1721, "$12,500,000 The Toledo & Ohio Central Railway Company Refunding & Improvement Mtge. 3 ¾% Bonds," ibid., 23:12261, 12263.

underwriting in syndicates headed by First Boston, while the latter received $9,000,000 of underwriting for issues organized by Lazard.[248]

The financial house Edward B. Smith & Co. (later Smith Barney), likewise often gave Lazard a participation in its bond offerings; in 1935, for example, Lazard took $720,000 in an underwriting syndicate headed by Smith that handled $20,000,000 of 4% twenty-year bonds for the Chicago firm, Wilson & Company.[249] Between 1936 and 1938, Smith Barney routinely gave Lazard a participation of something over two percent underwriting several bond issues for American Telephone and Telegraph and its subsidiaries.[250] Indeed, in autumn 1935 Morgan Stanley's initial failure to include Lazard in its underwriting syndicate for American Telephone and Telegraph financing provoked great heart-burning within Lazard Frères, whose officers feared it denoted serious problems between their two houses. The Lazard partners and officials immediately moved to apprise Morgan Stanley of their "feeling of dissatisfaction and disappointment," recruiting a close associate of both sides to "impress upon [Morgan Stanley} the desirability of their treating [Lazard Frères] in a friendly and generous manner." They also suggested that Sir Robert Kindersley "might be asked to take up the matter with J. P. Morgan on the basis that the development of a feeling of dissatisfaction in New York might endanger the deep friendly feeling that has existed for so many years between the two firms."[251] These tactics clearly proved effective. When Morgan Stanley subsequently organized financing for AT & T between 1935 and 1938, it routinely gave Lazard a standard percentage, and listed the Lazard name in the same position on the list of underwriters.[252] On occasion, depending on the firm involved, Morgan Stanley gave Lazard a share in underwriting financing for electrical and gas utilities, and always included it in financing for Consolidated Edison of New York.[253] Lazard also received a percentage of approximately 3.33 percent in a 1935 issue of $16,000,000 in 4% bonds, followed by a further 2 ½ percent in $44,000,000 of 3 ¾% bonds a few months later, that Morgan Stanley issued for the Chicago Union Station. In 1936, Lazard again took a 2 ½ percent share of a further $7,000,000 of 3 ½% of such bonds. The exact size of the Lazard tranche

[248] Exhibit No. 1629, "Underwriting Participations," as of February 28, 1939, ibid., 22:11714.
[249] "Exhibit No. 1882, Wilson & Co., Inc., First Mortgage Twenty-Year Bonds-Series A 4%, due July 15, 1955," ibid., 24:12801-12802.
[250] "Exhibit No. 1700, "Public Offerings of Securities under Securities Act of 1933 by the A. T. & T. Co. and Subsidiary Companies," ibid., 23: 12243.
[251] Altschul, memorandum, October 4, 1935, File Pierre David-Weill, General Correspondence, Altschul Papers.
[252] Exhibits Nos. 1702 and 1703, "Relative Participations in Security Issues of American Telephone and Telegraph and Associated Companies 1935-1939," and "Financing of American Telephone and Telegraph Company and Associated Companies by Morgan Stanley & Co. Incorporated from Sept. 16 1935 to June 30, 1939," *Hearings: Investigation of Concentration of Economic Power*, 23:12244-12245.
[253] Exhibit No. 1767-1, "Relative Participations in Utility Issues Managed or Co-Managed by Morgan Stanley & Company, Incorporated, 1935-1939, ibid., 23:12297; Exhibit No. 1772, "Financing of Consolidated Edison Co. of N.Y. Inc., and its subsidiaries by Morgan Stanley & Co., Incorporated, Sept. 16, 1935 to June 30, 1939," ibid., 23:12315.

seems to have reflected a practice whereby leading banking houses divided underwriting up among themselves on a traditional pattern for the particular corporation involved.[254]

Sometimes, when an individual banker moved from one firm to another, as when Stanley Russell moved to Lazard from the National City Company, the share of financing for a specific business—in his case, the Pacific Gas and Electric Company--was seen as an account that pertained to that particular person, and went with him to his new employer. This soon proved problematic, however. Although Lazard headed syndicates that floated $95,000,000 of refunding bonds for Pacific Gas in 1935, a bitter struggle for this business soon developed between themselves and the San Francisco-based Blyth & Co. The fact that A. F. Hockenbeamer, president of Pacific Gas, felt that the Lazard funding had been unnecessarily costly, in respect both of the terms of the bonds themselves and the legal fees involved, soon gave the Western bankers the advantage. Blyth's physical proximity to Pacific Gas's in San Francisco also helped, as did claims on their part that the bonds had been poorly distributed on the West Coast, since Lazard had not enlisted sufficient local security dealers to sell them on swiftly. Blyth soon ascended, from being ranked second on Pacific Gas syndicate listings in the West and third in the East, to being Pacific Coast managers by the middle of 1935, leaving Lazard as Syndicate Managers. By early 1936, as Pacific Gas prepared to float another $90 million issue, Blyth had not only won the battle for lead position in Pacific Gas business, but had relegated Lazard to a mere 25 percent of the underwriting, on the assumption that Lazard, together with its fellow investment bank Brown Brothers Harriman, had a claim to inherit a share of what had once been National City business. (Though, as Blyth's president pointed out, since the former National City Bank head Charles E. Mitchell became chairman of Blyth's in 1935, Blyth's had perhaps the best claim of all to represent the defunct financial house.)[255] In April 1935, Lazard took a 7½ percent share of a bond issue for Southern California Edison, likewise apparently perceived as business that had originally pertained to the National City Company, and over which it also fought a bitter struggle for primacy with Blyth & Co. Blyth's success in organizing this

[254] Temporary National Economic Committee *Hearings*, ibid., 22:11460-11461, 11469-11471; George W. Bovenizer to Peter R. Nehemkis, Jr., May 20, 1940, and list of Sub-Underwriters of $16,000,000 Union Station Company 3 ¼%, Series F, ibid., 22:11822-11823; E. N. Jesup to Nehemkis, May 14, 1940, ibid., 22:11825; Exhibit No. 1577, Memorandum by Leverett F. Hooper, March 13, 1935, Exhibit No. 1579, Smith, Barney, "Buying Department Memorandum," March 22, 1935, Exhibits 1587,Table Tracking Inherited Participations, Exhibits No. 1588-1 and 1588-2, "Chicago Union Station Company," lists of participations in bond issues of March 1935, Exhibit No. 1589, Henry S. Sturgis to Leverett F. Hooper, February 27, 1936, Exhibit No. 1593, J. W. Cutler, diary entries, February 27, 1936, Exhibit No. 1959, "Purchase Group," March 3, 1936, Exhibit No. 1596-1, Kuhn, Loeb & Co. to Lee Higginson Corporation, March 2, 1935, Exhibit No. 1596-2, JJL to Morgan, Stanley & Co., March 2, 1936, Exhibit No. 1596-3, Kuhn, Loeb & Co. to Pierpont V. Davis, March 2, 1936, Exhibits No. 1597-1 and 1597-2, list of participations in Chicago Union Station financing, *ibid*., 22:11636, 11641-11647. On this practice of inheritance, see also Altschul, memorandum, October 4, 1935, File Pierre David-Weill, General Correspondence, Altschul Papers.

[255] Temporary National Economic Committee, *Hearings on Concentration of Economic Power*, 22:11482-11511; and Exhibits 1598 to 1614-26, relating to Pacific Gas and Electric financing, 22:11648- 11686.

financing, at a rate considerably lower than Pacific Gas had just paid for its first bond issue, apparently played a large part in convincing Hockenbeamer to switch his loyalties to Blyth.[256]

By that time, the reorganized Lazard Frères house had been operating for well over a year. It made a brisk start. Among Lazard Frères' bond offerings in 1934 were $250,000 for Suffolk County, New York; $3,350,000 for the city of Boston, Massachusetts; and $6,409,000 for the Boston Metropolitan District.[257] 1935, its first full year in business, saw not just three offerings of $95,0000,000 for Pacific Gas, in blocks of $45,000,000, $30,000,000, and $20,000,000, each a few months apart, but issues of $1,700,000 for the city of St. Louis, Missouri; $580,000 for Schenectady County, New York; $1,000,000 for the city of Providence, Rhode Island; $2,672,000 in water refunding bonds for the city of Detroit, Michigan; $9,000,000 for the Armstrong Cork Company; $9,647,000 for the city of Chicago, Illinois; $500,000 in waterworks mortgage bonds for the city of Milwaukee, Wisconsin; $1,250,000 for Niagara Falls sewage disposal; $10,000,000 for the Pacific Lighting Corporation: $1,000,000 for Harris County, Texas; $37,500,000 for the Virginia Electric and Power Company; $1,500,000 for the city of Syracuse, New York; $2,566,000 in school district bonds for the city of Los Angeles; and $968,000 for Mercer County, New Jersey.[258] In late 1935 Lazard Frères & Company also handled an offering of 40,000 shares of preferred stock and 15,000 of common stock for G. C. Murphy Company, a Pennsylvania-based retail company with stores in eleven states, enabling it to retire older shares carrying a higher rate of interest.[259]

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[256] Temporary National Economic Committee, Hearings on Concentration of Economic Power, 22:11542-11543; and Exhibits 1638-1 to 1638-23, relating to Southern California Edison financing, 22:11727-11745.

[257] "Municipal Loans," *New York Times*, October 12, 1934; "City Bank Group Buys Boston Issue," *New York Times*, October 26, 1934; "Bankers Pay 97.79 for Boston Issue," *New York Times*, December 12, 1934.

[258] "Bonds of St. Louis on Market Today," *New York Times*, February 20, 1935; "Schenectady Sells 2s at Premium," *Wall Street Journal*, March 23, 1935; "Bond Notes," *New York Times*, March 29, 1935; "Lazard Freres Leads First Quarter Syndicate List," *Wall Street Journal*, April 8, 1935; "Municipal Loans," *New York Times*, April 22, 1935; "Confer on Refunding for Northern Illinois," *Wall Street Journal*, June 12, 1935; "New Detroit Loan Taken by Bankers," *New York Times*, June 13, 1935; "30 Million Bond Issue is Offered by Pacific Gas," *Chicago Daily Tribune*, June 26, 1935; "Utility to Offer $30,000,000 Bonds," *New York Times*, June 26, 1935; "$30,000,000 Pacific Gas Bonds Offered at 104," *Wall Street Journal*, June 26, 1935; "Armstrong Cork Offers 4% Bonds," *New York Times*, July 24, 1935; "Bonds of Chicago Won by 103,699 Bid," *New York Times*, August 9, 1935; "Pacific Gas Offers $20,000,000 Issue," *New York Times*, September 25, 1935; "Milwaukee Gets Large Premium for 4s," *Wall Street Journal*, September 26, 1935; "Lazard Freres Awarded Bonds," *Los Angeles Times*, October 5, 1935; "Massachusetts Awards $6,000,000 Bonds to Halsey, Stuart," *Wall Street Journal*, October 5, 1935; "Pacific Lighting Offers $10,000,000," *New York Times*, October 8, 1935; "Harris County Sells $1,000,000 Bonds to New York Group," *Wall Street Journal*, October 18, 1935; $37,500,000 for Utility Today," *New York Times*, October 22, 1935; "Syracuse Awards Notes at 0.50% Plus $50," *Wall Street Journal*, October 22, 1935; "Bond Offerings by Municipalities," *New York Times*, November 22, 1935; "RFC Announces High Bidders on 44 Issues," *Wall Street Journal*, November 22, 1935; "Mercer County Sells $968,000 Offerings," *Wall Street Journal*, December 20, 1935; "New York Stock Exchange," *The Times*, March 29, 1935; "New York Stock Exchange," *The Times*, June 26, 1935; "New York Stock Exchange," *The Times*, September 26, 1935.

[259] "G. C. Murphy Co. to Retire Preferred," *Wall Street Journal*, November 26, 1935; "40,000 Shares of G. C. Murphy Offered Today," *Chicago Daily Tribune*, December 23, 1935; "G. C. Murphy Stock on Market Today," *New York Times*, December 23, 1935.

1936 was even busier, though the loss of the Pacific Gas financing was undoubtedly a bitter blow. For the first time, Lazard Frères and Company handled an international issue, offering a $17,000,000 4½ percent conversion loan for the Norwegian government.[260] The great bulk of their business, however, was domestic. Lazard Frères headed or took part in syndicates that issued and underwrote bond issues of $506,000 for the city of Memphis, Tennessee; $3,000,000 in waterworks bonds for the city of Los Angeles, California; $15,000,000 for Loew's department stores; $2,130,000 for the state of New Hampshire; $60,000,000 for Shell Union Oil Corporation; $1,195,000 for the city of Paterson, New Jersey; $110,000,000 for the Brooklyn-Manhattan Transit Corporation; $1,044,000 in hospital and street improvement bonds for the city of Houston, Texas; $2,000,000 for the Minnesota Transfer Railway Company; $2,600,000 for the Peoples Gas Light and Coke Company; $1,500,000 in sewer disposal bonds for the city of Denver, Colorado; $60,000,000 for the Texas Corporation; $35,000,000 of Commercial Investment Trust Corporation bonds; $1,250,000 for the Arkansas Louisiana Gas Company; $16,000,000 for the New York, Chicago & St. Louis Railroad Company; $1,000,000 in waterworks extension bonds for the city of Charleston, South Carolina; $967,000 for the Los Angeles County Flood Control District; $1,000,000 in bonds for the Bethlehem Steel Company; $150,000 for the city of Portland, Maine; $1,500,000 for the State of Maryland; $2,450,000 for Gulf States Steel Company; $4,400,000 for the Charity Hospital of Louisiana, New Orleans; $1,500,000 for the city of Waterbury, Connecticut; $15,000,000 of highway fund revenue anticipation warrants for the State of Colorado; $33,000,000 for the Commercial Investment Trust Corporation; and $6,400,000 for the Western Pacific Railroad Company.[261] It also

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[260] "New Norwegian Conversion Loan," *Wall Street Journal*, February 18, 1936; "Norwegian Bond Offering Expected Next Week," *Wall Street Journal*, February 18, 1936; "Lazard Freres to Offer Norwegian Loan," *Washington Post*, February 19, 1936; "To Offer Norway's Bonds," *New York Times*, February 26, 1936; "Norway Registers for New Bond Issue," *Wall Street Journal*, February 26, 1936; "$17,000,000Bonds for Norway Today," *New York Times*, March 2, 1936; "Bond Notes," *New York Times*, March 3, 1936; "Norwegian Conversion Loan in U.S.," *The Times*, February 18, 1936.

[261] "Memphis Sells Notes to Local Bank Bonds Bought Here," *Wall Street Journal*, January 29, 1936; "Bond Offerings by Municipalities," *New York Times*, February 19, 1936; "Los Angeles Water Works Bonds," *Wall Street Journal*, February 19, 1936; "Los Angeles Awards $3,000,000 Bonds," *Wall Street Journal*, February 19, 1936; "Debenture Flotation," *New York Times*, February 25, 1936; "New Hampshire Awards Bond Issue to Lazard Freres," *Wall Street Journal*, February 29, 1936; "New Hampshire Bonds Offered," *Wall Street Journal*, March 2, 1936; "Bond Offer Today for Shell Union Oil," *New York Times*, March 10, 1936; "Paterson Bonds Offered," *Wall Street Journal*, March 25, 1936; "New Jersey Bond Bidders," *Wall Street Journal*, March 25, 1936; "New Jersey Bond Bidders," *Wall Street Journal*, March 25, 1936; "$110,000,000 Bonds for B.M.T. Today," *New York Times*, April 28, 1936; "Houston Bonds Awarded," *Wall Street Journal*, May 12, 1936; "Offering Due Today for a Railroad Unit," *New York Times*, May 26, 1936; "Offering Due Today for a Railroad Unit," *New York Times*, May 26, 1936; "Lazard Freres and Harris Trust Compete for Milwaukee Bonds," *Wall Street Journal*, May 26, 1936; "Minn. Transfer Railway Bonds Offered Today," *Wall Street Journal*, May 26, 1936; "Peoples Gas Light & Coke Underwriters for 4s Announced," *Wall Street Journal*, May 26, 1936; "Bond Offerings by Municipalities," *New York Times*, June 9, 1936; "Bonds and Bond Men," *Wall Street Journal*, June 10, 1936; "$60,000,000 Issue on Market Today," *New York Times*, June 16, 1936; "$22,241,000 Bonds of B.M.T. Reoffered," *New York Times*, June 17, 1936; "Brooklyn-Manhattan Serial Bonds Reoffered," *Wall Street Journal*, June 17, 1936; "Trust Issue on Market," *Los Angeles Times*, July 14, 1936; "$35,000,000 on Market Today," *New York Times*, July 14, 1936; "Arkansas Louisiana Gas Names Underwriters," *Wall Street Journal*, July 10, 1936; "Nickel Plate Issue on Market Today," *New York Times*, August 13, 1936; "Charleston Sells Bonds to E. B. Smith Group," *Wall Street Journal*, August 14, 1936; "R.F.C. Offers Flood Liens," *Los Angeles Times*, September 11, 1936; "Underwriters Names for

underwrote $1 million of a $32 million bond offering of one- to ten-year notes for the Wisconsin Power and Light Company, in a syndicate organized by the financial house Field, Glore & Company.[262]

Lazard Frères and Company's pattern of business continued largely unchanged throughout 1937, but overall offerings were much smaller. Once again, the issuing house handled financing for the Norwegian government, a further $29 million in bonds.[263] Domestic bond issues the corporation issued and underwrote included $4,500,000 for the Brooklyn-Manhattan Transit Corporation; $5,000,000 of Union Terminal Company of Dallas mortgage bonds; $450,000 for the City of Dallas, Texas; $2,000,000 for the Metropolitan District of Hartford County, Connecticut; $25,000,000 for the Triborough Bridge Authority of New York; $5,000,000 for the city of Boston, Massachusetts; $950,000 for City of Baltimore, Maryland, Burnt District Improvement; $3,019,000 in bonds for the State of North Carolina; $1,250,000 of electric revenue certificates for the city of Jacksonville, Florida; $4,000,00 in highway bonds for the State of South Carolina; $1,250,000 for the Westchester Lighting Company of New York; $1,500,000 for the City of Richmond, Virginia; $157,470 for the City of Utica, New York; $930,000 for the city of Augusta, Georgia; $3,300,000 for the Territory of Hawaii; $295,000 for the city of Kingston, New York; $750,000 for the city of Denver, Colorado; and $1,360,000 in New Mexico state highway debentures.[264] The firm also offered 10,200 shares of preferred stock

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$55,000,000 Issue of Bethlehem Steel," *Wall Street Journal*, September 12, 1936; "Portland, Maine, Award," *Wall Street Journal*, September 16, 1936; "Three Syndicates Split Maine Award of $2,900,000," *Wall Street Journal*, September 17, 1936; "Bond Offerings by Municipalities," *New York Times*, October 14, 1936; "Gulf States Steel Files Registration Amendment Naming Underwriters," *Wall Street Journal*, October 20, 1936; "Gulf Steel Offers its New Securities," *New York Times*, October 23, 1936; "Bond Offerings by Municipalities," *New York Times*, November 10, 1936; "Louisiana Hospital Bond Issue Awarded to Lazard Syndicate," *Wall Street Journal*, November 10, 1936; "Waterbury Bond Award," *Wall Street Journal*, November 14, 1936; "Colorado Awards a $15,000,000 Loan," *New York Times*, November 18, 1936; "Colorado Awards $15,000,000 Bonds to Lazard Group," *Wall Street Journal*, November 18, 1936; "C. I. T. Debentures Sold Privately to Insurance Units," *Wall Street Journal*, November 25, 1936; "Trustee Notes to be Offered by West. Pacific," *Chicago Daily Tribune*, December 11, 1936; "$6,400,000 West. Pac. R. R. Issue Offered," *Washington Post*, December 15, 1936.

[262] Exhibit No. 1640-24, "Wisconsin Power and Light Company," May 23, 1936, Temporary National Economic Committee, *Investigation of Concentration of Economic Power: Hearings*, 22:11757.

[263] "Norwegian Bonds in Registry," *Wall Street Journal*, January 29, 1937; "Norway's Bond Offer," *New York Times*, February 2, 1937; "Norway Offers Loan of $29,000,000," *New York Times*, February 3, 1937; "$29,000000 Norway Bonds Are on Market," *Washington Post*, February 3, 1937; "$29,000,000 of Norway Bonds Being Offered to Public Today," *Wall Street Journal*, February 3, 1937; "New York Stock Exchange," *The Times*, January 21, 1937; "New York Stock Exchange," *The Times*, February 2, 1937; "New York Stock Exchange," *The Times*, February 4, 1937.

[264] "$4,500,000 B.-M.T. 4½s Being Offered Today," *Wall Street Journal*, January 7, 1937; "Bonds and Bond Men," *Wall Street Journal*, January 15, 1937; "Union Terminal of Dallas Seeks to Refund 5% Bonds," *Wall Street Journal*, January 15, 1937; "Bond Offerings by Municipalities," *New York Times*, March 2, 1937; "Bond Offerings by Municipalities," *New York Times*, April 21, 1937; "Bridge Authority Offers First Loan," *New York Times*, April 21, 1937; "Hartford District Sells $2,000,000 at 101.133 for 2¾s," *Wall Street Journal*, April 21, 1937; "Bond Offerings by Municipalities," *New York Times*, April 22, 1937; "Municipal Loans," *New York Times*, May 6, 1937; "Bond Award Made by North Carolina," *New York Times*, May 13, 1937; "North Carolina Sells Bonds on 2.83% Basis," *Wall Street Journal*, May 13, 1937; "Smith Syndicate Obtains Award at Jacksonville," *Wall Street Journal*, May 13, 1937; "South Carolina Awards $4,000,000 Bond Issue to Lazard Freres Group at 101.089 for 3¼s," *Wall Street Journal*, June 16, 1937; "Morgan, Stanley Heads Underwriting Group of Westchester Lighting," *Wall Street*

at $104 each for Neisner Brothers, a retail chain based in Virginia.[265] At times the bank kept some of the bonds and stock it issued in its own portfolio, and it also traded in shares. In May 1935, for example, it acquired 7,000 common shares of the Purity Bakeries common stock.[266] The same month Lazard Frères disposed of 4,500 Class A convertible trust certificates of United States Leather, of which Altschul was a voting trustee, reducing its holdings in that business to a mere 5,300.[267] In May 1937 Lazard Frères and Company was reported as holding 17,270 shares of Texas and Pacific Railway common stock, a firm of which Altschul had become a director in May 1931.[268]

The rather anaemic 1937 performance of the issuing house of Lazard Frères and Company, a reflection of the deep depression that took hold that year, was probably a major reason why the subsidiary, now three and a half years old, merged with the parent New York Lazard Frères on January 1, 1938, becoming a partnership under the name of Lazard Frères and Company. Until that time, it seems, top employees of the issuing house had felt that within the Lazard structure they were regarded as inferior to partners of the original Lazard firm. Almost two years earlier, in January 1936, in a revealing address to all working for both firms, Altschul had offered fulsome public praise to Russell, proclaiming that although Russell was not a partner but the head of a separate Lazard corporation, he and all its other officers had been selected for that position with as much care as if they had been genuine Lazard partners. Moreover, "[f]rom the first" Russell had "considered that he was one of us"; indeed, he and the other corporation officers had taken "upon themselves the mantle of the great tradition of the Lazard houses as if it had always been their appropriate garment," and had "conducted the affairs of the corporation—just as if they were partners of the firm." Altschul optimistically concluded: "There is no difference of opinion and no difference of policy between upstairs and downstairs and we consider you all as part of the official family."[269] Such assurances are usually storm signals of trouble, and this was almost certainly true of the Lazard situation.

If anything, however, the 1938 merger exacerbated rather than alleviated any such tensions. The consolidated bank's partners were Frank Altschul, Stanley A. Russell, Raymond D. McGrath, George L. Burr, James A. Jackson, John D. Harrison, and George Ramsey. It was announced

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Journal, July 17, 1937; "Richmond, Va. Offering," *Wall Street Journal*, July 19, 1937; "Municipal Loans," *New York Times*, August 6, 1937; "Bond Offerings by Municipalities," *New York Times*, September 3, 1937; "Bond Offerings of Hawaii Sold," *Los Angeles Times*, October 28, 1937; "City of Kingston, N.Y., Offering," *Wall Street Journal*, November 1, 1937; "Lazard Freres Group Awarded $750,000 Denver Bond Issue," *Wall Street Journal*, November 13, 1937; "Lazard Syndicate High on New Mexico Bonds," *Wall Street Journal*, November 17, 1937.

[265] "Neisner Bros.," *Wall Street Journal*, April 27, 1937; "Stock Offering," *New York Times*, May 10, 1937; "Neisner Bros. 4¾% Preferred Offered at $104 a Share," *Wall Street Journal*, May 10, 1937.

[266] "Hutton Increases Zonite Holdings," *New York Times*, July 26, 1935.

[267] "Holdings Reported to SEC," *New York Times*, June 12, 1935; "Hutton Increases Zonite Holdings," *New York Times*, June 12, 1935.

[268] "Missouri Pacific T. & P. Holdings," *Wall Street Journal*, May 10, 1937; "Texas & Pacific," *Wall Street Journal*, May 15, 1931.

[269] Altschul, Introductory Remarks, January 8, 1936, File Lazard History, Altschul Overbrook Foundation Papers.

that the reorganized bank would take a more active role in underwriting securities issues.[270] Altschul was the senior partner, but it seems that, given his increasing absorption in outside affairs, he accepted for two years a contract that rewarded him with only "a nominal consideration" in terms of financial reward. The reorganized integrated New York Lazard firm concentrated upon "the competitive issue field," and Altschul himself, whose greatest talents had always lain in investment management, later admitted "that the detailed problems of the competitive issue business were not always of the greatest possible interest to me and that much of the routine was a bore." He also felt that, "in this modern world, there were vast problems on all sides, in the attempt to solve which one felt challenged to play a part."[271] Financially, the new arrangement was probably intended to cut overheads at a time when the Paris partners were concerned that the New York house's profits were too low. David David-Weill, the firm's patriarch, had written from Paris in September 1937 noting "the severe drop on the New York Stock exchange" and wondering whether it had "made [Altschul] more nervous than myself."[272] In terms of personalities, however, the reorganization proved disastrous. Within two years, rivalries between Altschul and his partner Stanley Russell, the former president of Lazard Frères & Company, would make the merger virtually untenable.

The reorganized New York Lazard Frères & Company continued to pursue business very similar to its previous activities. In 1938 the bond offerings it issued and underwrote included $5,000,000 in highway bonds for the State of Louisiana; $465,000 in school bonds for Glen Cove, Long Island; $2,500,000 of highway bonds for the State of New Mexico; $2,400,000 for the Hartford, Connecticut, Metropolitan District; $1,100,000 in municipal dock bonds for Providence, Rhode Island; $800,000 in road bonds for Wharton County, Texas; $800,000 in bonds for the city of Lynn, Massachusetts; and $1,650,000 of sewage disposal bonds for the city of Springfield, Massachusetts.[273] Further domestic issues and underwriting followed in 1939: 10,000 shares of the Commercial Investment Trust; $1,625,000 in highway bonds for the State of New Mexico; $1,000,000 in grade crossing bonds for the city of Louisville, Kentucky; $500,000 in sewerage bonds for the city of Cranston, Rhode Island; $252,000 in general improvement

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[270] "Lazard Freres and Subsidiary Merged," *Chicago Daily Tribune*, December 22, 1937; "Merger of Lazard Firms Announced," *Christian Science Monitor*, December 22, 1937; "New Firm Formed by Lazard Freres," *New York Times*, December 22, 1937; "New Partnership Being Formed by Lazard Freres," *Wall Street Journal*, December 22, 1937; "Lazard Freres Form New Partnership," *Washington Post*, December 23, 1937; "Lazard Freres Units to Merge," *Los Angeles Times*, December 23, 1937; "Two More Firms to Join Exchange," *New York Times*, December 25, 1937; Cohan, *The Last Tycoons*, 36-37, 39.

[271] Altschul, "Memorandum Covering a Series of Discussions with the Various Partners," May 10, 1939, File Lazard Frères Paris, Altschul Overbrook Foundation Papers.

[272] David David-Weill to Altschul, September 14, 1937, File David David-Weill, General Correspondence, Altschul Papers.

[273] "Louisiana Sells $5,000,000 Issue on 3.72% Basis," *Wall Street Journal*, February 10, 1938; "Bond Offerings by Municipalities," *New York Times*, March 31, 1938; "Lazard Freres & Co.," *Wall Street Journal*, June 8, 1939; "Bond Offerings by Municipalities," *New York Times*, June 21, 1938; "Bond Offerings by Municipalities," *New York Times*, August 12, 1938; "Providence Sells Bond Offerings as Premium 1¾s," *Wall Street Journal*, August 12, 1938; "Wharton County Sale," *Wall Street Journal*, September 9, 1938; "Lynn Sells Bond Issue to Lazard Syndicate," *Wall Street Journal*, October 19, 1938; "First Boston Corp. Group Awarded Springfield Issue," *Wall Street Journal*, November 17, 1938;

bonds for the city of Montclair, New Jersey; $3,715,000 in public welfare, public works and sewer bonds for the city of Rochester, New York; $750,000 in bonds for Cincinnati Southern Railway; 6,000 preferred shares of the Continental Can Company; and $250,000 in public hospital bonds for Kansas City, Missouri.[274] Most of these, however, were relatively small scale issues, not comparable in either size or number to those the firm had handled in the mid-1930s. Overall, in the 1930s Lazard Frères directly managed around $190 million in new issues, a respectably solid but scarcely spectacular performance.[275] There was nothing unusual in this. The second half of the 1930s was a bleak period for American investment bankers, largely due to continuing economic recession and a limited volume of new corporate issues to underwrite, with many well-established corporations turning to other sources for capital, either placing their own securities directly with other institutions, obtaining long-term loans from commercial banks, or looking to the federal government for funding. Underwriting commissions were low, and the majority of issues were either refinancings of earlier offerings at lower rates of interest, or municipal securities. The Dow Jones index took twenty-five years to regain the heights it had reached just before the 1929 crash. In 1940 fewer shares were traded on the New York Stock Exchange than had changed hands in 1905, and not until 1961 did the New York Stock Exchange once more attain the volume of trading it had seen in September 1929.[276]

As Altschul himself readily admitted, the issuing business was not his forte, and he left most of the detailed work to his partners. Investment management was a different matter. He remained heavily engaged with General American Investors, his prized investment trust, which rebounded dramatically from its lows of 1930-1932 during the New Deal years, making a substantial contribution to Lazard Frères' overall income. Under Altschul's stewardship, General American won itself a reputation for "good management."[277] After cutting its losses and selling off many of its bad investments during 1931, at the end of 1932 the trust had assets of $15,023,030.[278] Six months later, its assets were valued at $23,779,684, an increase of more than sixty percent.[279] By the end of 1933 they had fallen back slightly, to $21,801,157, but this still represented an increase of forty-five percent over the previous twelve months.[280] The next three months were

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[274] "Commercial Investment Trust," *Wall Street Journal*, February 8, 1939; "Detroit Refunding $3,999,000 of Bonds," *New York Times*, April 12, 1939; "Louisville Awards Bonds," *Wall Street Journal*, April 21, 1939; "Bond Issue Taken by Banking Group," *New York Times*, May 4, 1939; "Montclair Bonds to Lazard Freres," *New York Times*, May 6, 1939; "Rochester Sells $3,715,000 Bonds at a Premium," *Wall Street Journal*, May 24, 1939; "Cincinnati Awards Bonds to Lazard Freres Group," *Wall Street Journal*, June 14, 1939; "Continental Can Preferred," *Wall Street Journal*, June 14, 1939; "Kansas City Sells $250,000 of Bonds," *New York Times*, October 31, 1939.
[275] Charles R. Geisst, *The Last Partnerships: Inside the Great Wall Street Money Dynasties* (New York: McGraw Hill, 2001), 296.
[276] Carosso, *Investment Banking in America*, 393-398; Fraser, *Every Man a Speculator*, 478-480.
[277] Hugh Bullock, *The Story of Investment Companies* (New York: Columbia University Press, 1959), 37.
[278] "Large Purchases by Trust in Year," *New York Times*, January 5, 1933.
[279] "Investment Trusts," *New York Times*, July 6, 1933; "Trusts Gain Fast in Value of Assets," *New York Times*, July 9, 1933.
[280] "General American Investors' Net Assets Up 45% in Year Before Deducting Debentures," *New York Times*, January 3, 1934.

even more encouraging, as the net value of assets rose $24,821,023 over the quarter, an increase of 13.8 percent, while the unrealized loss on depreciated investments fell massively from $3,619,945 to a mere $26,478.[281] Upward progress was still erratic; in the next quarter the value of General American's assets fell back to $23,018,584, but this still represented a gain of 5.6 percent over the previous six months.[282] The following quarter saw a further fall to $20,867,458, with unrealized losses now standing at $3,637,047, a net loss over the previous nine months, but the trust had improved its cash position, anticipating further purchases.[283] By the end of the 1934, net assets had once more improved to $23,088,962, an increase of 5.9 percent; total income had also risen; and for the first time since the beginning of the Great Depression, the trust had made a small net profit of $24,126 on its sales of securities, contrasting with a loss of $447,197 in 1934.[284]

Fluctuations continued, but the broad overall movement was upward. In the first quarter of 1935, General American's assets were down once more, to $21,022,864.[285] Three months later, they had risen to $24,773,850, an increase of 7.3 percent over the first half of 1935.[286] The trend continued. In October 1935, General American's assets had risen substantially, to $27,749,344, the value of its securities had appreciated by more than $300,000 over the previous nine months, and it had made a net profit of $283,251 after taxes during that period.[287] By the end of 1935 General American's assets were $30,079,817, an increase of approximately twenty-five percent over the year.[288] The growth continued the following year, as the trust reported $32,324,782 in assets at the end of March 1936, $33,557,817 at the end of June, and $35,408,516 at the end of October.[289] In December 1936 General American authorized a dividend of 75 cents per share on the common stock, the first time in the trust's history any such cash payment had been made on this class of stock.[290] The dividend was almost certainly paid as a means of reducing the trust's profits in order to avoid a new surtax the Roosevelt administration had imposed on undistributed profits, together with an excess profits tax. By the end of 1936, General American's assets had increased to $37,036,680, almost $6.5 million or 20 percent more than the previous year, with 65 percent of its holdings of securities in industrial stocks.[291]

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[281] "Stock of Trust Goes Up Sharply,"*New York Times*, April 5, 1934.
[282] "General American Investors Co. Reports Holding Part of Increase in Its Net Assets," *New York Times*, July 5, 1934.
[283] "Cash Is Increased by Investment Trust," *New York Times*, October 4, 1934.
[284] "Investing Trust Increases Assets," *New York Times*, January 4, 1935.
[285] "Investment Trusts," *New York Times*, April 4, 1935.
[286] "Investment Trust," *New York Times*, July 5, 1935.
[287] "Trust's Assets Higher," *New York Times*, October 3, 1935.
[288] "Investors Company Shows Asset Rise," *New York Times*, January 7, 1936.
[289] "Investing Group Lifts Assets," *New York Times*, April 6, 1936; "Investment Trust Lifts Net Assets," *New York Times*, July 9, 1936; "Increase in Assets Shown by Trust," *New York Times*, October 8, 1936.
[290] "$35,000,000 is Voted in Day in Dividends," *New York Times*, December 3, 1936.
[291] "Investment Trust's Assets of $37,036,680 Increased from $30,557,817 at End of 1935," *New York Times*, January 7, 1937.

The depression of 1937-1938, triggered when Roosevelt imposed severe cutbacks in federal spending, temporarily broke this pattern. In the first quarter of 1937 General American's assets increased by a further $2,071,137, or 5.6 percent, to reach $39,107,817.[292] Three months later, however, they had fallen to $34,416,141, a net decline of $2,570,615 during the first half of 1937.[293] The downward trend continued, as assets fell to $31,206,475 in the third quarter.[294] By the end of the year, they had declined dramatically, to $24,727,698, a total decrease of $12,109,257, or almost one third, over the previous twelve months.[295] The decline continued in 1938, with General American's net assets down to $21,242,407 by March 1938, including more than $7 million in cash, an increase of $3 million in liquidity since the end of the year, and an indication that the trust planned new acquisitions in the near future.[296] By June 1938 about half these liquid funds had been devoted to purchasing new securities, and net assets had once again risen significantly, to $26,943,246, up 25 percent on the quarter and about 8 percent since the end of 1937.[297] Three months later, assets had climbed to $28,012,843, a gain of $3,321,655 over the previous nine months.[298] By the end of 1938, General American's assets had risen further, to $30,781,929, an improvement of around one-quarter over the year as a whole.[299] Its position continued to fluctuate, however. Three months later, in March 1939, its assets had fallen to $26,478,092, remaining almost unchanged the next quarter at $26,361,167, including more than $3 million in cash on hand.[300] In September 1939 assets had risen to $30,344,793, and available cash had fallen to slightly under $1 million.[301] At the end of the year, General American was sufficiently comfortable financially to redeem 2,000 preference shares at around $101.50 each, and to issue a dividend of 2 cents on the common stock, payments that absorbed almost $1,300,000, after which its assets in December 1939 were $29,158,239.[302]

A study of ten typical leading American investment trusts that appeared shortly afterwards revealed that General American was by far the most profitable of the trusts surveyed. Since 1930, it had gained 50 percent in value, whereas its closest rival had only shown a gain of 24 percent, and six others of eight for which figures were given had experienced losses of between 6 and 60 percent over the previous decade. In 1939 General American had, however, fallen by one percent.[303] According to the firm's official history, by the end of the 1930s General American

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[292] "Trust's Assets Up 5.6% in Quarter," *New York Times*, April 8, 1937.
[293] "General American Reports on Assets," *New York Times*, July 8, 1937.
[294] "Investment Trusts," *New York Times*, October 7, 1937.
[295] "Investing Trust Reports for Year,"*New York Times*, January 8, 1938.
[296] "Investment Trusts," *New York Times*, April 7, 1938.
[297] "Investment Trusts," *New York Times*, July 7, 1938.
[298] "Investment Trust Raises Net Assets," *New York Times*, October 6, 1938.
[299] "General American Reports," *New York Times*, January 6, 1939; "Adams Express Reports Upturn in Asset Value," *Chicago Daily Tribune*, January 7, 1939.
[300] "Trust's Assets $26,478,092," *New York Times*, April 6, 1939; "Investing Trust Reports," *New York Times*, July 6, 1939.
[301] "Listing Authorized for Stock of Trust," *New York Times*, October 5, 1939.
[302] "Bond Notes," *New York Times*, November 28, 1939; "Dividends Voted by Corporations," *New York Times*, December 9, 1939; "General American Report," *New York Times*, January 5, 1940.
[303] "Ten Big Trusts' Stocks Quoted 41% Below Their Asset Value," *New York Times*, March 24, 1940.

was also responsible for a sizeable share, indeed "most" of the American Lazard firm's profits, in management and other fees and also in the direct appreciation of Lazard-held holdings in the trust.[304] In early 1935 Lazard Frères New York held 318,518 common shares of General American Investors' stock.[305] By May 1935 this holding had risen to 344,158 shares, constituting 26.47 percent of the common stock. The firm also held warrants to purchase five blocks of 50,000 shares each, at prices of $10, $12.50, $15, $17.50, and $20 respectively. Lehman Brothers held similar options on 250,000 shares, and already possessed 349,563 shares of the common stock, meaning that the two banks between them controlled a majority holding in General American Investors. In 1934 Lazard Frères received $26,514 in brokerage fees from General American Investors and a further $12,122 for serving as custodians of the trust's securities.[306] By August 1935 Lazard Frères' holdings of stock had fallen slightly, to 315,000 shares.[307] Three months later, they were once more down slightly, to 308,900 shares of common stock.[308] In May 1936 the annual report of General American Investors revealed that, at the end of February 1936, Lazard Frères held 341,683 shares of common stock, 26.28 percent of the outstanding issue; 6,681 preferred shares, or 8.35 percent; and 250,000 warrants to purchase additional common stock, representing 50 percent of that issue. Lehman Brothers possessed similar warrants, together with 292,638 shares of common stock, 22.51 percent of the total, and 5,085 preferred shares, 6.36 percent of the outstanding issue. Each bank received $35,627 in brokerage commissions from General American during 1935, and Lazard Frères was paid $12,750 as custodian of the trust's securities.[309] At the end of December 1936, Lazard Frères held 29.67 percent of General American's common stock, was the beneficial owner of 23.7 percent of its total stock, and had five partners serving as directors. Lehman Brothers owned 20.64 percent of the common shares, with six partners serving as directors.[310] In September 1939 Lazard Brothers and Lehman Brothers decided to list 500,000 potential additional shares of new common stock in General American on the New York Stock Exchange, a move that opened the possibility that at some point in the future the two banks might exercise their eleven-year-old warrants to issue such stock, though the current stock price was well under $8.00, far too low to make any of those options feasible at that time.[311]

At the end of 1937, with stock prices dramatically lower, Lazard Frères transferred 83,376 common shares to Altschul and sold off a further 80,000 shares, reducing its own holding in General American Investors by more than half, to 145,424 shares. This shift in share ownership may have been due to the fact that, when the two new Lazard Frères enterprises merged at the

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[304] Lazard Frères, *Lazard Frères & Co.*, 27; also Reich, *Financier*, 38, 44-45.
[305] "Millions in Gifts Escape New Taxes," *New York Times*, August 30, 1935.
[306] "15 Trusts Reveal Ties with Brokers," *New York Times*, September 27, 1935.
[307] "$12,500,000 of Gifts Made in Tax Rush," *New York Times*, October 1, 1935.
[308] "Rise in Tax Causes Large Stock Gifts," *New York Times*, January 3, 1936.
[309] "Investing Trust Reports," *New York Times*, May 12, 1936.
[310] "Salaries Listed with SEC Revealed," *New York Times*, May 1, 1937.
[311] "Stock Exchange Notes," *New York Times*, September 29, 1939; "Listing Authorized for Stock of Trust," *New York Times*, October 5, 1939; "Topics in Wall Street," *New York Times*, October 5, 1939.

end of 1937, Altschul agreed to a drastic reduction in the amount of direct compensation he received as a Lazard partner. He bought a further 10,324 shares in the company, making his total holding 93,700, and owned an additional 79,200 warrants for the issue of new common stock, which had likewise been transferred to him by Lazard Frères.[312] Altschul steadily acquired new increments of shares in General American. In June 1939 he bought 3,200 more shares, boosting his holdings to a round 100,000 common shares, a stake he increased by a further 2,300 shares that month and 3,700 in July.[313] By February 1941 this had grown slightly again, to 106,400 common shares, with another 4,000 held through a trust.[314] This was a far more substantial position than Altschul normally took in companies in which he was a director or officer: in 1940, these included General American, the Minerals Separation North American Corporation, the American Eagle Fire Insurance Company, the First American Fire Insurance Company, and the Commercial Investment Trust Corporation.[315] A few years earlier, he had also been on the executive committee of the American International Company and United States Leather, and a director of Gulf States Steel and the Keith-Albee-Orpheum chain of motion pictures.[316] He traded occasionally in the shares of many of these concerns. Disclosure requirements introduced in the 1930s reveal that in early 1935, for example, Altschul held about 10,000 shares of the common stock of the Commercial Investment Trust Corporation, on whose behalf Lazard Frères also handled stock offerings, and 8,000 of the common stock of General American Investors Company. He also had 6,500 shares of the common and 250 of the preferred stock of the Gulf States Steel Company, and just one hundred shares of common stock in the Republic Steel Corporation, of which he was also a director.[317] In April 1935 Altschul sold 17,000 shares of the United States Leather Company, of which he was a voting trustee, leaving him with an indirect interest through Lazard Frères in 9,800 convertible trust certificates. By the end of May he had disposed of another 4,500 of these, leaving a mere 5,300.[318] In May 1940 Altschul sold 2,500 common shares in the Commercial Investment Trust.[319]

Almost certainly, among the assorted reasons why Altschul eventually turned against the New Deal was the fact that the new Securities and Exchange Commission held hearings to investigate

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[312] "Shifts in Holdings Reported by SEC," *New York Times*, February 18, 1938; "SEC Issues Supplementary Summary of December Transactions," *Wall Street Journal*, February 18, 1938; "SEC Reports Additional Security Transactions in January," *Wall Street Journal*, March 22, 1938.
[313] "Many 'Insiders' Caught Asleep in Stock Rise," *Chicago Daily Tribune*, August 4, 1938; "SEC Issues Summary of Security Transactions Made in June," *Wall Street Journal*, August 4, 1939; "SEC Issues Summary of Security Transactions Made in July," *Wall Street Journal*, September 7, 1939.
[314] "SEC Issus Summary of Securities Transactions Reported in February," *Wall Street Journal*, April 12, 1941.
[315] Richard R. Smith, *History of the Class of 1908 Yale College Volume III Quarter Century Record 1914-1939* (New York: privately printed, 1940), 138.
[316] Forrest Davis, "Can Capitalism Survive?," *New York World Telegram*, September 27, 1933, Writings File, Altschul Papers; "New Management for Keith-Albee," *New York Times*, April 9, 1936.
[317] "Du Pont Lists Motor Holdings," *New York Times*, January 29, 1935; "5 Companies File Officers' Holdings," *New York Times*, April 27, 1935.
[318] "Holdings Reported to SEC," *New York Times*, June 12, 1935; "Hutton Increases Zonite Holdings," *New York Times*, July 26, 1935.
[319] "Shifts in Equities Reported to SEC," *New York Times*, July 10, 1940.

the activities of investment trusts, including General American Investors, and to consider whether investment banking houses should be debarred from running investment trusts. In 1936 Raymond D. McGrath, a longtime Lazard Frères partner and close friend of Altschul who served as a director and secretary of General American, testified before the Securities and Exchange Commission, arguing that full publicity in terms of reports and accounting practices, together with the disclosure of the financial interests of sponsoring banks and their officers in any investment trust, was sufficient to protect investors. McGrath argued that it would be a great mistake to impose any further government regulations upon investment trusts in addition to the reporting requirements under the Securities Act of 1933 and the Securities Exchange Act of 1934, until there was more evidence whether stronger regulation was needed. He particularly opposed suggestions that investment banking houses should be prohibited from operating investment trusts, arguing that institutions such as Lazard Frères possessed great expertise in the field of investment, and it was preferable to legislate to prevent certain abuses that had occurred in the past, rather than completely segregating the two activities from each other.[320]

This was only the latest of a number of New Deal moves that slowly propelled Altschul away from the Roosevelt administration and toward the Republicans. As early as mid-1934, Altschul had expressed reservations to Moley and Morgenthau over the direction the New Deal was taking, deploring its attempts to impose stricter regulations on the stock exchange and the emphasis on relief programs, heavy government spending, higher taxes, and what he viewed as class warfare. He later recalled that he "began to swing back to my traditional Republicanism . . . as soon as it became apparent that the Democratic Administration, instead of steering a middle-of-the-road course in the interest of the country as a whole, was lending its ear to every crack-brained scheme of the extreme Left and was sacrificing national interests in a partisan effort to attract the support of practically every organized pressure group."[321] It was a route he trod together with many other businessmen who had initially been sympathetic to the New Deal, but soon parted company with it when they felt it had become unacceptably radical.[322] Supreme Court Justice William O. Douglas later recalled how, "[b]y the time the 1934 Congressional election took place, the FDR business-and-financial alliance was dead." With a few exceptions, businessmen rather speedily turned against Roosevelt's policies on labor relations, federal securities legislation, taxation, and work relief.[323] This was undoubtedly true of Altschul.

While Altschul never entirely severed his ties with the Democrats, by 1935 he was actively making contact with prominent Republicans. At some point in the early 1930s, when he "appeared before a committee to testify about something that had to do with gold," Altschul encountered "a very young Congressman" from Indiana, Charles A. Halleck, who was fast becoming a major force within the Republican party. Halleck asked "such penetrating

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[320] "Trust Segregation Unwise, SEC Hears," *New York Times*, November 13, 1936.
[321] Altschul, answers to questionnaire, 1938, File Republican Program Committee 1938, Politics File, Altschul Papers.
[322] Lewis L. Gould, *Grand Old Party: A History of the Republicans* (New York: Random House, 2003), 269.
[323] William O. Douglas, *Go East, Young Man: The Early Years* (New York: Random House, 1974), 353.

questions" that afterwards Altschul "wanted to be introduced" to him, and a warm friendship soon developed between the two men.[324] Altschul also came to know more senior Republicans. In spring 1935 he met former president Herbert Hoover when the latter was visiting New York. Afterwards, Altschul wrote to Hoover, expressing his concern about "the drift towards inflation and towards some American form of State socialism," which he considered a "threat to our liberties." Looking toward the 1936 presidential election, he believed there was a chance that Huey Long, the populist governor of Louisiana, might run as a third-party candidate, splitting the potential Democratic vote and giving the Republicans a chance. Indulging in somewhat apocalyptic rhetoric, Altschul described his own political evolution to the former president, stating that, "after watching with a great deal of sympathy the maneuvers in Washington during the first year of the present Administration, I have now reached the considered view that more than the fate of a party hangs on the outcome of the next election; it would seem to me that there might be no exaggeration involved in the statement that the fate of a civilization was at stake." He urged that the Republican Party mount a systematic campaign to win over American voters. Altschul was not, however, a conservative. Sounding themes that he would reiterate for the rest of the 1930s, Altschul urged that "the leaders of the Republican Party should modernize their thinking" and move toward the political center, so as to "make it clear to the country that . . . the Republican Party has learned much and has become in a degree liberalized." This strategy of what would later be termed triangulation would involve an effort to present the contest as one "between a liberal Republicanism seeking a maintenance of our liberties and our institutions versus a radical Democracy, possibly not seeking but inevitably heading towards a destruction of our liberties and institutions." Altschul also set his face against further inflation, which he saw as the root of all other economic and political evils, proclaiming:

> The danger of inflation today lies in budgetary deficits; budgetary deficits find their origin in continuing unemployment; continuing unemployment is a by-product of a languishing industry; a languishing industry is, today at all events, in large measure the result of a large series of laws generally referred to in their aggregate as the 'New Deal', and of the nation-wide lack of confidence that so much scatter-brain legislation has engendered. Therefore in the last analysis the issue of inflation raises all of the issues involved in the 'New Deal'.[325]

Hoover responded graciously, agreeing with Altschul's economic views, and expressing his hopes to continue their discussions at a future date.[326]

In early 1936 Altschul suffered probably the greatest tragedy of his life, the loss of Charles, his eldest son, then twenty-two, on whom many of his own hopes were fastened. Whatever the

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[324] Altschul to Charles A. Halleck, November 22, 1960, File Charles A. Halleck, General Correspondence, Altschul Papers.
[325] Altschul to Herbert Hoover, April 17, 1935, File 99 Herbert Hoover, Catalogued Correspondence, Altschul Papers.
[326] Hoover to Altschul, April 19, 1935, File 99 Herbert Hoover, Catalogued Correspondence, Altschul Papers.

depths of his private grief, by the end of January 1936 Altschul was nonetheless doggedly focusing once again on national politics. With the next presidential election fast approaching, Altschul had concluded that "if much that we value in our American life and institutions is to be preserved, it is imperative that the present Administration be decisively defeated at the polls," and was seeking to identify a credible Republican candidate who might have a chance of accomplishing this. If possible, he sought a moderate to liberal Republican, a contender who would steer a middle course between what Altschul regarded as the unacceptable radicalism of the New Deal and the reactionary conservatism of portions of the Republican Party. Together with the New York tax lawyer Arthur Ballantine, a former under secretary of the treasury during the Hoover administration, in late January 1936 Altschul listened to a radio speech by one of the Republican presidential hopefuls, Governor Alfred M. Landon of Kansas, the only incumbent Republican governor to win re-election in 1934.[327] The day after, Altschul wrote enthusiastically to Landon, to tell him that he believed Landon was the right choice. Wryly recognizing that bankers were not popular with many Americans, especially Midwesterners, meaning that "the best service that anybody from Wall Street could render a prospective candidate from the right part of the country, would be to keep his enthusiasm in check, and to do whatever he could in a quiet and unostentatious manner" to assist his cause, Altschul wrote immediately to Landon, offering to provide both financial contributions and advice on economic questions. He also assured the Republican governor that he sought "no political preferment and no office."[328]

Less than two weeks later, Altschul took a train from Chicago to Topeka, to meet with Landon. He shared a rather spartan lunch—to his "dismay, consist[ing] of a plate of vegetable soup, a slice of apple pie, and a cup of coffee"—with the governor and his unofficial campaign manager, L. E. Phillips, in his mansion at Topeka, Kansas. The two men discussed various economic issues, including taxation, currency, securities legislation, and "the importance of confidence in the business structure." Altschul indicated that he believed the dollar should be permanently stabilized at its existing level of sixty percent of its previous gold value, and Landon appeared to agree. Altschul promised to send him some economic data, and to host a small dinner in New York the following month for Phillips, to introduce him to other potential Landon backers.[329] On his return, Altschul almost immediately forwarded Landon materials on taxation, the Social Security Act, the Securities Act of 1933, and the Securities Exchange Act of 1934, compiled by his firm's research department.[330] Altschul kept in close contact with other Landon backers, including Charles D. Hilles, a Republican National Committee member from New York, Kenneth Simpson, New York County Republican Chairman, and Frederick F. Greenman, a

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[327] On Landon and his campaign, see Gould, *Grand Old Party*, 271-274; George H. Mayer, *The Republican Party 1854-1964* (New York: Oxford University Press, 1964), 437-445; Donald R. McCoy, *Landon of Kansas* (Lincoln: University of Nebraska Press, 1966).
[328] Altschul to Alfred M. Landon, January 30, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.
[329] Altschul, "Memorandum re: Visit to Kansas City and Topeka," February 10, 1936, File 93 Campaign Memoranda 1936, Politics File, Altschul Papers.
[330] Altschul to Landon, February 11, 13 [2 letters], 17 [2 letters], 20, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.

lawyer who was active in New York state politics.[331] Altschul informed Landon how his own friends reacted to Landon's speeches.[332] At Landon's request, the research department of Lazard Frères set to work compiling a list of New Deal measures that had ultimately been jettisoned and abandoned.[333] Altschul also sent Landon suggestions as to how he might make a speech that would defuse criticisms that the candidate was attracting too much business support, and advice on how to win the women's vote.[334] In May, Altschul once again visited the governor in Kansas, though no record of their conversations has survived.[335] Rather tentatively, Altschul also sent Landon advice on winning over former President Hoover, counsel that the governor, who did not wish to be too closely associated with the rejected ex-president's policies, ignored.[336] In May 1936 Altschul, his Lazard colleague Albert Hettinger, and Ballantine even went so far as to draft up a potential Republican platform for the forthcoming campaign, one that deliberately omitted all mention of some controversial subjects, including silver policy and securities and stock exchange regulation. Its currency plank was subsequently modified to avoid definitely advocating an immediate return to gold at a fixed rate, something Altschul realized would be "politically extremely unwise."[337]

In June 1936 Altschul attended the Republican convention at Cleveland, Ohio, though despite his earlier labors he was, he later stated, "rather remote from the discussions that were being constantly held in regard to platform."[338] It was, it seems, the first such political gathering at which he had been present and, to his delight, it nominated Landon. Immediately the convention was over, he wrote to Landon, offering his services at any time and in any way which might be of help to the candidate in his campaign.[339] Altschul also recommended economic advisers to the presidential candidate, seeking to steer him towards liberal thinkers outside the Democratic camp. He warned that Professor Charles J. Bullock of Harvard University, who was rumored to be helping Landon in this area, "tends to be verbose and pedantic and . . . his economic thinking crystalized [sic] some twenty-five years ago." Altschul therefore doubted "if his views in general were entirely fitting to the necessities of a political campaign being waged under contemporary conditions." Altschul recommended that Landon turn to Ballantine, Hoover's former under secretary of the treasury, a man from an academic family who had "worked his own way through college and law school." Altschul also suggested that, to guide him through the maze of often conflicting economic advice he would receive as to precisely how he should interpret "the occasionally broad, and sometimes conflicting, planks of the platform," Landon

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[331] Altschul to Landon, February 25, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.
[332] Landon to Altschul, March 10, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.
[333] Landon to Altschul, March 30, 1936, Altschul to Landon, April 2, 13, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.
[334] Altschul to Landon, April 28, May 12, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.
[335] Landon to Altschul, April 28, 1936, File 125 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.
[336] Altschul to Landon, May 15, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.
[337] Altschul to Landon, May 21, 22, June 3, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers; see also drafts of Republican Platform, 1936, Files 110 and 111, Republican Platform 1936, Politics File, Altschul Papers.
[338] Altschul to Landon, June 18, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.
[339] Altschul to Landon, June 15, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.

utilize the services of Ralph Robey of Columbia University, an economist who had originally supported Roosevelt but soon parted company with him "when he saw the dangerous, demagogic, and unsound economic trends of the New Deal." Not only was Robey "extremely well-regarded by the younger and more liberal economists," but he had also been heavily involved in drafting the Republican platform "from its earliest stage, right through to its final adoption."[340]

In late summer 1936, Altschul tried to recommend to Landon that he improve his radio delivery by utilizing the services of a technical consultant on the subject. The governor, however, declined the offer, thanking him for his honesty but stating that, at this stage of the campaign, it would be unwise for him to change his style, to which the American public had for better or worse become accustomed.[341] Altschul showed greatest interest, however, when he learned that the candidate planned to make a speech on foreign affairs, sending him a three-page overview of the European situation. Looking back at the period since the end of the Great War, he stated that in past years, "discussions of foreign affairs" had concentrated on "the question of Nationalism vs. Internationalism and the effect of these conflicting policies on our economic well-being." Foreign policy had centered upon "the struggle of the various nations for economic survival," which was "primarily a commercial and economic question." While this struggle for markets was still continuing, other matters had now come to the fore in Europe, and "there is another struggle of far greater moment going forward; that is the struggle between two conflicting political theories, the theory of Communism and the theory of Fascism." Moreover, "these two philosophies have one thing in common, they both sacrifice completely the liberty of the individual to which we Americans attach first importance." The lines in this ideological confrontation were being drawn across Europe, with more and more states embracing or threatening to espouse political extremism of the left or right, so that "the only country in which the democratic principle still survives securely is England." The peace of Europe was threatened, Altschul warned, since "[o]ne cannot avoid recognizing that these conflicting philosophies are arming against each other at a pace infinitely faster than was the case with the enormous preparations which preceded the outbreak of war in 1914." Given this precarious international situation, Altschul recommended that Landon make two broad policy statements, "(1) that we stand committed to the maintenance of the principle of American democracy at all costs, and (2) that regardless of the conflicts of foreign European philosophies, we stand committed to keep America out of war."[342]

Altschul continued to be deeply involved in Landon's campaign. He sought to refute claims by his relative by marriage, Treasury Secretary Morgenthau, that the ready market for United States government bonds reflected public confidence in the creditworthiness of the Roosevelt

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[340] Altschul to Landon, June 18, 1936, also July 6, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.
[341] Altschul to Landon, August 27, 1936, Landon to Altschul, September 2, 1936, File 125 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.
[342] Altschul to Landon, September 4, 1936, File 51 Alfred M. Landon, Politics File, Altschul Papers.

administration, arguing that this situation merely reflected the easy money policy of the Federal Reserve Board and Treasury purchases of these securities.[343] Towards the end of September, he helped to arrange an interview between Landon and Alexander Sachs, the unorthodox economist who was a consultant to Lehman Brothers.[344] In October 1936, Altschul praised a speech on farm policy the governor had just delivered in Des Moines, Iowa, which he believed demonstrated a great improvement in Landon's speaking style.[345] Two weeks later, he was one of several prominent New York Republican leaders who met with John D. M. Hamilton, chairman of the Republican National Committee, all confident that their candidate would be victorious, to discuss strategy in the campaign's closing stages.[346] At this point, Altschul gave an additional $5,000 to the New York County Republican organization.[347] Two years later, Altschul recalled how, during the 1936 presidential campaign, for several months he "worked day and night at Republican headquarters in New York," for a cause that "commanded all my time and energy," since he "believed that the country was confronted with an issue which transcended anything that I had witnessed." He confessed later that, at the time, he had no doubt whatever the Republicans would win.[348] In the event, they lost by one of the greatest landslides in American presidential elections, with all states except Vermont and Maine voting for Roosevelt, giving 523 electoral college votes to Roosevelt and eight to Landon. The Senate had a majority of 76 to 16 in favor of the Democrats, while there were only 89 Republican as opposed to 331 Democratic Congressmen in the House. The day after the election, a somewhat shattered Altschul wrote to a friend that "[t]he one thing I cannot understand is how those of us who were so close to the picture could have been so completely misled as to the actual situation. We were up against a tidal wave and did not know it, and it appears that nothing that was done or might have been left undone would have made the slightest difference—except to our pocketbook."[349] Despite his disappointment, Altschul sent Landon a warm message of congratulations on a well fought campaign, expressing his determination to continue the fight against the New Deal, before leaving on an overseas vacation trip.[350] On his return, Altschul also helped Landon to arrange a loan in New York to pay off some of his $900,000 in campaign

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[343] Altschul, memorandum, August 28, 1936, File 86 Campaign 1936, Political Series, Altschul Papers.
[344] Landon to Altschul, September 18, 1936, File 124 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.
[345] Landon to Altschul, October 5, 1936, File 124 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.
[346] "Hamilton, Here, Voices Confidence," *New York Times*, October 21, 1936.
[347] "City Republicans Get Du Pont Funds," *New York Times*, October 27, 1936.
[348] Altschul, memorandum, August 22, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers; see also Altschul, answers to questionnaire, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers.
[349] Altschul to E. H. H. Simmons, November 5, 1936, File 88 Campaign 1936, Political File, Altschul Papers.
[350] Landon to Altschul, November 11, 1936, Altschul's Secretary to Landon, November 16, 1936, File 124 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.

debts.[351] In the first half of 1937, Altschul also made a personal contribution of $2,500 to help clear some of the Republican Party's outstanding deficit.[352]

By the end of the campaign, it was becoming clear that Roosevelt intended to make a move to change the make-up of the Supreme Court, which by 5-4 majorities had struck down a number of New Deal measures during 1935 and 1936. Some time in late 1936, Altschul wrote a memorandum for Landon, proclaiming his faith in tolerance. Opposition to racial or religious prejudice of any kind was always among Altschul's deepest principles. One of the great strengths of the United States was, he proclaimed, "that men of diverse nationalities and creeds can live together and prosper together in peace." In every country, he warned, some people were "born to hate," and sought scapegoats, especially during times of economic hardship, in whom they "believe[d] with fanatical intensity," while politicians were willing to exploit such sentiments. Such prejudice was only too prevalent in the United States, and had to "be combated publicly and privately." As recent events in Germany had demonstrated, prejudice could only too easily evolve into outright persecution of minorities, such as Catholics and Jews. With somewhat exaggerated faith, given its record to date, Altschul proclaimed that the U.S. Supreme Court stood as the guarantor against such persecution of minorities, particularly state "laws directed against Negroes." He warned that recent years had "seen the rise in a number of states of organizations whose creed is prejudice against racial and religious minorities, especially Catholics, Jews, and Negroes," and that some of these groups had become "sufficiently powerful to control state governments and to send spokesmen to Congress." It was not impossible that such forces would temporarily win control of the United States Congress and "set to work to write their prejudices into law." In that case, the only safeguard against such persecution would be the powers of the Supreme Court.[353]

Shortly after the election, Roosevelt announced his intention of introducing legislation that would permit the Supreme Court to nominate one additional justice for every sitting justice over the age of seventy. He argued that this was necessary to alleviate the burden on the court's more elderly personnel, who had life tenure, but it was generally acknowledged that his real personnel was to obtain a majority on the court that would support New Deal social and economic legislation. Republicans and many conservative to centrist Democrats, including Governor Herbert Lehman of New York, Altschul's brother-in-law, united in opposing the bill. Altschul and Landon were among them. In February 1937 Landon visited New York, to make a speech, and Altschul arranged for him to meet John Hancock of Lehman Brothers, who was heavily involved in orchestrating the movement to oppose this legislation. Inasmuch as substantial Democratic antagonism to the Supreme Court plan already existed, Altschul suggested that the defeated Republican candidate refer briefly to his own disapproval of the scheme, but allow the

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[351] Altschul to Landon, December 31, 1936, Landon to Altschul, January 5, 1937, File 124 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.
[352] "Republicans Cut Deficit $115,360," *New York Times*, June 9, 1937.
[353] [Altschul], "Memorandum for Governor Landon," n.d. [1936], File 51 Alfred M. Landon, Politics File, Altschul Papers.

Democrats to spearhead the campaign against it. He felt that it would be self-defeating to embroil this issue in Republican partisan politics. The Senate Republicans followed this strategy, leaving the Democrats to organize the opposition to the Supreme Court plan.[354] In the following months, Altschul's research department again provided Landon with data on this issue.[355] After much heated disputation, Roosevelt ultimately dropped his legislation, but the court began voting in favor of New Deal economic measures.[356] In spring 1937 Altschul was one of a number of Landon supporters who encouraged the Kansas governor to talk with dissident Democrats, such as Lewis W. Douglas of Arizona, Roosevelt's former budget director, about the possibility of forming an anti-Roosevelt coalition of Republicans and Democrats, discussions that eventually proved abortive, at least in terms of a formal united alliance.[357]

Writing to Landon in April 1937, as severe depression engulfed the United States, Altschul also discussed currency and monetary policy. In normal circumstances, he contended, prices in the United States would have adjusted themselves to the new gold parity of $35 an ounce, which had been in effect since early 1934. In practice, however, the Roosevelt administration's economic policies had interfered with this process by damaging business confidence. Prices were now beginning to rise and, "unless new measures are taken designed to again destroy confidence, one would expect the movement of prices to continue until parity had been restored." It seemed, however, that the Roosevelt administration was resisting any further rise in prices, for fear that this might give the "appearance of inflation and the rising cost of living with its political consequences." Altschul himself, however, believed that, until commodity prices rose, the dollar would remain "undervalued against gold, and we will continue to draw gold from all the rest of the world in exchange for goods and securities, unless the Government actually takes steps to reduce the buying price of gold." Should the administration do so, "we have again entered into the realm of currency manipulation with all of its devastating consequences." Monetary policy was suffering from similar contradictions. If interest rates remained low, this would tend to encourage speculation, but if rates were raised, this would bring a decline in the market for government and corporate bonds. Altschul even suspected that the confusion afflicting the Roosevelt administration might be purposeful, claiming he expected "to see various agencies of the New Deal adopting mutually contradictory policies in the hope of maintaining such a confusion as to the true issues that the public would not really understand what it was all about."[358]

Altschul himself tended by now to believe that the ultimate objective of the New Deal was to destroy the existing American capitalist system. In a memorandum written during May 1937, he

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[354] Altschul to Landon, February 10, 1937, File 124 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.
[355] Landon to Altschul, February 23, March 28, April 2, 20, 1937, Altschul to Landon, March 30, 1937, File 124 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.
[356] Mayer, *The Republican Party*, 446-448; McCoy, *Landon of Kansas*, 355-358.
[357] McCoy, *Landon of Kansas*, 359-362.
[358] Altschul to Landon, April 8, 1937, File 124 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.

expressed his fears that New Deal regulatory policies effectively aimed at implementing drastic changes in the existing American political and economic system, amounting to "Revolution by Inadvertence." Altschul expressed himself in favor of legislation to remedy genuine faults and protect investors, but warned that the Banking Act and Securities Act of 1933 and the Securities Exchange Act of 1934 had broader objectives and that, "under the guise of attempting to correct abuses, an effort was made to effect undisclosed transformations in our business structure." He criticized those features of these measures that had "to do with the attempted imposition of disguised and untried economic theories," claiming that this trend was fast reaching the level of an undeclared revolution aimed at subverting and overturning the existing American capitalist system. New Deal taxation policies were aimed not simply at raising revenue but at redistributing wealth and breaking up large businesses into smaller units; the Federal Reserve system had lost its independence of government; and the currency was no longer convertible into gold. Altschul concluded by stating that, while he fully agreed with the overall objective of the New Deal, to spread prosperity and "provide a decent standard of living for all our citizens," it would be impossible to accomplish this unless the "smooth functioning of the business machine" were assured and the laws of economics respected.[359]

Despite Altschul's recent support for Roosevelt's rival, when he visited Washington in late April 1937 he paid a call on Treasury Secretary Morgenthau, who received him in a "friendly and open-minded manner." At that time, the two men apparently discussed, among other matters, the massive inflows of "hot money" and gold into the United States in recent months. Altschul thought one reason for this was "political and economic uncertainties in other parts of the world," especially Europe, and hoped that the apparently diminishing likelihood of a European war would help to remedy this. He did, however, feel that another factor in the gold inflows was that American price levels were too low, and had never been fully adjusted to the existing revaluation of the dollar. Altschul disagreed with suggestions that the dollar price of gold, which had stood at $35.00 since January 1934, should be readjusted, since he feared "that any tampering with the gold price would introduce an element of the greatest confusion and uncertainty into the world and the domestic economy." In response to cuts in government spending, by early 1937 commodity prices in the United States were falling, as were the rates at which Treasury bonds could be sold, developments that alarmed Altschul, and that he feared might easily presage "declining business activity and a tendency towards growing unemployment," that were liable in turn to provoke "pessimism and despondency." Altschul believed that this economic downturn could easily be reversed if the Treasury abandoned its policies of sterilizing gold and issued additional currency against these gold imports, with the objective of advancing commodity prices. Despite his earlier diatribes against inflation, he believed that at this time the major problem was not renewed inflation, but how to avoid "further declines" and encourage "a new recovery." Altschul's readiness to entertain expansionary monetary policies at this juncture was evidence of the degree to which, despite his earlier

[359] Altschul, "Revolution by Inadvertence," n.d. [May 1937], Writings File, Altschul Papers.

differences with New Deal measures, he had still broken with conventional economic norms and sought to promote recovery through activist government manipulation of financial mechanisms.[360] On this occasion, Morgenthau thanked Altschul for his letter, which he had, he said, "read with great care."[361] In mid-1937 Altschul suggested that the United States might resume the free coinage of gold, as a means of avoiding inflation while "giv[ing] new vitality to the Gold Standard which in default of some such measure, is undergoing annihilating change."[362]

Altschul was not the only member of the extended Lazard firm to be contemplating these questions at this juncture. Brand's beloved wife, Phyllis, died suddenly and unexpectedly of pneumonia in January 1937, a devastating blow from which he never entirely recovered. A few months later, Brand nonetheless agreed to "see if he can write an article" on gold policy for *The Times*, but to Norman, who habitually showed kindness to those in personal distress, confessed himself "utterly fogged."[363] After several weeks of cogitation, he finally decided his "further & final thoughts on gold" were to "reduce price."[364] By the end of June he was "fearful about Paris."[365] Brand's articles focused primarily on the massive increase in the world's gold supplies, due to increased output from old and new mines. Britain and the United States, where currencies were both on the gold standard, were obliged to buy all gold presented to them, which they were doing and then sterilizing, that is, refusing to monetize, excess bullion supplies. Political and monetary uncertainties in France meant that, although the French currency was still linked to gold, few people wanted to exchange gold for francs, and gold was in fact fleeing that country.[366] Brand thought it would be unfortunate if gold continued to pile up indefinitely in two countries, and that "the most desirable solution would be provided by a natural adjustment of world economy to the increased output of gold and an appropriate redistribution of the world's monetary gold through a gradual rise in prices and a general increase in production and international trade." The ultimate solution might well be a revaluation of currencies against gold, something which would almost certainly involve some kind of de facto stabilization agreement. In the interim, Brand urged that Britain and the United States should encourage a general rise in prices, "which would in itself encourage a more widespread distribution of gold by increasing the exports of the countries trading with them"; encourage other countries holding large sterling or dollar balances to convert these into gold; encourage foreign lending; and promote efforts to dismantle tariffs and other barriers to trade. Ominously, however, he pointed out that by 1937 the "fatal obstacle to any proper working of the gold standard is the existence of

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[360] Altschul to Morgenthau, April 26, 1937, File 151 Henry Morgenthau, Catalogued Correspondence, Altschul Papers.
[361] Morgenthau to Altschul, May 11, 1937, File 151 Henry Morgenthau, Catalogued Correspondence, Altschul Papers.
[362] [Altschul], "The Gold Standard and the Price of Gold," June 1937, File Lazard Frères Paris, Altschul Overbrook Foundation Papers; also Altschul, "Revolution by Inadvertence," n.d. [May 1937], Writings File 1937, Altschul Papers.
[363] Norman, diary, May 14, 1937, File ADM34/26, Bank of England Archives.
[364] Norman, diary, June 9, 1937, File ADM34/26, Bank of England Archives.
[365] Norman, diary, June 28, 1937, File ADM34/26, Bank of England Archives.
[366] Brown, *The Flight of International Capital*, 76-79.

so many 'closed economies.'" Only the relaxation of international tensions would solve this problem.[367] Enlarging on these themes to Conservative members of parliament a few months later, Brand "insisted that if America ceased to buy gold at the present fixed price there would be chaos." He believed the real solution was for the gold currently held in the United States to be redistributed to other countries around the world through trade, something that a lowering of tariff barriers would facilitate.[368]

More immediate economic problems also preoccupied financiers at this time. So alarmed were Altschul and Charles Gay, then chairman of the New York Stock Exchange, by the pronounced American market decline and gyrations of September and October 1937, that they repeatedly telephoned Adolf A. Berle, one of Roosevelt's Brains Trusters who was at that time New York City Chamberlain, or Comptroller. According to Berle, the two men were "scared to death . . . convinced that there will be a real down-turn in business," and thought "the stock market antics are merely an indication of that fact." Wryly, Berle complained: "What they really want is to have the whole national policy reversed." Berle himself concluded that the two men were suffering from "a bad attack of nerves."[369] Eight months later, in April 1938, Berle—now an Assistant Secretary of State—visited Altschul at his New York apartment, to be told by his host of his firm conviction "that business was simply disintegrating, that the effect of the falling wheat market and the general financial situation here might lead to a collapse." In the more skeptical Berle's view, though, Altschul was "always a little of an alarmist and over romantic." Ironically, the Democrat Berle had to arrive late in the evening at Altschul's apartment, where a Republican party committee meeting, at which both Landon and Hoover were present, had been held earlier.[370]

In some ways this was symptomatic of how by late 1937 Altschul was nonetheless concentrating heavily primarily on Republican politics. In the aftermath of their shattering defeat in the 1936 elections, the Republicans fragmented into squabbling factions, some urging more liberal policies, others a return to solid conservative principles, with Landon and Hoover respectively seen as standard-bearers of these two camps. Disputes over Republican agricultural and trade policy focused upon speeches Landon had made during his presidential campaign, which his opponents claimed had departed from the platform accepted at the 1936 convention in Cleveland. Hoover and his supporters called for a mid-term Republican party convention, which they hoped would give conservatives an opportunity to win back control of the party from liberals, while Landon opposed any such move.[371] Further fissures within the Republican National Committee and between congressional Republicans and other party representatives made the situation still

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[367] Brand, "Gold," *The Times*, June 16, 17, 18, 1937, quotation from third article.
[368] "Distribution of Gold: Mr. R. H. Brand and the World's Need," *The Times*, November 30, 1937.
[369] Adolf A. Berle, diary entry, September 14, 1937, Beatrice Bishop Berle and Travis Beal Jacobs, eds., *Navigating the Rapids 1918-1917: From the Papers of Adolf A. Berle* (New York: Harcourt Brace Jovanovich, 1973), 135-136; cf. Berle, diary entry, October 20, 1937, ibid., 141.
[370] Berle, diary entry, May 27, 1938, ibid., 177-178.
[371] Mayer, *The Republican Party*, 448-449; McCoy, *Landon of Kansas*, 362-371.

more complicated. Overall, the consequences were what Altschul described as "personality clashes over perfectly trivial issues," which had the result of alienating potential supporters and financial contributors. Altschul, who became chairman of the United Republican Finance Drive for Greater New York in fall 1937, was in a position to assess in the impact of these disputes on the Republicans' ability to raise funds, and warned Landon that the party's actions were extremely self-defeating. He also felt that a mid-term convention might at least allow the Republicans to clarify their stance and "take sound and forward-looking ground on broad questions of national policy in the hope that we may be able to convince large numbers of voters that fundamental questions involving the integrity of our institutions and the welfare of our country are at stake."[372]

Writing to John Hamilton, chairman of the Republican National Committee, in August 1937, Altschul warned that negative personal attacks upon Roosevelt were likely to prove counterproductive; that the Republican Party would have no hope of winning back Congress or the presidency "purely on the basis of criticism of the New Deal," and "must lose no further time in developing a vigorous, positive philosophy."[373] Devising such a philosophy was less easy. During the 1937-1938 recession, Altschul suggested to Hamilton that the Republicans should accept many New Deal policies, since "[m]easures that seemed radical some years ago, many of us can accept as conservative today." Among these should be a revised social security system; a labor relations act, though one probably less sweeping than the Wagner Act of 1935; those provisions of the Security Act of 1933 that protected investors, but not those "that interfere unduly with the flow of capital into industry"; and a Securities Exchange act that would "eliminate" marketplace abuses, but stripped of those elements "which have led so obviously to the breakdown of markets and to the ensuing business demoralization." Altschul suggested that future taxation policy should be "designed to produce needed revenue with a minimum disturbance to the business of the country," but opposed the existing capital gains tax and undistributed surplus tax, which he argued were impediments to economic growth and corporate stability. Finally, Altschul concluded, it was of overriding importance that American democracy should be able to solve the economic problems confronting it, because a failure to do so would "strengthen the hands of dictatorships all over the world," whether Fascist or Communist, that currently challenged the entire existence and validity of democracy.[374]

The mid-term convention was not held. Instead, at the end of 1937 the Republican National established a Program Committee, chaired by Glenn Frank, former president of the University of Wisconsin, with members drawn from all states, including Altschul as a representative of Connecticut state, "to draft a new charter for the Republican party".[375] This evolved by early

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[372] Altschul to Landon, October 18, 1937, File 124 Alfred M. Landon, Catalogued Correspondence, Altschul Papers.
[373] Altschul to John Hamilton, August 30, 1937, File John Hamilton, Politics File, Altchul Papers.
[374] Altschul to Hamilton, November 22, 1937, File John Hamilton, Politics File, Altschul Papers.
[375] "Partial List of G.O.P. Advisers," *Washington Post*, December 17, 1937; "Frank Gets G.O.P. Post," *Los Angeles Times*, December 17, 1937; "Republicans Name Glenn Frank Head of Policy Group," *New York Times*, December 17, 1937.

1938 into a policy committee with 215 members, with Altschul one of the organization committee of this group.[376] It sent out elaborate questionnaires to all registered Republicans about the future of the party, and convened about thirty-five regional conferences to discuss the answers received and what course Republicans should take. Eventually, in spring 1940, Frank issued a final report, that was supposed to provide the basis for a dynamic and winning Republican campaign platform, but in the upshot was largely ignored.[377] As the party sought to regroup after its shattering defeat, Altschul was active in these discussions, seeking to throw his weight firmly in the liberal camp. On at least one occasion, he suggested the name of a physician from the United Hospital Fund, to participate in round-table discussions on establishing a medical insurance system.[378] Not only did Altschul represent Connecticut on the Republican Program Committee, he was also a member of his party's Executive Committee and Chairman of its Finance Committee.[379] As would often be the case with his ventures, his efforts were therefore directed both toward raising funds for a cause in which he believed, and to trying to formulate a program or platform for an organization with which he was involved. Neither, at this time, was particularly easy where the Republican Party was concerned.

As he contributed to efforts by the Republican Party to remake itself into an effective competitor with the Democrats, serving as a member of the Republican Program Committee charged with drafting his party's broad policy statements, Altschul found himself seeking to address broader questions, including some hard and uncomfortable truths about the appeal and leadership abilities of Franklin D. Roosevelt and the shortcomings of the Republicans. It was not enough, he warned, for Republicans to "wait for the pendulum to swing back," as many of them hoped to do; they would "have to go a long way to meet the pendulum." He feared that they had lost their "perspective" and "sincerity." Reflecting on the 1936 election, Altschul charged that in that campaign, "the Republican Party seized on no fundamental issue."[380] They had sought to convince the electorate that they were committed to broadly liberal principles, and would preserve the desirable aspects of New Deal policies while eliminating abuses, but "went down to overwhelming defeat." Altschul believed that, if the Republicans continued to adopt such tactics, they would continue to lose elections.[381]

One trend Altschul found particularly disturbing was the emergence within the Republican Party at this time of a streak of white supremacist, fundamentalist Christian anti-semitism. During the 1936 presidential campaign, Altschul had reacted with alarm to a whispering campaign that Landon and other Republicans were anti-catholic and anti-semitic, rumors given more credence by the prominent absence of Jews and Catholics at high-profile Republican gatherings in New

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[376] "G.O.P. Program Group Looks to Young America," *Chicago Daily Tribune*, March 1, 1938; also George Gallup, "Program Committee Faces Difficult Task," *Washington Post*, May 22, 1938.
[377] Mayer, *The Republican Party*, 449; McCoy, *Landon of Kansas*, 371-376.
[378] Thomas H. Reed to David McAlpin Pyle, n.d., File Europe, Altschul Overbrook Papers.
[379] Altschul, answers to questionnaire, 1938, File 113 Republican Program Committee 1938, Politics File, Altschul Papers.
[380] Altschul, notes, August 22, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers.
[381] Altschul, "The Challenge to Republican Leadership," August 22, 1938, Writings File, Altschul Papers.

York State. At the time, Altschul warned Landon that, given the rising tide of anti-semitism in Germany, unless the Republicans made it clear that they were not simply a party for white Protestants, they were in danger of losing Jewish and Catholic voters throughout the United States.[382] In 1938 Gerald B. Winrod, a man sometimes termed the "Jayhawk Nazi," who was publisher of the Kansas newspaper *The Defender*, head of an organization known as "Defenders of the Christian Faith," was a candidate in the Republican primary for senator from Kansas. Winrod, who had strong support among German-speaking Mennonites in his state, openly proclaimed that the United States was the chosen land of God, that Roosevelt was a devil in league with a Jewish-Communist conspiracy, and that Hitler and Nazi Germany would preserve Europe from Communist domination. Landon, himself a Kansan, came out strongly against Winrod's candidacy, as did the prominent Kansan Republican newspaper publisher, William Allen White. Altschul urged Hamilton, as head of the Republican National Committee, to follow suit and repudiate Winrod and his views, warning him that, unless he did so, the Republicans would lose the support of many of their influential backers in New York.[383] In response, Hamilton—who was himself a native of Kansas and had served four years in his state's legislature—published an open letter condemning "intolerance" of every kind, and warning that any Republicans who voted for Winrod in the primary would help to discredit their party in the national arena.[384] The primary was held on August 2, 1938, and Winrod came a distant third, winning only 21.4 percent of the vote, and losing to Clyde M. Reed, a popular former Kansas governor.[385]

Even though it ultimately failed, Winrod's senatorial bid was a dramatic indication that by no means all Republicans shared the moderate centrist orientation of Altschul and Landon. Indeed, one problem that alarmed Altschul as he contemplated the question of how the Republicans might succeed in regaining power was the division of the Republican Party into conservative and liberal factions, leading him to proclaim that the "issue between reaction and liberalism must be met head-on. It represents the fundamental challenge to Republican leadership." If the Republicans tried to paper over these differences with "mutually contradictory compromises," he warned, the party would come up, not with "a self-consistent party programme alive with sincerity and purpose," but one characterized by "sterility" that would undermine all Republican efforts "to once again assert moral leadership."[386] He argued that "the bulk of our followers represent a continuing belief in that liberal Republicanism which has such great accomplishments to its credit in our political history," and were willing to adapt their political beliefs to a changing world. Altschul undoubtedly ranked himself in this camp. He admitted, however, "that voting under our standard, we probably have all the reactionaries of voting age in the United States," a group who exercised "disproportionate influence" in the Republican Party

[382] Altschul to Kindersley, July 22, 1936, File Roberts Kindersley, General Correspondence, Altschul Papers.
[383] Altschul to Hamilton, June 13, 1938, File John Hamilton, Politics File, Altschul Papers.
[384] "Letter dictated over the phone by Mr Hamilton," n.d. [1938], File John Hamilton, Politics File, Altschul Papers.
[385] On Winrod and his campaign, see McCoy, *Landon of Kansas*, 396-398; Howard M. Sachar, *A History of the Jews in America* (New York: Knopf, 1992), 451-452.
[386] Altschul, "The Challenge to Republican Leadership," August 22, 1938, Writings File, Altschul Papers.

because they tended to be "the hard-headed, successful business men of an earlier day" who made heavy financial contributions to the party, which they predictably believed entitled their views to favorable consideration. In Altschul's opinion, "by and large their views are further to the Right than the views of the great majority of the Republican Party and this creates one of our difficulties." While "Americans want no proletarian dictatorship of the Left," which some feared was the direction that the New Deal was taking, "even less than this do we desire a bourgeois dictatorship of the Right and it may be that many more instinctively felt that this was where a Republicanism, lacking in perspective, was heading."[387] One of the major problems facing the Republicans, in Altschul's view, was how to reduce the strength of conservatives within the party. Very bluntly, he stated:

> We must recognize that many reactionaries are securely gathered together under the Republican banner. They represent no more the feeling of the vast majority of Republicans than do the New Deal extremists represent the view of the conservative Democrats. But they constitute an element in the party councils whose influence might easily be allowed to become an insuperable barrier to Republican success. It is only proper that their views be accorded every reasonable consideration. On the other hand, it would be a disaster should they be allowed to determine the policies of the party. For we must realistically adapt ourselves to the changing of the problems of the day if we are once again to deserve and to command the support of a far-flung electorate.[388]

The division of the Republicans between hard-line conservatives and moderate liberals was only one of the problems Altschul perceived. In effect, he believed, the Republicans needed to convince the electorate that they were as wedded to American values as the Democrats were, while presenting themselves as the party that was better equipped to manage the American economy so as to attain prosperity for all. It was a policy of splitting the middle that would later become known as triangulation. To accomplish this, the Republicans must appeal to ordinary voters: "We must make the problem of the individual man and woman our own. We must understand the fundamental longings and aspirations of far-flung groups in our population. We must broaden and extend the conception of a decent standard of living so that it may include proper housing, proper health insurance and proper social security." To accomplish this, the Republicans needed to encourage "the productive enterprise of the country which alone can create the wealth out of which all economic rewards must finally be paid." In words that perhaps reflected his youthful progressive leanings, Altschul proclaimed how, overall, the Republicans also needed to appeal to fundamental American values:

> [A]s Republicans, we must seek to recapture and make our own the essential spirit of democracy. We must develop our whole program with this in view. We must avoid the pitfalls that beset the extreme reactionary no less than the pitfalls that beset the extreme

[387] Altschul, notes, August 22, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers.
[388] Altschul, "The Challenge to Republican Leadership," August 22, 1938, Writings File, Altschul Papers.

> radical. We want no political domination of the under-privileged; and we want no economic domination of the over-privileged. We must make representative self-government and free enterprise vital, living concepts, and not merely threadbare phrases handed down from a distant past. We must once again give reality to the vision of America as the land of boundless opportunity. We must understand that this opportunity can be made richer in promise today by virtue of an awakened social consciousness. We must take full account of this awakening and we must realize that it is not only inevitable, but that it is essentially just. We must find a way to give new content and new substance to our much vaunted liberties. We must set ourselves the task of furthering that welling desire of vast numbers of men and women to get more of the good things of life than they had been accustomed to in the past.[389]

A cartoon published in the *New York Mirror* in October 1938, accompanying an interview with Altschul in which he expressed such views, depicted him as a circus ringmaster, trying to persuade the Republican Party elephant to balance on a see-saw and "Stay in the Middle!" between "Extreme Left" and "Extreme Right."[390]

Altschul eventually expressed his views in an open letter addressed to Frank, which was widely circulated and caught the attention of the press. Besides warning that the Republicans must avoid falling back into reactionary conservatism and should endorse the New Deal's broad objectives, while condemning many of its methods, Altschul proclaimed that:

> If we are once again to find ourselves in a position to influence in a major way our national destinies, we must first make it crystal clear that we place the welfare of the United States above the welfare of the Republican party, and that we are determined to abandon partisanship in seeking broad solutions for the problems which face the nation.
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> We must develop a program soundly conceived and grounded in principle that will permit us to demonstrate that, given half a chance, democracy can meet every social and economic problem of the modern world.[391]

If the Republicans were to return to power, it was essential that they "once again give reality to the vision of America as the land of boundless opportunity," Altschul urged. "We must understand that this opportunity can be made richer in promise today by virtue of an awakened social consciousness."[392] Frank, who had orchestrated this exchange of views in an effort to strengthen the liberal Republican camp, replied approvingly that: "The Republican party must be

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[389] Altschul, "The Challenge to Republican Leadership," August 22, 1938, Writings File, Altschul Papers.
[390] Interview with Altschul, *New York Mirror*, October 1938, Clippings File, Altschul Papers.
[391] "Ask Republicans to Change Tactics," *New York Times*, September 17, 1938; "Frank Expounds Principles of G.O.P.," *Los Angeles Times*, September 17, 1938.
[392] "G. O. P. Advised to Give Reality to Vision," *Washington Post*, September 16, 1938.

truly a party of the people—all the people."[393] Endorsing Altschul's perspective on the need to appeal to ordinary Americans, he told the banker:

> If, as I believe, the appeal of the New Deal respecting human values has held popular support to a dangerously unsound administration of national affairs, it becomes doubly important that the Republican party see to it not only that it has a sound and workable program, but that it convince the majority of Americans that that program will make these human values living realities in the day-to-day lives of the people; in other words, that it will deliver as well as promise.[394]

This public correspondence, designed to boost the liberal wing of the Republican party as the presidential election of 1940 came ever closer, focused primarily upon domestic issues. Altschul's ideas and drafts were nonetheless, he recalled, "almost entirely ignored by the Resolutions Committee of the 1940 Convention." Ten years later, after two elections, 1944 and 1948, in which he declined to support the Republicans, Altschul warned a Republican National Committee member that, ever since "the first election of Franklin Delano Roosevelt, the Republican party has been Janus-faced, ambivalent and schizophrenic. Its dominating motive has been to seek a return to power and its dominating principle has been expediency."[395]

Above all, however, Altschul was by this time coming to see the task before the Republicans as one that must be approached from a perspective far broader than that of mere domestic American politics, and viewed instead in the context of an international contest between democracy and dictatorship. As the 1930s wore on, Altschul perhaps remembered the reflective words from 1932 of Robert Brand, his British partner of many years:

> Lying at the back of all these questions seems to me to be the more fundamental one whether we are pursuing a form of civilization too complicated and too difficult for our democracies, and equally, I have no doubt, for our autocracies, to run. The higher the standard and the more integrated the whole world, the greater is the crash produced by a devastating war. Hence, also, the greater necessity at all times for forbearance and generally for liking to see your neighbour getting rich, notwithstanding that you may thoroughly dislike him. This is asking a good deal, but it is necessary. If we could look forward to such ideal conditions the economic world might represent before long a fast-moving smooth mechanism like a Rolls-Royce travelling along an even highway.
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> I often think that in our international banking world we are tempted to forget the real and sometimes very unpleasant world outside. We go ahead as if the production of wealth

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[393] "Frank Expounds Principles of G.O.P.," *Los Angeles Times*, September 17, 1938.
[394] "Asks Republicans to Change Tactics," *New York Times*, September 17, 1938.

[395] Altschul to Guy Gabrielson, December 13, 1949, File 108 Republican Party-Republican National Committee, Political Series, Altschul Papers.

> and the development of all countries indifferently is what everyone wants. But it is not, and the world brings us up with a nasty jolt. While I have no doubt we must continue to show some optimism and trust, we have to recognize in the end the progress of the world's commerce will be strictly limited by the capacity of the nations interested in it to work together in peace and harmony.[396]

By 1938, the ability of nations to "work together in peace and harmony" was ever more in doubt, as the outbreak of major international war seemed increasingly probable. Given this situation, Altschul felt that the Republicans were signally failing to place limited domestic issues in a broader global perspective, something that Roosevelt, with all the faults Altschul perceived in him, was accomplishing in a masterly fashion. The Republicans had concentrated their efforts upon narrow attacks on specific New Deal domestic measures, "questions of budget-balancing, of labor relations, of social security, of reciprocal trade treaties," leaving "Roosevelt as the only voice that seemed to have an understanding of and a burning interest in the security and the dignity of the common man in a turbulent world." The New Deal went far beyond being merely "a series of policies fairly or unfairly translated into legislative action," and represented "a state of mind, and the state of mind we [the Republicans] failed to recognize, we failed to accommodate ourselves to; we failed to see what was good in. And particularly we failed to see that it was a state of mind, but in the modern world was sure to capture the votes of the preponderating majority of American citizes." For most of the 1930s, Altschul too had focused primarily upon internal American problems, perceiving international issues primarily in terms of their domestic impact upon the United States. Now, he saw the task facing his country and its political leaders as pre-eminently that of proving to the world that democracies were equal to the challenge of competing with dictatorships, in terms both of basic human values and also in economic performance. Writing less than six months after Nazi Germany annexed Austria, at a time when British and French politicians were engaged in humiliating negotiations with Adolf Hitler over Czechoslovakia that ultimately resulted in the handover of the Sudetenland to German rule, Altschul, after submitting his "own Republicanism to a searching examination," admitted:

> My eyes have been fixed too closely on purely domestic problems. I have not been thinking clearly enough or realistically enough about the great sweep of world forces which have engulfed us as the aftermath of the great world war. We have witnessed the rise of Communism in Russia and the spread of this infection to China; we have seen the growth of Fascism in Italy and in Japan and of national Socialism in Germany; we have seen these political philosophies come into armed conflict in China and more recently on the Manchukuo border. We have seen them locked in a death struggle in Spain. We have witnessed the growing drive for the domination of central Europe by national Socialism. Only those of us who knew Vienna before the war and saw it struggling back

[396] "World Economic Outlook: Debts and Trade," *The Times*, March 3, 1932.

> to its old urbanity after the war can understand what the absorption of Austria into the Third Reich means in terms of human tragedy.[397]

Overall, "a conflict of new ideologies" had "encircle[ed] the globe." Communism, Fascism, and National Socialism all brought "an appalling and ever-widening restriction of human liberties. They have constantly sacrificed the dignity of the supposed good of the totalitarian state. They have thrown down the gauntlet to Democracy wherever it survives." The Republicans had responded as if these international movements "left us entirely unaffected," caviling instead over "individual domestic issues [that] appeared to the electorate as matters of relatively minor concern."[398] Roosevelt, "a many-sided and complex personality," had addressed this international situation, and "convince[d] the vast majority of our citizens that he is fighting the battle of democracy in a world beset by other theories of government and that he is fighting the battle of the common man in a country heretofore dominated by the privileged few." Altschul bluntly warned his Republican colleagues that, however much they disliked the president, they should recognize that he "towers like a giant above pigmies in our political life."

> For make no mistake, Mr. Roosevelt does not speak alone to the selfish desires of men. He speaks to their hearts and to their deepest emotions. The most partisan of us cannot be unaffected by his words. On a purely domestic issue recently dealing with social security, he used phrases which linger in our memories. They are phrases born of an essential human understanding which burn themselves into the hearts of men. And, in regard to those terrifying forces which are sweeping over Europe, no one in American life has expressed himself more courageously or has more accurately interpreted the emotional under current of American opinion than Mr. Roosevelt himself.[399]

In Roosevelt's recent speeches, Altschul proclaimed, Roosevelt had not only "express[ed] with warmth and feeling the latent detestation that most of us have for dictatorship wherever it appears," but he had gone further, "eternally voicing his belief in our own system," and the belief "that through his humane management of this system, he can produce an effortless and more abundant life." If the Republicans were to "understand his hold on the affections of millions," they had to recognize that the president, with his "gift of coining phrases that burn themselves into the souls of men," gave "the impression of a great moral force in a world in which morality is crumbling."[400] Very forthrightly, Altschul warned: "Until a Republican arises who will be able to deal with world problems in terms similarly ringing with emotion and understanding, it is unlikely that our party will again be entrusted with the responsibility of government."[401]

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[397] Altschul, notes, August 22, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers.
[398] Altschul, "The Challenge to Republican Leadership," August 26, 1938, Writings File, Altschul Papers.
[399] Altschul, notes, August 22, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers.
[400] Altschul, "The Challenge to Republican Leadership," August 26, 1938, Writings File, Altschul Papers.
[401] Altschul, notes, August 22, 1938, File 113 Republican Program Committee, Politics File, Altschul Papers.

For most of the 1930s, Altschul had focused primarily upon the American domestic scene, and attempted to play an advisory role in first the Democratic and then the Republican Party. Although his wealth might win him access, it did not necessarily translate into political clout. The lure of quietly exerting political influence as an unobtrusive power broker had proved largely illusory for him, as elected officials and prospective candidates accepted his money but more often than not ignored his counsel. While his British and French partners navigated the corridors of power in their own countries with considerable aplomb, as politicians and non-elected officials alike sought their views on a variety of issues, Altschul found it far more difficult to break into the charmed circle of policymakers in the United States. Indeed, he could not even maintain his position in the New York Stock Exchange, and within his own bank his position was coming under siege. In classic mugwump style he oscillated between the Republicans and the Democrats, and in the latter part of the 1930s, he was still trying to find a comfortable home for himself as a liberal Republican, aligning himself with those who sought to persuade the Grand Old Party to endorse many of the essentials of the New Deal. Altschul himself admitted that for most of the decade he had concentrated primarily on internal American problems, and paid rather little heed to international affairs. Shortly after he turned fifty, this emphasis changed. By the late 1930s, as the European situation became ever more ominous and the prospect of a major war involving most if not all of the European powers seemed increasingly likely, Altschul's attention began to focus on the world beyond his own country's shores. For the rest of his life, his greatest preoccupation would become the relationship between the United States and international developments, a focus that would serve as a prism through which Altschul would in future approach almost every other issue.

CHAPTER EIGHT

FRANK ALTSCHUL AND THE GATHERING STORM, 1938-1943

At the beginning of the 1930s, the Great Depression seemed to be the greatest threat to domestic and international stability. As the decade progressed, broader international issues of war and peace came to loom ever larger. In response, Frank Altschul's focus gradually shifted from his original interest in what were almost technical questions of economics and currency policy, to broader issues of international strategy and the balance of power. In part, this was probably a reaction to the increasingly critical depressing situation in Europe, as Nazi Germany's policies became ever more extreme and the demands of Adolf Hitler on other countries more exigent. This may also have reflected Altschul's own growing comfort level in considering larger international questions, a sense of ease probably facilitated by his dealings with the balance of power theorists associated with the Yale Institute of International Affairs. Once war began in Europe in September 1939, the 1940 presidential election in the United States was widely considered a pivotal contest, since whomever the voters selected that year would have the responsibility of deciding on his country's policies towards the conflict in Europe and the ever more serious situation in Asia. Altschul took the most active political role of his life in the 1940 campaign, helping to lay the ground for the nomination of the pro-Allied Republican candidate, Wendell L. Willkie, one of whose earliest backers he became. The following year, Altschul published a short book, a volume he apparently hoped might in some way serve as a springboard to propel him to greater political prominence. Once the United States entered World War II, Altschul became more actively involved with several organizations that sought to influence planning for the postwar world. His interest in doing so may well have been symptomatic of what had for several years been a certain boredom on his part with the day to day business activities of his firm. Within Lazard Frères, moreover, Altschul also found himself increasingly beleaguered, at first thanks to competition from Stanley Russell, but before long largely because his refugee French partners, André Meyer and Pierre David-Weill, sought to squeeze him out from the New York Lazard house and run the business themselves. At the end of 1943 he cut his ties with Lazard Frères. From that time onward, Altschul was free to pursue his own interests, untrammeled by the demands of the bank for which he had worked since his graduation from Yale.

On a personal level, even though for much of the 1930s he concentrated primarily on American domestic politics, Altschul watched European developments closely, and was well aware of the ever deteriorating situation on that continent. As early as 1933, he referred to "the horrible conditions at present prevalent in Germany."[1] In 1941, he told one friend that "ever since the emergence of the Nazi power in Germany, I have felt that at some unpredictable time in the future, it must inevitably come into conflict with our American dream, and that we should eventually be forced to take up arms to defend our institutions and perhaps even our frontiers

[1] Altschul to Ralph Heller, October 6, 1933, File Ralph Heller, General Correspondence, Altschul Papers.

from the creeping menace of totalitarianism."[2] "Many of us, familiar with the European scene," he later told a law partner of the anti-interventionist Senator Robert Taft of Ohio, "saw clearly that the German dream of world dominion had been galvanized into life anew by Adolf Hitler, and we were convinced that, sooner or later, this challenge would have to be met."[3] As Hitler's efforts to dismantle the Versailles settlement proceeded, Altschul watched apprehensively, and would apparently have welcomed a more firmly anti-German line on the part of Britain and France. He later recalled "that fatal blunder in British policy when no encouragement was given to the French impulse to resist the Germans at the time of the occupation of the Rhineland" in 1935.[4] With some severity, in 1941 he told a British friend who had close connections to the Ministry of Information: "The history of British post-war policy has left an exceedingly bad impression" in the United States. Although Americans could not help but feel "the greatest admiration for the courage and endurance of the British" as they faced down German wartime assaults, "deep down, there is still the feeling that if the British now have to display in such distressing circumstances such magnificent qualities, it is because stupid and uninformed leadership" left them no alternative. Altschul listed a string of interwar international issues he and many other Americans believed the British government had mishandled. "Manchukuo and Ethiopia are not forgotten and never have been completely understood. The British flirtations with the Germans at the expense of the French are felt by many to have brought you to your present pass. The Naval Treaty, the refusal to back the French up at the time of the Rhineland occupation, the Runciman Mission, Munich—all are merely striking episodes in a long record of ineptitude and what to many seemed hypocrisy."[5]

Altschul had watched at uncomfortably close quarters the impact of some of these events upon Europe. Despite his lack of interest in formal religion, in October 1938 Altschul allowed his name to be used as one of 400 prominent New Yorkers who would help to raise $250,000 to construct a Temple of Religion, dedicated to all faiths and intended to promote unity of belief and religious toleration, on the World's Fair site in Flushing Meadow, New York.[6] He also took more concrete measures to assist those most in danger. Increasingly severe Nazi persecution of Germany's Jewish population meant that as the 1930s progressed Altschul helped many family members, professional associates, and friends to flee the Continent and resettle in Britain or the United States; after the fall of France in 1940 these were joined by his Paris Lazard partners Pierre David-Weill and André Meyer.[7] These were efforts that Altschul undertook in

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[2] Altschul to Alan Valentine, October 9, 1941, File Alan Valentine, General Correspondence, Altschul Papers.

[3] Altschul to John Hollister, June 8, 1943, File John B. Hollister, Political Series, Altschul Papers.

[4] Altschul to Cecily Goodhart, January 25, 1943, File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.

[5] "Memoranda," enclosed in Altschul to Mrs. Mary H. Churchill, July 9, 1941, File Mary Churchill, General Correspondence, Altschul Papers.

[6] "400 to Aid Drive for Fair Temple," *New York Times*, October 26, 1938.

[7] Reich, *Financier*, 39-41. Correspondence relating to Altschul's assistance and support for such refugees is scattered through his General Correspondence and Catalogued Correspondence Files, especially those files relating to Altschul family members, and also in the Refugees Files.

collaboration with his Lehman in-laws, who established a family trust to fund the expenses of removing and supporting relatives from continental Europe. Herbert Lehman and Altschul, besieged by applicants with whom they had no personal ties, both gave generously to such efforts, but were still often in the distressing situation of finding it necessary to restrict their assistance to individuals who had some familial or business links or ties of friendship to themselves.[8] Among those refugees whom Altschul assisted to leave Europe were his youngest uncle, Charles's brother Julius, who recalled many years later how, thanks to the entire family's "kindness and Frank's energy," he, his wife, and their small son Ernst "were rescued from Hitler misery to these—then still quiet—shores," where Camilla Altschul, Charles's widow, gave them a particularly warm and considerate welcome.[9] Another family member whose rescue Altschul helped to organize was that same distant cousin, Otto "Siberian" Fürth, whose escape from a Russian prison camp his father had facilitated in late 1919. On returning to Vienna, Fürth completed his university studies, married, and worked in his family's fez business, while writing a number of plays, several of which were professionally produced, as well as numerous poems and newspaper articles. When Germany annexed Austria in early 1938, Fürth immediately applied for visas to the United States, and in August 1939, as the outbreak of war loomed, moved with his family to Switzerland. With Altschul's help and sponsorship, two years later, in August 1941, the Fürths finally arrived in New York, where Fürth became an accountant at Lazard Frères, a position he kept until retiring in 1964 at the age of seventy.[10]

By fall 1938 Altschul was not only trying to modernize the Republican Party; he had also come to recognize that Franklin D. Roosevelt, however much Altschul might disagree with the finer points of his policies, had a masterly ability to articulate the larger issues of politics, especially what the Lazard banker was coming to perceive as the overwhelming need to combat the growth of totalitarian ideologies across Europe. By the late 1930s, his preoccupation with the deteriorating international situation had pre-empted most of Altschul's other political interests. In 1937 Altschul commented on the "calm, one may almost say with what apathy, the French at present seem to be regarding European developments."[11] It was not a viewpoint he shared. In the late 1930s, members of the New York Lazard firm followed unfolding events in Europe with intense attention. For many years, the three Lazard firms had sent each other on something like a weekly basis in-depth appraisals of the economic and political situation in their own countries and beyond. From at least September 1938, immediately after the Munich agreement was concluded, the New York house apparently supplemented these with other sources. The Altschul papers still held by the Overbrook Foundation include a thick file of detailed typewritten

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[8] Allan Nevins, *Herbert H. Lehman and His Era* (New York: Scribners, 1963), 199-200; Helen Goodhart Altschul, oral history, June 6, 1957, p. 2, 12, Columbia University Oral History Project.

[9] Julius Altschul to Frank Altschul, Edith Lehman, Hilda Master, and their families, June 8, 1952, File Camilla Altschul Condolences 1952, Charles Altschul Files, Altschul Papers.

[10] File Otto Fürth, General Correspondence, Altschul Papers; Biographical Sketch of Otto Fürth, Finding Aid for the Otto Fürth Papers, M. E. Grenander Department of Special Collections and Archives, State University of New York at Albany.

[11] Altschul to Otto Jeidels, August 24, 1937, File Otto Jeidels, General Correspondence, Altschul Papers.

accounts sent by reporters in Europe, and also one in Washington, to Hartzell Spence, at that time head of the New York special service bureau of the United Press Service. Why Hartzell, a Methodist minister's son from Iowa who became editor of the American military services magazine *Yank* during World War II, forwarded copies of these letters to the Lazard firm remains unclear. Altschul apparently took the initiative in persuading Spence to make them available to his firm.[12] In any case, these reports, most sent from London, Paris, or Rome, giving wideranging background information on events throughout Europe at approximately monthly intervals in late 1938, rising to something closer to a weekly basis for all of 1939, together with less frequent communications from Latin America and Canada and a growing number covering political events in Washington, were circulated around all the top Lazard officials in New York.[13]

Dispatches from newspapermen around the world only supplemented the constant communications among the Lazard partners themselves. By no means all their correspondence has survived, but enough is still extant to give a sense of the interactions among the various partners as war approached. Altschul's British partners, especially Robert Brand, had particularly close ties to the group that won notoriety in the 1930s as the 'Cliveden Set,' the collection of well-connected elite policymakers, for decades associated first with Lord Milner in South Africa, that had metamorphosed into the Round Table Group, many of whose members were also prominent in the Royal Institute of International Affairs at Chatham House. Prominent among them were the extremely wealthy Waldorf and Nancy Astor, the American-born though anglicized owners of Cliveden; Philip Kerr, the eleventh Marquess of Lothian, secretary to the Rhodes Trust, who had been personal secretary to Liberal Prime Minister David Lloyd George during World War I, and held minor office in the National Government during the early 1930s; Lionel Curtis, one of the most active members of the Round Table Group and Chatham House; Geoffrey Dawson, editor of the influential London *Times*; James L. Garvin, editor of *The Observer*, a newspaper owned by Astor; Edward Grigg, a Conservative member of parliament and former editor of both *The Round Table* and the *Times*; and Brand himself, who was Nancy Astor's brother-in-law. In the late 1930s, those individuals who congregated at Cliveden were attacked in the popular press in Britain and overseas as admirers of Adolf Hitler. Allegations were rife, spearheaded by the radical journalist Claud Cockburn, that they favored concessions to Germany in foreign affairs because they were reactionaries who sympathized with his policies, and hoped that Germany would instead turn on Russia. The reality was more complex. Some of those who gathered at Cliveden, including the Astors themselves, Dawson, and Lothian, for several years supported the conciliation of Germany, in part because they felt that Britain should hold aloof from European affairs and concentrate instead upon strengthening its imperial position. Others, notably Brand and Grigg, supported British rearmament and were far less

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[12] Hartzell Spence to Altschul, January 24, 1939, File European Situation 1939-1940, Altschul Overbrook Papers.
[13] File European Situation, Altschul Overbrook Papers.

sympathetic to German demands.[14] And even those such as Lothian and the Astors, who supported the September 1938 Munich agreement, under whose terms France and Britain acquiesced in the German takeover of the Czech Sudetenland, thereafter became belated converts to rearmament and opposed any further acquiescence in German demands.

Brand himself was one of the stronger critics of what would later become known as the policy of appeasement of Germany. Brand himself later recalled that, during his regular visits to Germany on Standstill Committee affairs during the 1930s, "Germany seemed to me a lunatic state." He tried to communicate this view to such influential figures as Geoffrey Dawson of *The Times* and Lord Halifax, British foreign secretary in the later 1930s, telling them that Germany represented "a great risk to the rest of Europe," but found them unresponsive, with little if any comprehension of "the kind of government that had got into power in Germany." The problem, he believed, was that Halifax and Dawson, together with the British prime ministers of the 1930s, Stanley Baldwin and Neville Chamberlain, "were all honest Englishmen. How could they understand murderers like Hitler Goering & many of them." Brand repeatedly urged that *The Times* should support military conscription in Britain and massive rearmament, but his counsel was generally ignored. One obstacle, he felt, was that Robin Barrington Ward, the influential Foreign Editor, had fought for four years in World War I, which left him with "a natural great detestation of war." Brand recalled "one occasion, when Geoffrey Dawson became tired of my arguments with him about Hitler, he said, 'Will you'd better go and talk to Barrington Ward.' And I went to see Barrington Ward, and I said 'You must have conscription, you must have an expeditionary force, you cannot have one ally twenty miles away and leave them absolutely without any protection from us.' And his answer was 'Well, all I can say is, there must never be another Passchendaele.'"[15]

Brand never ceased to believe that British policy in the 1930s had been greatly mistaken. After reading former foreign secretary Anthony Eden's memoirs of the period, published in the early 1960s, Brand remarked that they "seemed to me to bear out everything one thought about the character of the Foreign Office policy in these desperate years. Baldwin was too old and idle and Chamberlain could clearly not conceive that such a man as Hitler existed. My dear friend, Edward Halifax[,] was really totally ignorant of Europe, although of course, he knew India and the United States well. But he too, I think, had no idea of what we were facing in Europe."[16] Commenting in the early 1960s on an article by the eminent British historian Donald C. Watt, Brand disagreed with Watt's argument that no British government in the 1930s would have found it politically or economically possible to rearm. He pointed out "that a divided Germany which had gone through an appalling crisis of one of the greatest inflations ever known" had

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[14] Norman Rose, *The Cliveden Set: Portrait of an Exclusive Fraternity* (London: Jonathan Cape, 2000), 135-199; James Fox, *The Langhorne Sisters* (London: Granta Books, 1998), ch. 29; Donald Cameron Watt, *Personalities and Policies: Studies in the Formulation of British Foreign Policy in the Twentieth Century* (London: Longmans, 1965), 118-119, 160-165.

[15] "Lord Brand on Geoffrey Dawson," notes, n.d., File 198, Brand Papers.

[16] Brand to Lord Hailey, November 15, 1962, File 200, Brand Papers.

nonetheless been able to mount a major rearmament drive under Hitler, one which had also solved the problem of unemployment. A quarter of a century later, Brand still contended that "after Hitler really got going there was only one chance of avoiding war in my opinion, and that was that England should have conscription, rearm, and take all measures to meet the attack which was almost certainly coming from Hitler." He believed that, if Britain had done so, Hitler would have restrained himself, and Chamberlain would not have found himself "compelled to do what England had never done before, namely, to guarantee the freedom and independence of a nation such as Poland in the middle of Europe." Brand himself thought that the "last chance" when Hitler's demands could have been checked "was over the Rhineland, but for that we could not get French support."[17]

Brand had little faith in the League of Nations as a means of maintaining peace. He regarded the blanket provisions for sanctions against nations that were declared to have engaged in aggression against other nations as self-defeating, since they could only be effective when large nations enforced them against small states. Any larger nation would be likely to defy the sanctions, leave the League, placing the League powers in the dilemma of having to decide whether or not to go to war with the delinquent power. During the 1935 Abyssinian crisis, when Italy eventually invaded Abyssinia (Ethiopia) at the behest of its Fascist dictator Benito Mussolini, Brand thought that Italy would simply leave the League if its policies were censured. Britain and France, as the leading powers in the League, faced the dilemma of deciding whether or not to push for sanctions against Italy, which might lead them to war against Italy. Brand himself did not believe that Britain had any interests at stake in Abyssinia that were worth going to war with Italy, yet felt that due to membership in the League Britain was now in a position where failure to react to Italian threats against Ethiopia would place it in a humiliating situation. It was, he felt, quite likely that other nations would refuse to follow Britain's lead, yet: "If the great British Empire really believes Italy ought to be stopped, ought she not to stop her even if no one else will joint?" Were it not for the Sanctions clause in the League charter, Brand believed, it was "quite possible that long ago France and ourselves could have put some sufficient pressure privately and quickly on Italy to get [Mussolini] to see some reason." As it was, he thought the League of Nations was "now the most dangerous possible institution."[18]

In March 1936 German forces remilitarized the Rhineland region adjacent to France, in defiance of the stipulations of the 1919 Treaty of Versailles. Soon afterwards, Brand told Geoffrey Dawson, editor of *The Times*, that he felt that the paper had "become unduly pro-German recently." Brand thought Britain should take a strong line against any further German moves in Europe. Breaking with his friend Philip Lothian, who "ke[pt] on saying that [Germany] is hemmed in and ought to have more freedom and so forth," Brand himself believed that it was "extremely dangerous to encourage the present German leaders at the moment. I would not encircle Germany, but I would make it absolutely clear that as regards the whole of Western

[17] Brand, memorandum, June 26, 1963, File 200, Brand Papers.
[18] Brand to Dawson, September 2, 1935, File 198, Brand Papers.

Europe we should fight and as regards Central and Eastern Europe we keep a free hand, and while we have no obligations, should be ready to take what line we think our own interests and those of the world determine." While he personally doubted whether Britain had the "power to stop [Germany] extending her hegemony over Central Europe," he did not "think we should be taken in by her bleatings about inequality, being hemmed in, &c. &c." While he hesitated to "encircle Germany by an Anglo-Franco-Russian alliance," he thought it extremely unwise to "encourage her to think that, pacifist as we are, we are prepared to smile on the schemes of aggrandizement that she no doubt has in view." Brand also complained that *The Times* had recently publicized a speech to the Guards in which King Edward VIII had stated that soldiers could find much that was "noble" to occupy themselves with in times of peace, without mentioning "that their profession is to defend their Country and to fight if need be." While reaching some kind of settlement with Germany might be desirable, he warned, but Britain would need "to keep an extremely stiff upper lip," and might well be greatly hampered by "our lack of arms compared with hers." Drawing on the experiences of his extended stays there during the 1930s, he told Dawson "to remember . . . that those in authority in Germany are extreme, ruthless, entirely regardless of their word and that their whole mentality is something we cannot understand."[19] Seeking to maintain the international stature and weight of France, Britain's only real ally in Europe, in July 1937 Brand urged Dawson to put *The Times* behind the new and relatively conservative Popular Front government of Camille Chautemps, which had just introduced a program of financial austerity. This would, he hoped, make less likely its replacement by "a Left revolutionary Government" which would carry less influence in European affairs.[20]

As the European situation deteriorated in the later 1930s, Altschul kept in close touch with his partners in Lazard's British and French houses, and also with his brother-in-law, Arthur Goodhart in Oxford.[21] Both in person and in proxy, he scrutinized every twist and turn of the European situation, seeking especially to elucidate the position of his British and French partners. In late 1937, Altschul informed Brand that allegations were circulating in the United States that Brand was "influencing the attitude of The Times toward a rapprochement with Germany."[22] Brand replied that, although as a director of *The Times*, he helped to run its business affairs, he had no influence over that newspaper's editorial policy. He continued that, though he was be glad "to see the present state of tension in Europe reduced and our relations with Germany and possibly Italy put on some more satisfactory basis," this should not be accomplished through "any desertion of France." Although he thought it possible that "there is no means of satisfying Germany," Brand was "not averse" to recent moves by the British

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[19] Brand to Dawson, July 17, 1936, File 198, Brand Papers.

[20] Brand to Dawson, July 1, 27, 1937, File 198, Brand Papers.

[21] See Files Robert H. Brand, David David-Weill, Pierre David-Weill, Arthur Goodhart, Sir Robert Kindersley, Lazard Frères Partners and Family, A. D. Marris, André Meyer, and Granville Tyser, General Correspondence, Altschul Papers.

[22] Altschul to Brand, November 18, 1937, File Robert H. Brand, General Correspondence, Altschul Papers.

government in the direction of a rapprochement.[23] Soon afterwards, however, Brand parted company with *The Times*, whose policy was set by his long-time friend and fellow Kindergarten and Round Table member, Geoffrey Dawson. In March 1938 the German Anschluss or takeover of Austria occurred. *The Times* opined that the Anschluss was long overdue, charging that the separation of Germany and Austria mandated by the 1919 Treaty of Versailles was unwarranted, and that Austria could not be expected to resist the "gravitational pull" of Germany. Brand assailed Dawson for being overly "pro-German," asking the newspaper's editor: "Do we consider it desirable to hand over a still relatively cultivated and civilized state to be Nazified?" Eventually, Brand believed, Britain would have to oppose Hitler, and "the result will be war."[24] A year later, Dawson remarked on how often Brand had "poured out" to him "the case for a Continental Army," whose creation would enable Britain to defend its European interests.[25]

In early 1938, as Altschul sought to gauge elite British opinion and that of his own partners toward Germany, claims that a pro-German 'Cliveden Set' existed were widely publicized in the international press. At his request, in April 1938 Granville Tyser of the British Lazard firm sent Altschul a book on Hitler written by the pro-German Marquess of Londonderry. When doing so, Tyser carefully suggested that Altschul should tell his "friends what little influence this author has."[26] In response, Altschul told Tyser that he "found Londonderry's book extremely interesting," and wondered whether his British associate perhaps "under-estimate[d] the influence in your country of the particular group that he represents." He also enclosed an article from an American magazine on the 'Cliveden Set,' on which he asked for comments.[27] Given Brand's close ties to this group, Tyser passed it on to him. Brand replied, enclosing a letter that Waldorf Astor had sent to *The Times* a few days earlier, denouncing these allegations as a "communist fiction" intended to stir up trouble between Britain on the one hand and Italy and Germany on the other. He particularly attacked accounts of a weekend at Cliveden in October 1937, when those guests present had supposedly plotted to drive from office Foreign Secretary Anthony Eden, by provoking him to resign in protest against a visit to Germany by the supposedly more pro-German Lord Halifax, who subsequently replaced Eden. Astor pointed out that Eden himself had been present at Cliveden on this particular weekend, and suggested the efforts to discredit those who gathered at Cliveden were "a weapon in the Communist campaign against the government." He correctly stated that for many years he and his wife had "entertained in the country members of all parties (including Communists), members of all faiths, of all countries, and of all interests." Brand himself characterized suggestions that a pro-German Cliveden Set existed as "absolute nonsense" and "a tissue of lies . . . from beginning to end." Although thankful that he had not been publicly stigmatized as pro-German, he readily

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[23] Brand to Altschul, November 29, 1937, ibid.
[24] Rose, *The Cliveden Set*, 186-187.
[25] Geoffrey Dawson, diary entry, February 1, 1939, Ms. Dawson 43/24, Geoffrey Dawson Papers, Bodleian Library, Oxford University.
[26] Granville Tyser to Altschul, April 8, 1938, File Granville Tyser, General Correspondence, Altschul Papers.
[27] Altschul to Tyser, May 3, 1938, ibid.

and correctly admitted that he often went to Cliveden. He also told Altschul that, although he had heard it was "very pro-German," he thought Londonderry's book not worth reading, since although the marquess was "a nice fellow and of course knows everybody in England, . . . he has no following and no—or practically no—political influence." Brand also stated his own position on the international situation, telling Altschul:

> I am myself all for friendship with Germany if it can be secured on reasonable lines, but the possibility of this I doubt very much, not because we are not ready but because the Germans are not in a mood for any reasonable discussions. Nor do I think reasonable discussions would be much easier with them than they were with Napoleon 130 years ago. Revolutionary governments in the full tide of revolution are not particularly easy subjects for a negotiation with old-established constitutional and peaceful governments. We might be able to negotiate with them more easily if we were stronger in the air, but most unfortunately we have let them get a long way ahead.[28]

Altschul, in reply, told Brand that, although he readily believed that the Astors were, as Lord Astor had stated, staunchly anti-communist, they were both widely and he thought accurately "regarded as having very strong pro-Nazi leanings, and as having made of themselves more or less the spear-heads of pro-Nazi agitation and activity in England." He warned that Lady Astor's public remarks to the newspapers when she visited the United States tended to confirm this belief, and told Brand of his own regrets "that people of such standing should have such avowed sympathies with a philosophy which involves so much arrant nonsense, and, above all, so much inhumane brutality." Altschul also skeptically asked Brand what he would consider "reasonable" terms with Germany, since he feared that even "political arrangements that are acceptable . . . would leave you with two philosophies of government fundamentally in conflict and with each one striving for leadership in European affairs—it is a terrifying outlook at best."[29]

Brand responded at some length, defending both Astors against charges that they were pro-Nazi, while admitting that Nancy Astor "always is convinced that the French are completely unreliable as allies. She does not realise that whatever we may think of them politically, we are bound by the most compelling interests, due to geography, to stick closely with them since they are as essential to us as we are to them." He then denied that the Astors controlled the editorial policy of either *The Times* newspaper, which was owned financially by Waldorf Astor's brother, under arrangements that guaranteed it editorial independence, or *The Observer*, owned by Waldorf Astor but "edited by a genius in the person of Garvin who is more or less uncontrollable and whose views are entirely his own. They are generally," Brand added, "put in a dramatic and extreme form, but they have, in my opinion been more right than wrong over the last few years." Turning to Altschul's querying of what policies he himself favored toward Germany, Brand

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[28] Brand to Altschul, May 10, 1938, enclosing Waldorf Astor, "The Cliveden Set," *The Times*, May 5, 1938, File Robert H. Brand, General Correspondence, Altschul Papers.

[29] Altschul to Brand, May 19, 1938, ibid.

lamented that Britain lagged far behind Germany in airpower, making "our position . . . most unenviable and dangerous," and admitted:

> I am puzzled myself as to how to come to any understanding with Germany under the present regime. Quite likely it is impossible. But what I am against is making up one's mind that a war is inevitable for ideological reasons. We have the very difficult task in this country of steering Europe through a terrible crisis without the destruction of European civilisation through another great war. I suppose we can easily bring on a war with Germany if we like. The question is whether we can avoid one and yet maintain in the world principles of liberty and fair dealing for which we stand. . . . I am in favour of seeing whether we can steer Europe through the next few years until the German revolution has had time to burn itself out, and both Germany and Italy become more moderate. It may well be that the Nazi creed may, in itself, make this impossible since a continuance of unilateral action must inevitably mean war. We can only hope for the best.

Brand believed that Chamberlain was following the "right" policy, and confessed to "profound distrust" of Anthony Eden's policies of direct confrontation with Italy. Sounding a variation on a theme he had played throughout the 1920s and 1930s, Brand told Altschul that if the United States were prepared to "stand with us for liberty, &c. things will be very different and the Germans' attitude and actions very different too, but we cannot and do not expect that, so that we must get along as best we can ourselves."[30]

While his correspondence with Brand was in progress, Altschul also brought up with Sir Robert Kindersley the policies of Lazard Brothers toward Germany. In May 1938 he sent Kindersley an article stating that the London firm was strongly pro-German, and had granted substantial loans to Germany, while Kindersley himself was a founder member of the Anglo-German Fellowship. Kindersley, in reply, explained that, while Lazard Brothers had made no such financial advances to Germany, he had joined the Anglo-German Fellowship in 1935 at the urging of Lever Brothers, a major client of his bank. At that time, Kindersley readily admitted, he had been among those British figures who thought it "worth while making almost any effort to try and alleviated the strained relations" between Germany and Britain, in the hope of "build[ing] up some understanding between Germany, France, and ourselves." The original objective was that this organization would be a venue for "personal contact and frank expression of opinion on both sides" that might help to promote "real understanding between the two peoples." Three years later, however, after the remilitarization of the Rhineland, the Anschluss in Austria, and rising German demands for territory from Czechoslovakia, Kindersley felt that these intentions had proved illusory, and he now had little belief that they would prove successful:

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[30] Brand to Altschul, May 31, 1938, ibid.

> Germany has, without doubt, become more and more arrogant, and the conscience of the English people has been shocked by what has been happening lately in Austria since its absorption, and with the general attitude of Germany towards all religions. It seems impossible to make the Germans understand that alliances or understandings, if they are to be in any way permanent or fruitful in a democratic state must carry with them the approval of the great mass of the people. For the time being, therefore, I see no chance of making much headway in so far as the original aims of the 'Fellowship' are concerned.[31]

Whatever misgivings Altschul may have occasionally felt, the London Lazard house was indeed steadily aligning itself more and more against Germany, a stance that tended to put it at odds with the far more pro-German Montagu Norman at the Bank of England. This became apparent after the March 1938 German Anschluss of Austria. Privately, Brand dissented from the endorsements of German policy printed in editorial columns of *The Times*, while Lazard Brothers made its premises available for a meeting, attended by the stockbroker Sir Oswald Falk, the dissident Conservative member of parliament Robert Boothby, and other opponents of Hitler's regime to organize a public protest against the takeover. Norman called Brand in and reprimanded him for permitting this use of the bank's facilities.[32] Less than two months later, at Reichsbank chairman Hjalmar Schacht's request, Norman asked Brand "to prevent leakage of any evidence of a recent conversation he had here with Godeler, wh was too outpoken agst Nazis & German Govt." Norman also asked Brand to suppress all mention of any talks between Karl Godeler, the anti-Nazi former mayor of Leipzig, and other leading City figures. Since Schacht had originally introduced Godeler to Brand, he apparently found this request unwelcome.[33] In February 1939 the German banker Herman Abs, then foreign manager of the Deutsche Bank, visited London and called on Kindersley. Sir Robert told him that he hated the Germans, but was prepared to exclude Abs from this blanket condemnation, since he was "the only one I know from your country who knows the art of understatement."[34] Brand himself, in his quiet way, would have gone even further. Never a pacifist, a few weeks after World War II began, he told John Maynard Keynes: "I must confess that I have always had a hatred of what I call the soft-gutted Liberal who breathes fire and slaughter, refuses to arm himself and runs away when the time comes to stand up and fight."[35] In 1937, on one of his many trips to Berlin during the 1930s in connection with the Standstill agreements, he attended the opera and sat in a box close to that containing Hitler, Josef Goebbels, Hermann Goering, and several other top Nazi leaders. Brand later openly wished that he had been carrying a grenade or bomb on that occasion, since he could

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[31] Kindersley to Altschul, June 2, 1938, File Sir Robert Kindersley, General Correspondence, Altschul Papers; also Altschul to Kindersley, June 15, 1938, ibid. On the Anglo-German Fellowship, see also David Kynaston, *The City of London*, Vol. III: *Illusions of Gold 1914-1945* (London: Chatto and Windus, 1999), 437.

[32] Norman, diary, March 24, 1938, File ADM34/27, Bank of England Archives; Kynaston, *The City of London* Vol III: *Illusions of Gold*, 443.

[33] Norman, diary, May 13, 17, 19, File ADM34/27, Bank of England Archives.

[34] Quoted in Kynaston, *The City of London* Vol III: *Illusions of Gold*, 452-453.

[35] Brand to Keynes, October 17, 1939, File 198, Brand Papers.

have killed Hitler and his associates, thereby probably losing his own life but saving many millions of others.[36]

In the summer of 1938, Brand conducted a lengthy correspondence on British foreign policy with the city stockbroker Oswald Falk. In June 1938 Falk published an article in *The Manchester Guardian*, arguing that the British government's policies of negotiating with European dictators over their treatment of other nations had proved unsuccessful, because the rulers of Italy and Germany could not be trusted to keep their word. Falk argued that the British government should pursue policies of rapid rearmament, while submitting all questions at issue between itself and Germany or Italy to third party arbitration, presumably by the League of Nations.[37] Two days later, Brand spoke at the London School of Economics, calling for the introduction of conscription in Britain and urging "cooperation between the liberty-loving and democratic States of Europe, the British Empire, and the United States". While denying that he was anti-German, or that he "thought war inevitable," Brand argued that, if Germany was preparing for war, as a preventative measure Britain must do likewise, and develop "an equal, if less apparent, strength." He regretted that the states that might oppose Germany were so divided, and believed that Britain's "vital part was to be the head and front of the Western democratic world, of those countries which were like-minded with us." Brand charged that the British government had failed to make any informed estimate of the size and nature of the military forces needed to defend British interests, or even to define what those interests were, deficiencies that he believed must be remedied immediately. He feared that, if existing policies continued unchanged, Britain "might have to stand impotently by while our allies were crushed and our own vital interests ruined."[38] For Brand to criticize his own government's policies so clearly and publicly was quite a departure, clearly separating him from those of his associates who were still strong supporters of the policies of Neville Chamberlain and his government.

Almost immediately Falk wrote to Brand, enclosing a copy of his own article, asking him to clarify precisely what steps he advocated, whether he approved of the policies of Neville Chamberlain, how he himself defined British "vital interests", and whether he was "willing to resist the aggression of the Dictators?"[39] In reply, Brand took issue with Falk's emphasis on submitting all international disputes to "third party arbitration," since he did not believe that "powerful Sovereign States" would be willing to accept the judgment of any such arbitration "in matters which they regard as of absolutely vital importance".[40] Falk, a strong supporter of the League of Nations, told Brand that, rather than dismantling the League machinery, those states belonging to it should have strengthened and put teeth in the organization. He condemned British policy under the National Government of the 1930s for failing to do so, and harshly

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36 Rose, *The Cliveden Set*, 150-151; Fox, *The Langhorne Sisters*, 494-495.

37 Falk to Editor, *Manchester Guardian*, June 21, 1938, File European Situation, Altschul Overbrook Papers.

38 "Finance and Man Power," *The Times*, June 4, 1938.

39 Falk to Brand, June 24, 1938, File European Situation, Altschul Overbrook Papers.

40 Brand to Falk, June 27, 1938, ibid.

attacked Chamberlain, who in his opinion had "forfeit[ed] any claim to be a statesman or, in this crisis of the world's history, to be one to whom we can entrust the destiny of future generations. When he tells us that it is his supreme task to keep this country out of war," Falk continued, "those who feel as I do with indignation repudiate him. He does us the intolerable wrong of compelling us collectively to live, with mean purpose, lives of which we are ashamed."[41]

Brand waited a week before sending a twelve-page letter in reply. His main difference with Falk remained that he found it impossible to believe that powerful states would be prepared to submit "matters they regard as of first rate importance or of honour" to third party arbitration. Such disputes were, Brand warned, "as often a question of right against right as of right against wrong, and where can the omniscient and all-trusted third party be found? In any case, as a practical matter, nations which are strong enough are not going to agree, and that applies not only to Germany, Italy and Japan, but to Russia, France and even the United States, whenever and if ever their vital interests are concerned." The British Empire, the United States, and the West European democracies might be able to cooperate together and settle disputes among themselves peacefully, but he did not believe this applied to "unlikeminded nations, whether Germany, Italy, Russia, South American countries or others." Even though he considered its existing Covenant "unworkable," Brand believed that the League of Nations should be kept in existence, "as an invaluable instrument of cooperation, which in time may lead to some closer form of union." This would not, however, solve the problems facing Britain at this juncture. Far from feeling that British governments of the 1930s had not given adequate support to the League of Nations, Brand "consider[ed] it just nonsense to talk about the British Government hurling away carelessly and cynically a grand opportunity." Brand, by contrast, condemned British leaders for telling the general population that they could not rely on collective security and intervention by the League of Nations to solve international problems, while disarming at home. His verdict on pacifist advocates of the Peace Ballot and other such schemes during the 1930s was equally harsh, and he held their demands for both disarmament and action by the League equally responsible for Britain's current unreadiness for any international crisis. "World solidarity" would not by itself, he warned, bring world peace, and Brand thought any kind of "world state" infeasible, while national systems were so diverse. "My vision," he confessed," is more limited. "I would like to see some approach to world order first among the English speaking races, together with the likeminded Western European races, and to see a changed Germany and Italy in the future join this company. It is <u>European</u> civilisation which I wish to save and I would limit my aims to that to start with."

Brand did not condemn Chamberlain for seeking to avoid war while Britain was unready for it, but believed that "our unpreparedness may mean some temporising." This made him the more "anxious the Government should press on preparedness with every ounce of energy, including, I think, some form of national service." He believed that, unless Germany changed its policies,

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[41] Falk to Brand, July 4, 1938, ibid.

"there must sooner or later be a clash," which made such preparations vital. Continued peace was, he thought, largely dependent "on the firmness of the Government in standing up to Germany and letting her know that further unilateral action cannot be tolerated. . . . The more isolated Germany feels, the more likely it is that she will abstain from further violent action." While disliking both Italy and Russia, and viewing their leaders, Benito Mussolini and Josef Stalin, as "gangsters," Brand believed that it was necessary for Britain to deal with and make bargains with them, if only to leave Germany isolated. Brand explained that, though not anti-German, he was "profoundly anti-Nazi", and that he "never c[a]me back from Germany without a feeling that a clash between us and a system so hopelessly alien as the Nazis is inevitable. That is why it alarms me to see them prepared or preparing in every direction and an hour's flight away to find our pacific easy-going people." His own energies, therefore, were by now bent on trying to persuade the British government and people not just to rearm, but to decide just what interests were worth defending, by force if necessary. Such policies were, he believed, the only ones that stood any chance of checking further demands by Hitler and Nazi Germany.[42]

In response, Falk reaffirmed his commitment to world order and to collective security and sanctions orchestrated by the League of Nations. This was combined, however, with support for policies of rearmament and a strong line against Germany and Italy, the same measures, he himself affirmed, that Winston Churchill advocated.[43] Brand replied once more, reiterating his own conviction that this strategy would not succeed in avoiding war while deterring the European dictators. Rather grimly, he concluded:

> I see no ready-made solution, or any path for us which is not without the greatest dangers. Perhaps the best one can hope for is to convince the dictators that the game is not worth the candle—I think there are signs of this already in German public opinion—and for that reason I think—and I am glad you agree—we should be far more prepared than we are now and should also take such a stand as is likely to rally all likeminded nations to our side. That seems no doubt to you a vague programme compared to yours of compelling the dictators by force to agree to accept third party judgments. But I think it more effective and less catastrophic. We are walking along a razor's edge and shall probably have to do so for a long time. In the end the question is whether the Nazi regime can be moderated or moderate itself sufficiently to allow us all to avoid war.[44]

Copies of this entire correspondence were sent to Frank Altschul, who retained them in his files. It was far from the only material on European affairs that Altschul was gathering together at this time. After the April 1938 Czech crisis, in which war between Germany and Czechoslovakia was narrowly averted, Altschul was sent a translation of a lengthy confidential talk before "a very narrow circle of non-Marxist politicians" by an unnamed German diplomat opposed to

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[42] Quotations from Brand to Falk, July 13, 1938, ibid.; see also Brand to Falk, July 18, 1938, ibid.

[43] Falk to Brand, July 18, 19, 1938, ibid.

[44] Brand to Falk, July 21, 1938, ibid.

Hitler. This individual discussed Hitler's strategy, stating that he sought to avoid outright conflict as long as possible, because the German army was not yet militarily ready to wage war, and where possible sought to make gains through the use of economic pressure, propaganda, and subversion in other countries. He believed that war would eventually break out, but not for some time, by which point Germany and Italy planned to dominate Spain, North Africa, and Central Europe, after which they intended to reduce France to an insignificant position. The speaker discussed the level of opposition to Hitler within the German armed forces, but warned that Nazi Party functionaries were gradually forcing out anti-Nazi military officers. He also described how the Nazis had targeted the German churches and sought to force them to endorse Nazi policies and objectives, and how they were also directing the national economy and eliminating business autonomy. He concluded by discussing the possibility that anti-Nazi forces across the spectrum of German labor, the churches, the army, and other groupings might join together in opposition to Hitler and National Socialism.[45] What use, if any, Altschul made of this information remains unclear. In late July 1938, however, he sent an official of the French embassy in Washington a translation of a confidential document, supposedly obtained from the Italian embassy in Paris, sent to Prague, and then on to New York. This consisted of instructions sent by Mussolini to the European embassies earlier in July 1938, in which he explained that he had told Hitler of his willingness to keep troops in Spain and send them to the French colony of Tunisia, to divert the Western powers from taking action to prevent a German military takeover of part of Czechoslovakia. According to Mussolini, the strategy of Germany's opponents was to delay any German action on Czechoslovakia until anticipated poor harvests in Italy and Germany made those two countries vulnerable to outside economic pressure. Mussolini was therefore cancelling all military leave, and he told his European ambassadors to rescind any leave granted to their staff. Altschul suggested that the French intelligence services might wish to check up just how accurate and reliable this document might be.[46]

In August 1938, the Czech crisis blew up once more, as Hitler threatened war if Czechoslovakia did not cede a substantial portion of its existing territory, the Sudetenland, to Germany. Under an earlier treaty, France had guaranteed Czech security, and Britain was likely to come to France's defense should it go to war with Germany. Eventually, however, the French and British governments exerted pressure on Czechoslovakia to yield the debated area to Germany, and the Czechs acceded. Supporters of this agreement, which was reached at Munich in September, hailed it as a statesmanlike measure bringing "peace in our time"; opponents then and later attacked it as a national disgrace, a shameful British and French abandonment of an ally that merely encouraged Adolf Hitler to make further demands on Czechoslovakia and other Central European nations.[47] As the crisis intensified, Thomas Brand, Robert Brand's nephew and a member of the London Lazard firm, wrote to Altschul, describing the crisis and saying that it

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[45] Undated memorandum, no author, probably mid-1938, ibid.

[46] Altschul to Paul Leroy-Beaulieu, July 27, 1938, enclosing "Secret Instructions for the Embassies in Paris, London, and Washington," July 8, 1938, ibid.

[47] Rose, *The Cliveden Set*, 189-192.

was almost impossible to tell whether or not the Germans were bluffing that they were willing to go to war over Czechoslovakia, or how genuine the threat of hostilities was.[48] Later that month, Altschul gave Colonel William J. Donovan, soon to establish the Office of Strategic Services, the first United States overseas intelligence agency, but still at this stage only a private lawyer and citizen, a letter of introduction to the London Lazard firm, requesting them to give his friend whatever assistance they could. This was one of many trips that Donovan made to Europe before World War II, familiarizing himself with issues and individuals with whom he would be closely involved during the forthcoming conflict.[49] Just what part Altschul himself was playing in the shadowy world of intelligence at this time is not entirely clear, but it does seem that he had significant contacts there. According to Donovan's most recent biographer, by the late 1930s Donovan was "part of an informal network of American businessmen and lawyers who closely tracked and collected intelligence on foreign affairs," a coterie to which Altschul likewise apparently belonged.[50]

Altschul himself made little personal comment on the Munich crisis while it was in progress, but sent an identical letter to both his British and French partners as soon as it had been resolved, telling them how the "constant thoughts and sympathies" of everyone in the New York office had been with them during the previous weeks. While stating his sympathy with the position of the British and French governments in seeking to avoid war, particularly their fear of the results of German air attacks on their countries, Altschul expressed ominous fears that Chamberlain's hopes for "an early and general European appeasement" might be "the result of wishful thinking." In strategic terms, he thought the Munich agreement deplorable. He warned that: "Examined realistically, it would appear as if the threat of force had given Hitler his most conspicuous diplomatic victory." Czechoslovakia was no longer a useful ally to the Western powers; "the Danube basin lies open; and the prestige of the dictatorships in the Balkans has been enormously enhanced at the expense of the democracies." Hungary, Yugoslavia, and possibly Romania had "come within the Nazi orbit. Accordingly, German encirclement has been broken through; in a military sense Germany has been immensely strengthened, and for the very practical defense which the Little Entente, backed by Russia, offered to the Western democracies, there appears to have been substituted a new promise of Hitler's, for whatever this may be worth." Altschul anticipated that Hitler would soon be making new demands, which the western powers would have to deal with. He urged both the British and French, now that they were so "weakened in the East," to turn immediately to cultivating "American public opinion," and doing all they could to combat German propaganda in the United States, where recent events

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[48] Thomas Brand to Altschul, August 8, 1938, File Thomas Brand, General Correspondence, Altschul Papers.

[49] Altschul to Hugh Kindersley, August 11, 1938, Kindersley to Altschul, August 19, 1938, File Hugh Kindersley, General Correspondence, Altschul Papers. On Donovan, see also Anthony Cave Brown, *The Last Hero: Wild Bill Donovan* (New York: Vintage Books, 1982); Richard Dunlop, *America's Master Spy* (New York: Rand McNally, 982); Thomas F. Troy, *Wild Bill and Intrepid: Donovan, Stephenson, and the Origin of CIA* (New Haven: Yale University Press, 1996); Douglas Waller, *Wild Bill Donovan: The Spymaster who Created the OSS and Modern American Espionage* (New York: Free Press, 2011).

[50] Waller, *Wild Bill Donovan*, quotation from 51.

meant that "our traditional spirit of isolation has become stronger than ever." Altschul urged Britain and France to make "gestures . . . that, under other circumstances, would be interpreted as a bid for American support in an imminent war." He warned that considerable effort on their part would be needed "to recapture the whole-hearted emotional support of the United States; and if timely and practical support from this country is ever to be obtained, our whole-hearted emotional support must first be cultivated." Altschul hoped that his British and French partners would discuss this subject with their own governments and, should their officials "determine to move in this direction in the United States," he offered the services and advice of his firm to them. He concluded his letter with the statement that, "although [the United States] by and large is far from recognising the fact, we know as well as you do that your quarrel, in the last analysis, is our quarrel too."[51]

Altschul could hardly have stated his own position more clearly. Just as his father had during World War I, he believed that the United States shared the strategic interest of Britain and France in containing German power. Even before his letter arrived, Altschul heard back from one British political associate, William Astor, the eldest son and heir of Waldorf, 2nd Viscount Astor, and his wife Nancy. Three years earlier the youthful Astor, then twenty-eight, a nephew of Robert Brand—his mother Phyllis was Nancy Astor's younger sister—had been elected Conservative member of parliament for the constituency of Fulham East. Like Altschul and his own parents, he was a liberal conservative, who favored social reform. On a visit to the United States in summer 1938, Astor advised Altschul on drafting his open letter to Glenn Frank on the need to revitalize the Republican party. Writing to Altschul at the beginning of October, Astor hold him how "pretty terrible" the "last few weeks" had been. While saying that he was "quite sure the Government followed the right course," Astor believed that in future "self-discipline and sacrifice" would be needed in Britain. If peace was to be maintained, the British "have got to recognise that national defence is more than spending money on armaments. It means also almost universal personal service in some form or other. Whether voluntary or not, it must be organised." The policy of peace would also require great efforts at reconciliation with Germany, since "we have got to find a way of living on friendly terms with some people whom a large portion of the community distrust and dislike." Astor warned: "A big effort of understanding and strength of character will be needed, somehow, to make the bridge without which war follows." The problems dividing Britain and Germany reflected not just "strategic positions and economic advantages," but also "real dislike based on ideology." Britain therefore faced the problem of "how to bridge [this gap] without losing our own ideals."[52] Astor made no concrete suggestions as to how this might be achieved.

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[51] Altschul to Lazard Brothers, October 4, 1938, File Sir Robert Kindersley, General Correspondence, Altschul Papers.

[52] William Waldorf Astor to Altschul, October 7, 1938, File Ans-Aus, General Correspondence, Altschul Papers; see also Altschul to Astor, September 2, 1938, File Ans-Aus, General Correspondence, Altschul Papers.

In what seems to have been an effort to assess the possibilities of implementing the steps he recommended, at the beginning of October Altschul dispatched his New York colleagues Walter Kahn and Jack Harrison to Europe. "We are all," he told a French friend, very much perplexed by what has been happening in Europe in the last few weeks." He asked that his two associates could obtain "a confidential expression of viewpoint from individuals in other walks of life than those that they would normally meet in our own office in Paris."[53] Kahn remained in Britain and France for two months, sending numerous reports back to Altschul. According to Kahn, Altschul's letter was "much appreciated and discussed" in the London office, something that both Kindersley and his colleague Granville Tyser confirmed.[54] Kindersley intended to meet with a representative of the British Foreign Office, to see if it might be possible for Britain to take the steps Altschul suggested to publicize Britain's position in the United States.[55] Before doing so, he realized that the Foreign Office would "almost certainly seek the opinion of the American Ambassador before taking action," so he went and had a conversation with Joseph P. Kennedy, who held that position in London. Kennedy feared any such move would be counterproductive, and took "the view very strongly indeed that any propaganda at the present time, however carefully presented, would have the opposite effect to what was being aimed at, and would merely make [Americans] suspicious of [British] motives and more inclined to withdraw into their shells." Given this discouraging response, Kindersley decided it "would be worse than useless to approach" British officials. Rather grimly, the British banker concluded:

> In my opinion, if we are to impress other countries, something in the nature of the "rebirth of a Nation" is required here, and unless and until we are prepared to show by our actions that we are still a virile Nation and prepared for personal sacrifice, propaganda abroad is worse than useless. Whether we shall get from the present Government the leadership necessary to bring out what is best in us, is to my mind doubtful.[56]

Munich seems to have acted as a spur to Altschul's ever closer scrutiny of the European situation. In the aftermath of Munich, Altschul was at the receiving end of many evaluations from his associates of the agreement's impact and reception in both France and Britain. It was at this time that Altschul began to receive copies of letters from United Press journalists in Europe and Washington. Lazard Brothers also gathered together for him two substantial parcels of newspaper and periodical clippings on the recent crisis, together with a collection of British government papers.[57] It soon became clear that there were significant differences in the

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[53] Altschul to Germaine Franchomme, October 5, 1938, File Germaine and Philippe Franchomme, General Correspondence, Altschul Papers.

[54] Kahn to Altschul, October 14, 1948, File European Situation, Altschul Overbrook Papers.

[55] Tyser to Atschul, October 21, 1938, File Granville Tyser, General Correspondence, Altschul Papers.

[56] Kindersley to Altschul, November 4, 1938, File Lazard Brothers, Altschul Overbrook Papers.

[57] A. D. Marris to Altschul, November 7, 1938, Altschul to Marris, November 30, 1938, File A. D. Marris, General Correspondence, Altschul Papers.

reactions of his French and British partners. Kahn, once arrived in London, told Altschul after one day that England had been "lamentably unprepared for war," and that most British people to whom he had spoken had stories of military incompetence and under equipment. They laid especially heavy emphasis on Germany's superiority in air power. While peace was "popular, particularly among the women," there was also a strong "sense of humiliation." Fierce debates were now in progress about future policy, over what Britain could and should fight for, and how; how to prepare for this; how long this would take; and whether rearmament and the introduction of conscription were likely to deter Hitler.[58]

The French partners were apparently less conflicted. Kahn told Altschul that Pierre David-Weill and another Paris Lazard colleague both took the pragmatic view that "we must make peace," since "war might well result in revolution in France and such a disorganization in England that its present way of living would disappear. And that a war would bring Russia to Central Europe and, if successful, destroy Russia's greatest enemy. Even a successful war would threaten disaster—and the war that would have to be fought now has no clear prospect of success."[59] Two days later, Altschul's colleague Jack Harrison reported to him on a lengthy conversation with André Meyer, in which the latter bluntly told him: "It was impossible for France to go to war on behalf of Czechoslovakia." The French government, Meyer stated, had repeatedly but unavailingly urged the Czechs to return the Sudetenland to Germany, and France should not be expected to fight "to prevent something she had considered desirable." Militarily, it was probable that Germany would have defeated Czechoslovakia before the French could do much help. Meanwhile, for France, war would have "meant national suicide." France was unable to repel any air attack and could not have survived further losses of manpower and the destruction of much French property, on top of the ravages of the First World War, without inevitably falling victim to communism, "irrespective of the outcome of the war. The great majority of the people of France were opposed to war, therefore France decided that war was impossible." According to Meyer, France's "new diplomacy, which is the result of necessity not of choice, is the realistic conclusion that she cannot afford to engage in war except to protect her own territory, or interests vital thereto." Even though this would mean "a definite loss of international prestige," France could not "risk war to maintain such prestige unless her own vital interests are affected." France should therefore acquiesce in granting Germany a free hand in Eastern Europe; reach an accord with Italy; encourage a Four Power Pact between Britain, Germany, Italy, and France; and strengthen her own national defenses. Meyer welcomed the fact that the "two greatest threats to European peace—Czechoslovakia and Spain—are being liquidated peacefully." He summed up:"Peace for a long time to come is now expected. The pessimism regarding prospects for European peace and accord is not at all justified."[60]

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58 Walter Kahn to Altschul, October 12, 1938, File European Situation, Altschul Overbrook Papers.

59 Kahn to Altschul, October 12, 1938, File European Situation, Altschul Overbrook Papers.

60 John Harrison to Altschul, October 13, 1938, ibid.

Harrison himself, in a letter to Altschul that he showed to Meyer and whose sentiments the latter endorsed, stated that, while he concurred with Altschul that the Munich agreement had damaged British and French prestige in the United States, he also felt that "British and French concessions to peace had enhanced American good will towards those countries by at least 20%." Harrison himself confessed to a certain admiration for Germany, admitting that he could not "help respecting Germany for being a unified nation under energetic leadership, for having a well marked and well clarified national purpose and for endorsing the old fashioned economic theorem that national well-being can only result from enough hard work to produce more than the country consumes, none of which can be said for our democracies." While he neither liked nor trusted Hitler, and had no love for totalitarian states, he nonetheless "fail[ed] to see why in and of itself the form of a nation's internal Government should be a reason for enmity on the part of nations with a different form of internal Government." In conversation, Freeman Matthews, first secretary at the American Embassy in Paris, informed Harrison that Hitler had been quite prepared to go to war with Czechoslovakia, which would in turn have led Britain and Germany to declare war on Germany. Statesmen, however, had seen a chance to avoid war for many years to come, and taken it, whereas if Hitler won, the situation would have been intolerable, and if Germany had been defeated, communism would have triumphed in Germany and Russia would have dominated the continent. According to Matthews, while Germany intended to exert economic control over southeastern Europe, this need not bring it into conflict with any vital French of British interests, so that he saw "no possible cause of war between those nations for the predictable future." He believed that Hitler now had no further territorial ambitions in Europe, and that all outstanding international problems on the continent could be peacefully resolved.[61]

Equally or even more celebratory was a six-page letter that an unidentified London officer of the Bankers Trust Company sent to its New York headquarters immediately after he had spent a weekend in Berlin, a missive of which there are two copies in Altschul's own files. This American banker repeated information he had received from German friends, that Hitler had been persuaded by "radical" elements in the Nazi Party to declare war on Czechoslovakia and take over the entire country, despite strong popular opposition, but that more "conservative" elements, headed by Reichs Marshal Goering, had succeeded in averting this. The Munich agreement, these informants argued, represented "a diplomatic victory of the first order" for Chamberlain, in that Germany only annexed part of Czechoslovakia, while the Berlin-Rome Axis had been significantly weakened. This banker's German informants believed that Hitler had lost a great deal of prestige and momentum. The British decision to broadcast news in German had proved very effective in winning over the German population. News that the Americans were building up a powerful Atlantic fleet had had a major psychological impact in Germany, and if the British should institute a system of national service this news was likely to

[61] Harrison to Altschul, October 12, 1938, ibid.

make a similar impression. Moreover, the Sudetenland was economically a burden to Germany, and was likely to intensify existing financial and economic difficulties facing the country.[62]

Altschul's British colleagues were far less optimistic than either this correspondent or the French Lazard partners. A few days after his arrival, during which time a letter sent by Altschul, which does not seem to have survived in the files, Kahn described to Altschul the prevailing mood "of the characteristic upper-class Englishman." In his view, this was that "Chamberlain was right. Neither the state of our defenses, nor the issue, suited us." While the British did not relish climbing down over Czechoslovakia, the Munich settlement offered the chance of a lasting peace. The British hoped that, if the terms of the Treaty of Versailles were reversed, Germany would then "turn toward internal development rather than aggression." Should this not be the case, Britain would "fight for [its] own vital interests" and "defend France, Belgium, Holland and possibly Denmark from aggression." In that event, Britain would "know that conflict is inevitable and that we have got to fight." Should that occur, there was a good chance that the United States and perhaps other nations would then "feel that opposing Germany is necessary to their interests." The British were now prepared to rearm in earnest. They also had reservations about how the Munich crisis had been conducted, but still did not feel that it had been risking war. "The Munich agreement can also be considered a dictated armistice, and may prove to have been one." Even so, many of the problems involved went back to the failure to rearm several years previously in 1935, and whatever criticisms might be made, "Chamberlain finally came out with what was the right decision in the circumstances."[63]

Mark Norman, a nephew of Montagu Norman, governor of the Bank of England, and an employee of the London Lazard firm, to whom Kahn showed this analysis, was less complimentary. Kahn reported to Altschul that, while many British individuals found reason to disagree with one or other minor point of it, most found it a reasonable presentation of prevailing opinion. Even so, he admitted that it was "the younger men who are most doubtful and displeased about the record, the policies and the methods of the present Government. In many cases they are profoundly pessimistic." Describing Norman's views to Altschul, Kahn said that he was criticizing the opinions expressed by Kahn's interviewees, rather than the "correctness" of his reporting, and even suggested that Norman's own position "seems to me more inherently reasonable than the opinion reported and his comments are quite consistent with the sort of attitude taken by many young men of his age." [64] The position of the London Lazard firm was made reasonably clear when, in October 1938, Lazard Brothers subscribed £250 to the London Lord Mayor's Fund to assist Czech refugees who had fled the German takeover of the Sudetenland. A further £250 followed in December 1938.[65] Norman believed that Hitler would

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62 Unnamed correspondent to O. Parker McComas, October 11, 1938, ibid.

63 Kahn to Altschul, October 14, 1938, ibid.

64 Kan to Altschul, October 21, 1938, ibid.

65 "Lord Mayor's Fund for the Czechs," *The Times*, October 15, 1938; "Nearing £250,000," *The Times*, December 24, 1938.

"emerge considerably strengthened" from the Munich crisis. Despite some evidence of pacifist sentiment in Germany, Hitler could claim a "resounding diplomatic victory, having made no concessions." The International Commission sitting in Berlin to determine precisely which areas of Czechoslovakia should be ceded to Germany invariably decided in Germany's favor when disputed areas were in question. Meanwhile, German airplane production was increasing. Norman confessed that, after two days in Germany, he was "more than ever convinced of the goodwill and passion for peace and friendship with England of the German citizen, and I am more than ever convinced that it will not prevail."[66] Commenting on Kahn's description of the reaction of the average "upper-class Englishman" to the Munich agreement, Norman was more scathing. He was willing to concede that, given British unpreparedness, "Chamberlain was right under the circumstances. But if he had not been criminally negligent in the past the issue could have easily been made to suit us very well." At some stage, Norman argued, Britain would have to take the risks involved in taking "a firm stand abroad" against Hitler. He also admitted that, if war had been the result of Britain doing so over Czechoslovakia, and it had lasted more than six months, "then the social and political consequences in Europe and England would have been appalling. Another long war would certainly put an end to your and my methods of living and would destroy the economic and social traditions of centuries." He considered that the "Nazis are fundamentally aggressive," meaning that there was not "the slightest chance of lasting peace so long as the Nazi's [sic] reign. They must be destroyed by propaganda from within and pressure from without." He was not prepared to believe any further pledges from Hitler that he had no further territorial ambitions. Should Germany continue on its existing course of expansion, he believed that Britain should not simply oppose them, by war if necessary, but "must do everything to bust them from within. It's no use 'playing cricket' with the Nazis. We must disregard just as many rules of the game as they do. More, if possible. Propaganda, Propaganda, by fair means and foul."[67]

In the aftermath of Munich, Robert Brand condemned the settlement, complaining that Chamberlain had been "very 'naife.'" Brand himself supported massive British rearmament, but believed it would be "difficult" for the British prime minister "to ask the country to do all it *must do*, with that wretched piece of paper which he got Hitler to sign."[68] The German banker Otto Jeidels, who had left Germany and was about to accept an invitation from Altschul and his partners to join the New York firm, was equally forthright in his condemnation of the Munich agreements. He wrote wryly to Altschul in October 1938, after visiting France, Britain, Italy, and Switzerland, that "history is more pleasant to read than to watch from close quarters." While in London he had enjoyed long talks with Robert Brand, who suffered several months of ill health in the summer and autumn of 1938. Jeidels himself took a grim view of the Munich

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66 Mark Norman, letter from Paris, October 8, 1938, enclosed in Kahn to Altschul, October 21, 1938, File European Situation, Altschul Overbrook Papers.

67 Norman to Kahn, October 18, 1938, enclosed in Kahn to Altschul, October 21, 1938, ibid.

68 Brand to Nancy Astor, October 7, 1938, File 1416/1/3/14, Nancy Astor Papers, Reading University Library; Rose, *The Cliveden Set*, 191-192.

agreement and believed "that very radical changes are necessary in the western European countries if they hope to withstand the increasing strength of the authoritarian States, now when the former have given up their strategic force by destroying Czechoslovakia and allowing Germany with 80 million people to concentrate in future on the western front a formidable army which no Anglo-French effort will ever succeed in equaling." Jeidels concluded: "Only the justifiable belief in Great Britain's longevity can overcome a situation which in spite of all stage management seems to me to be one of deep, of grave humiliation."[69] Thirty months later, Jeidels would be equally critical of the actions of the British and French governments in the five years leading up to Munich, condemning "the stupid and not even honest policy of the Western Powers, worst—I regret to say—of England which did not at least have the excuse of France of being in a hopeless deadlock of governmental machinery and political decay."[70]

In November Kahn moved to France, sending Altschul detailed weekly reports on the political and economic situation in that country. He discerned a new post-Munich financial confidence in the country, based in part in improved labor productivity. He reported that André Meyer and others were now buying French stocks, and that leading businessmen, including the Lazard partners, expected "a long period of peace." In a striking indication of the way in which the French partners still regarded themselves as the leading figures in the Lazard congeries, Meyer instructed Kahn not to meet with "people whom he has not previously approved."[71] A week later, Kahn reported to Altschul that favorable factors in France included not simply enhanced labor discipline and productivity, but the fact that "fear of internal political and social violence has almost disappeared." The activities of "communists and labor extremists" were no longer the subject of great apprehensions of political upheavals and revolution. Despite the continuing weaknesses of the government of Radical French Prime Minister Édouard Daladier, the mobilization of French manpower was taking place in an orderly manner, and French airplane production was improving. Although Kahn himself was more skeptical that hostilities would not transpire, many of the "levelest headed" French people Kahn had met "consider[ed] war next year and possibly for many years very unlikely. Some say practically impossible." The majority, if less optimistic, still thought it could be "avoided for a couple of years of least."[72]

By the time of Kahn's next report, Pierre David-Weill was on his way to the United States. French business conditions still appeared to be improving, though continued German brutality against the Jews meant that suggestions of continued peace if German colonies lost at the end of World War I were restored to that country had not been particularly well received in France. Turning to the British situation, Kahn reported that Chamberlain had "gone to extraordinary lengths to prevent any gesture which might antagonize Hitler." Opposition to Chamberlain was, however, "growing on two counts: 1) Increasing doubt that it is useful to make further

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[69] Jeidels to Altschul, October 20, 1938, File Otto Jeidels, General Correspondence, Altschul Papers.
[70] Jeidels to Altschul, March 27, 1941, File Otto Jeidels, General Correspondence, Altschul Papers.
[71] Kahn to Altschul, November 11, 1938, File European Situation, Altschul Overbrook Papers.
[72] Kahn to Altschul, November 18, 1938, ibid.

concessions to the present Germany, or that any reliable agreement can be made with them and 2) Doubt that rearmament is proceeding to the extent necessary and possible." He noted that "some very influential people in the City have changed over from affirmative support of Chamberlain's foreign policy to disagreement with it. . . . They now want strong resistance to any further demand and rearmament to capacity." Chamberlain, by contrast, sought to avoid any "gestures . . . which he thought would antagonize Hitler." Kahn believed there would ultimately be a revolt against the Prime Minister in Chamberlain's Conservative Party, and cited a recent by-election in the normally safe Conservative seat of Bridgewater, in which there had been a wing of 12,000 votes against the government.[73]

As 1938 ended, Altschul's various British partners sent him fairly gloomy prognostications for the future. Brand's Christmas letter was an exercise in eloquent pessimism, as he stated:

> How 1939 can be a good year I don't know. It must be a bad one for the many persecuted. But beyond that it is going to be full of dangers. Hitler is convinced I am sure, as he said, that this is a moment that does not recur for centuries for breaking up the map of the world. He may try to break up Russia; he may possibly go for us. But that he is going to become a peaceful constitutional head of state I don't for one moment believe. He cd. no more do that than Napoleon. So until he is dead or destroyed we shall be full of troubles. And Mussolini will take full advantage. France's weakness is a great danger to us, & at best she must take years rather than months to be strong again. The English as a whole are convinced that they must stand up to Hitler. They are ahead of their Govt. there. But as an island we have no immediate offensive force. You know what sea-power has done in more leisurely days. It cd. do the same again if there is time. The great question is whether we shd or not throw great armies into France. The weight of strategic opinion is against it. I am on this & that side I think we shd prepare ourselves for it. But can we have the greatest navy, a huge air force & a huge army too.[74]

Sir Robert Kindersley, while doubting that "anybody anywhere wants war," believed that peace now depended on how fast and energetically Britain rearmed. Otherwise, its opponents would believe that "they can threaten us into concessions because they feel we are not strong enough to resist." He felt that the British government had weakened its credibility by being "much too casual in its preparations for strengthening . . . both war engines and human material," but that the situation was finally improving. Like Brand, he believed that the British people were readier for war than their government was, and that "the great mass are not only ready for personal sacrifice but are irritated at not having been asked to make any."[75] Kindersley's son Hugh discerned greater reason for hope. He would have welcomed a "stiffer attitude" towards

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[73] Kahn to Altschul, November 25, 1938, ibid.

[74] Brand to Altschul, December 18, 1938, File Robert H. Brand, General Correspondence, Altschul Papers.

[75] Kindersley to Altschul, December 30, 1938, File Sir Robert Kindersley, General Correspondence, Altschul Papers.

Germany on the part of the British government, despite the latter's vulnerability. The younger man feared that "both of the totalitarian states seem to wish for a disturbed situation," but was encouraged by the progress of British rearmament, believing that "every week brings us to a stronger position and my firm conviction is that given another six months of continuous rearmament here our position will be sufficiently strong to make any country in Europe think very hard before forcing us."[76]

Fears of war grew ever stronger. At the beginning of 1939, Robert Brand wrote to Keynes, "Unfortunately I feel like you that 'the barbarian is at the gate.' Exactly how this civilisation is going to pull itself and reach calm water I don't know, but I think it is going to take a long time."[77] Three months later, he admitted that he had "only recently . . . contemplated the likelihood of an immediate war."[78] In the first weeks of 1939, apprehensions grew that Germany intended to make new though unspecified demands, perhaps for the return of German colonies that had been confiscated at the end of World War I, or for the annexation of the French colony of Tunisia. Thomas H. Brand, Robert Brand's nephew, told Altschul in late January 1939 that Britain was "nearing our next crisis." He thought it "quite obvious that France and England are about to be blackmailed and one's assumption, with the present governments of both countries, is that if a 'reasonable' deal can be made they will do so."[79] In late January and early February Walter B. Kahn had several telephone conversations with one of the London partners, who stated that the British Foreign Office was "more apprehensive that it was last September" or than they had ever seen the officials there. He expected the crisis to come to a head in another four to five weeks. There were fears that France might "capitulate" to German or Italian demands for Tunisia. The British partner warned that, although their country's defenses had been improved, much progress was still needed. Chamberlain, meanwhile, was "isolated in such a way that people cannot reach him," yet the "opposition ha[d] not made much headway."[80] The following day, the same partner stated that, though the French were "still very weak in the air and England cannot support the French on land," evidence in his view of Britain's need for "a considerably greater army," there was evidence of weakness within the German military machine. The British Lazard partner therefore recommended that his country should refuse any German demands for colonies. He also hoped for modifications of the American Neutrality Act, that would permit Britain and France to obtain supplies from the United States in case of war.[81]

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[76] Hugh Kindersley to Altschul, December 28, 1938, File Hugh Kindersley, General Correspondence, Altschul Papers.

[77] Brand to Keynes, January 11, 1939, File 198, Brand Papers.

[78] Brand to Altschul, April 11, 1939, File Robert H. Brand, General Correspondence, Altschul Papers.

[79] Thomas H. Brand to Altschul, January 26, 1939, File Thomas and Leila Brand, General Correspondence, Altschul Papers.

[80] Kahn, "Memorandum of Conversation with London," January 26, 1939, File European Situation, Altschul Overbrook Papers.

[81] Kahn, "Memorandum of Conversation with London," January 27, 1939, ibid.; Altschul to Meyer, February 10, 1939, File André Meyer, General Correspondence, Altschul Papers.

Altschul himself was working for this latter cause. A few days later, he argued forcefully to a prominent Republican congressman, Charles A. Halleck of Indiana, that the version of the annual Neutrality Bill then under consideration by congress, legislation that would not permit belligerent states to purchase war supplies in the United States even on a cash-and-carry basis, should be modified to make such purchases easier. Altschul made it clear to Halleck that he was working on the "underlying assumption . . . that, if Great Britain and France were seriously threatened with defeat at the hands of Germany and Italy, we would then find that our self-interest demanded that we intervene on their behalf." The very fact that current neutrality legislation made it impossible for the United States to supply armaments to Britain and France had, he argued, "encouraged the dictatorships to embark on a policy of constantly growing aggression." Anything that made it easier for the "European democracies . . . to carry their own fight to a victorious conclusion" made it less likely that the United States would ultimately find itself at war with the dictatorships. Altschul himself readily admitted that this argument was predicated on the belief that "national self-interest" meant it was "fundamentally unrealistic" for the United States to "have no concern with the outcome of a European conflict," and impossible for Americans "to devote ourselves to the affairs of this hemisphere and leave Europe strictly alone." Instead, he told Halleck: "The repercussions of what happens in Europe are bound to be felt in the western hemisphere, and I doubt whether we can long remain unaffected by any new and striking successes of those States whose basic philosophy is directed towards undermining democracy wherever it exists."[82] Although President Roosevelt also lobbied in favor of cash-and-carry provisions, at this juncture supporters of these specific modifications failed to muster a congressional majority behind them, and they were dropped from this particular incarnation of American neutrality legislation.

One of Altschul's British Lazard partners was probably responsible for an undated report, probably in January 1939, that a visit by Chamberlain to Italy earlier that month had had few tangible results, beyond efforts by Chamberlain to prevent the French reinforcing Loyalist forces in Spain, where the Nationalists led by General Francisco Franco were close to victory. This report also stated that the existing regime in Italy was unpopular, and that British airplane production would surpass that of Germany by the end of 1939.[83] A few days later, Kahn had another relatively encouraging talk with one of the British partners, who highlighted the fact that Britain was spending ten times as much on its air force as five years previously, and improvements in British provisions for food supplies in case of blockade. He believed that Britain would also be forced to establish "a much larger army," even though this would be financially disastrous for Britain. He also reported on reputed weaknesses in both German and Italian defenses.[84] By the beginning of March, shortly before Hitler annexed the remainder of Czechoslovakia, Adam Marris of the London firm still believed that the anticipated forthcoming

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[82] Altschul to Congressman Charles A. Halleck, February 6, 1939, File 35 Charles A. Halleck, Political Series, Altschul Papers; another copy in File Charles A. Halleck, General Correspondence, Altschul Papers.

[83] Kahn, "Memorandum of Recent Notes from England," n.d., File European Situation, Altschul Overbrook Papers.

[84] Kahn, "Notes from England," draft, February 10, 1939, File European Situation, Altschul Overbrook Papers.

crisis would focus upon Italian demands for colonies, with "some rather ominous sabre rattling when the demands are made." Yet, while he was "pretty certain that there will be a crisis," he did not "think there will be war."[85] In the event he was correct, but only because the British and French governments chose not to fight over Germany's seizure of Czechoslovakia. By May 1939 Brand was protesting to Geoffrey Dawson that he feared *The Times* "sought to give more prominence to those who are guided more by their hearts than by their heads about appeasement than to those who really look facts in the face."[86] In March and April 1939, as Poland became the latest target for German demands that the free city of Danzig be ceded to Germany, Britain and France extended guarantees to Poland that they would come to its aid in the event of outside attack. In correspondence with Dawson and others, Brand demanded fiercely that, unlike the previous pledge to Czechoslovakia, this guarantee should be honored.[87]

In June 1939, as Hitler's demands that Poland cede Danzig to Germany became ever more pressing, Robert Brand in London took a firm line, telling Geoffrey Dawson of *The Times* that "the vital point" was "to convince [Hitler] that there is going to be no surrender over Danzig." If Danzig went, he warned, "Poland will feel outraged, our allies will begin to over to the other side . . . & in the end we shall be dragged into war under the worst conditions. . . . The only way of preventing war or disaster," he contended, was to make it clear that Britain would not tolerate any "forcible alteration of the status of Danzig," as had occurred with the Sudeten, in the illusory hope of maintaining peace. Brand feared the British government would still vacillate, warning Dawson:

> One hears in various quarters that now that the Govt. have to face the consequences of their Polish guarantee, they may be hesitating. Heaven knows none of us want a war. But, if we have another Munich, then no one in the world will follow us, & Europe, West East & Central must all line up with Germany. The Peace Front disappears like appeasement. I heard the P.M. a very short time ago sing a Paean of Praise in honour of Munich as a great success, so he may want another. The Govt. must have willed the means with the end. Surely the only thing they <u>can</u> do is to stand up to their guarantee boldly. . . . I do hope the Times will take this line.

Brand also called for the reorganization of the British cabinet, telling his old friend: "I believe the moment is to the last extent critical & that we ought to form some form of National Govt. If that is not possible owing to the P.M., then the Govt. shd. be strengthened by bringing in people

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[85] Excerpt from Marris to Altschul, March 1, 1939, File European Situation, Altschul Overbrook Papers.
[86] Brand to Geoffrey Dawson, May 15, 1939, File 116/1, Brand Papers.
[87] Brand to A. L. Kennedy, May 11, 1939, and enclosure, File 116/2, Brand Papers; Rose, *The Cliveden Set*, 194-195, 197.

like Winston [Churchill], who will make a firm stand & will be known throughout the world to be ready for a firm stand."[88]

If Altschul's British partners were increasingly resolute in their determination that their country must rearm and resist any further German or Italian demands, the same was less true of the French Lazard house. In January 1939 Altschul sent André Meyer in Paris an issue of the news-sheet *The Weekly Foreign Letter*, a publication highly critical of the stance of the French government, asking for his partner's comments on it. It was, he said, "extremely alarmist but does little more than echo the views that we hear on all sides" in the United States.[89] A week later, Altschul apparently sent his French partners another letter giving detailed accounts of conversations he had held with officials in Washington, in which he also predicted that a "catastrophic" future awaited France unless it changed its policies and became far less conciliatory towards Germany. Pierre David-Weill responded, suggesting that, though the situation undoubtedly "presented serious dangers," war was by no means as inevitable as Altschul suggested, nor were the French so oblivious to the menaces confronting them. It would, he warned, "be very unpleasant for us to feel that, in your mind, you compare us to Voltaire's Dr. Pangloss." David-Weill admitted that "Germany and Italy" were "troublesome neighbors," whose "proximity presents serious dangers," and agreed with Altschul that the "international tension which has manifested itself unceasingly for nearly a year is not at all superficial," but was rooted in "economic and demographic factors" and could not "be considered lightly." Even so, he told his New York partner: "You seem to take into account only the possibility of war and the elements of weakness of the democracies." He himself believed that "the dictatorships too have their weaknesses, and they know it." Optimistically, David-Weill stated: "We feel sure that a constructive attitude on the part of France and Great Britain, as well as the United States too, can help to avoid an armed conflict. The fact that this conflict, which has been threatening for so long, has not taken place seems to us a primordial reason to hope that it will not take place." Although France faced problems with Italy, France had "a defensive armor difficult to penetrate, which the recent moral and economic uplift of the country permits us to reinforce every day." In Italy, Mussolini was facing growing internal opposition. France and Germany had signed a non-aggression pact in December 1938, and the only circumstances in which Germany might attack France would be to assist Italy, something David-Weill considered unlikely. With every week that passed, France's position was stronger, and if the dictatorships had intended war, they would have started one the previous September. Taking issue with Altschul's sources of information, especially the *Weekly Foreign Letter*, David-Weill suggested that the periodical—and by implication Altschul—"accuse[d] those who do not believe in an inevitable catastrophe of taking their desires for realities," and wondered whether such journals' "systematic overlooking of favorable symptoms is not the result of an obsession, and, if in their hearts, the men who write those things do not wish to see the European democracies engage in an ideologic war, just to

[88] Brand to Geoffrey Dawson, June 28, 1939, Ms. Dawson 81, Geoffrey Dawson Papers, Bodleian Library, Oxford University.

[89] Altschul to André Meyer, January 16, 1939, File André Meyer, General Correspondence, Altschul Papers.

satisfy them, and if, in the last analysis, it is not those same people who take their desires for realities and who go in for 'wishful thinking'."[90]

Altschul continued to devour voraciously all the information he could gather on the European situation. Reports he received in early March suggested that Hitler's hold on power in Germany was weakening, and that both Germany and Italy faced major internal difficulties. One went so far as to claim that, "so long as Hitler and the Regime believe that the U.S.A. are on the side of France and [Britain], we should not fear he will attack us."[91] Meanwhile, a regular Paris informant told Kahn that Germany had mobilized an additional two million men and Italy 600,000, in the hopes of making gains before the western democracies had fully rearmed. He warned that: "Although the Western Powers are better prepared to face these demands than they were in september [sic], the best informed people think that the situation is more dangerous than it was at that time." He did not anticipate war, but did expect a "long-drawn spasmodic, instead of sudden and violent" crisis, especially since President "Roosevelt's moral and material support" had begun "to change the essentially passive attitude of democracies against Hitler's aggressive and always expansive policy." Kahn's correspondent concluded: "The only way out forseen [sic] for all this mess is an International, economical conference, but things are not yet settled enough to propose it."[92] Meanwhile, Nazi propaganda that all Jews were Communists and therefore dangers to world civilization greatly disturbed Altschul.[93]

At least equally worrying to Altschul were charges by prominent Republicans, such as William R. Castle, Jr., a former assistant secretary of state and member of the Republican National Committee, that Jewish "pacifists" in the United States sought to push their country into "war to protect the Jews in Germany," while disregarding the fact that Soviet Russia had killed equally as many Christians. In a draft letter he apparently never sent, Altschul furiously assailed Castle's endorsement of the "violent propaganda being carried on in this country on behalf of Germany to make people believe that the Jews in America are trying to stampede the United States into a war with Germany." Denying that one could make any "distinction" between the mistreatment of human beings in Germany, Russia, Spain, China, or Japan, Altschul nonetheless argued that many Americans "instinctively differentiate between Germany and the other powers because we recognize that it is an avowed object of Nazi policy to destroy Democracy wherever it exists." German efforts to accomplish this were, he warned, "being further by every device known to the German mentality," notably "the stirring up in Democracies of racial antagonism through propaganda" so as "to introduce the virus of Fascism into the democratic environment." He did not feel that this was true of Communism, which he believed "today presents no threat

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[90] Pierre David-Weill to Altschul, February 10, 1939, File European Situation, Altschul Overbrook Papers.

[91] Quotation from "Miscellaneous Information from Abroad," March 9, 1939, File European Situation, Altschul Overbrook Papers; see also Toni Stolper to Altschul, March 9, 1939, enclosing Herman Rauschnigg, "The Reich's Deathly Weakness," January-February 1939, ibid.

[92] Robert Wallich to Kahn, March 10, 1939, ibid.

[93] Altschul to Henry A. Bubb, March 17, 1939, File Jews and Judaism 1937-1945 B-F, Subject Files, Altschul Papers.

whatsoever to democracy in the United States." Where Germany was concerned, by contrast, he had "a feeling that in some way or other, the Fascist powers are presenting a challenge to our Democratic System that, at some point, if we are to preserve this system, we will have to take cognizance of."[94] Although Altschul apparently never sent this letter, the episode was symptomatic of the bitter divisions over the wear that would soon erupt within the Republican Party.

In April, Altschul visited Europe himself, spending three weeks in London and Paris. During his absence, he received cabled information on international and domestic developments and the economic situation from the Lazard firm in New York, as Italy took over Albania and European events seemed ever more threatening. Writing to his American colleagues from London, shortly after his arrival, Altschul mentioned the "distinct under-current of concern and apprehension" in Britain. He found it "impossible to form any impression of what Hitler's next move may be." At the same time, he believed there was no longer "any doubt that British commitments will be fully observed to the fullest extent and that precise and clear cut British interests will be defended." Whether or not war began therefore "rest[ed] largely in Mr. Hitler's hands." Altschul noted significant progress in British rearmament, especially in aviation and anti-aircraft facilities, but believed much still remained to be done, and hoped that Hitler would defer outright war for as long as possible, to "allow the great energies which are now being unleashed in Great Britain to reach the practical stages of high productivity and large scale preparedness." The New York stock market had just plunged dramatically, something he had "followed . . . with interest and . . . with regret," but Altschul remarked revealingly that, "compared with the things which are at stake in Europe, even severe fluctuations in New York lose for me some of the importance which under other circumstances they would have."[95]

Before leaving for Paris at André Meyer's summons the following day, Altschul sent his New York partners a second letter from London, expanding on his earlier analysis. He bluntly told them: "The view here is that in a realistic sense Europe has already been at war for a prolonged period. The question really is whether and when open hostilities are likely to break out, involving an armed conflict between any of the major European powers." Poland, correctly as it transpired, was regarded as the most likely casus belli, since any German invasion of that country would, under guarantee commitments, automatically bring Britain and France into the conflict. Even so, it remained unclear whether in such an event Britain would be able to do anything to assist Poland, in which case Germany might simply refuse to enter into hostilities with Britain. Revealingly, he told his partners "that the whole situation has become so complicated and so unpredictable, that no comment of mine can serve to throw the slightest light on the probable future course of events. I find my own confusion in this respect merely a pale reflection of that which exists on every side." Altschul considered the British Government

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[94] Altschul, draft letter to Castle, February 1939, File William R. Castle, Catalogued Correspondence, Altschul Papers.

[95] Altschul to Lazard Frères & Co., April 11, 1939, File Lazard Brothers 1930s, Altschul Overbrook Papers.

"entirely lacking in imagination and vision." Lacking any sense "of the ultimate objectives of totalitarian policy, and having no ability to imagine what kind of a conflict, if any, they must prepare for, there is a certain amount of drifting in the formulation of policies," to the profound annoyance of those more farsighted Englishmen who had "a more definite conception" of what the government should do. Altschul could not, however, discern who else might be available "either to strengthen or change the existing government."[96] Meanwhile, Otto Jeidels, his new associate in the New York Lazard firm, rather ominously told the New York Bond Club that although the German economy was currently "moving on a winding road, a very long winding road of thousands and thousands of miles, near the edge of a precipice," its barter trade system was in practice working quite well. In peacetime conditions, Jeidels believed, "the German economy could continue at its present peak of efficiency indefinitely."[97]

Altschul's discussions with his Paris partners were largely, it seems, concerned with the internal affairs of the New York firm. If he reflected at this stage on the state of France, his letters on the subject have not survived. The American Lazard house was, however, turning its attention to European business. The following month, Walter Kahn was in Europe, conducting discussions with Norwegian bankers on the potential for handling Norwegian bond issues in New York, especially the possibility of raising a dollar loan there for the Norwegian government.[98] The same month, Tyser of the London Lazard firm attended the Standstill meetings in Berlin for ten days, reporting back that there was "less talk of war there than in any other country."[99]

Apart from his preoccupations with the international situation, at this juncture Altschul was attempting to handle what had developed into constant tensions within the New York firm between himself and Stanley Russell, who had headed one of the two American Lazard branches when the bank divided itself for several years in the mid-1930s. For several years, it seems, the relationship between Altschul and Russell had been difficult. What probably brought matters to a head in the late 1930s was Altschul's desire to find a role within the Lazard companies for Otto Jeidels, the former managing director of the Berliner Handelsgesellschaft, which according to Altschul "had the best record of any bank in Germany." Jeidels, who despite his Jewish background headed the German Standstill Committee for most of the 1930s, was, in Altschul's view, "the outstanding banker in Central Europe."[100] Jeidels, "a tall handsome man with a twinkle in his eye, who habitually talks so fast that no one else can get in a word," was an interesting character.[101] He later recalled how for five years he had managed to survive Nazi rule, as the only Jewish head of a non-Jewish business enterprise, where he had maintained "for every Jew, Catholic, former Socialist or free-Mason his unimpaired position in my bank, years

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96 Altschul to Lazard Frères & Co., April 12, 1939, ibid.
97 "Reich's Economic Aspect," *New York Times*, April 21, 1939.
98 Kahn to Lazard Frères & Co., May 11, 16, 1939, ibid.
99 Tyser to Altschul, May 23, 1939, File Granville Tyser, General Correspondence Altschul Papers.
100 Altschul to Arthur A. Ballantine, File Otto Jeidels, October 19, 1939, General Correspondence, Altschul Papers.
101 "Insider from Overseas," *Time*, July 3, 1939.

after the expulsion of these categories from every non-Jewish firm in banking, commerce and industry." Jeidels only left Germany in 1938, when he had reason to suppose that his own Jewish background would soon cause his bank to be reclassified as a Jewish institution, a decision that meant for him "the loss of 95% of my property," something he did not regret because throughout all the years of Nazi rule he had looked forward to emigrating to the United States. Even so, his family suffered: "my wife is separated from her family to whom she is devoted, my brother lost his position and all his property, my mother had to leave the country where she was born, at the age of 80, my sister lost her husband broken down physically and mentally by Nazi mistreatment and had to go penniless with her children to England."[102]

Jeidels and Altschul clearly found each other highly congenial, and when Jeidels finally decided to leave Germany, at the beginning of 1938, Altschul sought to bring his friend—"a first-rate mind where first-rate minds are rare"—into the Lazard triumvirate of banks. Initially, he seems to have suggested that Jeidels might act as a "liaison officer" connecting the three, especially keeping New York in touch with both London and Paris. The London firm apparently had reservations about taking Jeidels into its ranks, not because the British partners harbored any doubts as to either his ability or character, but because they feared that recruiting a non-British national would cast their own British bona fides into some doubt. Altschul himself admitted that similar considerations carried some weight in the New York firm, which was anxious "to maintain [its] American character," frankly telling Brand that: "The Paris association is, from any broad point of view, nothing but an advantage to us; but from a more narrow point of view, any foreign aspect in this world gone madly nationalist, is a matter to be reckoned with." He nonetheless believed that, once Jeidels reached the United States, the German banker would "fairly rapidly" Americanize himself. Altschul therefore urged that, provided the other partners concurred in his high estimation of Jeidels, the Lazard firms should provide Jeidels with an office and a retainer for a year, during which all parties could become between acquainted with each other, with a view to making the connection more permanent.[103] Between August and October 1938, Jeidels took the opportunity to visit much of Europe, including both Paris and London, where he had lengthy talks with both the British and French partners on the possibility of joining the New York firm. To Altschul, Jeidels expressed his particular admiration for Brand's "high intelligence" and "wonderful character."[104] Pierre David-Weill was also impressed by Jeidels, and reported to Altschul that the Paris partners believed "that his wide knowledge of world affairs, as well as his business judgment and his personality, would prove a very useful addition to the present team of partners." It was Jeidels who felt that "a trial period" would be advisable, to give him and the New York partners an opportunity to get to know each other. David-Weill, who felt, as did Altchul, that the New York firm was already "top-heavy" in terms of partners, but that nonetheless "the team had to be strengthened" if the reorganized

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[102] Jeidels, memorandum, December 1941 or January 1942, File Otto Jeidels, General Correspondence, Altschul Papers.
[103] Altschul to Brand, August 16, 1938, File Robert H. Brand, General Correspondence, Altschul Papers.
[104] Jeidels to Altschul, October 20, 1938, File Otto Jeidels, General Correspondence, Altschul Papers.

Lazard firm was to be a success, visited New York in early December, shortly after Jeidels' arrival in the United States, to supervise the negotiation of Jeidels' association with the firm.[105] By the end of 1938, Jeidels had entered into a temporary arrangement with the New York firm, a development that Robert Kindersley also welcomed.[106]

Altschul and Jeidels quickly became soul-mates, as the two men delighted in discussing economic and international issues, in long conversations in their offices and elsewhere. Altschul soon sought to make Jeidels a long-term partner in Lazard Frères of New York, a move that re-energized long-simmering difficulties within the American firm. Jeidels did join the American Lazard firm at the beginning of July 1939, but before this event, Altschul and his French and American partners had lengthy discussions of their existing problems. This may have been an improvement on the situation that prevailed in spring 1939, when Altschul stated that during the previous two years, he had received only "a nominal consideration" for his services as senior partner.[107] This had probably been part of a broader renegotiation of remuneration to the assorted partners, including the French majority shareholders, undertaken at the urging of Pierre David-Weill, who also pressed for the payment of a backlog of 2½ percent of the 4 percent annual interest on their capital to the Paris partners, transfers that had apparently been postponed since 1931. These additional payments amounted to $165,000 annually to the Paris partners and $53,000 to Altschul, and facilitating their release, which was not due until the existing partnership contract signed in June 1934 ended, may have been one reason why the existing contract was renegotiated at the end of 1938.[108] Shortly before, in fall 1936 and spring 1937, David David-Weill also sold much of his prized art collection, in order to raise the $5 million needed to buy back from the Pearson interests a 20 percent stake in Lazard Brothers in London in 1937, an interest they had apparently liquidated earlier, during the European firms' near financial collapse of 1931-1932.[109]

In late 1938, Pierre David-Weill visited the United States, and renegotiated the New York firm's contract. With European war a possibility that could not be discounted, and fears that, should this occur and France be defeated by Germany, the French house come under enemy control, the new contract legally separated the Paris and New York firms. Under Section 4.1 of the new agreement, drawn up at the instance of the David-Weills and signed on December 31, 1938, one individual was given sole, complete, and unilateral power to hire and fire both partners and employees and to set the annual levels of compensation. From January 1, 1939, this authority

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[105] Pierre David-Weill to Altschul, November 10, 1938, File Pierre David-Weill, General Correspondence, Altschul Papers.
[106] Kindersley to Altschul, December 30, 1938, File Robert Kindersley, General Correspondence, Altschul Papers.
[107] Altschul, "Memorandum Covering a Series of Discussions with the Various Partners," May 10, 1939, File Lazard Frères, Altschul Overbrook Papers.
[108] Pierre David-Weill to Altschul, July 20, 1936, and handwritten memorandum by Albert Forsch, File Pierre David-Weill, no date, General Correspondence, Altschul Papers; Cohan, *The Last Tycoons*, 36-37.
[109] Rougemont, *Lazard Frères*, 484-485; Cohan, *The Last Tycoons*, 38-39.

was vested in André Meyer, who became the "partner under section 4.1."[110] Altschul remained the senior partner in New York, but he did not possess ultimate control of the firm. According to the U.S. Treasury, moreover, in 1942, although Altschul had "contributed all the American capital in the firm, which amounts to about one-third of the total capital," he was only guaranteed about a one percent share in the profits.[111]

From this time onward, Altschul was at least flirting with the possibility of resigning from Lazard. At a firm event in 1936, he publicly recalled that "from earliest childhood" he had "heard almost daily about the firm and his activities," and that the bank had "been, and I trust will be my only business association."[112] According to Altschul's recollection, when he visited Europe in April 1939, he had told André Meyer and Pierre David-Weill, the French partners who ultimately controlled, that he was prepared to withdraw from the firm when Jeidels entered it, if they felt that the new partner's presence made his own contributions redundant. Meyer and David-Weill refused Altschul's offer, whereupon he stated that he was willing to continue as senior partner, but that he felt this involved "certain sacrifices" on his part. It would, to begin with, mean that he had less time available for politics or other outside interests. Moreover, the firm was increasingly involved in the "competitive issue field," an area that was "not always of the greatest interest" to him, where, indeed, he found "much of the routine . . . a bore." If his continued presence in New York should "mean a substantial contribution to the peace of mind of Paris and the general standing of the firm," he was prepared to stay, but he felt that, given the sacrifices he had to make to do so, he was entitled to greater remuneration. Altschul also told his French colleagues that he did not wish to "hold a pistol to their head, and in the event of the outbreak of hostilities or of a new and violent crisis," would continue to work for the firm's best interests, whatever the terms of his contract. They expressed sympathy with his position, and left the details of his remuneration to be decided at a later date.[113]

While his Paris partners were apparently eager to retain Altschul's services, Russell, it seems, hoped for his departure. In early May, shortly after Altschul returned from Paris, Russell told Altschul that he himself had "never been more discouraged about the outlook for Lazard Frères, New York." When Altschul replied that he thought its future prospects reasonably promising, Russell told Altschul "that he was referring primarily to my position in the firm, and that he thought that a firm could not attain its full potentialities (1) when the senior partner was not primarily interested in the business of the firm; (2) when he was frequently difficult to get at, and at times was difficult to work with intimately; and (3) when his reputation in [Wall] Street was not of such a character as to advance the interest of a firm engaged in the investment banking business." Faced with an attempted coup, Altschul met individually with two other partners,

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[110] Cohan, *The Last Tycoons*, 41-42.
[111] Randolph Paul to Henry Morgenthau, Jr., November 12, 1942, Vol. 583, Diaries of Henry Morgenthau, Jr., Franklin D. Roosevelt President Library, Hyde Park, NY.
[112] Altschul, "Introductory Remarks," January 8, 1936, File Lazard History, Altschul Overbrook Papers.
[113] Altschul, "Memorandum Covering a Series of Discussions with the Various Partners," May 10, 1939, File Lazard Frères, Altschul Overbrook Papers.

George Ramsey and Jack Harrison, the second of whom suggested that Altschul might want to become a special partner. Altschul retorted that he was not interested in such a solution. Altschul then met with all three, and eventually told Russell that, while he himself was not aware of any problems, he suggested that Russell come up with a potential solution, and then let the Paris partners decide between them. At a full partners' meeting later that month, two other partners, George Burr and James Jackson, each said that they tended to agree with Russell, and suggested that Altschul might be "much happier" should he retire, while Ramsey and Harrison supported Altschul's continued presence in the firm as senior partner.[114] Altschul now stated that he would be unwilling to remain in the firm, and would take the issue of his position to the Paris partners, unless the dissidents expressed their full confidence in him, their belief that his "continuance is essential to the welfare of the firm" and his "contribution to its activities . . . substantial," and their willingness to accept his "position of seniority, involving among other things final decision in matters of policy and commitment." If any of them failed to do so, then he would take up with Paris the matter of their status in the firm.[115]

Confronted by these demands, in mid-May Russell, Burr, Jackson, and Harrison signed an extremely ambivalent four-point declaration, stating that there were grounds "for the question raised in respect to realization by the firm of future potentialities"; that they wished all involved to recognize this; that this did not "necessarily point to withdrawal" by Altschul; and that they believed the Paris partners should be made aware of this question and its discussion "preferably after a solution has been reached."[116] Further lengthy discussions among the various partners ensued, interrupted by the sudden death that month of George Ramsey. On May 22nd, Altschul met Russell again, and Altschul explained what he saw as his own role in the firm, telling Russell:

> After the passage of the Glass Steagall bill, many of the avenues of activities previously open to us were curtailed, and these were further threatened by the various Stock Exchange measures. Under these circumstances I had felt that the competitive issue business was the chief field at our disposal. On this account, I had sought individuals whom I thought were thoroughly competent to develop this activity. I had explained that, neither by temperament nor by inclination was I inclined to do the spade work in this field; that I conceived my function to be that of representing the capital and continuity of the firm in the capacity of senior partner; that this involved assisting those engaged in the issue business in every way that I could and handicapping them as little as possible; that this involved the final decision on matters of policy and commitment; but it did not involve getting into the front-line trenches, in which I had been for many years and which for many reasons I now preferred to leave to others.

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[114] Ibid.
[115] Altschul, memorandum, May 11, 1939, File Lazard Frères, Altschul Overbrook Papers.
[116] Undated memorandum, signed by Russell, Burr, Jackson, and Harrison, May 1939, ibid.

Even Russell agreed with Altschul that he had always received "every possible support" from his senior partner. He complained, however, that Altschul "meddled" with the details of administration, to which Altschul retorted that this seemed incompatible with Russell's complaints that he was "too remote from the business." Altschul informed Russell that, at this juncture, he saw no alternative to asking Pierre David-Weill to come over from France to arbitrate the problems at issue "entirely according to what he considers the interest of Lazard Frères & Cie., Paris."[117]

Complicated maneuverings ensued. Robert Brand was drawn into them while visiting the United States in April and May, because Russell "had a long talk" with him on the problems involved, with the understanding that Brand would pass this information on to the Paris partners.[118] Early in June, Pierre David-Weill arrived in New York. Altschul had anticipated that any reconciliation between himself and Russell would be impossible, and that one or other of them would have to leave the firm.[119] This did not happen. David-Weill made it "quite clear . . . that Paris, faced with a choice of Altschul or Russell, would unhesitatingly choose to throw in their lot with Altschul." Altschul and David-Weill discussed at some length the reasons why there had been "so many internal squabbles" in recent years in New York, and decided that one precipitating factor had been the way in which disputes were always taken to Paris for ultimate arbitration. They decided that, in future, "New York questions should be settled in New York" by Altschul, and Paris should not "look upon itself any longer as a Court of Appeals," but abide by Altschul's decisions. After discussions with some of his New York partners, Altschul also stated that the major question at issue was no longer any of the original points that had been raised, but his relationship with Russell, whom he now found it extremely difficult to trust. He had had enough of Russell's tactic of trying to persuade personnel in Lazard Frères New York to look to him rather than to Altschul "for practically everything," and also found extremely irritating Russell's tactic of threatening to resign from the firm every time matters did not go as he wished.[120] The two men reached a superficial reconciliation, with Altschul—at least by his own account—attempting to allow Russell to save face, but it was by no means clear whether this apparent harmony was genuine.[121]

As the war in Europe came ever closer to the United States, Lazard's American business continued on its accustomed course. As American industry began gearing itself up to supply and support the defense mobilization efforts of the United States and the Allied powers, the pace of work accelerated. Stock and bond offerings of a magnitude not seen for well over a decade were offered in 1940. January was a particularly busy month. Lazard's first major operation for 1940 was to participate in a syndicate headed by Morgan, Stanley and Bonbright & Co., that issued

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[117] Altschul, memorandum, May 23, 1939, ibid.
[118] Altschul, memorandum, June 12, 14, 1939, ibid.
[119] Altschul, p. 11 of undated memorandum, ibid.
[120] Altschul, memorandum, June 12, 1939, ibid.
[121] Altschul, memorandum, June 14, 1939, ibid.

$18,594,000 in bonds for the Consumers Power Company.[122] Almost simultaneously, it was one of the 104 underwriters of a Bonbright-led syndicate that offered $30,000,000 in debentures for the American Gas and Electric Company.[123] A few days later, Lazard was part of yet another underwriting syndicate, headed by Glore Forgan, handling an issue of $11,000,000 in bonds for Libby, McNeill & Libby.[124] Lazard joined the underwriting syndicate, headed by the First Boston Corporation and the BankAmerica Company, that won the right to issue $5,500,000 in water refunding revenue bonds for the Los Angeles Department of Water and Power.[125] Lazard was one of the group led by the First National Bank of New York that bid successfully to issue $1,892,000 in general refunding and school bonds for the City of Trenton, New Jersey.[126] In January 1940, Lazard Frères New York also offered $1,700,000 of storm notes for the State of Vermont.[127]

In February 1940, Lazard was one of the principal underwriters in a syndicate of 108, headed by Dillon Read & Co., that offered $98,500,000 in bonds for the Triborough Bridge Authority of New York.[128] Simultaneously, Lazard underwrote $600,000 of a $26,000,000 bond issue for the Kentucky Utilities Company organized by a First National Corporation-headed syndicate.[129] At the end of the month the Lazard firm was one of 118 underwriters, the largest such group ever organized up to that time, to issue $105,000,000 in bonds and notes for Bethlehem Steel. The syndicate was headed by Kuhn, Loeb & Co., Smith, Barney, and Mellon Securities Corporation, and Lazard took $1,500,000 of the bonds.[130] At the same time, Lazard was one of the underwriters of an issue of $26,000,000 of 4% bonds for the Kentucky Utilities Company, an operation headed by the First Boston Corporation.[131] A week later, Lazard was an underwriter of a stock offering of 525,392 shares of Pan American Airways Corporation stock, at $5 each, an enterprise in which Lehman Brothers took the lead.[132] The same day, Lazard underwrote $500,000 of a bond offering of $17,700,000 for the Elgin, Joliet and Eastern Railway Company, organized by Morgan, Stanley.[133] The following day, it was one of three banks that successfully tendered to issue $600,000 in street and school bonds for the City of Dallas, Texas.[134] A few

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122 "Consumers Power," *New York Times*, January 3, 1940.
123 "Financing Today for American Gas," *New York Times*, January 8, 1940.
124 "$11,000,000 Bonds on Market Today," *New York Times*, January 17, 1940.
125 "Los Angeles Sells $5,500,000 of Bonds," *New York Times*, January 18, 1940.
126 "$6,300,000 Bonds for Erie County," *New York Times*, January 19, 1940.
127 "Vermont Lien Won by Lazard Freres," *New York Times*, January 4, 1940; "Vermont Notes are Awarded to Lazard, Freres," *Wall Street Journal*, January 4, 1940.
128 "Triborough Bonds Prepared for Sale," *New York Times*, February 9, 1940; "Triborough Bonds on Market Today," *New York Times*, February 14, 1940.
129 "Utility Revises Financing Plan," *New York Times*, February 14, 1940.
130 "Bethlehem Steel Lists Loan Agents," *New York Times*, February 25, 1940; "112 Firms Offer Bethlehem Loan," *New York Times*, February 29, 1940.
131 "2 Issue of Utility on Market Today," *New York Times*, February 29, 1940.
132 "Airline's Stock Sold to Its Force," *New York Times*, March 7, 1940.
133 "Railroad's Bonds on Market Today," *New York Times*, March 7, 1940.
134 "Yonkers Awards $2,500,000 Bonds," *New York Times*, March 8, 1940.

days later, Lazard joined the First National Bank of New York and several others in issuing $1,795,000 in bonds for the City of Rochester, New York.[135] In March 1940, Lazard also bought $3,000,000 of Erie Railroad (trustee) 2½% equipment trust certificates from the Reconstruction Finance Corporation.[136] Within a few days, Lazard took 18,700 of 645,980 shares offered at $24 on behalf of the Indianopolis Power and Light Company by a syndicate headed by Lehman Brothers and Goldman Sachs.[137] At the same time, it was one of 47 underwriters in a syndicate headed by Kuhn, Loeb & Co. that offered $36,000,000 of bonds for the Inland Steel Company.[138] In April 1940 Lazard also took $1,000,000 of $75,000,000 of short-term notes offered by New York State and allotted to a total of 93 banking houses.[139] Lazard Frères was one of many underwriters of an issue of $36,000,000 of 3% bonds handled for Inland Steel by Kuhn, Loeb & Company that month.[140]

The pace of business did not let up. In mid-May 1940, Lazard took $1,800,000 of $75,000,000 in debentures issued for United States Steel by a syndicate of 113 banks headed by Morgan, Stanley.[141] It was also one of 81 underwriters in a syndicate led by Dillon, Read, that issued $60,000,000 in 2¾% debentures for the Texas Corporation, of which Lazard took $1,000,000.[142] In July 1940 Lazard headed a group of nine banks that issued $2,000,000 in highway bonds for the State of Mississippi.[143] It also joined another Dillon, Read syndicate, as one of 85 underwriters of an issue of $50,000,000 of 3 percent bonds for the Cleveland Electric Illuminating Company, of which Lazard took $1,000,000.[144] As one of a group of 94 banks and bond dealers, Lazard took $1,000,000 of $100,000,000 in short-term notes issued by New York State in July 1940.[145] Almost simultaneously, it handled $970,000 of an issue of $32,000,000 of 3 ¼% bonds for the Indianapolis Light and Power Company, in a syndicate organized by Lehman Brothers and Goldman Sachs.[146] At the end of July, Lazard was one of the syndicate of banks headed by the National City Bank of New York that offered a further $15,000,000 of New York State short-term bonds.[147] August was a quieter month, but towards its end Lazard was one

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135 "$1,795,000 of Bonds Sold by Rochester," *New York Times*, March 13, 1940.
136 "RFC to Finance $20,000,000 of Road's Loan of $28,132,000 Which Will Mature on July 1," *New York Times*, March 22, 1940; "RFC Sells Erie Equipment," *Wall Street Journal*, March 23, 1940.
137 "90 Underwriters Listed by Utility," *New York Times*, March 28, 1940; "Shares of Utility on Market Today," *New York Times*, April 3, 1940.
138 "Inland Steel Lists Bond Underwriters," *New York Times*, April 5, 1940.
139 "$75,000,000 Notes Awarded by State," *New York Times*, April 7, 1940.
140 "36,000,000 Bonds on Market Today," *New York Times*, April 10, 1940.
141 "U.S. Steel Files $75,000,000 Issue," *New York Times*, April 26, 1940; "Loan for U.S. Steel on Market Today," *New York Times*, May 15, 1940.
142 "Texas Corp. Lists 81 Underwriters," *New York Times*, May 18, 1940; "Texas Corporation to Offer 3% Bonds," *New York Times*, July 6, 1940.
143 "Other Municipal Loans," *New York Times*, July 3, 1940.
144 "Cleveland Utility Files Amendment," *New York Times*, July 9, 1940; "$50,000,000 Bonds in Market Today," July 18, 1940.
145 "Loan Allotments Listed by States," *New York Times*, July 9, 1940.
146 "$32,000,000 Bonds in Market Today," *New York Times*, July 10, 1940.
147 "State Bonds Sold at New Low Rate," *New York Times*, July 31, 1940.

of the underwriting group for an offering of 276,580 shares of the Warner & Swasey Company, handled by Smith, Barney.[148] Lazard was one of seven underwriters of a $6,000,000 debenture offering for the Western Auto Supply Co. issued in September 1940.[149] The same month, it was authorized to handle the sale of up to $200,000 4% two-year trustees certificates offered on behalf of the Associated Gas and Electric Company.[150] In September Lazard headed a syndicate of three banks, including Goldman Sachs and R. S. Dickson & Co., authorized to offer $480,000 in road bonds for the State of West Virginia.[151] Later that month, Lazard took $750,000 of $30,000,000 of bonds issued for the Southern California Gas Company by a syndicate headed by its old rival, Blyth & Company.[152]

In July 1940, Lazard issued a report analyzing the financial position of the City of Cleveland, Ohio, giving it a relatively favorable assessment.[153] Two months later, it headed a banking group awarded the right to offer $2,748,000 of certificates of various kinds on behalf of the City of Cleveland.[154] In October 1940, Lazard was one of 63 sub-underwriting houses in a syndicate led by Morgan Stanley and Kuhn, Loeb & Co., taking $600,000 of a total $27,333,000 in 3½% bonds offered on behalf of the New York Connecting Railroad Company.[155] In October, Lazard was one of 142 financial houses, led by the First Boston Corporation and Harris Hall and Company, that handled the offering of $108,000,000 of Southern California Edison Company Ltd. Refunding bonds, the largest single issue that year.[156] Lazard was also among the 135 members of a syndicated led by the National City Bank and Chase National Bank that offered $60,000,000 in bonds for New York City.[157] In October it was also among the underwriters of $42,590,000 of refunding bonds offered by Harriman Ripley & Co. and Lehman Brothers on behalf of the Los Angeles Department of Power and Water.[158] On a more modest scale, the same day Lazard was one of four banks in a group headed by the Mellon Securities Corporation that won the right to issue $3,000,000 of serial equipment trust certificates for the Southern Railway Company.[159] As the month ended, Lazard was one of the syndicate of 23 banks, headed by Emanuel & Co., Kidder, Peabody, and Lehman Brothers, that made a public offering of 50,000

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148 "Underwriters Listed by Warner & Swasey," *New York Times*, August 25, 1940.
149 "Western Auto Supply Co.," *Wall Street Journal*, September 4, 1940; "SEC Registrations Filed by Concerns," *New York Times*, September 4, 1940.
150 "Associated Gas Trustee Can Sell Certificates," *Wall Street Journal*, September 10, 1940; "SEC Approves Issue by Utility Trustee," *New York Times*, September 5, 1940; "Loan for Associated Gas," *New York Times*, September 10, 1940.
151 "California Sells $4,934,279 Issues," *New York Times*, September 11, 1940.
152 "54 Firms to Handle Utility Offering," *New York Times*, September 24, 1940.
153 "Cleveland's Credit Given," *New York Times*, July 24, 1940.
154 "$2,748,000 of Bonds Sold by Cleveland," *New York Times*, September 26, 1940; "Lazard Freres Group Awarded $2,748,000 Bonds by Cleveland," *Wall Street Journal*, September 26, 1940.
155 "$27,333,000 Bonds for Carrier Today," *New York Times*, October 4, 1940.
156 "Syndicate Listed for Utility Issue," *New York Times*, October 8, 1940; "$108,000,000 Bonds in Offering Today," *New York Times*, October 9, 1940.
157 "$60,000,000 Issue Is Placed by City," *New York Times*, October 9, 1940.
158 "$42,592,000 Bonds in Offering Today," *New York Times*, October 23, 1940.
159 "Southern Railway $3,000,000 Issue," *Christian Science Monitor*, October 23, 1940.

shares of American Airlines, at $105 a share.[160] In November 1940 it once again joined four banks, in a group led by the Mellon Securities Corporation, to handle further railway financing, an issue of $3,000,000 of Erie Railroad equipment trust certificates.[161] In late November Lazard was one of 64 members of a group headed by Lehman Brothers, Goldman Sachs, and the First Boston Corporation, that offered 140,591 shares of Indianapolis Power and Light Company preferred stock at $107.50 a share.[162] A few days later, in early December, Lazard underwrote the sale of 5,000 of a total of 115,270 shares of the Standard Accidence Insurance Company of Detroit, offered at $54 per share by a syndicate headed by the First Boston Corporation, the largest offering of this type since 1933.[163] As the end of the year approached, Lazard was one of 86 firms in a syndicate led by Lehman Brothers that offered an additional $13,391,000 in bonds for the Los Angeles Department of Water and Power.[164] It also handled $700,000 in bonds and 3,000 shares of preferred stock, as one of the 112 firms in a Morgan Stanley syndicate that issued a total of $70,000,000 bonds and 300,000,000 shares for the Appalachian Electric Power Company.[165] Lazard took $800,000 of a total of $50,000,000 4½% general and refunding mortgage bonds of the Detroit Edison Company, as part of an underwriting group of 84 headed by Coffin and Burr and the First Boston Corporation.[166]

Business continued unabated the following year. For the first time in more than a decade, the American economy was operating at full capacity, and the volume of financial issues reflected this. In January 1941, the firm and its associates handled the offering of a block of around 8,200 shares of Fairbank, Morse common stock at 45½ per share.[167] Two days later, Lazard was one of the underwriters of a new issue of $15,000,000 in serial notes for Phillips Petroleum, in a syndicate organized by the First Boston Corporation.[168] In a similar securities operation for the Shell Union Oil Corporation organized by Morgan, Stanley, in mid-January Lazard took $1,000,000 of a total of $25,000,000 debentures and notes issued for that firm.[169] Later in the month, Lazard headed a group that bid successfully to issue $1,100,000 of street, sewer, airport, and school bonds for the City of Dallas, Texas.[170] At the beginning of February, Lazard took $750,000 bonds and 3,000 shares of a total of $26,500,000 of first-mortgage 3¼% bonds and

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[160] "Shares of Airline on Market Today," *New York Times*, October 30, 1940.
[161] "$3,000,000 Erie Equipment Trust Issue Won By Mellon Securities Banking Group," *New York Times*, November 20, 1940.
[162] "Stock of Utility on Market Today," *New York Times*, November 25, 1940.
[163] "Insurance Company Lists Underwriters," *New York Times*, November 30, 1940; "Insurance Stock on Market Today," *New York Times*, December 2, 1940.
[164] "Los Angeles Sells $13,391,000 Bonds," *New York Times*, December 4, 1940.
[165] "112 Underwriters Named by Utility," *New York Times*, December 10, 1940.
[166] "$50,000,000 Sought by Detroit Edison," *New York Times*, December 14, 1940; "84 Underwriters Offer Utility Loan," *New York Times*, December 19, 1940.
[167] "Fairbanks, Morse Stock Offered," *Wall Street Journal*, January 4, 1941.
[168] "$15,000,000 Notes for Oil Company," *New York Times*, January 6, 1941.
[169] "$25,000,000 Financing Plan," *New York Times*, January 16, 1941; "Liens of $25,000,000 in Offering Today," *New York Times*, January 24, 1941.
[170] "Rochester Sells $2,924,000 Notes," *New York Times*, January 17, 1941.

132,000 shares, offered at $105 on behalf of the Wisconsin Public Service Company, another First Boston-led operation.[171] This was quickly followed by a share in the underwriting of $11,408,000 of Monongahela Railway bonds placed by a syndicate headed by Morgan Stanley and Kuhn, Loeb & Co.[172] A few days later, Bonbright & Company and Lazard offered off market a block of 100,000 shares of common stock of the Pacific Gas and Electric Company, at 28¼ per share.[173] Almost immediately, the Lazard firm was one of a banking group headed by the National City Bank awarded the right to issue $2,500,000 of bonds for Nassau County, New York.[174] Lazard was one of the underwriting syndicate organized by Lehman Brothers and Glore, Forgan that handled an offering of 148,991 shares of Philip Morris preferred stock at $100 per share.[175] Lazard was allocated $1,000,000 of $100,000,000 in short-term notes issued by the State of New York in late February.[176] At the end of the month, Lazard was one of a group of banks headed by Smith, Barney & Co. that offered 52,500 shares of stock in the G. C. Murphy chain store at 62.[177]

As spring approached, business continued to boom. In early March, Lazard took $500,000 of $40,000,000 in bonds issued for Wheeling Steel by a group led by Kuhn, Loeb.[178] It was also one of a banking group headed by the National City Bank that handled the issue of $21,215,000 for New York City.[179] Within days, a Lazard study stated that New York City's finances were in fundamentally good shape, though it did warn that the expansion of important services, though justified in some respects, might nonetheless represent a potential budgetary problem for the future.[180] At the end of the month, Lazard was among the underwriters of $20,000,000 in Pacific Gas and Electric Company bonds offered to the public by a syndicate headed by Blyth & Co.[181] They also helped to underwrite $15,000,000 of bonds of the Ohio Power Company issued by a syndicate headed by Dillon, Read.[182] At the beginning of April, Lazard was one of five banks that offered $3,108,000 in bonds for the Los Angeles Department of Water and Power.[183] A few days later, Lazard took 7,000 of an offering of 701,253 shares of common stock of the

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171 "Wisconsin Utility Lists Allocations," *New York Times*, February 2, 1941.
172 "Monongahela Bonds on Market Today," *New York Times*, February 3, 1941.
173 "Pacific Gas Stock in 'Off-Market' Deal," *New York Times*, February 8, 1941; "100,000-Share Block of Pacific Gas Offered After Close at 28¼," *Wall Street Journal*, February 8, 1941
174 "$2,500,000 Loan by Nassau County," *New York Times*, February 11, 1941.
175 "Philip Morris to List Details of Offering," *New York Times*, February 21, 1941.
176 "$100,000,000 Notes Awarded by State," *New York Times*, February 25, 1941.
177 "Secondary Offering Made of 52,500 Shares of G. C. Murphy at 62," *Wall Street Journal*, February 28, 1941; "Chain-Store Stock is Slated for Sale," *New York Times*, February 26, 1941.
178 "$30,000,000 Sought by Wheeling Steel," *New York Times*, March 5, 1941; "$30,000,000 Loan on Market Today," *New York Times*, March 14, 1941.
179 "M'Goldrick Sells $21,215,000 Bonds," *New York Times*, March 19, 1941.
180 "Firm Says Credit of the City is Good," *New York Times*, March 23, 1941; "Analysis Indicates N.Y. City Warrants Good Credit Rating," *Wall Street Journal*, March 23, 1941.
181 "$20,000,000 Bonds of Utility Offered," *New York Times*, March 26, 1941.
182 "$15,000,000 Bonds of Utility Offered," *New York Times*, March 28, 1941.
183 "Bond Offerings of the Week," *New York Times*, April 5, 1941.

Connecticut Light and Power Company issued by a syndicate led by Drexel and Company.[184] Lazard was also one of the underwriting syndicate, headed by the Mellon Securities Corporation, which organized $30,000,000 in financing for the Koppers Company.[185] In late April 1941, Lazard headed the syndicate that offered $4,500,000 of road, bridge, and park bonds for Allegheny County, Pennsylvania.[186]

A few days later, in early May, Lazard headed another that put in the successful bid to issue $4,000,000 in Erie Railroad equipment trust certificates.[187] Further railroad financing followed, when Lazard made a joint offering with Kidder, Peabody & Company of Boston of $2,775,000 in equipment trust certificates for the Père Marquette Railway.[188] A week later, the firm joined the syndicate headed by Harriman, Ripley and Otis & Co., that marketed $50,000,000 in 3% debentures for the Firestone Tire and Rubber Company.[189] The following week, Lazard took $800,000 in short-term notes of the State of New York, part of an issue of $75,000,000 allocated among 84 banks and financial institutions.[190] As one of a syndicate of almost 80 headed by Dillon, Read, Lazard took $900,000 of $80,000,000 in bonds and 2,500 of 150,000 shares of preferred stock issued for the Union Electric Company of Missouri in late May 1941.[191] In early June, Lazard headed a group of banks that offered $800,000 of 2% airport bonds on behalf of Jefferson Country, Texas.[192] Simultaneously, it was one of eight firms led by Harriman, Ripley that bid successfully to issue $11,250,000 in railroad equipment trust certificates for the Southern Railway Company.[193] A day later, Lazard participated in a syndicate headed by the First National Bank of New York that won the right to offer $7,500,000 of bonds for Milwaukee County, Wisconsin.[194] In January 1941, Lazard issued a reasonably optimistic report on the fiscal situation of the City of Philadelphia.[195] Less than six months later, in early June the firm was one of 39 investment firms and banks, headed by Drexel & Co. and Lehman Brothers, that organized a $131,064 refunding issue for that city.[196] At the end of the month a group jointly

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[184] "Drexel Stock Fee to be Impounded," *New York Times*, April 6, 1941.
[185] "$30,000,000 Today for Koppers Co.," *New York Times*, April 8, 1941.
[186] "Group Here Takes $4,500,000 Issue," *New York Times*, April 23, 1941; "Alleghany County Awards $4,500,000 Bonds to Bankers," *Wall Street Journal*, April 23, 1941.
[187] "$9,100,000 C. & O. and Erie Equipment Issues Prompt Keen Bidding and Investor Interest," *New York Times*, May 1, 1941; "Two Rails Sell Large Equipment Trust Issues," *Wall Street Journal*, May 1, 1941; "Week's Financing Up to $39,066,000," *New York Times*, May 3, 1941.
[188] "Pere Marquette Notes Awarded," *Christian Science Monitor*, May 29, 1941.
[189] "Firestone Bonds on Market Today," *New York Times*, May 13, 1941.
[190] "$75,000,000 Notes Alloted by State," *New York Times*, May 20, 1941.
[191] "Bankers Named for Utility Issue," *New York Times*, May 9, 1941; "Premium on Bonds of Union Electric," *New York Times*, May 28, 1941.
[192] "Bonds of County Placed at 1.823%," *New York Times*, June 4, 1941.
[193] "Equipment Issue Sold by Southern," *New York Times*, June 4, 1941.
[194] "Groups Compete for Milwaukee County Issue," *Wall Street Journal*, June 5, 1941; "Bond Offerings by Municipalities," *New York Times*, June 5, 1941.
[195] "Gains by Philadelphia," *New York Times*, January 10, 1941; "Bankers See Improvement in Philadelphia Finances," *Wall Street Journal*, January 10, 1941.
[196] "Philadelphia Lien in Offering Today," *New York Times*, June 11, 1941.

managed by the Mellon Securities Corporation and the First Boston Corporation that included Lazard among the numerous underwriters offered $12,000,000 in short-term notes of the Philadelphia Company, a public utility company responsible for the city's electric power.[197] Together with Kidder, Peabody and F. S. Moseley & Company, at the end of June Lazard headed a banking syndicate that made a successful bid to offer $13,700,000 in fifteen-year sinking fund debentures and 56,000 shares of preferred stock at $100 par for McKesson and Robbins, Inc., a pharmaceutical company.[198] In July, Lazard was part of a group headed by the First Boston Corporation and Glore, Forgan that tendered successfully to market 120,000 shares of preferred stock of the New York State Electric and Gas Corporation.[199] Later in the month, it joined Harriman, Ripley and several other firms as one of the underwriters of an issue of $15,000,000 of 3¼% debentures for Remington, Rand, taking $1,000,000 of the bonds.[200] In August 1941, Lazard headed a syndicate that issued $1,000,000 in bonds for the city of Waterbury, Connecticut.[201] In late August, Lazard took another $1,000,000 of short-term notes issued by New York State, part of a total of $100,000,000 distributed among 94 financial institutions for onward sale.[202]

The firm's assessments of municipal finances continued to appear regularly. Besides those it issued on Philadelphia and New York City, in August 1941, one year after issuing an earlier assessment of the finances of the city of Cleveland, Ohio, Lazard published gave a second and most favorable review of the city's credit rating, since it had reduced its debt burden and expanded its taxing powers over the previous year.[203] At the end of the year the city of Boston, Massachusetts received a moderately good report, with Lazard finding substantial improvements in its debt burden over the previous three years, but urging that further reductions were needed.[204]

So many securities had been offered in the previous eighteen months that in fall 1941 business fell off, largely because a great many potential bond and stock issuers had obtained all the funding they needed, while interest rates were at record lows. In September, Lazard joined thirteen banks in a syndicate headed by First Boston Corporation, to issue $18,000,000 of Erie

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[197] "Big Utility Loan on Market Today," *New York Times*, June 26, 1941.
[198] "McKesson Issues Sold to Syndicate," *Christian Science Monitor*, July 1, 1941; "3 Syndicates Bid for McKesson Loan," *New York Times*, July 1, 1941; "M'Kesson Issues on Market Today," *New York Times*, July 2, 1941; "Offering Made Today of McKesson & Robbins Debenture Preferred," *Wall Street Journal*, July 2, 1941.
[199] "Preferred Stock is Sold by Utility," *New York Times*, July 2, 1941.
[200] "SEC Asked to Speed Debenture Issue," *New York Times*, July 18, 1941; "Remington Rand Seeks $15,000,000," *New York Times*, July 29, 1941.
[201] "Waterbury Sells a $1,000,000 Issue," *New York Times*, August 1, 1941.
[202] "$100,000,000 Notes Placed by State," *New York Times*, August 19, 1941.
[203] John Broderick, "Bonds and Bond Men," *Wall Street Journal*, August 7, 1941.
[204] "Boston's Current Position Seen Aided by Funding," *Wall Street Journal*, December 9, 1941; "Sees Boston Improved," *New York Times*, December 10, 1941; "Boston Warned to Revamp Budget System," *Christian Science Monitor*, December 11, 1941.

Railroad Company 3½% bonds.[205] The bank was also one of 119 underwriters in a syndicate led by Kuhn, Loeb & Company that marketed over 534,426 shares of common stock for Westinghouse Electric and Manufacturing Company, an operation expected to raise about $60,000,000.[206] Two months later, Lazard also took $500,000 of a $20,000,000 issue of debentures for Westinghouse, another Kuhn, Loeb-led deal.[207] In October, Lazard joined a Smith, Barney syndicate that offered $9,000,000 of refunding and improvement bonds for the State of Maryland.[208] A few days later, it was one of a group of financial institutions headed by Drexel & Company and Lehman Brothers that issued $14,000,000 of refunding and water bonds for the City of Philadelphia.[209] In November, Lazard participated in a large offering group of at least 166 institutions, headed by Halsey, Stuart & Company, that bought $30,000,000 of State of Arkansas highway refunding bonds from the Reconstruction Finance Corporation.[210] It also underwrote 4,000 of 160,000 shares of stock for the Pennsylvania Company for Insurances on Lives and Granting Annuities, priced at $28 per share, offered by a banking syndicate of 27 institutions that Smith, Barney organized.[211] A few days later, as one of the 36 underwriters in another Smith, Barney syndicate, Lazard underwrote $600,000 of an issue of $15,000,000 of debentures for Hiram Walker & Sons.[212] Towards the end of the month, Lazard took part in underwriting $25,000,000 of 3% bonds for the Pacific Gas and Electric Company, an issue organized by Blyth & Company.[213] In early December, just a few days before Pearl Harbor, Lazard headed the syndicate awarded the right to issue $4,400,000 in rapid transit refunding bonds for the City of Cincinnati, Ohio.[214] It also joined a syndicate, led by the National City Bank of New York, that handled $15,000,000 in long-term serial grade-crossing elimination bonds for New York City.[215] At the end of the year, the firm offered 3,968 common stock shares of the Niles-Berment Pond Company of New Jersey, priced at $13.25.[216] This was followed by participation in the syndicate that underwrote the issue of $27,500,000 in debentures—later reduced to $15,000,000—for Schenley Distillers Company of Massachusetts.[217]

While Altschul held somewhat aloof from the routine operations of the New York Lazard house, he was always closely engaged with General American Investors, the investment trust that had

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[205] "Bid of 101.0959 takes Erie Loan," *New York Times*, September 24, 1941.
[206] "Stock Issue Filed by Westinghouse," *New York Times*, September 26, 1941.
[207] "Debentures Sale is Listed," *New York Times*, November 7, 1941.
[208] "Road Bond Issue Sold by Maryland," *New York Times*, October 1, 1941.
[209] "Philadelphia Loan Goes to Syndicate," *New York Times*, October 10, 1941.
[210] "Arkansas Bonds Sold by the RFC," *New York Times*, November 7, 1941.
[211] "27 Underwriters of Stock Offering," *New York Times*, November 7, 1941.
[212] "Underwriters Listed for Debenture Issue," *New York Times*, November 10, 1941; "Liquor Concerns Price Lien at Par," *New York Times*, November 11, 1941.
[213] "Pacific Gas Issue is on Sale Today," *New York Times*, November 25, 1941.
[214] "Cincinnati Sells $4,400,000 of Bonds," *New York Times*, December 2, 1941.
[215] "State Bonds Sold on Bid of 101.1099," *New York Times*, December 3, 1941.
[216] "Railway Stock Offered," *New York Times*, December 23, 1941.
[217] "Schenley Amends SEC Registration," *New York Times*, January 14, 1942; "Schenley Amends Listing with SEC," *New York Times*, February 14, 1942.

been his personal brainchild. Any threat to this enterprise caused him and his associates to bristle. A bill that Senator Robert F. Wagner of New York introduced in March 1940, to place investment trusts under the supervision of the Securities and Exchange Commission and thereby eliminate past abuses, soon came under fierce attack from top investment trust officials, including Raymond D. McGrath, executive vice president of General American Investors and a long-time close friend of Altschul. In company with Arthur H. Bunker, his counterpart in the Lehman Corporation, McGrath described Wagner's statement introducing the bill as "particularly derogatory in tone" and "a prosecutor's address to the jury." They concluded that "no worse service to the 1,500,000 holders of investment trust securities could be rendered by the SEC than the attack it has sponsored."[218] Altschul himself sent a leading Republican politician, Senator Arthur H. Vandenberg of Michigan, a statement for the latter's use, attacking the bill on the grounds that its provisions were unclear and that it gave far too much unspecified leeway to the discretionary powers of the SEC.[219] A few weeks later, McGrath testified before a Senate banking subcommittee that if this legislation should be passed, "we had better go out of business and put our capital to work in other fields rather than try to operate under it." He claimed that the bill was poorly drafted, with unclear and complicated provisions, and that his own firm would be unable to continue its operations, and would be "legislated out of existence." He also attacked sections of the bill that would have limited the size of investment trusts.[220] When the Investment Company Act still passed, and was set to come into operation on November 1, 1940, McGrath nonetheless joined the executive committee of a National Committee of Investment Companies, representing thirty-three such trusts, whose objective was to assist with the administration of this legislation.[221]

A study of ten typical leading American investment trusts that appeared in March 1940 revealed that at this time their stocks were trading at an average 41 percent discount from their net asset worth, with General American at a 45 percent discount. An article in *The New York Times* remarked: "Apparently investment trusts are excellent investments if they can be wound up. But there seems to be little disposition on the part of managements to wind them up, for most managements get 1 per cent or more of the total in the fund at the end of each year."[222] At the end of March 1939 General American's assets were $29,163,800, virtually the same as the $29,158,239 reported three months earlier, at the end of 1939, equivalent to $11.81 for each share of common stock. Two-thirds of the trust's holdings were in industrial issues.[223] Perhaps due to apprehensions over the impending regulatory legislation, but even more to the impact of the European war on the markets, by the end of June 1940 General American's assets had fallen

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[218] "Trust Officials Attack New Curbs," *New York Times*, March 15, 1940.
[219] Altschul to Arthur H. Vandenberg, March 29, 1940, and enclosed statement, March 29, 1940, File Arthur H. Vandenberg, Politics File, Altschul Papers.
[220] "End of Trusts Seen in New Legislation," *New York Times*, April 16, 1940.
[221] "Investment Group Formed to Aid SEC," *New York Times*, October 8, 1940.
[222] "Ten Big Trusts' Stocks Quoted 41% Below Their Asset Value," *New York Times*, March 24, 1940.
[223] "Investment Trusts," *New York Times*, April 4, 1940.

to $24,011,296, with each common share now equivalent to only $7.93, a fall from $11.81 the previous December and March.[224] The situation improved slightly the following quarter. By the end of September, General American's assets had risen once more to $25,711,490, amounting to $9.28 a share of common stock.[225] At the end of December the position remained almost identical, with $25,533,047, worth $9.17 a share of common stock, a fall of close to $4 million on its holdings a year previously. In the previous quarter General American had divested itself of substantial holdings in Southern Pacific Railways, Armstrong Cork, Eastman Kodak, Montgomery Ward, the Chesapeake and Ohio Railroad, Commonwealth Edison, and the North American Corporation, and bought heavily in Bethlehem Steel, US Steel, Marshall Field, the Great Northern Railway, Engineers Public Service, and the Middle West Corporation.[226]

By early 1941, the British were desperate to obtain more dollars to finance war purchases in the United States, and representatives of several American investment trusts, including General American, conferred with Secretary of the Treasury Henry Morgenthau, Jr., about potential acquisitions of British securities.[227] At this point, Otto Jeidels of Lazard New York, who had raised the possibility as early as March 1940 that his firm might market British and French securities in the United States to provide the funding those governments needed to pay for their wartime orders, wrote a memorandum suggesting how this objective might be accomplished. He envisaged establishing a corporation of American investment trusts and investment bankers to handle the marketing of these securities systematically, so as to avoid panic selling and afford the British as good a return as possible on these investments, by ensuring that the issues marketed would "neither chase each other nor compete with each other."[228] In April 1941 the British Treasury liquidated all its current holdings of General American Investors and several other American securities, selling them in the United States to obtain much-needed dollars.[229] With American stocks falling, the return may well have been less than the British hoped. By the end of March 1941, the value of General American's holdings had dropped further, to $21,788,866, with assets equivalent to common stock now only standing at $8.41 a share. The trust had, however, retired $6,600,000 of 5 percent debentures due in 1952, paying for almost two-thirds of these securities in cash and issuing $2,346,000 of 3½% debentures in exchange for the remainder, which reduced its annual interest requirement by more than $200,000.[230]

By the end of June 1941, General American's assets had fallen once again, to $20,461,596, equivalent to $8.54 a share of common stock, a slight rise over the previous quarter. The firm had also paid off a bank loan of $1,500,000, leaving as its sole debt the $2,346,000 in 3½%

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[224] "Trust's Assets Decline," *New York Times*, July 4, 1940.
[225] "Trust's Assets Drop," *New York Times*, October 5, 1940.
[226] "Trust Companies Report on Assets," *New York Times*, January 9, 1941.
[227] "Confer on Buying British Securities," *New York Times*, January 15, 1941.
[228] Jeidels, "Preamble for a plan to liquidate the non-quoted securities in British possession," January 12, 1941, File Otto Jeidels, General Correspondence, Altschul Papers; see also Jeidels to Altschul, March 10, 1940, ibid.
[229] "British Securities Sold," *New York Times*, May 1, 1941.
[230] "Trust Reports on Assets," *New York Times*, April 5, 1941.

debentures due in 1952.[231] Three months later, at the end of September 1941, General American reported its assets as being worth $9.13 per share of common stock and $274.69 on each share of preferred stock.[232] At the end of the year, General American declared a dividend of 25 cents on its common stock.[233] Net assets at the end of December 1941 had fallen to $7.06 for each share of common stock and $235 per share of preferred stock, but income from dividends and interest amounted to $1,072,493. Its portfolio of stocks had been divested of substantial holdings in Bethlehem Steel, Chrysler, DuPont, General Motors, Humble Oil, Phelps Dodge, Pullman, St. Joseph Lead, United Aircraft, United States Steel, Commonwealth Edison, Niagara Hudson Power and Commercial Investment Trust. Acquisitions included large blocks of shares in Associated Dry Goods, Burlington Mills, Marshall Field, Owens-Illinois Glass, Pure Oil, Shell Union Oil, Standard Oil of Indiana, Standard Oil of New Jersey, Standard Oil of California, the Atchison, Topeka and Santa Fe Railway and the Pennsylvania Railroad. As the United States mobilized for war, oil companies, railroads, and department stores were clearly General American favorites.[234] Twenty years later, an article on American mutual funds recounted how General American initially "concentrated in utilities; then in railroad bonds and now [in 1962] in natural gas and oil producing companies." In the late 1930s General American acquired long-term stakes in at least two oil companies, Superior Oil and Amerada, holding these assets for well over twenty years and possibly beyond.[235]

The European Crisis, 1939-1941

From summer 1939 to the end of 1941, Altschul's attention was not, however, fixed primarily on routine Lazard business, nor even on General American Investors, but largely on the evolving European situation and its political ramifications in the United States. As Hitler's demands that Poland cede Danzig to Germany became ever more pressing in summer 1939, Robert Brand in London took a firm line, proclaiming the need for Britain to stand its ground if war were to be avoided.[236] Soon afterwards, as the British government refused to compromise so, Altschul's partner Otto Jeidels wrote to him, suggesting that the "danger of war" had been exaggerated, since the Germans had until then been making so many gains through diplomatic efforts that they would probably not wish to face "the obvious risks of a war."[237] As the crisis over Poland intensified in August 1939, Altschul wrote optimistically to his sister-in-law in Britain predicting "that Hitler will put on an enormous show; will develop an incredible amount of tension and will

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[231] "Trust Gives Asset Value," *New York Times*, July 5, 1941.
[232] "Investment Trust," *New York Times*, October 3, 1941.
[233] "Other Dividend News," *New York Times*, December 4, 1941.
[234] "Changes in Holdings Reported by Trust," *New York Times*, January 8, 1942.
[235] "Mutual Funds: A Case for the 'Closed-Ends,'" *New York Times*, February 26, 1962.
[236] Brand to Geoffrey Dawson, June 28, 1939, Ms. Dawson 81, Geoffrey Dawson Papers, Bodleian Library, Oxford University.
[237] Jeidels to Altschul, July 21, 1939, File Otto Jeidels, General Correspondence, Altschul Papers.

place all of you and even most of us under a great nervous strain; but when he begins to see that he can no longer accomplish any major objective short of war, he will back away from this catastrophic adventure and permit us once again to relax for a spell."[238] He also cabled Arthur Goodhart, her husband, that should Hitler "decide to press his claims against Poland by force the Poles will not collapse but will resist with all their power and France and England will stand by their commitments." Altschul further "hope[d] that Japan Italy and Spain may gradually detach themselves from Axis."[239] In this case, Altschul's expectations were only partially fulfilled, as British and French pledges of support for Poland had little deterrent effect upon Germany. At the beginning of September, German forces invaded Poland, and Britain and France declared war on Germany, honoring their recent guarantee to the state under attack. The United States remained on the sidelines, although the Roosevelt administration sympathized strongly with the Allies, and by degrees initiated policies over the next two years that brought the country ever closer to outright hostilities with Germany and its allies.

Through family, friends, and business associates, Altschul could follow the progress of hostilities in great detail. Arthur Goodhart, Helen Altschul's British-based brother, his wife Cecily, and their three sons had spent the summer of 1939 over in the United States with the Altschuls. By the time they returned, Britain was at war with Germany. Cecily Goodhart sent a lengthy account to one of her Altschul nieces of how England had changed in their absence, noting "sentries with fixed bayonets and tin hats" guarding the docks at Southampton, warehouse windows "covered with blue paper or painted black," and notices in trains instructing passengers what to do in case of air raids. Large and small encampments of soldiers had sprung up in fields all the way between Southampton and London, with "aerodromes everywhere, some camouflaged in green and brown, some painted to look like houses with windows and doors." Railway stations were busier than at any time in the past, the streets "almost empty," and in anticipation of air raids many shops and hotels were surrounded with sandbags, with strips of brown paper over the windows "to prevent splintered glass flying." Air raid shelters and ambulance and casualty stations, not yet in use for genuine war victims, had sprung up, and '[e]veryone carries gas masks," some in elegant silk or muslin cases designed to match evening gowns. "There are men and women in uniform everywhere and a number of woman are taking to wearing trousers." Art works from the Tate and the National Gallery had been evacuated to Wales, and many women and children had been evacuated from the cities to the countryside, though some were beginning to return. The anticipated "cataclysmic air raids over London" had not occurred, "and what has happened is an anti-climax. People are beginning to drift back to London and night clubs and restaurants are starting." Cecily Goodhart concluded:

> The country is in a state of suspense but very resolute. A great number of people are discussing the future of Europe and there is a growing conviction that some form of

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238 Altschul to Cecily Goodhart, August 10, 1939, File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.

239 Altschul to Goodhart, n.d., File 3099, Arthur Lehman Goodhart Papers, Bodleian Library, University of Oxford.

> federation will have to be adopted after the democracies have won the war. 'Union Now' is a best seller. Everyone is convinced that the next peace will be radically different from the Treaty of Versailles. There is no hatred of Germany at present but only of Nazism.[240]

At the beginning of the war, the Lazard partner Otto Jeidels later recalled, he had a "lively conversation with a prominent American business man as distinguished by his aversion against wishful thinking as by his deep love for the Allied countries, his sincere devotion to English mode of living, tradition and government." This individual, almost certainly Altschul, asked Jeidels "in honest sorrow whether in my opinion the Allies could win the war." Jeidels replied that they could, but that they would have to make major adjustments, and specifically

> that the Allies, principally Great Britain, would without delay mobilize all their resources, military, economic, political and mental. By the latter I meant, I said, that the country should close down for the time of war some of their cherished free institutions, bury for the time being as for good many of their time-honored but superannuated traditions, habits and conceptions; that it should consider military requirements more than public opinion at home and abroad; and that it should begin by framing at once a government fit to conduct a war and certainly eliminating any person identified with or responsible for the unfortunate appeasement policy towards Nazi Germany, Nazi aspirations and Nazi outrages.[241]

Through his British and French associates, Altschul remained closely in touch with the evolving situation in Europe. A month after the war began, Adam Marris of Lazard Brothers sent Altschul a letter "from London in this Year of Disgrace, 1939." He described it as being by night "very quiet and strange, almost like a city of the dead," with "no night life," pitch dark due to the blackout, while most major shops and restaurants had boarded up their windows and very few cars were running, thanks to petrol rationing. Marris did not think the United States needed to come into the war at this stage, though he hoped the Americans would repeal their Neutrality Laws. With a certain disillusionment, he opined: "It is becoming more and more apparent that nations are ruled solely by self-interest (ourselves included, in spite of our 'noble cause'), and provided you give us your sympathy, as I hope you will, you would be made to go further." Even so, he anticipated: "There will be a time in the future when you will be able to come in and patch up the pieces and if you do it in a reasonable manner, I think we shall all be grateful." Marris felt that the coming of war meant "a twilight to the last few centuries so far as Europe is concerned. People who went through the last war," he continued," say that the last twenty years have all suddenly vanished from their minds like a rather pleasant dream, and that this is just the

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[240] Cecily Goodhart to Margaret Altschul, n.d. [September 1939], File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.
[241] Jeidels, memorandum, December 1941 or January 1941, File Otto Jeidels, General Correspondence, Altschul Papers.

continuation of it after a short break." Rather grimly, he concluded: "I think we shall win in the end, but it is difficult to foresee what the value of victory will be."[242]

From the time war began, Altschul did all that he could to assist Britain and France, and identified himself completely with the Allied cause. Besides his revulsion against German treatment of the Jews, he shared his father's Mahanist view that American security depended upon that of Britain and the European continent. Altschul therefore argued that, in its own strategic, commercial, and ideological interests, the United States should assist Britain and France against Germany, even while endeavoring to avoid outright war. In April 1940, the German invasion of Norway and Denmark prompted Altschul to attempt to summarize his view of the position of the United States on the war at that time. He concluded that "the preponderating majority of our people have at once a burning desire to see the Allies win, and a firm determination to stay out of the war." While Americans had "not the slightest doubt that in the main Right and Justice" were on the Allied side, and did not wish to contemplate the thought of a world dominated by the totalitarian states, they were also a "peace-loving nation," who did not wish to sacrifice their young men in "armed combat unless there is no other course open to us." The United States also had "an historic policy of aloofness from the conflicts of Europe." This had been intensified by American experiences during the First World War and its aftermath, especially the European repudiation of war debts owed to the United States, and the confusing European diplomacy of the interwar period. Altschul believed that Americans were "determined not to go to war unless and until our national security or our vital interests are clearly threatened and can be protected in no other manner than through resort to arms." Britain and France had followed a similar policy, even though they were far closer to Germany, and were in no position to criticize the United States for doing likewise. Even so, Altschul refused to consider the European conflict "merely another phase of the historic fight for the balance of power," stating that "with the advent of Hitlerism, something new was ingrafted upon the European political organism." This had meant "in the totalitarian States, and particularly in Germany, a recrudescence of barbarism the like of which has not been witnessed since the dark ages." Thus "the European struggle is in its essence a struggle between civilization and barbarism," whose outcome "profoundly concerned" Americans. Altschul also challenged the belief that the Pacific and Atlantic oceans alone provided adequate security to protect the United States, warning that, besides the potential strategic threats an Axis victory over Britain and France might pose, such an outcome might also lead to totalitarian domination of the international trade routes. This, in turn, might cause economic depression in the United States, with consequent threats to American democratic institutions. In any case, American "interests would be well served by an Allied victory and possibly threatened by an Allied defeat," making it prudent for the United States to "render to the British and French whatever assistance we possibly can within the framework of

[242] Marris to Altschul, October 1, 1939, File European Situation, Altschul Overbrook Papers.

neutrality, and short of associating ourselves with them in our perilous undertaking."[243] Altschul was only one of numerous influential East Coast figures—many of them soon working through two lobbying organizations, the Committee to Defend America by Aiding the Allies, and Fight for Freedom—who favored the Allies, but his European ties gave him opportunities to attempt to affect the conduct of affairs and course of events that he was quick to use.

Compromise with Germany was something that Altschul was never prepared to contemplate. After a month of war, in late September 1939, with a German takeover of much of Poland accomplished, Hitler made peace overtures in the direction of Britain and France. Altschul immediately cabled André Meyer in Paris, requesting him to telephone his New York partner and warning him that, in terms of the impact on American public opinion, the French government was "facing a critical decision of policy in the manner in which reply is made".[244] In a lengthy cable later that day, Altschul sent Meyer advice on the situation, which he requested Meyer to "discuss fully" with the French government. Altschul believed that, thanks to the German peace overtures, "an opportunity exists to clarify issues before American public opinion" in a way that was not likely to recur, and urged the French to seize this chance. He assumed that the French response would "be firm and negative," and urged the French government to state that it had made "a solemn commitment to Poland and peace will not be concluded until this commitment has been fully and completely discharged." France should, Altschul urged, make it clear that even at the time it had expected war would be necessary to honor this guarantee, which had been undertaken not simply out of sympathy for Poland's danger, but "in the main because we finally realized that if any further aggressive moves of Hitler-Germany were tolerated the liberties which we have always cherished would be placed in the most serious jeopardy." Britain, France, and Poland had gone to war "in defense of these human liberties wherever they exist," in order to preserve them. They would therefore "continue to fight until the menace of Hitlerism has been definitely and finally disposed of." While carefully stating that this was only a suggestion for the French government to consider, Altschul told Meyer that he believed such a message would be "well received" in the United States and other friendly neutral countries.[245] Meyer apparently passed Altschul's advice on to his own government.[246]

Altschul clearly believed that how the western European powers handled their relations with the United States would be crucial to their ability to win the war against Germany. Within days, he dispatched another letter to his French partner, advising Meyer on several issues affecting wartime Franco-American relations. By this time, Altschul was "assuming that one must plan at all events for a long war." Altschul warned Meyer that the French ambassador in the United

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[243] Altschul, memorandum, "second draft," April 15, 1940, File Various Notes and Memoranda re World War II, Writings File, Altschul Papers.

[244] Altschul to Meyer, September 29, 1939, File Lazard Frères 1930s-1940s, Altschul Overbrook Papers.

[245] Altschul to Meyer, September 29, 1939, ibid.

[246] Meyer to Altschul, September 30, 1939, ibid.

States, Count René de Saint Quentin, was perhaps too much of a career diplomat, and "not sufficiently alive to the importance of keeping his government well posted about public opinion," if indeed he was capable of doing so. He suggested, therefore, that to supplement the ambassador's efforts, another individual, perhaps the journalist André Siegfried, the writer André Maurois, or the economist Charles Rist, should be assigned to France's Washington embassy, his primary mission to inform the French government of the probable impact of any measures that it took upon American public opinion. Anticipating that the arms embargo provisions of the existing American neutrality legislation would be lifted in the near future, Altschul stressed the importance of establishing an inter-allied purchasing agency in the United States, staffed by highly competent personnel who were extremely familiar with the military supply requirements of both France and Britain. He did not feel that the individuals currently handling such matters on behalf of France necessarily fitted the bill. Altschul claimed to feel "a certain amount of diffidence" in advancing these suggestions, since he did not know how far the French government would welcome unsolicited advice "from an unofficial but well disposed character."[247] It is not clear whether Meyer transmitted these ideas to the French Foreign Office, or whether they had any impact there, but before long the French did establish such an organization. Altschul's suggestions on procurement were very similar to those simultaneously being advanced by the Frenchman Jean Monnet, a long-term associate of the various Lazard firms who had since 1938 played an important role in facilitating French purchases of military equipment, especially airplanes, in the United States, and was appointed head of the Anglo-French Coordinating Committee for economic warfare in November 1939.[248] Another French Lazard partner, Étienne Lang, was also apparently involved in French wartime purchasing. His arrival in the United States by airplane in November 1939, in company with Frédéric Bloch-Laine of the Banque de Paris et des Pays-Bas, who also had Lazard connections, sparked press speculation that their purpose was to place orders for war materials. Waiting for the two bankers at the airfield in Long Island were representatives of J. P. Morgan & Company and General Motors, together with the French financial attaché from Washington.[249] Two months later, Bloch-Laine was appointed vice-chairman of the New York-Based Anglo-French Purchasing Board, an organization intended to coordinate British and French wartime purchases in the United States.[250] How much direct involvement Altschul had in this enterprise remains unclear.

Altschul definitely tried to ensure his European partners received the most current information on the American political front. In October 1939, Altschul sent both Sir Robert Kindersley and André Meyer what he considered an extremely accurate survey of American public opinion, in

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[247] Altschul to Meyer, October 2, 1939, File Lazard Frères, Altschul Overbrook Papers.

[248] On Monnet's efforts, see François Duchêne, *Jean Monnet: The First Statesman of Interdependence* (New York: Norton, 1994), 65-75.

[249] "2 French Bankers Arrive on Clipper," *New York Times*, November 4, 1939.

[250] "Allies Form Board of Purchase Here," *New York Times*, January 24, 1940.

the hope that it would be "useful to you and your friends."[251] Kindersley replied, characterizing the document as "extremely interesting," and promising to "see that it reaches quarters where it will be useful."[252] Most of his British partners soon found themselves absorbed in war work. As he had in the previous world war, Kindersley once again took up his work with the National Savings Committee, and was described in 1940 as being "in great form and raising a million a day in savings."[253] Robert Brand likewise took up a position similar to that he had occupied in the last conflict. He spent the years 1941 to 1946 largely in the United States, heading the British Food Mission from March 1941 to 1944, and then serving as British Treasury Representative in Washington from 1944 to 1946, with stints as chairman of the British Supply Council for North America in 1942 and 1945 to 1946. Thomas Brand joined the Anglo-French Coordinating Committee in London. From 1940 to 1945 Adam Marris was Counselor at the British Embassy in Washington, a position from which he advised Altschul in 1940 on how best to counter efforts to persuade Britain to relax the blockade on shipments of foodstuffs to occupied France.[254]

This was only one of several occasions when Altschul worked closely with British officials and pro-Allied Americans in efforts to facilitate British and French wartime diplomacy in the United States. When necessary, he was quite willing to put partisan political divisions aside and cooperate with the Democratic Roosevelt administration. Altschul had no patience whatever with those Republicans who sought to remain aloof from the war, and strongly rebuked one who took great exception during a telephone conversation with Altschul to an article by the well-known journalist, Dorothy Thompson, suggesting that the anti-interventionist Charles Lindbergh was anti-Semitic. The man in question apparently threatened to launch an anti-Jewish campaign and kill "a bitch like Dorothy Thompson" for "attack[ing] the reputation of a young American hero idealized by all American youth." Rebuking his interlocutor, Altschul condemned him for being "on the side of so much that is rotten," and expressed his "full confidence that the attitude which you have given expression to is limited to the Coughlinites and other crackpots, and represents an infinitesimal minority in American thought."[255]

Altschul himself made determined efforts to win influential Republicans over to his own viewpoint. When war began, the existing neutrality legislation forbade the sale of arms to any belligerent nation. Seeking to allow the Allied powers to purchase munitions in the United

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251 Altschul to Kindersley, October 2, 1939, File Sir Robert Kindersley, General Correspondence, Altschul Papers; Altschul to Meyer, October 5, 1939, File André Meyer, General Correspondence, Altschul Papers.

252 Kindersley to Altschul, October 14, 1939, File Sir Robert Kindersley, General Correspondence, Altschul Papers.

253 Thomas Brand to Jack Harrison, March 12, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.

254 Altschul to Marris, draft, no date, Marris to Altschul, September 19, 1940, File A. Dennis Marris, General Correspondence, Altschul Papers.

255 Altschul to Samuel F. Pryor, Jr., September 20, 1939, File 64 Samuel F. Pryor, Jr., Political Series, Altschul Papers.

States, in September 1939 Franklin D. Roosevelt once more publicly urged the modification of the current Neutrality Act to permit arms sales on a "cash-and-carry" basis, meaning that purchasers would have to pay cash on the spot and be responsible themselves for the transport of the goods. From Britain, the Goodharts told him that "[e]veryone is desperately hoping that the Neutrality Act will be changed."[256] As the president and his aides sought to line up support for this policy, seeking speeches and endorsements from prominent Democrats and Republicans alike, Altschul agreed to approach Republican figures in Boston and Vermont on the president's behalf, an index of his own agreement with Roosevelt's move.[257] At the suggestion of Henry L. Stimson, a prominent Republican interventionist who shortly afterwards joined the Roosevelt administration as secretary of war, Altschul also drafted a statement for Landon supporting the president's efforts to repeal the Neutrality Bill.[258] Landon apparently did not use this, but Altschul passed the gist of it on to Republican Senator Styles Bridges of New Hampshire, when the latter decided to support the revisions to the Neutrality Act. He suggested that Bridges should supplement his vote on the legislation with a public statement that he had reached his decision to support it because he believed that doing so represented the best means of maintaining peace. In Altschul's view, "a victory of the English and French would certainly involve no threat to our security and vital interests," whereas "a totalitarian victory," whether Nazi or Communist, would menace American democracy. "The Nazi and Communist revolutions," Altschul warned, "are the avowed enemies of Democracy wherever it exists. They have embarked upon an adventure which has for its purpose conquest and revenge, and the imposition of their baneful forms of government over an ever-widening area of the world surface."[259]

Reconciling his Republican loyalties with his views on the conflict was sometimes far from easy for Altschul. In May 1940 an episode in which Landon attacked Roosevelt's policies toward the war in Europe greatly disturbed Altschul, who had hoped to remove this issue from bipartisan contention. He wrote to Roosevelt dissociating himself from Landon, and praising the president's message to Congress the previous day as one that "could not possibly have been better," and for displaying "leadership of such high order."[260] Meanwhile, Altschul advised Herbert Lehman as to how best to persuade New Yorkers to meet the president's appeal to

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[256] Cecily Goodhart to Margaret Altschul, n.d. [September 1939], also Arthur Goodhart to Altschul, September 27, 1939, File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.

[257] Adolf A. Berle, diary entry, September 29, 1939, in Beatrice Bishop Berle and Travis Beal Jacobs, eds., *Navigating the Rapids 1918-1971: From the Papers of Adolf A. Berle* (New York: Harcourt Brace Jovanovich, 1973), 258.

[258] Altschul to Landon, September 27, 1939, File 124, Alfred M. Landon, Catalogued Correspondence, Altschul Papers; also Altschul to Stimson, October 31, 1939, Stimson to Altschul, October 31, 1939, File Herbert H. Lehman, Catalogued Correspondence, Altschul Papers; Altschul, second draft of speech, September 25, 1939, File Republican Program Committee, Politics File, Altschul Papers.

[259] Altschul to Bridges, October 30, 1939, File Styles Bridges, General Correspondence, Altschul Papers.

[260] Altschul to Franklin D. Roosevelt, May 17, 1940, File 176, Catalogued Correspondence, Altschul Papers; another copy in Folder Herbert Lehman, Box 156, President's Secretary's File, Roosevelt Papers.

prepare their country to assist the Allies in any way possible.[261] Altschul was also in close communication with the British embassy in Washington, where from September 1939 to December the Marquess of Lothian, a close friend for decades of Robert Brand's, was the British ambassador. He advised British officials there on the best way of presenting to the American public difficult issues, such as British Prime Minister Winston Churchill's summer 1940 decision to continue fighting even after the fall of France, and British intentions regarding the French fleet.[262] For one such official, he even "painted" a "lucid and dramatic picture . . . of what one may call the conservative-isolationist viewpoint," something he believed "the British have got to take into account."[263] Altschul did not, it seems, take any prominent role in either of the leading pro-Allied lobbying organizations of their period, the Committee to Defend America by Aiding the Allies and the Fight for Freedom committee; indeed, he told one family member that he was "only in casual touch" with the former.[264] He was, however, willing to cooperate with these bodies. In September 1940 he responded to a request by William Allen White, the Kansas journalist who headed the pro-British Committee to Defend America by Aiding the Allies, to welcome publicly the president's conclusion of the Destroyers for Bases deal, whereby the British received fifty surplus American destroyers in return for basing rights in the British colonies of the Caribbean islands.[265]

In the early months of the war, Altschul told a French friend that American "sentiment" was "95% plus pro-Allied," but "almost equally strongly isolationist," warning: "The country just does not want to be drawn into this conflict. Under no circumstances do they wish to send men, and only under the most remote circumstances would they be prepared to consider the question of extending credits." He thought it possible, but by no means certain, that "if totalitarian war, so often recently threatened by Hitler, should at last break out in all its fury," including "[w]holesale bombings of English and French objectives, with inevitable loss of innocent lives," this might "make a profound impression here."[266] Altschul nonetheless sought to reassure his British partners that the United States was gradually moving closer to the Allies. As the Phony War continued, he told one long-time partner of the "eagerness" with which the New York officers "scan the news for some sign that your tremendous efforts are at last beginning to turn the tide in the way that all Americans wish to see it turn." Altschul was at pains to explain "the curious contradiction that is America" to those in Lazard Brothers, especially in terms of the

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[261] Altschul to Herbert Lehman, May 18, 1940, File 128 Herbert Lehman, Catalogued Correspondence, Altschul Papers.

[262] Altschul to Michael Huxley, June 17, 1940, and enclosed memorandum, Huxley to Altschul, June 19, 1940, File Michael Huxley, General Correspondence, Altschul Papers.

[263] Huxley to Altschul, February 25, 1940, File Michael Huxley, General Correspondence, Altschul Papers.

[264] Altschul to Howard Goodhart, February 19, 1941, File Howard Goodhart, General Correspondence, Altschul Papers.

[265] William Allen White to Altschul, September 3, 1940, Political Series, General Correspondence T-Z, Political Series, Altschul Papers.

[266] Altschul to René de Chambrun, February 6, 1940, File René and José de Chambrun, General Correspondence, Altschul Papers.

reluctance of many Americans to contemplate any involvement in the war. "It is so difficult," he warned:

> for public opinion in a democracy to understand the implications for them of a situation that appears remote. We have our historic tendency towards isolationism to contend with; and beyond this our bad experiences with post-armistice Europe, which have done so much to reinforce our natural tendency towards aloofness. And then, we are in the midst of a presidential campaign in which no slogans are more popular than those which carry the thought that, under no circumstances, will we allow ourselves to be drawn into 'other people's wars.'[267]

At least one of those partners took part in British efforts to convince Americans that Germany's propaganda was ill-founded. Some time after the conquest of Poland, Brand delivered a radio broadcast on German demands for 'Lebensraum,' or additional territory, debunking claims that Germans, "unlike other countries, have not enough Lebensraum; that they are penned up in a comparatively small, comparatively poor country, and that they are cut off from raw materials and basic commodities, whilst their competitors have a superfluity of them." Brand warned that this theory meant "conquest and domination of other peoples" and "returning in this 20th century in politics to the primitive methods of Genghis Khan, and in economics, even in peace time, to the primitive methods of forced labour, rationing and barter." Brand cited Sweden and Switzerland as two countries without colonies whose prosperity was due to their excellence in international trade, something Germany could have emulated, had its leaders so desired. He argued that German exports could compete freely with those of other countries, and Germany had access to sources of raw materials from around the globe, including many of her neighbors in Eastern Europe. Had Germany pursued a policy of peace, it would have been able to trade on amicable terms with most adjoining countries. He blamed Germany's choice of "the wrong road" on the "shell shock" resulting from World War I, the hyper inflation of the early 1920s that "poisoned the German mind and destroyed the most stable classes of the community," and the "unparalleled world crisis of 1931," which fatally weakened German social stability and brought the Nazis to power. In Brand's view, a small portion "of the vast sums Herr Hitler's Government have spent abroad on massing war reserves" would have sufficed "to restore the strength of the Reichsbank, and thus rebuild the foundations of Germany's foreign trade."[268]

Other British Lazard partners also took the offensive. In March 1940, Thomas Brand complained to Altschul's partner Jack Harrison that American businesses were "exporting oil, copper and machine tools in enormous quantities to Russia," goods the Soviets—then linked to Nazi Germany by their August 1939 Non-Aggression Pact—were then passing on to Hitler's forces. In Brand's view, the United States was now "top dog" in the world. In these last weeks

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[267] Altschul to Tyser, March 28, 1940, File Granville Tyser, General Correspondence, Altschul Papers.
[268] Brand, "Lebensraum: Broadcast Talk Written by Mr. R. H. Brand," n.d. [late 1939 or early 1940], File 196, Brand Papers.

of the "Phony War," Brand also found the policies of the British government, then still headed by Neville Chamberlain, extremely frustrating, and felt it was doing nothing to prosecute the war.[269] Writing to Robert Brand, Altschul took the opportunity to respond to the nephew's complaints, reminding his partners that the British too had traded with Germany, selling their excess stocks of tin and rubber, until a few days before war began. Seeking to address their broader concerns that American policies were only slowly moving in the direction of greater support for the Allies, Altschul reminded them how long it had taken took the British to decide on war against Hitler. Proclaiming that the "mental processes of democracies appear conspicuously sluggish," he also emphasized again that the United States was "in the midst of a presidential campaign," in which "'George Washington' and 'No European Entanglements' still furnish the best kind of soap box material."[270] As German forces invaded Norway in April, Robert Brand agreed with Altschul: "If the Democracies of the world were to stand together we could finish the war very quickly, but it is not in the nature of Democracies to make up their minds quickly." He himself believed the United States would "not take any part in the struggle, at any rate till 1941."[271]

By early May 1940, when German forces had overrun Denmark and Norway and were poised to attack the Low Countries and France, Robert Brand had entirely lost faith in the British government, still headed at that time by Neville Chamberlain. As early as June 1939, he had urged the creation of a National Government including Winston Churchill, the arch-foe of appeasement. On May 6, 1940, a day on which *The Times* published an editorial fulsomely praising Chamberlain, Brand wrote forcefully to Geoffrey Dawson, urging that the newspaper publicly demand the complete reorganization of the British cabinet, since "it is of supreme importance that as quickly as possible we should change our Government." While admitting that Chamberlain possessed "courage, steadfastness, [and] vigour," Brand believed

> he has no imagination, does not look ahead, and is able to bear his burden as he does by a sort of incapacity to realise the true situation. He is a desperate chooser of men, and can never, it appears, get rid of duds. But what appals me above all is his extraordinary complacency, whether on coming back from Munich or at any crisis since. Whether it is after Munich or after Norway everything is for the best, and I believe his last speech after being forced to sign an armistice would be that on the whole he thought we had the advantage.

Brand thought the existing cabinet consisted largely of men of very low caliber, and that "the time has come to bring in Labour and the Liberals. If there ever was a time when the nation must be led by a united Parliament, it is now." He considered Chamberlain "a bad War Minister, particularly because in war you must have imagination and far-sighted plans." While it seems he

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[269] Brand to Harrison, March 12, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.
[270] Altschul to Robert H. Brand, April 3, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.
[271] Brand to Altschul, April 11, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.

wanted to include Churchill in the new War Cabinet, Brand did not go so far as to recommend that somewhat erratic politician for the position of prime minister. He suggested instead that the ageing David Lloyd George, who had led Britain to victory in the previous world war—a man Brand considered "a very great war minister," albeit "a great but poisonous peace Minister"—should return for a while as prime minister, to head a small executive War Cabinet.[272]

Events soon overtook these prescriptions, as Chamberlain's government lost office four days later, to be replaced by Churchill, whose first few weeks in power were marked by the blitzkrieg of German forces across western Europe, culminating in the fall of France in late June. Writing to a French friend on the same day Churchill took power and the German onslaught began, Altschul described how his "thoughts [we]re constantly" with her and her husband. He had "listened in distress to the radio from 1:30 last night until morning, and simply could not go to sleep thinking of all the devastation and destruction of life and property that was underway." He found the "first reports . . . extremely alarming." Regretting the diplomatic and military shortcomings of the previous half-decade, he surveyed an uncertain future, prophesying:

> The democratic world is going to be aroused for the first time and a profound impression will be made in this country; but the tragic thing is that we have been living in a world of dreams just as the English and the French did for the last five years, and we have woefully failed to arm or to prepare, so that even if there were a surge of desire to participate and to help the Allies, there is terribly little that we could do in any reasonable length of time. If the Allied lines hold, as I pray they may, and we have months and months ahead to prepare and the country reacts vigorously and promptly, then the story may be a different one.[273]

As German forces swept across Europe, 1,486 Yale students sent a petition to President Roosevelt, beginning him to ensure that the United States remained insulated from the European war, and to deny the allies credits, supplies, and manpower.[274] Deeply distressed, Altschul wrote to President Charles Seymour of Yale, telling his old classmate that, while all Americans might hope to stay out of war, "it seems a little hard to know just how we are to do this should the British and the French succumb to the totalitarian States." He hoped that Yale leaders would not "permit" the students' views "to go unchallenged," and wondered if the masters of the various undergraduate colleges shared the students' perspective and were "victims of similar misconceptions." In conclusion, Altschul proclaimed to the likeminded Seymour: "It is an

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[272] Brand to Dawson, May 6, 1940, File 170/2, Brand Papers.
[273] Altschul to Germaine Franchomme, May 10, 1940, File Philippe and Germaine Franchomme, General Correspondence, Altschul Papers.
[274] "Students at Yale Against Allied Aid," *New York Times*, May 26, 1940.

alarming state of affairs with which I know you cannot sympathize. Is there nothing that can be done to counteract it?"[275]

Other Yale professors soon repudiated the students' position.[276] Seymour, confessing himself "great troubled" by the petition, told Altschul that he had "been conscious of sharp differences of opinion between myself and many undergraduates." He felt closer to his "own generation," most of whom were staunchly pro-Allied, than he did to "younger students."[277] Altschul's son Arthur, then a Yale undergraduate, sought to organizer a counter-petition, winning the endorsement of at least one prominent academic.[278] Altschul hoped that Arnold Wolfers would add his voice to the dissenting chorus.[279] Wolfers declined to do so. As a newly naturalized American citizen, he told Altschul, he hesitated to urge Americans to assist the Allies. More pragmatically, since Britain and France were already purchasing airplanes and war material in the United States, he saw little that the United States could do to help those countries hold out, short of transferring to them "many hundreds of the best American planes and pilots now in the service of the American army." This, he feared, would gravely weaken American defenses, given the current deficiencies in the American military. The United States needed, Wolfers warned, to rearm itself before providing assistance to the Allies. If the Allies did manage to withstand Hitler's onslaught and survive the summer, "the situation would," he believed, "be completely changed." At that point, "It should not be too difficult to convince the American people that a maximum support to the Allies would conform to the national interest."[280]

Britain hung on, but France did not, surrendering to the Germans in June. The fall of France brought disaster to Lazard Frères. According to Altschul:

> The Germans occupied Paris on June 14th. Their plans were prepared in such detail that, the same day, they sent out a letter of instructions covering bank balances, safe deposit vaults, etc., to all the banking institutions in the occupied territory. And, as you will see from the copy of a letter which I enclose, their plans were so thoroughly laid that they

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[275] Altschul to Seymour, May 27, 1940, File 815 Yale University-Student Petition, Organizations File, Altschul Papers.
[276] "Heckscher Decries Peace Petition as Indicative of 'Loss of Faith,'" *Yale Daily News*, May 28, 1940, File 815 Yale University-Student Petition, Organizations File, Altschul Papers.
[277] Seymour to Altschul, May 28, 1940, File 815 Yale University-Student Petition, Organizations File, Altschul Papers.
[278] Altschul to Seymour, May 31, 1940, File 815 Yale University-Student Petition, Organizations File, Altschul Papers.
[279] Altschul to Wolfers, May 31, 1940, File 815 Yale University-Student Petition, Organizations File, Altschul Papers.
[280] Wolfers to Altschul, June 8, 1940, File 815 Yale University-Student Petition, Organizations File, Altschul Papers.

> apparently walked right into our office, 5 Rue Pillet-Will, and made themselves at home. The letter to the banks was sent from our office.[281]

German occupation was likely to bring persecution of the Jews, including Altschul's French partners. Three weeks later, he reported a "rumor . . . to the effect that the return of the French Government to Paris has been made conditional by the Germans upon the enforcement of Nueremberg laws throughout France. You can imagine how pleasant this will be for my associates over there."[282]

Once France had fallen and much of the country was under German occupation, Altschul could do little practical to help his friends there. "We have tried as best we could to form some opinion of what's going on in your country," he wrote to one in August 1941. "Reports from both sides of the barrier are confusing. It is not easy to tell what people really think."[283] Certain that his friends "must be going through very difficult days," he could only complain that the situation was "like a horrible nightmare and all that one can do is to pray that it may end before too long."[284] Part of the nightmare was that the collaborationist Vichy government that controlled unoccupied France soon issued a communiqué blaming French defeat on the country's Jewish population, and barring French Jews—including Altschul's own partners—from numerous occupations and positions of responsibility. For many years, Altschul had been friendly with Comte René de Chambrun ("Bunny" to him), whose wife José, the daughter of Vichy prime minister Pierre Laval, adored her father. Sadly, Altschul wrote to José de Chambrun, of whom he himself was extremely fond, warning that "to seek to make the Jewish race the scapegoat for the disaster which has overwhelmed your country is clearly to adopt a policy which few will fail to recognize as 'Made in Germany.'" He hoped, he told her, that the Vichy government's statement "finds as little support in your mind and heart as it does in mine."[285] Meeting the Comtesse de Chambrun—a woman who still possessed "an extraordinarily secure place in [his] heart"[286]—at the Ritz Hotel in New York around this time, Altschul "pleaded with her . . . and asked her whether she did not realize that, no matter which way events turned, if her father did not change his course, he was sure to be shot." Years later, he recounted: "I will never forget her reply. 'I know that as well as you do,' she said with tears in her eyes, 'but he is a great French patriot and he is doing what he thinks is right.'" In the upshot, this friendship was destroyed for

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[281] Altschul to Wolfers, August 13, 1940, File 801 Yale University-Pierson College, Organizations File, Altschul Papes.
[282] Altschul to Wolfers, August 30, 1940, File 801 Yale University-Pierson College, Organizations File, Altschul Papers.
[283] Altschul to Philippe Franchomme, August 5, 1941, File Germaine and Philippe Franchomme, General Correspondence, Altschul Papers.
[284][284] Altschul to Philippe Franchomme, September 10, 1941, Altschul to Germaine Franchomme, October 27, 1941, File Germaine and Philippe Franchomme, General Correspondence, Altschul Papers.
[285] Altschul to José de Chambrun, October 18, 1940, File René and José de Chambrun, General Correspondence, Altschul Papers.
[286] Altschul to José de Chambrun, November 27, 1940, File René and José de Chambrun, General Correspondence, Altschul Papers.

good. Both de Chambruns cast in their lot with Laval and his allies. In 1948, when René de Chambrun sought to renew their old friendship, claiming that neither he nor his wife had genuinely collaborated with the Nazis, Altschul expressed disbelief in all his protestations, and rebuffed these overtures. As he told Chambrun, many of his own friends and associates in France had suffered or even been killed during the war, and his "recollection of the tragedies visited upon men and women very close to me during the period of active collaboration between the Vichy government and the government of Nazi-Germany is so vivid that it, of necessity, creates what I am afraid is an insuperable barrier between us."[287]

The London Lazard partners remained undaunted. As it seemed increasingly likely that France would collapse and Britain be left to face Germany alone, Brand wrote a memorandum offering a worst-case scenario of the international situation. This he dispatched both to President Roosevelt and to "one or two leading [American] newspapers." Although the latter decided it would be "inopportune" to publish this document, it sounded themes that Brand would repeat in subsequent speeches in the United States. Brand warned that, once France was defeated, Britain was likely to face the full force of German air power. Even if the British fleet escaped destruction, it was not certain that Britain would be able to continue fighting in such circumstances, since the British people might find themselves starved of food and other necessities of life. Unless the United States extended tangible economic assistance to Britain, it was quite possible that Germany, should it defeat Britain, would then move against Britain's colonial possessions in Africa and Asia. With all Europe's resources at its command, Germany would be able to construct a fleet that would control the eastern Atlantic and much of the Indian ocean, while Japan would reign supreme in much of the western Pacific, taking control of many former European colonies there. Australia and New Zealand would be threatened by Japan, while the non-self governing colonies of Indochina, the Dutch East Indies, Burma, Malaya, Hong Kong, Singapore, and India, were all likely to come under Japanese rule. Once Germany took control of most of Africa, it would also be in a position to exert pressure throughout South America, threatening American dominance of the Western Hemisphere. Unless the United States intervened, "[t]hese vast transferences of political power throughout the world, quite unparalleled in history, would take place with the greatest and strongest power of all hiding, so to speak, under the bed-clothes." He offered the United States "an opportunity to share in the burdens of the Empire such as it is," to join in preventing a German or Japanese takeover of the "non-self-governing" British empire. While suggesting that the United States was being willfully blind in ignoring its own interests, Brand admitted that his own country had for many years been equally "short-sighted," for which it was now paying the price. Finally, he also predicted that the British would show themselves "indomitable," and that in the unlikely event Britain itself should be defeated, the remainder of the "self-governing countries of the British Empire" would "never cease to resist Germany or any other aggressor nation. Even without

[287] Altschul to René de Chambrun, March 9, 1948, de Chambrun to Altschul, March 8, 1948, File René and José de Chambrun, General Correspondence, Altschul Papers.

England defeated and even without the help of the United States, they would give a good account of themselves."[288]

Others among the Lazard partners were equally undaunted. Writing to Altschul just afterwards, Brand's nephew Thomas ascribed France's collapse not just to superior German armaments, but to the fact that many French politicians and generals always believed a "deal" with Germany would be possible, and therefore failed to prepare adequately for the war in the previous nine months. In what was almost a clarion call, Brand gave Altschul his own interpretation of the war in sweeping terms, describing it as "a religious war & not a national one," which would demand "more fortitude & ruthlessness (in spirit) than the war of 1914/18." In stirring terms, the younger Brand proclaimed:

> Revolutionary things have got to happen here if we are to defeat these brutes (I don't mean chopping heads off) & the people must be made to see that they are fighting for more than their existence. It is no longer a question of that, if it was, here again we might say, lets [sic] call it off. We are not even fighting for Christianity although we may be fighting for the last principle of Christianity or any other living religion. We are fighting for our souls, self respect or any word which implies the knowledge of good & evil.
>
> I know there are plenty of things which are not "good" here and I am far too cynical to believe that the fire we shall go through is going to take out the dross. But the test will be not the bravery of our soldiers & the armour of our tanks but the willingness to face whatever the Germans may do to individuals (maybe men maybe inhabitants of occupied territory of all sexes) in the faith that their sufferings are a <u>necessary</u> sacrifice to any principles we may have. . . .

Brand told Altschul that it was essential that the media should boost and inspire popular morale, and concluded: "Well. Them's my sentiments & I hope I don't have to live up to them but if you don't come into this war, Gold help you! Not that I believe these fantasies of a German attack on the U.S.A. but because you can never lift your heads again if you don't."[289]

Replying to Brand, Altschul expressed his sympathy with this viewpoint, but warned that the great majority of Americans would not favor entering the war against Germany unless they could perceive a clear threat to American "vital interests or national security." Although Altschul himself "happen[ed] to be one of those who feel today that our interests are so clearly threatened that we should draw the logical conclusion and enter the conflict on your side," he recognized that many millions of Americans did not see this so clearly. This, he warned, was one of the features and weaknesses of democracy, and "part of the price we pay for our so-called liberties." Neither Britain nor France, he felt, given that "moral considerations" appeared to have played no

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[288] Brand, "The United States & the British Empire," June 10, 1940, File 196, Brand Papers.
[289] Brand to Altschul, June 28, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.

role in their own decisions for war, was in any position to criticize American sluggishness in responding to Germany. Altschul even told Brand that:

> One of the appalling features in recent years has been that all of us have witnessed a recrudescence of barbarism in Central Europe of a character not seen since the days of Torquemada; and yet the protest on purely moral grounds was relatively, or so it seems to me, slight. We seem to have lost our normal sense of human indignation.[290]

By the time Altschul had received Brand's letter, in early July 1940, the Overbrook Press reprinted several thousand copies of a *Round Table* article, "The Issue," presenting the British case on the war, which Altschul distributed to numerous assorted influential Americans.[291] This pamphlet depicted the war in much the same way Brand had done. Far from simply presenting the conflict in strategic terms, this article proclaimed that "two views of life are struggling for the control of the future. . . . This is one of the rare wars in history when the stake is not merely national or imperial power, but the future development of mankind." If Britain lost, not only would it "cease to be a Great Power . . . . [b]ut our downfall will be only part of a worldwide tragedy. A new ideal will determine the future development of Europe and of much, if not all, beyond Europe—for how many centuries who can tell?" Nazism was not merely a movement that believed all other peoples were inferior, and that "reject[ed] every idea of inter-state morality." It sought to impose authoritarian government, concentrating all power in the hands of a leader, with "no checks, no counterweight, no opposition." Rival political parties, the church, trade unions, education, intellectual life, and the media, were all to be destroyed or made mere adjuncts to the power of the ruling state. Germany sought to impose this system of government on all the countries it conquered. Britain, by contrast, represented certain ideals, justice and liberty, mercy and truth, and liberal democracy, values which, however flawed in practice, were those of human civilization. Defending this cause would take not just "our full military and economic strength," but also a commitment to these ideals that would inspire the morale of those fighting. Seeking to prevent future wars, the article concluded: "We have two aims: to win the war and to win the after-war." It envisaged "the foundation of a new order in which Germany resumes her place in European civilisation." The *Round Table* believed that: "The ground on which we might combine is the belief in the unity of human civilisation and an attempt to achieve in it more justice, mercy, truth and liberty." Challenging its readers to address this , the article asked: "Can we rise to the view that the task of a people is not merely to secure itself in peace and comfort, but to bring into the world more justice, more truth, more opportunity for all men, whatever the difficulties and disappointments?"[292]

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[290] Altschul to Thomas H. Brand, July 23, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.

[291] Altschul to Dorothy Thompson, July 15, 1940, File 208, Dorothy Thompson, Catalogued Correspondence, Altschul Papers; Brand to Altschul, March 15, July 9, 1940, Altschul to Brand, April 3, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.

[292] "The Issue," *The Round Table* 30:118 (March 1940), 253-275.

Writing in April to thank Robert Brand for sending him a copy of this piece in pamphlet form, Altschul described it as "an excellent statement of the real issues in this war."[293] By the time Robert Brand received a copy of the Overbrook version, in July 1940, Britain was waiting to bear the full brunt of German attack. Brand expressed confidence that the British would continue fighting to the bitter end. He also told Altschul that he could "see no sign that your people [the Americans] intend to fight at all."[294] In what was becoming a constant theme of his correspondence, Altschul told his partner that the United States was "now in the midst of an election campaign," and that "either candidate who dares to tell the country courageously something of the true nature of the problem confronting us, will make himself a probable victim of his opponent's attack." He himself believed that "a British defeat" would expose the United States to "the greatest peril" from Germany, and that "this possibility is of such a nature that we would be justified, purely in the interest of our own security and unprepared as we are today, in casting in our lot with you." Once the November presidential elections were past, however, he expected that, provided Britain could hold on against Germany, "with evidence of [British] continuing resistance" to "convince" Americans "that with the fall of France they had given up the war too soon," there would be an enormous change in the political climate in favor of greater aid to Britain.[295] With the Battle of Britain raging in the air, Brand told Altschul that, since Britain was "left now entirely alone in the world, our strength must necessarily be strained to the uttermost. But you can be assured that we shall give a good account of ourselves." Popular morale, he affirmed, was strong. He nonetheless expected that Britain still had "hard blows to face." Sadly, he regretted the collapse of France, something he ascribed in part to the British government's failure for many years in the 1930s to heed his advice that major rearmament was needed, since "they could only hope that France would hold out if they had a much bigger army to throw into France immediately at the outbreak of war."[296]

As the German Blitz rained down bombs on London in September 1940, Altschul heard again from Thomas Brand, by then working in Whitehall on the staff of the Anglo-French Coordinating Committee. Altschul's partner described visiting Wye in the country for a week, and returning as the Blitz began to London "in the middle of the night to find the docks ablaze and the whole sky blood red and bombs dropping and the fire engines clanging." While admitting that "these are rather horrid days, Brand told Altschul: "London really is behaving well. It just is not all newspaper boasting. They are a remarkable people and I feel ridiculously proud of them. Everyone looks tired, of course, but so incredibly calm, and their disturbed lives are rearranged to new conditions so quietly and competently." In a display of stoic faith, the beleaguered British banker proclaimed: "I think I still believe in victory. In fact, I know I do. I

[293] Altschul to Brand, April 3, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.
[294] Brand to Altschul, July 9, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.
[295] Altschul to Brand, July 23, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.
[296] Brand to Altschul, August 12, 1940, File Robert H. Brand, General Correspondence, Altschul Papers.

am terribly keen to survive to build the brave world of the future. God knows what our chances are—slender, I think at night but the daily return of light never fails to cheer me up again."[297]

The network of British connections with whom Altschul was working to assist Britain included not just his Lazard Brothers partners, but also his brother-in-law, Arthur Goodhart, who settled in Britain after World War I, and married a British woman. After studying and teaching at Cambridge, he became the Professor of Jurisprudence at University College, Oxford, in 1930. During the 1930s Goodhart developed a close friendship with the vehemently pro-British Harvard Law School Professor Felix Frankfurter, when the latter spent one year in Oxford on a prestigious visiting appointment.[298] Ever since he had helped to finance Frankfurter's unsuccessful campaign during the 1920s to reverse the verdict in the Sacco-Vanzetti case, Altschul had been on good terms with Frankfurter, whom Roosevelt appointed a Supreme Court Justice at the beginning of 1939. The staunchly pro-Allied Frankfurter also had Roosevelt's ear, and a talent for political maneuvering. During the New Deal years, he had placed many of his former students in domestic policymaking positions within the Roosevelt administration. As war approached, he was equally active in recruiting strongly pro-Allied officials who would to steer the United States in the direction of intervention in the conflict. Behind the scenes, in 1940 he was instrumental in engineering the inclusion of likeminded pro-British Republicans to the Roosevelt administration. Notable among these appointments were those of the former Republican secretary of State Henry L. Stimson as secretary of war, and the publisher Frank Knox, the Republican vice-presidential candidate in 1936, as secretary of the navy. Frankfurter was also responsible for numerous mid-level appointments in the national security bureaucracy, such as that of the lawyer John J. McCloy as assistant secretary of war.[299]

On the outbreak of war, Goodhart wrote a lengthy letter from Oxford to Frankfurter, announcing:

> The war began this morning at 11 o'clock so we are in for a bitter time. Fortunately there isn't a single man here who isn't convinced that (1) it was necessary to fight, and (2) that the Nazis will be smashed. This war won't destroy civilization,--it will make it possible. I have always felt that great harm has been done by that misleading phrase "War never settles anything." This war will settle whether a gang of blood-thirsty gangsters shall rule

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[297] Thomas Brand to Altschul, September 29, 1940, File European Situation, Altschul Overbrook Papers.
[298] See File Felix Frankfurter, File 2885, Goodhart Papers; File Arthur L. Goodhart, Box 59, Felix Frankfurter Papers, Manuscripts Division, Library of Congress, Washington, DC.
[299] On Frankfurter, see Joseph P. Lash, ed., *From the Diaries of Felix Frankfurter* (New York: Norton, 1975); Leonard Baker, *Brandeis and Frankfurter: A Dual Biography* (New York: Harper and Row, 1984); Harlan B. Phillips, ed., *Felix Frankfurter Reminisces* (Westport, CT: Greenwood Press, 1960); Bruce Allen Murphy, *The Brandeis/Frankfurter Connection: The Secret Political Activities of Two Supreme Court Justices* (New York: Oxford University Press, 1982); Michael E. Parrish, *Felix Frankfurter and His Times* (New York: Free Press, 1982); and Max Freedman, ed., *Roosevelt and Frankfurter: Their Correspondence, 1928-1945* (Boston: Little, Brown, 1968).

> Europe,--and probably the world,--or whether we can live decent, orderly lives in the future.[300]

A few weeks later, after Germany and Russia had conquered and divided Poland, Goodhart was still relatively optimistic that the war would soon be over, telling Frankfurter that he believed "an 'accident' will happen to Hitler in the spring," after which the Allies would "make a fair peace with Germany." Goodhart was less disturbed than some commentators by the relatively calm atmosphere that prevailed in Britain during the war's early months, telling Frankfurter he found it "remarkable how little vindictive feeling there is in this country against the Germans,--I think that is one reason why foreigners find it difficult to realize how determined England is to win the war."[301]

Once war began, Goodhart himself functioned in several respects as an intermediary and channel between the British and American elites and publics, as he did all in his power to encourage and facilitate American economic and military assistance to Britain. In mid-November 1939, Goodhart applauded the amendment to the US Neutrality Act that permitted the Allies to buy war supplies in the United States on a cash-and-carry basis. He also had fulsome praise for Roosevelt, who was, he told Frankfurter, "universally recognized as the world's leading statesman. . . . When the time for a peace move comes, he will be the man to make it." Rather prematurely, he told Frankfurter of the "great interest" in Oxford "in plans for the post-war world," proclaiming: "It is so clear that the Allies will win, that, from the intellectual standpoint, the chief interest is centered in the later problems." He told Frankfurter of early discussions of schemes popular at that time calling for Federal Union among the states of Europe, ideas that Goodhart himself felt were "not quite practical," and inquired: "Have you any ideas on a post-war Europe? It is an almost insoluble problem . . . a federation on the lines of the United States seems to me too radical an idea."[302]

In spring 1940 the lightning German offensive across most of Western Europe, which brought defeat and German occupation to Denmark, Norway, the Low Countries, and much of France, proved such speculations were decidedly premature. By February 1940 Goodhart had joined and by late 1940 had become an Honorary Chairman of the CDAAA's Americans-in-Britain Outpost.[303] The organization hosted gatherings of American journalists in Britain, many of them strongly pro-Allied.[304] It also cooperated with visiting representatives of the slightly more hard-line interventionist Fight for Freedom organization.[305] In late April 1940, Goodhart apparently advised the British Broadcasting Corporation (BBC) how best to publicize among

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[300] Goodhart to Frankfurter, September 3, 1939, Box 59, Frankfurter Papers.
[301] Goodhart to Frankfurter, October 12, 1939, Box 59, Frankfurter Papers.
[302] Goodhart to Frankfurter, November 13, 1939, Box 59, Frankfurter Papers.
[303] Helen Perkins Gauntlett to Goodhart, December 11, 19, 1940, File 2827, GP.
[304] See Cull, *Selling War*; Cloud and Olson, *The Murrow Boys*; Cloud, *Citizens of London*.
[305] Rose M. Chayes to Goodhart, June 6, 1941, File 2828, GP.

Americans the activities of those European countries allied against Hitler.[306] Seeking to encourage American fervor against Germany, he apparently advocated reprinting the First World War *German War Book*, a British propaganda version of a captured German war manual originally published in 1915.[307] In October 1940 Goodhart also wrote to leading American newspapers favouring a third presidential term for the pro-Allied Roosevelt, winning rebukes from Americans who disagreed with his politics.[308]

From summer 1940, Goodhart coordinated collaborative efforts involving the British government and the American Outpost to deflect demands from prominent Americans, notably former President Herbert Hoover, that the British should allow imported foodstuffs to enter occupied Europe, to feed the civilian population.[309] In August 1940 Goodhart wrote to *The Times*, arguing that under international law the British should state they were ready to drop the blockade on sending foodstuffs to Europe if Hitler evacuated the occupied countries.[310] The forewarned American Outpost quickly took up and publicized this suggestion.[311] Numerous influential Britons welcomed this letter, which was reprinted on the editorial page of the *New York Times* and circulated throughout the United States by the British Ministry of Information and Ministry of Economic Warfare and the CDAAA. [312] Goodhart followed up with articles published in *The Spectator* and the *Fortnightly Review*, recounting the treatment of similar issues in the previous war, later published as a pamphlet. Hugh Dalton, Minister of Economic Warfare, who consulted Goodhart on how to organize Anglo-American contacts most effectively, thought sufficiently highly of the latter to circulate it to the British cabinet.[313] Doggedly pursuing the blockaded foodstuffs issue, in October 1940 Goodhart sought evidence from British officials that when such supplies were sent to unoccupied France, they ended up in occupied France.[314] He

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[306] Sir Richard Maconachie to Goodhart, May 6, 1940, File 2827, GP.

[307] J. H. Morgan to Goodhart, November 28, 1940, File 2827, GP.

[308] Robert Devereux to Goodhart, October 13, 1940, C. E. Whitehouse to Goodhart, October 13, 1940, Axel B. Gravem to Goodhart, October 14, 1940, W. F. Kennedy to Goodhart, October 15, 1940, File 2827, Goodhart Papers.

[309] Bruce H. Davis to Goodhart, February 10, 1940, Madeline Miller to Goodhart, January 18, 1941 (misdated 1940) and enclosure, File 2827, GP.

[310] "Foodstuffs for Europe: The British Case," *The Times*, August 8, 1940.

[311] Lois M. Clark to Goodhart, August 7, 1940, File 2827, Goodhart Papers.

[312] Salter to Goodhart, August 8, 1940, Goodhart to Salter, August 10, 1940, assorted congratulatory letters, Denis W. Brogan to Goodhart, August 9, 1940, unidentified correspondent to Goodhart, August 9, 1940, Noel Hall to Goodhart, August 12, September 6, 17, 1940, Americans in Britain Outpost to Goodhart, August 12, 1940, File 2827, Goodhart Papers; Goodhart, "Hitler Should Feed Victims," *New York Times*, August 9, 1940.

[313] Goodhart, "The Problems of Food Relief," *Fortnightly Review*, October 1940, File 3043, Goodhart Papers; Hugh Dalton to Goodhart, October 10, 1940, File 2827, Goodhart Papers.

[314] Harry V. Hodson to Goodhart, October 31, November 4, 1940, File 2827, Goodhart Papers.

produced articles backing the British food relief position for both *The Round Table* and the CDAAA, and in spring 1941 also spoke by radio to the United States on the subject.[315]

By late 1940 the British financial situation was increasingly critical in terms of dollar exchange, the funds the British needed to purchase war supplies in the United States, something the British ambassador, Brand's long-time friend and *Round Table* associate Lord Lothian (Philip Kerr) made clear to the press when he returned in late November from a visit to Britain.[316] He made this statement on the advice of Brand, who discussed the situation with Lothian when the latter was in London, "and thoroughly endorsed the importance of his saying all this at whatever cost."[317] Goodhart, too, helped to lay the groundwork for what would become the American Lend-Lease program of aid to Britain and other countries fighting in what were seen as American interests. On November 20 Goodhart sent a British official and close friend a memorandum that apparently envisaged massive American loans to Britain and Europe, and "that any political settlement [Britain] made would permit & encourage U.S.A. to have a financial dictator in each Continental capital in return for lending money."[318] At the end of November Goodhart circulated a further memorandum to two Oxford colleagues, Sir Arthur Salter, a fellow of All Souls College who joined the inter-Allied shipping bureaucracy in both world wars, and William H. Beveridge, the master of University College, seconded to the British Ministry of Labour. He suggested that, to avoid lending money abroad, the United States should provide Britain with ships and aircraft for the war's duration, and Britain would pledge to return an equivalent amount of shipping tonnage and aircraft five years after the war ended. "My own preference," Goodhart stated, "would be in favour of having the United States give all aid freely and for nothing but I have some doubt whether this is politically possible at the present time."[319] Both Salter and Beveridge likewise believed that ideally, since, in Salter's words, "we are fighting in what is essentially a common cause, the weapons should be given us," but could only hope that American officials would ultimately concur.[320] Across the Atlantic, Altschul's brother-in-law and Goodhart's uncle Herbert Lehman likewise campaigned vigorously for Lend Lease.[321] In spring 1941, with the U.S. Congress reaching the final stages of passing the Lend-

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[315] David Bowes Lyon to Goodhart, November 12, 1940, Madeline Miller to Goodhart, November 14, 28, 1940, File 2827, Goodhart Papers; [Goodhart], "The Problem of Food Shortage in Europe," *The Round Table* 31:121 (December 1940), 70-91; Goodhart, "Democracy Marches," March 26/27, 1941, File 3048, Goodhart Papers.

[316] On Lothian's impromptu remarks on the subject in a press conference, see David Reynolds, *Lord Lothian and Anglo-American Relations, 1939-1940* (Philadelphia, PA: Transactions of the American Philosophical Society, 1983), 48-56**;** and J. Simon Rofe, "Lord Lothian's Ambassadorship in Washington August 1939-December 1940," in *Lord Lothian and Anglo-American Relations, 1900-1940* (Dordrecht: Republic of Letters Press, 2010), 160-161.

[317] Brand to Lord Altrincham, January 28, 1946, File 197, Brand Papers.

[318] "Freddie" to Goodhart, November 21, 1940, File 2827, Goodhart Papers.

[319] Goodhart to Salter, November 30, 1940, File 2827, Goodhart Papers.

[320] Salter to Goodhart, December 12, 1940, Beveridge to Goodhart, December 12, 1940, File 2827, Goodhart Papers.

[321] Lehman to Goodhart, February 22, 1941, File 3101, Goodhart Papers.

Lease Bill, Goodhart made two BBC radio broadcasts, cleared with the Ministry of Economic Warfare, explaining American legislative procedures and the purpose of the Lend-Lease bill.[322]

As 1940 ended Goodhart worked closely with British officials, including Salter, the Ministry of Economic Warfare's David Bowes Lyon and Noel Hall, and Robert Vansittart of the Foreign Office, to tailor, refine, and enhance the effectiveness of British wartime propaganda directed at American audiences.[323] Brendan Bracken, British premier Winston Churchill's close adviser, also sought to meet and consult Goodhart, as well as the political economist John Maynard Keynes.[324] Goodhart produced a pamphlet condemning German methods of warfare, particularly reprisal bombing, as contravening international law. By mid-January 1941 more than 20,000 copies had been distributed, and it was subsequently translated into French.[325] He advised the Ministry of Economic Warfare on the text of a pamphlet describing difficulties encountered in providing relief to occupied Belgium during World War I.[326] In Grosvenor Square, American embassy staff likewise frequently consulted Goodhart. When they first arrived in late 1940, James Somerville, first secretary for economic warfare, and another colleague even stayed with the Goodharts.[327] Soon afterwards, Somerville sought Goodhart's advice on persuading his own superiors in the Embassy and State Department "to give more attention than we are able to do now to economic developments."[328] Somerville praised Goodhart's radio broadcasts and invited him to meet Roosevelt's confidential adviser, Benjamin Cohen, who was visiting London.[329]

Goodhart also spoke out publicly on the issues he believed were at stake in the war. In May and June 1941 he visited the United States, in part to see his three sons, William, Philip, and Charles, whom their parents had sent over to the United States in 1940, where they remained based with the Altschuls for several years.[330] One purpose of his visit was to speak at the two hundred and

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[322] Goodhart, "Lease and Lend Bill," March 1941, "The United States and the War," April 17, 1941, File 3048, Goodhart Papers; Peter Pooley to Goodhart, February 28, 1941, Bowes Lyon to Goodhart, March 18, 1941, Stephen Tallent to Goodhart, March 28, 1941, File 2828, Goodhart Papers.

[323] Bowes Lyon to Goodhart, December 17, 1940, Robert Vansittart to Goodhart, December 18, 1940, Hall to Goodhart, December 26, 1940, File 2827, Goodhart Papers; Vansittart to Goodhart, February 4, 1941, File 2828, Goodhart Papers.

[324] Illegible signature to Goodhart, March 7, 1941, File 2828, Goodhart Papers.

[325] Arthur Lehman Goodhart, *What Acts of War Are Justifiable* (Oxford: Clarendon Press, 1940); Hall to Goodhart, December 26, 1940, Salter to Goodhart, December 31, 1940, A. W. Zulueta to Goodhart, December 26, 1940, File 2827, Goodhart Papers; A. P. Norrington to Goodhart, January 16, 1941, File 2828, Goodhart Papers.

[326] A. E. Mason to Goodhart, February 9, 18, 1941, File 2828, Goodhart Papers.

[327] James Somerville to Goodhart, December 12, 1940, File 2827, Goodhart Papers.

[328] Somerville to Goodhart, April 1, 1941, File 2828, Goodhart Papers.

[329] Somerville to Goodhart, April 3, 1941, File 2828, Goodhart Papers.

[330] Cecily Goodhart to Margaret Altschul, n.d. [September 1939], Arthur Goodhart to Altschul, September 27, 1939, Cecily Goodhart to Helen Altschul, December 7, 1940, File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.

fiftieth anniversary of the founding of the New York Supreme Court, an occasion on which he stressed the close links between the British and American common law. The occasion, attended by Governor Herbert Lehman of New York, Goodhart's uncle, and leading British and American lawyers, including Sir Wilfrid Greene, Master of the Rolls in the British Chancery Court, offered an opportunity for supporters of the Allied cause to rally together in urging Americans to unite in opposition to lawless European dictators, Hitler and Mussolini, and they threat they presented to all the principles of democracy and freedom this legal heritage represented. The Altschuls attended this occasion and entertained Greene at Overbrook Farm.[331] Goodhart also delivered various semi-public speeches, including an address in New York to the faculty of Columbia Law School and various strongly pro-Allied New York figures.[332] At the beginning of June he and Sir Wilfrid Greene were among the guests at a dinner President Nicholas Murray Butler of Columbia University held in honor of Lord Halifax, the British ambassador, who was about to receive an honorary degree from that institution.[333] Later that month Goodhart and Greene, whose visits to the United States the British government had facilitated, both received honorary degrees from Wesleyan University, in Middletown, Connecticut.[334] While in the United States Goodhart met with such strong pro-Allied partisans as Laurence H. Eldredge, a Philadelphia lawyer who shortly afterwards became chairman of that city's branches of Fight for Freedom and the Committee to Defend America by Aiding the Allies.[335] In Chicago, one of the strongholds of isolationism, Goodhart addressed the Chicago Bar Association, to whom he unhesitatingly made the case that American self-interest demanded that the United States assist Britain, affirming:

> If Germany wins, there will be a Nazi dominated Europe of 300,000 people armed to the teeth. South America, which is now hanging in the balance, will certainly go Fascist. And to the West lies Japan. Even if the dictators should decide not to attack us we should have to spend most of our wealth in building up huge armaments and in keeping our young men in camps. We and our children would be living under the kind of fear which destroyed the spirit of France during the past ten years. Our democracy would crumble under this fear, and we might get a new leadership—a leadership based on the Nazi model.
>
> On the other hand if England wins, the domination of the world will lie in the hands of the freedom-loving peoples of the world. Because we failed to make a better world in 1919 this does not mean that we cannot profit from our mistakes today. We shall be able

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[331] "Court Fete to Mark British-U.S. Law Ties," *New York Times*, May 5, 1941; "Hail State Court, 250 Years Old," *New York Times*, May 29, 1941; "Address by the Master of the Rolls to the American Law Institute," May 8, 1941, Greene to Altschul, August 4, 1941, File Gr-Gre, General Correspondence, Altschul Papers.
[332] "Dr. N. M. Butler is Host," *New York Times*, May 17, 1941; Goodhart, "Courage Defends Liberty," *Chicago Bar Record*, July 1941, File 3043, Goodhart Papers.
[333] "Dr. Butler Host to Lord Halifax," *New York Times*, June 3, 1941.
[334] "McLevy, Socialist, Gets Degree from Wesleyan for his Work," *New York Times*, June 16, 1941.
[335] Laurence H. Eldredge to Goodhart, October 7, 1941, File 2828, Goodhart Papers.

> to return to the works of peace, and we shall enter into a period of moral and economic advance which has never been known before in the history of the world.
>
> The answer to these questions lies with America. If American help should cease tomorrow, then England would be left fighting a hopeless war. She would go down fighting, but she would go down. On the other hand if the United States puts all her resources back of England then the Nazis must lose in one or two years.[336]

In a speech delivered at Yale University and subsequently reprinted in the *Yale Alumni Magazine*, Goodhart rebuked those who claimed that war never settled everything, and affirmed that the United States was deeply concerned in the outcome of the war in Europe. Stating that the present conflict was "a war which will settle whether Europe is to return to the barbarism of the Middle Ages, untempered this time by the beneficent influence of the church, or whether Europe is to advance to a future which is more promising than has ever been any period in human history." He told Americans:

> This war will also settle certain fundamental questions for this country which we cannot escape whether we enter the war or not. It will settle the question whether we can return to the peace and industry of the past, which, in spite of the defects which we now recognize, marked the greatest advance in civilization which any country had ever made in so short a time, or whether this country will have to be turned into an armed camp for generations to come, threatened by enemies on all sides and weakened by dissensions within. If England wins, then we can close our army camps and our young men can return to the work for which they have been trained at the universities, but if Germany wins then we shall have to devote all our energy and all our man power to the sterile works of war. To say that this war will not settle anything is to ignore the most important fact which this country has had to face since 1861.[337]

In August 1941 the *Atlantic Monthly*, a widely circulated American magazine, published an article, "Out of House and Home," by Goodhart's wife Cecily, describing how the ethnically mixed people of Stepney in the East End of London stoically and patiently endured German bombing, a piece that won praise from diplomats in the British embassy in Washington.[338] With her children on the other side of the Atlantic, in the care of the Altschuls, she spent several months in London as the blitz continued, spending five days a week working in a social service bureau in Whitechapel, doing what she could to advise and assist those living in the areas worst hit by German bombing. To the Altschuls, she vividly described the plight of the working class residents:

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[336] Goodhart, "Courage Defends Liberty," *Chicago Bar Record*, July 1941, File 3043, Goodhart Papers.
[337] Goodhart, undated speech, included in Allen Buck to Goodhart, June 19, 1941, File 2828, Goodhart Papers.
[338] Cecily Carter Goodhart, "Out of House and Home," *Atlantic Monthly* 168:2 (August 1941), 223-227; John ? to Goodhart, October 20, 1941, File 2828, Goodhart Papers.

> They sleep at night in the shelters and come back by day to wet and cold houses with the rain coming through broken windows and leaking ceilings and rotting their furniture. For every house demolished by a bomb there are six or eight blasted—which means the windows gone and holes in the roof but the people have to hang on in them. They are very uncomplaining, how they stick it I don't know. Some of them have been bombed out three or four times from different places.

She had not yet toured the bomb shelters, but would do so in the near future. "They vary much I believe," she told the Altschuls, "some very good with first aid posts and classes—and others beyond description." While in London, Cecily Goodhart herself was by contrast housed in considerable luxury in the exclusive Dorchester hotel, of which she gave a vivid description:

> At night I come back here and live in great comfort. This hotel is very queer and the strangest mixture of people. There are quite a number of very respectable peers and members of the government, such as Lord Halifax, who live here, have their meals upstairs mostly and aren't seen much. Then there is a large and motley crowd of toughs such as the Duff Coopers and so on who wander about downstairs. The men look like cads and the woman all look hardboiled, as if they had been boiled for years in whiskey and gin. There isn't an inch of space anywhere and not a room to be had. I don't know anyone here personally, and I have my dinner in bed every night because I get so terribly tired. I only go downstairs when I have a day off.

With British understatement, Arthur Goodhart's wife played down the continuing air raids, which had, she claimed, "been nothing for the last three or four weeks."

> One night soon after I came they had what was supposed to be the worst raid of the blitz. One heard the bombs coming down with first a long whistle and then a crash for about four or five hours pretty continuously but we had nothing very near here. The nearest was two or three hundred yards away. I imagine it all sounds worse than it is, in the papers—the last few weeks the mess has been tidied up quite a lot and London really looks quite herself. Bombs are much smaller than one would imagine, and do not damage a large area. Land mines do a lot of damage but they don't seem to have used them much lately.

In any case, she imagined her in-laws "must be sick of the subject of bombs."[339]

Returning to Britain, Goodhart publicized his views on the United States in an interview which warned the British not to be overly optimistic as to the prospects of American intervention. He stated that, while British "propaganda" was resented, most Americans sought "information" on the progress of the war, especially since they had now invested considerable sums of Lend-lease

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[339] Cecily Goodhart to Helen Altschul, December 7, 1940, File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.

aid in the conflict. He thought the "great majority" of Americans, in the East, Middle West, and West alike favored "material help to Great Britain," but believed they were more divided on the subject of American intervention of the war, with "80% of the Middle West . . . against it at present," though he believed this view was not firmly held and could easily change, should Germany attack the United States. If Roosevelt were to ask Congress for a declaration of war, "he would undoubtedly be defeated." He also felt that most Americans had little interest in grandiose post-war schemes for international federation. Goodhart thought "the most encouraging sign for the future" was "that a real affection is developing for England in the United States." In the past, by contrast, he believed that Americans had "always admired the British, but they haven't always liked them. They have felt that they were too cold." The best propaganda move, in Goodhart's view, would be for Britain to send across the Atlantic "Englishmen who can give the impression that they feel at home in America."[340]

Goodhart had no qualms in suggesting the removal of one English aristocrat who had rather alienated many Americans. Lord Halifax, who became British ambassador to the United States in early 1941, after the death of Lord Lothian, initially had a shaky start, and within a few months speculation was rife that he would vacate his post. Responding to this, on his return to Britain Goodhart discussed with Churchill's close friend Brendan Bracken, who became Minister of Information in July 1941, putting forward the claims of the Liberal politician Walter Monckton, then Director General of the Ministry of Information. Halifax retained his post in Washington until the end of the war, so these efforts were redundant; the fact, however, that Goodhart was in a position to offer such advice to top British politicians was evidence of the degree to which Altschul's brother-in-law had won himself a respected place within the British elite.[341]

Goodhart's efforts to boost Anglo-American relations continued tirelessly throughout 1941. In early August he met the American-born Waldorf, Viscount Astor, another leading advocate of close Anglo-American ties, "to talk over . . . [Britain's] long term propaganda in the United States."[342] Seeking to defuse American criticism of British imperialism, especially in India, in August Goodhart also made another BBC radio broadcast to the United States, depicting the British Empire as a fundamentally benign institution that had greatly benefited those under its rule.[343] (One Indian afterwards heatedly challenged his assertion that "none can question the fact that there is not a single mile of the British Empire which is not more prosperous today than it was before it became part of the Empire."[344]) Later that month George H. Hamilton, who had called earlier on Goodhart in company with Carleton Allen, Warden of Rhodes House, hosted a

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[340] Goodhart, draft of interview, 1941, File 3048, Goodhart Papers.
[341] Goodhart to Bracken, July 14, 1941, Bracken to Goodhart, July 21, 1941, File 2828, Goodhart Papers.
[342] Waldorf Astor to Goodhart, August 8, 1941, File 2828, Goodhart Papers.
[343] Goodhart, "The British Empire," August 9, 1941, File 3048, Goodhart Papers.
[344] Dr. M. R. Soni to Goodhart, January 14, 1943, File 2830, Goodhart Papers.

luncheon at the Savoy Hotel for him and fourteen or fifteen other "people interested in Anglo-American relationships."[345] In October 1941 Goodhart was invited to become Vice-Chairman of the Executive Committee of the American Outpost in Britain, on whose Editorial Committee he also served, publishing occasional articles in its newsletter. The Outpost was, its acting secretary proclaimed, an organization for "all of us who have the promotion of Anglo-American understanding and genuine democracy at heart."[346] Goodhart also worked with the 1941 Committee, a British body that arranged "meetings with American friends" on political and social issues, with special emphasis on the role of Anglo-American relations.[347]

Goodhart devoted some thought to postwar planning. Some time before U.S. intervention, he contemplated writing to the London *Times* on two popular views of the German people: "that the majority of Germans are good by nature but have been misled by a small group of evil men labeled Nazis," or alternatively, "that most Germans are inherently brutal and aggressive, and that only a small minority are liberal-minded." Goodhart thought this "dichotomy . . . misleading," as well as "dangerous from the standpoint of post-war planning." The real distinction, he suggested, was between "Germany drunk and Germany sober," continuing: "The overwhelming mass of Germans today are drunk: drunk with the desire for power, drunk with blind adoration for the Führer, drunk with fear, and drunk with prejudice." Only fullscale defeat would counter this outlook.[348] For many in World War II, Goodhart included, memories of the previous conflict with Germany were ever present. In 1941 he drafted another unsent letter to *The Times*, speculating whether in twenty-five years' time Britain would face yet a third challenge from German power.[349] Late in the war, Goodhart suggested that the "only practical method" to prevent this would be "to reduce the German war potential by transferring to other countries the control of those regions where the materials of war are produced."[350]

In radio broadcasts in autumn 1941, Goodhart discussed several books proposing various forms of international federation, including a common Anglo-American citizenship or federation. Cautiously, he warned: "If we attempt to do too much at the beginning, the whole plan may collapse." He thought federation more likely to succeed "if we approach it step by step than if we attempt to create a complete federal State on insecure foundations." Deprecating "[v]ague aspirations" and "[m]ere generalities, however well meant," he stated: "What is needed is a definite, concrete, workable plan. We must all agree that it is desirable that the closest possible relations should exist between the British Empire and the United States both now and in the

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[345] George H. Hamilton to Goodhart, August 25, 1941, File 2828, Goodhart Papers.

[346] Louise Snyder to Goodhart, October 2, 3, 1941, Dorothy Beverley to Goodhart, October 13, 1941, File 2828, Goodhart Papers.

[347] 1941 Committee Circular, November 12, 1941, File 2828, Goodhart Papers.

[348] Goodhart, draft letter to Editor, *The Times*, n.d., File 2832, Goodhart Papers.

[349] Goodhart, letter to Editor, *The Times*, January 23, 1941, File 2828, Goodhart Papers.

[350] Goodhart, "The Situation in Europe in Twenty-Five Years," 1945, File 3049, Goodhart Papers.

future but this does not necessarily mean that they should form a single nation."[351] Addressing a conference on "The British Empire and the United States in the New World Order" organized by the National Peace Council in early November 1941, Goodhart suggested that advocates of "Union Now"—a well-publicized scheme originating with the American journalist and former Rhodes scholar Clarence K. Streit—who urged common citizenship between the British Commonwealth countries and the United States, or transforming the British commonwealth of nations into an English-speaking commonwealth of nations, were probably too ambitious. Instead, he recommended, the "solution lies in strengthening present relations through Committees. Eng[lish] and Americans understand each other. Committees on (1) defence (2) currency (3) shipping[.]" Ideally, he preferred small rather than large committees, possibly including representatives of other countries in the British Empire. In conclusion, Goodhart confessed himself "optimistic" over the prospects for closer Anglo-American relations, "for two reasons (1) aeroplane (2) like each other[.]"[352] In November 1941, Goodhart prepared another broadcast, in which he answered questions on the war submitted by American listeners, reassuring them that Britain was making good use of American supplies, while the British navy and air force were fighting redoubtably. Once again, he preferred joint Anglo-American committees to handle issues that concerned both nations, rather than formal federation, while affirming that the British people believed "the one hope for a decent post-war world is to be found in the friendship and cooperation of our two countries."[353]

Two days after Pearl Harbor, with the United States finally in the war, a friend who had joined the British wartime bureaucracy told Goodhart "how eternally grateful the British Empire should be if it knew, as I know, what you yourself have done for us during the past 2½ years."[354] On the other side of the Atlantic, Frank Altschul made almost equally strenuous efforts to assist Britain. Goodhart and his brother-in-law disagreed on one issue. Whereas Goodhart favored a third term for Roosevelt, Altschul had hitched his wagon to a rising political star, that of Wendell Willkie, an Indiana-born pro-Allied insurance executive, albeit initially a registered Democrat, whom the majority of Republican internationalists sought to nominate in 1940. Willkie had split with the New Deal not over its objectives, but over its arbitrary use of power; he was also a strong supporter of civil liberties. Given the political views he had expressed in 1938, well before the presidential campaign began, Altschul was casting around for a suitable Republican candidate of a domestically liberal and internationally relatively interventionist outlook. In spring 1938 he told the former diplomat William R. Castle, a fellow Republican National Committee member and a close friend of ex-president Herbert Hoover, who was rumored to be seeking the 1940 nomination, that although he personally admired Hoover, considering him "the outstanding

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[351] Quotation from Goodhart, "New Books," September 20, 1941, see also Goodhart, "New Books," September 6, 1941, File 3048, Goodhart Papers.

[352] Goodhart, notes for speech at conference, n.d., File 2828, Goodhart Papers.

[353] Goodhart, draft broadcast, c. November 1941, File 3048, Goodhart Papers.

[354] "Freddie" to Goodhart, December 9, 1941, File 2828, Goodhart Papers.

living Republican," with a long list of excellent qualities and characteristics, he nonetheless had "the distinct impression that at the present time the overwhelming mass of the rank and file in the Party would view his candidacy with something akin to despair." Altschul suggested that at this juncture members of the Republican National Committee should refrain from committing themselves to any specific candidate.[355]

As 1939 began, Altschul—according to one account impelled by Russell Davenport, managing editor of *Fortune*, one of Henry Luce's publications[356]--identified Willkie as a potential Republican candidate who might meet his requirements. In February 1939 Altschul was already inviting him for lunch in the country at Overbrook Farm. At the beginning of March 1939, he urged the well known columnist Dorothy Thompson to write a series of articles on the impending Republican presidential campaign, examining potential candidates and suggesting that Willkie would prove by far the most viable. Altschul sought a Republican nominee who would embody the "Retreat from Moscow" he thought was already "underway" in the United States, one who could be "depend[ed] upon not to interfere with this retreat through any compromises with wildly radical communistic or State socialistic theories." At the same time, he believed the potential and concomitant "'March to Berlin' must be arrested" by a candidate "so passionately devoted to the cause of democracy in a turbulent world that he can be counted upon to make no compromises with a lunatic fringe of Right-wing Republicanism that shows evidence of being willing to sacrifice fundamental American conceptions under the spur of fancied political expediency and foreign financed propaganda." Altschul besought Thompson, after running through the well known Republican politicians likely to contend for the 1940 nomination, to highlight the qualifications of "Mr. X":

> a man who by all counts is not considered politically available. He has never run for elective office. He is identified with big business. He has no political machine. He has no coterie of political bosses who are apt to try to corral delegates for him before the Convention. Yet, it is my considered opinion that if he could be nominated he would sweep the country by storm, and give to the United States of America the kind of a Government that the people of the United States of America really want.

The individual in question was, of course, "WENDELL WILLKIE."[357] By summer 1939 Altschul considered Willkie "absolutely outstanding," and busily raised funds for his campaign while encouraging the dissemination of pamphlets stating Willkie's views.[358] As early as August

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[355] Altschul to William Castle, Jr., April 7, 1938, File William R. Castle, Catalogued Correspondence, Altschul Papers.

[356] Mitchel Levitas, "The Winner Who Lost," *New York Times*, August 18, 1968.

[357] Altschul to Dorothy Thompson, March 3, 1939, File Dorothy Thompson, Catalogued Correspondence, Altschul Papers.

[358] Altschul to Walter S. Hallanan, August 10, 1939, File 34 Walter Hallanan, Political Series, Altschul Papers; Altschul to James H. Douglas, Jr., April 22, 1940, File 23 James H. Douglas, Political Series, Altschul Papers; Altschul to Robert H. Fleming, June 19, 1950, File 82, Wendell Willkie, Political Series, Altschul Papers; Steve Neal, *Dark Horse: A Biography of Wendell Willkie* (Garden City, NY: Doubleday, 1984), 53-54; on Willkie's

1939, Altschul wrote publicly to *The New York Times* supporting Willkie's nomination at the next Republican convention.[359] About the same time he had lunch with Kenneth Simpson, New York's representative on the Republican National Committee, and attempted to persuade him that Willkie would be the ideal Republican candidate in 1940, only to be told that the party could not possibly nominate an insurance executive.[360] Altschul left a vivid account of this or a similar conversation, which he dated to "a luncheon early in '40," telling a researcher from Harvard:

> I told Simpson that I had a candidate for him for the presidential nomination. He asked who my candidate was and I told him, 'Wendell Willkie.' He got up, put his pipe in his mouth, and began walking around the room. He said, 'Frank, you don't understand much about politics, do you?' I admitted that I didn't. He said, 'You can't imagine what would happen if I pulled that line at my Club. I would go in and say to the boys "I have got a candidate for the presidency I want you to get in back of", and they would say "Who's that?", and I would say "Wendell Willkie", and they would say "who the hell is Wendell Willkie?" and I would say, "He is the President of Commonwealth and Southern", and then they would say, "Where does that railroad run", and I would say "Why, that isn't a railroad, it is a public utility", and then they would say "Are you plumb crazy talking about nominating a public utility man for President?"' 'You see, Frank,' he said, 'you don't understand anything about politics.' However, the seed was planted at that luncheon and was one of the factors, undoubtedly, which lead to the split in the New York delegation under the leadership of Simpson, which, if my memory serves me right, was an important element in turning the tide.[361]

As war broke out in Europe, Willkie showed himself anti-Nazi and pro-Allied. In February 1940 Altschul hoped for his nomination, but thought this "contingency [would be] almost too good to be true."[362] Some of his efforts were spent trying to persuade leading Republicans, such as John Hamilton of the Republican National Committee, to adopt a campaign platform endorsing somewhat unspecified "middle of the road" foreign policies that were not "too far out on the isolationist limb," did nothing to prevent "a victory of the English and the French," and would not allow "danger [to] creep up on us unawares."[363] In spring 1940 Altschul lobbied intently among both politicians and the general public for Willkie's nomination, arguing that Willkie, "a

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background, see also Ellsworth Barnard, *Wendell Willkie: Fighter for Freedom* (Marquette: Northern Michigan University Press, 1966).

[359] Altschul to editor, *New York Times*, August 17, 1939, File Letters to Editor, Writings and Speeches File, Altschul Papers.

[360] Altschul to John Wray Kurtz, April 6, 1966, File Kr-Ku, General Correspondence, Altschul Papers.

[361] Altschul to Robert H. Fleming, June 19, 1950, File Wendell L. Willkie, Political Series, Altschul Papers.

[362] Altschul to René de Chambrun, February 5, 1940, File René and José de Chambrun, General Correspondence, Altschul Papers.

[363] Altschul to John Hamilton, May 1, 1940, and enclosed "Suggestion for Foreign Relations Section of Key Note Speech," File John H. Hamilton, Political Series, Altschul Papers.

great leader of men, a man of demonstrated fitness, a man of courage, integrity, wisdom and experience," was the only Republican who had any chance of defeating Roosevelt.[364]

Republican party regulars were not impressed by Willkie, whose candidacy divided internationalists from isolationists and liberals from conservatives within the Republican party, and also represented a cultural split between urban and small-town America. Altschul represented one of the relatively few individuals with substantial political experience in Willkie's entourage. Although Willkie's supporters were a minority within the Republican party, many of them considering themselves independents, they were a passionate and committed minority, particularly on the international situation. They included, for example, such prominent and influential individuals as Henry R. Luce, the proprietor and editor of *Time* magazine, and his wife Clare, and Thomas W. Lamont of J. P. Morgan and Company. Despite strong challenges from Senator Arthur H. Vandenberg of Michigan, Senator Robert A. Taft of Ohio, and Thomas E. Dewey of New York, in June 1940 Willkie's supporters succeeded in swinging the Republican convention that met in Philadelphia over to their candidate. [365] More than twenty-five years later, Altschul recalled that he and fellow Willkie backers had ultimately won over the initially skeptical Simpson, whose "indoctrination" at their hands meant that at Philadelphia he eventually led the New York delegation in a crucial "break" for Willkie. Altschul himself, however, was not there to watch the triumph he had helped to engineer. As the convention proceeded, one of the Philadelphia newspapers carried an article that alleged that he and Thomas W. Lamont of J. P. Morgan & Company were attending in order "to buy the nomination for Wendell Willkie." According to Altschul:

> The same morning Mr. Willkie sent one of his close friends to see me to ask whether under the circumstances I didn't think it would be better if I left town. Whether he sent the same message to Mr. Lamont or not I do not know, but taking the hint I left and listened to the proceedings of the nominating convention in my apartment in New York.[366]

If discreetly veiled on occasion from public view, throughout both the nomination process and the subsequent presidential campaign Altschul advised Willkie constantly on strategy and tactics. On occasion he commented on domestic issues, suggesting means whereby the Republicans could win back the "Negro vote" from the Democrats, whose social reform New Deal policies during the 1930s had been responsible for massive Democratic gains among African Americans during the 1936 election. Altschul urged the Republicans to emphasize that the Democrats were

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[364]See Correspondence in Files 80 and 81, Wendell Willkie 1940, Political Series, Altschul Papers, quotation from Altschul to Horace W. Davis, May 7, 1940, File 80, Wendell Willkie A-L 1940; correspondence in File 47 William S. Howe, Political Series, Altschul Papers; Altschul to William S. Murray, June 8, 1940, File William S. Murray, Political Series, Altschul Papers.

[365] On the Willkie movement, see Charles Peters, *Five Days in Philadelphia: The Amazing "We Want Willkie!" Convention of 1940 and How it Freed FDR to Save the Western World* (New York: PublicAffairs Press, 2005).

[366] Altschul to Kurtz, April 6, 1966, File Kr-Ku, General Correspondence, Altschul Papers.

seeking to exclude African Americans from combat duty in the military, while effectively segregating African American civil service appointees from others, and favoring all-white labor unions.[367] For the most part, however, Altschul turned his efforts to drafting speeches and statements on foreign policy for the candidate which set forth Altschul's own staunchly pro-Allied views.[368] In September 1940 Altschul publicly endorsed the Destroyers for Bases deal, as did Willkie.[369] Altschul suggested that, while supporting the arrangement, he should criticize the manner in which Roosevelt had handled it, an episode which illustrated rather well the difficult path which Willkie was trying to tread, advocating policies similar to those of Roosevelt while suggesting he could implement them more effectively.[370] During the campaign Willkie also spoke out in favor of the Burke-Wadsworth Bill, the hard-fought Selective Service legislation implementing a military draft that the Roosevelt administration introduced in summer 1940. While Willkie's action in doing so infuriated many anti-interventionist Republicans, what he saw as the increasingly anti-interventionist emphasis of Willkie's campaign nonetheless left Altschul somewhat disappointed, feeling "that as the campaign progressed he had allowed the difference of views between himself and the President to more and more develop along the lines that a vote for Willkie was a vote for peace and a vote for Roosevelt was a vote for war." During a two-hour meeting with Willkie soon after his defeat, Altschul warned him of concerns he claimed to have heard from others that Willkie "might make himself the leader of an extremely rightist movement in the Republican party," supported by the "lunatic fringe" and "the over-privileged."[371] He also took considerable exception to complaints by Willkie that the Jewish community had overwhelmingly supported Roosevelt. Altschul himself analyzed the Jewish vote in New York, suggesting that most Jews were voting primarily "according to their economic stratification," and warning Willkie that, in any case, all American voters had the right to support whichever candidate they preferred.[372]

Altschul undoubtedly sought to discourage the erstwhile candidate from making himself a focus of future opposition to Roosevelt's international policies, with which he himself was fundamentally in accord. By late November, a few weeks after Roosevelt's victory, Altschul had become far more optimistic regarding American policy. He told one French friend "that we are emotionally on the side of England in this war, and . . . <u>all</u> our emotions are at present concentrated on the Battle of Britain." In his view, Americans "feel that our future too, as a free people, is intimately bound up with the fate of Britain. We are committed to aid to Britain. I am sorry that this aid is still on such a limited scale; but whatever it is, we feel that aid to Britain . . .

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[367] Altschul to Joseph W. Martin, July 9, 1940, File Joseph W. Martin, Political Series, Altschul Papers.

[368] See correspondence File 79 Wendell Willkie, Political Series, Altschul Papers.

[369] William H. White to Altschul, September 3, 1940, File 5 General Correspondence T-Z, Political File, Altschul Papers; Peters, *Five Days in Philadelphia*, 161-173.

[370] Altschul to Willkie, September 4, 1940, File 79 Wendell Willkie, Political Series, Altschul Papers.

[371] Altschul, "Memorandum of Conversation with Wendell L. Willkie," November 30, 1940, File 79 Wendell Willkie, Political Series, Altschul Papers.

[372] Altschul to Willkie, December 12, 1940, File 79, Wendell Willkie, Political Series, Altschul Papers.

serves our own vital interests." Altschul readily admitted that "[a]ny visitor over here would be likely to get the impression of an America uncertain, disorganized, disunited," but he felt this appearance was deceptive. "In spite of the countless mistakes and the endless delays that unfortunately invariably attend the transformation from a peace-time to a war-time economy, particularly in a democracy, we are moving deliberately in the direction of transforming this country into an immense arsenal adequate to produce for us all necessary implements of defense, and I trust adequate to produce modern instruments of war in sufficient quantities to be of determining aid to Great Britain—and this in time." Recognizing that the United States had still "only barely laid the foundations" of this undertaking, Altschul nonetheless proclaimed that: "In six months' time . . . you will find the situation in this country transformed. Problems which seem insuperable in the early days of such a development will gradually assume less and less importance as we get really underway." "[E]ven though we are starting late," he was "now confident that the enormous industrial capacity of the United States" would be utilized in time to preserve Britain and eventually win the war.[373]

Altschul welcomed the fact that Roosevelt quickly made overtures to his defeated rival. Willkie very soon decided to endorse the president's campaign for further aid to Britain, endorsed the Lend-Lease Act, and in January 1941 was dispatched by Roosevelt as a presidential special envoy to Britain, where he toured the country and met King George VI, prime minister Winston Churchill, and numerous other prominent British political and literary figures.[374] Kindersley hosted a lunch for Willkie at the Savoy, consisting mainly of figures from the world of "big business & finance," including his partners Thomas Brand and Reginald Tyler, as well as several other leading British bankers and industrialists. Geoffrey Dawson, editor of *The Times*, found Willkie "[a]n attractive creature, with his big boyish head & expansive smile." On this occasion the American guest "made a little speech, urging us to keep the flag of free enterprise flying & paying this country many compliments."[375] Hearing that his partner Thomas Brand would be among the British officials who would host the American visitor, Altschul assured Brand that Willkie was likely "to prove a real friend and partisan" of Britain's cause once he returned to the United States, and would greatly accelerate the public momentum for ever-increasing aid to Britain.[376] As Willkie set off on his journey, Altschul wrote him a note, telling the former candidate that he would "have the kind of experience that comes to few men in the course of a lifetime." He expected that "the first hand information" Willkie gathered "will redound to the benefit of the country," and looked forward to working under Willkie's "guidance and

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[373] Altschul to José de Chambrun, November 27, 1940, File René and José de Chambrun, General Correspondence, Altschul Papers.
[374] Neal, *Dark Horse*, 186-209; Barnard, *Wendell Willkie*, 269-294; Peters, *Five Days in Philadelphia*, 179-192.
[375] Dawson, diary, January 29, 1941, Ms Dawson 45/21, Dawson Papers.
[376] Altschul to Thomas Brand, January 28, 1941, File Robert H. Brand, General Correspondence, Altschul Papers.

leadership" on his return. Altschul also applauded Willkie's recent statements on the Destroyers-Bases deal.[377]

Once the 1940 campaign was over, Altschul also sought to mend his fences with the Roosevelt administration. He publicly affirmed his faith in the president and congress, telling one audience: "The question that we will soon have to determine is whether the security and the vital interests of the United States are threatened by the rising tide of Nazi power. It sometimes seems as if subconsciously we had already answered this question in the affirmative. Actions, after all, speak louder than words, and the series of steps taken by the President and the Congress since the outbreak of the European war give ample evidence that the country recognizes a serious menace to its integrity and is preparing to meet it."[378] He was one of numerous interventionists who signed an appeal to the president in late December 1940, requesting further aid to Britain, and was heartened by the president's fighting response in a speech delivered a few days later, which soon developed into the Lend-Lease Act.[379] Altschul also telephoned the vacationing Willkie, urging him to make a public statement supporting the president's position.[380] Sir Robert Kindersley of the British Lazard house emphasized to Altschul the importance of passage of the Lend-Lease Bill in enabling Britain to continue fighting Germany, rather than signing a negotiated peace.[381] Altschul himself strongly supported this bill, telling another correspondent who opposed it:

> From my point of view, the fall of Britain would involve an immediate and continuing threat to our security, and to the integrity of our free institutions, of such a character that I believe the course of prudence, purely from our own point of view, is to do everything that we can to avert such a calamity. I do not feel that by affirmative acts we aggravate the likelihood of a potential threat. Hitler will proceed against us when and if he can regardless of what course of action we follow in the pending conflict, unless we accept his new world order and accommodate ourselves to the theories of totalitarianism.[382]

With the election over, at Christmas 1940 Altschul replied to a cable from his British partner Sir Robert Kindersley expressing total faith in "ultimate British victory" but adding that Britain would "need all the aid" that America could give, stating his own confidence that Roosevelt would now "lead in the direction of informing this country about the nature of the peril to which we are exposed," and would forcefully make the case that "aid to Britain in its essence is no

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[377] Altschul to Willkie, January 21, 1941, File Frank Altschul, Wendell Willkie Papers, Lilly Library, Indiana University, Bloomington, Indiana.

[378] Altschul, speech, no date [1941], Speeches and Writings File, Altschul Papers.

[379] Altschul to James B. Conant and Lewis Douglas, December 13, 1940, Altschul to Roosevelt, December 30, 1940, File 67 Franklin D. Roosevelt, Political Series, Altschul Papers.

[380] Altschul, "Telephone Conversation with Wendell L. Willkie (Hobe Sound, Florida)," December 30, 1940, File 79 Wendell Willkie, Political Series, Altschul Papers.

[381] Kindersley to Altschul, March 26, 1941, File Sir Robert Kindersley, General Correspondence, Altschul Papers.

[382] Altschul to Alan Valentine, February 13, 1941, File Alan Valentine, General Correspondence, Altschul Papers.

more than an expression of a policy of enlightened self-interest." It was at this juncture that Roosevelt was developing what would become the Lend-Lease Program of aid to Britain, in response to a well-publicized appeal by British ambassador Philip Lothian a few weeks earlier, shortly before Lothian's sudden death. Altschul believed that, despite the impact of "twenty years of pacifist and isolationist propaganda," the United States would follow the president's lead in setting the course of much enhanced assistance to Britain. Altschul also reassured Kindersley that American production of war materiel was rapidly improving.[383] His indomitable partner retorted by cable: "We are all 'keeping our tails up on this side of the water, and while no doubt we have got a very difficult year in front of us, the thought of possible defeat never enters our minds, and recent events have done much to strengthen our belief in final victory."[384]

A New Year's letter from Thomas Brand followed shortly, announcing: "The firm is still intact both in its premises & finances & we might have had a much worse year. I think we collected debts from several European countries which we had written off & our Scandinavian position has worked out quite well." In terms of German bombing of British cities, Brand expected "a very hot 6 months starting pretty soon. After that I think our German friends will have passed their peak." Brand told Altschul there was not much the Americans could do to help Britain during this period, except by "seeing that the goods you provide get here with more certainty & that involves a risk which I would not take unless I had made up my mind to come in."[385] Almost simultaneously, as the British and Americans each set up Joint Shipping Boards and Joint Munitions Boards, Thomas Brand asked his uncle, Robert H. Brand: "Are the U.S. public prepared to hand over millions of tons of merchant ships produced in the U.S.A. to us to run? Are their exporters prepared to override the traditional exporters view that position must be maintained in old markets and new markets found." Slightly cynically, the younger Brand concluded: "I suppose it depends upon how far the U.S. become frightened that they may not win." Describing war news as "all thoroughly bad for the moment," Thomas Brand predicted: "In the Far East we can only hang on in the hopes that we can last long enough to give the Japs some bellyaches. If we & the U.S. have lost control of the seas permanently except in the Atlantic & W. Indian Ocean the outlook would be bad." In the long run, however, he did not expect this to happen.[386] In Altschul's view, with the election campaign over and decided, the United States had already experienced "a noticeable and material change in psychology" in favor of Britain. "There is a daily increasing realization that a policy of all aid to Britain exposes us to less risk than we would be exposed to in the totally inadmissible event of a British defeat."[387]

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[383] Altschul to Kindersley, December 27, 1940, File Sir Robert Kindersley, General Correspondence, Altschul Papers.
[384] Kindersley to Altschul, January 7, 1941, File Sir Robert Kindersley, General Correspondence, Altschul Papers.
[385] Thomas H. Brand to Altschul, January 10, 1941, File Thomas H. Brand, General Correspondence, Altschul Papers.
[386] Thomas H. Brand to Brand, January 19, 1941, File 197, Brand Papers.
[387] Altschul to Thomas Brand, January 28, 1941, File Robert H. Brand, General Correspondence, Altschul Papers.

For the rest of 1941 Altschul campaigned determinedly and wrote and spoke publicly in support of Roosevelt's ever more pro-Allied policies. Altschul worked energetically for the passage of the Lend-Lease Bill. In December 1940 he signed an open letter to the president, drafted by James B. Conant, the president of Harvard University, and Lewis W. Douglas on behalf of the Committee to Defend America by Aiding the Allies and signed by numerous elite pro-Allied Americans, endorsing passage of the newly introduced Lend-Lease Bill.[388] When Roosevelt spoke out in favor of the legislation, Altschul wired him, congratulating him on having "again magnificently assumed that leadership in foreign affairs which we have learned to expect from you."[389] In March 1941 Kindersley wrote to Altschul, congratulating him on the accuracy of his "prognostications" of December 1940, that Roosevelt and the United States would now swing strongly in favor of the Allies. "It is impossible," Kindersley told his partner, "for us on this side to exaggerate the importance of the 'Lease and Lend' Bill," stressing how much this measure had boosted British confidence in ultimate victory. Rebutting those who thought that compromise with the Axis powers was possible, Kindersley also proclaimed: "We must go on now until we are completely victorious and they are completely destroyed. . . . This, to my mind, is from this day on the most important fact to keep before the country and before the World, for there is no doubt whatever that at a given moment immense forces will be brought to bear to bring about some sort of compromise."[390] Altschul was in full agreement. Repeating arguments he had propounded earlier, Altschul warned Americans that Germany was a "world-revolutionary" power bent on "world dominion," and that if the Axis powers succeeded in dominating global strategic points and trade routes, "[t]he fate of South America would be sealed" and United States territorial and economic security endangered. "And with the shipyards, the aviation industry, and the armament works of all Europe at the disposal of the Axis powers, with Air and Naval bases throughout the East Atlantic and West Pacific securely in their hands, we must face either capitulation or armed conflict after a brief but uneasy period of apparent peace."[391]

Robert Brand, from late February 1941 based in the United States as head of the British Food Mission, sounded similar themes. Although he readily admitted to "knowing nothing about Food," he was also "what they call a member of the Supply Council of the British Purchasing Commission, which is the head body here, concerned with many important questions of policy on which my advice may be useful." He therefore decided to accept the appointment, the beginning of what would be more than five years during which he was based in the United States, usually in Washington.[392] More than five years later, Wilfrid Eady of the British Treasury recalled talking to Brand about the possibility of his taking the assignment in the

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[388] James B. Conant and Lewis W. Douglas to Altschul, December 23, 1940, Atschul to Conant and Douglas, December 24, 1940, File Franklin D. Roosevelt, Political Series, Altschul Papers.
[389] Altschul to Roosevelt, December 30, 1940, File Franklin D. Roosevelt, Political Series, Altschul Papers.
[390] Kindersley to Altschul, March 26, 1941, File Sir Robert Kindersley, General Correspondence, Altschul Papers.
[391] Altschul, speech to Kiwanis Club, July 2, 1941, Speeches and Writings File, Altschul Papers; also Altschul, undated memorandum, "Most fair-minded men. . . .," File Various Notes and Memoranda re World War II, Speeches and Writings File, Altschul Papers.
[392] Brand to Nancy Astor, March 13, 1941, File 1416/1/3/14, Nancy Astor Papers.

United States. Brand, Eady had believed at the time, was the only individual he knew who met "the two essential requirements of the post at Washington, that we should be told of the under-currents of opinion, and not merely of the surface bubbles, and that we should have someone who would be absolutely steady in critical times." As Brand came to the end of his tenure, Eady told him that he had been "a real rock, or more truly still, a beacon on a rock, to us at the Treasury." Brand's close American connections had been particularly valuable, the British official proclaimed, since: "It has been of decisive importance to us more than once that the Americans could completely trust you, and this has meant that at what proved to be the most critical period of our relations with the American Administration we were able to plan with the knowledge of the intimate confidence which they had in you."[393]

Brand's stay in the United States began when the Lend-Lease Bill was under consideration by Congress, generally presented as a measure that would help the United States keep the war at arm's length, by enabling the British rather than Americans to fight Hitler. "Public opinion here is in a strange state," Brand told his sister-in-law, just after he arrived. "But going the right way."[394] A few weeks later, he thought that: "The war looks as bad as possible. We are seeing a vast world revolution. Air is great thing & air bases. Poor little England. However I think we'll win." When Roosevelt publicly brought up still current allegations that members of the Cliveden Set had been pro-fascist, Brand wrote to Eleanor Roosevelt "in protest." The First Lady "answers saying he did not mean what he seemed to mean but not v. satisfactory." Reports reached Brand that Eleanor had been "v. angry" with her husband "for saying it at all."[395] He found more congenial an assertive speech by Roosevelt supporting the Lend-Lease Bill and presenting the United States as the "great arsenal of democracy," that would supply the countries fighting Hitler and eventually help them to victory. Yet, while he described this address as "grand," Brand thought "the state of opinion in this country . . . strange. They seem quite benumbed. They don't seem to have any capacity of <u>moral</u> indignation or fervor left. A sort of cynical indifference. But I am told there is an enormous advance & in fact they must either go forward or backward & it must be the former. But also how terribly late they are."[396]

When opportunities offered, Brand steered American thinking further forward. Shipping to carry supplies of food, munitions, and other materiel to Britain was one of the most important bottlenecks in the economic war effort. After listening to "German reports of the great ship sinkings," Brand reflected" I don't know how true they are but I am quite sure this is the vital & critical spot for us. One can only hope for the best."[397] Writing to one Boston patrician, who was involved in the movement to assist Britain, Brand stressed the importance of preventing the destruction by submarines of merchant shipping carrying supplies to Britain, warning that the

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[393] Wilfrid Eady to Brand, May 18, 1946, File 197, Brand Papers.
[394] Brand to Nancy Astor, February 28, 1941, File 1416/1/3/14, Astor Papers.
[395] Brand to Nancy Astor, March 15, 1941, File 1416/1/3/14, Astor Papers.
[396] Brand to Nancy Astor, March 22, 1941, File 1416/1/3/14, Astor Papers.
[397] Brand to Nancy Astor, March 22, 1941, File 1416/1/3/14, Astor Papers.

current rate of sinkings far surpassed the ability of British shipbuilders to replace the lost tonnage. If this situation continued, British imports either of foodstuffs to maintain a basic level of subsistence for the population, or of the munitions and raw materials desperately needed for the war effort, would have to be reduced. American aid to Britain already far surpassed what "any country in history has ever done for any other country." Even so, Brand argued, if the "vital interests" of the United States itself were at stake, then Americans were still "doing much too little." He concluded by telling Cabot "that the best service all Americans who feel the vital importance of destroying Nazism can render to their country, is to convince public opinion that their own deepest interests demand, not only aid to Britain, but the development and use of the utmost striking power which the United States can create."[398]

When addressing the Council on Foreign Relations informally in June 1941 on "The Future of Anglo-American Relations," Brand warned his audience that Hitler was "not fighting a local war or a war for the mastery of Europe. He seeks world domination." If Britain made peace with Germany, the United States would find itself without an ally, in a world where the Japanese dominated the Pacific and Germany the Atlantic. The choice before the United States, therefore, was to decide whether "[t]o face Hitler later but alone, or to face him now with Britain as an ally." Britain could only replace one third of the vessels lost to submarine attacks on British merchant shipping, meaning that, unless the United States assisted Britain on the maritime front, Britain would be forced "to surrender or slowly starve." If Britain collapsed, "Germany would dispose of the British, French, Dutch, and Belgian Empires," representing "the greatest transfer of power the world has ever known. All Europe would be under the control of Germany, likewise all of Africa; India would face chaos. South America would be easy pretty for whichever nation struck first—Germany or the United States." While the United States was unlikely to face invasion, but its "navy would be confined to local waters," since Germany or Japan would control all the remote naval and air bases. Brand argued that, in its own self-interest, the United States needed to do far more for Britain than it had already, and launch "a program of all-out assistance." Together, he believed, Britain and the United States could defeat Germany. If the United States chose "isolation" instead, eventually the country would still be forced to challenge Germany, but it would have to fight alone. Asked what Britain needed in concrete terms, Brand specified food, ships to replace those sunk, and convoying of merchant vessels to keep them afloat. Already, Brand was thinking of post-war plans. Discussing the future, he suggested that, once the "tyrannies" were conquered, "the English-speaking peoples" should cooperate "afterwards for the maintenance of peace." He believed that joint control of the seas by the naval forces of the British Empire and United States would win "a breathing space in which once more to build up a world based on the great Christian Civilization of Europe." This

[398] Brand to Henry B. Cabot, May 13, 1941, File 196, Brand Papers.

in turn would, he believed, impel "other liberty-loving nations, for instance, those on the western seaboard of Europe, [to] be drawn into close cooperation with us."[399]

Besides planning the outlines of broad postwar strategy, as a British Treasury representative Brand was already considering how the massive obligations to the United States Britain was likely to incur under the Lend-Lease Bill should be met. In a March 1941 memorandum on Lend-Lease, he discussed the various forms that repayment might take. The real way in which Britain would reimburse the United States was, Brand believed, by continuing to fight the Axis. If Britain eventually lost, it would be almost impossible for the United States to regain its advances to Britain except by seizing British assets or territory under its control. If Britain had to transfer massive sums to the United States after the war, as had been the case in the aftermath of World War I, this was likely to have drastic economic effects on both sides, since Britain would need to persuade the United States to tolerate a massive surplus of British exports. Special negotiations would have to take place with the various British dominions as to just how much they were willing to contribute in terms of transfers to the United States. If the British were forced to liquidate their overseas assets during the war, this would have a major impact on the British standard of living. Exports of gold to the United States might also be problematic. All these problems would have to be faced at a time when Britain was also undergoing the economic strains of demobilization, and demands for enhanced social welfare provisions were intensifying. International recovery for both the United States and Britain would depend upon stable currencies and exchanges, and a return as soon as possible to multilateral trading patterns. Facilitating this objective would make it particularly desirable that Britain should not be totally exhausted and stripped of its assets.[400] Brand's memorandum, which clearly revealed the lasting impact upon him of the experiences of prolonged financial haggling over war debts and reparations between the wars, was written purely for internal use by British officials. It was evidence, however, that as soon as Lend-Lease legislation had been passed, some prominent British figures were already contemplating the long-term economic consequences for their own country of American assistance.

In most respects, Altschul and Brand were echoing each other's public utterances. So pro-British was Altschul that in April 1941 he was among several prominent New York bankers who set up a special committee to raise money for the Royal Air Force Benevolent Fund, a charity that assisted the families of the British fliers who had for the past year helped to fight the air war against Germany.[401] In spring 1941 Altschul made an additional personal contribution to the political debate. Anne Morrow Lindbergh, the wife of the famed aviator Charles Lindbergh, had recently published a short book *The Wave of the Future*, arguing that totalitarian governments,

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[399] Robert Brand, "The Future of Anglo-American Relations," Digest of Dinner Discussion, June 3, 1941, Records of Meetings, Council on Foreign Relations Papers, Seeley G. Mudd Library, Princeton University; Brand, address to Council on Foreign Relations, June 3, 1941, Box 196, Brand Papers; see also Brand, "Rough Draft: Notes for Speech," n.d., Box 196, Brand Papers.
[400] Brand, memorandum, March 24, 1941, File 196, Brand Papers.
[401] "Bankers Aid British Fund," *New York Times*, April 20, 1941.

however unpleasant they might be in some respects, were probably more efficient than democracies, and would ultimately prevail. In spring 1941 Altschul published his own sixty-page pamphlet, *Let No Wave Engulf Us*, essentially rebutting this viewpoint, and summing up his own political thinking. Altschul's thinking was predicated on confidence that the war would end in an Allied victory, "an unshakable belief in the triumph of good over evil, of right over might, of civilization over barbarism." Victory, however, also demanded that the American system be made to work efficiently and fairly. After the war, things would never be the same again. He feared that extremists of the Right or Left might emerge and come to power, especially if prolonged economic depression followed the defeat of the Axis. "In a word, we must make Democracy work." This might well involve jettisoning many established traditions and practices.

Altschul envisaged a post-war world in which the United States, while avoiding the dirigiste excesses of the fascist states, would ensure equity and economic justice to all Americans. Altschul hoped this might be accomplished through the presidential appointment of a Supreme Economic Council, empowered to oversee the eventual transition from a wartime economy to peacetime conditions, and to implement a program for social justice, to tackle "the more dire consequences of illness, unemployment, and old age," regenerate urban slum areas, and establish a fair system of labor relations. The fundamental principles of the New Deal had, he believed, become part of the American political landscape. He also opposed postwar tariff barriers, quotas, embargoes, and other hindrances to free international economic interchange. Altschul hoped that moderates from all political camps could unite behind this programme in support of the president in the national emergency. In particular, he praised the leadership of President Roosevelt, who "has been in no doubt about the character of the forces abroad in Europe today. He has realized that these, unchecked, will come into inevitable conflict with the American ideal." Moreover: "In the midst of a world distraught, he has become for millions the symbol of democracy." Applauding the president's sensitivity to the need for economic justice as well as civil liberties, Altschul urged all Americans to support Roosevelt, as he sought to lead the nation through critical times, and avoid the excesses of both Left and Right. Altschul also perceived hope for the future, once the war was over. "Normal progress in every quarter of the globe has been arrested for nearly a decade by the emergence of the dictators," he argued. "Once this nightmare of the tyrannies has been definitely banished, great creative forces will again be unleashed," Altschul concluded.[402] To a reporter, Altschul claimed that the events of the previous year, especially the experience of watching France "overrun before her leaders had time to realize that the fight against Hitler necessitated a new economy," and "new honesty in pursuing the democratic ideal," had been instrumental in leading him to produce his book. He realized that the United States was also "living on borrowed time—that if her fundamental institutions were to survive onslaughts from the totalitarianisms of the Right and of the Left she

[402] Frank Altschul, *Let No Wave Engulf Us: A Challenge to Moderates* (New York: Duell, Sloan & Pearce, 1941), quotations from 6-7, 34, 42, 45-46, 59-60; also clippings from *New York Herald Tribune*, April 27, 1941, and *PM*, April 23, 1941, Writings and Speeches File, Altschul Papers.

must put a swift end to social injustices and outworn economic methods." Although Altschul claimed that his "whole attitude changed" as he watched the fall of France, he had put forward very similar proposals in 1938, on behalf of the Republican Program Committee. He hoped that the United States and the other democracies would avoid State Socialism, while eschewing efforts "to restore *laissez faire* capitalism."[403]

By mid-1941, both Brand and Altschul were somewhat impatient with what they perceived as the absence of any further progress toward outright American intervention, and the president's reluctance to move decisively in this direction. At the beginning of June, Brand still feared that it might prove impossible "to prevent the Germans from landing forces in England." Although he did not believe such an attack would ultimately succeed, he thought it possible that the British might "be driven back on the Atlantic & fight from there." As Washington sweltered through a heat wave, Brand worried to Dawson: "If things go v. badly, this country may get cold feet. But I feel they are so far in that they can hardly get back."[404] Later that month Hitler turned German forces to an invasion of the Soviet Union, a move that ultimately proved his greatest blunder. Brand, however, did "not think Russia will last long. But let us hope for the best." To his American-born sister-in-law Nancy Astor, he wrote:

> Your country is very slow in making up its mind; it never will without decided action from the top and it seems uncertain when that decided action is going to take place. However, at present they get nearer than farther away all the time and that, at any rate, is so much to the good.[405]

By August 1941 Altschul too was becoming impatient with what he saw as the stasis in American policy towards the war. Even as the United States edged ever closer to endorsing the British cause, he felt that public opinion was not united in favor of war, and "no voice has been raised that stirs the country into a realization of our true peril."[406] At the beginning of the month, Roosevelt and British prime minister Winston Churchill met secretly at sea at Placentia Bay, off the coast of Newfoundland, where they agreed on a statement of joint war aims known as the Atlantic Charter. It is possible that the British were following the advice of Brand, given to Geoffrey Dawson in May 1941, that even though the United States was not formally in the war, at least as yet, he believed "the British Government ought immediately to discuss with the United States Government some common aims which the President, if he intends to go further, could announce as having been agreed upon between the two governments. What these common aims are is another matter," Brand continued. "I think myself it would be unwise to do anything but speak in very general terms."[407] Although the press hailed this eight-point document of liberal

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[403] Sutherland Denlinger, "Wall Street Banker Convinced U.S.A. Needs Just Economic System," *PM*, April 23, 1941, Writings and Speeches File, Altschul Papers.
[404] Brand to Dawson, June 8, 1941, Box 81, Dawson Papers.
[405] Brand to Nancy Astor, June 23, 1941, File 1416/1/3/14, Astor Papers.
[406] Altschul to Greene, August 19, 1941, File Gr-Gre, General Correspondence, Altschul Papers.
[407] Brand to Dawson, May 3, 1941, File 198, Brand Papers.

international objectives, Altschul was less enthused, grumbling that he "was eager for something more precise and definite." To a British friend he complained that the charter was premature, an undesirable reversion to the tactics adopted by Woodrow Wilson in World War I, and a diversion from more important priorities: "As long as the question in the foreground remains how Hitler is to be defeated and how this country is to be brought to make a more positive contribution to this end, many are not likely to be too thrilled by fourteen points compressed into eight." In his opinion, the American "leadership has made little further progress in convincing people that this is our war and that we should assume full partnership in it."[408]

Altschul's frustration also came through in unsolicited advice he sent to a British official at the Ministry of Information office in New York on how best to ensure that "British long-range propaganda in the United States" should "influence American public opinion in the direction of active participation in the war." Altschul urged the British to admit to Americans that many of their past international policies had been "mistakes" which had brought "disasters" to Britain. The British must, he believed, "suggest to Americans how imperative it is that we profit from these mistakes, and while there is time take steps to avert for ourselves the kind of catastrophe which has overwhelmed you. . . . The lesson would be quite clear. You have suffered greatly because you were so long in awakening. We shall avoid much suffering if we awaken in time."[409] About the same time Brand, now heading the British Food Mission in Washington, likewise told a South African friend that he had "been hoping all the time that [the United States] would come into the war, but it is not very near that even now." He felt the Americans were "doing an enormous lot for us and, in fact, are essential to us. Nevertheless, if their own interests are vitally concerned—as I think they are—they are doing too little for themselves and, in fact, will not do anything like they ought until they are at war." He believed that, if the British seemed to be "really fighting for our very lives and could only be saved by [American] definite participation in the war, . . . they would take the last step," but could not predict how or if this was likely to occur. Even though the United States would eventually "produce huge amounts of munitions," not until mid-1942 would "great results" be felt from this. Echoing his American partner's frustrations with Roosevelt, Brand wrote: "I believe the President could put them into the war very easily if the proper occasion arose, but his leadership has, so far as words are concerned, though not so much in deeds, been strangely fluctuating and therefore confused public opinion. They are slowly, very slowly, reaching the last ditch."[410]

While welcoming every measure by the Roosevelt administration that assisted Britain or brought the United States closer to war, Altschul sought to accelerate these. In response to German attacks on convoys of British and American ships carrying vital war supplies to Britain and Russia, at the beginning of October 1941, Roosevelt requested Congress to repeal a section of

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[408] Altschul to Greene, August 19, 1941, File Gr-Gre, General Correspondence, Altschul Papers.
[409] Altschul, "Memoranda," enclosed in Altschul to Mary Churchill, July 9, 1941, File Mary Churchill, General Correspondence, Altschul Papers.
[410] Brand to James Stratford, August 30, 1941, File 196, Brand Papers.

the 1939 Neutrality Act forbidding the arming of American merchant vessels. While applauding this move, Altschul complained to Republican Senator Styles Bridges that it "does not go nearly far enough." He drafted a potential statement by Bridges advocating total repeal of the Neutrality Act.[411] Providing more tangible assistance for the Allies was less easy, though around this time Altschul and his wife donated $1,000 to the United China Relief organization, which provided financial assistance for China in its ongoing though undeclared war with Japan.[412]

One development that particularly distressed Altschul in the final months before Pearl Harbor was a September 1941 speech made at Des Moines, Iowa, by the famed aviator Charles Lindbergh, one of the leading figures in the anti-interventionist America First Committee. According to Altschul's analysis, in this address Lindbergh claimed that American Jews were "trying to drive [the United States] into war, and that because of their control of certain agencies of public opinion they were exerting an influence out of all proportion to their numbers." In Altschul's words, Lindbergh also warned that, if war did come to the United States, American "Jews will be held primarily responsible for it, and will suffer dire consequences" for exercising their political rights. Less than a year earlier, Altschul had protested vehemently when Willkie ascribed his defeat in the 1940 presidential in part to Jewish votes for Roosevelt. His reaction to Lindbergh's position was far stronger. To a friend who was a member of the America First Committee, Altschul charged that the organization had "become the respectable front behind which all of the pro-Nazi elements of the country are solidly banded together. Its meetings are attended by Bundists, Christian Frontists, Christian Mobilizers, and other well-recognized servants of the Nazi cause. At these meetings, the President is hissed, the appeasement line is cheered, and references to the anticipated fall of England are greeted with enthusiasm." Altschul warned that Lindbergh's speech struck "a new note in American affairs," and "a very discordant one." He thought Lindbergh's use of anti-Semitic tactics and the tolerance the America First Committee extended to these a very sinister and menacing development, since: "Fascists in every democratic country have used political anti-Semitism to create internal dissension. This is not the only weapon they employ. Wherever there is a cleavage upon which they can capitalize they do so. But it so happens that the weapon of anti-Semitism, based upon a prejudice existing in every land to a greater or lesser degree, has been found to be the most effective one at their disposal." While Jews might be the initial targets of such forces, ultimately they sought "the destruction of the democratic process and the suppression of human liberties." For decades, Altschul had sought to combat threats to civil liberties in the United States, and during the 1930s had labored long and hard to eradicate such elements from the Republican party. The fact that so prominent a celebrity as Lindbergh felt free to make such allegations, and that the America First Committee had failed to repudiate his utterances, was deeply distressing to Altschul, who viewed

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[411] Altschul to Bridges, October 20, 1941, and enclosed draft speech, File Styles Bridges, Political Series, Altschul Papers.
[412] "$700,00 Donated for China Relief," *New York Times*, October 19, 1941.

this as evidence that the radical illiberalism he sought to combat on the international scene was gaining strength in the United States itself.[413]

Another reason for Altschul's despondency in the second half of 1941 may have been his failure to locate a suitable niche for himself somewhere within the rapidly burgeoning American wartime apparatus. One objective of producing his book may have been an effort on Altschul's part to bring himself to the attention of the growing network of individuals or organizations interested in wartime activities and postwar planning, and to ingratiate himself with President Roosevelt and his administration. In February 1941, Altschul had already contacted Robert A. Lovett, a fellow New York banker from the exclusive Brown Brothers Harriman firm, who had recently joined the War Department as assistant secretary of war for air. Altschul told Lovett of his "very strong desire to place my services at the disposal of the Government" in any capacity, military or civilian, with or without salary. Describing his qualifications, he mentioned his fluent command of French and German, and an acquaintance with Spanish that could easily be brushed up, together with his "knowledge of personalities and places in Europe." Altschul expressed particular interest in "the chance of being sent abroad," possibly with the Military Intelligence Division. Lovett sent a non-committal reply, promising to "look around," but also suggesting that Altschul "communicate with some of your other friends down here" in Washington in hopes of locating a suitable opening.[414] When the volume appeared, these feelers had not yet brought any real response. Altschul told Supreme Court Justice Felix Frankfurter, a long-time friend with a vast range of contacts extending across the Roosevelt administration, of his "feeling of uneasiness at being so far removed from the only problems of real concern today." Altschul confessed to having set various "lobster traps" when he last visited Washington, but nothing had yet come of his attempts to secure some governmental or quasi-governmental position, meaning that he was "still wholeheartedly available for any service really worthwhile."[415]

Walter Mallory, executive director of the Council on Foreign Relations, told Altschul that his book was "the best discussion of the future of America's economic policy that has been done."[416] In October 1941 the American Jewish Committee distributed the book to hundreds of "key persons in some 150 communities" in the United States.[417] Altschul subsequently confessed,

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[413] Altschul to Valentine, October 9, 1941, also Altschul to Valentine, September 26, 1941, File Alan Valentine, General Correspondence, Altschul Papers; Altschul to Alfred E. Cohn, October 9, 1941, File Alfred E. Cohn, Catalogued Correspondence, Altschul Papers. On Lindbergh's address the controversy it immediately aroused, see Charles A. Lindbergh, *The Wartime Journals of Charles A. Lindbergh* (New York: Harcourt, Brace, Jovanovich, 1970), 536-547; A. Scott Berg, *Lindbergh* (New York: G. P. Putnam's Sons, 1998), 425-430; Wayne S. Cole, *Charles A. Lindbergh and the Battle Against American Intervention in World War II* (New York: Harcourt,Brace, Jovanovich, 1974), 171-185.

[414] Altschul to Robert A. Lovett, February 10, 1941, Lovett to Altschul, February 11, 1941, File Lo-Ly, General Correspondence, Altschul Papers.

[415] Altschul to Frankfurter, March 19, 1941, File Correspondence Re Let No Wave Engulf Us, Altschul Overbrook Foundation Papers.

[416] Mallory to Altschul, March 24, 1941, ibid.

[417] Dorothy M. Nathan to Altschul, October 21, 1941, File Correspondence Re Let No Wave Engulf Us, Altschul Overbrook Foundation Papers.

however, that he found its reception disappointing, and the volume "had little influence that I have been able to detect."[418] His London partner Granville Tyser, to whom Arthur Goodhart had sent a copy, may have been perceptive when he stated that "the suggested Supreme Economic Council . . . would be a very good idea" but nonetheless doubted "whether much will be done about it during the war."[419] Altschul still had hopes of participating in discussions on postwar planning. In September 1941, he suggested that, with the British position in the Middle East improving, the situation in the Atlantic more favorable, and "the Russian adventure . . . delay[ing] Hitler and caus[ing] him great losses in men and material," the end of the war might come sooner than people anticipated. This meant it was not too soon to start discussing the post-war world, especially the transition from a wartime to a peacetime economy.[420] In January 1942, Altschul told a correspondent that he was sure that some of "all the agencies that are now occupied with post-war planning" must be doing something "really useful." Yet, he complained: "Somehow or other I find myself in touch with none of them, and find myself rather at a loss to know why."[421]

One reason why Altschul found it difficult to obtain such a position may have been stealthy queries as to the pro-Allied bona fides of other members of his firm, if not himself personally. An early example of this came in July 1939, when *Time* magazine published a substantial article highlighting the entry of Jeidels into the New York Lazard house as "a present from Adolf Hitler." Emphasizing Jeidels' past ability to work with Hjalmar Schacht and other Nazi economic officials, especially in the Standstill negotiations, the article suggested that "[u]ntil the spring of 1938 Jeidels functioned perfectly, as much of an insider as Hitler could let any Jewish banker be," one who "served as middleman between the Nazis and the British." The magazine suggested that Jeidels' entry into the New York Lazard house, a firm the article characterized as "not entirely Aryan, not a Wall Street insider," with a longstanding specialization in foreign exchange business, would assist its ability to serve as a conduit for funds from Jews and other "frightened European capitalists" who sought to move their financial assets "into good safe American dollars" in North America. *Time*'s unidentified writer described the London Lazard firm as "Aryan and aristocratic, a member of the Bank of England coterie [that] helps back the appeasement movement in London" and a firm for which organizing such transfers had become "a highly lucrative and increasingly important sideline." Jeidels' great attraction for the Lazard firms was, it alleged, "his access to choice Continental pipelines into Hitlerland."[422]

Given the strongly anti-Nazi credentials of both Jeidels and the London Lazard partners, such near-libellous insinuations were undoubtedly somewhat overblown, but they were only a harbinger of future developments. In a manner reminiscent of future McCarthyist attacks on the

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[418] Altschul to Frank Weitenkampf, July 20, 1943, also Altschul to Charles E. Andrews, June 19, 1941, ibid.
[419] Granville Tyser to Goodhart, April 15, 1941, File 2828, Goodhart Papers.
[420] Altschul to Robert F. Vanderpoel, September 11, 1941, File Correspondence Re Let No Wave Engulf Us, Altschul Overbrook Foundation Papers.
[421] Altschul to Willard Beecher, January 12, 1942, ibid.
[422] "Insider from Overseas," *Time*, July 3, 1939.

loyalty of individuals, in December 1941, two days after Pearl Harbor, Altschul received a visit from "a Mr. Nelson who indicated that he came in his capacity as a representative of the British Government," on a "mission" of some "delicacy." This was to inform Altschul that Jeidels "was considered highly suspect by the British Government," which believed that his activities "were inimical to British interests." An American agency, which Altschul later discovered to be the Federal Bureau of Investigation, "was similarly highly suspicious of Mr. Jeidels." Altschul staunchly defended his partner's anti-Nazi credentials, just as, he later learned, Robert Brand had also done, when the same British security official had raised similar concerns with him. Before he left, Altschul told Nelson that nothing the British official had told him had made any difference to his own complete confidence in Jeidels. Since some of the problems apparently arose from financial transactions "made through Jeidels' accounts which had previously been the subject of some inquiry," he also raised the matter with Lazard's lawyer, Alfred Cook, who went over these issues again and "reported . . . that he sees nothing in the payments in question that involved the firm of Lazard Freres & Co. in any way, or that in the slightest degree raised any question affecting Jeidels." A day later, Altschul "received an intimation that Mr. Nelson was not at all satisfied with his conversations with Brand and with me and a suggestion expressed rather strongly that the most serious consequences might result from my failure to take some undefined action apparently considered to be necessary." He therefore took the initiative of raising the subject of Jeidels' loyalty with Lord Halifax, the British ambassador, and also with Herbert Hoover, director of the Federal Bureau of Investigation, protesting against the treatment being meted out to his partner.[423]

Brand himself sent Halifax an account of his interview with Nelson, who was working with William Stephenson's British Security Department organization based in New York. He described Jeidels as someone he had come to know particularly well during the 1930s, when for six or seven years they had each been among those bankers who attended the annual six-week-long International Standstill Committee meetings, at which Jeidels "was the leading representative of the German bankers." Brand described him as "absolutely honourable and straightforward," "a man of quite exceptional ability" with "a very exceptional knowledge of European history and politics, including English politics." To Brand, Nelson had claimed that the FBI had told the British that Jeidels was "expressing defeatist opinions, saying that it was useless this country going into the war because Germany was too strong to be beaten." He suggested to Brand that the latter should seek to drive Jeidels out of Lazard Frères New York. Brand retorted "that an Englishman did not treat a friend as guilty before he had been proved to be," and that he would "[p]ersonally . . . be very surprised if Jeidels had done more than express the view that Germany would be very difficult to beat. I knew he had always held that opinion, and before the war he had often expressed to me his surprise—as had [former German Chancellor] Dr. Brüning—that the British people did not see the enormous danger of Nazi

[423] Quotations from Altschul to Halifax, December 10, 1941, File Otto Jeidels, General Correspondence, Altschul Papers; see also Altschul to Hoover, December 10, 1941, ibid.

Germany." Brand asked Halifax to ascertain precisely what Jeidels was accused of saying, and affirmed his own belief in Jeidels' loyalty to the United States, where he intended to take out citizenship. He also told Nelson that the British Lazard house had no financial interest in the New York firm, that he was not particularly impressed by "a secondhand account of some vague statements" offered by unidentified individuals, and this was a matter that should be taken up directly with Altschul, not himself.[424] Halifax replied to Altschul on December 17, 1941, affirming his belief in Jeidels' integrity and pro-British outlook, and Hoover passed the matter over to L. B. Nichols, an operative in the Bureau's Washington headquarters, who took charge of the inquiry, which also involved Hoover and the Bureau's New York office. Towards the end of January 1942, the FBI dropped all interest in Jeidels.[425] At the beginning of February, Altschul received another letter from Halifax, stating that the British had also closed the case. Altschul, though grateful, doubted whether British suspicions of Jeidels had been genuinely allayed. "I wish," he told Brand, "I had the feeling that the Ambassador was convinced of something more than merely your good faith and mine."[426]

Informed by Altschul of the allegations against him, Jeidels produced a five-page single-spaced memorandum defending the utterances on which many of these charges were apparently based. The real problem, Jeidels stated, was that he had attempted to give a realistic assessment of the strengths of Nazi Germany and the weaknesses of the Allied powers. This was very far from meaning that he subscribed "to the admiration of success, to the selective mentality of explanations and excuses as a means to evade constructive self-criticism, to the mixture of snobbishness and complacency which the thousands of prominent Englishmen shared with Sir Nevile Henderson." He himself had never admired the Nazis, and had never doubted "that they would destroy the last vestiges of personal and cultural liberty, that they would persecute and rob to the limit racial, religious and political minorities partly in order to enrich the party and also to deprave and corrupt the majority of the population by complicity and coresponsibility in all those acts of robbery, bribery and injustice." He did not share the "hero-worship and admiration of Hitler" in which so many indulged, but merely considered him a "successful gangster." He did, however, believe that Nazi Germany possessed many strengths, in terms of "its military superiority, its economy and the loyalty of army and population to the Nazi Government, whether I like it or not." It was foolish to minimize these achievements, or to ignore the fact that they made Germany a formidable opponent for the Allies in the current struggle. Jeidels thought it "nonsense" for the Allies to underrate German military strength. "One of the most fatal illusions of the western world," he warned, has been the expectation of a collapse of the Nazi regime from within. There was absolutely no chance for any development in this direction." Jeidels had not, he said, advocated American intervention in the war, because he had thought this unlikely to be successful, and feared that defeat might jeopardize the future ability of the United

[424] Brand to Halifax, December 12, 13, 1941, File 197, Brand Papers.
[425] Altschul to L. B. Nichols, December 29, 1941, January 20, 1942, File Otto Jeidels, General Correspondence, Altschul Papers.
[426] Altschul to Brand, February 4, 1942, File Otto Jeidels, General Correspondence, Altschul Papers.

States to confront a victorious Germany. He did, however, favor a major effort to rearm the United States, "to be ready and prepared, if the present or a successive conflict should call for American intervention, and to never again be confronted with the military incapacity to decide American policy and to take sides with weapons instead of emotions and publicity; but also to exercise in future an influence on world and Western Hemisphere developments which this war has definitely proved to be impossible without a strong permanent, coordinated, well trained and therefor conscript army." Forcefully, Jeidels concluded:

> Nazism and Nazi Germany are for me and ought to be for everybody an object of hatred, an enemy whom the world must recognize as such and must fight to destruction. But one does not fight a world struggle against a strong and efficient foe with emotions in words or print, not with hopes and illusions and good wishes. One can fight strength only with greater strength, with virility and sacrifice. With those Americans who share this fundamental starting point I have always been and am in agreement.[427]

On another occasion around this time, in December 1941, Jeidels told an audience at Pennsylvania University that, although Germany had been quite successful in managing its war financing and the wartime economy, it was the British who were fighting "a just war, a war for a good cause."[428] The entire episode was a cautionary example of how, under the stress of American intervention, all subtleties of outlook were lost, and nothing short of total and uncritical support of the war effort would satisfy powerful elements within the British and American security bureaucracies and the general public. Altschul's readiness to come to the defense of his partner and friend with all the means in his power was also a revelation of his lifelong dislike of such assaults on civil liberties.

Frank Altschul and Lazard: The Final Years

During the 1930s, Altschul became increasingly absorbed by his interests in politics and international affairs. For several years Altschul tried to reconcile these preoccupations with his banking career, accepting reduced financial compensation from Lazard Frères. While his main competitor was Stanley Russell, and Altschul retained the backing of the French members of the firm, who held ultimate control, this proved possible. The arrival in the United States of his leading Paris partners in the aftermath of the fall of France jeopardized Altschul's own position far more seriously, and would eventually precipitate his separation from the firm for which he

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[427] Jeidels, memorandum, December 1941 or January 1942, File Otto Jeidels, General Correspondence, Altschul Papers.

[428] Jeidels, address on German war financing, December 2, 1941, File Otto Jeidels, General Correspondence, Altschul Papers; Walter W. Ruch, "Says Reich's Debt is Near '18 Total," *New York Times*, December 3, 1941.

had worked all his life after joining it in 1908 and which, he had proclaimed in 1936, he "trust[ed]" would be his "only business association."[429]

For a year after the war in Europe began, Altschul dominated the New York firm. During the earlier negotiations with Pierre David-Weill, Altschul had made it clear that, should a European war begin, he would continue to serve the interests of the Lazard firm as faithfully as possible, regardless of what his compensation package might be. Within a few months, he was taken at his word. When Britain and France declared war on Germany, Altschul apparently sent a warm cable of sympathy to the Paris house, offering his assistance. David David-Weill replied, thanking him and describing how most of the staff of the French Lazard house, including his sons Pierre and Jean, as well as both his sons-in-law, had already been mobilized for war service, and among the senior executives only André Meyer was still left. Citing his own advanced years, David-Weill told Altschul that he "was counting particularly on you as the head of the one of our houses the least affected by the world cataclysm." In a letter that Altschul translated and circulated to his other partners, the elderly Frenchman invoked his loyalty, telling the younger man:

> I know so well the noble traditions which your father transmitted to you, and to which you have always shown a faithful attachment, that I cannot but be confident that you will always do everything in your power so that the name of Lazard Frères, in New York, as well as in Paris and London, will retain its full prestige, and so that, after the war is over, the magnificent working medium constituted by our three houses, will find again in the world the incomparable standing which they have enjoyed for so long. In the present circumstances, it is for me a great source of comfort to feel that, if need be, I can rely on your faithful and traditional cooperation.[430]

Later that month, David-Weill that he personally relied on his American partner "to give our interests in the United States the most complete and friendly attention." He asked Altschul "to follow very closely anything in your possession which belongs to us," and gave Altschul full authority to take any actions he thought appropriate with regard to such assets.[431] Again, Altschul circulated a translation of the older man's letter to the other American partners.

In the strained atmosphere of impending and actual war, there were occasional episodes of friction between Altschul and his French colleagues, perhaps intensified by their differing reactions to the Munich agreement. Until then, he had been on relatively good terms with Altschul. Indeed, in the summer of 1938 the two men had collaborated in sending a telegram to the lawyer Arthur Ballantine, Altschul's close friend, who was spending three weeks on holiday

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[429] Altschul, address to partners and officers of Lazard Freres, January 8, 1936, File Lazard History, Altschul Overbrook Foundation Papers.
[430] David David-Weill to Altschul, September 13, 1939, File David David-Weill, General Correspondence, Altschul Papers.
[431] David David-Weill to Altschul, September 23, 1939, File David David-Weill, General Correspondence, Altschul Papers.

touring Ireland with his wife, a cable claiming that the Lazard firm in Paris urgently required Ballantine's presence. In reality, the purpose was to allow Ballantine to escape the rural beauties of Ireland and spend a few days enjoying himself in Paris.[432] Relations between Altschul and Meyer had already been somewhat strained in August 1939, when the Mendelssohn Bank in Paris failed, and Altschul enquired how serious was the French Lazard firm's financial exposure to this collapse. Meyer refused to answer, and Altschul bluntly told his French partner that he had "a perfectly legitimate interest in anything that affects you in Paris, whether it is cause for apprehension or not. It would be well if you would get this a little more clearly in mind." He also objected "strenuously" to Meyer's "tone on the telephone" when speaking to him.[433] In April 1940, David David-Weill rebuked Altschul for having "continued to entertain . . . quite friendly relations" with Raymond Philippe, a leading figure in the Paris house during the 1920s who had departed due to personality clashes with Meyer. Altschul defended himself indignantly, on the grounds that, after learning that the French firm had reached "a more or less formal reconciliation" with Philippe, he had responded to "a polite letter" from Philippe with an equally polite one of his own, duly copied to the French partners, and then, "after prior consultation with Paris by cable," had dinner on one occasion with Philippe when the Frenchman visited New York.[434] Such spats, however, in no way affected Altschul's loyalty to his partners and his determination to do all he could to ease their passage to the United States.

More seriously, Altschul was, it seems, disturbed by a suggestion from Pierre David-Weill in Paris, received, it seems, in late February or early March 1940, that the New York house was overstaffed and at least for the duration of the conflict its personnel should be drastically reduced. Before responding, Altschul sought the advice of his partner, Otto Jeidels, who undertook a ten-page hand-written review of all the activities of the American Lazard firm. The German banker told Altschul that the American investment banking business was heavily over-populated, with "at least 150 firms active in the field where one third of it would be sufficient, and this in spite of an unchanged domination of the few largest firms." Competition among them, moreover, was growing. Lazard Frères New York was, in his view, "thereby at a disadvantage which we could only overcome by a ruthless attack on existing groups, . . . which requires a much larger capital than ours and involves a severance of existing friendships and the determination to energetically continue the fight against the finest houses in the street, as otherwise the loss of traditional provisions in existing accounts would probably more than outweigh the profit from one or two conquered situations." Jeidels did not think it practical for Lazard Frères to adopt "such aggressive methods." Issuing shares or bonds for industrial bonds was currently "hampered by all the legislations and coercions covered by the S.E.C."

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[432] Altschul to André Meyer, July 13, 1938, August 1, 1938, Meyer to Altschul, July 19, 1938, File André Meyer, General Correspondence, Altschul Papers.
[433] Altschul to Meyer, August 18, 1939, File André Meyer, General Correspondence, Altschul Papers.
[434] Altschul to David David-Weill, May 13, 1940, File David David-Weill, General Correspondence, Altschul Papers.

Turning to underwriting, Jeidels praised Lazard's "continuous attempt to prepare constructive propositions in the Public Utility field," claiming that "nowhere and by nobody can this matter be handled with more energy, devotion, imagination and initiative." He believed that over the next two or three years the impact of the establishment of Public Utilities Holding Companies would provide great opportunities for new business. Within Lazard, Jeidels believed this work was "in the best possible hands and requires support and encouragement by all partners and also by the Paris friends." Jeidels also thought the Lazard sales organization for marketing securities, primarily "high class bonds," outstanding, proclaiming that he had "never seen a better one, never one as good as this and I am daily delighted by the competence and the driving force of the men heading the department." He hoped that sales of securities would eventually extend to "shares and the delicate field of second-class bonds," and suggested that one of the partners should devote his efforts to this enterprise. Jeidels also hoped that Lazard would soon acquire "a block of shares of English origin" to market, since the British government was likely to be disposing of such securities to finance its war-related purchases in the United States.

Industrial issues were more problematic, and Jeidels "assume[d] that none of us is very happy about our achievement" in this field, despite the "[e]xcellent preparatory work . . . done in the buying department and the astonishingly wide network of contacts of the various partners." By comparison with public utilities financing, the firm was not, he thought, sufficiently long established in this business to reach its potential, complicated "by the great variety of industries and companies making it very difficult to develop specialized competence." Bond houses also tended to keep their distance from brokers. Jeidels believed that "this side could and should be developed. We have no active connection in the chemical, the aircraft industry, but we should have and we ought to do something about it." He thought it might be advisable for Lazard to develop "a closer connection with an industrial engineer, some seasoned expert who draws in regular intervals our attention to industrial developments." He also regretted that Lazard partners sat on so few boards of directors. Individual clients' accounts were an area that also required more attention, if Lazard were to be able to offer the "slight superiority of service" that would give it an advantage over its competitors in attracting clients.

Pierre David-Weill had also urged the firm to take on more "special business," a subject on which Jeidels expatiated at some length and rather skeptically, inquiring:

> What is this "special business" of which I am always thinking, sometimes dreaming, that occupies the European bankers mind in fairly normal times as much as do the clearly defined activities? It is difficult to define, not easy to do, but it exists somewhere, sometime, somehow. It should either involve no commitment—which I have particularly in mind—or be a very well considered short term speculation? But I cannot positively describe it. It seems almost silly and rather a refutation of the hopes for such business that we recently dealt in blocked lire and so-called "Lee Higginson loan," because we made on the former the brilliant profit of--$400, on the latter with more than normal effort--$850! But what even these cases show is that it is business picked up by the

> wayside. That should be also developed and we may discuss it in a small circle of the staff? We hear too little of the gossip in the street, often the precursor of this or that little business. One might come across some interesting patent, have an opportunity to buy or sell a subsidiary of an industrial company. Pierre and you do, no doubt, remember the suggestion a year ago to let us place with American industrial concerns then yearning for work as revenue, 'shadow' contracts for French or English war material. A lot of those things never lead to anything but disappointment, if one is so psychologically inclined. And don't let us forget the great uniformity of business in America within a single trade including banking; "mass production" in the widest and best sense of the term is greatly limiting the number of counterparties in New York, and neither Pierre nor I must be impatient in expecting too much and too soon, as welcome as it would naturally be in a period when, with us and our competitors, the earning power of investment banking leaves so much to be desired. To discuss such special business too much has the disadvantage of everything that is outside of sound systematic business. It is embarrassing to hear of things not tangible and very theatrical; when the case arises with one of us we will discuss it as a practical proposition.

Jeidels did, however, suggest that one area where Lazard might expand its business was financing for "South America, especially the Argentine." In the past the firm had avoided losses on South American business by limiting itself to participating in the banking group that marketed loans for the Argentine government. He believed they should expand their activities to include marketing other Argentine bonds. If Lazard improved their contacts in and expertise on South America, he believed that "sooner or later we shall find some interesting opportunity."

Future policy would, Jeidels warned, also be dictated by "the present limited and even unsatisfactory earning capacity, the necessity to economise in expenses and the given frame of the firms capital." There was, he admitted, currently some duplication, partly because the two Lazard organizations had been merged a few years earlier, and also between Lazard and General American Investors. Government proposals to separate investment trusts from banking would shortly make it impossible to remedy this overlap. Even so, he thought the "organisation . . . large, but not too large." In his view: "Everybody from the partners to the office boy has been thoroughly busy all the time" since he had joined the firm. Jeidels hesitated to recommend any potential dismissals, stating: "The quality of the staff is of the best I have ever experienced anywhere and so is the spirit and the loyalty of all these men and women. The prestige of the firm would, I believe, suffer from any radical reduction and probably also the quantity and quality of work performed." Such economies as were possible had been initiated. Quite bullishly, Jeidels optimistically concluded by effectively advising the French partners to wait on events and let the New York Lazard house consolidate its position, proclaiming:

> I see the future of the firm in an increased earning power through old and new activities, I see the foundations well laid, the efforts of partners and staff indefatigable and, with all the reservations necessary on the part of the youngest in the organisation, though to my

> regret not in years, I believe in the future of the firm and her capacity to contribute to the reconstruction of business after this war.[435]

Altschul almost certainly drew on Jeidels' advice before replying to his French partner's complaints. In a draft memorandum written in response to Pierre David-Weill, Altschul complained that "the phraseology of parts of the letter is uncalled for, and the point-of-view of much of it shows a basic lack of familiarity with the firm, its objectives, and the methods by which they can be reached." He warned that "the personnel of a first class investment banking firm—in this country, at least—cannot be expanded and contracted like an accordion. Good men will not be attracted by such a situation; and will, in fact, avoid it." Altschul warned that Lazard Frères faced strong competition from well "intrenched" rivals with twenty to fifty years of business experience, and that it was impossible to build up "over night . . . a house dealing in high grade investment securities." He defended the caliber of the existing Lazard partners, and denied that they were underworked, claiming that as it was the existing partners did "not have sufficient time . . . to cover properly their personal contacts of long standing." The major immediate problem was that: "After twenty years, European affairs have once more upset the entire business and investment world," a situation that might eventually end. If not, "people will get accustomed to it" and a new balance would emerge. In either case, "the United States should do relatively better than Europe." Altschul concluded:

> Taking all of these things into consideration, together with the great progress which the firm's municipal and day to day business has made, the underwritings which we have missed by a turn of the wheel of fortune, and those on which we are working with fair to good chances of success, I feel that a real amount of excellent work has been done. If the Paris objective remains unchanged, there is no better way of reaching it than along the lines on which we are working.[436]

The Paris partners apparently believed that the New York house, though moderately profitable, was not attaining its full potential, something they blamed on the existing personnel. The beginning of the end of Altschul's pre-eminence in the New York firm could be dated to July 1940, when André Meyer arrived in the United States. Determined to help his French partners escape from Nazi-dominated Europe, Altschul made herculean efforts to obtain American visas for both Meyer and Pierre David-Weill, using all his connections in the Treasury and State Departments in efforts to expedite their papers. Meyer remained in Paris, running the French firm, until May 1940. He was a prominent French Jewish banker, one who had, moreover, served on a committee set up to assist German Jewish refugees, and had even been one of the financial backers of an unsuccessful assassination plot against Adolf Hitler. Meyer sent his wife and children to Bordeaux, conveniently close to neutral Spain, in September 1939. In May 1940, as the German *blitzkrieg* rolled across Western Europe, conquering Belgian and the Netherlands

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[435] Jeidels to Altschul, March 10, 1940, File Otto Jeidels, General Correspondence, Altschul Papers.
[436] Undated memorandum, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.

in a few days before proceeding to menace France, Meyer joined his family and crossed the border into Spain. Altschul employed all his considerable clout with American officialdom to expedite visas for the Meyer family, and within a few weeks had succeeded in bringing them to New York.[437] In October, the Vichy government stripped Meyer and David David-Weill of his French citizenship; the following month his Légion d'Honneur award was also rescinded. In summer 1940 the Vichy government ordered Lazard Frères et Cie. and other "Jewish or part Jewish undertakings" to move to Lyon, where it was entrusted to the direction of "provisional managers," and in February 1941 it was one of twenty-nine French Jewish-owned banks placed under "Aryan" control. For the rest of the war, the bank remained effectively closed and inoperative.[438]

The David-Weills had a more difficult time, and only Pierre reached the United States. David David-Weill chose not to use visas he had obtained for himself and his family to Switzerland, went temporarily to Spain and Portugal in June 1940, and returned to the "free zone" of France in mid-July. In September he was deprived of his French citizenship for leaving the country, and all his property confiscated; even before then, German officials had begun looting such portions of his art collection as he had been unable to send out the country, and had seized one of his chateaux. In 1941 David David-Weill fled Lyon, and he and his family spent the war moving from one location to another, often under an assumed name, always in considerable danger of arrest and incarceration in a concentration camp.[439] Pierre David-Weill did eventually obtain a visitor's visa for the United States, in May 1942, and finally, in September that year, a permanent immigrant visa. Initially, however, the State Department denied each of these successive requests, on suspicion that David-Weill had moved in fascist circles in Paris prior to the war. Altschul thereupon mounted a massive campaign to reverse these decisions. To win Pierre the first visa to the United States, he bombarded top government officials in the Office of Strategic Services, Adolf A. Berle, Assistant Secretary of State, and Republican Senator Styles Bridges, with letters pleading his partner's case, and proclaiming that he needed to visit the United States only temporarily, to discuss the affairs of Lazard Frères, where his advice was urgently needed, and vouching in the strongest possible terms for his partner's courage, patriotism, and absence of collaborationist sympathies. To Bridges, for example, Altschul stated that "Pierre always moved around in the best Parisian society and in this society were to be found, of course, the leading Fascists, and today, no doubt, the leading adherents of the Petain government. But Pierre's relations with these people . . . have always been purely social, and on the basis of friendship, or association in the army or some such ground." Even when the visa was issued, in April 1942, Pierre had to wait several weeks before an airline seat from Lisbon became available. Once he arrived in the United States, Altschul began a second drive to win immigrant visas for the

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[437] See materials in File André Meyer, General Correspondence, Altschul Papers;
[438] Cohan, *The Last Tycoons*, 47-48; Anne Sabouret, *MM Lazard Frères et Cie.: Une saga de la Fortune* (Paris: Olivier Orban, 1987), 102-107; Martine Orange, *Ces Messieurs de Lazard* (Paris: Albin Michel, 2006), 103-107.
[439] Cohan, *The Last Tycoons,* 46-48; Sabouret, *MM Lazard Frères et Cie.,* 107-115; Martine Orange, *Ces Messieurs de Lazard*, 105-108.

Frenchman and his family, persuading his brother-in-law, Herbert Lehman, to write to Breckinridge Long, head of the State Department's immigrant visa section. The preliminary response to David-Weill's application was discouraging, but in September 1942 the Interdepartmental Review Committee re-examined the case, a hearing that David-Weill, Altschul, and Arthur Ballantine, a top lawyer and close friend of Altschul's attended, and visas for the family were finally granted. Even then, Pierre's wife Berthe failed to leave France before the deadline for departures of Jewish families, and the Vichy authorities refused her an exit permit. Altschul even unavailingly asked the State Department to try to pressure the Vichy government to allow the family to depart. Berthe David-Weill and the rest of the family, her children spent the remainder of the war in hiding in France, again under assumed names. During the war her elder, non-Jewish son by a first marriage, who had joined the French resistance movement, was captured, tortured, and died in Ravensbrück concentration camp.[440]

Altschul's strenuous efforts to assist his endangered French colleagues made it even more ironic that, well before the war had ended, they had forced him out of Lazard Frères. On arriving in New York, André Meyer suffered a nervous collapse that lasted until around May 1941. Once he had regained his strength, Meyer based himself on the thirty-second floor of 120 Broadway, the office building whose second floor housed the main office of Lazard Frères.[441] Meyer, a man who found power sharing with anyone but Pierre David-Weill difficult, set his sights on winning full control of the New York Lazard house, in which the French partners already possessed a controlling interest. He soon began a divide-and-rule campaign to drive first Stanley Russell, and then Altschul, out of the firm, encouraging partners dissatisfied with Altschul to turn to him instead. As early as March 1941, Altschul was apparently finding the situation difficult; his partner Jeidels, whom he consulted about these problems while the latter was on vacation in California, advised Altschul to "temporise" until his own return.[442] By July 1941, two months after Meyer had installed himself thirty storeys above, Altschul was driven to complain of Meyer's "attitude of carping criticism and increasing hostility," and expressed "a strong desire and preference to retire from the firm at the end of the year." Altschul told Meyer that the fact that he represented the interests of the French firm "made the closest understanding between us essential if we were to cooperate usefully." Recalling that he himself had for several years been absolved of "any responsibility for the day-to-day management of the firm," Altschul stated that Meyer's "actions convince me that in your view my continuing participation is no longer essential." At this stage, however, Altschul left the door open for a reconciliation, suggesting that if he had been "mistaken" in thinking Meyer wished him to leave, he might be persuaded to remain.[443] In reply, Meyer temporized, stating that there had been a misunderstanding, and that,

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[440] Correspondence in File Pierre David-Weill, General Correspondence, Altschul Papers; quotation from Altschul to Bridges, October 21, 1941, File Pierre David-Weill, General Correspondece, Altschul Papers; Cohan, *The Last Tycoons*, 48-53.
[441] Reich, *Financier*, 36-37; Cohan, *The Last Tycoons*, 53-54.
[442] Jeidels to Altschul, March 27, 1941, File Otto Jeidels, General Correspondence, Altschul Papers.
[443] Altschul to Meyer, July 11, 1941, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.

though he wished Altschul would devote more of his time to the firm and less to political activities which might compromise its interests, he hoped Altschul would remain with Lazard. In any case, he asked him to defer his decision until September, when Pierre David-Weill was expected to arrive.[444]

This was the beginning of a duel that would continue for two more years. Altschul's position continued to be ambivalent: he repeatedly expressed his desire to retire from business, yet hinted that he was willing to continue as long as the firm felt he might have some function to fulfill. In September 1941 he gave notice of his intent to resign as a partner at the end of the year, yet stated that if the David-Weills and Meyer wished him to remain, he would be willing to accept the role of "a general or special partner."[445] In late 1940 he had apparently already discussed with Meyer the idea of becoming a "special partner," a prospective role that Altschul seems to have found appealing. "For several years past," he told Meyer in September, "I have been relieved of any responsibility for the active management of the firm, and my function was to act as a stabilizing force, and above all to see that the business of the firm was conducted in the best firm traditions." Any faults to be found in its management were, Altschul stated, no responsibility of his, a position with which Meyer apparently agreed. Altschul was, however, "in complete disagreement" with Meyer over the latter's wish to liquidate General American Investors, the investment trust Altschul had founded and nurtured.[446]

By October 1941, discussions to renegotiate the details of the New York Lazard partners' contract were in train. Meyer apparently told Altschul that he "considered it of the utmost importance" that Altschul should "continue as a partner in the firm," and Altschul agreed to stay. Meyer decided that the New York partners should receive 43¾% of the American firm's profits, of which 15% was to be reserved to attract new partners, leaving 28¾% to be divided among the existing ones. Altschul expressed himself "extremely doubtful whether the amount made available for the present New York partners would make the conclusion of a new partnership with all of them feasible." He therefore envisaged that one or more of the existing partners was likely to retire. Meyer and Altschul agreed that Altschul would "make common cause" on this formula, on the understanding that, whoever left, Altschul would stay.[447] In late November, Altschul requested the right to resign from his partnership every six months rather than, as had been the case, every year. Stanley Russell had by this time decided to resign. Altschul stated that, as things had developed in the past, "we have had one New York partner who constantly has been guided by the conception of divide and rule. This has created a constant turmoil in the private office and has led to a situation in which there was imminent danger that the management of the firm would in theory be on the second floor, but that it would in practice by influenced by

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[444] Meyer to Altschul, July 13, 1941, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.
[445] Altschul to Meyer, September 25, 1941, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.
[446] Altschul, "Memorandum of Conversation of September 8, 1941, with André Meyer," File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.
[447] Altschul to Meyer, October 30, 1941, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.

remote control exercised from the 32d Floor which would creep into anything other than routine day-to-day decision." Altschul therefore asked that ultimate decision-making authority for the New York firm should rest with himself and the other New York partners, and that they should not go "running to [Meyer] with every conceivable problem in the hope of enlisting your support behind an individual viewpoint." Altschul admitted that in the past he had attended firm meetings "with increasing irregularity," since "it was quite clear that I was considered neither ornamental nor useful there." He suggested that his own presence on such occasions would in future be "useful," and that, while Meyer was welcome to attend them, he did not believe that Meyer should take sides in advance when questions were under debate among the partners.[448]

Meyer did not allow this position to go unchallenged. Altschul's letter apparently led to a "rather trying meeting" between Altschul and Meyer, in the office of the firm's lawyer, Alfred A. Cook. In the aftermath of this encounter, Meyer asked Cook what "rights and obligations" were incumbent upon him as a representative of Lazard Frères & Cie., France, which "has the major share of the capital in New York," giving him "a serious responsability [sic] towards my other partners and an almost fiduciary burden towards the commanditaires." In particular, he wished to know "to what extent may I participate in partners meetings where problems of the firm are discussed; to what extent may I answer questions by partners when my views and opinions and requested; and to what extent may I offer suggestions to them in what I think may be the interests of the business?"[449] In response, on December 5, 1941, Altschul sent Meyer a letter expressing his wish to resign his partnership at the end of the year. He complained that Meyer had, for at least a week, "been acting like Achilles sulking in his tent," refusing to have any communication with Altschul, while conducting an "endless series of individual conferences on the 32d floor, or elsewhere, which parenthetically I continue to consider a highly disruptive form of negotiation between partners." Meyer had refused all overtures from Altschul to discuss matters with him one on one, and was only prepared to meet him in the presence of the firm's lawyer, Alfred Cook, a suggestion Altschul said he considered "highly offensive," given his many years of service to the firm. Expressing his wish to exercise his right to retire at the end of the year Altschul bluntly stated:

> You have talked a great deal about your responsibilities. It has always seemed to me that among these was the responsibility of maintaining, in those whose continuing association you desired, the feeling that they could maintain this continuing association with a sense of dignity and self-respect. This responsibility, in any event so far as I am concerned, you have failed to discharge.[450]

In response, Meyer once again assumed a tone of injured innocence, stating that he wished Altschul to remain, and that he himself "would take no initiative relating to the eventual

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[448] Altschul to Meyer, November 24, 1941, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.
[449] Meyer to Alfred A. Cook, November 25, 1941, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.
[450] Altschul to Meyer, December 5, 1941, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.

reorganization of the house without being in complete agreement with you." He claimed to be "disturbed by the injustice" of Altschul's own attitude towards himself and his role on the thirty-second floor, and that he had only consulted Cook in the interests of clarifying the position. Meyer told Altschul that he had also discussed his role with the other leading Lazard partners, James Jackson and Otto Jeidels, and "both of them immediately recognized" that he "had never . . . exceeded my rights as far as the management of the House was concerned." Meyer had, he claimed, deliberately held aloof from somewhat heated recent discussions among Altschul and the other New York partners as to exactly what Altschul's future role in Lazard should be. Moving to the offensive, he claimed that on several occasions Altschul had kept him in the dark as to major developments in General American Investors, including a recent bond issue and the amount of the latest dividend. This had initially made Meyer reluctant to contact Altschul, even after he learned that Altschul had resolved his outstanding issues with Jackson and Jeidels, until the other partners made "the judicious observation that what was done in my regard concerning General American had nothing to do with the organization of the House." Meyer had then, he claimed that, tried to contact Altschul by telephone, so that the two of them could reach agreement on any remaining misunderstandings, and sign a contract in the presence of the firm's lawyer. Altschul had, he claimed, not been available at that time. Although he had now received Altschul's letter of resignation, he begged Altschul once again to "reconsider your decision."[451] Altschul duly reconsidered, and for another two years, the saga continued.

The departure of Stanley Russell on December 31, 1941, removed Altschul's former *bête noire* of some years' standing, but André Meyer was a far more formidable contender, armed as he was with the overriding controlling power that had always remained with the Paris firm, and tensions within the firm rose steadily. Four days after their December 5 exchange of letters, and two days after Pearl Harbor, Meyer sent all the remaining New York partners a memorandum stating that: "By reason of the interests which I represent and the material and moral responsibilities which I bear, my intention is to be present, as often as possible, at the daily meetings which take place on the second floor at which the different problems concerning the House are discussed. I propose to continue to express my opinion freely there, whenever I consider that there is occasion to do so, and also to make any suggestion which seems to me useful in the interest of the House." While he stated that "final decisions concerning the management of the firm" would "remain in the hands of the New York partners," he clearly intended to be a present in Lazard's day-to-day affairs. Meyer was also anxious to cut overhead costs, an endeavor in which he urged all the partners to cooperate.[452] A month later, Meyer once more urged Altschul to wind up General American Investors, Altschul's cherished investment trust, a strategy Meyer had already pushed at a GAI board meeting in September 1941, to Altschul's strong resistance. "To refuse, in 1942, to take unjustified risks with others' money in a firm which has outlived its economic necessity doesn't seem to me to incur the slightest loss of prestige for anyone," Meyer told Altschul. He

[451] Meyer to Altschul, December 5, 1941, File Lazard Frères Paris late 1930s-1940s, Altschul Overbrook Papers.
[452] Meyer to Lazard Frères Partners, December 9, 1941, File André Meyer, General Correspondence, Altschul Papers.

asked Altschul to take the initiative in liquidating General American, thereby freeing the capital locked up in the investment trust.[453] Difficulties between Altschul and Meyer apparently continued, with his German partner Otto Jeidels serving as Altschul's confidant. At the beginning of March Altschul telephoned Jeidels, then vacationing in Santa Barbara, California, regarding some particular Lazard problem, possibly the continuing battle over General American; Jeidels responded cryptically that he thought it "a question of our Paris friends' well considered self interest and whether it will be well considered."[454] Ten days later Jeidels, confessing to Altschul that "it has in these last three years become such a pleasant habit to talk to you at random on a lot of problems" that he missed being able to do so, wrote again from California, expressing his hope "that the firm does not worry you beyond the uncertainty overshadowing it like that entire Investment Banking community." Repeating prescriptions he had already put forward two years earlier, Jeidels confidentially expressed his own "unabated" regrets that Lazard was "not keeping track of what happens in industry and that we are not abreast of developments in Latin America which has in the last year, not unexpectedly, offered the only marketable securities which have gained and not lost."[455]

Meyer's own preference, as the future would soon reveal, lay with undertaking far more spectacular operations, planning and financing major corporate mergers and acquisitions, but as war began the scope for these was somewhat limited. At the end of March, Altschul himself told Sir Robert Kindersley, who had rather tetchily complained that he had not been personally notified of the changes among the New York firm's partners at the end of 1941, that "the change in personnel has in itself been less important than the gradual shrinking of our sphere of activity. This raised, and continues to raise, major questions having to do with the future which can hardly be dealt with satisfactorily at this distance, at this time." Altschul confessed to Kindersley that he was eagerly awaiting the arrival of Pierre David-Weill, the real controlling partner, and "an opportunity to take common counsel with him" in an effort to set the New York firm's future course.[456] Thanks in considerable part to strenuous efforts on his behalf by Altschul, David-Weill eventually reached New York in May 1942, though it took four more months for him to gain permanent resident status.

Meanwhile, whatever the different partners' varying hopes for the future, Lazard Frères continued to handle its standard issuing and underwriting business, of which the first half of 1942 saw a steady stream, before slowing to a trickle in the summer. In early January 1942, Lazard was part of the underwriting syndicate that issued 336,088 shares of cumulative preferred stock for the Connecticut Light and Power Company, offered at $52 per share or exchanged for old shares.[457] The same month, Lazard was part of a syndicate headed by Blair and Company

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[453] Meyer to Altschul, January 9, 1941, File André Meyer, General Correspondence, Altschul Papers.
[454] Jeidels to Altschul, March 4, 1942, File Otto Jeidels, General Correspondence, Altschul Papers.
[455] Jeidels to Altschul, March 15, 1942, File Otto Jeidels, General Correspondence, Altschul Papers.
[456] Altschul to Kindersley, March 26, 1942, File Sir Robert Kindersley, General Correspondence, Altschul Papers.
[457] "Connecticut Light Sells Stock Today," *New York Times*, January 13, 1942.

that offered $4,250,000 of waterworks refunding bonds for the City of Birmingham, Alabama.[458] A few days later, Lazard participated in a large syndicate headed by the First Boston Corporation and Bonbright & Company that offered $80,000,000 in bonds for the Alabama Power Company.[459] Simultaneously, Lazard was one of syndicate of 131 banks, headed by the National City Bank and Chase National Bank, that offered $50,000,000 in bonds for the City of New York.[460] At the beginning of February, Lazard was one of syndicate of eight, headed by Lehman Brothers, that offered $2,157,000 in bonds for the City of Yonkers, New York.[461] At the end of February Lazard was one of nine banks, in a syndicate headed by First Boston Corporation, that issued $4,000,000 of light and power bonds for the City of Tacoma, Washington.[462] March brought Lazard participation in a syndicate headed by Mellon Securities that issued $32,500,000 in first mortgage bonds and 34,000 shares of cumulative preferred stock of the Pennsylvania Electric Company.[463] In April Lazard was one of 146 firms in a syndicate headed by Morgan, Stanley that issued $100,000,000 in debentures for the American Tobacco Company, of which Lazard underwrote $2,650,000.[464] A few days later, Lazard was one of 52 underwriters of the issue of 225,000 shares of common stock for the International Harvester Company, taking 3,000 shares in a syndicate headed by Clark, Dodge and Company and the Lee Higginson Corporation.[465] In May 1942 Lazard underwrote 3.1 percent of 40,666 shares of cumulative preferred stock of Philip Morris, at $100 per share, plus $6,000,000 of debentures, in a syndicate headed by Lehman Brothers.[466] The same month it headed the banking syndicate that offered $1,095,000 of refunding bonds for Montclair, New Jersey.[467]

In June 1942 Lazard was one of three investment banks—the others being Smith, Barney & Co. and its old rival Blyth & Co.—authorized to handle as dealer managers a massive exchange of preferred stock between the National Power and Light Company and the Houston Power Company.[468] Shortly afterwards, Lazard was one of sixty-six firms that underwrote the issue of 240,000 shares of common stock for Charles Pfizer & Company, taking 12,000 of the issue.[469] At the end of the month, Lazard was one of the lead underwriters of 50,000 shares of preferred

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458 "Other Municipal Loans," *New York Times*, January 16, 1942.
459 "Public Sale Today of Alabama Power," *New York Times*, January 21, 1942.
460 "Single Bid Made for New York City's Bonds," *New York Times*, January 21, 1942.
461 "Yonkers Bonds Go to Lehman Bros.," *New York Times*, February 4, 1942.
462 "Tacoma Awards $4,000,000 Bonds," *New York Times*, February 27, 1942.
463 "Mellon Securities Gets Utility Bonds," *New York Times*, March 3, 1942.
464 "American Tobacco Files Its Big Loan," *New York Times*, April 11, 1942;"$100,000,000 Loan on Market Today," *New York Times*, April 24, 1942.
465 "Harvester Names 52 Underwriters," *New York Times*, April 14, 1942.
466 "Underwriters Are Listed," *New York Times*, May 13, 1942; "Offering of Stock by Philip Morris," *New York Times*, May 27, 1942.
467 "Municipal Loans," *New York Times*, May 28, 1942.
468 "Dealers to Assist in Share Exchange," *New York Times*, June 16, 1942; "Topics of Interest in Wall Street Yesterday," June 19, 1942; "Bankers to Push Deal for Utility," *New York Times*, June 22, 1942; "Houston Lighting Price Cut," *New York Times*, August 11, 1942; "Houston Lighting & Power Co.," *Wall Street Journal*, August 11, 1942.
469 "66 to Underwrite Pfizer Offering," *New York Times*, June 20, 1942.

stock valued at $100 each offered for G. C. Murphy & Company.[470] In July 1942, Lazard was one of three banks heading a group of seventy-four investment firms and financial institutions that submitted the winning bid to issue $17,143,000 of refunding bonds for the City of Detroit.[471] At the beginning of September Lazard was one of numerous underwriters of an issue of $33,950,000 City of San Antonio Electric and Gas revenue bonds.[472] In November 1941, Lazard led a syndicate of three that offered $250,000 in street bonds for the City of Nashville, Tennessee.[473] In December 1942, Lazard was one of eight firms in a group headed by the Bankers Trust Company that offered $3,140,000 in bonds for the City of Richmond, Virginia.[474]

As 1943 began, Lazard was one of a syndicate headed by Lehman Brothers that offered $37,013,000 in bonds for the New York City Housing Authority.[475] In February 1943, Lazard was one of a group of banks that offered $14,000,000 headed by Morgan, Stanley that offered $14,000,000 in bonds for the Erie Railroad Company.[476] The same month, Lazard and Halsey Stuart and Co. were the leaders of a group of banks that handled the offering of a $2,738,000 block of water revenue bonds for Kansas City, Missouri.[477] In March, Lazard took $160,000 of $6,000,000 of debentures of Philip Morris offered by a syndicate headed by Lehman Brothers.[478] Early in April Lazard underwrote $500,000 of $20,000,000 of first mortgage bonds issued by a syndicate of 41 banks headed by Smith Barney for the Chicago meatpackers Wilson & Company.[479] At the beginning of May, Lazard was one of eight underwriters of an issue of $5,000,000 in bonds for the City of Philadelphia School District.[480] The same month, Lazard were part of a group headed by their frequent partners, Smith, Barney & Co., that bought 242,664 shares of Houston Lighting and Power Company stock at $51.85, intending to resell it at $54.[481] Lazard was also one of thirty-two underwriters of an issue of almost $8 million of shares for the West India Sugar Company, taking 5,095 of 470,178 shares.[482] In July, Lazard joined in a syndicate headed by Lehman Brothers that offered 100,000 of shares at $100 each for

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470 "G. C. Murphy & Co.'s Offer of Stock Provides Exchange of Outstanding Shares," *New York Times*, June 29, 1942.
471 "$17,143,000 in Bonds Goes to Syndicate," *New York Times*, July 15, 1942.
472 "San Antonio Bonds on Market Today," *New York Times*, September 1, 1942.
473 "Pittsburgh Sells $750,000 in Bonds," *New York Times*, November 25, 1942.
474 "$3,140,000 is Lent to Richmond, Va.," *New York Times*, December 17, 1942.
475 Display advertisement, *New York Times*, January 13, 1943.
476 "Bond Offerings of the Week," *New York Times*, February 6, 1943.
477 "Prudential Insurance Sells $2,738,000 of Kansas City Water Bonds," *Wall Street Journal*, February 10, 1943; "$14,212,000 in Notes Sold for Housing," *New York Times*, February 10, 1943.
478 "$6,000,000 Issue is Filed with SEC," *New York Times*, March 2, 1943.
479 "Statement to SEC Made by Meat Packers," *New York Times*, March 30, 1943; $20,000,000 Bonds for Public Today," *New York Times*, April 8, 1943.
480 "Bond Issue Sold by Philadelphia," *New York Times*, May 1, 1943; "$4,000,000 Bond Issue to be Offered Today," *New York Times*, May 4, 1943.
481 "Join to Bid on Utility Stock," *New York Times*, May 6, 1943; "2 Utility Issues Sold," *New York Times*, May 11, 1943; "Stock of Utility on Market Today," *New York Times*, May 12, 1943.
482 "Two Corporations List Underwriters," *New York Times*, May 15, 1943; "Sugar Issue Distributed," *New York Times*, May 19, 1943.

Twentieth Century Fox.[483] The same month, Lazard was also one of almost one hundred investment houses that offered $37,000,000 in bridge bonds for the Delaware River Joint Commission.[484] As July ended, Lazard ought $1,650,000 of general bonds of the City of Chicago, Illinois.[485] In August 1943, Blyth and Company and Lazard were named lead underwriters in the sale of 450,000 shares of common stock of the Idaho Power Company, valued at around $11 million.[486] At the beginning of September Lazard was also one of the underwriters in a large syndicate headed by First Boston Corporation and Harris, Hall and Company, that offered $18 million of bonds for the West Texas Utilities Company.[487] In October Lazard was one of forty-eight firms in a syndicate led by Goldman, Sachs that offered 150,000 shares of cumulative preferred stock at $100 per share for McKesson & Robbins.[488] At the end of the year, in November, Lazard was one of a syndicate of 115 banks, headed by the First Boston Corporation, that underwrote the issue of 875,000 shares of the Public Service Company of Colorado at $25 per share.[489]

Although General American was under threat of liquidation from André Meyer, who may well have coveted the one-time financial bonanza that winding it up would bring, Altschul continued to be the investment trust's president, taking an active interest in its operations. In August 1940, Lazard Frères sold 145,424 shares of General American common stock.[490] From 1940 onward, General American steadily bought back its own debentures and preferred stock, improving its overall long-term financial position.[491] In April 1942, it was one of only two out of 67 investment trusts whose preferred stock was not selling at a substantial discount.[492] In June 1942, General American announced that it would redeem all its remaining outstanding debentures.[493] At the end of March 1942, General American reported assets of $15,019,831, equivalent to $227.57 for each share of preferred stock and $6.47 for each share of common

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483 "Twentieth Century-Fox Will Buy Rest of National Theatres Shares," *New York Times*, July 7, 1943; "Film Share Tender is Oversubscribed," *New York Times*, July 20, 1943.
484 "37,000,000 in Bonds Sold to Nation-Wide Syndicate," *New York Times*, July 15, 1943.
485 "Bond Blocks Sold by Metropolitan," *New York Times*, July 30, 1943.
486 "Idaho Power Files Block of 450,000," *New York Times*, August 27, 1943; "Topics of Interest in Wall Street," *New York Times*, August 27, 1943; "Stock of Utility on Market Today," *New York Times*, September 1, 1943.
487 "35 Million Bonds on Market Today," *New York Times*, September 2, 1943.
488 "Syndicate Formed for Stock Sale," *New York Times*, October 20, 1943; "Syndicate Offers Refinancing Issue," *New York Times*, October 26, 1943.
489 "Colorado Utility Stock Offered by Underwriting Group," *Christian Science Monitor*, November 23, 1943.
490 "Shifts in Equities Reported to SEC," *New York Times*, October 4, 1940.
491 "Notice of Redemption: General American Investors Company, Inc.," *New York Times*, November 23, 1940; "Trust to Redeem Preferred," *New York Times*, November 26, 1940; "Debenture Exchange Extended," *New York Times*, February 22, 1941; "Notice of Redemption: General American Investors Company, Inc.," *New York Times*, September 15, 1941; "Preferred Stock Called," *New York Times*, September 15, 1941; "Calls Preferred Stock," *New York Times*, February 25, 1942.
492 "Trusts' Dividends Often Tax-Exempt," *New York Times*, April 19, 1942.
493 "To Redeem $2,346,000 Loan," *New York Times*, June 18, 1942; "Financial Notes," *New York Times*, June 29, 1942; "SEC Approves Redeeming Issue," *New York Times*, June 30, 1942.

stock.[494] At the end of June 1942, General American reported net assets of $17,559,461, with preferred stock equivalent to $230.50 per share and common stock valued at $6.62 per share. Over $3 million of General American's assets were then in cash, earmarked to buy back the remaining outstanding debentures.[495] A rebound soon followed. Three months later, the trust's assets against preferred and common stock amounted to $17,372,826, an increase of $1,592,641 since the end of 1941, with common stock now valued at $8.82 per share and preferred at $263.22 a share. The company also had a war chest of $1,384,708 in cash and US Treasury bonds.[496] In December, General American announced its intention of selling almost 24,000 of its holdings of 40,000 shares of capital stock of the Potash Company of America, an operation GAI undertook with the Lehman Corporation, which intended to dispose of a further 40,000 such shares from its own portfolio.[497] Later that month General American declared a dividend of 40 cents per common share, 15 cents more than had been paid the previous year.[498] At the end of 1942 General American declared assets of $18,694,864, an increase of almost $3 million during the previous twelve months, with preferred stock equivalent to $283.25 per share and common stock to $9.30 a share.[499] By February 1943 its "record streak," with its stock now selling for 140% more than its 1942 low, was winning General American the applause of such stock pickers as Arthur Wiesenberger & Co. of the New York Stock Exchange.[500]

As 1943 began, General American continued to redeem its preferred stock.[501] By the end of March, assets against its common stock were equivalent to $12.95 a share, a figure that had risen to $14.96 three months later. Over the first six months of 1943, its assets rose by $7,355,319, to $25,850,184.[502] By the end of September 1943, assets rose another almost $500,000, to $7,811,149, to $26,306,104, with preferred stock valued at $411.03 per share and common stock at $15.30 per share. Under the new legislation, the firm had also chosen to be taxed as a regulated investment company, meaning that it would distribute virtually all its investment income, which amounted to $328,422 over the previous nine months.[503] In December 1943 the directors declared a dividend of $1.50 per share on the preferred stock, and $1.00 per share on the common stock.[504] At the end of 1943, General American had assets of $225,262,580, equivalent to $394.72 for each share of preferred stock and $14.50 on each of the common. The company had paid dividends of $386,000 on the preferred and $1,300,220 on the common stock;

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494 "Investment Trust," *New York Times*, April 3, 1942.
495 "Investment Trusts," *New York Times*, July 6, 1942.
496 "Investment Trust Reports Asset Rise," *New York Times*, October 8, 1942.
497 "To Offer 65,000 Shares," *New York Times*, December 2, 1942.
498 "Loft Candy Corp. Starts Dividends," *New York Times*, December 17, 1942.
499 "Investment Trust Reports," *New York Times*, January 8, 1943.
500 Advertisement, "The Record Streaks," *New York Times*, February 14, 1943.
501 "Notice of Redemption: General American Investors Company, Inc.," *New York Times*, February 8, 1943.
502 "Investment Trust," *New York Times*, July 9, 1943.
503 "Assets Reach $7,811,149," *New York Times*, October 11, 1941; "Corporation Reports Assets of $26,306,104," *New York Times*, October 12, 1942.
504 "To Report Dividend Dec. 17," *New York Times*, December 3, 1943; "Dividend News," *New York Times*, December 18, 1943.

and its net assets had increased by $6,767,715 over the year; its net income from dividends and interest amounted to $911,940; and it had made net profits of $750,000 by selling securities. The trust had $1,500,000 at its disposal in cash and US Treasury bonds, with 24.8 percent of its investments in public utilities, 20.2 percent in oil, 12.2 percent in merchandising, and 10.5 in railroad stocks. Its holdings of public utilities had been more than doubled, and were worth almost $1.2 million; over $4.7 million were held in other utilities, an increase of almost $2 million; oil investments had grown from $3.4 million to $4.8 million; rail investments had fallen slightly; and industrial common stocks had leapt from $6.8 million to $10.2 million. In the final quarter of 1943, General American had bought large blocks of Allied Stores, Lockheed Aircraft, Royal Typewriter, Sharpe & Dohme, L. C. Smith and Corona Typewriters, and United States Rubber, and disposed of holdings of Illinois Iowa Power Company, Bethlehem Steel, Greyhound Corporation, Schenley Distillers, and United States Steel.[505]

General American's outstanding performance over the previous two years may have reprieved it from Meyer's earlier efforts to liquidate the investment trust. Altschul himself finally left Lazard Frères at the end of 1943, as did such other partners as still remained. The arrival of Pierre David-Weill in May 1942 had done little to resolve the rivalries within the firm. As tensions mounted within Lazard Frères, the personnel had already begun to disappear. In July 1941, Randolph F. Compton of the bond department moved to the Union Securities Corporation as a vice president.[506] At the end of February 1942, Justin Henderson, head of Lazard's bond department, died of heart failure at the age of fifty-five.[507] A year later one of the firm's partners, John Harrison, died equally suddenly while on vacation in Palm Beach, Florida, aged only fifty-three.[508] In June 1942 John M. Fisher, head of Lazard's corporate buying and underwriting department for the previous seven years, left to join Standard Brands.[509] In February 1943 Otto Jeidels also departed, to join the Bank of America as vice-chairman of its general finance committee.[510] Jeidels was by far Altschul's most congenial friend among the Lazard partners, and his resignation was undoubtedly a considerable personal blow to the beleaguered New York banker. In February 1944, James A. Jackson, another Lazard partner, left Lazard Frères to head the Continental Bank and Trust Company.[511]

By then, Altschul himself had already finally left the bank, where he remained until the end of 1943, retiring from Lazard Frères on December 31st. There were very pragmatic reasons for his retention until that date, namely, that only in late 1943 were Meyer and David-Weill authorized to become partners in the New York firm, even though the Paris Lazard house already possessed

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[505] "$25,262,580 Assets Reported by Trust," *New York Times*, January 10, 1944.
[506] Justin Broderick, "Bonds and Bond Men," *Wall Street Journal*, July 21, 1941.
[507] "Justin Henderson, Investment Banker," *New York Times*, March 1, 1942.
[508] "John D. Harrison, A Banker, 53, Dies," *New York Times*, February 9, 1943; "J. D. Harrison, Partner of Lazard Freres, Dies," *Wall Street Journal*, February 9, 1943.
[509] "New Officers of Standard Brands," *New York Times*, June 5, 1942.
[510] "Otto Jeidels Named to New Banking Post," *Los Angeles Times*, February 21, 1943.
[511] "James A. Jackson Slated to Head Continental Bank and Trust Company," *New York Times*, February 26, 1944.

a controlling interest in it. By early 1943 the firm's partners, especially David-Weill, were under investigation by the U.S. Treasury Department, and until a decision was reached on this the partners were unable to adjust their existing contract.[512] Henry Morgenthau, Jr., still the secretary of the treasury, was determined to prevent American firms and their foreign associates from serving as intermediaries for business transactions between the United States and Nazi Germany, whether by purchasing German-owned securities or other assets, or alternatively by transferring American-owned properties to German hands. Pierre David-Weill's associations with French pro-fascist circles were considered sufficiently compromising to cause the rejection of his initial application to enter the United States, forcing Altschul to mount a major campaign that eventually succeeded in bringing his French partner to New York.[513] In the early 1940s, the Treasury Department launched investigations of various Lazard transactions. In summer 1941, the Treasury denied Lazard a license to liquidate American financial interests in the Silesian-American Corporation, a part German- and part American-owned business that "owns or controls zinc, lead, and coal mines, and other properties in Germany and German-occupied Poland," and transfer $2,500,000 in maturing bonds of the corporation to a "Swiss banking group" that was prepared to pay "a cost in excess of an additional $1,300,000" for them. The Swiss consortium was believed to be a front for German interests.[514] A Treasury official told Morgenthau that Lazard was "acting as agent for 'IKAP' Internationale Kapitalanigen A.G., a corporation affiliated with or wholly owned by the Swiss Banking house of Robert La Roche which purports to be acting in this transaction for a syndicate of Swiss banks including La Roche itself and the Union Bank of Switzerland." Had the license been granted, "Lazard Freres proposed to act in liquidating the corporation under a very broad power of attorney from a certain Swiss corporation which is a subsidiary or affiliate of a certain German mining corporation which is involved in this transaction in other respects."[515] Although the Treasury admitted that this was the only case in which Lazard Frères had "acted for European interests in attempting to arrange the purchase of American interests in European properties" and there were "no other such transactions in contemplation," it brought Lazard and its partners under the unwelcome scrutiny of the United States government.[516]

Such scrutiny could have severe consequences. When Pierre David-Weill first arrived in New York in May 1942, he did so on a visitor's visa, and then applied to change his status to permanent resident. In the subsequent immigration hearings, the subject of the Silesian-American transaction was raised, and David-Weill was asked to explain why Lazard had undertaken this business. In August 1942 his initial application for permanent resident status was denied, though eventually, with a great deal of help from Altschul, the decision was

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[512] Altschul to Jeidels, April 2, 1943, File Otto Jeidels, General Correspondence, Altschul Papers.
[513] See correspondence in File Pierre David-Weill, General Correspondence, Altschul Papers.
[514] J. W. Pehle and E. H. Foley, Jr., to Morgenthau, July 23, 1941, Vol. 489, Diaries of Henry Morgenthau, Jr., Franklin D. Roosevelt Presidential Library, Hyde Park, NY; see also Treasury Department, Press Release No. 26-75, July 26, 1941, Morgenthau to Foley and Pehle, July 23, 1941, ibid.
[515] Foley to Morgenthau, August 2, 1941, ibid.
[516] Foley to Morgenthau, September 9, 1941, ibid.

reversed.[517] The episode prompted Jeidels, on his way out to another California vacation, to send Altschul a written account of this particular episode. Forcefully, Jeidels defended Lazard's conduct on this occasion, telling his partner:

> We have never acted as agents for any Swiss bank or other Swiss party. We have filed an application for a transaction whereby we would have been allowed to pay the Siberian-American debentures, to acquire from Anaconda [Copper] and others their Polish interests and to sell them to a group of Swiss banks and we asked for a license to draw the contract with the Swiss up as an agency contract. The license has been refused, which was the U.S. Treasury's perfect right, and we have therefor not acted as agents to anybody.
>
> The transaction was, by the way, planned, and logically so, as our purchasing from Anaconda etc. against cash and to sell to the Swiss against cash, but Fred Greenman insisted on our acting as agents for the Swiss in order to protect us against any possible risk. It has necessitated the most difficult part of the negotiations and cost a lot of sweat and time, but I appreciated and supported Greenman's arguments; but this is how the 'agency' element came in and it is by now a word with ugly implications, although in this specific case fully legitimate and, of course, without any political dint.
>
> That whole Silesian-American project has, to my knowledge and conviction, only one sore feature and that is that it did not go through, which was the decision of the Government which nobody has a right to criticise. I suggest to forget this unsuccessful endeavor to do a constructive and a legitimately profitable piece of business, but should it ever force itself to our attention, there are two essential documents on our and Fred. Greenman's files: the approved memorandum of Anaconda's and our official interview with the State Department and our license application to the U.S. Treasury with its flawless statement of the matter; and in addition my perfect memory and my handwritten Sunday comment of exactly a year ago last Sunday with which I reviewed six months' filigrane work with full detachment and to get it "off my chest". . .[518]

This was not the only Lazard operation that came under Treasury suspicion of money laundering, to the point that Morgenthau felt obliged to apprise Franklin D. Roosevelt of these problems. According to a memorandum Morgenthau sent Roosevelt at the end of 1943, "in autumn of 1940 remittances totaling $1,825,000 had been made without license from New York by a Panamanian corporation in which the French partners of Lazard, Paris, had a substantial interest." These remittances were sent to "a Swiss banking firm and the explanation given was that they represented the liquidation of a Swiss interest in the Panamanian corporation." The Treasury's Foreign Funds Control Department found this explanation unconvincing, and pressured both the

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[517] File Pierre David-Weill, General Correspondence, Altschul Papers; Cohan, *The Last Tycoons*, 50-51.
[518] Jeidels to Altschul, August 1, 1942, File Otto Jeidels, General Correspondence, Altschul Papers.

Swiss corporation and Lazard, New York for further information. "Meyer and David-Weill thereupon admitted that there never had been any Swiss interest in the Panamanian corporation and that the remittances were in fact transfers of credit by Meyer in New York to David-Weill in Chatel-Guyon, then unoccupied France. The Swiss banking firm was merely an intermediary in effecting the transaction." Meyer and David-Weill eventually testified that the funds had been sent to help the Paris Lazard house, which had moved to Chatel-Guyon in the unoccupied zone of Paris, meet its maturing obligations. At the time, many of its assets were "commercial bills and credits that could be discounted only in the occupied zone." David-Weill feared that Pierre Laval, the prime minister of France, a political opponent of the firm who disliked "international Jewish bankers," sought "to cause a run on Lazard Freres and force its public failure." Depositors were already beginning to withdraw their funds. David-Weill therefore appealed to Meyer, already in New York, to transfer money to the French house and avert a potential catastrophe, whereupon his partner "arranged to have the $1,825,000 remitted to David-Weill via Switzerland." According to David-Weill, these remittances were used "solely to meet legitimate business obligations of Lazard, Paris."

According to Morgenthau, it seemed that neither Altschul nor "any other direct partner of Lazard, New York, knew of the remittances," which contravened regulations the Treasury had already imposed at that time on the transfer of funds by French nationals. (There is, however, an intriguing hint in an undated letter that his partner Otto Jeidels sent Altschul from Washington, detailing conversations with an unnamed government official, perhaps Morgenthau, and also with a former Lazard employee then working in the State Departments Foreign Funds Section, that the two leading Lazard partners may have been aware of this transaction. In neither of Jeidels' encounters with American officials, he told Altschul, was this subject, or even Lazard Frères & Co., mentioned at all, and he seemed to think the unidentified government official might not even "know of any problem of the kind." Seeking to reassure Altschul, Jeidels wrote: "You saw that under a Fed. Reserve regulation Frenchmen have for the time being to apply for license in each case. I expect this to be only temporary but, of course, I don't know." Jeidels concluded: "As none of them mentioned anything, which I, of course, also did not, I expect that it is all a technicality and probably of limited duration and hope that there will be no inconvenient publicity."[519]) An Office of Naval Intelligence file on Altschul noted that the Lazard firm was "regarded with some suspicion by French people," while a "Treasury Department investigation has revealed unsatisfactory conditions."[520] The Treasury ultimately decided to accept Lazard's account, provided that the firm "gave adequate guarantees of the truthfulness of David-Weill's explanation as to his use of the $1,825,000" and agreed that in future it would comply with the "freezing order" banning such remittances. The Treasury referred the matter to the Attorney General. Meanwhile, Lazard, New York was required to deposit "$2,000,000 in Government bonds with the Federal Reserve Bank of New York," which

[519] Jeidels to Altschul, no date, File Otto Jeidels, General Correspondence, Altschul Papers.
[520] Operations Branch Security Group, U.S. Army, intelligence profile on Franz August Altschul, January 31, 1955, available on Declassified Documents Reference System.

the firm did on November 10, 1943. These funds would "become the property of the United States if Lazard, or any of its partners, should engage in any material violation of our financial controls or if it should be determined that David-Weill's testimony as to his disposition of the $1,825,000 is untrue." According to Robert Brand, the Treasury determined that, since wartime conditions in France made it impossible to ascertain the truth or otherwise of David-Weill's explanation, these funds were deposited as security in case he was ultimately shown to have made incorrect statements in his defense. Only after this settlement had been made was the Treasury prepared to issue "a license . . . to Lazard authorizing it to admit David-Weill and Meyer as partners."[521]

While the Treasury investigation was in progress, every move Lazard made was liable to attract hostile official scrutiny. In November 1942, for example, Alfred Cook, Lazard's lawyer, who was also legal representative for the *New York Times*, requested the Treasury's personnel on Paul Gewirtz, a junior official in Foreign Funds Control "working on the Lazard Freres problem," with whom a lawyer from Cook's firm had recently "discussed several Lazard Freres problems." Although the request was purportedly made on behalf of the newspaper, in fact Cook had asked personnel at the *New York Times* to obtain the file for him in connection with his work on the Lazard case.[522] Even after the Treasury had negotiated an understanding with Meyer and David-Weill, any Lazard connection still set alarm bells ringing where Morgenthau was concerned. In May 1944 he enquired precisely who owned the three Lazard firms, in London, Paris, and New York, and what the inter-relationship between the three was. When he learned that "S. Pearson & Son, a prominent London banking house," held 80 percent of the British Lazard Brothers, with the Paris Lazard partners owning the remaining 20 percent, he made further inquiries as to the bona fides of Pearson and its personnel.[523] Almost certainly, Morgenthau's renewed interest was triggered by the announcement a few days earlier that Robert Brand of Lazard Brothers was to become British Treasury representative in Washington. Sir John Anderson of the British Embassy in Washington found it necessary to reassure Morgenthau that the Paris house controlled only 20 percent of Lazard Brothers, that Brand had never possessed any financial stake in either the New York or the Paris house, and that the "business transacted between Lazard Brothers & Co. in London and [the] New York firm is now practically nil and has been small for years." He also emphasized that Brand had for several years been "been detached from active participation in London business" while holding several positions for the British

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[521] Morgenthau to Roosevelt, December 2, 1943, File Treasury Department-Morgenthau, Box 101, President's Secretary's File, Franklin D. Roosevelt Presidential Papers, Franklin D. Roosevelt Presidential Library, Hyde Park, NY; Brand to Chancellor of the Exchequer, May 8, 1944, File 195, Brand Papers, another copy in File 199, Brand Papers.

[522] Randolph Paul to Morgenthau, November 12, 1942, Vol. 583, Morgenthau Diaries.

[523] Harry Dexter White to Morgenthau, May 24, 1944, "Foreign Funds," conversation between Morgenthau and White, May 25, 1944, Mr. O'Connell to Morgenthau, May 29, 1944, Vol. 735, Morgenthau Diaries.

government, and stressed Brand's "entire trustworthiness and integrity," as "a man in whom His Majesty's Government can place entire confidence."[524]

Until the official Treasury investigation of Lazard reached at least a preliminary resolution, the two Frenchmen needed Altschul to head the New York house, perhaps not least because he had "contributed all the American capital in the firm, which amounts to about one-third of the total capital." He was also prepared to accept a "guaranteed share" of "only one percent" of the profits.[525] In March 1943, Altschul told Jeidels: "We are still in the hands of the Treasury, with no new developments of importance." Although he "assume[d] that, after an annoying period, a solution satisfactory to all will be reached," there were hints that he resented the straits in which his French partners had placed him. "[T]his is not the kind of position that, as an American citizen with what I had always considered an exceptionally honorable standing, I like to find myself in," he complained. "The only consolation during a trying interim period is a completely clear conscience."[526] At the end of April 1943 the firm apparently "expect[ed] a decision within a week."[527] Four months later, the matter was still hanging fire. Things were "very quiet" in Lazard Brothers, Altschul told Jeidels in August, and the firm was "still waiting for a final decision in regard to the matter under discussion when you left." He remained "hopeful that this will not last much longer and that it will be satisfactory," after which he would "be able to think more clearly in terms of tomorrow."[528] It would be another three months before the firm's problems were resolved. Very little information on the internal dynamics of the New York house during 1942 and 1943 has survived. One can only speculate whether the pattern of internal spats between Altschul and Meyer, as Meyer provoked regular confrontations with a conflicted Altschul, who expressed his desire to leave but his readiness to stay if this would be of advantage to the firm, and was invariably persuaded to remain, continued unchecked after David-Weill's arrival in May 1942.

In August 1942, when David-Weill's immigration status was still hanging fire, Jeidels confidentially discussed the firm's existing business and future prospects in a letter to Altschul. The present seemed to him rather discouraging, since: "The only current business seems to derive from the sale of blocks of listed shares which has also lost most of its attraction by the introduction of the competitive method. Where we have a spontaneous demand we can pick up a little money from the commission and where the security seems particularly attractive we might try to develop some salesmanship, but I am not in favor of exercising too much pressure on our bond clients because our sales subsidy to those accounts is quickly exhausted—mainly to the benefit of our competitors business." For the longer term, Jeidels told Altschul that he was giving "much thought to the potentialities of the firm whatever and whoever be the ultimate set-

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[524] "Personal message from Sir John Anderson for Mr. Morgenthau," May 19, 1944, Vol. 734, Morgenthau Diaries; also Brand to Chancellor of the Exchequer, May 8, 1944, File 195, Brand Papers.
[525] Paul to Morgenthau, November 12, 1942, Vol. 583, Morgenthau Diaries.
[526] Altschul to Jeidels, March 15, 1943, File Otto Jeidels, General Correspondence, Altschul Papers.
[527] Altschul to Jeidels, April 27, 1943, File Otto Jeidels, General Correspondence, Altschul Papers.
[528] Altschul to Jeidels, August 20, 1943, File Otto Jeidels, General Correspondence, Altschul Papers.

up." While it was still unclear exactly who would be running Lazard in the future, Jeidels summarized his expectations of a more ambitious and wide-ranging firm in one long sentence, telling Altschul:

> It seems to me to fall into four chapters: the successful, i.e. improved coverage of the reduced overhead with the present line of business—the policy with regard to maintaining or liquidating the present inventory in Public Utilities—the separation, in future, of that sector of the firm[']s capital required for the regular business from the remaining funds to be used under different policy and, possibly, different administration and, finally, the opportunities for long-range business, profits and constructive ambition to give the firm in the long run the position which it deserves and which American business and banking structure permits.[529]

Half a year later, just after Jeidels moved to California, he complimented Altschul on the fact that the firm's capital inventory had proved itself to be exceptionally satisfactory, putting Lazard Frères in a good position to take advantage of eventual new opportunities.[530] In August 1943, Jeidels once again affirmed his continuing "friendly curiosity" toward Lazard Frères, which appeared to be prospering. Jeidels was, he told Altschul, "glad that the year seems to be a very favorable one from the point of view of results and profits." He also thought Lazard New York's longer-term prospects good, and was, moreover,

> particularly satisfied to see my experience of long standing confirmed that in business one must have patience and a reasonably long-range outlook meaning that one should neither have his eyes on the clouds nor on his feet but on the road ahead. Personally, as I have so often expressed, I hold a decidedly optimistic view of the potentials and the future of the firm. After the war, if there is to be any international business at all, the cooperation between the London and the New York firms offers distinct opportunities.

Referring to a commodity price stabilization scheme put forward by Harry D. White, chief economist to the US Treasury, Jeidels believed that the most fruitful field for investment banking would "arise from the necessity of organizing the world's surplus commodities on lines different from Harry White's super-government." Jeidels warned, however, that he did not think Lazard Frères "as well organised for the purpose as it could be and may become."[531]

However bright or otherwise the firm's future, it was one that would not include Altschul. Within weeks of obtaining Treasury permission in November 1943 to become full resident partners in the New York firm, David-Weill and Meyer had forced Altschul out of Lazard Frères New York, bringing in two other new partners besides themselves. The French Lazard house also remained a partner. Altschul withdrew his capital, which apparently accounted for about

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[529] Jeidels to Altschul, August 19, 1942, File Otto Jeidels, General Correspondence, Altschul Papers.
[530] Jeidels to Altschul, March 19, 1943, File Otto Jeidels, General Correspondence, Altschul Papers.
[531] Jeidels to Altschul, August 15, 1943, File Otto Jeidels, General Correspondence, Altschul Papers.

one-third of the New York firm's total capitalization. The Office of Naval Intelligence, compiling a report on Altschul in 1942 or 1943 based on Treasury sources, stated that his monetary interest amounted to $1,500,000. In early 1944 the firm's entire capital of $6,800,000 had been put up either by Meyer or David-Weill, each of whom had an interest of $850,000, or by the Paris house, which held the balance.[532] According to one account by a later partner, a reluctant Altschul was voted out of his position, despite the fact that only one New York partner voted against him, because the two Frenchmen and the Paris house possessed the controlling interest in the firm. Although Altschul kept a brave face on his ouster, apparently he deeply resented the way in which he had been jettisoned, feelings his son Arthur inherited.[533] To David David-Weill, Altschul later wrote that his retirement "represented the realization of a desire that circumstances had implanted in my mind almost seven years ago." There was undoubtedly some truth in this; since the mid-1930s, if not before, for Altschul the world of politics and great affairs had become ever more alluring, and mundane business less appealing. Even so, he clearly found profoundly hurtful the way that his many years of work for Lazard Frères counted for little if anything with the French partners whom he personally had done so much to rescue from the disaster that overtook them in 1940, smoothing their passage to the United States and into New York society. And, as he told the firm's patriarch, even if this takeover was "inevitable, misunderstandings have arisen which have clouded friendships that I valued."[534] As Altschul told Ginette Lazard, the widow of the French partner to whom he had been closest, David-Weill never replied to this letter, a further painful snub.[535]

One consolation for Altschul was that he remained president of General American Investors, the prized investment trust that had been his creation, and Meyer and Pierre David-Weill fairly soon divested themselves of most of the GAI holdings Lazard Frères still possessed. It seems that General American's fate remained undecided for much of 1944. General American continued to buy back its preferred stock, while issuing additional common stock.[536] In early 1944, the trust had 1,300,000 shares outstanding, 989,000 of them held by directors and banks who had been instrumental in establishing General American. The largest shareholders included Lazard Frères, with 373,000 shares; Fatic Investment, with 235,000; Lehman Brothers, with 166,000; and Altschul and his associates, who held 160,000 shares.[537] At the end of March 1944, General American Investors had net assets of $26,591,592, equivalent to $15.08 per common shares, an

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[532] White to Morgenthau, May 24, 1944, Vol. 735, Morgenthau Diaries; Operations Branch Security Group, U.S. Army, intelligence profile on Franz August Altschul, January 31, 1955, available on Declassified Documents Reference System.
[533] Cohan, *The Last Tycoons*, 56-59; Reich, *Financier*, 39-41; Orange, *Ces Messieurs de Lazard*, 112-133.
[534] Altschul to David David-Weill, October 16, 1944, File Pierre and David David-Weill, General Correspondence, Altschul Papers.
[535] Altschul to Ginette Lazard, May 23, 1945, File André and Ginette Lazard, General Correspondence, Altschul Papers.
[536] "Will Redeem 2,000 Preferred," *New York Times*, January 25, 1944; "Average of Stocks Unchanged on Day," *New York Times*, February 10, 1944.
[537] "Purely Gossip," *Wall Street Journal*, March 4, 1944.

increase of $1,529,012 in asset value since the end of 1943.[538] By the end of June, assets had risen further, to $28,955,152, equivalent to assets of $17.38 per common share; net income for the first half of 1944 was $386,913, and net profits on sales of securities $1,774,436.[539] At the end of September, the company reported net assets of $28,910,623, and equivalent to $17.34 on each share of common stock.[540] At the end of the year General American announced a substantial dividend, $3,420,000 in all, the precise amount per share to be proportionate to the number of shares actually outstanding at the close of business on December 21, 1944.[541] At the end of the year General American reported net assets of $29,295,633, or $15.60 a common share, before outstanding warrants for common stock were exercised. Over the year the number of such shares had risen by 259,240, to 1,479,840 shares, while net assets had risen by $2,237,803. The firm had made net profits of $963,691 from dividends and interest, and sales of securities had contributed another $2,783,945 in returns.[542] For the next year, the pattern continued. At the end of March 1945, General American reported net assets of $30,851,832, equivalent to $16.65 per share of common stock. After allowance for the preferred dividend, the firm had made quarterly profits of $1,556,196.[543] By June, net assets were equivalent to $19.31 per share on the common stock.[544] Three months later, the figure was $21.07 a share.[545] In December, General American declared a dividend of $3.06 a share on the common stock.[546] At the end of 1945, the assets to stock figure was $20.60, a slight decline over the previous quarter, but nonetheless an increase of almost 30 percent over the year.[547]

The stellar performance of General American and the profits to be made by disposing of their holdings apparently disposed Altschul's former partners in Lazard Frères to abandon their earlier insistence that the trust be wound up. With $2 million of the firm's assets locked up in Treasury bonds in the Federal Reserve vaults, they may also have welcomed the lucrative opportunity to liquidate their holdings in General American. In November 1944, General American announced its intention of issuing another 491,000 shares of common stock, worth a maximum of $7,410,000, through the exercise of warrants whereby Lazard Frères had the right to purchase 161,800 shares, Lehman Brothers 250,000, and Thomas & Co., 79,200. Many of these shares, it seems, they intended to redistribute immediately to investors.[548] In December 1944, Lazard and Lehman announced a further intention of selling a block of 200,000 common shares in General American Investors, a transaction that would still leave each of them a substantial holding in the

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538 "Asset Values Increased," *New York Times*, April 7, 1944.
539 "Increase in Assets Reported by Trust," *New York Times*, July 12, 1944.
540 "Investment Company," *New York Times*, October 5, 1944.
541 "Dividend News," *New York Times*, December 19, 1944.
542 "Investment Company," *New York Times*, January 5, 1945.
543 "General American Profits," *New York Times*, April 5, 1945.
544 "Investment Company," *New York Times*, July 10, 1945.
545 "Investment Company," *New York Times*, October 5, 1945.
546 "Dividend News," *New York Times*, December 20, 1945.
547 "Investment Companies," *New York Times*, January 5, 1946.
548 "SEC Gets Forecast of Utility Profits," *New York Times*, November 20, 1944.

trust.[549] In January 1945 Altschul told Bella Meyer, André's wife, that her husband and Pierre David-Weill had "abandoned their determination to liquidate" General American Investors and had, "in a most generous and cooperative manner solved their own problem, and in a measure mine, by selling a considerable part of their holdings of the stock." He expected that in future Lazard Frères would have three directors on the GAI board, one of whom, he hoped, would be André, "and then I shall see him more frequently." Altschul thought that it was now Meyer's "disposition, the immediate cause of friction between us having been eliminated, to work with me for the development of our little old company, and needless to say I intend to meet him more than half way in that respect."[550]

Shortly afterwards, Altschul recommended Meyer for membership in The Recess, an exclusive Wall Street club for which he had already sponsored Pierre David-Weill in January 1944.[551] More tragically, in May 1945 Altschul visited France, where he set about uncovering the wartime fate of various individuals with Lazard connections. He sent Meyer a letter describing the brutal sufferings of Jean Gaillard, the stepson of Pierre David-Weill, who was captured by the Nazis in 1943 and eventually died at Ravensbrück concentration camp in April 1945.[552] In June that year, when Gaillard's death was finally confirmed, Altschul and his wife sent condolences to Pierre and his wife.[553] In April 1947, Pierre David-Weill was a guest at a dinner Altschul gave for a number of friends and associates, at which international affairs were discussed in depth.[554]

Yet, if relations between Altschul and his former French partners improved, the reconciliation always remained somewhat superficial. Within two years of Altschul's departure, all the remaining original partners in the New York firm were gone, as Meyer and David-Weill brought in their own men, and its branch offices in Boston, Chicago, and Philadelphia were also closed, part of Meyer's drive to cut overheads.[555] Nor had tensions over General American Investors disappeared. In late 1946 and throughout 1947 and 1948, the trust's assets declined, victims of a widespread market depression. In December 1946 dividends paid amounted to only $1.48 per share of common stock, as opposed to $3.06 in 1945. At the end of 1946 they were worth $37,169, 467, over $2 million less than a year earlier, when on December 31, 1945, they amounted to $39,468,771. Per share, the value of the common stock had fallen from $20.30 to

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[549] "200,000 Share Offering," *New York Times*, December 16, 1944; "Topics of the Day in Wall Street," *New York Times*, December 28, 1944.
[550] Altschul to Bella Meyer, January 15, 1945, File André Meyer, General Correspondence, Altschul Papers.
[551] Cohan, *The Last Tycoons*, 58-59.
[552] Altschul to Meyer, May 23, 1945, File André Meyer, General Correspondence, Altschul Papers.
[553] Altschul to Pierre David-Weill, June 22, 1945, David-Weill to Altschul, July 27, 1945, File Pierre David-Weill, General Correspondence, Altschul Papers.
[554] Charlton Ogburn to Altschul, April 18, 1947, File Charlton Ogburn, Catalogued Correspondence, Altschul Papers.
[555] Cohan, *The Last Tycoons*, 60-61; Reich, *Financier*, 41-44.

$18.89 over the year.[556] The plunge continued. By mid-1947 they had fallen still further, to $36,625,699, a decrease of $543,767 over the previous six months, and common stock was worth only $18.56 per share. The trust had, however, made a profit of $771,034 by selling securities. By the end of the year, General American's assets were $36,003,925, or $18.18 per common share, $1,000,000 less than a year before.[557] The French partners' pressure on Altschul for higher returns was apparently mounting. Dividends for 1947 were once more a disappointing $1.50, half that of two years earlier. In March 1948, the trust announced a change in policy, stating that in future it would pay dividends on a quarterly rather than annual basis, beginning with an additional dividend of 10 cents per share, payable on April 1, with any surplus income and capital gains to be distributed at the end of the year.[558] Over the year the value of General American's assets fluctuated: rising in the first six months from $36,184,010 or $18.29 a common share on March 31, 1948 to $39,712,364, or $20.45 a common share on June 30, 1948, but dropping back to $37,105,692 or $18.45 per common share by September 30, 1948.[559] In the last quarter of 1948 General American's net assets declined dramatically, to $34,714,682 or only $17.40 per share, but dividends of $3,278,183 had been paid out in the course of the year.[560]

The disappointing returns apparently alarmed Altschul's French partners into seeking changes in the management of General American Investors. In October 1948 Harold Linder, a director of various industrial concerns who had been a member of the board since 1945, became president of General American, replacing Altschul, who became chairman and remained chairman of the executive committee.[561] The Lazard directors apparently sought other changes. While the details are unclear, in January 1949 Pierre David-Weill suggested that Altschul's elderly former partner Paul Baerwald, who left the Lazard firm in the late 1920s but twenty years later still sat on the General American board, should resign his position. This apparently represented merely the culmination of lengthy discussions and exchanges of memoranda, hardly a new phenomenon in Altschul's dealings with the Lazard firm, causing Baerwald wryly to reflect that "perhaps the large number of reports & opinions & conversations—verbal & in writing—which those men who are most closely concerned with the matter have read & reread & studied have made more difficult rather than less difficult the combined or mutual effort to arrive at an easy solution." Attempting to mediate the situation, Baerwald suggested to David-Weill that there currently existed "a dilemma created by certain circumstances, & possibly by the treatment of those

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556 "Investment Company," *New York Times*, April 5, 1946; "Investment Company," *New York Times*, July 10, 1946; "Investment Companies," *New York Times*, October 4, 1946; "Best Foods to Pay 60-Cent Dividend," *New York Times*, December 17, 1946; "Investment Assets Lower," *New York Times*, January 10, 1947.

557 "Investment Company," *New York Times*, April 8, 1947; "Reports for Half Year: General American Investors Co. Shows $771,034 Profit," *New York Times*, July 7, 1947; "Investment Companies," *New York Times*, October 6, 1947; "Investment Trust," *New York Times*, January 9, 1948.

558 "Dividend News," *New York Times*, March 4, 1948.

559 "Investment Company," *New York Times*, April 9, 1948; "Other Investing Companies," *New York Times*, July 16, 1948; "Investment Company," *New York Times*, October 11, 1948.

560 "Investing Companies Issue Figures for '48," *New York Times*, January 10, 1949.

561 "Succeeds to Presidency of Investors Company," *New York Times*, October 7, 1948.

circumstances & by the reflections in the minds of certain people of the various opposing lights thrown on those circumstances."[562]

While the details remain murky, it seems that wholehearted cooperation on General American between Altschul and his former partners proved difficult, a "dilemma" apparently resolved when the remaining Lazard representatives severed their ties with the organization. Somewhat ironically, by the end of 1949 General American's position had improved dramatically, allowing the Lazard officials to take their profits and leave. By March 1949 its assets had reached $35,200,305 or $17.69 a common share, around $500,000 more than three months earlier, though the following quarter they dropped drastically to $33,971,311, only $16.94 a common share. Within three months, however, assets had risen to $38,051,870 or $19.43 per common share, reaching $39,207,036 at the end of the year.[563] Even after dividends of $1.92 per share totaling $3,463,559 had been paid, the common stock was now worth $19.85.[564] The pattern continued throughout 1950. By late March General American assets were $41,087,823, or $20.98 per common share, and the organization had made a profit of $1,063,885 from sales of securities. The overall value fell slightly the next quarter, to $40,895,295 or $20.87 per common share, but rose dramatically the following quarter, to $23.29 per common share. By the end of the year its net assets amounted to $45,996,365, reduced to $43,726,270 once dividends had been paid. After declaring dividends of 10 cents in each quarter, at the end of 1950 General American paid an additional dividend of $3.00, distributing $6,120,981 to common stockholders. Warrants to issue an additional 118,460 shares of common stock were also exercised, bringing the number of such shares to 1,780,738. Issuing and quickly reselling such shares was presumably one means whereby the Lazard firm maximized its profits before finally cutting its ties with Altschul and General American.[565]

The ruthlessness with which he had been ejected from Lazard Frères once he was surplus to requirements inevitably rankled. Contacts between Altschul and the representatives of the firm for which he had worked all his life tailed off. The venerable David David-Weill died in 1952, aged eighty-one, a man whom, Altschul told Ginette Lazard, he "had known since childhood and had been associated with in the friendliest manner until Pierre poisoned his mind against me with his colored story of our late unpleasantness." Altschul had apparently had no contact with his late senior partner since 1944, when his own letter to David-Weill went unanswered. Altschul would have "liked to send a word of condolence to Flora," David-Weill's widow and Pierre's mother, but did not do so, since this was something "which I feel now would only be an intrusion on my

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[562] Paul Baerwald, "General American Investors," draft letter to Pierre David-Weill, January 20, 1949, File Business Career: Memoirs and Papers, Box 1, Paul Baerwald Papers, Columbia University Library, New York.

[563] "Investment Company," *New York Times*, April 7, 1949; "Investment Company," *New York Times*, July 8, 1949; "General Investors Assets Rise," *New York Times*, October 6, 1949; "Rise in Assets Reported," *New York Times*, January 5, 1950.

[564] "Other Dividend News," *New York Times*, December 14, 1950.

[565] "Investment Companies," *New York Times*, April 6, 1950; "Investment Funds," *New York Times*, July 6, 1950; "Investing Companies," *New York Times*, October 5, 1960; "Other Dividend News," *New York Times*, December 14, 1950; "Investment Trust Shows Rise in Assets," *New York Times*, January 5, 1951.

part."[566] The break with the French associates with whom he had once worked so closely and with whom his family connections stretched back to the 1870s had become almost total.

Altschul never entirely forgave his French partners for the way in which they had treated him. Yet Meyer, however self-serving his motives, had probably been correct in stating in December 1941 that Altschul was suffering from "uncertainty as to what [he] really wanted," a state of mind that had apparently afflicted him since the mid-1930s, when he began vacillating over just how much time, energy, and interest he should commit to Lazard Frères.[567] Perhaps the most insightful comment on his departure was that of his former partner Otto Jeidels, who had moved to California earlier in the year, and sent Altschul "congratulations" on his "recovered freedom" and on the "impending Christmas surprise at General American Investors." Sending his "best wishes for a new life of enhanced independence," Jeidels told Altschul:

> I am convinced that, in addition to still greater attention which you will now be able to devote to the Investment Trust, you will be able to group your many interests more systematically and, from time to time, will find some great purpose to follow. Liberty of action, freedom from potential conflicts and lame compromise in the day-to-day operations of a business, not entirely one's own nor belonging to the practically anonymous mass of shareholders, is a great step to balance of mind, if not—in this imperfect world—to happiness.[568]

Jeidels' words were prescient. Altschul, fifty-six when Lazard Frères severed its connection with him at the end of 1943, was a man possessed of abounding energy and a wide range of interests. For another thirty years he would be free to pursue the kind of quiet role behind the scenes in politics and international affairs that had, since at least the early 1920s, intrigued and attracted him.

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[566] Altschul to Ginette Lazard, July 17, 1952, File André and Ginette Lazard, General Correspondence, Altschul Papers.
[567] Altschul to Meyer, December 5, 1941, File André Meyer, General Correspondence, Altschul Papers.
[568] Jeidels to Altschul, December 19, 1941, File Otto Jeidels, General Correspondence, Altschul Papers.

CHAPTER ELEVEN

RADIO FREE EUROPE, 1949-1951

In April 1949, Frank Altschul's irrepressible and occasionally disreputable long-time friend, the lawyer Arthur Ballantine, told him that he was under investigation by the Federal Bureau of Investigation, and promptly asked him "what crime I had committed or what assignment I was being considered for." Altschul, who had already learned of these inquiries from at least two other sources, one of the Morgan partners, most probably Russell Leffingwell or R. Gordon Wasson, plus an unidentified "member of a brokerage firm," prevaricated.[1] For fifty years, Altschul sought political power and influence, but usually did so while eschewing formal government office. In the early Cold War years, however, he was more willing to take a public stand than at any other time in his life, an index of the degree to which the burgeoning conflict engaged him both emotionally and intellectually. From mid-1949 to January 1952, he served as a key director of Radio Free Europe, an organization established by the National Committee for a Free Europe (NCFE), using funding from the Office of Policy Coordination, an offshoot of the newly created Central Intelligence Agency, in the hope that it would weaken the Soviet hold upon its satellites in Eastern Europe. Altschul remained the foremost NCFE director dealing with the radio project until December 1951, a few months after its operations moved to Munich.[2] For several years, the affairs of Radio Free Europe apparently absorbed most of Altschul's

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[1] Altschul to Brien McMahon, April 7, 1949, File Brien McMahon, Political Series, Altschul Papers.

[2] See Committee for Free Europe-Radio Free Europe Files, Organization Files, Altschul Papers; also Altschul to Harold E. Rider, October 21, 1969, File Rh-Ri, General Correspondence, Altschul Papers; on Radio Free Europe, see also Sig Mickelson, *America's Other Voice: The Story of Radio Free Europe and Radio Free Liberty* (New York: Praeger, 1982); A. Ross Johnson, *Radio Free Europe and Radio Liberty: The CIA Years and Beyond* (Washington, DC, and Stanford, CA: Wilson Center Press and Stanford University Press, 2010), 8-10; Gregory Mitrovich, *Undermining the Kremlin: America's Strategy to Subvert the Soviet Bloc, 1947-1956* (Ithaca: Cornell University Press, 2000), 21-23, 105-109; Scott Lucas, *Freedom's War: The American Crusade Against the Soviet Union* (New York: New York University Press, 1999), 100-104, 150-154, 188-190, 229-230, 251-260; Arch Puddington, *Broadcasting Freedom: The Cold War Triumph of Radio Free Europe and Radio Liberty* (Lexington: University of Kentucky Press, 2000); Hugh Wilford, *The Mighty Wurlitzer: How the CIA Played America* (Cambridge: Harvard University Press, 2008), ch. 2; Michael Nelson, *War of the Black Heavens: The Battles of Western Broadcasting in the Cold War* (Syracuse: Syracuse University Press, 1997); Richard H. Cummings, *Cold War Radio: The Dangerous History of American Broadcasting in Europe, 1950-1989* (Jefferson, NC: McFarland, 2009); Richard H. Cummings, *Radio Free Europe's "Crusade for Freedom": Rallying Americans Behind Cold War Broadcasting, 1950-1960* (Jefferson, NC: McFarland, 2010); A. Ross Johnson and R. Eugene Parta, eds., *Cold War Broadcasting Impact: Radio Free Europe and Radio Liberty* (Budapest, Hungary: Central European University Press, 2010); Cord Meyer, *Facing Reality: From World Federalism to the CIA* (New York: Harper & Row, 1980), 110-138; Shawn J. Parry-Giles, *The Rhetorical Presidency, Propaganda, and the Cold War, 1945-1955* (Westport, CT: Praeger, 2002), 52-53; Allan A. Michie, *Voices Through the Iron Curtain* (New York: Dodd, Mead, 1963); Robert T. Holt, *Radio Free Europe* (Minneapolis: University of Minnesota Press, 1958); Burton Hersh, *The Old Boys: The American Elite and the Origins of the CIA* (New York: Scribners, 1992), 256-260; and Wilson D. Miscamble, *George F. Kennan and the Making of American Foreign Policy, 1947-1950* (Princeton: Princeton University Press, 1992), 203-205.

considerable energies. In March 1950 he was, he told his wife's sister-in-law, Cecily Goodhart, "working from morning till night at Radio Free Europe, which is supposed to be a propagandist weapon in the Cold War, supplementing the Voice of America in a field in which the Voice must be restrained because it is an agency of the Government."[3] A few months later, a communication to Altschul regarding an "investment advisory service" was "temporarily buried in the rush of affairs at Radio Free Europe."[4] Many years later, Altschul told a friend that, as "one of [the] original organizers" of Radio Free Europe, he had "spent full time directing its operations for several years and only retired when a great deal of our activities were moved to Munich."[5]

Radio Free Europe and its parent, the National Committee for a Free Europe, were among the most prominent major psychological warfare initiatives launched by the American establishment in response to the tightening of the Soviet hold on Eastern Europe in the late 1940s. They were, in many ways, emblematic of the cognitive contradictions besetting even those Americans who believed, at an intellectual level, that for the indefinite future there was little alternative to accepting Soviet dominance of Eastern Europe, and containment of further Soviet advances was the most to which American strategy could aspire. However logical this stance, there was a strong ideological component to American policy, which viewed Soviet communism not simply as a strategic rival, but also as a morally reprehensible political system. Interestingly, in the early stages of these initiatives, one of their strongest proponents was George F. Kennan, the silver-tongued diplomat whose analysis of the forces driving Soviet behavior and articulation of the policy of "containment" became the new orthodoxies of American foreign policy. Somewhat ironically, during World War II Kennan had, it seems, been prepared to write off Eastern Europe and abandon the entire area to Soviet rule.[6] In the late 1940s, however, as director of the State Department's Policy Planning Staff, he became the father of what would become known as the "rollback" policy, an American campaign to destabilize the Soviet position in Eastern Europe through a wide variety of initiatives, including the propaganda broadcasts transmitted by Radio Free Europe.

Inspired in part, it seems, by fears that the Marshall Plan would prompt East European leaders to look to the United States and the West for assistance, and also by apprehensions that West German economic revival would ultimately pose a renewed military threat to Russian interests, in late 1947 and 1948 Soviet officials moved to ensure Communist dominance of the Eastern

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[3]Altschul to Cecily Goodhart, March 31, 1950, File Arthur and Cecily Goodhart, General Correspondence, Altschul Papers.

[4] Altschul to Wasson, February 9, 1951, File Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers.

[5]Altschul to Harold E. Rider, October 21, 1969, File Rh-Ri, General Correspondence, Altschul Papers.

[6] Walter Isaacson and Evan Thomas, *The Wise Men: Six Friends and the World They Made* (New York: Simon and Schuster, 1986), 227-228, 238-239; Anders Stephanson, *Kennan and the Art of Foreign Policy* (Cambridge: Harvard University Press, 1989), 31-33, 37-42; Walter L. Hixson, *George F. Kennan: Cold War Iconoclast* (New York: Columbia University Press, 1989), 21-23; David Mayers, *George Kennan and the Dilemmas of US Foreign Policy* (New York: Oxford University Press, 1988), 91-97; Miscamble, *George F. Kennan and the Making of American Foreign Policy*, 22-23.

satellites. Political pluralism came to an end in Hungary, where non-Communist leaders were forced out of office and the country was declared a Socialist People's Republic. In Czechoslovakia, a brutal coup d'état in 1948 was accompanied by the mysterious death, either suicide or murder, of the non-communist Foreign Minister, Jan Masaryk. Soviet control over East Germany and East Berlin also intensified, culminating in spring 1949 in efforts by Soviet occupying forces to bar Western access to West Berlin and assume control of the entire former German capital. Rather than backing down and abandoning this symbolic Western-held enclave deep in East German territory, for more than a year the United States and Britain resupplied West Berlin by air, an expensive but effective operation that demonstrated more effectively than any rhetorical declaration the determination of the Western powers to maintain their position in the city. In Yugoslavia, however, the fact that the communist leader Josip Broz Tito successfully broke with Stalin in mid-1948 and successfully maintained his hold on power gave some aid and comfort to those Americans who hoped to be able to encourage separatist forces in other Soviet satellites in Eastern Europe.

As the Soviet Union tightened its hold on the East European satellites, officials in the proliferating American national security bureaucracy were reluctant to abandon Eastern Europe completely to communist domination. Ideally, they hoped that it might be possible to destabilize the region's Communist governments, and ultimately to break Soviet control of the area. Containment of Soviet communism would thus evolve into the rollback of communism. Rather than risking war to bring this about, the United States government would rely upon covert operations and psychological warfare. As director of the Policy Planning Staff, Kennan felt that containment alone had become an inadequate response to Soviet assertiveness. He strongly supported the creation of the new Central Intelligence Agency, established in 1947, and served as a consultant to the director of its predecessor, the Central Intelligence Group.[7] As early as October 1947, Kennan drew attention to the presence in the United States of numerous East European and Russian refugees, whom he hoped might be made an asset of some kind to United States foreign policy, perhaps by training them for some kind of psychological warfare operations. He took the idea further in several reports and planning papers for President Truman and the National Security Council. NSC-7, written in March 1948, urged "a coordinated program to support underground resistance movements in countries behind the Iron Curtain, including the USSR," and "a substantial emergency fund to combat Soviet-directed world Communism." Truman approved.[8] To the Joint Chiefs of Staff, Kennan even suggested that they might encourage anti-communist refugee forces by setting up a guerrilla warfare school to train both exiled foreigners and Americans willing to work with them "in air support, communications, local security, counter-intelligence, foraging, sabotage, guerrilla tactics, field

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[7] David F. Rudgers, *Creating the Secret State: The Origins of the Central Intelligence Agency, 1943-1947* (Lawrence: University Press of Kansas, 2000), 111; Hixson, *George F. Kennan*, 57.
[8] Johnson, *Radio Free Europe and Radio Liberty*, 8-10; Lucas, *Freedom's War*, 57-59; Mitrovich, *Undermining the Kremlin*, 23-25; Miscamble, *George F. Kennan and the Making of American Foreign Policy*, 181-189.

medicine, and propaganda." The Joint Chiefs were unenthusiastic, as was the CIA to begin with, but Kennan persevered.[9]

A further memorandum, also written by Kennan, that ultimately became NSC Directive 10/2, approved by Truman in June 1948, urged a coordinated program of activities to oppose Soviet rule in Eastern Europe and its extension elsewhere. This would involve both overt and covert operations, including covert support for anticommunist political elements in countries outside the Soviet orbit; and assistance for paramilitary guerrilla operations, sabotage, rebellions, and other subversive activities behind the Iron Curtain. To mobilize support for and facilitate the activities of émigré elements in the United States, Kennan also advocated that the United States government encourage "trusted private citizens" to set up a committee to that end, which would assist these refugees in obtaining "access to printing presses and microphones" for propaganda purposes. Kennan characterized this projected new organization as "primarily an overt operation which, however, should receive covert guidance and possibly assistance from the Government. . . . The American Committee should be so selected and organized as to cooperate closely with this Government." In subsequent policy directives, the Policy Planning Staff—energized by Tito's split with the Soviet Union—in June 1948, stated that the American government should endeavor to encourage the emergence of nationalist Communist movements and regimes throughout Eastern Europe. Kennan also called for "the creation of a covert political warfare operations directorate within the Government," to undertake these initiatives, a move seconded by the former OSS operative and Wall Street lawyer Allen W. Dulles, who was at that time acting as a consultant to the newly created Central Intelligence Agency. Kennan insisted that the organization involved must answer to the State Department. The result was the establishment in mid-1948 of the Office of Special Projects, renamed the Office of Policy Coordination (OPC) in August 1948. The office was housed in the Central Intelligence Agency, but its head, although he would report to the CIA's director, would be appointed by the Secretary of State, and would supposedly work under the supervision of senior consultants from the CIA and the State and Defense Departments.[10] In practice, in the early days such oversight was often decidedly lax. Robert Joyce of the Policy Planning Staff, the official who handled liaison with the OPC for the State Department at this time, was later described as "more CIA than the CIA," enthusiastically endorsing virtually everything laid before him.[11]

The new organization, a memorandum of understanding governing its establishment stated, was to be "a major political operation" possessing "the greatest flexibility and freedom from the

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[9] Peter Grose, *Operation Rollback: America's Secret War Behind the Iron Curtain* (Boston: Houghton Mifflin, 2000), 93-95; Hixson, *George F. Kennan*, 57; Wilford, *The Mighty Wurlitzer*, 24.

[10] Lucas, *Freedom's War*, 59-65, quotations from 61, 60; Johnson, *Radio Free Europe and Radio Free Liberty*, 10-12; Grose, *Operation Rollback,* 94-99; Hersh, *The Old Boys*, 224-226; Mitrovich, *Undermining the Kremlin*, 18-21, 24-36; Miscamble, *George F. Kennan and the Making of American Foreign Policy*, 197-199, 205-207; Hixson, *George F. Kennan*, 57-58; John Ranelagh, *The Agency: The Rise and Decline of the CIA* (London: Weidenfeld and Nicolson, 1986), 133-134; Rudgers, *Creating the Secret State*, 171-173; Cummings, *Cold War Radio*, 6-8; Wilford, *The Mighty Wurlitzer*, 25-28.

[11] Thomas, *The Very Best Men*, 40-41; Hersh, *The Old Boys*, 290.

regulations and administrative standards governing ordinary operations." It enjoyed great latitude to undertake covert ventures of every kind, limited only by the stipulation that these be "so planned and conducted that any U.S. government responsibility for them is not evident to unauthorized persons and that if uncovered the U.S. Government can plausibly disclaim any responsibility for them." Its first director was the aggressive and energetic Frank Wisner, a rather flamboyant Southerner and Wall Street lawyer who served in the Balkans with the OSS during World War II, where he had been deeply affected in 1945 by the sight of Soviet deportations in railroad boxcars of hundreds of politically suspect Romanians, destined for labor camps or execution in the Soviet Union. Under Wisner's direction, the OPC grew dramatically: by 1949 its already had a staff of 302 and an official budget of $4.7 million; by 1952 the staff had mushroomed to 2,812 in Washington and another 3,142 in 47 stations around the globe, and its budget was $82 million, projected to rise to $200 million by the end of the year. In Europe, these funds were supplemented by a portion of the counterpart funds that each European government that benefited from the Marshall Plan was expected to contribute to that undertaking. The OPC's projects proliferated. Among the more aggressive were efforts to train and equip East European émigrés as guerrilla fighters and then facilitate their return to their own countries, where it was hoped they would make contact with other resistance elements, and foment unrest and sabotage that might ultimately topple the Soviet-backed client governments in the East European satellites. Virtually all these efforts proved unavailing. Soviet intelligence had already penetrated the networks involved, helped by information from the British double agent H. A. R. "Kim" Philby, the MI6 officer who handled liaison with the Americans in Washington in these years. Almost without exception, the agents involved were rounded up and in most cases executed, though the occasional one was turned, to be used against his American sponsors.[12]

The OPC also used an enormous variety of front organizations, a tactic that would for decades remain a mainstay of American Cold War propaganda. Non-communist labor leaders, academics, writers, journalists, teachers, intellectuals, publishers, women's groups, and student organizations all received subsidies from the Central Intelligence Agency and its subsidiaries, including complaisant American philanthropic foundations, for a vast array of programs that were in one way or another perceived as bolstering anti-communist sentiment both within and outside the United States. Art exhibits, literature, theatre, music, and sport were all viewed as vectors that would help to demonstrate American superiority and solidify opposition to the Soviet Union. Umbrella organizations such as the international Congress for Cultural Freedom were established to administer some of these programs. Funding was often channeled through front organizations that disavowed any connection with the CIA or American officialdom, including numerous philanthropic foundations. These institutions sometimes supplemented CIA

[12] Lucas, *Freedom's War*, 65-67; Grose, *Operation Rollback*, esp. chs. 8-9; Hersh, *The Old Boys*, 189-220, 226-229, 234-281; Thomas, *The Very Best Men*, 15-43, 60-72; Mitrovich, *Undermining the Kremlin*, 36-46; Miscamble, *George F. Kennan and the Making of American Foreign Policy*, 199-203, 207-210; Ranelagh, *The Agency*, 134-138.

funding with additional money from their own coffers. The boundaries between private undertakings and state-sanctioned enterprises were often hard to discern.[13]

This was true of Radio Free Europe and its parent organization, the National Committee for a Free Europe. Established at the initiative of the American government, with most of their funding provided by the CIA, they nonetheless claimed to be private organizations of public-spirited American citizens, who supported their government's policies but sought to further these independently of government control. Soviet officials and many Europeans on both sides of the Iron Curtain undoubtedly disbelieved these claims, but they meant that the American government could when it wished disavow all responsibility for the activities of Radio Free Europe and the Free Europe Committee. The historian Vojtech Mastny nonetheless believes that the announcement of the Free Europe Committee may have triggered a major Soviet rearmament drive. Mastny argues that Stalin may well have found the American creation in 1949 of the Free Europe Committee, with the stated purpose of destabilizing Soviet rule in Eastern Europe, already shaken by the defection of Tito and the obvious attractiveness of the Marshall Plan to several of the Soviet satellites there, far more alarming than the establishment of the defensive NATO pact.[14]

The Free Europe Committee was one of those ventures backed by the American government that specifically sought to assist and make use of the various refugees from Eastern Europe. Not surprisingly, since in NSC10/2 he had specifically recommended seeing up such a committee, this was a subject and an undertaking in which Kennan took a particularly close interest. It seems that, together with Allen W. Dulles, then still a private citizen, and Frank Wisner of the Office of Policy Coordination, he was the guiding spirit in moving ahead to create the organization according to the blueprint he had already put forward. Adolf A. Berle, one of the founding directors of the National Committee for Free Europe, recalled that "NCFE began hazily, chiefly based on an idea propounded by George Kennan. The feeling was that exile politics should be shaped in the United States, and that symbolism of these countries could be continued in some fashion so that support could be given to the idea of not acquiescing in their enslavement. ([The] State [Department] did not entirely agree with this."[15] His former Foreign Service colleague DeWitt Clinton Poole, the Free Europe Committee's first executive secretary

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[13] See esp. Lucas, *Freedom's War*; Wilford, *The Mighty Wurlitzer*; Hixson, *Parting the Curtain*; Volker R. Berghahn, *America and the Intellectual Cold Wars in Europe: Shepard Stone between Philanthropy, Academy, and Diplomacy* (Princeton: Princeton University Press, 2001); Frances Stonor Saunders, *Who Paid the Piper? The CIA and the Cultural Cold War* (London: Granta Books, 1999); Rhodri Jeffreys-Jones, *The CIA and American Democracy* (New Haven: Yale University Press, 1989); Grose, *Operation Rollback*, esp. ch. 7; Sigmund Diamond, *Compromised Campus: The Collaboration of Universities with the Intelligence Community, 1945-1955* (New York: Oxford University Press, 1992).

[14] Vojtech Mastny, *The Cold War and Soviet Insecurity: The Stalin Years* (New York: Oxford University Press, 1996), 84.

[15] "Notes on Meeting Held at Radio Free Europe, Munich, on Saturday, August 30, 1952," File National Committee for Free Europe-German Problem, Box 80, C. D. Jackson Papers, Dwight D. Eisenhower Papers, Abilene, Kansas.

and subsequently its founding president, later referred to Kennan as "the father of our enterprise."[16]

Kennan's subsequent reflections on the variegated fruits of his advocacy of covert operations would indeed be mixed. In a 1985 article in *Foreign Affairs*, he described how, in the early Cold War "our government felt itself justified in setting up facilities for clandestine defensive operations of its own. . . . as one of those who, at the time, favored the decision to set up such facilities, I regret today, in light of the experience of the intervening years, that this decision was taken. Operations of this nature are not in character for this country."[17] With the benefit of hindsight, he sought to differentiate between clandestine para-military operations and less hazardous secret American funding of propaganda ventures, such as the Free Europe Committee and its assorted undertakings. Writing to the executive director of the Congress for Cultural Freedom in the late 1960s, after press reports had exposed that much of its funding originated in the CIA, Kennan described "[t]he flap about CIA money" as "quite unwarranted," telling his correspondent: "I never felt the slightest pangs of conscience about it. . . . This country has no ministry of culture, and the CIA was obliged to do what it could to fill the gap. It should be praised for having done so, not criticized." Testifying to a congressional investigating committee on covert activity in 1975, however, he claimed: "The political warfare initiative was the greatest mistake I ever made. It did not work out at all the way I had conceived it or others of my associates in the Department of State. We had thought that this might be a facility which could be used when and if an occasion arose when it might be needed. There might be years when we wouldn't have to do anything like this. But if the occasion arose we wanted somebody in the Government who would have the funds, the experience, the expertise to do these things and to do them in a proper way." Instead: "It ended up with the establishment within CIA of a branch, an office for activities of this nature, and one which employed a great many people."[18] Kennan's memory was perhaps somewhat selective; at the time, he had given few indications that he expected covert operations to be few and far between. Indeed, in January 1949 he pushed Wisner to do more, examining the list of OPC projects already scheduled for 1949-1950 and telling the new director that this was "the minimum of what is required. . . . There may be one or two instances in which we will have to ask you to add to the list."[19]

At Wisner's prompting, Allen Dulles initially took the lead in establishing the new organization, winning it the endorsement of General Dwight D. Eisenhower, then president of Columbia University, but widely suspected of nurturing ambitions to move on to the presidency of the United States. Dulles rewrote a statement of principles for the committee first drafted by the

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[16] DeWitt Clinton Poole to Joseph C. Grew, February 16, 1949, quoted in Puddington, *Broadcasting Freedom*, 341 n. 6. On Kennan's role, see also Johnson, *Radio Free Europe and Radio Liberty*, 10-13, 36-37, 229.
[17] Kennan, "Morality and Foreign Policy," *Foreign Affairs* 64 (Winter 1985-1986), 214-215.
[18] Quotations from Kennan cited in Lucas, *Freedom's War*, 69; and Grose, *Operation Rollback*, 98-99; and Stephen E. Ambrose, *Ike's Spies: Eisenhower and the Espionage Establishment* (Garden City, NY: Doubleday, 1981), 167.
[19] Kennan to Wisner, January 6, 1949, State Department Policy and Planning Records, 1947-1953, cited in Hersh, *The Old Boys*, 259.

OPC "to embody some ideas from my brother [John Foster Dulles] and from one or two other confidential sources [including Hamilton Fish Armstrong of the Council on Foreign Relations], as well as certain of my own thoughts on the subject."[20] Other prestigious sponsors whom Dulles enlisted included William J. Donovan, founder of the wartime Office of Strategic Services; Joseph C. Grew, ambassador to Japan during the 1920s; Henry R. Luce, the founder of *Time*, *Life*, and *Fortune*, who had proclaimed in February 1941 that the twentieth century would be the "American century"; Adolf A. Berle, a well-known economist and member of the Roosevelt brains trust who served in the State Department during World War II; DeWitt Wallace, founder of the *Reader's Digest*; labor leaders Matthew Woll and William Green; and retired diplomats Robert Woods Bliss and Arthur Bliss Lane, both past US ambassadors to Poland. Altschul soon persuaded his brother-in-law, Herbert Lehman, to add his name to the roster, though the affiliation was shortlived, and Lehman had departed by the end of 1950. As was so often the case with undertakings in which he was involved, Altschul was not only one of the founding sponsors but the organization's treasurer. Although not formally a member of the organization, Kennan in the State Department was very much in the picture, as Dulles and Wisner consulted with him on every step of the organization's early progress. Kennan informed incoming Secretary of State Dean Acheson of the plan early in 1949 shortly after the latter took office in late January. State Department officials thought it unwise for Dulles, who was already strongly and publicly identified with American intelligence activities, to serve as co-chairman of the new organization. Instead, Grew served as its first chairman, with Poole as executive secretary and Altschul as treasurer. For secretary they turned to Dolbeare, a former Russian specialist in the US foreign service and banker who was a long-time friend of Allen Dulles, with whom he, like many others associated with the Free Europe Committee members, had served in the OSS in Europe during World War II. A certificate of incorporation was filed in New York on May 11, 1949. Altschul, Dolbeare, and Poole, together with Charles Spofford, a leading New York lawyer who soon became the first American ambassador to NATO, General Hugh Drum, a distinguished retired officer who had headed the United States Eastern Defense Command during World War II, and Gregory Thomas, president of Chanel, served as the body's board of directors.[21]

With considerable fanfare, at the beginning of June Grew publicly announced the establishment of the new organization, its objective, he proclaimed, "to help those Democratic leaders who have escaped to the United States from Communist oppression in Eastern Europe." Americans

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[20] Quotation from Dulles to Poole and Maynard Ruddock, March 21, 1949, cited in Johnson, *Radio Free Europe and Radio Liberty*, 13.

[21] Minutes of a Special Meeting of the Board of Directors of National Committee for Free Europe, Inc., June 2, 1949, also Committee for Free Europe, Inc., By-Laws, as Adopted May 17, 1949, Minutes of the First Meeting of Incorporators, May 17, 1949, Minutes of the First Meeting of the Board of Directors, May 17, 1949, enclosed in Dolbeare to Altschul, May 20, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers; see also Johnson, *Radio Free Europe and Radio Liberty*, 12-14; Hersh, *The Old Boys*, 256-259; Lucas, *Freedom's War*, 67; Mickelson, *America's Other Voice*, 16-20; Mitrovich, *Undermining the Kremlin*, 22; Holt, *Radio Free Europe*, 9-12; Puddington, *Broadcasting Freedom*, 12-13; Nelson, *War of the Black Heavens*, 40-41; Wilford, *The Mighty Wurlitzer*, 29-31; Grose, *Gentleman Spy: The Life of Allen Dulles*, 300.

would, he continued, "aid these leaders to continue their stand against Communism, anticipating the day when the Iron Curtain will fall and Eastern Europe will be ripe for democratic remaking." He enumerated the specific activities in which the Committee would engage, "assist[ing] these leaders:

1) To maintain themselves in useful occupations during their enforced stay in the United States;
2) To come to know the people of the United States and to understand their spirit and aims;
3) To engage in efforts by radio, press, and other means to keep alive in their fellow citizens in Europe the ideals of individual and national freedom;
4) To establish effective means of cooperation with like-minded European leaders in the United States, and to coordinate their plans with those of similar leaders abroad.

The Committee would also encourage the representatives of each East European country to form "National Committees which will stand as symbols of democratic hope to their peoples." The Soviet Union had, the Committee's Declaration of Policy charged, failed to observe the terms of the Yalta Agreements of 1945, which had pledged that East European nations would be free to choose their own governments. The Committee's members intended to help the exile leaders in their efforts to ensure that pledge would eventually be honored. The organization's "Declaration of Policy" emphasized that it was a "private association," albeit one acting "in consonance with the established views of our government in world and human affairs."[22] On June 23, the Secretary of State endorsed the new body, telling the press: "The State Department is very happy to see the formation of this group. . . . It thinks that the purpose of the organization is excellent and is glad to welcome its entrance into this field and gives it its hearty endorsement."[23] More than a week earlier, Altschul had already made a speech to the Carillon Club in Stamford, describing the new organization's purposes and objectives, and stressing its commitment to assist the East European exile leaders in every way possible to survive, remain politically viable, publicize their cause, and keep in touch with sympathizers in their own countries.[24] In subsequent months newspapers around the United States hailed the new enterprise as "an imaginative and flexible program," a venture that was performing an important service to the refugees, to their peoples, to the United States—and to the cause of freedom throughout the world." The proposed radio broadcasts, one Texas newspaper proclaimed, "show real promise of

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[22] National Committee for Free Europe, press release, June 1, 1949, with attached "Declaration of Policy," "Portion of Introductory Statement to the Press by Joseph C. Grew," June 1, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers; see also Grew, "Aspects of American Foreign Policy: The Lessons of Leadership," June 27, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers; Johnson, *Radio Free Europe and Radio Liberty*, 14.

[23] National Committee for Free Europe, Press Release: Subject: Condensed Background Material, National Committee for Free Europe, March 1950, File Free Europe Committee-General 1949-1956, Box 191, RFE/RL Corporate Files; "New Group Formed to Assist Refugees," *New York Times*, June 2, 1949; Johnson, *Radio Free Europe and Radio Liberty*, 14.

[24] Altschul, address to Carillon Club, Stamford, June 14, 1949, File National Committee for a Free Europe, Organizations File, Altschul Papers.

aiding the democratic values in the war of ideologies." The men organizing it were, according to the *Baltimore Sun*, "a core of highly resourceful and determined psychological warriors" dedicated to "keep[ing] hope alive among the millions who live against their will under communism."[25]

Although Allen Dulles initially had no overt connection with the organization, its statement of principles was essentially that redrafted by him, and in mid-June 1949 the executive secretary felt it necessary to report back to him in detail on progress in setting up the organization and its various subsidiary committees.[26] In July 1949, he was appointed chairman of the executive committee of the organization, a position he held until the end of December 1950, when he became deputy director for planning at the Central Intelligence Agency. With the new organization now formally established, at the beginning of July the directors drafted a report for all other members of the organization on progress to date in establishing the new venture, and sent this draft and a cover letter by Grew to Dulles, who returned these with some amendments.[27]

Meanwhile, the American government took pains to affirm the Free Europe Committee's fundamentally private character. Three weeks after the Committee's official launch, the State Department sent a cable to twenty-four embassies, consulates, and missions in Europe and the Middle East, informing them of its existence. The new body was, the cable declared, "a private organization concerning itself with democratic leaders and scholars who are exiled from the following countries: Poland, Czechoslovakia, Hungary, Rumania, Yugoslavia, and Bulgaria." It would, the announcement stated, "be financed by private contributions." After quoting at length from the Committee's own press release, the State Department informed the various diplomats concerned that, despite the organization's professed private status, "the Department has been continually informed of the process of formation of the Committee. While denying that the Department had any "active concern with the Committee's activities," this message then affirmed that "the Department has given its unofficial approval to the Committee's objectives." Moreover: "Because of the implicitly political nature of the Committee's work, there will be coordination between it and the Department." As a conclusion, the recipients learned that the Department forthrightly "expect[ed] that the Committee will cooperate in every way toward the

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[25] Quotations from the *New York Herald Tribune*, June 5, 1949, *New York Times*, August 19, 1949, *Sherman, Texas, Democrat*, November 20, 1949, and *Baltimore Sun*, December 14, 1949, all quoted in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 10-11.

[26] Poole to Allen W. Dulles, June 16, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.

[27] National Committee for Free Europe: Memorandum on Organization and Operations, draft, July 6, 1949, Minutes of Special Meeting of the Board of Directors of National Committee for Free Europe, Inc., July 7, 1949, Dulles to Poole, Altschul, Page, and Spofford, enclosing draft covering letter by Grew, July 14, 1949, and National Committee for Free Europe: Memorandum on Organization Operations, July 14, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.

accomplishment of our objectives in Eastern Europe and of the general aims of our foreign policy."[28]

In conversations with apprehensive Polish diplomats, American officials were rather more circumspect. The day after the Committee announced its existence, Jozef Winiewicz, the Polish ambassador in Washington, brought up the subject of its formation in a conversation with Llewellyn Thompson, deputy director of the State Department's Office of European Affairs. While Winiewicz thought some of its purposes unexceptionable, he expressed misgivings about others, and "quoted several sentences which he said would be interpreted in Warsaw as implying plans for underground, intelligence, or subversive activities." In an implicit threat, Winiewicz told Thompson that he was "distressed at the effect that this might have in Warsaw and Moscow, indicating that this might lead to further repressive measures." Thompson blandly replied that he "had little information about the Committee other than the announcement which appeared in the papers today." He "stressed that this was entirely a private committee" and the State Department "did not know what their plans were." A trifle mendaciously, however, Thompson told the Polish diplomat, that "the calibre of the people on the committee and . . . the fact that it was an open and above-board organization" were the best guarantees that Winiewicz's fears were groundless, stating that "it did not seem conceivable that operations such as he [the ambassador] described could be carried on by such an organization."[29] The long history of public State Department disavowals that the United States government had any hand in directing the activities of the Free Europe Committee had begun. However threadbare it became, this fiction would be officially maintained until the early 1970s.

Radio Free Europe: From Concept to the Airwaves

On that same day, June 2 1949, the Free Europe Committee established three sub-committees, on Intellectual Activity, Radio and Press, and American Contacts. Altschul was chosen to head the second.[30] It was entrusted with the Committee's stated mission to assist "democratic leaders who have escaped to the United States from Communist oppression in eastern Europe . . . to engage in efforts by radio, press and other means to keep alive in their fellow citizens in Europe the ideals of individual and national freedom."[31] In early 1949 the US Army and another unspecified national investigating agency—presumably either the Central Intelligence Agency or

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[28] The Acting Secretary of State to Certain Diplomatic Offices, June 21, 1949, U.S. Department of State, *Foreign Relations of the United States, 1949*, Vol. V: *Eastern Europe; The Soviet Union* (Washington, DC: Government Printing Office, 1976), 289-290.

[29] Memorandum of Conversation, by the Deputy Director of the Office of European Affairs (Thompson), June 2, 1949, *FRUS*, *1949*, Vol. V, 286.

[30] Minutes of a Special Meeting of the Board of Directors of National Committee for Free Europe, Inc., June 2, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.

[31] Altschul to Poole, "Memorandum Regarding Radio," June 29, 1949, File Radio Free Europe, Organizations File, Altschul Papers.

the Office of Policy Coordination, though Altschul himself believed it was the Federal Bureau of Investigations—apparently ran a security check on Altschul, consulting a fairly impressive number of his associates. The investigators found that he was "generally considered [a] man of high competence, unimpeachable integrity, genuine loyalty and excellent reputation." The report continued, however: "He was also described as insufferably proud and overbearing and having [an] imperious attitude."[32] These latter qualities may have proved obstacles to any efforts on his part to obtain an overt government position. They did not, it seems, bar Altschul from extensive involvement in CIA-backed activities, let alone those of such well-connected private organizations as the Council on Foreign Relations and National Planning Association, which in many ways functioned as unofficial adjuncts to and extensions of the formal American policymaking apparatus. The 1949 investigation of Altschul almost certainly took place in connection with the prospective invitation to him to play a prominent executive role in the Free Europe Committee, as treasurer, director, and chairman of that organization's Committee II.

Why was Altschul chosen, not just to add the prestige and authority of his name to the organization's letterhead, or even to administer its funds, but to launch what would become the Committee's most enduring signature project and flagship undertaking, Radio Free Europe? One reason may well have been his friendship and professional ties with both Dulles and Kennan. Altschul was apparently Dulles' personal adviser on finances and investments.[33] Sponsoring Altschul for membership in the prestigious Century Association in 1950, Dulles stated that he had "known Mr. Altschul intimately for twenty years or more known," both in business and socially, and more recently in public activities.[34] By the late 1940s, the two men were also heavily involved in Council on Foreign Relations study groups that sought to devise strategies to deal with Germany and facilitate European economic recovery and strategic security. Dulles was the Council's president and Altschul an increasingly active director, as well as its secretary. In addition, Dulles and Altschul were fellow directors of the Woodrow Wilson Foundation, which was working in the second half of the 1940s with the International Committee of the National Planning Association, a group chaired by Altschul, to promote internationalist policies. Altschul persuaded Dulles to join the National Planning Association, though Dulles pleaded pressure of other work to refuse an invitation to join its Steering Committee.[35] The Council on Foreign Relations had also provided the opportunity for Altschul to meet Kennan, a man whose erudition and expertise Altschul greatly admired. Despite Kennan's subsequent belittling of the prospects

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[32] Operations Branch Security Group, U.S. Army, intelligence profile on Franz August Altschul, aka Frank August Altschul, January 31, 1955, Declassified Documents Reference System. The 1955 investigation of Altschul was apparently undertaken by mistake, in connection with the naturalization application of a Franz August Altschul born in Karlsruhe, Germany, on March 6, 1911.

[33] Hersh, *The Old Boys*, 257.

[34] Dulles to Committee on Admissions, Century Association, March 16, 1950, Box 44, Allen Welsh Dulles Papers, Mudd Manuscripts Library, Princeton University.

[35] Dulles to Quincy Wright, Altschul, and Arthur Sweetser, April 28, 1947, File Allen and Clover Dulles, Catalogued Correspondence, Altschul Papers; Woodrow Wilson Foundation Files, Organizations File, Altschul Papers; John Miller to Dulles, July 30, 1947, Box 31, Dulles Papers; Dulles to Altschul, December 9, 1948, Box 33, Dulles Papers.

that a combination of covert guerrilla operations and propaganda might destabilize the Soviet-backed regimes in the East European satellites and perhaps even the Soviet Union itself to the point that they would collapse of their own accord, it seems that in 1948 and 1949 he and others genuinely cherished hopes that American policies—especially the economic regeneration and political unification of Western Europe—might trigger such events behind the Iron Curtain.[36] In all probability, Kennan communicated these hopes to his older friend and patron. In March 1948 Altschul complained bitterly when a Yale professor, speaking in a debate "on a Connecticut forum over the Yankee network," publicly defended the recent coup in Czechoslovakia as that country's "free choice," an exercise in the "right of self-determination" and "a people's revolution, born of the desire for more intensive planning, land reform, and for the strengthening of the trades-union movement." Altschul was particularly upset that Yale should be publicly identified with this viewpoint.[37] There are, moreover, intriguing hints that Altschul had significant ties of some kind with the American intelligence establishment, perhaps dating back even to 1938, when he provided William J. Donovan, founder of the Office of Strategic Services, with introductions to his British partners. For many years, he had shown an interest in how best to affect public opinion and the making of policy, sometimes using the Overbrook Press in this endeavor. At some stage, moreover, he had developed a genuine interest in American radio propaganda and the uses of the spoken, as opposed to the written, word.

Where did Altschul's own affinity for radio propaganda originate? The answer is still not clear. He undoubtedly had a pronounced interest in using the media to affect public opinion, something already demonstrated by his formidable output of more than 700 editorials for the *Stamford Advocate* between July 1945 and January 1948. Grandchildren recall that he needed very little sleep, and at nights the radio in his bedroom was usually tuned to the BBC World Service. It seems that by early 1947, Altschul was habitually listening to the early morning programs the official United States radio station, the Voice of America (VOA), was broadcasting overseas in English and German, and sometimes those in French as well. He was, moreover, serving as an unofficial consultant on radio to William Benton, assistant secretary of state for public and cultural relations from August 1945 to September 1947, who had overall responsibility was responsible for the station's operations. In April 1947 VOA attracted public and congressional criticism for broadcasting favorable reviews of a book, *The Wallaces of Iowa*, a book on the family and background of the agrarian radical and former Democratic vice-president, who had split with the Truman administration on policy toward Russia, advocating far more pro-Soviet policies. Altschul complained to Senator Styles Bridges of New Hampshire that he found it "curious . . . that at this particular time, when Mr. Wallace is doing his best to sabotage American foreign policy, a laudatory review of the family story should be broadcast under State Department auspices. I still suspect dirty work at the crossroads." Bridges passed on Altschul's concerns to Benton, assuring him that he and other senators shared his own alarm.[38] In spring 1947 Benton sent Altschul a highly confidential memorandum on VOA's policy towards

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[36] See Mitrovich, *Undermining the Kremlin*, 28-45; Grose, *Operation Rollback*; Lucas, *Freedom's War*; Hixson, *George F. Kennan*, 58; Hersh, *The Old Boys*, 224-225.

[37] Altschul to Arnold Wolfers, March 8, 1948, File Arnold Wolfers, General Correspondence, Altschul Papers.

[38] Altschul to Styles Bridges, April 23, 1947, Bridges to Altschul, April 28, 1947, File Styles Bridges, Political Series, Altschul Papers.

Wallace, together with the scripts of two radio broadcasts on him, and asked for his reaction. Altschul clearly thought the choice of Wallace's book for review unwise, and further complained that the station's choice of programming subjects was often flawed, featuring too much trivia, lengthy accounts of American circuses, for example, while failing to give adequate coverage to major speeches on international affairs by such public figures as the rising Republican foreign policy specialist, John Foster Dulles. Benton sent Altschul's comments on to one of his programming staff at VOA, and then forwarded that individual's response to Altschul.[39] When Benton resigned from his position in September 1947, one of Altschul's associates in the National Planning Association wrote to President Harry S. Truman, suggesting that he nominate Altschul to the vacant office. Though Truman selected a different candidate, the very fact that Altschul's name was put forward was significant.[40]

Altschul continued to demonstrate concern over what he viewed as the inadequacies in Cold War terms of American broadcast propaganda. Since the early 1940s he had been on friendly terms with Senator H. Alexander Smith of New Jersey, a relatively liberal Republican and one of his allies in efforts to move that party toward the center. Smith was also prominent among those politicians who were interested in American information policy, especially as an adjunct to Cold War strategies. By spring 1948 Altschul was passing on to Smith his reservations as to just how well the VOA was performing in terms of combating Russian radio broadcasts. He had some doubts as to just how effective VOA was in countering Russian propaganda that Stalin was "a man of peace." Altschul already had ties of some kind with the newly created CIA, and by this time was, he told Smith, receiving "with considerable regularity the Russian broadcasts gathered by a branch of the Central Intelligence Agency."[41] As early as January 1948, Altschul was following Soviet broadcasts closely, noting at one point that they had "taken on a tone of bitterness even more lurid than that to which we are accustomed."[42] In October that year, Altschul complained to Smith that VOA broadcasts to Russia and Germany were "distressingly poor," with "no understanding of the character of the audience to which they are addressed or the problems with which this audience is concerned," and that, far from "accomplishing the purpose" for which they were "designed," they were "doing positive harm."[43] Three weeks later, Altschul told Smith that the Central Intelligence group produced "a daily mimeographed document containing the bulk of all the foreign broadcasts monitored the previous day," and wondered why the VOA could not provide a similar "one day's budget of our complete foreign broadcasts," even if "only those beamed to Russia and to Germany."[44] In December 1948, Smith

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[39] William Benton to Altschul, April 28, 1947, Altschul to Benton, May 1, 12, 1947, Jesse MacKnight to Benton, May 8, 1947, File Bar-Boy, General Correspondence, Altschul Papers. On Benton's efforts at the State Department, see Nicholas J. Cull, *The Cold War and the United States Information Agency: American Propaganda and Public Diplomacy, 1945-1989* (Cambridge: Cambridge University Press, 2008), 24-37; David F. Krugler, *The Voice of America and the Domestic Propaganda Battles, 1945-1953* (Columbia: University of Missouri Press, 2000), 35-43.
[40] Charlton Ogburn to Harry S. Truman, October 14, 1947, William D. Hassett to Truman, October 15, 1947, Ogburn to John R. Steelman, October 20, 1947, File Charlton Ogburn, Catalogued Correspondence, Altschul Papers.
[41] Altschul to H. Alexander Smith, May 29, 1948, File H. Alexander Smith, Politics File, Altschul Papers.
[42] Altschul to Kennan, January 29, 1948, File George F. Kennan, Catalogued Correspondence, Altschul Papers.
[43] Altschul to Smith, October 15, 1948, File H. Alexander Smith, Politics File, Altschul Papers.
[44] Altschul to Smith,November 8, 1948, File H. Alexander Smith, Politics File, Altschul Papers.

sent him a selection of scripts of VOA Russian and German broadcasts.[45] Altschul complained that the material submitted was too "fragmentary," and asked for an entire week's broadcasts to Germany and Russia.[46] When Smith finally sent him this information, Altschul thanked him for the "exceedingly interesting broadcasts designed to tell the people abroad about the immense contribution the United States is making through the ERP [European Recovery Program]," and thought them "well done." His wider concerns remained unchanged:

> The Russians . . . broadcast daily in every conceivable tongue the most outrageous lies about the United States, its policies and purposes. Are these lies being answered by the truth with equal regularity, and in particular, are we carrying the attack on the obvious weaknesses and failures of Communist Russia to the countries behind the Iron Curtain? It has always seemed to me that there was much left to be done in this field.
>
> For example, I would think it desirable to refer to the so-called satellites in every broadcast not as satellites, but as prisoner nations. Let the people there know that we still consider them part of the European community, which we expect to see them re-join as soon as circumstances make it possible for them to do so. I am satisfied that there can be no enduring peace as long as the Soviet power extends through eastern Europe to the Stettin-Trieste line. And too much time cannot be permitted to elapse with this great area under Communist domination, for the forces of democratic leadership are being liquidated or otherwise disposed of progressively while a new generation is being indoctrinated almost beyond redemption.
>
> What I am saying in essence is that I am not sure that we are taking the offensive in the psychological domain through the Voice of America to the extent that we might.[47]

Almost certainly, Altschul also shared his misgivings about American propaganda with his new friend, George Kennan. What part they played in the evolution of Kennan's recommendations on how best to handle Eastern Europe one can only speculate. It is easy to understand, however, why Kennan and Dulles felt that Altchul was the ideal man to tap when it came to developing the Free Europe Committee's radio policy. Semi-retired, fluent in French and German, immensely energetic, independently wealthy, and eager to do something positive to help his country win the Cold War, he was an alluring candidate to head the Radio and Press Committee. The package must have been almost irresistible.

The reality may have been slightly less enticing, given Altschul's independence of mind. Almost as soon as it was established, the Free Europe Committee pledged that it would establish a broadcasting service to transmit programs focusing on Eastern Europe to listeners in the Soviet satellites. How this pledge was to be made reality was less clear. And it was here that Altschul's

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[45] Smith to Altschul, December 14, 1948, File H. Alexander Smith, Politics File, Altschul Papers.
[46] Altschul to Smith, December 29, 1948, File H. Alexander Smith, Politics File, Altschul Papers.
[47] Altschul to Smith, April 19, 1949, File H. Alexander Smith, Politics File, Altschul Papers.

drive and determination, his "high competence," perhaps even his "overbearing" character and "imperious attitude," may well have come into their own. He was named chairman of the Committee on Radio and the Press in early June 1949. By the end of June the committee still had "no working staff," but Altschul was reported to be "doing a lot of work."[48] On June 14, he told an audience at the Carillon Club in Stamford that the new committee "intend[ed] to put the voices of these exiled leaders on the air,--addressed to their own peoples back in Europe, in their own languages, in the familiar tones." As he frankly admitted: "Just how we are to accomplish this is as yet uncertain."[49] Among Altschul's voluminous papers is an unsigned memorandum, written in mid-June 1949, discussing how the Free Europe Committee's "public . . . promise on radio [could be] fulfill[ed] adequately." This document suggested a "Minimum Plan," whereby RFE should buy time on WRUL radio station, which already handled transmissions for the Voice of America, to broadcast at least some material to Eastern Europe. Although "reception wd not be satisfactory throughout the European area in question, and programming might not be the best," this "modest performance" would "secure [the Committee] against any real discomfiture." This was a fallback to a more ambitious "Enlarged Plan" that envisaged relaying material from the United States to "a European programming center" where "additional and maybe richer talent" would work this into "programs having more audience-pull," which would "be truly 'national' programs." This programming center would also have access to "high-power relay" transmitters which could reach all the targeted areas in Eastern Europe. The writer was, however, hesitant to rely entirely on the Enlarged Plan, since it was "intricate, depending on many factors, and vulnerable to political factors," which meant that some delays were inevitable. At least as a fallback, he recommended beginning operations on WRUL immediately.[50]

Even this second proposal was considerably less wide-ranging than the operational model that Radio Free Europe eventually adopted. In May 1950, Altschul described how the original "objective of N.C.F.E. in the field of radio, as originally understood in New York, was to provide a channel over which distinguished exiled political and intellectual leaders could speak to their compatriots abroad." Soon, however, the CIA and OPC—Washington-based organizations the New York-based Free Europe Committee officials usually collectively termed "our friends" or "our friends in the south"—had more ambitious plans for the service.

> Subsequently it became apparent that in the view of our friends in the south a far broader objective was contemplated. The Voice of America, because it is an arm of government, is not in a position to engage in hard-hitting psychological warfare. A committee of private citizens, on the other hand, would suffer from no such disability. Accordingly, if such a committee succeeded in establishing adequate facilities and was provided with a

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[48] Poole to Edgar Ansel Mowrer, June 29, 1949, File Edgar Mowrer, Box 240, RFE/RL Corporate Records, Hoover Institution, Stanford University, Palo Alto, California.
[49] Altschul, notes for speech to the Carillon Club, June 14, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.
[50] Unsigned "Memorandum on Radio," June 17, 1949, File Radio Free Europe, Organizations File, Altschul Papers.

> flow of lively topical information, it could usefully enter a field prohibited to the Voice. The furnishing of a channel of communication to the exiles remains an essential part of the total program, but has in a sense become incidental to, and must be made consistent with the broader purpose indicated above.[51]

The CIA's revised objectives for the radio station were almost certainly the product of changing priorities within the United States government. In response to the Soviet explosion of a nuclear device in August 1949, in spring 1950 the State Department's Policy Planning Staff, now headed by the New York banker Paul Nitze, drafted the influential document NSC-68, a paper that envisaged not merely a massive American rearmament program but also a major expansion of US covert warfare capabilities. RFE was one new instrument readily available to hand whose operations could quickly be steered and adapted to accord with the new direction American foreign policy was taking.[52]

Much of the credit for overcoming the pessimism of many involved with the Free Europe Committee was almost certainly due to Altschul, who showed monumental persistence in overcoming all the obstacles to establishing the new venture, a project for which he was given no clear or precise model. One RFE manager later emphasized that, when it was created, no "coherent" blueprint for the organization existed. "Radio Free Europe was an experiment. It was jerrybuilt. Its success was far from foreordained. . . . Almost all the planning that went into the creation of Radio Free Europe was an improvised response to the sense of urgency that prevailed in the early 1950s about the threat, which Stalinist aggressive expansionism represented for the United States and the Free World."[53] Besides the sheer logistical and administrative hurdles involved in setting up such an enterprise at short notice, Alschul had to deal with personality clashes, especially his differences with DeWitt Clinton Poole, the president of the Free Europe Committee. He needed to negotiate with the disparate constituencies involved, representatives of both the Central Intelligence Agency and Office of Policy Coordination down in Washington, not to mention the State Department, and the often divided and fractious refugee organizations and exile representatives of the various East European satellite states, and to define the varying policy and operational responsibilities of the CIA, the American officials on the Free Europe Committee and RFE, the national desks of the RFE service, and RFE's original headquarters in New York and its major operational facility in Europe. And RFE had to reconcile the viewpoints of those—including many of the refugees, and also some American officials—who welcomed the idea of fomenting an East European uprising against Soviet rule, even at the risk of war between the Soviet Union and the Western powers, and those who believed that American intervention in such a conflict was not an option, and encouraging East Europeans to rebel against Russian domination in the illusory hope of that the United States would bring about their "liberation" was tantamount to urging them to commit suicide.

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[51] Altschul, memorandum, n.d. [May 1950], File Radio Free Europe, Organizations File, Altschul Papers.
[52] Mitrovich, *Undermining the Kremlin*, 55-59.
[53] Paul B. Henze, October 2004, quoted in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 25.

At the end of June 1949, Altschul set down his own thoughts on the task facing him. Rather drily, he stated that when he accepted the invitation to head this effort, he "had assumed that the method by which this effort was to be advanced had been carefully examined, and a workable technical plan devised." His initial understanding was that the major purpose of the "radio effort" was to afford representatives of the national committees of refugees from the Soviet satellites in Europe the opportunity to make broadcasts to audiences in their home countries, probably through the transmission of relayed broadcasts from the United States to facilities based in Germany. "Essentially what is desired is to arrange for the transmission of effective programs to the prisoner states under the auspices of the National Committee in such a manner that our Government can properly disclaim all responsibility for their content." He raised the question of whether the United States government would be able to "escape responsibility" and maintain its "cover" if the American High Commissioner in Germany assigned one or more radio frequencies to the new station. At this stage, Altschul thought the new radio venture might be able to accomplish its objectives with least expense by purchasing time from the Voice of America's transmitter, a strategy which would have the advantage of enable NCFE to "embark upon its program with a minimum of delay." Clearly frustrated by the near-total lack of existing guidelines for this project, Altschul thought it was pointless to try to move forward until a definite plan existed, telling Poole:

> What facilities will be required here and abroad, and within what time can they be made available, should be put on paper in concrete terms, so that the project as a whole may be considered. There are financial aspects that must be examined. To conduct an effective operation will in any event be expensive. However expensive this may prove to be, if the operation is effective it would be worth while. But to carry out half a program, to conduct half an operation, would be money wasted. And therefore, while I believe we should continue to explore every possibility in the domestic field, decisions and commitments should be deferred until we have the conviction that the total operation is so conceived as to promise success.

He concluded that until a definite decision as to the radio venture's method of operation "is reached, the basis for it understood and the full plan of operation clearly set forth and accepted, there is little that the National Committee can do in this field other than continue to inform itself, and to mark time."[54]

Two weeks later, Altschul, together with Poole and Frederic Dolbeare of the Free Europe Committee, received more concrete guidance from two former OSS operatives, Charles Thayer, a Sovietologist who was then serving as a consultant to the State Department, and Edward W. Barrett, a journalist with *Newsweek* who joined the Committee as a member in August 1949, and would become Assistant Secretary of State for Public Affairs in January 1950. Altschul's

[54] Altschul to Poole, "Memorandum Regarding Radio," June 29, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.

understanding of the task before him was that it was "the purpose of Subcommittee II to arrange for transmission to the six prisoner nations of eastern Europe radio programs which for a variety of reasons cannot be handled by an official agency of the United States Government." This would eventually require the installation of suitable transmitters in European locations, something that would require at least three months. (In the event, it would be a year before the first broadcast took place.) As an interim "stop-gap" measure, the Free Europe Committee might arrange to relay broadcasts from the United States using the facilities of WRUL or the Voice of America, but this could only be a "makeshift" arrangement, likely to provide at best "sporadic and unreliable" service. Thayer and his "associates" would provide additional guidance. The group agreed to continue their "exploratory work to a maximum extent." In principle, though, the decision had already been taken that the new station would require separate and independent large-scale European facilities, and would not simply piggy-back on those used by the Voice of America.[55]

The anticipated role of the émigré national councils in this venture changed over time. Even before the Free Europe Committee was formed, the State Department had tried to encourage the various exile groups from the assorted East European and other satellites to establish national councils or committees. In May 1948, in an early draft of what would eventually become NSC 10/2, Kennan called for the establishment of national "liberation committees" among the refugee exile communities. Doing so would, he expected:

> encourage the formation of a public American organization which will sponsor selected political refugee committees so that they may
>
> (a) act as foci of national hope and revive a sense of purpose among political refugees from the Soviet World;
> (b) provide an inspiration for continuing popular resistance within the countries of the Soviet World; and
> (c) serve as a potential nucleus for all-out liberation movements in the event of war.[56]

"The concept of national councils we inherited," declared DeWitt Clinton Poole, one of the founders of the Committee, who served as first its executive director and then its president.[57] One major reason the State Department backed the establishment of the Free Europe Committee was "to provide a means of supporting and utilizing prominent political exiles from communist-dominated countries without recognizing these groups as Governments in Exile and to avoid complications for the Department which maintained diplomatic relations with the Communist

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[55] Altschul to Poole, "Memorandum Regarding Radio," July 12, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers. On Barrett, see Grew to Barrett, August 1, 26, 1949, Barrett to Grew, August 22, 1949, File Edward W. Barrett, Box 154, RFE/RL Corporate Records.
[56] U.S. Department of State, *Foreign Relations of the United States: Emergence of the Intelligence Community, 1945-1950* (Washington, DC: Government Printing Office, 1996), Document 269.
[57] Poole to Dulles, September 28, 1950, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010.

Governments of the countries from which they fled."[58] Adolf A. Berle, a founding director of the Committee, agreed that "NCFE exists (in part) because where the State Department recognizes 'satellite' regimes, it cannot at the same time recognize dissidents in exile who fight those regimes. . . . The policy as to councils was one given us to follow."[59]

Even before the Free Europe Committee was formally established, in late March 1949 Robert Joyce of the Policy Planning Staff, Llewellyn Thompson, Deputy Director of the State Department's Office of European Affairs, and Fred K. Salter, Assistant Chief of the Department's Division of East European Affairs, met with Jan Wszelaki, the Washington agent of the London-based Polish government-in-exile, which was seeking to unify the various factions among the exile Poles. Thompson told him that the State Department could not recognize the governments-in-exile, but that the "unofficial American Committee now being organized for the purpose of working with exiled political groups in the United States would undoubtedly welcome association with representatives of a united Polish body."[60] Subsequent negotiations soon suggested that this was likely to prove difficult, since certain prominent Polish politicians with a following in their homeland were personally unacceptable to the London Poles as members of any such organization.[61] In late September 1949, a group of Albanians informed Thompson and John C. Campbell of the Division of Southeast European Affairs that they had just established a Free Albania Committee. Thompson responded that they would need to be in "closer touch" with the Free Europe Committee, rather than the State Department, since even though the United States government did not have diplomatic relations with the Albanian government, it "naturally was limited in support of such a group as the Free Albania Committee." Thompson also declined to assist the Albanian organization in contacting officials in the United Nations secretariat who were handling Albanian issues, referring them once more to the Free Europe Committee, to which "such requests should be properly directed." Thompson bluntly warned the hopeful exiles "that any official American acts which appeared to denote sponsorship of the Free Albania Committee, particularly in relation to the activities of the UN, might well be exploited by other powers in a manner embarrassing to the US and damaging to the objectives of the Committee itself."[62] Early in 1950 the Free Europe Committee established a separate National Councils Division to handle relations with the exile organizations, a sphere of operations that was "to be the special concern of Mr. Allen W. Dulles," supplementing his role as chairman of the Executive Committee. The selection of

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[58] Memorandum from the Deputy Operations Coordinator in the Office of the Under Secretary of State (Hulick) to the Under Secretary of State (Hoover), August 23, 1954, *FRUS, 1950-1955: The Intelligence Community, 1950-1955*, Document 188.

[59] "Notes on Meeting Held at Radio Free Europe, Munich, on Saturday, August 30, 1952," File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

[60] Memorandum of Conversation by the Deputy Director, Office of European Affairs (Thompson), March 30, 1949, *FRUS, 1949*, Vol. V, 283.

[61] Memorandum of Conversation by the Assistant Chief, Division of Eastern European Affairs (Salter), June 9, 1949, *FRUS, 1949*, V, 285-289.

[62] Memorandum of Conversation by the Acting Chief, Division of Southeast European Affairs (Campbell), September 19, 1949, *FRUS, 1949*, Vol. V, 318-319.

Dulles reflected the fact that dealings with the exiles had major implications for American intelligence activities.[63]

State Department functionaries may have had more self-interested motives in outsourcing relations with the national councils. At a meeting of CIA and State Department officials in late 1951, Robert Joyce of the Policy Planning Staff went so far as to suggest that one of the "original purposes" in establishing these committees—and perhaps in subcontracting dealings with them to the National Committee for Free Europe—was that of "keeping émigré group pressure [away] from officials in the State Department." Despite or perhaps because of the prevailing disarray afflicting almost all the various national councils, Joyce felt that at least in this respect they had proved quite successful.[64] Writing in 1954 to Joseph C. Grew, the FEC's first chairman, Kennan recalled:

> The Department of State was beginning to be troubled, by 1949, with frequent visits from various well-known and worthy individuals who were refugees or voluntary exiles from the iron curtain countries. What these people wanted . . . was mostly sympathy, understanding, and support for their efforts . . . [to ignite] the spark of hope for a better future in their respective countries. All this they deserved, . . . but it seemed clear to me that the Department of State was not the proper place for them to receive it. . . . I did not think it proper that geographic desk officers, in particular, who were charged with the responsibility of communication with the official representatives of those governments, should also be entertaining relations with people interested only in the overthrow of the regime in question.[65]

More prosaically, Tom Braden of the CIA later remarked: "The problem was with the refugees. . . . They were eating up everyone's time. And they were high-level people, like former prime ministers. . . . There had to be some way to keep them in a blue suit. I always figured that was what it was really about."[66]

The "original plan" was, a State Department official recalled in 1954, that "the various national councils were to be responsible for broadcasts over RFE facilities to their respective countries. Ultimately, "[s]ince the complexities and rivalries of émigré politics made the organization of national councils difficult, it was decided to set up RFE on a non-political basis. Émigré staffs were hired for competence rather than political affiliation."[67] In June 1949, Altschul told a

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[63] Agenda for Meeting of the Executive Committee, May 4, 1950, File National Committee for Free Europe, Organizations File, Altschul Papers.
[64] Central Intelligence Agency, Memorandum for the Files, November 23, 1951, U.S. Department of State, *Foreign Relations of the United States, 1950-1955: The Intelligence Community* (Washington, DC: Government Printing Office, 2007), Document 94.
[65] Kennan to Grew, November 4, 1954, quoted in Johnson, *Radio Free Europe and Radio Liberty*, 11-12.
[66] Tom Braden, interview, May 5, 1982, quoted in Johnson, *Radio Free Europe and Radio Liberty*, 12.
[67] Report to the President by the President's Committee on International Information Activities, June 30, 1953,

sympathetic audience in well-heeled Stamford, Connecticut, that the Free Europe Committee intended to "encourage [exile] leaders to form and maintain here national committees which will stand as symbols of hope for their peoples." Admitting that there were "factional differences within these groups," he optimistically declared: "It will be our purpose to use our influence to quiet these differences; and to bring a sense of unity to the committees."[68] Fifteen months later, Poole could only lament that the Committee "had certainly given" the concept of national councils "a very fair trial," but "the score to date isn't good. The Rumanian National Council is now practically dissolved. That leaves Bulgarian, Czechoslovak and Hungarian Councils. The first is a one-man show. Only the Hungarian is anywhere near satisfactory. A Polish or a Yugoslav national council is nowhere in sight." He himself had come to doubt whether "representative and effective committees can indeed be formed among the exiles."[69]

Altschul, Poole, and their associates faced numerous other difficulties in trying to move RFE from concept to reality. In August 1949, Senator Ralph W. Flanders of Vermont met with Poole to discuss the organization's plans, and reported to Allen Dulles that he feared Poole lacked Flanders' own "sense of urgency . . . with regard to rather more dramatic measures in the propaganda line" that an earlier letter from Dulles to Flanders had suggested were necessary.[70] At the end of the month, Dulles promised Flanders that after Labor Day the organization would move decisively to implement "a constructive and practical program" in support of its objectives.[71] Much of the credit for accomplishing this went to Altschul. In the words of one RFE executive, the Committee initially "envisaged limited technical arrangements and letting the exiles do the programming under no more than a broad control." By November 1949, however, they intended to undertake "an operation which, though still limited in field, will be within its geographical limits companion and equal to the Voice [of America]. It is to be called Radio Free Europe. It will do its own programming and invite the exiles to help."[72] The radio station would be directed by Americans, though it would give air time to East European exiles. Given this redefinition of his subcommittee's objectives, in mid-October 1949 Altschul won the approval of his Board of Directors and their Washington sponsors for a "restatement of the project," in which the Free Europe Committee proclaimed:

> The National Committee for Free Europe, a private organization of prominent figures from all walks of American life, is desirous of finding a way in which citizens of this country can regularly transmit programs to citizens of Iron Curtain countries as a private

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U.S. Department of State, *Foreign Relations of the United States, 1952-1954*, Vol. II: *National Security Affairs* (Washington, DC: Government Printing Office, 1984), 1832.

[68] Altschul, notes for speech to Carillon Club, Stamford, June 14, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.

[69] Poole to Dulles, September 28, 1950, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010. On the divisions among the émigré organizations, see also Johnson, *Radio Free Europe and Radio Liberty*, 17-19.

[70] Flanders to Dulles, August 10, 1949, quoted in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 12.

[71] Dulles to Flanders, August 30, 1949, quoted in ibid., 12.

[72] Alfred W. Weld, "Notes on Radio Free Europe," November 30, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.

> undertaking not influenced by government. They feel that this is in the American tradition of freedom of speech and freedom of communication.
>
> It is contemplated that on their programs they will afford time for the members of the various refugee committees now enjoying the support and cooperation of the National Committee for Free Europe to speak directly to Iron Curtain countries.[73]

By the autumn of 1949, Altschul was also seeking advice from various well-known journalists and others with experience in publicity and propaganda work as to the kind of messages Radio Free Europe should convey. One unnamed adviser urged that "NCFE broadcasts should have a tone of their own." While allowing exiles to speak to their own countrymen, "they should have more spark, innuendo, intrigue, humor, and particularly venom than VOA." RFE should seek to be the *New York Daily News* or *Washington Times-Herald* to VOA's *New York Times* or *Washington Post*, providing reliable news with less formal and stuffy packaging than the government station. RFE's broadcasts should seek to appeal to ordinary people in the Soviet satellites, and to their reservoir of "wit, wisdom, scorn, comfort, pride, heroism, venom, [and] faith." Given the strength of Christianity in Eastern Europe, radio programming should extol the Christian values and faith. The station was advised to broadcast as much local East European news as possible. It could, moreover, be more provocative: "NCFE should be more daring in reporting local matters, and in showing up Communist bullies than VOA can be. It should be more subversive <u>in spirit</u>." The organizers were also advised to emphasize the commitment of Western democracies to social reforms, identifying communism "with reaction and Western democracy with rule by the people for the people." Pinpointing the issue of the liberation of the Soviet bloc and the incitement of its people to rebellion that would prove so difficult for the radio in future, the author advised: "The Eastern Europeans should <u>never</u> be told that they are about to be freed, nor should they be insulted by appeals to save themselves." The author recognized that there might be some problems in persuading the exiles to follow the political guidelines set by the American sponsors, especially since each competing faction with the various national councils "will want to blow its own horn" and "might even try to slip something over," while the top émigré leaders "might all try to star." Even so, the author believed, "with wisdom, tact, and firmness this can be prevented."[74]

There was a sense of palpable excitement and enthusiasm among those planning Radio Free Europe's operations. The tone and message, Alfred Weld of the Free Europe committee proclaimed, "must be militant. Beat, beat, beat, beat—democracy is on the march again." Programming should highlight the worth and dignity of the individual, and attack the brutality of the methods of Communism. The prize-winning journalist Edgar Ansel Mowrer believed that the proposed station should do everything possible to "offer a constructive alternative to the

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[73] Included in Weld, "Notes on Radio Free Europe," November 30, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.

[74] Weld, "Notes on Radio Free Europe," November 30, 1949, File National Committee for Free Europe, Organizations File, Altschul Papers.

Communist designs for Eastern Europe." It should expose "the present Communist rulers for what they are, exposing their evil deeds, holding them up to ridicule and contumely and generally demonstrating that far from being moribund, western democracy is an overwhelming and ultimately victorious force." On a more intellectual level, Anderson F. Hewitt suggested featuring the works and thinking of the Czech philosopher and statesman Thomas Masaryk, in particular his arguments condemning German and Marxian socialism and "atheistic materialism" and favoring western democracy. In a theme that Radio Free Europe would later take up, W. Perry George suggested that "its programs will not be characteristically American in form and tone but characteristic rather of each national audience addressed so that they shall sound Hungarian to Hungarians, Polish to Poles, and so on." Moreover: "By the strength of its broadcasts Radio Free Europe can demonstrate . . . the overwhelming, militant and liberating force" of democracy.[75]

Making this vision a reality demanded enormous effort. In late 1949, NCFE drafted a "General Statement" for its "high level" sponsors, explaining that, if the radio programs envisaged were to be a success, this would require that the Committee be given access on "a clear channel at desirable times" to one of the frequencies available to the American occupation authorities in Germany. Anything less would be ineffective. Forcefully, the Committee's directors contended that "it would be a waste of time and of money to continue to explore further a series of devices which taken all together would constitute no more than a makeshift, and we feel that at the highest level a determination should be reached whether and how we are to be provided with the tools essential to doing a creditable job."[76] Since planning for Radio Free Europe continued, the response was clearly affirmative. In February 1950, Altschul told André Lazard's widow Ginette that he was "spending a great deal of time . . . on a new enterprise" whose "purpose is primarily to broadcast to the Russian satellite states material so disturbing that the Voice of America as an official organ of Government could not possibly carry it." Admitting that there were "endless problems involved" and it would be "some months yet before we are on air," Altschul nonetheless confidently concluded: "I think we shall be heard from."[77] In March 1950, the Committee publicly announced its plans to make broadcasts to Eastern Europe, even though it could not yet set a date when these would begin.[78]

Later that month, over a year after the "decision taken at a high level" to create the Free Europe Committee, Altschul wrote a memorandum in which he sought to assess progress to date in setting up the radio transmission facilities. He thought it "imperative that we now take stock of our situation in order to determine just how good is the prospect of our being able to accomplish our proclaimed task. We owe this to ourselves; we owe this to the distinguished membership of

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[75] Weld, "Notes on Radio Free Europe," November 30, 1949, "Appendix 'A': Statement by Edgar Ansel Mowrer, Anderson F. Hewitt, "Supplementary Note on Radio Free Europe," File National Committee for Free Europe, Organizations File, Altschul Papers.
[76] "General Statement," n.d. [late 1949], File Radio Free Europe, Organizations File, Altschul Papers.
[77] Altschul to Ginette Lazard, February 6, 1950, File Ginette Lazard, General Correspondence, Altschul Papers.
[78] "Exiles Will Broadcast to Iron Curtain Lands," *New York Times*, March 3, 1950.

our Committee; and above all, we owe this to those who have delegated to us an immense responsibility." In terms of the recruitment of competent staff, he felt the Radio initiative had done well. Material for its programs, and broadcasting facilities, were both, by contrast, inadequate. Although the CIA had repeatedly promised RFE massive amounts of "lively information," reports from its own confidential sources, Altschul could "see no evidence that this program has been translated into action. In fact, we are even denied regular access to much material readily available to others," such as the CIA's "Soviet Notes," which it made available to favored journalists, and reports from the Foreign Broadcasting Information Service. "It should be pointed out most emphatically that without this background material, and particularly without the flow of lively information referred to above, it will be impossible to prepare programs of the character that this Committee was created to prepare and transmit." Most pressing of all, however, in spring 1950 RFE only had one 7-½ kilowatt mobile transmitter available to it, equipment—nicknamed Barbara—that had previously belonged to the army, which was little more than a token indicating American support for the enterprise. This would be "inadequate to afford even reasonably full short wave coverage." RFE required either access to the far more extensive facilities that the BBC made available to the Voice of America in London, or alternatively, to construct and operate its own independent facilities.[79] The latter route was the one eventually chosen. Within weeks, RFE representatives had begun negotiations to acquire a site in Munich where a much stronger transmitter could be located, soon to be supplemented by an additional technical facility in a remote area of Portugal.

The original conception of the various Free Europe sub-committees was that the "chairman would build up the membership of his particular committee by selections among his fellow members in the over-all Committee, and the addition on an advisory basis of members from outside."[80] Edward Barrett, Altschul's sole colleague on the committee, soon resigned when he became assistant secretary of state for public affairs, in which capacity he would work closely with Radio Free Europe representatives.[81] Following this mandate, by early 1950 Altschul had recruited a variety of independent characters to Free Europe Committee's Policy Committee for Radio, many with a background in intelligence work. Among them were the distinguished journalist Edgar Ansel Mowrer, who won a Pulitzer Prize for his reporting from Nazi Germany in the 1930s, before he was invited to leave that country. During World War II he worked for the Office of War Information (OWI), an early American government propaganda agency; he was also one of the founders of Americans for Democratic Action (ADA), a left-liberal group that battled communism while espousing less drastic reform. Also associated with ADA was a rising young academic from Harvard, Arthur M. Schlesinger, Jr., yet another former OSS operative whose advice Altschul sought through the Radio Committee. Other media executives

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[79] Altschul, "Memorandum on Radio," March 15, 1950, File Radio Free Europe, Organizations File, Altschul Papers [Altschul]s underlining].
[80] "Renaming of Operating Committees," attachment to Agenda for Meeting of the Executive Committee, May 4, 1950, File National Committee for Free Europe, Organizations File, Altschul Papers.
[81] Cummings, *Radio Free Europe's "Crusade for Freedom,"* 12.

whose services Altschul employed included Charles D. Jackson, an executive with Henry Luce's publishing enterprises who had served in the OWI and OSS during World War II, and in January 1951 would replace Poole as president of the National Committee for Free Europe; and two top executives of the Columbia Broadcasting System (CBS), Paul Kesten, who was one of the driving forces behind the establishment of CBS during the 1930s and 1940s, and Edmund A. Chester, who established CBS' short-wave broadcasting to Latin America and worked closely with the State Department in promoting the Voice of America. Besides seeking media expertise, Altschul brought in the flamboyant Jay Lovestone, a renegade communist trade unionist and former head of the American Communist Party who broke with Stalinist direction to establish the Free Trade Union Committee (FTUC) in 1944, an organization that would become one of the staunchest allies the Office of Policy Coordination and later the Central Intelligence Agency possessed within the American labor movement. When seeking to devise strategies that would win RFE the loyalties of East European workers and trade unionists, Altschul also turned to a close associate of Lovestone's, the energetic Irving Brown, who was invited to some Radio Committee meetings even though he was not a member. The Free Trade Union Committee received OPC subsidies, often using such funding to boost non-communist labor elements across Europe, building support for the Marshall Plan and other American initiatives. It also assisted the Free Europe Committee in its work with East European exiles, assisting with the Paris-based International Center for Free Trade Unionists in Exile the organization established under the auspices of the Force Ourvrière, and advising the NCFE's Labor Contacts Division in New York.[82]

Mowrer, Lovestone, and Jackson were present at Radio Policy Committee and staff meeting in late March 1950, where ideas for programming broadcasts were discussed in detail, together with the physical facilities in Europe that RFE was in the process of developing.[83] Two weeks later, Mowrer, Lovestone, and the rising young Harvard academic Arthur M. Schlesinger, Jr., attended another committee meeting, which discussed the technical problems that Soviet jamming might present to RFE operations. Altschul also reported on his own recent discussions in Germany

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[82] On these individuals, see H. W. Brands, Jr., *Cold Warriors: Eisenhower's Generation and American Foreign Policy* (New York: Columbia University Press, 1988), ch. 6; Blanche Wiesen Cook, "First Comes the Lie: C. D. Jackson and Political Warfare," *Radical History Review* 31 (1984), 42-70; Blanche Wiesen Cook, *The Declassified Eisenhower: A Startling Reappraisal of the Eisenhower Presidency* (New York: Doubleday, 1981), 13-14, 122-131, 199-205; Valur Ingimundarson, "Containing the Offensive: The 'Chief of the Cold War' and the Eisenhower Administration's German Policy," *Presidential Studies Quarterly* 27:3 (Summer 1997), 480-496; Allan M. Winkler, *The Politics of Propaganda: The Office of War Information, 1942-1945* (New Haven: Yale University Press, 1978); Arthur M. Schlesinger, Jr., *A Life in the Twentieth Century: Innocent Beginnings, 1917-1950* (Boston: Houghton Mifflin, 2000); Wilford, *The Mighty Wurlitzer*, ch. 3; Ted Morgan, *A Covert Life: Jay Lovestone, Communist, Anti-Communist, and Spymaster* (New York: Random House, 1999); Ben Rathbun, *The Point Man: Irving Brown and the Deadly Post-1945 Struggle for Europe and Africa* (London: Minerva, 1996); Anthony Carew, *Labour under the Marshall Plan: The Politics of Productivity and the Marketing of Management* (Manchester: Manchester University Press, 1987); and Sallie Pisani, *The CIA and the Marshall Plan* (Lawrence: University Press of Kansas, 1991). On the committee, see also Johnson, *Radio Free Europe and Radio Liberty*, 16.

[83] "General Minutes of Policy Committee-Radio Staff Meeting March 23, 1950," and Philip Barbour to Altschul, March 23, 1950, File 527 Radio Free Europe-Radio Committee Minutes, Organizations File, Altschul Papers.

with Lucius D. Clay, former head of the American military administration there, and the theologian Reinhold Niebuhr, as to whether RFE operations should include programs targeting East Germany.[84] Even at this point, Altschul was still an agnostic as to whether Radio Free Europe should acquire its own programming and transmission capacity in Europe, or whether the efficiency of Soviet jamming would make this an expensive and pointless luxury. RFE had already ordered supplementary pick-up equipment for its inaugural transmitter, but Altschul still thought the shortage of available radio frequencies might make it advisable for RFE to share facilities with the Voice of America. He wondered, he told Carmel Offie of the Office of Policy Coordination, whether it would be worth spending at least $1,500,000 for transmitters and support systems, including the site, buildings, and antennae, to duplicate what the Voice of America already possessed. RFE's purported independence and private status notwithstanding, he was skeptical whether any explanation that it was genuinely free of government direction would win public credence.[85]

By this time, however, the Free Europe Committee had hired Robert Lang, an OSS veteran and advertising executive who took a six-month leave of absence from his position with General Mills to become a consultant, to help with the preliminary arrangements for establishing RFE's services. As he reported back to Altschul and the CIA, the energetic Lang tracked down suitable transmitters on the European continent and placed temporary options on this equipment, while negotiating with the American High Commission in Germany for satisfactory premises in Munich.[86] All reservations notwithstanding, by late April 1950 all those involved with the enterprise had come to believe "that the most important thing was to get on the air with a news program as soon as possible," and had a "definite feeling . . . that regardless of quality or quantity of programs presented, it was vital and imperative to get some kind of program on the air in the shortest possible time."[87] As RFE moved ever closer to going on air and planned to begin its operations on July 4, 1950, initially using the 7½ kilowatt Barbara transmitter based at Lampertheim in Germany, Altschul applauded evidence of progress, in terms of personnel. In May 1950 Lang decided to leave General Mills and accept the position of Director of Radio Free Europe. Altschul welcomed his decision, but still thought the various news, programming, and national desks in New York understaffed, while the future German headquarters still had only a skeleton staff. The "talent" on the various language desks in New York seemed "considerably less than adequate." Moreover, Altschul complained that as yet RFE had hired "no individuals

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[84] Minutes of Meeting of Radio Committee, April 6, 1950, File Radio Free Europe, Organizations File, Altschul Papers; Altschul to Carmel Offie, Subject: East Germany, April 5, 1950, File Radio Free Europe, Organizations File, Altschul Papers

[85] Altschul to Offie, "Subject: Broadcasting Facilities in Western Germany," April 5, 1950, File Radio Free Europe, Organizations File, Altschul Papers; another copy is in File Free Europe Committee-West Germany General, Box 196, RFE/RL Corporate Records.

[86] Lang to Altschul, March 31, April 10, 1950, Lang to Peter ?, April 5, 6, 1950, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records; Johnson, *Radio Free Europe and Radio Liberty*, 18.

[87] Minutes of Meeting of Radio Committee, April 20, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.

who have either the flair, the originality, the imagination, or the training essential to a successful operation in the field of psychological warfare itself." He asked William Donovan, the wartime director of OSS, and C. D. Jackson of the Luce publishing empire, another former OSS operative who had served in the Office of War Information, to recommend personnel who might be well qualified to conduct psychological warfare.[88]

Altschul continued to worry about having adequate material for its listeners. Ultimately, he hoped—as ultimately transpired—that RFE would move most of its programming operations close to its German transmitters, and "to establish a number of listening posts strategically situated," that would "provide . . . a daily flow of lively information from behind the Iron Curtain, probably more timely in character than anything that can be gathered in New York even under the best of circumstances." With RFE not even on the air in May 1950, however, Altschul recognized that this could only be a long-term solution to these problems, and something more was needed immediately.[89] Almost simultaneously, Mihail Rarcasanu of the Romanian Desk told Altschul that the news items on Romania supplied by the "Special Information Bulletin" were inadequate, generally meager and exceedingly old."[90] The following day Altschul warned Poole that RFE's success "would in large measure be determined by the character of its daily newscast and commentary" from both "overt and covert sources." Besides taking advantage of publicly available "overt" material, it would also need "a steady flow of lively topic information from the target area" in Eastern Europe, much of which he expected should be "received from our friends in the South." As it was, he felt that even "overt" material from the Foreign Broadcast Information was reaching RFE "with a quite unnecessary delay of several days," while the organization lacked the "competent personnel" skilled in assessing its value as "propaganda" needed to sift through the mass of material that was reaching it. Worse, "[n]one of the sources of covert information have been adequately tapped." Even when material from the International Federation of Free Journalists, the anti-communist *New Leader*, the Voice of America, and information provided by émigré organizations was fully utilized, Altschul could not believe that, "even taken together, they will furnish us enough of the covert information essential to an effective program." A year earlier the CIA had promised that, although they "had never before had a client for lively topic information of the kind we required, . . . they would stimulate every source open to them, here and abroad, and would provide us with a steady and ever-increasing flow." Unfortunately, efforts to fulfill this pledge had been "dismally disappointing. We receive with some regularity a daily selection of what are purported to be significant news items," he enlarged. Unfortunately, [o]nly the fewest of these items are of any use at all, and even then they are not in the form received adaptable to insertion in a coherent newscast." Much of the material RFE did receive was translated articles of merely background interest "taken from papers anywhere from two to five months old." The "friends" supplied "practically nothing in

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[88] Altschul, memorandum on RFE, n.d. [May 1950], File Radio Free Europe, Organizations File, Altschul Papers.
[89] Altschul, memorandum on RFE, n.d. [May 1950], File Radio Free Europe, Organizations File, Altschul Papers.
[90] Mihail Rarcasanu to Altschul, May 22, 1950, File Radio Free Europe-Desks-Romanian Broadcasting, Box 279, RFE/RL Corporate Records. Underlining in original.

the nature of covert information, which was to be the spice of the program and to enable us to convince our listeners that we were in constant touch with developments in their own lands." Unless RFE could gain access to "the extraordinary wealth and variety of sources open to our friends in the South," he thought it "difficult to see how Radio Free Europe can become an instrument justifying either the hopes of its sponsors or the great effort and expense involved." He therefore urged Poole to launch "an energetic effort" to convince the CIA just how vital and urgent this problem had become.[91]

In response, the CIA apparently offered not as they had in the past additional information in the near future, but to have their own personnel perform much of the script writing. Altschul was unclear whether this change of tactics reflected inadequate preparation on the part of the CIA, or personality difficulties. He was not, however, enthusiastic over the suggestion that the station should become a vehicle for purveying CIA-produced newscasts and commentaries, a task he felt should be left to the staff of the radio, with the different language desks each responsible for preparing programming particularly suited to their own country. On a practical level, past experience led Altschul to fear that the CIA would prove "undependable" in supplying such material. RFE's different language desks were, he believed, intended to prepare programs particularly suited to each of their national situations, not simply to act as translators in "an organization which is acting as a front for a radio program based upon information which they do not share and upon policy decisions in the formation of which they have had no part." Bluntly, Altschul told Poole: "This is emphatically <u>not</u> the task which Radio Free Europe was asked to undertake in the first instance."[92]

The flurries back and forth of memoranda in the weeks before RFE began its operations suggested that some confusion existed as to its aims and objectives. Within the Free Europe Committee bureaucracy, by June 1950 tensions between Altschul, who headed the Radio Committee, and DeWitt Clinton Poole, president of the Free Europe Committee, had become so acute that various CIA and OPC officials, including Allen Dulles, Frank Wisner, Thomas Hughes, and William Jackson, all found it necessary to intervene. In words somewhat reminiscent of his earlier battles in Lazard Frères, in June 1950 Altschul told Robert E. Lang, RFE's new director, that he had no wish to be the Free Europe Committee's "Vice-President in charge of Radio [and] . . . would only be available for it if DeWitt and the Executive Committee very definitely and positively wanted me to accept it. As you know," he continued, "the work of Radio Free Europe has completely disorganized—or reorganized—my life, and while I would be willing to continue to serve in what I consider a challenging cause, I would only do so if it was felt that my contribution was of sufficient value to justify the personal sacrifice involved."[93] In

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[91] Altschul to Poole, May 23, 1950, File Radio Free Europe, Organizations File, Altschul Papers; also Altschul, memorandum on RFE, n.d. [May 1950], File Radio Free Europe, Organizations File, Altschul Papers.
[92] Altschul to Poole, May 28, 1950, File Radio Free Europe, Organizations File, Altschul Papers [Altschul's underlining].
[93] Altschul to Lang, June 12, 1950, File 446 National Committee for a Free Europe, Organizations File, Altschul Papers.

an effort to consolidate their authority over Radio Free Europe, Altschul and Lang were responsible for writing a memorandum, delivered to Poole, that sought to create an additional vice-presidential position on the National Committee for Free Europe, whose incumbent would bear "ultimate responsibility" for the Committee's radio efforts, while "day-to-day operations" would be left in the hands of Lang, its director. The vice-president for radio would handle "policy determination . . . and relevant contacts with governmental agencies," and would be responsible for resolving any conflicts that might arise in this connection. A good deal of his time would be devoted to reading scripts for radio broadcasts, to ensure that these confirmed with broad RFE policy guidelines. He would meet regularly, at least once a week, with the Committee on Radio. In terms of government oversight, Altschul and Lang were particularly concerned that, although the "original understanding" had been that the National Committee for Free Europe would have "a large measure of autonomy" in radio operations and other fields, with the government merely "suggest[ing] considerations of major policy, leaving "day to day decisions within the framework of major policy decisions" to the National Committee itself, it had recently "been suggested that the direct control of policy was to be exercised almost on a day to day basis by government agencies." The two men proclaimed that: "<u>This question demands a precise answer at the earliest possible date.</u>" They also felt it essential that whoever was in charge of gathering information for news broadcasts move as fast as possible to press the CIA—"our friends in Washington"—to follow through on recent promises to give RFE access to more raw material and data.[94]

This challenge marked the beginning of several weeks of negotiations among Free Europe Committee, RFE, and CIA officials. It was perhaps not entirely coincidental that a meeting of the Committee for Free Europe directors held at the beginning of May had authorized Allen Dulles, William H. Jackson, and John C. Hughes to appraise and report the organization's progress one year after its establishment, identifying potential problems and areas of concern. Jackson was deputy director of the CIA, and Hughes also had close connections with the organization. The three men submitted a report at the end of June. For the most part, the verdict was favorable. The president and the executive officers were congratulated on their "success in creating during the past year a well-staffed, well-housed, and well-equipped organization." They believed that the organization had great potential, which would demand "continuous effort . . . to test out the best methods of approach and to devise means for an aggressive pursuit of the Committee's objectives." The three CIA officials were complimentary on the manner in which radio activities had been organized. They emphasized, however, that it was "most urgently necessary for actual broadcasting to begin as soon as possible." Echoing many of the concerns expressed by Altschul and Lang, they thought it highly desirable to improve liaison with the CIA on both broadcast content and the provision of information, in terms of developing "a method for reconciling actual scripts for broadcasts with over-all general policy of the Committee and the

[94] Altschul and Lang, "Memorandum Regarding Organization of Radio Free Europe," June 12, 1950 [underlining in original],

Foundation [the CIA], and also a section for collecting and coordinating information to be used in preparing these scripts." Turning to the burning question of the role of the exiles and the National Councils, the three CIA officials stated that "in the handling of exiles and foreign National groups it is important to have close touch with the Foundation [the CIA] to consult on current policy directives. We believe further that the means of providing such directives should be reviewed and that the scope of the responsibility of the N.C.F.E. for the make-up of the Councils and the guidance of the same should be a matter of careful study and consultation." Improving coordination between the CIA ("the Foundation") and the Committee matters was a major preoccupation for Dulles and his colleagues. They recommended "that closer liaison be maintained with the Foundation at definite and frequent intervals through some designated officer" of the Committee. They also urged "a definite understanding . . . as to the responsibility for developing new projects in the future," proposals for which they assumed would come not just from the various divisions of the Committee itself, but also from the CIA, which would "suggest new lines of activity and possible enlargement of present ones." The report therefore urged that "a precise agreed procedure for clearing such new projects should be set up."[95]

Two days after RFE started broadcasting, and ten days after the Korean War had begun, Altschul and Lang made a trip to Washington. Although the primary purpose was to try to clarify the new enterprise's relationship with the Voice of America, this also gave the RFE operatives an opportunity to discuss other matters with Wisner. They deferred any decision as to whether programming should be extended to East Germany or Yugoslavia, two areas that were highly politically sensitive. They gave thought to purchasing additional transmitters, before the potential imposition of priorities and allocations related to the new Korean War. They also discussed how RFE might best present the Korean conflict to its listeners.[96] No clarification, however, came from Washington as to the precise degree of authority that Altschul should enjoy within RFE and the National Committee. Shortly afterwards, Altschul offered to resign as head of the Radio Committee and hand over operational control to Poole, an offer that was rejected; he also threatened to resign as the National Committee's treasurer. With minimal RFE operations only just beginning and their expansion to a full-scale broadcasting effort still to be implemented over the next year, Altschul's energy and drive were probably essential. Altschul would have preferred that his own authority as vice-president in charge of radio be unquestioned, but eventually a three-person Radio Executive Committee, headed by himself, its other members Frederic Dolbeare, vice-president in charge of relations with the East European national councils, and Spencer Phenix, vice-president for fiscal and administrative matters on the Free Europe Committee, was established to run the radio broadcasting enterprise. Altschul also made it clear

[95] John C. Hughes, William H. Jackson, and Dulles to Board of Directors, National Committee for a Free Europe, June 29, 1950, File Free Europe Committee-Board of Directors, Box 189, RFE/RL Corporate Records.
[96] Altschul, "Memorandum re: Washington Meetings," July 8, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

it was "imperative . . . contact should be maintained" with "our friends in the south."[97] According to Altschul, this committee "functioned for a period of weeks at most," before Poole dissolved it on returning from his summer vacation. Thereafter general supervision of radio operations "fell into the capable hands of Spencer Phenix, who maintained contact with Washington and with the Director of Radio Free Europe on budgetary matters, and with the director of Radio Free Europe on organization and personnel." Lang focused on day-to-day operations and setting up the new facilities in Europe, leaving Altschul free to concentrate on "[p]olicy decisions in the field of programming and broadcasting."[98]

Much remained to be done. RFE made its first broadcast on July 4, 1950, and began regular operations ten days later, but a massive and speedy expansion of its European plant and personnel were incumbent if the station was to function on the scale now envisaged. After an "audience-building" period of ten days, it intended to begin full broadcasting on July 14, being on the air for six hours per day, with each broadcast to a particular country repeated two or three times. Describing its opening efforts, a *New York Times* journalist said that RFE would function as "a spokesman for the democracy-minded elements of Poland, Rumania, Hungary, Bulgaria and Czechoslovakia." The article noted how many OSS veterans who had "specialized in dealing with the underground forces on the Continent" were involved in the new venture's operations, and characterized Altschul's radio committee as "a going outfit of formidable proportions." Commenting on the freedom in programming the new venture's supposedly private status allowed it, the author remarked: "Radio Free Europe is not adverse to being impudent if it will make the Russians wince." The enterprise's finances also gave rise to some speculation among knowledgeable media operatives, who noted: "Officials of Radio Free Europe are not saying what their project has cost to date and will cost in the future, but to anyone familiar with the operations of radio it is no secret that the expense is very great and will continue to be so." Somewhat inaccurately, the writer concluded that this was "one project that will be successful only if it is sustained by private enterprise, since any government subsidy would destroy its basic appeal."[99]

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[97] Memorandum, "Subject: Radio Executive Committee," July 12, 1950, File National Committee for a Free Europe, Organizations File, Altschul Papers; Altschul, Memorandum Covering Recent Developments, July 1, 1950, Altschul to Wisner, July 20, 1950, quotation from Altschul, "Memorandum of Conversation Friday Morning, July 21, 1950, with DCP," File Radio Free Europe, Organizations File, Altschul Papers; Altschul, Memorandum of conversation with F.W., July 17, 1950, Wisner to Altschul, August 10, 1950, enclosing "Draft B: Subject: Radio Executive Committee," July 12, 1950, File National Committee for a Free Europe, Organizations File, Altschul Papers; also Altschul, memorandum, October 18, 1950, File National Committee for a Free Europe, Organizations File, Altschul Papers; Altschul to C. D. Jackson, March 23, 1951, File Radio Free Europe, Organizations File, Altschul Papers; and Phenix to Jackson, March 24, 1951, File Free Europe Committee-Administration 1949-1954, Box 188, RFE/RL Corporate Files.

[98] Altschul to Jackson, March 23, 1951, File Radio Free Europe, Organizations File, Altschul Papers.

[99] On the beginning of RFE operations, see "Exiles Will Pierce the Iron Curtain in New Radio Broadcast Tomorrow," *New York Times*, July 3, 1950; and Jack Gould, "Radio Free Europe: A Unique Private Enterprise is Set Up to Pierce Russia's Iron Curtain," *New York Times*, July 9, 1950.

The inauguration of RFE broadcasts, which coincided with the outbreak of the Korean War and the American decision to intervene in that conflict, did nothing to halt the ongoing turf battles within the organization. These probably reflected a fundamental difference in outlook between Altschul and Poole, the Free Europe Committee's president. As a youthful diplomat, Poole served as chargé d'affaires in both Moscow and Archangel during World War I, where he had a ringside view of the early Bolshevik Revolution from 1917 to 1919, and was briefly imprisoned by Russia's new communist regime. The brutality of the Leninist takeover of Russia so repelled Poole, by that time the last American diplomat let in the country, that in 1919 he asked to be relieved from his post, protesting against the "complete unmorality of the Bolshevik leaders." He also objected to what he considered the overly pro-Russian policies of President Woodrow Wilson, professing himself unable to countenance any policy that "does not include . . . unremitting denunciation of . . . the methods by which the Bolsheviks have come into power." From then onward, the anti-communist American diplomat maintained close ties to strongly nationalist and clericalist Russian émigré groups. Poole subsequently headed the State Department's Division of Russian Affairs; during the later 1920, he held mid-level positions in the American consulate in Capetown and the embassy in Berlin. An expert in anticommunist propaganda, Poole was one of the founders of the *Public Opinion Quarterly*, an academic journal based at Princeton. For four years during World War II, he headed the Foreign Nationalities Branch of the OSS. Thirty years later, Poole was still caught up in his First World War experience, and saw the Free Europe Committee primarily as an organization to combat Russian communism or, in his preferred term, Bolshevism. (In May 1950, Poole insisted that "Bolsheviks" and "Bolshevism" be added to the list of pejorative terms that RFE might employ when attacking the Russian leaders; at Altschul's direction, six months later the station dropped its use, on the grounds that German World War II propaganda had usually referred to the Soviet communists as Bolsheviks.[100]) To Allen Dulles in January 1946, Poole wrote at length of his fears of Russian expansionism, to combat which, he argued, the best strategy was to build up German industrial strength again, and make that state a bulwark against Soviet power. Fiercely, Poole advocated ending the "barbarous" treatment of Germany by the allies, arguing that "to continue to ruin Germany by indiscriminate de-Nazification and unrelenting deindustrialization can only confirm Europe as a liability." He contemplated the continued division of Germany, with the "more Christian, western German type" joining a confederation with France, while the "more pagan trans-Elbian type" could enter a Danubian "central European federation," with both groupings serving as buffers against the Soviets. Dulles circulated Poole's recommendations to friends and associates in and inside government.[101] At a Radio Committee meeting in April

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[100] Minutes of Meetings of Radio Committee, April 20, May 4, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers; Altschul, "Policy Guidance Memorandum #4," November 15, 1950, Altschul, "Comments on a Memorandum by DeWitt C. Poole entitled 'Some Observations on the Present Conflict,'" December 26, 1950, File Radio Free Europe, Organizations File, Altschul Papers. On Poole, see also Puddington, *Broadcasting Freedom*, 8-9; "DeWitt Poole Dies: Retired Diplomat," *New York Times*, September 4, 1952; Hersh, *The Old Boys*, 40, 173-175; Cummings, *Radio Free Europe's "Crusade for Freedom,"* 9-10.

[101] *New York Times*, January 20, 1946; Poole to Allen Dulles, February 8, 1946, February 8, 1946, Allen W. Dulles Papers, Mudd Manuscripts Library, Princeton University; Hersh, *The Old Boys*, 173-175.

1950, Poole asked his colleagues, "what are we fighting"? His own answer was that they were "in some part fighting Russian imperialism, but he did not think that was the total answer. He pointed out the misuse of the word Communists, saying that they were Bolsheviks, and that what we are fighting in the last analysis is Bolshevism or Leninism."[102]

The staunchly anti-communist Poole was by no means a liberal, and tended to feel a strong affinity with the more conservative, even reactionary, elements among the East European émigré organizations. He complained "that the Radio Committee was overlooking the use of personalities, [such as] the exiled leaders available." These were, Poole continued, "men who have proven their ability and with whom you have no problems of translation and availability."[103] By mid-June 1950, Poole was eager to "go ahead with discussion with some of the exiles" on potential radio scripts. Perhaps optimistically, he believed "that at least the higher echelons of exiles understood that in the event of a disagreement on policy, the American staff must have the final responsibility." Altschul was far more cautious. Obviously concerned both that the refugees might hijack the new radio service, and that the United States might associate itself with discredited East European figures, he contended "that the entire question of the relationship of exiled personalities to RFE must be still further explored," to ensure "that exiles used are 'positive and not negative' in their own countries."[104] Throughout its history, the question of RFE's precise relationship with and degree of control over the East European émigrés who devised much of its programming remained contentious. Three days earlier, just a few weeks before RFE's first broadcast, Altschul and Lang inquired:

> To what extent is Radio Free Europe the voice of the émigré groups rather than the voice of American citizens using entire groups to the maximum advantage in a psychological warfare offensive? To what extent are émigré intellectual and political leaders to be afforded an opportunity to speak over the channels of Radio Free Europe—and under what degree of supervision? Which émigré leaders should be used—i.e., which émigré leaders would have a positive and which would have a negative effect from the point of view of a psychological warfare operation?[105]

In late June, shortly before the radio station opened, Altschul sent members of the Radio Committee a draft description of its "Nature, Purpose and Goals." This statement stressed the overriding theme of the defense of "freedom" against all enemies as the station's objective and "a fundamental struggle," concluding: "RFE is <u>for</u> whatever helps individuals and nations to shape their own destinies; it is <u>against</u> whatever prevents them." Seeking to emphasize the

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[102] Minutes of Meeting of Radio Committee, April 6, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[103] Minutes of Meeting of Radio Committee, April 6, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[104] Minutes of Meeting of Radio Committee, June 15, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[105] Altschul and Lang, "Memorandum Regarding Orientation of Radio Free Europe," June 12, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

independence of those "American citizens" who had founded the National Committee for Free Europe and RFE, it stated that they were Americans "who feel themselves in tune, in the larger sense, with the foreign policy of the United States. They are not, however, and will not consider themselves, agents of the American Government, still less of any other. They feel that their primary usefulness derives from their independence of official labels and restraints. They are 'people speaking to people.'" Turning to the East European "exiled democratic leaders now in the United States," RFE pledged to "work in full partnership" with them. They would, the statement continued, "be a part of RFE, voluntarily federated among themselves and with like-minded Americans for a common purpose. They will enjoy unfettered use of radio facilities." In sentences that encapsulated the tensions between American control of RFE and its sponsors' claims to be serving higher purposes, this declaration characterized the United States as "the main reservoir of freedom" still existing in the world.

> Since the United States is willing and eager to put that reservoir at the disposal of the world for the preservation and restoration of freedom without expectation of political, material or territorial gain, there exists a fundamental presumption that the policies and operations of RFE will not run counter to the best interests of the free world, as interpreted by the American representation in RFE. Where disagreements arise, the final decision shall rest with the American members.

Given high priority among the "concrete . . . aims of Radio Free Europe" was the mission "[t]o assure oppressed peoples that we Americans consider their present vassalage to be purely temporary and that we do not and shall not accept the status quo." The station would, its founders promised, "take as a main task the disintegration of the Soviet Communist regimes, sowing dismay, doubt, defeatism and dissension in the minds of the present usurpers."[106]

In late July 1950 Altschul took the train out to Chicago with the New York lawyer William Jackson, to attend a Crusade for Freedom inaugural event. The two men took the opportunity to discuss the difficulties in Radio Free Europe, and Jackson advised Altschul "to keep on plugging in spite of aggravations." The following month, Jackson was named deputy director of the Central Intelligence Agency. Altschul promptly offered to send Jackson a copy of a lengthy assessment of the new broadcasting enterprise's strengths and weaknesses that he had written in mid-August 1950, after his return from Chicago, a memorandum of which Allen Dulles and Frank Wisner had already received copies.[107] In addition to functioning as chairman of the organization's Executive Committee and handling liaison with the national councils, Dulles served as RFE's legal adviser; he went over the paperwork relating to the opening of RFE facilities in occupied Germany with Charles Saltzmann, who worked on the State Department's Occupied Areas desk. Discussing this projected expansion, Altschul warned once again that "the

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[106] "Radio Free Europe: Nature, Purpose and Goals," enclosed in Altschul to C. D. Jackson, File Radio Free Europe, Box 28, Jackson Papers.

[107] Altschul to William Jackson, August 22, 1950, File William Harding Jackson, General Correspondence, Altschul Papers.

amount involved is so large that it is timely to consider whether this expenditure is likely to prove justified by the potential accomplishments of Radio Free Europe in the field of propaganda." Altschul went further. "The time has now come," he told Dulles, "in the light of a year's experience, to consider whether and under what circumstances Radio Free Europe is likely to justify its continuing existence. This is a matter of obvious concern to those who have assumed the responsibility of meeting our budgetary requirements. It is of scarcely less concern to those who have been engaged in a constant effort to discharge the assigned task."

Altschul sought to discuss whether it was indeed possible to make the new station into one which would supplement, rather than compete with, the Voice of America in terms of its programming and the information it purveyed, and in particular in terms of providing the perspective of nationals from the various East European nations. This required "a regular flow of lively topical information from behind the Iron Curtain," together with "concise and intelligent directives for the guidance of staff" on American government policy. In terms of guidance, he complained once more that "our friends" in the CIA had largely failed to provide "the regular indications in regard to policy which have been so often promised us." Only half a dozen or so "occasional unidentified flims[ies]" had so far been received, meaning that RFE officers "have had to decide matters of policy as best we could in the light of our own judgment, and the staff has had to struggle without the benefit of clear-cut directives." Responsibility for "policy guidance and general direction" rested with a "make-shift" Committee of Three, chaired by Altschul, whose personnel as it happened cooperated well together, but in the long term vesting these powers in one individual would be far more efficient. Programming was still limited and repetitive, and RFE needed to boost its staffing, overseas information gathering and monitoring, and facilities.[108]

Altschul sought to obtain direct feedback on RFE programming from East Europeans, in the United States and on both sides of the Iron Curtain in Europe itself. Once the programs went on air, he consulted both individuals and the various National Councils to gain their reactions to RFE's offerings. He warned Dulles that the "liberal and forward-looking" United States had in many ways been losing the propaganda war to the Soviet Union, "an oriental despotism of the most vicious kind," which had nonetheless "contrived to get itself accepted in vast areas, and even by some fuzzy-minded people in our own country, as the fountainhead of liberalism. Theirs is the Worker's Paradise, the peace-loving People's Democracy; ours is the land in which the worker is enslaved and the people the servants of a war-mongering ruling clique." American support for "anti-Communist" but often "strongly reactionary" governments, such as those of Chiang Kai-shek in Nationalist China, Syngman Rhee in South Korea, and Franco in Spain, had helped to tarnish its image. The United States had "placed [itself] squarely on the side of progress" in terms of raising the standards of living of ordinary people through economic

[108] Altschul to Dulles, August 21, 1950, enclosing memorandum, August 15, 1950, File Frank Altschul, Box 142, RFE/RL Corporate Records [Altschul's underlining]; copy of this memorandum is also in File Radio Free Europe, Organizations File, Altschul Papers.

productivity and "enlightened social legislation." RFE needed to convey "the American brand of twentieth century liberalism." European unity was also a vision that might appeal to East Europeans behind the Iron Curtain. Altschul believed that RFE programming should "lend sympathy and encouragement support to a growing disposition in Europe to realize some form of Continental political integration. A federal system within the framework of which a large measure of national autonomy would be preserved offers an attractive prospect for the distant future. Such a vision, kept constantly alive, should give to the peoples of Eastern Europe the bright hope of eventual security and economic well-being."

Altschul could, however, discern one major flaw in RFE's situation, "a handicap inherent in its structure." The National Councils established by East European émigrés, with which the Free Europe Committee worked closely and which had provided much of the staff for the various national desks, were often decidedly reactionary, and indeed "to a considerable extent represent the past, and in measure the unpalatable past, of the peoples whom we wish to influence." Altschul therefore warned Dulles, who headed the Committee's National Council Division, that RFE needed to be cautious in utilizing such individuals and groups, "exercising care in the selection of spokesmen identified with our effort," since: "It would be self-defeating to attempt to expound the gospel of twentieth century liberalism through the recognized voice of nineteenth century reaction."[109] Altschul was not alone in raising this point with Dulles. Hamilton Fish Armstrong, a long-time friend of both Dulles and Altschul, and the editor of *Foreign Affairs*, the prestigious journal of the Council on Foreign Relations, also advised the CIA officer that many of the émigrés were highly conservative quasi-fascists with "dubious past records and unpredictable future," who should be screened out from the new radio station's personnel and allowed no influence upon its policies. Dulles, it seems, thought it more important to recruit "tough, slugging" propagandists, even when the "democratic remaking" of the East European satellites on the "principles of Christian civilization" that they favored appeared to envisage a return to a highly authoritarian and inegalitarian past.[110]

Summing up, Altschul perceived many positive advantages for RFE:

> [W]e should be able in a manner supplementing the Voice of America gradually to develop an effective line of propaganda based not on the glorification of our own material well-being, but on the abundant evidence of the way in which this well-being through the medium of progressive legislation, is being gradually more equitably spread through the masses of our citizens. We should be able to divorce ourselves from the imperialist label, and to appeal to the new spirit of nationalism in all its vitality. We should be able to expose in countless ways the vast difference between Soviet promise and performance. We should be able to bring our programs into tune with the local scene and local

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[109] Altschul to Dulles, August 21, 1950, enclosing memorandum, August 15, 1950, File Frank Altschul, Box 142, RFE/RL Corporate Records.
[110] Quoted in Hersh, *The Old Boys*, 258.

aspirations. We should be able to make effective use of much material that the Voice as an agency of government cannot use.

Negative factors included RFE's inability "to know the size of our audience, present or prospective"; and the service's vulnerability to jamming; and the practical difficulty of gauging the effectiveness of its programming. Placing the onus for continuing this effort firmly in the lap of the CIA, Altschul concluded: "Whether . . . the experiment will seem to continue to justify the very considerable capital and current expenditure involved is primarily a question for those to decide who have assumed the responsibility for defraying up to now our budgetary requirements."[111]

Those budgetary requirements were indeed exceedingly substantial. At the end of March, the Free Europe Committee employed 56 American staff and 32 exiles, while another 30 refugees were receiving stipends "for research, writing and lecturing tasks." Beyond these, almost one hundred additional needy exiles were receiving subsidies of up to $350 per month from the Committee. In his capacity as president, Poole reported that while research and other activities, including support for the exiles and the national councils, "produced their own beneficial results," they were "at the same time contributing to our most purposeful and aggressive effort. This is Radio Free Europe." Poole readily admitted that, in terms of "both personnel requirements and operating costs, Radio Free Europe already exceeds all the rest of our operations combined."[112] By June 1950, one year after it began its operations, the Free Europe Committee had 153 full-time permanent employees, together with 99 exile "stipendiaries," representing an annual payroll of $600,000. 24,000 square feet of office space in the Empire State Building required almost $100,000 a year in rent.[113] The Free Europe Committee began April 1950 with a cash balance of $540,729.44; in the course of the month it received $497,000 from what were termed "foundations" and $16.00 from unspecified other sources. Disbursements during the month on salaries, payments to National Councils, rent, office expenses, travel, entertainment, and other miscellaneous spending came to $131,110.77, leaving a cash balance of $906,184.67 in hand at the end of April. Since the Committee began its operations in summer 1950, budget allocations to "Projects" of various kinds—omitting recurrent expenditures, such as salaries, office expenses, and payments to national councils—had totaled $1,703,226.00, of which $669,725.73 had already been disbursed. $900,000 of the projected allocations were intended to support the establishment of Radio Free Europe.[114] It was

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[111] Altschul to Dulles, August 21, 1950, enclosing memorandum, August 15, 1950, File Frank Altschul, Box 142, RFE/RL Corporate Records.

[112] National Committee for Free Europe, Inc., President's Report, Annual Meeting, April 3, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

[113] Hughes, Jackson, and Dulles to Board of Directors, National Committee for a Free Europe, June 29, 1950, File Free Europe Committee-Board of Directors, Box 189, RFE/RL Corporate Records.

[114] National Committee for Free Europe, "Monthly Financial Status Report April 1-30, 1950," and "Budget Financial Status Report for Period Ended April 30, 1950," File National Committee for Free Europe, Organizations File, Altschul Papers.

clear that this would not be sufficient. Budget changes submitted to the Executive Committee on May 9, 1950, and approved by that organization, estimated that capital expenditures to establish RFE's European operations on the scale then contemplated, would require $1,703,000. The 1949-1950 budget figures already submitted allocated $321,000 for these purposes, with a further $135,000 designated for such spending in 1950-1951, leaving a shortfall of $1,247,300 for its sponsors to find.[115] In August 1950, Lang estimated that the total budget for 1950-1951, including both operating expenses and capital expenditure, would be $6,400,000, and that for 1951-1952—when most of the European facilities would already have been established, reducing capital expenditures--$4,500,000.[116]

As Treasurer, Altschul handled the accounts of the infant radio station, requesting subsidies from Frank Wisner when necessary. It was perhaps not surprising that he sometimes wondered whether the funding spigot might run dry. RFE executives soon realized that they would be unable to buy time on European transmitters, and needed to operate their own facilities, a decision that had major financial implications. A gift of a US Army surplus 7½ kilowatt transmitter enabled them to stage an initial symbolically important broadcast on July 4, 1950, but far more extensive facilities were clearly required. In May 1950 the NCFE's Executive Committee, of which Altschul was a member, authorized the expenditure of $1,247,300 on three transmitters. A "small but regular and efficient administrative office" was also opened in Europe. Major expenditures for second-line facilities were approved in August 1950, though funding was only available for part of these. Operating expenses considerably surpassed expectations. By October 1950, the amount of funds RFE required to carry out all its contemplated ventures considerably surpassed the budget it had submitted in April 1950. The directors were concerned at the degree to which their spending plans had snowballed, though they took some comfort in "the fact that RFE's friends had on several occasions stated that an overall 1950-51 capital expenditure and operating budget of between seven and eight million dollars would be no shock." In mid-October 1950, RFE found "itself in desperate need of cash. It can continue none of its German and/or second line stations unless more cash is forthcoming." The alternatives were for it to "drop its second line projects," sell those transmitters, and dedicate all the proceeds to the German facilities, or request additional funds from the CIA.[117]

Altschul took the latter course, and wrote a carefully phrased appeal for further funding which he sent to Wisner. At the end of October, 1950, the organization had $1,108,519.40 available in its Capital Account, to meet anticipated expenses of $1,913,730.39, leaving around $890,000 outstanding. The CIA had already agreed to remit an additional $843,000, which would cover the bulk of these expenditures. The CIA was also contributing $132,000 a month to RFE's

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[115] "Committee II Budget Changes (Radio Free Europe), May 9, 1950, memorandum submitted to Executive Committee, File National Committee for Free Europe, Organizations File, Altschul Papers.
[116] Minutes of Meeting of Radio Working Committee held Thursday, August 10, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[117] "Radio Free Europe Technical and Budgetary Position as of October 16, 1950," File Radio Free Europe, Organizations File, Altschul Papers.

operating expenses, which it had initially been expected would amount to $4,074,000 annually, at least in 1950-1951. RFE's late and limited start had reduced this amount, but by October 1950 operating expenses amounted to $170,000 per month, a deficit of more than $30,000 per month since July, which was expected to increase as RFE "provide[d] the organization to back up our expanded facilities." The CIA provided $300,000 on October 13, 1950, to help cover these shortfalls, and RFE also had a surplus of $175,000 in hand from payments made to meet its 1949-1950 operating expenses, which it was drawing on to fill the gap. Altschul requested immediate payment of the $843,000 intended to meet Capital expenditures, and an increase of $68,000 in the monthly subsidy for operating expenses, to a total of $200,000, i.e., $2,400,000 per year.[118] Since RFE continued to expand its facilities, one may safely assume that Wisner came to the new station's rescue. As Lang later recalled, "One thing there was never a problem about was money. . . . So much money it wasn't true."[119]

These figures did not necessarily take into account all expenses, especially those for the European facilities, which were expanding rapidly, as were the programs and the personnel of the national desks. Eventually, RFE received something over $18 million in 1951-1952 alone, when all associated expenses were included, among them those of constructing an additional transmitter facility in Portugal. The CIA, however, had access to Marshall Plan counterpart funds, monies that European governments that benefited from the Economic Recovery Program launched in 1948 contributed themselves to this initiative. These proved more than sufficient to fund a variety of CIA initiatives on the European continent and elsewhere, including Radio Free Europe and other Free Europe Committee programs.[120] Visitors to the New York premises of this supposedly struggling émigré organization later reported their surprise at finding that it was based in a comfortable office suite on the third floor of the Empire State Building. One reason why so many wealthy individuals were recruited to the NCFE was probably that their presence on its letterhead made it easier to explain away the ostensible sources of the fairly lavish funding that was clearly available for its undertakings.[121] Supporting Radio Free Europe and the other FEC programs did indeed carry a substantial price tag. In the fiscal year 1949 they received a phenomenally massive $69 million from governmental sources, an amount that surpassed all private donations to the organization throughout its history. Between May 1949 and June 1971 they received a total of $323.3 million in American government funds of all kinds, an amount that dwarfed the $46 million in private contributions these enterprises also attracted over slightly more than two decades. Of their total budgets, during more than twenty years of operations, only about one-eighth came from non-governmental sources, though since the massive start-up costs were concentrated at the very beginning, most years the portion covered by private funding averaged around 18 or 19 percent. In 1950 the organization received a further $3,108,968.73 and

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[118] Altschul to Wisner, October 31, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[119] Lang, oral history, quoted in Lucas, *Freedom's War*, 100; see also Thomas, *The Very Best Men*, 40-41.
[120] Wilford, *The Mighty Wurlitzer*, 32-33; Grose, *Rollback*, 114-118.
[121] Wilford, *The Mighty Wurlitzer*, 32.

in 1951 $8,681.715.50 in government funds; from 1952 until 1960, the annual subvention ranged between $10 and $16 million dollars.[122] In summer 1950, some discussion took place within the organization on the possibility of expanding RFE broadcasts beyond Eastern Europe. Allen Dulles, the organization's great unofficial patron, wrote to Joseph Grew at the end of August 1950 that, while he personally believed that "in the long run our Committee should not have a geographic limitation" and should operate on a "worldwide" basis, "[a]t the moment" he "doubt[ed] whether we could profitably take on anything in addition to what we have. . . . Quite frankly, at the moment we have all we can tackle and more."[123]

Radio Free Europe: The Diplomacy of Propaganda, 1950-1951

RFE began broadcasting only a few days after the United States decided to send troops to Korea, a situation which may have made its output "much more aggressive in tone than had been planned." One official believed "that the whole aspect of the 'cold war' had been changed" and the United States had "now gone into a period of action."[124] But not all reactions were favorable. The Czechs came in earliest with criticisms, complaining that there was "some danger of [RFE] broadcasts having too much the aspect of cabaret entertainment," and reminding the Americans "that we were speaking to a serious-minded and brooding audience that can stand serious broadcasts." Czechs felt that the early broadcasts were talking down to them. "The high intelligence of the average listener in Czechoslovakia was underscored, and the feeling was expressed that there should be far less entertainment in our programs and far more of an effort to appeal to the thinking person in the whole country." The Czechs also suggested that particular speakers and issues that should be highlighted, and requested "a religious program." They also complained that broadcasts displayed no unifying theme or "common note."[125] Nonetheless, a subsequent report emphasized the enthusiastic welcome RFE received in Czechoslovakia, in part because of the symbolic eminence of its sponsors and the high profiles of early speakers. The Czech desk in New York requested more stories contrasting the level of freedom in the United States with the absence of freedom in Czechoslovakia; more addresses from exile Czech speakers drawn from across the entire political spectrum; and enhanced efforts to terrorize and "create fear . . . among the lower functionaries of the Communist Party" and the Czech State Police and Secret Police.[126]

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[122] Johnson, *Radio Free Europe and Radio Liberty*, 217; Cummings, *Radio Free Europe's "Crusade for Freedom,"* 217-218.
[123] Dulles to Grew, August 28, 1950, quoted in Cummings, *Radio Free Europe's "Crusade for Freedom*," 28.
[124] Minutes of Meeting of Radio Committee, July 6, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[125] Memorandum of meeting with members of the Czechoslovakian Desk, on Monday, August 7, 1950, File RFE-Desks-Czechoslovakia General, Box 275, RFE/RL Corporate Records.
[126] M. Kohak to Altschul, Dolbeare, and Alfred W. Weld, December 4, 1950, File RFE-Desks-Czechoslovakia General, Box 275, RFE/RL Corporate Records.

Almost three months after RFE went on air, the exiles associated with the Free Europe Committee reported that Altschul "puts in the longest day of all the staff." His major responsibility, outside observers believed, was "to strike a medium between the desires of the American staff of technicians and international broadcasting specialists, who comprise one-quarter of the personnel, and the interests of the exiles, who account for three-quarters."[127] In RFE's early months of operation, Altschul's management style remained decidedly hands-on; in September 1950, he told a friend that "reading scripts at RFE takes so much of my time that I hardly get to the morning papers any more."[128] Once RFE had made its inaugural broadcasts, Altschul himself still had strong reservations over many aspects of the station's functioning and programming. Within a week of RFE beginning operations, he had a conversation with a "Mr. Kramer," either a State Department or a CIA official (probably the latter), in which the two discussed the scripts for Czechoslovakian and Romanian broadcasts. Although Kramer found "nothing objectionable" in their texts, he also felt that "they had not really hit any of the really vital points." Alschul retorted that RFE "could hardly go further than we had done until we had received the guidance sheets from them—that the desks were working in the dark without any guidance and under the circumstances were doing the best they could."[129] Altschul explored all suggestions that came to him on how best to upgrade RFE's offerings. After reading a memorandum by Prof. Albert Parry of Colgate University on how American psychological warfare broadcasts might be improved, Altschul sought to make an appointment with him, to discuss his recommendations on how best to sharpen radio propaganda.[130] RFE's sponsors were concerned that the early broadcasts were wordy and by no means "hard hitting." In late 1950, Altschul and Lang mounted "an effort to shorten texts and generally to sharpen things up."[131]

Criticism nonetheless continued and even intensified. Early European refugee criticisms of RFE's services, relayed by Royall Tyler, the Committee's representative in Paris, complained "that the scripts are flavored to the American taste, not to that of the listening public in the satellite countries." In terms of appeal to its target audience, they placed RFE well behind both the BBC and the official Voice of America. In October 1950 Tyler suggested that East Europeans who had moved to the United States tended to assimilate and become overly Americanized, and recommended that more use be made of those exiles who were still based in Europe itself. Other criticisms focused on overly lengthy news stories, without enough punch; transmissions of uninspiring speeches by exiled politicians; and the service's failure to mention

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[127] Will Lissner, "American Citizens Join Exiles' Fight," *New York Times*, October 7, 1950.
[128] Altschul to R. Gordon Wasson, September 28, 1950, File Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers.
[129] Altschul, memorandum, July 17, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[130][130] Jackson to Albert Parry, September 5, 1950, and Parry, "Some Thoughts on Psychological Warfare in the hot phase of the cold war," July 25, 1950, File Radio Free Europe, Box 28, Jackson Papers.
[131] DeWitt C. Poole to Allen W. Dulles, November 1, 1950, File Voice of America, Box 354, RFE/RL Corporate Records.

East European soldiers who had fled to the West.[132] Tyler also passed on criticisms from a number of Polish newsmen associated with the International Federation of Free Journalists in London, to the effect that RFE broadcasts were abysmal in terms of effective propaganda, showing little understanding of the countries to which they were beamed, and were in fact "apt to undermine the confidence of the listeners" in the NCFE. They condemned both the timing and content of the broadcasts, the presentation and radio skills of the speakers, the content of shows, the choice of music, the poor quality of satire, and the needlessly over-dramatic tone and style employed. Too little attention was devoted both to domestic affairs within Poland, and to serious international news. The newsmen also disliked the "tone of exaggerated optimism so far as the fate of the people in captivity is concerned," which they considered unwarranted and counter-productive. Their rather sweeping "conclusion [was] that so far it is useless to listen to Radio Free Europe."[133]

Comments on the Romanian broadcasts highlighted the scarcity of straight political broadcasts, lamenting that Romanians who took "great personal risks" to listen to these transmissions did so because they wanted "an answer to the one question that really matters: is there any hope for Liberation? Any show that wanders too far from this vital issue is not merely uninteresting but downright irritating for the bulk of the audience, since it is interpreted as a sign of indifference for their sufferings." These critics also complained that much of the news RFE reported in Romanian was stale, and the attempts at humor less than amusing, while the service was also, at least temporarily, technically inferior to "nine or ten other foreign stations" targeting that country. Romanian listeners objected to the American-style focus on "entertainment" and the use of "musical bridges and sound effects" to enliven serious topics as an unnecessary and even insulting "recourse to soap-opera" tactics. They were less than enthused by the service's reliance on translations from English "masterscripts" on particular topics, whose writers these critics often considered unqualified for the task, and suggested that RFE Romania increase its personnel by recruiting more Romanian exiles from among those currently based in Western Europe, to boost the output of original Romanian scripts. Even translations from leading newspapers and magazines of articles "written by first-class students of international affairs" would, they claimed, be better than the existing fare, since: "What is now offered under the heading of Political Commentary seems to emanate from persons who would greatly benefit by an extended period of training on the problems of Communist-enslaved Eastern Europe."[134] Meanwhile, Reuben S. Nathan of the Planning Unit warned that RFE was "not equipped at this time to write

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[132] Tyler to Poole, October 23, 1950, "Memorandum on Radio Free Europe's Hungarian Broadcasts," October 14, 1950, File Hungary-General, Box 211, RFE/RL Corporate Records; additional copies in File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.

[133] "Summary of Opinions on the Programs of Radio Free Europe," c. October 25, 1950, enclosed in Dick Sears to Poole, November 14, 1950, File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.

[134] Unsigned "Comments on Radio Free Europe Broadcasts in Romanian: Based on the audition of November 2, 1950," November 8, 1950, File Radio Free Europe-Desks-Romanian Broadcasting, Box 279, RFE/RL Corporate Records.

or edit five entirely different news shows." Yet the five different national desks often had widely varying requirements in terms of news.[135]

Not all feedback was so negative, but at best, praise was highly qualified. According to one memorandum sent to Altschul, an eminent Hungarian cleric, Monsignor Kosi-Horvath, who had "interviewed 'hundreds' of escapees in Germany and Austria, "[t]he name of the [Free Europe] Committee carrie[d] immense prestige among refugees," since "it connotes, perhaps even to the point of exaggeration, the notion of a real movement of liberation." Despite this initial predisposition in its favor, most refugees had found RFE's broadcasts "somewhat disappointing because a freer and more vigorous line had been expected." He too called for more solid news, both domestic and international.[136] A Hungarian woman who had listened regularly to RFE before moving to the United States in October 1950 told Altschul that in Hungary "everybody listens to American broadcasts," and there had been "great excitement over the new station," which was "widely talked about and everybody expected great things of it." Unfortunately, "initial expectations were disappointed." Several of the exile leaders featured in broadcasts were still respected in Hungary; others had been "forgotten," and one she had "[n]ever heard of."[137]

From Paris, Tyler continued to relay disparaging reports from refugees on the new station's performance. "So far," he rather depressingly summarized at the beginning of December, "RFE broadcasts rub up most listeners the wrong way or, still worse, merely bore them." East Europeans were unlikely to continue risking dangerous retribution for the sake of hearing these offerings. He advised transferring "programming and script-writing" to Europe, and taking that opportunity "to engage writers of a different type from those now on this job," as part of a wholesale shake-up of personnel. Tyler recommended employing refugees who had come to Western Europe (rather than the United States) "as recently as possible from their native countries, and have a feel for what people behind the Curtain want." Although RFE had asked some refugees still living in Europe to produce scripts, Tyler himself "had not the impression that the choice has been fortunate." [138]

With RFE's operations expanding, the various East European national councils sought a greater voice in its policy, triggering a wholesale debate over their role in the organization, whose ramifications extended into both the CIA and the State Department. Arrangements had supposedly been agreed in October 1949 for RFE and the Free Europe Committee to consult with State Department officials, using Frank Wisner of OPC as an intermediary. In practice Wisner apparently "exhibited always a strong dislike of direct contacts with State Department personnel" on the part of RFE and NCFE officers.[139] In May 1950, six State Department

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[135] R. S. Nathan to Altschul, December 5, 1950, File RFE-Planning Section, Box 289, RFE/RL Corporate Records.
[136] Lewis Galantière to Altschul, "Subject: Two Reports on Broadcasts with Eastern Europe," December 13, 1950, File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.
[137] Memorandum, December 15, 1950, File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.
[138] Tyler to Poole, December 6, 1950, File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.
[139] Poole to Dulles, September 28, 1950, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010.

officials, including Robert P. Joyce of the Policy Planning Staff, G. Frederick Reinhardt, Deputy Director of the Office of Eastern European Affairs, John C. Campbell and Claiborne Pell of the same office, Oscar C. Holder of the Office of European Regional Affairs, and James M. MacKnight, special assistant to Edward Barrett, assistant secretary of state for public affairs, met with Carmel Offie of the CIA/OPC to "discuss the relationship to be established between the Department and Radio Free Europe." It was decided that, on the policy level, Joyce would "act as the Department's cut out" to handle all relations with Radio Free Europe. The State Department was to "prepare a regular policy guidance for the American supervisory personnel" of the organization. "Furthermore, Radio Free Europe will be open to any positive ideas that the Department may offer." The Department was entitled to receive translations of any program recording that it requested. State Department clearance would be required before Radio Free Europe could use any source materials originating with the Department.[140]

The establishment of these procedures did not suffice to insulate Radio Free Europe from internal divisions on policy in both the State Department and the CIA. In late August 1950 the membership approved changes in the Free Europe Committee's Certificate of Incorporation. The "original purposes and powers" of the organization had been defined primarily in terms of providing various kinds of assistance to East European "non-Fascist and non-Communist leaders who have fled to the United States," and facilitating their contacts with both Americans and their own peoples. These objectives were now supplemented by broader mandates, permitting the Committee to undertake almost any kind of activities that would in some way "promote, aid and assist the cause of individual and national freedom in Europe and elsewhere." This could include commissioning studies and research on any subject thought appropriate, and disseminating information of every kind through the media. The Committee was also authorized to undertake fundraising for these purposes, and given the power to make grants to individuals and to other organizations.[141] The Committee's expanded mandate was symptomatic of the degree to which the role of the exiles themselves in its operations had been downgraded in what were perceived as the broader interests of American foreign policy.

In September 1950, the State Department's East European specialists, who were decidedly sympathetic to the situation of the National Councils, apparently struck back, at the behest and with the blessing and encouragement of the founder of the Department's East European division, the fiercely anti-Communist Robert F. Kelley, who trained a generation of American East European specialists—Kennan included—before retiring in 1945 to join the CIA.[142] The

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[140] Memorandum of Conversation by Mr. Claiborne Pell of the Office of Eastern European Affairs, May 4, 1950, U.S. Department of State, *Foreign Relations of the United States, 1950*, Vol. IV: *Central and Eastern Europe; The Soviet Union* (Washington, DC: Government Printing Office, 1980), 19-20, quotations from p. 19.
[141] Augustine, "Notice of Special Meeting of Members," August 24, 1950, File Free Europe Committee-Board of Directors, Box 189, RFE/RL Corporate Records.
[142] On Kelley, see Martin Weil, *A Pretty Good Club: The Founding Fathers of the U.S. Foreign Service* (New York: Norton, 1978); Hersh, *The Old Boys*, 39-40; Johnson, *Radio Free Europe and Radio Liberty*, 26; Frederic L. Propas,

"instructions" handed down by Kelley and the State Department's Office of East European Affairs to the Free Europe Committee apparently demanded far great involvement by the National Councils in the programming, administration, and policymaking of the new radio station. This "policy guidance" was, the Committee's directors concluded, an attempt to return to the "original plan" for the National Councils. "The paper in question," they continued, "appears to be animated by the idea that the scheme of national councils could be made to work if the [National Committee for Free Europe] were sufficiently adroit and assiduous." Many of the directors disagreed, quoting the opinions of those "with experience in this field, not only currently but earlier during World War II," that "the plan itself is not the best and could never be made to work in a fully satisfactory way." In any case, they warned, "[i]t does not suffice for Washington simply to enunciate 'guidance' and expect the [Free Europe Committee] to achieve results." Far better arrangements for the "explicit exchange of views and coordination of action" among the Free Europe Committee, the State Department, and the CIA were essential.[143]

In practice, neither Wisner in OPC, Dulles in the CIA, nor any official of RFE and the Free Europe Committee were likely to find such recommendations appealing. Despite his considerable personal sympathy for the émigrés, Poole immediately forwarded a copy of these "instructions" to Dulles, remarking of them: "How much this is Bob Kelley and how much State I can't tell you." He complained furiously that RFE executives, despite their "knowledge and experience on exile matters," had not been consulted before this document was dispatched. He thought it "just nonsense for anyone to attempt to fix a policy on exile relationships without extended consultations with us." More broadly, Poole complained that the CIA was failing to maintain satisfactory liaison arrangements with the State Department on exile relations and other matters, while caviling about his own contacts with former colleagues and "old friends" there. This, Poole charged, contravened an agreement on policy guidance and liaison reached between himself, Altschul, and Dulles the previous October, whereby State Department guidances would be delivered through Wisner, but Free Europe Committee executives were still free to enjoy "such normal relationships as any private citizens or organizations might have with any government official or agency." Poole also echoed Altschul's reiterated criticisms of the lack of CIA guidance on programming, stating that RFE had "received some 'directives from FW's [Wisner's] staff, but the directives, or some of them, don't make too much sense." In addition, "coordination between us and the Voice [of America] has not been worked out as it should be and I think can be." Given that the "whole NCFE operation has outgrown by far original conceptions and arrangements," Poole demanded as a matter of urgency "readjustments" of the Committee's methods of consulting with both the CIA and the State Department. Dulles—quite possibly impelled just as much by evidence of factional battles within the CIA as by the logic of

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"Creating a Hard Line Toward Russia: The Training of State Department Soviet Experts, 1927-1939," *Diplomatic History* 8:3 (July 1984), 209-226.

[143] National Committee for Free Europe, Memorandum, October 2, 1950, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010.

Poole's request—apparently agreed to "top-level discussions" of these subjects among all parties concerned.[144]

Four days later, the directors of the Free Europe Committee followed up with a memorandum to Dulles, highlighting the need for "effective cooperation" among the Committee itself, the CIA, and the State Department in terms of dealings with the exiles, "psychological warfare," including "radio propaganda," and financial matters. To date, they warned, only the third category had been "satisfactory." In passages drafted by Altschul, the directors warned that "coordination with our friends in the matter of programming" was extremely defective, something highly disturbing given that since the Korean War began it had become "clear that the United States is now entering into a new and more intense phase of psychological warfare." They called for constant clarification of "[t]he mission of Radio Free Europe" through the establishment of "[a]n overall working authority on psychological warfare," a body which would include RFE executives. The directors also reiterated their past complaints of inadequate "information from official sources for use in Radio Free Europe programming." Foremost among their concerns, however, were exile relations. They recalled that:

> When the Fund began operations a year and a half ago, the exiles had already been organized to some extent in the form of national councils. It was desired that this type of organization should be extended and perfected. 'Policy guidance' respecting relations with the exiles would be received by [the Free Europe Committee] exclusively through [the CIA]. The guidance would originate with State.
>
> The plan has not worked well. The Rumanian National Council, which existed when the Fund began, has now dissolved. The Bulgarian Council is a one-man show. The Czechoslovak Council is not deemed to be satisfactory. Only the Hungarian Council comes near justifying the plan originally envisaged. There is no prospect of a broadly representative Polish national council. A Yugoslav national council is not at present desired and probably could not be brought into being if it were desired.

The émigrés were, however, the directors cynically contended, highly skilled in playing off against each to Free Europe Committee, the State Department, and the CIA, since they had "access one way or another to all three elements in the situation and are by no means inexpert in making the most of the opportunities that such a complexity creates." This made it essential for high-ranking Free Europe Committee representatives to "meet at fairly frequent intervals with representatives of State and [the CIA], explore the situation of the moment, and come to decisions." Paying lip service to the concept that "the word of State must be final," NCFE's directors nonetheless thought it "of the essence that in taking its decisions State should have the advantage of unlimited consultations with its partners." So long as such measures were instituted, the directors believed that, while "relations with the exiles [might] never be worked

[144] Poole to Dulles, September 28, 1950, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010.

out to everybody's complete satisfaction," it would "almost certainly" be possible to reach and maintain "a tolerable working solution." Even so, they reflected: "Exile is a morbid and exasperating condition."[145]

The directors had undoubtedly learned this firsthand. A few weeks later, the Free Europe Committee produced a lengthy memorandum assessing the history and current state of its relations with the various exiles. The Committee had, this document stated, come into being "to deal with the problem of the presence in the United States of some four or five hundred political and intellectual leaders exiled, as a consequence of Communist rule, from six countries of Eastern Europe." The NCFE's objective was "to turn this potential liability into an asset for the United States and the West in the cold war." Since the United States government still had diplomatic relations with the Communist governments of these states, "it was not deemed suitable or desirable for [it] to assume a task involving overt encouragement and direct support of the exiled anti- opponents of these regimes." The NCFE was therefore a private organization. It should to provide "useful work" for the exiles, to keep them "abreast of developments in their own countries during their exile," to keep them in touch with the peoples of their own countries, to bring such leaders into contact with a wide range of Americans, to familiarize them with and enhance their understanding of the United States, and to provide financial and moral support for their efforts to work together. It was estimated that around two-thirds of the exile leaders involved had received "full or partial" financial support from the NCFE. Around one hundred had received research grants for work at the Mid-European Studies Center, organized by NCFE's Division of Intellectual Cooperation to undertake "research into the political, economic and social conditions in the Iron Curtain Countries during the last decade." The Center had also initiated a scholarship program to help young exiles in the United States attend American universities. The American Contacts Division had enabled exile leaders to lecture across the United States, to "civic groups, farm groups, trade unions, church organizations, the student bodies of colleges and universities, as well as Americans of Eastern European origin." It in addition, it had published several well received pamphlets on their experiences. 37 exiles were working in the Research and Information Center, organized into national desks and following "day to day developments in the Communist dominated countries," and publishing a fortnightly, *News from Behind the Iron Curtain*, which had won a wide circulation in the United States.

The memorandum readily admitted that the work of the National Councils Division had "been almost steadily up-hill," and required "[i]nfinite patience, understanding, and tact." Of the seven countries—Albania, Bulgaria, Czechoslovakia, Hungary, Romania, Poland, and Yugoslavia—with whose exiles the division was working, the first four had established national councils. So, too, had Romania, but this had "recently been dissolved, having at long last succumbed to the tangled and tragic political and personal squabbles which have clouded its entire existence." "Yugoslavia's special international position," together with "national and political differences

[145] National Committee for Free Europe, Memorandum, October 2, 1950, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010.

among Yugoslav exiles," had precluded the establishment of a Yugoslav national council, while disputes over the continuity of the Polish state had to date prevented the Poles forming such a group. The Free Europe Committee provided funding to those national councils that existed; when refugees could not agree to form one, financial support was given to each of the contending factions. Wearily, the report remarked: "Problems of administration and organization of the simplest kind, under ordinary normal conditions, are rendered extraordinarily difficult or impossible of solution by the deep-seated and intricately complex personal and political rivalries, animosities, and divisions." When appropriate, the National Councils Division tried to steer exiles and their projects in the direction of one of the Free Europe Committee's other divisions or outside agencies. Its staff also sought to advise and assist the various National Councils, should they require such aid, and when possible to serve as a moderating and conciliating influence to resolve feuds, disputes, and rivalries. As a result: "Much of the time of the National Councils Division is consumed in serving as a listening post and a sounding board for political and personal problems, disputes, complaints, projects, and suggestions of the individual national leaders, members of national councils, as well as opponents of the national councils."[146]

With dissatisfaction over RFE's early performance mounting steadily and exacerbated by end runs by the exiles and their allies, the differences between Altschul and Poole, temporarily resolved in summer 1950, blew up once more in October 1950, when Altschul and Lang made an appointment to go to Washington and meet Frank Wisner, head of the Office of Policy Coordination, only recently back from Europe, in order to make him *au courant* with recent RFE developments. One trigger for their visit may have been the fact that Dwight D. Eisenhower's wartime chief of staff, Walter Bedell Smith, had just been appointed director of the CIA. He immediately asserted his authority over Wisner's freewheeling OPC, which at that time was conducting more covert operations than the CIA itself.[147] In terms of policy towards Eastern Europe, Wisner and Dulles shared many of the same aims, but the two men were bureaucratic rivals. Though both self-aggrandizing, temperamentally and stylistically they were also very different, with Wisner, the garrulous, wordy, and emotional southerner, ultimately no match for the charming, urbane, but ruthless Dulles, one of the more cold-blooded products of the northeastern elite. Poole, Spencer Phenix, another member of the supervisory committee, and Dulles all raised "a storm of opposition" against this trip to Washington, which Altschul and Lang ignored. The two men met Wisner and two other CIA associates on October 16th and, after discussing current developments in RFE with them, apprised Wisner of their colleagues' objections to these contacts. When Wisner agreed with Altschul's position, that he "was free to

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[146] Unsigned memorandum, October 25, 1950, File Free Europe Committee-General 1950-1956, Box 191, RFE/RL Corporate Records. On the various East European exile communities at this time, and their relationship with the National Committee for Free Europe, see also the four-part series by Will Lissner in the *New York Times*, Day of Liberation Awaited by Exiles," October 4, 1950; "Monarchy Issue Plagues Émigrés," October 5, 1950, "Right-Wing Exiles of Europe Divided," October 6, 1950, and "American Citizens Join Exiles' Fight," October 7, 1950.
[147] Mitrovich, *Undermining the Kremlin*, 20, 64; Hersh, *The Old Boys*, 284, 288-290; Ranelagh, *The Agency*, 199; Rudgers, *Creating the Secret State*, 179.

take up with [Wisner] any matter concerning radio whenever this seemed to [Altschul] necessary," Altschul wrote a five-page memorandum reviewing the entire situation.[148] This episode was, it seems, only a prelude to a renewal of the ongoing disputes between Altschul and Poole, which flared up again towards the end of 1950.

Poole may not have been ideally suited to the cut and thrust of bureaucratic warfare among so many contending interests, both within and outside the Free Europe Committee. Many years later Lang described the Princeton-educated Poole as a "lovely guy without being practical. All that he ever said was, 'Bob, it looks good to me. Just dream. You can't dream big enough.'"[149] Poole's dreams tended to center upon high-flown abstractions centering on freedom and democracy, themes he wished RFE to stress. Believing that "there is perhaps an 'international of freedom' among men, men who everywhere have the concept of man as an individual," Poole argued that RFE should be "the voice of 'peoples speaking to peoples.'"[150] In spring 1952, Poole proclaimed that "armament can be no more than a temporary shield. The only answer is the movement of the spirit throughout the world to resolve the situation." Unlike Altschul, a strong exponent of the Western alliance, Poole believed that the American "tie-in with the British and the French" was a disadvantage to his country's international position in terms of the failure of the United States to oppose imperialism. He believed the United States must present itself as "the champion of an attitude [of] life." Whereas Russia was "reactionary," he contended, the United States was 'progressive and revolutionary" in character. "Over against the idea of morals being subordinate to action and success we endeavor to subordinate action to morals, and finally you have the contrast between pagan and Christian." In terms of "political philosophy," he thought the "issues . . . clean cut. On the Russian side, the state is the end; on our side, the state the means. Following from the idea from the state as an end, comes the idea of the divinity of the state; against we stand for the conception of the free individual. How excellent is the material of propaganda!"[151] Such high-flown but woolly ideas had little appeal for Altschul.

Poole also still had a strong emotional commitment to the East European exile groups, of whose value Altschul—as the memorandum he sent Dulles and also circulated to the NCFE board in August 1950 demonstrated—was far more skeptical. In March 1951 Altschul would complain to Poole's successor that the National Free Europe Committee tended to select émigrés they considered suitable members of the various East European exile National Councils on "the basis

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[148] Altschul, memorandum, October 18, 1950, File National Committee for a Free Europe, Organizations File, Altschul Papers.
[149] Lang, oral history, quoted in Lucas, *Freedom's War*, 67.
[150] Minutes of Meeting of Radio Committee, June 15, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[151] Transcript of proceedings, Saturday afternoon session, May 10, 1952, Sunday morning session, May 11, 1952, National Committee for a Free Europe Conference, US State Department, Declassified Document Reference System. Copies of all these declassified documents are also to be found in the Princeton Meeting Files, Box 83, C. D. Jackson Papers, Dwight D. Eisenhower Presidential Library, Abilene, Kansas. For another example of Poole's use of high-flown abstractions, see Poole to Jackson, December 21, 1951, File European University in Exile-General, Box 201, RFE/RL Corporate Records.

of personal preferences and prejudices which D.C.P. [Poole] had acquired during his long experience, gained under entirely different conditions than those which now prevail."[152] At the end of August 1950, William E. Griffith, a new assistant of Poole's, warned his superior that Radio Free Europe needed to align itself clearly with liberal rather than conservative forces in Eastern Europe. The station could not continue to "keep silent on the subject of specific programs for post-liberation Eastern Europe," since this would "only raise doubts as to our true plan." Griffith pointed out that those post-1945 land reforms in Hungary involving "the breaking up of large estates into small peasant holdings" were welcomed by the majority of the population. "Probably only a very small and diminishing minority of even non-Communist Hungarians desire that the pre-1939 land ownership pattern of large semi-feudal estates be re-instituted by some future non-Communist government." In words that clearly aligned him with Altschul, Griffith told Poole: "It would seem to me logical that we should openly advocate the retention of this aspect of the land reforms."[153]

Discussions continued, and CIA officials seemed responsive to FEC concerns. On October 23, 1950, Poole and Grew met with W. H. Jackson, the CIA's deputy director, for two hours at Grew's house in Washington, where they had what Poole described as a "very constructive session" considering the relationship between RFE, the CIA, and the Free Europe Committee.[154] Reporting back the next day to the Free Europe Committee's directors, Poole told them that the Committee was "entering a new chapter. How can consultation and coordination be more closely organized than they have been in the past?"[155] The Free Europe Committee's directors were not backward in answering this question. A week later they followed up on their October memorandum with a second one, reiterating their belief that the organization needed closer liaison and cooperation not just with the Central Intelligence Agency and its offshoots, but also with the State Department, in terms of its dealings with exiles, RFE's psychological warfare operations, and fiscal and administrative relations. This time, the prescriptions were more specific, as they "recommended that consideration be given to tripartite meetings twice monthly (or oftener when needed) at which representatives of X [the CIA], State and the Fund [Free Europe Committee] (plus other branches of Government if called for) would discuss informally relations with the exiles." Experience led the authors to consider it "difficult to see . . . how the exiles can be handled effectively in the American public interest without meetings of this sort." Despite having "pretty good coordination" with the staff of Edward M. Barrett, assistant

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[152] Altschul to Jackson, March 16, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[153] William E. Griffith to Poole, August 30, 1950, File Free Europe Committee-General 1949-1956, Box 191, RFE/RL Corporate Records.
[154] Poole to W. H. Jackson, October 25, 1950, quoted in Cummings, *Radio Free Europe's "Crusade in Europe,"* 45-46.**Get original!!**
[155] Quoted in Cummings, *Radio Free Europe's "Crusade in Europe,"* 46.

secretary of state for public affairs, the directors believed RFE's "growing operations" were "not yet adequately coordinated with the overall strategy of American psychological warfare."[156]

Such concerns could only reinforce Altschul's own discontents. In a separate memorandum written the same day, he once more raised many of the same questions regarding the future of RFE, including whether there was any real justification for its separate existence, that he had raised with Dulles and the Board the previous August. Again, Altschul briefly summarized what he saw as the major change in the organization's primary objectives, from providing a channel through which "distinguished exiled political and intellectual leaders could speak to the peoples of their own countries," to being first and foremost an organization that could "supplement the Voice of America in the field of propaganda," by broadcasting news and commentary that would be too provocative coming from an official radio organ of the United States government. He thought satisfactory progress had been made in terms of upgrading equipment and facilities and hiring additional staff in both New York and Germany, though substantial further expansion would be required. Existing programming had received a mixed reception, and was being adapted in response to criticisms that there was too much drama and too little international news. It was, however, difficult if not impossible "to gauge the value of our present contribution to the total effort in the field of psychological warfare." The stream of "lively topical information" from the CIA had increased substantially, though "at no time has it been in volume or in quality adequate to meet our needs," something he hoped could be improved. More qualified personnel were needed to analyze and process the "vast amount of overt material" RFE received from "press and periodical" sources. Tellingly, Altschul noted that since the outbreak of the Korean War, VOA itself was taking a much harder line against the Soviet Union, something he implied called into question RFE's entire *raison d'être*, since: "If we are to have no greater freedom than the Voice, there would be little occasion for our existence." Altschul believed that in the near future "our friends" would have to decide whether RFE should "continue to have the necessary moral and financial support." His dissatisfaction with the administrative compromise reached the previous summer was also clearly apparent. Altschul's final recommendation was that, should the CIA continue its backing for RFE's endeavors, it must put a close to the "lack of clear definition and authority and responsibility," which would otherwise, he argued, constitute "a fatal handicap" to the success of the enterprise.[157]

On November 2, 1950, RFE's directors met W. H. Jackson and Wisner, who asked them to "reexamine its radio activities and prepare a statement of the aims and objectives of Radio Free Europe for study by the Deputy Director of Central Intelligence."[158] The request triggered a war of memoranda between Poole and Altschul, rival attempts both to define the objectives and

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[156] "Notes on Consultation and Coordination," November 1, 1950, copied December 12, 1950, File Free Europe Committee-General 1949-1956, Box 191, RFE/RL Records.
[157] Altschul, memorandum, November 1, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[158] Wisner to Deputy Director, Central Intelligence, November 22, 1950, quoted in Cummings, *Radio Free Europe's "Crusade in Europe,"* 46. **Try to locate original**

policies of RFE and to win control of the organization. Each produced a document of several pages setting out his view of its functions. Altschul struck the first blow, with a paper on "The Present Orientation of Radio Free Europe." Its "initial . . . purpose" was, he said, "to prevent, or at the very least to hinder the cultural, political and economic integration of the target area with the Soviet Union. In a later stage it may prove useful as a means of inviting or of stimulating positive and effective action." Its programs were "designed to keep hope alive among our friends, and to confuse, divide and undermine our enemies within the satellite states." Tiptoeing cautiously around the vexed question of how far the United States would acquiesce in Soviet domination of Eastern Europe, Altschul proclaimed that "we seek to convey to our audience our firm and continuing belief in their ultimate liberation. While avoiding any suggestion of early intervention, we try to demonstrate the economic and potential military strength of the West." Meanwhile: "To confuse, divide and undermine our enemies we attack every aspect of the Communist regime, both directly and by satire and ridicule. When we have evidence that certain native Communists are abusing or betraying their compatriots, we reveal the names and the circumstances in our broadcasts. We play upon the fear of inevitable retribution." In doing so, RFE was free to take a much more provocative, aggressive, and outspoken stance than the VOA. Programming was intended to be local in nature, and he thought it essential that the personnel of the various national desks "write their own scripts, leaving it to [the Americans] to edit them." Any scripts written by Americans should be adapted by the desks to suit the needs and tastes of audiences in their particular country. These procedures "differ[ed] widely" from those the VOA followed. He was more cautious about broadcasts by exile leaders to their compatriots, even though RFE had already featured such programs and intended to continue these offerings. Altschul perceived "an element of risk in doing this indiscriminately," since RFE was often not *au fait* with "the present standing of some of these individuals in their own countries," and should not "use speakers who have become discredited." He thought "a critical and up to date name check by some qualified agency of government" was highly desirable. He concluded: "Plans for the future can only be prudently matured when, after full consultation with all concerned, the nature of our mission is clearly defined."[159]

Altschul supplemented his description of RFE's policies with summaries of five different types of programs under preparation, aimed at different audiences in the Soviet satellites, including the "intelligentsia," "military" and "educated elements," a "mass" or "non-intellectual" audience, particularly "peasants and workers." Different shows were intended to highlight "the dangers of the Soviet attempt to unify Eastern Europe economically," and the "inevitable economic collapse" that could be expected; to depict Western military strength; to arouse popular "emotional enthusiasm for freedom and liberty" by featuring folklore, history, and the Freedom

[159] Altschul, "The Present Orientation of Radio Free Europe," November 6, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

Bell; to satirize Soviet efforts to introduce puppet performances into Eastern European countries; and to portray the "economic and social weaknesses" of the Soviet Union itself.[160]

Poole's riposte came a few days later. Referring to the previous spring's NSC-68 State Department policy planning paper, he stated:

> The ultimate objective of United States policy toward the satellite states of Eastern Europe is to weaken the grip of the Soviet Union upon them with the eventual aim of eliminating preponderant Soviet power there and enabling these nations to exist as free members of the European community. For the immediate future, as the sovietization of the satellites continues apace, we wish to preserve what we can of Western influence there and to maintain our concern for the rights and welfare of these peoples.

Like Altschul, he believed that RFE must make its operations distinctive from those of the Voice of America. The ways in which it could do so were, in Poole's view, two-fold: firstly, by making extensive use of "Exile Voices . . . those democratic leaders in their respective countries who, had they not escaped into exile, would have been killed or imprisoned by the Bolshevik intruders." The Exile Voices strategy was a "constructive" one, aiming "to comfort and encourage those now in bondage: to reassure them constantly of the West's steadfast concern for their plight: to keep alive and fortify among them the Western tradition of freedom and democracy: to hold up the prospect of a better future." Its overall objective was "to keep burning the thought of an alternative to the Bolshevik designs for Eastern Europe." Exile leaders were expected to convey a "tone of statesmanship." The second, "destructive" strategy was that of "Gray-Black Propaganda," intended "to discredit among the masses the illegitimates who are now over them. . . . [M]aking direct targets of the new rulers, it seeks by all the tricks of psychological warfare to sow in their minds and hearts dismay, doubt and defeatism and to foment among them mutual suspicion and distrust." Gray-Black Propaganda could employ "disguised voices or pretended personalities: in an effort "to take up the individual Bolshevik rulers and the quislings and tear them apart, exposing their motivations, laying bare their private lives, pointing out their meannesses, pillor[y]ing their evil deeds."[161]

On November 15, 1950, a board meeting of the Free Europe Committee approved both memoranda and agreed to transmit the pair of them, together with any additional comments Altschul wished to make on Poole's document, "to our friends in Washington as representing in general the views of the Board." Altschul professed to be in full agreement with Poole's emphasis on Gray-Black Propaganda, which was, he said, very much in accord with what RFE was already doing and hoped to take further. He also said that "[a]t the desk level all possible use [was] made" of exile talent. In terms of using Exile Leaders, the recent board meeting had agreed that "'exiled democratic leaders' was too narrow" a term, and that RFE should make use

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[160] Altschul, "Supplement," n.d. [November 1950], File Radio Free Europe, Organizations File, Altschul Papers.
[161] Poole, "Radio Free Europe," n.d. [November 1950], File Radio Free Europe, Organizations File, Altschul Papers [Poole's underlining].

of "exiles in general." Altschul's own position on the subject, which he claimed was "an interpretation of the views expressed by Mr. Poole rather than a disagreement with them," was that RFE needed to exercise a degree of care in utilizing such a strategy. In his opinion:

> The voices of exiles should be used to the maximum extent consistent with the over-all objective of Radio Free Europe in the field of psychological warfare.
>
> This means, among other things, that in the case of exiled leaders we must be sure that their names at home are likely to make a positive and not a negative propaganda impact. We must be sure that they are not used to such an extent as to make the total program output boring to our listeners. It means that we must search for voices below the level of political leaders to the end that we may project the views of the average man and woman in the exiled group to their counterparts in our audience within the target area.[162]

Encounters with such émigrés could be fraught. William E. Griffith, who joined Radio Free Europe in 1950 as CIA liaison and assistant to Poole, moved to Munich in late 1950, spending eight years as the director of research, analysis, and evaluation and policy adviser to the European director.[163] He served in the US Army as an interrogator in Germany and France during World War II, and then earned a doctorate in political science from Harvard. Early in 1952, Griffith wryly stated: "Exile is by definition a neurosis; all exiles are uprooted and adrift. Most exile politicians—from ancient Greece to World War II—have been notably quarrelsome and sterile."[164]

Altschul himself had already acquired substantial experience in this field, and would gain more. In his Central Park South apartment in New York, he entertained groups of the various exiles whom Radio Free Europe sought to recruit. One Hungarian left an account of strolling from Columbus Circle to Central Park South on "a mild, springlike evening" in February 1950, when Altschul had invited the Hungarian National Council's Executive Committee to dinner. "In the living room the maps of every country on the earth are spread out on a low stand. " The various Hungarians present each identified his own village, watched by Altschul himself, Allen Dulles, Poole, Frederick Dolbeare, and Alfred W. Weld. The various Americans each toasted the Hungarians. Altschul himself led off with the words: "For the liberation of Hungary!" Poole spoke about the need for unity among all the Hungarians, and Dolbeare, "who has the most trouble with the Hungarian Council, spoke about the common aims of all free nations."[165] The words of Poole and Dolbeare reflected the fact that dealings with the sometimes fractious exile

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[162] Altschul, "Observations on Memorandum by D.C.P. Entitled 'Radio Free Europe,'" November 16, 1950, File Radio Free Europe, Organizations File, Altschul Papers [Altschul's underlining].
[163] On Griffith's accomplishments, see Mickelson, *America's Other Voice*, 39 note, 93; Puddington, *Broadcasting Freedom*, 42,
[164] W. E. Griffith, "RFE—Four Essential Ingredients of Its Success," February 15, 1952, File RFE-Policy Matters General 1950-1956, Box 286, RFE/RL Corporate Records.
[165] Dr. Belá Fábián, "Mr. Altschul's Dinner-Party," February 2, 1950, enclosed in Bela Varga to Frederic R. Dolbeare, February 24, 1950, File Monsignor Bela Varga, Box 353, RFE/RL Corporate Records.

communities were often less than harmonious.[166] For much of 1950, Altschul and Poole were also the recipients of correspondence from Dr. Nichols Nyaradi, former Hungarian Finance Minister, in which the latter sought to repudiate various accusations against him on the part of his compatriots. C. D. Jackson, who succeeded Poole as president of the Free Europe Committee at the beginning of 1951, eventually concluded that this was a "wheels-within-wheels business" and that, "in the complex Hungarian National Council picture [Nyaradi was] not particularly grata."[167]

Other exile groups were comparably divided. By the early 1950s Griffith had indeed concluded that "RFE's New York operations have clearly and finally demonstrated that exile politics and successful psychological warfare do not mix. Political patronage, party 'representation,' and incomprehensible but destructive intrigues are the only result."[168] In spring 1952, Altschul was apparently instrumental in mediating a dispute between two factions of the Council of Free Czechoslovakia over which should exercise authority and financial control in connection with RFE's Czech services. This dispute had been in progress for well over a year; a January 1951 RFE policy guidance memorandum called for the adjustment and resolution of the Czech differences "with a minimum of delay." Until a satisfactory settlement was reached, RFE staff were warned that "the utmost caution must be exercised in extending the facilities of Radio Free Europe to Czechoslovak political leaders, and in no event should they be permitted to speak as advocates of any other aspect of Czechoslovak political life than the general desire for liberation and unity." Czech Radio desk employees were also reminded that they were employed by the Free Europe Committee, to which their "loyalty . . . should be undivided." Eventually, in March 1952, the reorganized Council of Free Czechoslovakia held a meeting at the Pierre Hotel in New York that established a Czech parliament in exile, with 400 members in all. Altschul attended the occasion and spoke at a dinner meeting, assuring the assembled Czechs that the American people recognized that "only through the cooperation of the United States with its friends in Europe on both sides of the 'Iron Curtain'" could lasting peace be reached.[169]

A few weeks later, Altschul complained to an uncle that "I have been busy from morning till night with an assignment which I have undertaken, to bring together first the Czechoslovak, and now the Romanian émigrés. With the first of these I have had a measure of success; with the second I am in the midst of struggling. If I ever get through with them I shall have the Poles on

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[166] See also Wilford, *The Mighty Wurlitzer*, 36-37; Grose, *Operation Rollback*, 127-129.
[167] Jackson to Herbert Solow, April 12, 1951, and other correspondence among Altschul, Poole, and Nyaradi, File Nicholas Nyaradi, Box 244, RFE/RL Corporate Records.
[168] W. E. Griffith, "RFE—Four Essential Ingredients of Its Success," February 15, 1952, File RFE-Policy Matters General 1950-1956, Box 286, RFE/RL Corporate Records.
[169] Draft letter, H. B. Miller to Altschul, May 22, 1952, and enclosed resolution, Altschul to Board of Directors, National Committee for a Free Europe, July 28, 1952, File Frank Altschul, Box 142, RFE/RL Corporate Records; "Policy Guidance Memorandum #8: Czechoslovak Language Desk," January 30, 1951, File Radio Free Europe, Organizations File, Altschul Papers; "Czech Exiles Form Parliament Here," *New York Times*, July 5, 1952.

my hands."[170] As early as 1950, Altschul was in receipt of at least one lengthy memorandum detailing the animosities and rivalries among the various factions of the Romanian émigré community, informing him that the "Roumanian National Committee was created largely under American stimulation by the imperfect fusion of three otherwise mutually incompatible elements: (a) a non-political group headed by General Radescu; (b) an inter-party group headed by Mr. Visoianu, and (c) the Constitutional factor, evidenced by the Royal mandate and approval."[171] The Free Europe Committee apparently hoped that Altschul's eventual reconciliation of the conflicting Czechoslovak parties would serve as a model for the resolution of similar difficulties among the Romanians. Altschul became chairman of an Ad Hoc Committee created for the latter purpose.[172] Any success his efforts attained in interceding between these rivals was unfortunately shortlived; in 1954, despite Altschul having "made all efforts humanly possible" as "Free Europe's Officer dealing [with] the Rumanian political problems," divisions between representatives of the Romanian Nationalist Peasant Party and their compatriots still bedeviled Romania's émigré community.[173]

On occasion, dealings with the exiles were more straightforward. In June 1950, Altschul held a productive meeting with representatives of the Hungarian National Council, to discuss ideas for projected broadcasts to Hungary once RFE began operations. He sought feedback on a potential broadcast script he had prepared, checking in particular whether its theme of "peace through freedom" was acceptable. He then asked the Hungarians to provide themes, quotations, ideas, and news items that might be particularly appealing to a Hungarian audience, and asked the Hungarians to "decide among themselves which voices would have a positive and which voices might have a negative effect from the point of view of our real objectives." Altschul asked the Hungarians to prepare scripts and translations for five-minute and longer nineteen-minute broadcasts, which might be stockpiled. The group also discussed whether the Hungarian audience would be predominantly middle-class or largely workers and peasants, something on which the various Hungarians found it impossible to agree. They were, however, unanimous that, when broadcasts discussed "freedom, freedom of worship should be emphasized." They also concurred that RFE should make every possible effort to emphasize "the power of the West," giving concrete examples. In addition, the Hungarians thought the station "should affirm our belief and our understanding that these prisoner states, both by history and inclination, belong to the Western world. We should speak to them as 'fellow Westerners' and underscore

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[170] Altschul to Julius Altschul, June 26, 1952, Folder 21 Camilla Altschul Condolences 1952, Box 63, Charles and Camilla Altschul Files, Altschul Papers.
[171] A. A. Landesco to Altschul, February 27, 1950, File National Committee for a Free Europe, Organizations File, Altschul Papers.
[172] Draft letter, Miller to Altschul, May 22, 1952, and enclosed resolution, Altschul to Board of Directors, National Committee for a Free Europe, July 28, 1952, File Frank Altschul, Box 142, RFE/RL Corporate Records.
[173] Quotation from George V. Serdici to Altschul, April 5, 1954, also Altschul to Whitney H. Shepardson, April 8, 1954, Serdici to Altschul, April 10, 1954, Shepardson to Serdici, April 12, 1954, C. Bouffet to Shepardson, April 19, 1954, File Baron Serdici, Box 331, REF/RL Corporate Records.

this theme whenever possible." The meeting ended with the Hungarians promising RFE "their whole-hearted and enthusiastic cooperation."[174]

Such meetings of minds between the émigrés and the Americans, however pleasant, were not always the rule. At some point in 1950, the Hungarians themselves became dissatisfied with their input into RFE's offerings, and requested that RFE cooperate with them in ensuring that "the Hungarian broadcasts are in line with the general policy of the Hungarian National Council." Representatives of the Council urged that it should be involved in defining "the principles which shall guide the editing of the broadcasts"; be the source of "all available data and material for an up-to-date and reliable radio program"; vet all scripts before they were broadcast to Hungary; attach a permanent Council liaison officer to the RFE staff, to facilitate constant cooperation between the two. In addition, they wished RFE to hold weekly policy meetings with delegations of the Hungarian National Council and other councils. If these requests were not granted, the Council threatened to disavow publicly all responsibility for RFE's broadcasts.[175] Such demands sat poorly with the directors of the Free Europe Committee. In late November an internal FEC memorandum concluded that the "original plan of permitting exiles, through their loosely organized Councils or Committees, to wholly develop, manage, and control RFE broadcasting" was impracticable and unfeasible.[176]

The exiles enlisted the help of allies within Radio Free Europe itself. In November 1950, several staff members in RFE's New York office complained to Frederic Dolbeare, the vice-president in charge of relations with the émigré National Councils, that both the Councils and the personnel of the Research and Information Center, a group of 37 exiles monitoring the press of their home countries, were excluded from the making of the organization's policy, especially in terms of the monitoring and clearance of potential broadcast scripts. Such individuals, they charged, "feel entirely cut off from RFE; they see no scripts; they are consulted only sporadically, casually, or piecemeal; they have useful and valuable material, comment, and criticism to offer but they are provided with no genuine basis (regular access to scripts) for forming an opinion or with any efficient means of making their reactions available to RFE." In consequence, they felt "completely thwarted in what they consider to be the performance of their duty," something that, "without exaggeration," several of the individuals involved considered "a <u>sacred</u> duty." The authors of this memorandum suggested that advisory panels of members of the Research and Information desks and the National Councils should be set up, to listen once a week to monitor recordings of RFE broadcasts and comment upon these. Ominously, the authors warned: "In view of the mounting criticism of our broadcasts, we do not think RFE can afford to continue to

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[174] Altschul, "Aide Memoire: Meeting with members of the Hungarian National Council," June 21, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[175] "Standpoint of the Hungarian National Council's Executive Committee Regarding the Free Europe Broadcasts," n.d. [1950], File Hungary-General, Box 211, RFE/RL Corporate Records.
[176] FEC memorandum, "RFE Exile Personnel Selection," n.d. [late 1950], quoted in Johnson, *Radio Free Europe and Radio Liberty*, 19.

ignore these much-neglected resources of knowledge, experience and ability."[177] Almost simultaneously A. Szegedy-Maszák, the head of the Hungarian desk, who had worked for both VOA and RFE, made similar complaints, which were likewise passed on to Dolbeare. In Szegedy-Maszák's opinion, VOA's operations and output were "superior" to those of RFE. Not only did VOA adopt "a far bolder policy than RFE," but it also gave far greater latitude to its desk heads, and allowed them to use their own initiative. At a time when RFE was still only broadcasting for twenty minutes a day, offering programs that were "often dull and uninteresting," VOA carried "a great mass of material." Moreover, VOA's function was clear. "The Voice of America is recognized as the official spokesman for America, whereas, no one seems to know exactly what policy RFE is pursuing. There appears to be no set course."[178]

With differences rife as to the value to RFE of the East European expertise of both the national desks and the national councils, in November 1950, Altschul, Poole, and the Free Europe Committee's board of directors effectively sought further guidance from their Washington sponsors in the intelligence community as to how best to handle relations with the exiles. At the same time, in a memorandum drafted on November 21 by RFE vice-president Spencer Phenix, a former diplomat and banker who had served in the American military occupation government of Germany and with the Marshall Plan office in Greece, they requested advice on a range of "basic problems involving Radio Free Europe," most of them, it seems, bearing on whether funding would be available to cover the costly expansion of RFE operations then under way in Europe, the plans for which were described in some detail. "Our friends in the South" replied on December 18, and plainly "stated that the Board could rest assured that the entire matter had been considered in the proper quarters and that the latter were thoroughly alive to the risks involved in our undertaking." Under pressure from the CIA, the initially reluctant State Department had also authorized the acquisition by RFE of supplementary facilities in Portugal.[179] By late November Wisner had also concluded that the only means to ensure the RFE's success was to base not just the transmission but also the production of broadcasts in Europe. "As a result of five months' experience," he told W. H. Jackson, "emphasis has shifted from the use of distinguished political and intellectual exiles, whose personal prejudices and protracted absence from their native lands render them of questionable current value, to timely news items and commentary slanted to accomplish Radio Free Europe's purposes." Leaving programming headquarters in New York, he feared, would lead to "too heavy Americana and there will be a tendency to be influenced by professional political refugees of ancient vintage and no particular meaning within the target areas." Allen Dulles, who had expressed similar views earlier that month, joined the CIA as deputy director for planning at the end of the year and

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[177] MA, KH, JWC, and JM to Dolbeare, November 14, 1950, File Free Europe Committee-Administration 1949-1954, Box 188, RFE/RL Corporate Records.
[178] J. Cutler to Dolbeare, "Subject: Conversation with Szegedy-Maszak-Radio Free Europe, November 10, 1950, File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.
[179] Spencer Phenix to Theodore G. Augustine, December 22, 1950 (2 memoranda), also Augustine, notice of special meeting, November 9, 1950, File Free Europe Committee-Board of Directors, Box 189, RFE/RL Corporate Records.

promptly endorsed this position, approving the substantial expansion of RFE's European facilities and the transfer of broadcast production to Munich.[180] Throughout Dulles' time at the CIA, where he remained until 1961, becoming director in 1953, it was generally recognized that "RFE was one of the projects in which Dulles was especially interested."[181]

In terms of the various documents by Poole and Altschul that the Free Europe Committee forwarded to them in late November 1950, it seems that Altschul came out of the argument in a somewhat better position than before. At the end of December the sixty-five-year-old Poole resigned as president of the committee, retaining only the honorary position of vice-chairman of the organization. Thenceforward, Poole devoted himself to another of the Free Europe Committee's major projects, establishing a European Free University in Exile in Strasbourg, to provide employment for many of the older and education for the younger East European refugees. Altschul initially agreed to be a member of the New York corporation the Free Europe Committee established to administer this organization, but in 1951 he was not listed as one of the trustees, and took no major role in it. As a trustee of the Ford Foundation's East European Fund, he did, however, help to funnel money to this undertaking.[182]

Poole's successor was the younger and more dynamic C. D. Jackson, fifteen years younger and a dedicated and aggressive exponent of psychological warfare. A Princeton graduate, Jackson inherited a family marble importing business; when that failed during the 1930s, he moved to the Luce press, as assistant to Henry R. Luce and general manager of *Life* magazine, for whose success he was largely responsible. During the war Jackson served as deputy chief of the Office of War Information's Overseas Division for North Africa and the Middle East, and then deputy chief of the Political Warfare Division of the Supreme Headquarters of the Allied Expeditionary

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[180] Wisner to Deputy Director, Central Intelligence, quoted in Cummings, *Radio Free Europe's "Crusade in Europe,"* 46, and Wisner to Director of Central Intelligence, November 22, 1950, quoted in Johnson, *Radio Free Europe and Radio Liberty*, 19-20.

[181] Quotation from Wayne G. Jackson, *Allen Welsh Dulles as Director of Central Intelligence, 26 February 1953-November 1961, Volume III, Covert Activities* (July 1973), 102, cited in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 233 n. 14.

[182] On Poole's subsequent activities, see Poole to Jackson, March 22, June 19, October 9, December 21, 1951, Memorandum of Conversation: Messrs. Tyson, Davila, Coste and Pogoneano, April 20, 1951, Copy of the Memorandum Addressed to the Ford Foundation on November 3, 1950, Poole to Allen W. Dulles, May 14, 1951, Poole to A. A. Berle, May 18, 1951, June 17, 1951, and enclosures, Jackson to Reinhold Niebuhr, June 13, 1951, Jackson to Royall Tyler, May 30, 1951, Tyler to Poole, May 12, 1951 (2 letters), Poole to Tyler, May 9, 1951, Levering Tyson to Jackson, ay 9, 1951, Spencer Phenix to Mary Augustine, December 28, 1951, Poole to James Burnham, December 14, 1951, File European University in Exile-General, Box 201, RFE/RL Corporate Records; Memorandum on National Committee for a Free Europe, n.d. [1951], enclosed in J. Clayton Miller to Maye A. Russ, October 29, 1951, File Better Business Bureau, Box 155, RFE/RL Corporate Records. On the university in exile, see also Memorandum for Mr. Godel, Chairman, PSB Panel, Project ENGROSS-Phase "B" Subject: Education Assistance for Iron Curtain Escapees," Psychological Strategy Board Papers, Harry S. Truman Library, Independence, MO, sanitized copy available in Declassified Documents Reference System; Jordan A. Schwarz, *Liberal: Adolf A. Berle and the Vision of an American Era* (New York: Free Press, 1987), 308; National Committee for Free Europe, *President's Report for the Year 1951*, 8; *President's Report for the Year 1952*, 8-9; *President's Report for the Year 1953*, 25, all in File Radio Free Europe, Organizations File, Altschul Papers; Johnson, *Radio Free Europe and Radio Liberty*, 15, 76.

Force in Europe. At that time he began an enduring friendship with the supreme commander, General Dwight D. Eisenhower. When the war ended Jackson returned to the Luce publishing empire, first as managing director of Time-Life International, then as publisher of *Fortune* magazine. He remained one of the most committed American advocates of the value of psychological warfare, with a strong belief that this was the best means of defeating and rolling back communism "without starting World War III."[183] Edward Barrett, assistant secretary of state for public affairs, welcomed Jackson's appointment, believing that, "as an experienced propaganda warfare expert," he would "give the Committee and RFE the leadership and drive which has been needed."[184] Dulles, who had just become deputy director of planning at the CIA, smoothed Jackson's path as he joined the Free Europe Committee by facilitating the release of funds for additional capital expenditures by Radio Free Europe.[185]

Altschul himself, who had earlier brought Jackson onto RFE's Radio Policy Committee, retained his existing position of treasurer of the Free Europe Committee, as well as head of the Radio Committee (he later claimed that he had been vice-president for radio in 1951, but formally this was not the case).[186] One consequence of the new arrangement of a Radio Committee of Three, supplemented only by the presence of top RFE and Free Europe Committee officials, had been that for some time from mid-July 1950 the slightly motley crew of media executives and leftist-liberal journalists, intellectuals, and labor activists Altschul had brought together no longer attended Radio Committee meetings. As criticism of RFE's early programming mounted, in October 1950 Altschul apparently began convening meetings of what amounted to the old Radio Policy Committee and its outside advisers, such as Arthur M. Schlesinger, Jr. With Poole's departure, the group was summoned to an initial gathering on January 11, 1951, and a second to be held after the newly selected Jackson had formally assumed the reins of power.[187] By February 1951, Altschul felt confident enough to tell an English associate that, while he was "still as busy as ever at Radio Free Europe," he believed that the organization was "at last making some progress. Echoes from behind the Iron Curtain indicate we are stirring up a reasonable amount of trouble."[188]

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[183] On Jackson, see Brands, *Cold Warriors*, 117-137; Cook, "First Comes the Lie," 42-70; Ingimundarson, "Containing the Offensive," 480-496. He features extensively in Cull, *The Cold War and the United States Information Agency*; Lucas, *Freedom's War*; Mitrovich, *Undermining the Kremlin*; and Shawn J. Parry-Giles, *The Rhetorical Presidency, Propaganda, and the Cold War, 1945-1955* (Westport, CT: Praeger, 2002).
[184] Edward W. Barrett, "Radio Free Europe," January 24, 1951, enclosed in Memorandum by the Assistant Secretary of State for Public Affairs (Barrett) to the Deputy Under Secretary of State (Matthews), January 25, 1951, U.S. Department of State, *Foreign Relations of the United States 1951*, Vol. IV: *Eastern Europe*, 1208.
[185] Dulles to Assistant Director, Policy Coordination, CIA, January 11, 1951, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010.
[186] Altschul to H. B. Miller, June 17, 1952, File Frank Altschul, Box 142, RFE/RL Corporate Records.
[187] Schlesinger to Altschul, October 11, 1950, Altschul to Schlesinger, January 4, 1951, Ann C. Whitman to Schlesinger, January 19, 1951, File Arthur M. Schlesinger, Jr., Box 331, RFE/RL Corporate Records.
[188] Altschul to Thomas H. Brand, February 21, 1951, File Thomas H. Brand, General Correspondence, Altschul Papers.

Together with the newly hired New York policy adviser, Lewis Galantière, a literary critic and translator who had worked with the New York Federal Reserve Bank during the 1930s and joined the Office of War Information during World War II, Altschul was responsible for providing broad policy directives to guide RFE's operations. Radio scripts were expected to "conform in their approach and in their targets" to the guidance these directives provided. Should major policy questions not covered by directives arise, these too were to be referred to Altschul or Galantière. The Planning section, under Reuben Nathan, was expected "to give further and detailed definition to the policy directives and to suggest how these can best be implemented," while the Programming department "develop[ed] short and long range program ideas designed to give effect" to these directives through well-conceived and imaginative broadcasts. In terms of relations between the national Desks and the Americans at RFE, the American staff were expected to rely heavily on the Desk Chiefs "for advice concerning the topics to be treated and the manner of their treatment," with the Americans "in a strong advisory position" when scripts were prepared. The Americans also possessed "the authority to see to it that policy lines have been implemented once the scripts are written." As Altschul rightly stated, fundamentally, the success of this system required "the most sympathetic cooperation between the American staff and the foreign language desks, each element having a somewhat different but vital contribution to make to the development of what should be a uniquely effective product."[189] When speaking on behalf of the Crusade for Freedom, RFE's highly publicized fundraising campaign, Altschul described the daily meetings he and Galantière held "with one or other of the language desks" in New York, at which the exiles told the two men "quite frankly what they consider to be the issues with which Radio Free Europe should deal." In words that encapsulated the potential for problems in relations between RFE's American administrators and the East European staffers, Altschul recounted how he and Galantière encouraged their "exiled friends. . . to contribute to the formation of policy to the maximum possible degree," in an effort to give them "the feeling that it is their radio station and not ours." Ultimately, however, "needless to say, we always review their proposals in the light of what we as American citizens feel justified in having said over a radio station conducted over American auspices."[190] Ultimate authority still rested with the American sponsors.

Relations between the national desks and the American high echelons of RFE were only one aspect of dealings between the station and the exiles. Writing from Paris, in December 1950 Tyler took up the role and influence of the National Councils within RFE, which he considered highly detrimental to its performance. He recommended hiring an experienced American as an editor-in-chief, who would keep "higher RFE policy . . . in American hands" and who "should be free to make whatever arrangements he thinks fit for programming, script-writing and news gathering, without reference to the National Committees or Councils." Their continued association with RFE would, Tyler feared, damage its credibility. After "talking at length with a

[189] Altschul, memorandum, February 23, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[190] Altschul, draft speech, n.d. [1950 or early 1951], File National Committee for Free Europe, Organizations File, Altschul Papers.

great many exiles," he was "convinced that if the RFE were to permit the National Committees to dictate to it as to the contacts it is to make and the collaborators it is to use, RFE would soon come to be put down by the bulk of refugee opinion and also by opinion in Satellite countries themselves as being an instrument of the National Committees in their desire to maintain or build up a predominant position for the future." Moving the bulk of RFE's operations to Europe represented, Tyler believed, a chance for "a new beginning," something he thought essential. "Otherwise, and especially if the National Committees maintain the hold they appear to have fastened on the operation, I personally do not believe anything useful can be done."[191]

Later that month, Tyler returned to the offensive, raising his misgivings over reports that had reached him that, when "RFE monitors" began their work in Munich and elsewhere in Germany, they would be "mere technicians," following "instructions from the desks, and . . . chosen by the desks, which in their turn will still be chosen by the National Committees." Such procedures would, he warned, "gravely prejudice RFE's chances." Tyler reiterated his conviction that if RFE were "to succeed, [it] must be set free of National Committees tutelage," in monitoring, programming, and script-writing. Tyler had no doubt that, "if the National Committees monopolise the choice and direction of these monitors, they will use this key-position to strengthen their hold, in the hope of convincing their compatriots that American goodwill is to be won only by subservience to them." This would, in turn, weaken "the appeal to listeners in the Satellite countries." Bluntly, Tyler told Poole: "I hope you will not find me tiresome if I repeat how much I am impressed by the advisability of using the opportunity provided by the move to Munich to reduce the National Committee's [sic] influence to more suitable proportions." He ended by repeating his previous conviction of "the crying need for an American Editor-in-chief."[192] In Poole's absence, Tyler received a reply from Dolbeare, the vice-president in charge of relations with the National Councils, to whom "all appointments to the Language Desks in Radio," even appointments in Europe, were "referred . . . for scrutiny from the political angle." Dolbeare's answer can have done little to alleviate Tyler's worries. Dolbeare told Tyler that he frequently blocked appointments that were unacceptable to the National Councils, or that some individual on one of the councils told him had been suggested "on a political basis rather than on grounds of competence for radio purposes." Dolbeare told Tyler that often he also turned to non-National Council members for advice on such appointments, and that he tried to maintain a balance among the various competing political factions in each East European country. Even so, there was a slightly hollow ring to his protestations that he "believe[d] the National Councils are somewhat 'miffed' that we do not ask them to vote or in other wise designate the personnel of the Radio Desk or other Radio sections." Scarcely less defensive was Dolbeare's final

[191] Tyler to Poole, December 6, 1950, File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.
[192] Tyler to Poole, December 23, 1950, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records.

asseveration: "The first requisite for Radio is to have someone who can do the job in question and we keep that very definitely in mind."[193]

A few weeks after describing his understanding of his authority within RFE, Altschul sent Jackson a memorandum commenting on a paper the latter had sent him on "Principles Governing Our Relations with National Councils." Both documents were subsequently forwarded by Jackson to John C. Hughes of the CIA, chairman of the Free Europe's Executive Committee and its liaison with the "friends in the South," for further discussion with his colleagues in Washington, as the organizations involved sought to define the parameters of their relationship.[194] Jackson's paper was, Altschul resignedly remarked, "a fair statement of what should be the true objectives of the National Councils, and how they ought to operate no less in our interest than in the interest of their own countries." It was also correct in noting that the dissensions within both the Romanian and Czechosovakian National Councils were so severe as to prevent those organizations playing any effective anti-Soviet role. This paper had, however, "carefully avoid[ed] discussion of the manifold difficulties that have confronted the National Committee in attempting to bring about harmony within most of the émigré groups." Altschul complained that "the names of individuals selected for original membership were certified to us in the first instance by higher authority," presumably the CIA or State Department. Sounding all too familiar themes, he feared the National Councils failed to meet the criterion of being representative of the broad spectrum of political interests in their own countries, and feared that too many of their members had been discredited by their past activities, had little if any interest in "the welfare of their fellow countrymen," and were dedicated to the restoration of the old status quo in their countries. Nor was he impressed by many of these exiles' eagerness "to keep alive on the American scene the party quarrels over the various party issues that had vitality in circumstances never likely to be recaptured." One major problem was that in the past the Free Europe Committee had tended "to back individuals either on the basis of instructions from higher authority or on the basis of personal preferences and prejudices which D.C.P. [Poole] had acquired during his long experience, gained under entirely different conditions than those which now prevail." One solution he and Jackson had already considered and discussed with their CIA sponsors was the possibility of scrapping the Councils entirely and replacing them with Consultative Panels, staffed by new recruits who had been subjected to a more rigorous selection procedure.

Turning to Radio Free Europe itself, Altschul complained that the original staff of the language desks had been appointed on the recommendation of the National Councils. "Whatever the reason for these recommendations may have been, certainly competence for the particular job in hand was not one of them." RFE had now begun efforts to "strengthen the desks with individuals qualified for the position and in general not objectionable from the point of view of

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[193] Dolbeare to Tyler, December 27, 1950, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records.
[194] Jackson to John C. Hughes, March 23, 1951, File John C. Hughes, Box 208, RFE/RL Corporate Records.

the Councils." In terms of sponsoring broadcasts by exile leaders, Altschul charged that RFE administrators found it almost impossible "to determine which voices, if any, had positive and which might have negative propaganda value in the target countries." Repeated requests to the CIA for information on this subject had proved fruitless. He strongly doubted if most of the leaders in exile still possessed the confidence of their compatriots back home, thinking it "highly unlikely that many of our exiled friends carry much weight in their own countries today, or are likely to exercise much influence there when the hour of liberation strikes." While many of the refugees were "men of outstanding quality and attainments," whose "advice" was often "invaluable in the preparation of guidances," and who kept closely in touch with developments in their own nations, he feared that some at least had not "fully grasped the broad nature of the social, political and economic revolution that has engulfed their countries" and were "unable to shake off a nostalgic, if a quite natural, attachment to a world that is gone past recovery." When they took part in "guidance conferences" with such individuals, the Americans were forced "to listen with attention and sympathy to the views expressed," which they then sought to "interpret . . . in the light of a somewhat more objective grasp of the broader aspects of the world situation," in order to produce "radio programs likely to convey to the listener a sense of reality."[195]

A final salvo from Poole, just before the latter retired from the field at the end of 1950, also gave Altschul the opportunity to express his views on other issues concerning the refugees, notably just how far the RFE should go in stirring up resistance to Soviet rule in Eastern Europe. In late December 1950, Poole wrote a lengthy 16-page memorandum entitled "Some Observations on the Present Conflict," in which he argued that the real enemy facing the United States was "not primarily the Russian people, not the Soviets or the U.S.S.R., nor even Marxist Communism," but "the small group now ruling in the Kremlin." Moreover, the Cold War as a "conflict is in its essence moral—not characteristically economic, not characteristically political, but at the last moral, with all that that implies." Americans felt, he suggested, that there could be no compromise between good and evil. Poole urged that Americans should draw a distinction between the Russian people and "the Bolshevik leadership (Politburo) in the Kremlin." Once again, he urged the use of the word "Bolshevik" in attacking the Russian leadership, and equating "the Bolshevik rejection of morality" with "the rejection of God or a divine pattern of any sort." The Bolsheviks should, he urged, be portrayed "as the perpetrators of reaction—reaction of the blackest sort." He concluded:

> To the Radio Free Europe audiences, caught behind the Iron Curtain as they are, the world offers only one practical dichotomy—that between Bolshevik and anti-Bolshevik. For them only two sorts of people are presently inhabiting the globe—Bolsheviks and anti-Bolsheviks. All the partisan issues, which were once so lively, and all the clashes of

[195] Altschul to Jackson, March 16, 1951, File Radio Free Europe, Organizations File, Altschul Papers [Altschul's underlining].

> personal ambition, fall away. Only one question stays. That question is supreme and all-absorbing: How and when will the day of liberation come?[196]

Poole's memorandum was discussed at length during his final Free Europe Committee board meeting, just before Christmas 1950. It apparently led to complaints from Adolf A. Berle, another founding Committee member, that the organization lacked "policy and direction" and should create "a Board of Strategy or a Board of Policy" to provide these. In a counter-memorandum, Altschul took issue with almost every contention raised by Poole. Describing the outgoing president's essay as "interesting and provocative," Altschul nonetheless found it impractical, charging that Poole had drawn up these recommendations with virtually no idea of the process whereby an idea was translated into a script which was worked over at desk level, to result in "a radio program of some propaganda value." He found it "hard to see how [Poole's suggestions] could facilitate the task of the programming unit either at the American or at the desk level." Turning to Poole's analysis, Altschul disputed almost every aspect of it. While he welcomed any attempt to drive a wedge between the Russian leaders and their people, he suggested that recent Soviet diplomatic and military successes meant that most Russians took a certain pride in their country's attainments. He disputed Poole's claim that the Soviet-American conflict was "pre-eminently moral," arguing that, despite the existence of a "moral element in the present conflict," it was "essentially a struggle for power." Throughout its history the Soviet Union had "manifested an insatiable appetite not only for the territory of others, but for whatever financial gains—commercial or not—that may be extracted from areas freshly brought within its orbit." The United States needed to exercise constant vigilance "to maintain the territorial integrity of the Americas and of that part of Europe which still remains free, and then at a later stage, to bring about the restoration of the territorial integrity of" Eastern Europe. Americans were "involved in a global struggle of titanic dimensions," and needed to "keep a watchful eye on every strategic outpost all the way from North Africa through the Middle East, and beyond to Southeast Asia."

Turning to Poole's concrete policy recommendations for broadcasting, Altschul dryly remarked that these seemed "in the main intended as guides for propaganda addressed to the Soviet Union," whereas RFE's efforts were directed only at Eastern Europe. Once again, he rejected Poole's suggestion that RFE should always use the term "Bolshevik" as a synonym for Russian, Soviet, or communist, stating that RFE found the expressions "Stalinist" and "Stalinism" more effective. When broadcasting to the satellite nations, he thought it pointless to try to distinguish between the Russian leaders and people, since popular "resentment" was focused on all representatives and agents of Soviet power. The suggestion Altschul found most problematic was that which "raise[d] the most difficult question with which Radio Free Europe has had to deal—'How and when will the day of liberation come?'." RFE officials had received "the impression that throughout our target area there is the profound conviction that liberation can

[196] Poole, "Some Observations on the Present Conflict," December 21, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

only come as a result of a third world war." They did not wish to encourage "the belief that such a catastrophe is inevitable," but if they came out in favor of "maintaining the peace along the present geographical lines of division" in Eastern Europe, they would destroy their listeners' hopes that ultimately the Soviets would release their hold on the area. This placed RFE administrators in a difficult dilemma. "Accordingly where there is no middle course, we have tried to steer a middle course," by "ton[ing] down the belligerency of scripts that come from the desks, while attempting not to remove from them every element of vitality," and seeking "to soften the provocative without removing every aspect of provocation." Altschul concluded: "Our task would be far easier if we could frankly say over Radio Free Europe—what I believe to be the truth—that there can be no enduring peace in the world until either as a result of persuasion or of force, the power of the Soviet Union on the Continent of Europe has been withdrawn roughly to within its pre-war frontiers."[197]

Historians of Radio Free Europe have suggested that in its early days, the prevailing spirit in the organization's broadcasts was extremely negative and sometimes tended to encourage East European rebellion against or at least resistance to Soviet domination.[198] In what was probably the most controversial episode in its history, the station would later be blamed for being too ready to suggest that American military backing would be forthcoming for the 1956 Hungarian uprising. Then and later C. D. Jackson also tended to take a very aggressive stance, speaking in November 1951 of the desirability of "creat[ing] conditions of inner turmoil" and "chaos" and "keeping the pot boiling" in Eastern Europe. (A decade later, Jackson publicly suggested that "RFE has the power to stir up almost any degree of unrest that may suit our purposes," representing an instrument that "can be used to make the enemy say 'ouch'." His activism greatly alarmed RFE's Munich personnel.[199]) Whatever may have been the case among some of the exiles and refugees working for RFE, Altschul did not share such proclivities, but was extremely conscious of the fact that inciting armed resistance might well prove fatal to the rebels in question. In May 1951 Secretary of State Dean Acheson made a speech, reported in translation on the Voice of America, which appeared to call upon nationalist separatist forces in Soviet Georgia to rise up against their Russian masters. The State Department later denied that this was the case, claiming that Acheson had sought only to stress the shared "bond of ideals" between the people of the United States and those of Georgia, the Ukraine, the Baltic and East European satellite states, and Russia itself.[200] Altschul reacted with alarm, telling Jackson that it had been RFE "policy not only to avoid anything which might be interpreted as an invitation to

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[197] Altschul, "Comments on a Memorandum by DeWitt C. Poole entitled 'Some Observations on the Present Conflict,'" December 26, 1950, File Radio Free Europe, Altschul Papers.
[198] Mickelson, *America's Other Voice*, 40-42, 86; Johnson, *Radio Free Europe and Radio Liberty*, 40-41, 45; Reuben S. Nathan, "Radio Free Europe Policies 1950-1956," File RFE-Policy Matters General 1950-1956, Box 286, RFE/RL Corporate Records.
[199] Jackson, as quoted in the *New York Times*, November 25, 1951, Jackson, editorial in *Life*, July 14, 1961, Jackson to U. Alexis Johnson, July 20, 1961, cited in Johnson, *Radio Free Europe and Radio Liberty*, 47.
[200] "Acheson Appeals to Soviet Georgia," *New York Times* clipping, May 27, 1951, File Voice of America, Box 354, RFE/RL Papers.

uprising in the prisoner states, but beyond this, to caution against any acts which might furnish ground for suspicion or an occasion for retribution." RFE officials believed, he stated, "that for the time being our friends should lay low—that the important thing for them is to stay alive in order that they may be of real service when the proper moment arrives." He was particularly agitated by a statement in the *New York Times*, apparently emanating from the State Department, that seemed to suggest American diplomats believed that in the satellite states "an uprising plainly would be in their own interest." Angrily, Altschul sought clarification from the State Department, forthrightly proclaiming: "Our view in Radio Free Europe has been that in the present phase of the cold war to invite uprising in the prisoner states would be equivalent to inviting the mass suicide of our best friends in those countries. We remain persuaded that this is the case."[201]

Acheson's speech also had an impact on in-house relations within RFE, since the various national desks "immediately interpreted" this "as an attempt to encourage active opposition to Moscow within the Georgian Republic," a move personnel on the East European desks took as a green light to encourage similar moves in their own countries. RFE's American administrators moved quickly to disabuse them of this notion. In Altschul's account: "It required no little persuasion to convince our exiled friends that our policy should continue to be 'not only to avoid anything which might be interpreted as an invitation to uprising in the prisoner states, but beyond this, to caution against any acts which might furnish grounds for suspicion or an occasion for retribution.'" Since VOA had carried Acheson's message, the frustrated national desk staff complained to RFE officials "that while we were supposed to be more aggressive than the VOA, our policy in respect to encouraging uprising or sabotage was in fact far more cautious than VOA had apparently become."[202]

Altschul had not necessarily lost faith in the ultimate removal of Soviet control over the states targeted by RFE, and remained unwilling "to accept as a finality" its permanence. Two months earlier, in March, he had told one correspondent who had published an open letter on American foreign policy of his regret that this document seemed "to offer no hope of liberation to the prisoner states behind the Iron Curtain." Altschul believed in a more nuanced approach of temporary acquiescence while the Western powers built up their military strength, stating:

> It is a tragic fact that we have to stand idly by while every element of liberal leadership in the nations of Eastern Europe is being liquidated with appalling ruthlessness. In my view there can be no enduring peace—at least no peace which will not rest uneasily upon the conscience of the Western world—until the unnatural barrier which today cuts across the continent of Europe is once and for all removed.

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[201] Altschul to Jackson, May 28, 1951, File Voice of America, Box 354, RFE/RL Papers.
[202] Altschul to Jackson, June 2, 1951, File Radio Free Europe, Organizations File, Altschul Papers.

> There is little I see that we can do about this for the moment. Until we and our allies in Western Europe are fully re-armed—until we have made of the present area of freedom a secure bastion from which new advances may be staged—we can do no more than bide our time. But I like to think that the free world re-armed will be in fact a secure bastion for new advances in the cause of human freedom.[203]

Equally, when the Hungarian broadcasting service from Munich was upgraded in October 1951, with the installation of a separate transmitter reserved solely for its operations, Altschul attended the opening and dedication of this facility. Speaking at this event, he proclaimed that Americans realized "that there can be no enduring peace so long as Hungary and the other prisoner states of eastern Europe are separated from the West by that unnatural barrier which now divides the continent." He pledged that RFE would "not falter" in its "primary purpose . . . to hasten the coming of the day when the shackles of an alien oppressor will be cast off and freedom and dignity of the individual will be restored."[204] He reported back to Abbott Washburn of the Crusade for Freedom that "the ceremony in connection with the opening of the Hungarian service was truly moving, and the enthusiasm in this organization is something beyond description." An Overbrook Press pamphlet published the speeches delivered by RFE vice-president Frederic R. Dolbeare and the Hungarian broadcaster Gyula Dessewffy on this occasion.[205]

In adopting this stance, Altschul may have borne in mind an interview in December 1950 between himself and "a middle-aged Hungarian woman of obvious breeding and intelligence" who had left her own country two months earlier, to join her married daughter in the United States. Discussing RFE's broadcasts to Hungary with him, she told him that what Hungarians most wanted was "not analysis of news so much as reasons to hope for liberation. Everybody feels that liberation cannot come without war, but everybody is prepared to accept the horrors of war in order to be liberated." She continued: "People know that [the United States] cannot go to war today, but their happiest moment will come when they hear that [the Americans] have declared war." Unfortunately, this prospect was one many Americans found extremely unappealing. As an interim measure, Altschul's informant told him, "[e]verything that can be said about American mobilization—civil and military—will meet the yearning for reasons to hope, and should be repeatedly broadcast. People want to hear that there is promise for the future more than they want to hear about the present."[206] A few weeks earlier, Belá Fábián, a Hungarian exile leader, told Altschul that RFE had enjoyed an "exceptional and outstanding

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[203] Altschul to Howard E. Wilson, March 23, 1951, File National Committee for a Free Europe, Organizations File, Altschul Papers.
[204] Press release on the establishment of a Radio Free Europe service to Hungary, n.d., File National Committee for a Free Europe, Organizations File, Altschul Papers.
[205] Altschul to Abbott Washburn, October 8, 1951, File Balloons—General, Box 150, RFE/RL Corporate Records; and pamphlet, "Two Addresses," Overbrook Press, 1951, File Hungary-Dedication Ceremony, Box 211, RFE/RL Corporate Records.
[206] Memorandum, December 15, 1950, File Attacks on RFE/RL-Criticism, Box 146, RFE/RL Corporate Records.

success" throughout Eastern Europe. Much of this was due to the fact that the United States had been willing to intervene in Korea had given Hungarians new hope, since it belied Russian propaganda that, "after the sovietization of China, all Asiatic countries, one after the other, will fall into the Soviet orbit," while: "The United States will give no support to the people whom they encouraged to resist. There will be no war. The United States will not intervene."[207]

Whether such plaudits were welcome or problematic was a moot point. Despite sending a polite acknowledgment, Altschul may well have been less than comfortable with such feedback.[208] Writing to George Kennan in March 1951, he spoke of his "sadness and indignation" as he and other Americans watched helplessly as "the liquidation of men of good will behind the iron curtain is proceeding apace." Altschul feared that, even if Russian policy should ultimately evolve in a more liberal direction, this would be too late to save most such individuals. As he worked "toward keeping the hope of liberation alive in the satellite states," he was therefore "caught rather acutely in the dilemma every thinking person faces today." He told Kennan quite frankly:

> The more I see of our exiled friends, and the more I hear of the attitude in the satellite states, the more I am convinced that these enslaved peoples see no real hope of liberation <u>in time</u> to save what remains of the best elements in their communities short of an early war. Whether such a war would save anything worth saving is a problem with which enslaved peoples are not concerned.[209]

American RFE leaders, by contrast, were far less ready to contemplate outright war with the Soviet Union. Even before RFE began broadcasting, its American officials sought to define the messages its broadcasts sought to convey to East Europeans. In a memorandum probably written some time in the first half of 1950, Altschul wrote that the station "must attempt to revive national hope and confidence in terms of its realistic possibility[i]es under the most favorable circumstances. Above all, we should keep alive and stimulate the hope of a brighter future while avoiding anything that might be construed as an invitation to prematurely dangerous action."[210] Inciting bloody and fruitless rebellion against Soviet rule was not, in his view, an appropriate strategy for RFE. On more than one occasion, Altschul discussed RFE's approach to "liberation" with American audiences. Addressing an audience he was urging to support the Crusade for Freedom with both money and the endorsement of their signatures, in late 1950 Altschul warned that, although RFE could be more outspoken than the American government on the "eventual liberation" of the satellite states, "liberation is a theme that must be handled with the utmost circumspection." He bluntly stated that, for many of the East European states, "the

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[207] Fábián to Altschul, November 1, 1950, File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.
[208] Altschul to Fábián, November 2, 1950, File Attacks on RFE-Criticism, Box 146, RFE/RL Corporate Records.
[209] Altschul to Kennan, March 4, 1951, File George F. Kennan, Catalogued Correspondence, Altschul Papers; another copy in File Free Russia Fund, Organizations File, Altschul Papers.
[210] Altschul, "Directive on RFE," n.d. [early 1950], File Radio Free Europe, Organizations File, Altschul Papers.

best hope of liberation lies in a Third World War," something the United States hoped to avoid, meaning that RFE had to follow

> the exceedingly difficult policy of striving for eventual liberation short of war. We know the difficulty of making this formula palatable to people living under the Iron rule of the police state, with no prospect of successful revolt. But obviously, as a group of private citizens with a sense of responsibility, we would never presume to go beyond the bounds of clearly defined governmental policy. We avoid all incitement to revolt, and above all, we avoid every aspect of war-mongering.[211]

In another public fundraising address, to the New York Commandery of the Military Order of Foreign Wars of the United States, Altschul repeated the same theme, that RFE sought "to keep hope alive within the prisoner states." Yet "behind the Iron Curtain hope means the hope of liberation—and liberation means a third world war." This ran counter to American policy and public opinion. "With the Administration—and I suspect the American people—committed to avoiding a third world war if this is at all possible," Radio Free Europe had

> wrestled with this problem long and hard, and have finally adopted a formula, which we are profoundly convinced is sound—that is, that there can be no enduring peace as long as nearly one hundred million human beings are the unwilling captives of the Soviet Union—that there can be no enduring peace as long as Soviet power extends to its present frontiers.
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> We suggest, maybe with tongue in cheek, that the Soviet withdrawal could conceivably be brought about by the power of ideas, once the defenses of Western Europe have been made secure. But we assure our listeners of our confidence that one way or another, it will be brought about in the end. Should we say less, we might as well give up the attempt to keep hope alive among our friends behind the Iron Curtain. Should we say less, our listeners will suspect that in spite of all our protestations to the contrary, we are in some manner under the thumb of government.[212]

The ironically contorted logic of Altschul's final sentence notwithstanding, the reluctance of many top RFE officials to be overly aggressive in supporting "liberation" was clear. The policy guidance memoranda that Altschul wrote as directives for RFE employees enshrined this cautious approach to inciting the satellite states to uprisings against Soviet rule. As early as mid-July 1950, the Radio Committee had begun work drafting a general directive, to set overall policy for RFE.[213] With policy guidance input from the CIA—whose operatives may well have been preoccupied with the Korean War in summer 1950—in demonstrably short supply despite

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[211] Altschul, draft for Montclair speech, n.d. [1950], File Radio Free Europe, Organizations File, Altschul Papers.
[212] Altschul, address. n.d. [1950 of early 1951], File National Committee for Free Europe, Organizations File, Altschul Papers.
[213] Minutes of Meeting of Radio Committee, June 15, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

all his requests, in September 1950 Altschul began issuing broad directives that would govern RFE policies. The first of these, drafted in early September, was by far the most substantial. It began by stating that the radio station's overall "objective" was "to prevent, or at least to hinder, the spiritual, economic and military integration of the nations of Eastern Europe into the Soviet bloc. To this end we seek to hold or to capture . . . the allegiance of the peoples in the nations to which our programs are beamed, and to undermine Soviet and native Communist influence in that area by every means available to propaganda." Significantly, it did not mention any possibility of American military intervention. The directive assumed that people in the satellite states shared "an almost universal and burning desire to be freed from foreign domination" and to obtain "personal freedom" from the "police state"; that "the spirit of nationalism has lost none of its vitality"; that East Europeans felt "a certain amount of disappointment . . . in regard to the past policies of the Western world towards the enslaved countries" of that area; and "that there is a strong desire to preserve the ties with Western culture and to prevent integration into the Soviet system." Two entire pages were devoted to the central and unavoidable topic of "Liberation". In Altschul's view, this was the first priority: "For the peoples of the prisoner states everything else hinges upon the question of liberation. This is for them the vital preoccupation. Accordingly, liberation must be the predominant theme in any effective long-range program of propaganda." Unfortunately:

> This confronts Radio Free Europe with a dilemma. It is absolutely essential to keep the hope of liberation alive. Yet we should recognize that for the peoples of Eastern Europe another world war appears to offer the only chance of realizing this hope. If, accepting this thesis, we state quite frankly that in our view there can be no lasting peace until Eastern Europe has been freed from the domination of the Soviet Union, we play into the hands of the Kremlin, who with their 'peace' campaign are exploiting in every corner of the globe the almost universal fear and detestation of war. If, on the other hand, we do less than this, we run the risk of weak[en]ing the morale of our friends behind the Iron Curtain, who will surely be told, and may actually believe, we have abandoned them.

He offered some "tentative" suggestions as to how RFE should tackle this problem. Among these were making it clear that in due course the United States expected the Soviet Union to fulfill the promises of "national independence" for East European states enshrined in the Yalta Declaration of 1945. Another tactic was to make it clear that the international situation was still "in flux"; that Western nations were becoming increasingly conscious "of the Soviet objective of world domination"; that they were increasingly ready to resist Soviet pressure in Korea and elsewhere; that the free world was building up its military strength, and taking steps to check the "further advance" of Soviet power, the necessary preliminary to "bringing about a retreat" of Soviet rule. Altschul also believed RFE should stress that "forces of disintegration" were normally at work within any despotism, and these were likely to "grow by leaps and bounds once the period of easy conquests has come to an end." The United States should also make it clear that "peace through freedom" was the only kind of peace acceptable to it, and should invite

Soviet leaders "to abandon their mad dream of world domination and join with the other nations of the world community in laying the foundations for expanding prosperity in a world at peace." RFE should also contrast the two antagonists in Manichaean terms, and:

> On every possible occasion make it clear that the existing world tension is not based upon a struggle for power between the United States and the Soviet Union, as it is so often represented, but that it is a recrudescence of the ancient struggle between freedom and tyranny, that in this struggle there can be no neutrals, that in this struggle we consider all of Eastern Europe, whether at present under Russian domination or not, by its whole history and tradition inevitably on our side.

Soviet disregard for the stated conditions of the Yalta agreements had vitiated the spheres of influence agreement the Western allies had accepted "[u]nder the stress of war." The United States now "believe[d] that the prisoner states must be freed of Russian domination. This means for us as a minimum the withdrawal of the Soviet Army and its Secret Police, free elections effectively supervised, and the repeal of all measures illegally adopted." Once liberated, the East European states "should be free to form governments of their own choosing without interference by any outside influence, including our own," and "to adopt whatever form of political, social and economic organization is best suited to their needs." They would be able to maintain "a high degree of national and cultural autonomy within the framework of a European federation."[214]

In later years Altschul would take considerable pride in having taken this line at so early date. Writing in 1957 to Abbott Washburn, the first executive director of the Crusade for Freedom, who became deputy director of the new US Information Agency in 1953, Altschul recalled that "one of the earliest directives I wrote was to the effect that we should explain to our audiences over the radio that there was no disposition on our part to try to impose our form of social, political or economic organization on any other country, that we recognize that it might not in all cases be in accord with their need, their traditions or their history. The only thing we were seeking was a world in which every nation should be able to choose freely the form most appropriate to its needs." An encounter with a fiercely nationalist and anti-American Ceylonese diplomat attached to the United Nations, who strongly criticized American democracy in the light of United States racial policies, left Altschul convinced that American officials showed "too great a disposition to sell the American way of life as if it had some universal applicability." He deplored what he considered self-defeating "extended eulogies of our own system" and the "deep-seated disposition" of only too many of his country's representatives "to throw our weight in back of free enterprise and the capitalistic system even in areas where its establishment not only would run counter to the national desires, but where as a practical matter it would not work

[214] Altschul, "Policy Guidance Memorandum No. 1," September 15, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

anyway." Such attitudes would not, he believed, win over "the uncommitted nations" whose support in the international arena the United States sought to attract.[215]

In terms of depicting the United States, Altschul believed that RFE should highlight "a rising standard of living, an ever-widening horizon of opportunity, the dignity and worth of the individual, personal freedom and national independence in a world at peace." His liberal instincts came to the forefront. Particular emphasis should, he thought, be given to the country's "enormous advantages in the sphere of social legislation" and "the obligation of the government to interest itself increasingly in the general welfare of the citizen with the result that a growing sense of well-being and of security has been brought to the average man and woman," without causing economic disruption. In foreign affairs, RFE should underscore American efforts to promote the well-being of other countries, including its participation in UNRRA, the Marshall Plan, and the Point Four development program, its commitment to multilateral trade, and its "wholehearted support" for the United Nations. To reassure their East European listeners, RFE should also have no hesitation in stating that Americans regarded the Soviet Union as "an imperialist power seeking world domination as its undisguised objective." Despite Soviet claims that their country represented a "release from oppression," in reality, "[w]herever the power of the Kremlin extends, the form of organization is that of a tyrannical oligarchy enforcing its will on a mass of reluctant serfs by the adroit and unscrupulous use of the secret police. Misrepresented as a liberating movement, Bolshevik imperialism is in fact reaction incarnate. It is Red Fascism, and should be so designated."[216]

How to translate such stirring rhetoric into effective action was a difficult problem to which there seemed to be few answers. One strategy RFE adopted, apparently in part at Altschul's urging, as a means of giving some kind of hope to East Europeans that they would ultimately escape from Soviet dominion, was to press the theme of European unity, both political and economic. Ironically, although the United States government encouraged greater cooperation between the European nations, especially through the Marshall Plan itself and such organizational developments as the Schuman Plan and the European Coal and Steel Community, this was something in which Altschul himself had distinctly limited faith. In April 1950, Altschul told fellow Radio Committee members "that 'the United Europe' plan was a form of escapism, as far as we were concerned, and unrealistic as an effective defensive weapon in the present struggle." There was at present, he argued, "no such thing as European patriotism, and "the build-up of such organizations as the Atlantic Union, United World Federalists, United Europe, etc.," would only "detract from" the "more important" strategy of building military coalitions, "such as the Atlantic Pact."[217] Gradually, Altschul developed rather more faith in the idea. This may have

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[215] Altschul to Washburn, October 29, 1957, File Abbott Connell Washburn, General Correspondence, Altschul Papers.
[216] Altschul, "Policy Guidance Memorandum No. 1," September 15, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[217] Minutes of Meeting of Radio Committee, April 6, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

been due in part to CIA pressure. At the end of June 1950, Allen Dulles apparently sent him a letter on the subject, buttressed by a confidential memorandum by Tom Braden of the CIA. The invasion of Korea quickly highlighted "even more sharply that Western European union is necessary and urgent," as William J. Donovan, former head of OSS, told Altschul in late July, describing how the Dutch Paul-Henri Spaak would shortly become executive head of the European Movement, which would give it much-needed "vigorous leadership." Spaak had already agreed to seek to make West Germany a "full partner in the Council of Europe," to push for increased powers for the European assembly, to advocate "further elimination of tariff barriers and support for the Schuman Plan" to integrate the German and French coal and steel industries, and to launch "[m]ass propaganda directed toward the above aims" throughout Europe, especially in Europe. Donovan, who headed the American Committee for United Europe, told Altschul that Spaak had pledged to raise $130,000 in funds for this purpose in Europe, and that the Americans intended to "have at least an equal sum and twice that would be preferable," to be expended under "close supervision" of the Committee for United Europe. None of this, he told Altschul, could "be made public." He concluded by telling Altschul that "the stakes are not measurable in any sum of money. Time is important. I hope you will help all you can."[218] Donovan's arguments apparently proved persuasive. In mid-1951 Altschul told Spencer Phenix, one of the Free Europe Committee's vice presidents, who had lent him a pamphlet strongly opposing "any form of European union," that a few years ago he himself "would have thought [the author] was right beyond question." Altschul admitted, however, that "the European Movement seems to be growing in support," and a recent speech by NATO military commander Dwight D. Eisenhower in favor of European integration had "rather brought me to believe in the possibility of what heretofore I had regarded as pure illusion."[219]

Altschul's conversion was by no means definitive. In late 1951, he told another RFE official of his continuing doubts whether "European Union could be brought into being in time to become an effective instrument in the struggle in which we are engaged." About the same time, Altschul had "a long talk" with Jean Monnet, whose association with himself and with Lazard Frères went back to World War I if not before. Monnet, the foremost advocate of European Union, who made this cause almost a lifelong crusade, told Altschul that European unity was "the only hope" and its development "inevitable." When Altschul told Monnet "that it was one of those things that was absolutely necessary and at the same time utterly impossible," the Frenchman "exuded confidence" and told his former American colleague that not very long ago he would have said the same of the Schuman Plan and the European Defense Community. While Monnet did not entirely "quiet [Altschul's] own misgivings," he did "convince" the latter "that the movement had somewhat deeper roots than [he] had believed." Whatever Altschul's personal skepticism, in its early broadcasts to the Soviet satellites RFE made great play with "the idea of European Union . . . for ever emphasizing our conviction that these states formed an integral part of the

[218] Donovan to Altschul, July 26, 1950, File William J. Donovan, Catalogued Correspondence, Altschul Papers.
[219] Altschul to Phenix, July 26, 1951, File Pf-Pi, General Correspondence, Altschul Papers.

European family and that places of dignity and responsibility would be reserved for them against the hour of liberation within the framework of the European State system in whatever form this might ultimately take."[220]

What was rather less clear to everyone involved was precisely how this objective was to be attained. In a "masterscript" broadcast on "Liberation," one of a series delivered by prominent Americans, Altschul told East Europeans that the "over-riding problem facing the civilized world today is the problem posed by Stalinist imperialism." He charged that a "small group of ruthless men" based in the Kremlin sought dictatorial power over the entire world, something the United States was currently mustering its "vast resources" to resist, since "it is not in the American tradition long to accept the continuing enslavement of friends and allies." The first task for the United States and its allies was "to erect secure defenses around the bastion of freedom." The second would be "to launch from this bastion a great liberating movement responsive to the deepest desires of all the enslaved peoples." It was unclear whether the Soviet rulers in the Kremlin would resist "to the last ditch," or whether their own people would rise up against them, but Altschul assured his listeners: "The victory of freedom over despotism is inherent in the very nature of man and is thus inevitable in the end." Conscious that many in both Eastern and Western Europe feared a resurgence of German militarism, Altschul proclaimed that the best solution lay "within the framework of a European Federation," of which the Marshall Plan, the establishment of the Schuman Plan, and the creation of the Council of Europe marked only the beginning. Closer political and economic integration would bring greater prosperity to all Europe than had ever been known before. Even if these prospects seemed "hopelessly theoretical and remote" to those "living under the domination of the Soviet Union," Altschul appealed to them not to "abandon hope," proclaiming it inevitable that "Stalinist imperialism" would ultimately be "checked" and eventually "turned back."[221] In a broadcast to Czechoslovakia on May 1, 1951, Altschul reiterated similar themes. He also suggested that, once free of Soviet domination, the East European states might consider "strengthening their hand in a United Europe by means of a Regional Federation," that would "act as a break upon the disposition of any of the great powers to dominate a European Union." Such a regional federation might also, he believed, facilitate "the resolution of many of the frontier, nationality and economic problems that for so long embittered relations in your corner of the globe."[222]

RFE also set out to highlight growing American military strength. This could be slightly embarrassing, even self-defeating. Altschul's second directive, written in September 1950, suggested that no broadcast should mention the actual number of divisions in the Atlantic Pact forces in Europe, since "the most optimistic estimate of the number for some time ahead would

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[220] Altschul to Royall Tyler, November 3, 1951, File European Movement-General European Unity, Box 186, RFE/RL Corporate Records.
[221] Altschul, "American on Liberation #2," Radio Free Europe Masterscript, n.d., File Frank Altschul, Box 142, RFE/RL Corporate Records.
[222] Altschul, "Draft of Proposed Broadcast to Czechoslovakia over medium wave transmitter: Broadcast #2," n.d. [April or May 1951], File Radio Free Europe, Organizations File, Altschul Papers.

be so small in relation to the known number of Russian divisions that it would be bound to have a chilling effect." This directive also reiterated cautions against anticipating any "internal revolution either in Russia or in the satellite states. The rigidity of control within the Soviet orbit makes any such eventuality practically impossible," Altschul warned. "This is known to all who live under the regime of the police state, and any suggestion that we are cultivating illusion on this point is bound to be disheartening."[223] A subsequent directive permitted mention of the World War II Katyn massacre, when Russian forces murdered several thousand Polish officers who might have formed the core of postwar resistance to Soviet domination of that country.[224] Perhaps at Poole's urging, in mid-November 1950 Altschul directed that RFE should emphasize that the United States' "quarrel was not with the Russian people, but with their Stalinist rulers," and that Americans recognized that most Russians were naturally "disposed to friendship with the West." He also stated that RFE should emphasize "that the West had no territorial aims threatening the legitimate pre-war frontiers of the Soviet Union," and would welcome a cooperative relationship with a Soviet government that genuinely represented the Russian people.[225]

As the Korean War became critical and the United States mounted a major rearmament and mobilization program in December 1950, Altschul recommended that RFE tell its listeners that the United States greatly preferred peace and had only reluctantly come "to accept the view that the Soviet Union in its desire to realize the mad dream of Communist world domination was determined, if need be, to plunge the world into another world war." It had taken the rude awakening of the North Korean invasion of South Korea and Chinese intervention in that conflict to alert Americans to their danger. Finally, however, "until the world crisis passes," the United States was "prepared to make whatever sacrifices may be necessary in order to redress the military balance of power which we had permitted to shift so gravely to our disadvantage." He was confident of ultimate victory, since, given "our immense industrial resources and our determination to use them to whatever extent necessary to fend off the Soviet menace, nothing that the Communists can do can stop the free world from restoring the balance."[226]

In January 1951, the former World War II supreme commander General Dwight D. Eisenhower arrived in Europe as first head of the new NATO forces gave RFE an opportunity to highlight the "[n]ew strength . . . developing in Western Europe." Altschul urged RFE broadcasters to remind their East European listeners of American accomplishments during the Second World War, particularly the way in which the United States had functioned as the "Arsenal of Democracy,

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[223] Altschul, "Policy Guidance Memorandum #2," September 21, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[224] Altschul, "Policy Guidance Memorandum #3," September 26, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[225] Altschul, "Policy Guidance Memorandum #4," November 15, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[226] Altschul, "Policy Guidance Memorandum #5," December 12, 1950, File Radio Free Europe, Organizations File, Altschul Papers.

which in both world wars helped swing the tide in favor of the Allies" by supplying all its coalition partners even as it equipped a huge army of its own. The same industrial resources, he stressed, had been responsible for providing the "millions of tons of food, hundreds of thousands of trucks, cars, tractors, plows, harvesting machines, tools, etc." that European nations "who were free to accept them" received under the Marshall Plan, together with "almost limitless credit for the rehabilitation" of their economies. Altschul also instructed broadcasters to stress the symbolic message conveyed by Eisenhower's appointment. "By sending General Eisenhower to head the combined military forces of Europe and of the United States, America is telling Europe, in this New Year, that she again stands ready to defend democracy and free peoples and to liberate all freedom-loving peoples who may fall under the hell of any temporarily successful aggressor who seeks to become the new Hitler." This was going further than any earlier directive in terms of depicting the United States as committed to the liberation of Eastern Europe. Altschul also saw this as an opportunity to emphasize the American commitment to Western Europe, and that, while Americans were "interested in measures calculated to strengthen the defense of the United States, we are no less interested in the defense of Western Europe itself." Soviet propaganda was seeking to claim that America's European allies were in rebellion against United States demands that they boost their own defense budgets. Altschul urged RFE personnel to treat such debates as instances of democracy in action, "examples of continuing American determination to have Western Europe strengthen its defenses against the common enemy." They should, he urged, unhesitatingly proclaim that: "The fate of Western Europe, where peoples are bound to us by the most intimate historical and cultural ties, is a matter of deep concern to Americans generally. In the North Atlantic Pact we have given a pledge which we have not the slightest intention of violating."[227]

In April 1951, when President Truman dismissed the domineering General Douglas MacArthur, the United Nations commander in Korea, who sought to widen the war by bombing Chinese industrial plants in Manchuria, Altschul hailed this decision as further evidence of the primary commitment of the United States to Europe. He urged RFE broadcasters to stress that "the Soviet Union had set a trap" for the United States in Korea, hoping to embroil it in "an ever-growing military commitment in East Asia involving in its later stages a full-scale war with the People's Republic of China." In Soviet eyes, such a conflict would have had "two advantages": "It would have diverted an ever increasing proportion of [American] military potential from Europe to the Far East", while "strengthen[ing] immensely the ties between the Soviet Union and the People's Republic of China." The fact that Truman had removed MacArthur was "clear evidence" that the United States would not "be drawn into this trap," and that the United States government's first priority in "the struggle between freedom and despotism" was Europe rather than Asia. While determined to win the war in Korea, the United States also sought "in so far as possible to confine this conflict in the area of the Korean peninsula," and to keep "the door . . .

[227] Altschul, "Policy Guidance Memorandum #7," January 4, 1951 [misdated 1950], File Radio Free Europe, Organizations File, Altschul Papers.

open for an equitable peace" with China. Altschul urged RFE broadcasters to stress that the United States "intend[ed] to the maximum extent to strengthen the defenses of the North Atlantic Treaty powers," something that was "not only necessary for our own protection and for the protection of the free world," but also "the essential first step in preparing the ground for the final liberation of the nations of Central and Eastern Europe, now against their will under the rule of the Kremlin." Altschul admitted that in a speech the previous evening President Truman had emphasized how strongly both he and the American people "desire[d] to avoid the catastrophe of a third world war." Even so, Radio Free Europe "believe[d] . . . that there can be no enduring peace—in a word, that the third world war will not have been definitively avoided—as long as the present unnatural division of the continent of Europe persists—as long as one hundred million of our European friends remain the unwilling prisoners of the Soviet Union."[228]

Altschul had no qualms in accepting massive amounts of CIA funding to subsidize RFE operations, and working closely with the "friends in the South." Just how close the two organizations were supposed to be could be problematic, even paradoxical, especially given the station's determination to present itself as the creation of "private citizens." At times, Altschul seems to have felt it a subject for congratulation that American representatives of the radio station had so internalized American foreign policy goals that very little supervision was necessary. In June 1951, Altschul told C. D. Jackson, the Free Europe Committee's new head:

> It would be impossible to exaggerate the extent to which our friends in Washington have exerted themselves to free RFE of 'diplomatic inhibitions and bureaucratic restrictions.' Only on the rarest occasion have we received any suggestion in regard to policy matters, and we have been allowed to have complete freedom in programming. We like to think that this is due to the confidence which our friends repose in the judgment exercised in RFE at the policy level, where decisions are made on the basis of far more than a casual familiarity with the broad objectives of American foreign policy and on the basis of a daily intimate contact with the interpretation of exiles in regard to the requirements for effective propaganda beamed at the prisoner states. It is our conviction that this confidence has in no sense been abused.

Ironically, by this time Altschul had come to believe that closer liaison and "frequent exchanges at a high level between RFE and our friends in Washington in regard to policy matters would be if not essential, at least extremely desirable." RFE officials felt somewhat out of their depth in trying to deal with such issues as the Polish frontier, the future of the Sudeten Germans, the developing Iranian crisis, and most of all, the subject of liberation. "Above all, we have had to try to reconcile the avowed American objective of peace with what we find to be the almost universal desire of our audience for war. One phase of our mission has been to keep hope alive among our friends in the prisoners states. For them hope means the hope of liberation, and they

[228] "Guidance No. 12: All Desks," April 12, 1951, File Radio Free Europe, Organizations File, Altschul Papers.

see no hope of liberation short of war."[229] Altschul was nonetheless adamant that the CIA should not use the service as a front for intelligence operations, telling Robert Lang in late 1950 "that we are to have no agent behind the Iron Curtain under any circumstances, and that we are to be sure that sources of information which we tap on this side of the Iron Curtain are not based upon the use of agents, and that the payment made for such information is in no event large enough to permit the financing of their use."[230] He seems to have felt that keeping actual CIA operations at arm's length from RFE was required to maintain the service's credibility.

Was the relationship of Radio Free Europe and the CIA symbiotic, and was the identity of public and private interests as close as Altschul suggested? Initial CIA planning for the Free Europe Committee envisaged, as Roscoe H. Hillenkoetter, the CIA's first director, stated in early 1949, that this "would not be a simple cut-out for money and direction but would have the greatest possible freedom of action . . . consistent with general government practices with respect to the disbursement and accountability of such funds."[231] Wisner soon, however, considered this situation a mixed blessing, reporting back to Hillenkoetter in May 1949, when the organization was still only at the planning and recruiting stage, that "a difficulty was posed by the insistence of the committee on having complete autonomy for their actions, and the stated responsibility of the DCI for certification as to the use of funds."[232] Four months later, in September 1949, as the OPC tried to boost its control over the infant enterprise, one unidentified FEC director wrote to Dulles warning: "To turn the private agency now back into something more nearly an official agency is to lose much of what it has been sought to gain." He further described Wisner and the FEC as "in substance equal contributors and in equal working partnership." The result was that "[Wisner] has a bear by the tail."[233]

In October 1949 a memorandum of understanding sought to clarify and define the relationship between the FEC and OPC. It described the new committee as "autonomous" but one in which the government took a great interest, given "the source of its funds," which in turn required the observance of certain administrative procedures when disbursing these. The OPC was also to serve as the channel for policy guidance from the State Department.[234] In 1950-1951 the youthful CIA faced its own internal problems and disputes, not to mention differences with the State Department, which may have had something to do with the absence of supervision over RFE, especially during the early stages of the Korean War. Given the ambivalent relationships among the State Department, the OPC, and the CIA, the State Department in particular repeatedly sought to exert greater control over RFE and the National Committee for Free Europe.

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[229] Altschul to Jackson, June 2, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[230] Altschul, Memorandum for Mr. Lang, November 6, 1950, File National Committee for a Free Europe, Organizations File, Altschul Papers.
[231] Quoted in Johnson, *Radio Free Europe and Radio Liberty*, 24.
[232] Wisner to Hillenkoetter, May 1949, quoted in Johnson, *Radio Free Europe and Radio Liberty*, 25.
[233] Unidentified FEC director to Dulles, September 8, 1949, quoted in Johnson, *Radio Free Europe and Radio Liberty*, 25.
[234] Johnson, *Radio Free Europe and Radio Liberty*, 25.

An early historian of RFE who interviewed CIA officials who handled liaison with RFE suggested that the CIA sometimes found it a mixed blessing dealing with the self-confident, well connected elite influentials on the Free Europe Committee, who did not hesitate to query CIA directions and were quite capable of taking up their dissent elsewhere within the government bureaucracy.[235] RFE's latest historian confirms this view, quoting one unidentified OPC official as complaining in mid-1950 that Poole's "semi-autonomous position as the representative of a semi-autonomous committee is one of the basic difficulties in the whole project and the cause of a great number of our worst headaches." In this official's perhaps jaundiced opinion, "[t]he semi-autonomous cover committee" was "the other major difficulty."[236] Within the OPC, Poole was apparently known as "Little Napoleon" for his insistence on being the ultimate arbiter of all issues involving the politics of relations with the various exile groups. According to one unidentified official, Poole "was bound and determined he was not going to be a patsy to these guys in Washington. He was going to run his own organization. And in this he had the protection of his board. These were prominent people who had lent their names, and they weren't going to be mere tools of the funding organization."[237]

A memorandum the Committee's directors dispatched to the CIA in October 1950, requesting closer liaison among the CIA, the State Department and the Committee on policy towards the exile National Councils in particular, as well as other matters, encapsulated this view. The directors—Altschul undoubtedly among them—reminded the CIA that the Free Europe Committee was "directed by individuals not only of some public stature but possessing specific experience in the fields of diplomacy and psychological warfare." They did not intend to function as a rubber stamp. "If an ostensibly private instrumentality is desired which will do no more than carry out automatically directions from Washington, a different type of personnel will have to be found." The directors went still further, requesting equal status with their allies in government. Describing themselves as "intensely loyal citizens" who were "in the field not to hinder but to help the Government," and could "be counted upon to go to the utmost in giving effect to Governmental policies when these are clearly and authoritatively established." They believed that government agencies should treat the NCFE as "a partner on an equal footing, subject only to the final authority of the Government on points of public policy."[238] It seems that when setting up Radio Liberation, RFE's Russian counterpart, in the early 1950s the CIA deliberately picked less formidably independent and prestigious figures to play comparable roles in organizing and running the new broadcasting station.[239] Altschul was almost certainly one of several individuals associated with RFE's early years whose resistance to outside control led

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[235] Mickelson, *America's Other Voice*, 65.
[236] Johnson, *Radio Free Europe and Radio Liberty*, 24-25, 35, quotation from 35.
[237] Quoted in Hersh, *The Old Boys*, 259.
[238] National Free Europe Committee, memorandum, October 2, 1950, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010.
[239] Johnson, *Radio Free Europe and Radio Liberty*, 34-35; Mickelson, *America's Other Voice*, 65; Wilford, *The Mighty Wurlitzer*, 39-40; Hersh, *The Old Boys*, 259; Jeffreys Jones, *The CIA and American Democracy*, 84.

Allen Dulles, Frank Wisner, and other CIA officials to seek more pliable personnel for Radio Liberation.

This did not, however, mean that he was necessarily averse to using RFE broadcasts to assist CIA endeavors. Suggestions over the airwaves that "accidents might happen on a dark night" to selected Communist functionaries might well have been considered somewhat provocative.[240] In early December 1950, as East European factories supplied the Soviet Union with armaments, some of which were funneled to the conflict in Korea, Altschul raised the question whether RFE could help to undercut these efforts, by encouraging sabotage in the manufacturing plants, and perhaps even by broadcasting overt or coded instructions on how to do so.[241] Two months later, the head of the Hungarian desk sought guidance from him to "define in more concrete terms the goals which the Free Europe broadcasts are aiming at." While the broadcasts to Hungary already sought "to sow suspicion, to make the Communists jittery, to keep up hopes," the personnel of the desk were unclear whether "RFE wants to encourage e.g. passive resistance, slow-down in industry, hoarding, and whether it wants to encourage the exodus of youth." The Hungarian desk also wished to know what attitude it should take towards any military buildup of Hungarian forces, and the possibility that the Soviet Union might instruct might to attack Tito's breakaway communist regime in Yugoslavia. The Hungarian unit believed that RFE should offer extensive commentary on domestic developments in Hungary, and thereby "fulfil in a sense the functions of the mouthpiece of opposition," aggressively "taking up the current issues, . . . analyzing the latest Communist moves, [and] participating in and counteracting the current campaigns."[242] Altschul's reaction to this request that RFE play an activist role in Hungarian domestic politics is not on file. While doing so probably accorded with his own instincts, one suspects this was one matter on which he would definitely have consulted "our friends in the South."

The State Department went to some lengths to maintain the fiction of RFE's private status. In January 1951, Edward W. Barrett, assistant secretary of state for public affairs, circulated a memorandum to the "topmost officers" of the department, to give them some guidance on the attitude they should follow towards the new broadcasting station. The State Department had, he said, been "fully informed of the organization of NCFE and of the informal support and cooperation being provided by the United States Government." In June 1949, shortly before RFE broadcasts began, most American diplomatic posts in Europe received a circular "stating that although the Department had no active concern with the Committee's activities, it had given its unofficial approval to the Committee's objectives." This circular also "pointed out that because of the implicitly political nature of the Committee's work, there would be continuing coordination between it and the Department, and that the Committee would cooperate in every way to the accomplishment of our objectives in Eastern Europe and of the general aims of our

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[240] Altschul to Jackson, June 2, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[241] "Memorandum," December 1, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[242] A. Szegedy-Maszák to Altschul, February 7, 1951, File Radio Free Europe Desks-Hungarian-General 1951, Box 277, RFE/RL Corporate Records.

foreign policy." Barrett continued: "While it is inevitable that some people must know the full background of the Committee, this number should be kept to the absolute minimum as one of its principal advantages will be lost if the general public, particularly in Europe, has grounds for belief that RFE has any official or semi-official connection with the United States Government." American diplomats were warned "to keep overt contacts with RFE officers at a minimum" and to that any cooperation with them should take place "in the most discreet manner possible."[243] Discussing Radio Free Europe a few weeks later, Barrett urged the State Department's assistant secretaries and their staff to cooperate with members of the Free Europe Committee. Once again, he "emphasized that it is important for the public impression to be preserved that Radio Free Europe, as well as the Committee, is independent," and "pointed out that many things could Sbe said by Radio Free Europe which [the State Department] could not say since they do not openly reflect government policy."[244] When reviewing United States policy towards Poland in late 1950, State Department representatives even welcomed the fact that Radio Free Europe had recent "inaugurated Polish broadcasts which it is hoped will be effective, hard-hitting programs utilizing certain types of material not permissible to the Voice of America."[245]

State Department officials were nonetheless alarmed if RFE strayed too far from official policy. An episode towards the end of 1951, when Ukrainian nationalists interpreted an RFE broadcast on Polish frontiers as evidence that "the United States favors a redrawing of the Polish eastern frontier in Poland's favor" [and] "at Ukrainian expense" led one State Department official in the Office of Eastern European Affairs to fulminate that RFE apparently knew "how to make enemies without winning any friends." Warning that, despite RFE protestatations that "it does not speak for the Government, it seems difficult for "European *émigré* groups to believe that our private American committees don't reflect official policy," this diplomat suggested that "RFE operations might be more successful if boundary questions of this kind were avoided."[246] Provocative RFE broadcasts also had the potential to disturb the even tenor of diplomatic intercourse, should the governments of the targeted countries decide to take great exception to them. In May 1951 certain RFE programs so incensed the Czech government that the American ambassador in Prague thought there was "danger [of an] explosion . . . if RFE continues [to] build bonfires and toss firecrackers into local wigwam." There were fears that the Czechs might break diplomatic relations with the United States over the matter, a development that neither the State nor the Defense Department would have welcomed, since they found it useful to have representatives physically present in Prague, gather information and "keeping the flag flying."

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[243] Barrett, "Radio Free Europe," January 24, 1951, enclosed in Memorandum by the Assistant Secretary of State for Public Affairs (Barrett) to the Under Secretary of State (Matthews), January 25, 1951, *FRUS, 1951*, Vol. IV: *Eastern Europe*, 1206-1208.
[244] Records of Under Secretary's Meeting, February 2, 1951, *FRUS, 1951*, Vol. IV: *Eastern Europe*, 1217-1218.
[245] Department of State Policy Statement, November 27, 1950, U.S. Department of State, *Foreign Relations of the United States, 1950*, Vol. IV: *Central and Eastern Europe, The Soviet Union* (Washington, DC: Government Printing Office, 1980), 1051.
[246] Memorandum by David H. Henry of the Office of Eastern European Affairs to Robert G. Hooker of the Policy Planning Staff, November 9, 1951, *FRUS, 1951*, Vol. IV: *Eastern Europe*, 1305-1306.

The State Department nonetheless decided to continue its support for "RFE activities and other forms of pressure on the Czechoslovak regime," even if this eventually led to the breaking of diplomatic relations. Ultimately, the Czech government failed to carry through on its threats, continuing to condemn RFE broadcasts but effectively tolerating them.[247]

RFE's quasi-private status gave it a certain flexibility to undertake assignments beyond its stated mandate. Altschul himself had broader ambitions for RFE, which he hoped might fulfill other diplomatic purposes, in terms of being a potentially "exceedingly useful instrument for the launching of trial balloons." The idea of driving a wedge between the Soviet Union and the new Communist People's Republic of China and reconciling the latter with the United States intrigued him. In February 1951, three months after Chinese intervention in Korea, Altschul suggested that the station might transmit a broadcast "purportedly" discussing the terms of an eventual settlement between the United States and China, which "would in fact be designed to appeal to Chinese nationalism and to prepare the soil for the eventual flowering of Chinese Titoism." He envisaged an agreement whereby all outside forces would be withdrawn from Korea, and the country unified under an "independent, democratic" government under United Nations supervision, which would benefit from extensive American economic aid. Taiwan, to which the Nationalist forces headed by Chiang Kai-shek had fled from the mainland, would be united with China, though Chiang and his leading followers would be allowed to seek asylum elsewhere, while his soldiers would be granted an amnesty for their previous opposition to Communist troops. The United States would endorse Communist China's admission to the United Nations, and would also offer public support for the resumption of full Chinese sovereignty over the northeastern provinces of Manchuria, where Soviet Russia had gained special rights at the end of World War II, privileges reaffirmed in the 1950 Sino-Soviet Treaty of Alliance. The ultimate objective of these American overtures was, as Altschul underlined, "<u>to drive a wedge between the Soviet Union and the Chinese People's Republic</u>."[248] Meanwhile, RFE was careful to distance itself from the strongly anti-PRC Council Against Communist Aggression, which mounted lobbying efforts intended to persuade the US Congress to embrace hard-line anti-Chinese policies.[249]

A month later, Altschul took up the theme of China again in a Policy Guidance Memorandum. Impelled by "an approaching stalemate in Korea" and the Chinese decision to fall back on positions around the 38th Parallel, the former dividing line between North and South Korea, an intrigued Altschul speculated that this might "represent a major change in the Chinese military

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[247] The Ambassador in Czechoslovakia (Briggs) to the Secretary of State, May 25, 1951, *FRUS, 1951*, Vol. IV: *Eastern Europe*, 1364-1365, first quotation from p. 1365; and Memorandum by the Assistant Secretary of State for European Affairs (Perkins) to the Secretary of State, May 31, 1951, *FRUS, 1951*, Vol. IV: *Eastern Europe*, 1367-1368, second quotation from p. 1368.

[248] Altschul to Jackson, February 26, 1951, File Balloons-General, Box 150, RFE/RL Corporate Records, underlining in original; another copy is in Files Radio Free Europe, Organizations File, Altschul Papers.

[249] Frank C. Wright, Jr., to Washburn, March 23, 1951, Arthur G. McDowell to Jackson, March 13, 1951, Washburn to McDowell, March 23, 1951, File Council Against Communist Aggression, Box 165, RFE/RL Corporate Records.

and political objective." He pointed out that "the Chinese people require[d] above all else a period of tranquility during which reconstruction can go forward and the standard of living of the average man and woman can be improved." He doubted if "Soviet imperialism, serving its own selfish purpose," could "contribute" anything to this objective, whereas the "vast productive resources" available to the "free world" might have an enormous impact "once existing differences have been resolved." Rather optimistically, Altschul proclaimed: "There are no differences between the free world and the People's Republic that could not be dealt with if the government of the Chinese People's Republic should be guided by a determination to serve the long range interests of the Chinese people rather than the interest of an encroaching Soviet imperialism." In words that almost certainly had no impact whatever on Chinese policy, he told the various radio desks that China faced a "clear" choice as to whether "to act as a pawn or a partner of the Soviet Union," thereby almost certainly throwing away "the hope for any improvement in the lot of the Chinese people," or whether to follow "wiser counsels" and "act as the government of a free and independent nation, serving only the interests of its own people." The second alternative would, Altschul argued, "open up to them the prospect of a far brighter future, and would at the same time immeasurably improve the outlook for world peace."[250]

Altschul's suggestions on China policy revealed his interest in dividing the two largest Communist powers. He was always alert to splits within the Communist world which might work to the advantage of the United States and its allies. When a number of Italian communists resigned from their party in early 1951, with one citing the "incompatibility" between his "feelings as an Italian citizen and the general Party line, which is wholly dictated by a foreign power—the Soviet Union," Altschul cautiously recommended that RFE should "stick to factual reports only and refrain from interpretation or speculation."[251] Almost certainly, he feared that any untoward intervention by RFE might prove counterproductive in a delicate situation.

The same was true in spades of Yugoslavia. The idea of broadcasting to Tito's Yugoslavia, which had broken with the Soviet Union but remained communist, clearly intrigued Altschul, who raised the possibility several times on the Radio Committee during 1950.[252] Poole, too, was apparently in favor; in June 1950 he circulated reports that anti-Tito elements in Yugoslavia were so repelled by the "benevolent and neutral" attitude the American VOA took toward the Yugoslav government that they preferred listening to Radio Moscow.[253] The CIA and the State Department apparently differed as to the wisdom of establishing a Yugoslav National Council. With encouragement from Tracy Barnes and Carmel Offie of the OPC, who claimed to have

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[250] Altschul, "Policy Guidance No. 10: All Desks," March 15, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[251] Altschul, "Policy Guidance Memorandum #9," February 16, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[252] Minutes of Meetings of Radio Committee, April 20, July 6, 1950, Meeting of the Radio Committee, July 13, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[253] Poole to Altschul and Lang, June 26, 1950, File Free Europe Committee-Policy-Yugoslavia, Box 193, RFE/RL Corporate Records.

State Department concurrence in this position, in 1950 the Free Europe Committee moved to create a Yugoslav National Council. It was forced to reverse this position when the matter "came to the full attention of State," which rejected the formation of any Yugoslav National Council, leaving resentful NCFE officials feeling that they had been "left holding the bag uncomfortably."[254] Although RFE established a Yugoslav desk, by early July it was decided—quite possibly at the instance of its sponsors—that the new station would not make broadcasts to Yugoslavia.[255]

Altschul avidly consumed reports from Yugoslav exiles, some of them working for RFE's Yugoslav desk, protesting this decision and urging the establishment of a Yugoslav service.[256] In late 1950 he went so far as to write to Frank Wisner, "rais[ing] again the time worn question of broadcasting to Yugoslavia." He asked for a "re-examination" of the subject, arguing "that programs could now be prepared that would offend neither the government nor the anti-government elements, and would leave our Yugoslav friends with the feeling that they are not entirely forgotten."[257] Again, such suggestions were fruitless, as were recommendations in May 1951 that RFE should mark the anniversary of the death of the non-communist wartime Serb leader General Mihailovitch with an evenhanded broadcast that might particularly appeal to Yugoslavia's Serbs. The most that Philip Barbour of RFE's Research Department was willing to sanction was broadcasts in Serbian or Croatian to Bulgaria or Romania on special occasions, the anniversary of Tito's split with the Cominform, for instance, which might "have indirect effects in Yugoslavia without seeming to be designed to that specific end."[258] RFE employed 13 Yugoslavs in mid-1952, with a further 31 working in the Mid-European Studies Center and nine in the Research and Publications Service of the Free Europe Committee, and the Committee also gave financial support to three "prominent Yugoslavs" on the Yugoslav National Council. Although these maintained some contacts with other Yugoslav dissidents and exiles, establishing a radio service was eventually—much, it seems, to the regret of Lewis Galantière, the New York policy director—ruled out as too politically sensitive.[259]

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[254] Poole to Dulles, September 28, 1950, http://www.foia.cia.gov/browse_docs_full.asp, consulted May 22, 2010.
[255] Six Yugoslav desk staff to Lang, July 5, 1950, File Free Europe Committee-Policy-Yugoslavia, Box 193, RFE/RL Corporate Records.
[256] Grga Zlatoper to Altschul, July 17, 1950, A. Kuhar to Altschul, December 19, 1950, January 11, 25, 1951, I. Modercin to Altschul, January 24, 1951, William J. Thorbecke to Altschul, February 12, 1951, File RFE-Desks-Yugoslavia, Box 280, RFE/RL Corporate Records.
[257] Quotation from Altschul to Poole, January 2, 1951, File RFE-Desks-Yugoslavia, Box 280, RFE/RL Corporate Records; another copy is to be found in File National Committee for a Free Europe, Organizations File, Altschul Papers.
[258] Dolbeare to Altschul, Lang, and Barbour, May 18, 1951, Barbour to Dolbeare, May 23, 1951, File Free Europe Committee-Policy-Yugoslavia, Box 193, RFE/RL Corporate Records.
[259] S. S. Walker, Jr., to Dolbeare, Yarrow, Tyson, C. Miller, Lang, and T. Myers, July 1, 1952, Walker, "Memorandum, July 2, 1952, File Free Europe Committee-Policy-Yugoslavia, Box 193, RFE/RL Corporate Records; see also Galantière to Lang, March 27, 1953, Lang to Edward McHale, May 6, 1953, Galantière to McHale, May 12, 26, 1953, "Strictly Confidential" memorandum, June 9, 1953, File Free Europe Committee-Policy-Yugoslavia, Box 193, RFE/RL Corporate Records; Puddington, *Broadcasting Freedom*, 44.

The Western world had its own divisive problems. German issues could be highly controversial, not least in terms of their impact upon RFE policy. Almost every East European nation had bitter memories of German behavior during World War II and before, and feared a resurgence of what had very recently been formidable German military power, which might enable Germany to bully and dominate them as in the not very distant past. Poland in particular, which gained substantial German territory in Silesia and East Prussia at the end of World War II, in exchange for ceding to Russia lands in Eastern Poland, feared potential German irredentist attempts to regain these regions. The new Russian-dictated Oder-Neisse line separating Poland and Germany in fact represented Poland's frontier with East Germany, another Soviet satellite, but fears lingered that the Western-dominated Federal Republic of Germany might also feel obliged to rectify this border. Several million Germans had been forcibly expelled from Silesia by Soviet forces and replaced by Poles, making the question an extremely bitter one in German politics. Czechoslovakia had likewise ejected a large number of Germans from the Sudetenland territories it had ceded to Germany in the 1938 Munich agreement, but regained at the end of World War II, a decision in which Czech president Edvard Benes had taken a prominent role. West German politicians publicly supported the demands of the various expellees for compensation and in some cases for rectification of the Oder-Neisse line. As RFE began operations from German territory in 1950, all these frontier questions remained unresolved. The RFE guidelines drafted by Altschul simply called for peaceful settlements of outstanding border issues under United Nations supervision, but instructed broadcasters to take no position on the actual issues involved, a stance of self-censorship RFE would maintain—over strong protests from the Polish and Czech desks—throughout the 1950s and for most of the 1960s.[260] In an effort "to define an RFE policy," Altschul himself sounded this theme in a broadcast he delivered on behalf of the Polish desk in March 1951, calling for renegotiation of European frontiers at a peace conference to be called at some subsequent date but making no commitments to any specific solution.[261]

In the same speech, Altschul also sought to alleviate Polish fears that Western policies would rebuild German military power and enable that country to dominate its neighbors once again. At the end of 1950, the news that West German forces would be included in the new NATO command alarmed many in Eastern Europe, appearing the thin end of a wedge that might lead to a German military revival. The policy guidance memorandum on the subject that Altschul prepared in late December 1950 told RFE personnel to stress: "This is not a rearming of Germany, or the creation of a German military force. It is merely a means of using some Germans to help defend Europe against Communism." Moreover, there would "be no such thing as a German general staff"; and German units would be small, integrated into the forces of other North Atlantic countries, scattered among no less than sixty divisions of such forces, and at most

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[260] On these issues, see Puddington, *Broadcasting Freedom*, 73-81; Johnson, *Radio Free Europe and Radio Liberty*, 69-71.

[261] Altschul, "Polish Commentary," March 22, 1951, File Radio Free Europe, Organizations File, Altschul Papers; on this broadcast, see also Galantière to Jackson, June 19, 1951, File Free Europe Committee-Memoranda 1951-1955, Box 190, RFE/RL Corporate Records.

amount to no more than 150,000 of the more than 1,000,000 troops belonging to the North Atlantic Pact forces, which would be commanded by generals who had fought the Germans during World War II, most notably General Eisenhower.[262] Altschul also suggested that RFE broadcasts should stress the extent to which the Soviets had already rebuilt substantial East German armed forces, including military, naval, and aviation forces. In addition, this directive claimed, the Soviets still had at their disposal 300,000 German soldiers captured during World War II, a force reputedly commanded by German Field Marshal Friedrich von Paulus.[263] Speaking to a Polish audience a few months later, Altschul followed his own advice, seeking to reassure his listeners that Americans were "as alive as you are to the dangers which a reviving German militarism might present." He quoted from a speech by Eisenhower to the effect that, before German forces were included in any kind of army, Germany would have to demonstrate that it was "committed beyond the shadow of a doubt to the long range policies of the democratic world."[264] Similar assurances were included in a broadcast to Czech listeners on May 1, 1951, to mark the beginning of operations of a new RFE transmitter beamed at Czechoslovakia.[265] So concerned, indeed, were RFE executives and desk officers about the possibility that their Munich station might be perceived as subject to undesirable German influence, that Altschul worried that too many Germans might be present at that facility's opening day ceremonies, and asked Lang to emphasize that German officials had no role in making RFE policy.[266]

In May 1951, the RFE's Munich offices finally became operational, under the direction of Richard Condon. This was not, it seems, the easiest of tasks. Gradual slippage in the proposed date for beginning on-air services, from April 1st to April 15th, and then April 24th, to the "middle or end of May unless something pretty drastic is done immediately," finally led Jackson to explode: "<u>That station must be on the air May 1st—or else</u>! I don't care if it is put together with string and chewing gum." Failing to make the May Day deadline, he warned, would mean that the station would lose "an absolutely invaluable psychological warfare opportunity."[267] The station initially had services broadcasting full-time to Hungary and Czechoslovakia, with less extensive programming aimed at Poland, Romania, Bulgaria, and for a while Albania; it also served as the chief headquarters of Radio Free Europe, even though the organization maintained facilities in New York. Gradually the organization expanded its services to Poland, Romania, and Bulgaria. A report by a special consultant from Westinghouse Electric, who examined all the European facilities, both operational and still under construction, from May 1 to early June,

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[262] "Policy Guidance Memorandum #6 (General), December 26, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[263] Altschul, policy guidance memorandum, "East German Armament," December 26, 1950, File National Committee for a Free Europe, Organizations File, Altschul Papers.
[264] Altschul, "Polish Commentary," March 22, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[265] Altschul, "Draft of Proposed Broadcast to Czechoslovakia over medium wave transmitter, Broadcast #2," n.d. [April or May 1951], File Radio Free Europe, Organizations File, Altschul Papers.
[266] Altschul to Lang, May 1, 1951, Lang to Altschul, May 1, 1951, File RFE Offices-Munich-General 1951, Box 282, RFE/RL Papers.
[267] Jackson to Lang, March 14, 1951, File RFE Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records [Jackson's underlining].

concluded that, although these were "still in the throw of 'building up', and without any pattern or precedent to follow, RFE has made remarkable progress—is, in fact, already an operating organization." Any difficulties were caused by

> nothing more than the normal growing pains of an organization that has built itself up within a few short months from practically nothing to a present staff of between five and six hundred people who now operate or will shortly complete and start to operate 7 (including Portugal) widely scattered radio transmitting and/or receiving stations, 12 news bureaus and several other allied facilities in a foreign country 3000 miles from its home office, under conditions and circumstances almost totally unparalleled in ordinary U.S. business procedures.

"'Piecemeal' authorization of various segments of both the organization and the physical setup" had been responsible for "a certain amount of delay, duplication of effort, red tape, and frustration." The Munich facility, in particular, had expanded from premises expected to house 200 people to an organization that already employed more than 400. These staff, however, were "performing that mission with energy, initiative and enthusiasm considerably above normal."[268]

In a ceremony at the Waldorf Hotel in New York, in April 1951 the Free Europe Committee received a Lord and Taylor award for its attainments. Altschul proudly told a friend that at the end RFE would follow suit and accept a Peabody award for its accomplishments, something he found "as gratifying as it is surprising," since though the organization was "plugging along" and he believed it was "doing effective work," RFE broadcasts could not be heard in the United States.[269] Altschul nonetheless took the opportunity of the opening of the Munich headquarters to offer his resignation as treasurer and head of the radio committee to C. D. Jackson, president of the Free Europe Committee. Looking back on more than two years of full time work, Altschul reflected on his accomplishments. Over the previous year his main preoccupation, he revealingly stated, had been broadcast policy, with the objective of ensuring "that the propaganda line followed was sound, and that while we must be ahead of Government we were never so far ahead as to cause embarrassment." He had also sought to improve the quality of programming, and to attract high quality staff. With the major RFE facility now functioning overseas, Altschul claimed that "there is nothing left for me to do at NCFE of such importance as to warrant the continuing sacrifice of full-time and effort." He did, however, offer to remain a member of RFE's board of directors and executive committee.[270]

This did not mark the end of Altschul's involvement with Radio Free Europe. In response, Jackson apparently asked Altschul to work with the Free Europe Committee in a capacity that,

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[268] R. G. Duffield, "Survey Report on Radio Free Europe," n.d. [June 1951], File RFE General April-December 1951, Box 265, RFE/RL Corporate Records; Johnson, *Radio Free Europe and Radio Liberty*, 20-21.
[269] Altschul to Benjamin Bogin, April 22, 1951, File Bar-Boy, General Correspondence, Altschul Papers.
[270] Altschul to Jackson, May 23, 1951, File National Committee for a Free Europe, Organizations File, Altschul Papers.

while freeing him from a regular nine to five office routine, would allow him to undertake "strategic planning." This would involve regular contacts "on policy matters with our friends below" in the CIA, and attempting to set long-term policy for the Committee, especially for Radio Free Europe. It seems that Altschul accepted this role as elder statesman and *éminence grise* to the organization, though he ended his time as chairman of the Radio Committee and treasurer in August, and resigned from the board of directors in December 1951.[271] At least one OSS veteran, H. Gregory Thomas, an American international lawyer who became president of Guerlain Inc. and, after World War II, served Chanel Inc. in a similar capacity, took the opportunity to praise Altschul's "tireless and invaluable contribution to the development of the whole RFE program" and thought his "continued interest" in the Free Europe Committee and RFE "of the highest usefulness to our future."[272] There were some signs, however, that Altschul was believed to have outlived his utility, at least in terms of supervising the day-to-day running of RFE. William E. Griffith, who had moved to Europe in early 1951 as policy adviser to RFE's Munich operations, thought Altschul's resignation "for the best for everyone concerned," and agreed with Jackson "that events have passed him by."[273] Altschul himself would later recall that at the time he "left NCFE, the morale of the organization, if no longer at the highest point, was still high."[274] This probably reflected the fact that for him the demanding days of starting Radio Free Europe from scratch and bringing it into being were the high point of his experience with the enterprise; more routine operations did not engender the same sense of excitement and engagement.

Whether Altschul took any further role in the internal reorganization of RFE New York is unclear. Despite his now ill-defined role, for the next two years Altschul undoubtedly continued to show considerable interest in the organization, proffering advice from time to time and assisting with particular issues, including efforts to resolve disputes within some of the émigré National Councils. In August 1951 he was one of a committee of three, the others being Robert Lang, director of Radio Free Europe, and Free Europe Committee vice-president Spencer Phenix, appointed to consider proposed candidates to head and staff the Hungarian desk in Munich.[275] He told William Benton, who as assistant secretary of state for public affairs immediately after World War II had helped to keep the Voice of America radio station in existence, that his "full-time operation duties with RFE have come to an end," though he was

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[271] Altschul, draft letter to Jackson, n.d. [1952], File National Committee for a Free Europe, Organizations File, Altschul Papers; Altschul to Jackson, March 23, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[272] H. Gregory Thomas to C. D. Jackson, July 23, 1951, File Gregory Thomas, Box 344, RFE/RL Corporate Records.
[273] Griffith to Jackson, June 2, 1951, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records.
[274] Altschul, memorandum, May 16, 1955, File Radio Free Europe, Organizations File, Altschul Papers.
[275] Lang to William T. Rafael and Richard J. Condon, August 7, 1951, also unsigned memorandum, "Hungarian Personnel," July 11, 1951, and Lang to Dolbeare, July 23, 1951, File Desks-Hungarian-General 1951, Box 277, RFE/RL Corporate Records.

still "in intimate touch with the broad questions of administration in policy."[276] A few weeks later, in October 1951, Altschul and his wife visited Europe, where they spent some time in RFE's Munich headquarters, as additional transmitters were put into service. He described the new outfit in the warmest terms, telling Jackson: "The enthusiasm of the American and exile staff is beyond all praise. The stories of devotion to a great cause are legion. The physical equipment . . . is businesslike in the highest degree."[277]

Altschul continued to demonstrate genuine interest in RFE issues that possessed some kind of diplomatic ramifications. Defining the relationship between RFE, the National Committee, and the exiles was a subject that continued to preoccupy not just those organizations, but also the United States government. In late May 1951, Altschul's staff and the head of the Hungarian National Council approved a memorandum stating that RFE would seek to invite exiled Hungarians of all classes and political outlooks, not simply political leaders, to deliver short, people-to-people addresses over its facilities. These would highlight the efforts these individuals were making to further their country's liberation, and their hopes for its future. The objective was to make the station "the 'mouthpiece' of Hungarians abroad and the personal voice of all classes, religions and professions in the homeland." RFE officials hoped this would serve as a model for similar understandings with the other national councils.[278] In mid-1951, four of the NCFE staff planned to meet with representatives of both the CIA and the State Department with special responsibility for Eastern Europe, "to discuss each of the countries of Central and Eastern Europe with which the NCFE is concerned, in order that the detailed administrative functions which have been entrusted to the NCFE might be carried out in conformity with the broad principles entertained in Washington." NCFE sent preliminary memoranda to Washington describing its current relationship with "the organized exile committees, as well as some of the problems which have developed." Jackson felt that in the past the National Committee's relations with both the CIA and the State Department had "been done on a more or less ad hoc basis," and that more systematic coordination "on long form planning and thinking" was desirable. Such matters had long concerned Altschul, but it is not clear whether or not he was involved in these particular talks.[279]

German-related issues continued to absorb Altschul, and he was one of the inner circle of top executives involved in the formulation of RFE policies on these subjects. The Sudeten and Oder-Neisse questions were both extremely sensitive, especially given RFE's dependence on

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[276] Altschul to William F. Benton, September 18, 1951, File William F. Benton, General Correspondence, Altschul Papers.

[277] Altschul to Jackson, October 8, 1951, File National Committee for a Free Europe, Organizations File, Altschul Papers; see also Altschul to Kennan, October 8, 1951, File George F. Kennan, Catalogued Correspondence, Altschul Papers; Biggs to Washburn, October 11, 1951, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records.

[278] P. Fabry to Joh F. Leich, May 23, 1951, enclosing memorandum, May 22, 1951, File Radio Free Europe-Policy Matters-Hungary, Box 288, RFE/RL Corporate Records.

[279] Dolbeare to Dulles, June 15, 1951, File Free Europe Committee-General 1949-1956, Box 191, RFE/RL Corporate Records.

West German goodwill for the continuation of its operations in Munich and elsewhere in Germany. As the government of the German Federal Republic gained increasing independence, and was increasingly subject to domestic political pressures, these issues became more rather than less fraught. In his March 1951 broadcast to Polish listeners, probably the first occasion on which RFE addressed these topics, Altschul sought to hedge the issue by simply deferring settlement of these difficult questions to a future peace conference, once Soviet control of Eastern Europe had ended.[280] In a press conference held on April 30, 1951, Jackson stated that "RFE would not discuss the Sudetendeutsch question at the present time," a position subsequently quoted by German officials. Griffith nonetheless expected further trouble from the particularly influential and generally right-wing Sudeten Germans.[281] In early June, Griffith held further discussions on the topic with both German officials, notably Wenzel Jacksch, refugee commissioner for the State of Hesse and "the most influential person in [the West German Social Democratic Party] concerning refugee affairs, and Hans Ehard, the minister-president of Bavaria. These meetings were facilitated by Ernst Anspach, Chief of the Political Affairs Division of the High Commission in Germany.[282]

The Czechoslovak National Council split over the matter, disintegrating into two separate organizations; those involved were also well aware that there were dissensions on the subject among American officials, as Griffith reported to John Leich of the CIA. In June 1951 Griffith told one, relatively neutral Czechoslovak that he "thought American public opinion was becoming less and less approving of the extent of the expulsions and that [he] wondered whether some attempt at rapprochement between the more reasonable Czech émigré and Sudetendeutsche circles might not be attempted." His interlocutor said that most Czechs were not sympathetic to this perspective, and the two agreed "that while the Council was still split nothing could be done about that in any case."[283] Ferdinand Peroutka, a journalist who was a prominent member of the Czechoslovak National Council, was a long-time associate of Benes who was writing of biography of his country's former leader. He longed to make broadcasts justifying the decision by Benes to expel most of the Sudeten Germans in 1945. RFE executives were only too well aware how controversial these might be, given the readiness of the Sudeten Germans to make political capital of any Czech or American move. In early June, they obtained a translation of a memorandum circulated to the members of the Committee for the Protection of Sudeten-German interests, which attacked RFE broadcasts for glorifying the pre-1948 Czech Republic, while

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[280] Altschul, "Polish Commentary," March 22, 1951, File Radio Free Europe, Organizations File, Altschul Papers; on this broadcast, see also Galantière to Jackson, June 19, 1951, File Free Europe Committee-Memoranda 1951-1955, Box 190, RFE/RL Corporate Records.

[281] Griffith to Jackson, May 30, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.

[282] Ernst Anspach to Griffith, June 11, 1951, enclosing Anspach to Mr. Dayton, June 11, 1951, Griffith to Jackson, June 14, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.

[283] Griffith to John Leich, June 15, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.

remaining silent on the subject of the Sudeten Germans.[284] Griffith apparently recommended to RFE's headquarters in New York that Peroutka must refrain from any broadcasts defending Benes' policies towards the Sudeten Germans, a policy in which Jackson, Dolbeare, and Phenix all concurred, while the slightly less circumspect Altschul and Galantière felt that "only a temporary postponement is advisable."[285]

Galantière's feelings on the subject were, if anything, stronger than those of Altschul. Initially, the policy guidance offered by Galantière in New York in May 1951 was to the effect that "RFE is the exiles' radio, not an American Voice. To be the exiles' radio, it must carry an authentic exile tone. Where one of the chief exile preoccupations—I should say, one of the chief national preoccupations—is boundaries, and this is part of the 'authentic tone' I speak of—we must allow mention of boundaries."[286] In mid-June he protested strongly against the position that RFE broadcasts should not discuss the Sudeten German question, suggesting that the Czechs should promise that any non-Soviet dominated Czech government that came to power should offer compensation to ejected Sudeten Germans. He had read the scripts of Peroutka's proposed broadcasts on Benes, and considered these "dispassionate and eloquent," with "nothing in them to which Slovak or Sudetenlander or German could object—nothing." He therefore "consider[ed] it a mistake to suppress them." German political attacks on RFE Munich by either Rightists or left-wing "neo-nationalistic Social Democrats" Galantière believed came from "simili-Gaullists hipped on national sovereignty, and neutralists avid to prove to Moscow that they will make no trouble for the Kremlin"; both, he felt, RFE should either ignore or oppose.[287]

Disregarding this counsel, on the advice of the State Department RFE's European officers and Jackson simply ruled any discussion of both the Sudeten Germans and the Oder-Neisse Line out of bounds to either the Polish or the Czech national desks.[288] Although uncomfortable with these policies, which he felt amounted to acquiescing in "allowing the Germans to censor us," Galantière reluctantly accepted them, even fruitlessly suggesting once again that the Czech representatives might use RFE to promise that, once Soviet rule was removed, a free Czech government would offer compensation to those Sudeten Germans who had been ejected in 1945.

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[284] Translation, "Radio Free Europe," Munich, June 7, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records; on the overall situation, see Puddington, *Broadcasting Freedom*, 77.
[285] Leich to Griffith, June 14, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.
[286] Galantière to Barbour, May 7, 1951, File Free Europe Committee-Memoranda 1951-1955, Box 190, RFE/RL Corporate Records [Galantière's underlining].
[287] Galantière to Jackson, June 18, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.
[288] Jackson to Galantière, June 22, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records; "RFE Oder-Neisse Policy," "RFE Policy on the Sudeten Problem," and "RFE Policy on the Slovak Question," n.d., attachments to Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, enclosed in Helen B. Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers; Puddington, *Broadcasting Freedom*, 77.

Galantière nonetheless deeply regretted the decision to remain silent on questions the Germans found controversial, a stance he felt compromised RFE's basic character:

> I agree that this is not the moment for elaborate negotiation and documentation of our point of view. But I insist that if we begin to play the diplomatic game (specially in this passive, appeasing fashion) we shall lose all character. In this yielding to pressure there is no reference back to what RFE stands for. I say that RFE is a moral as well as a political instrument. It speaks the honest thought of honorable men (who happen to be Americans). It wants not merely abstractions like peace and freedom, but more concrete things like decency and fair play. Its uniqueness lies in this, that it is not playing the diplomatic game.[289]

Other RFE officials were less idealistic. In mid-1951, Lang told Altschul that "the Sudetan [sic] and Benes problems get tougher and tougher, and we simply have to lay off if we are to continue in business in Germany."[290] A few days earlier, he had told Jackson that: "All here [in Munich] agree the Sudeten problem is untouchable."[291] Griffith was in complete agreement. To John Leich of the CIA, he wrote that he could "well imagine that we will have considerable difficulties with Polish broadcasting here [in Germany] as far as the Oder-Neisse Line is concerned but it seems to me absolutely essential that we should never mention it on any of our broadcasts as long as we continue to have any broadcasting operations originating in Germany."[292] Writing from Munich in late June, Griffith likewise warned Altschul that it was "utterly impossible for us to discuss favorably the Oder-Neisse line and continue operations here. . . . My personal feeling is that we must make it very clear to Polish desk personnel employed here that the subject of the Oder-Neisse line is absolutely tabu."[293]

Throughout the summer of 1951, Griffith continued to have sporadic discussions with prominent German politicians, in which he emphasized that Radio Free Europe was neither anti-German nor opposed to the Sudeten Germans, and that it took no official position on the questions at issue between the latter and the Czechoslovaks. To prove his point, with Jackson's approval he even sent copies of selected scripts from Radio Free Czechoslovakia to sympathetic German

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[289] Galantière to Jackson, June 19, 1951, File Free Europe Committee-Memoranda 1951-1955, Box 190, RFE/RL Corporate Records.
[290] Lang to Altschul, June 26, 1951, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records.
[291] Lang to Jackson, June 23, 1951, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records [Lang's underlining].
[292] Griffith to John Leich, June 15, 1951, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records.
[293] Griffith to Altschul, June 27, 1951, File Radio Free Europe-Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records.

leaders.[294] An unsigned memorandum on the subject in RFE files suggested that RFE representatives should make it clear that no solution of the problem was possible until Czechoslovakia had been freed from Soviet rule. When that had been accomplished, RFE's position "should be that the problem of the Sudeten Germans must ultimately be dealt with in negotiations between a free and independent Czechoslovakia and a free and independent Germany, and the hope must be expressed that when this time comes passions will have cooled to such an extent as to make an equitable settlement possible." RFE should also seek to dissociate itself from right-wing Slovak elements, such as those centered around General Lev Prchala, who had entered into an effective alliance with the Sudeten Germans.[295] Both Griffith and Jackson eventually demonstrated considerable frustration with what they felt was Czechoslovak intransigence on the problem.[296] Jackson, who felt that the Americans and RFE in Munich were attracting unjustified criticism, the product of Czech reluctance to make any concessions on the Sudeten German issue, eventually proclaimed: "While it may be a source of considerable personal satisfaction to many of us to be emulating a combination of Horatius at the Bridge, the Boy on the Burning Deck, and the little Dutch boy with his finger in the dike, at the same time it occasionally seems a trifle ridiculous for us the Americans to be bearing the brunt not only of our own many sins, but all the exile sins as well."[297] The German problems were to be a source of constant irritation, in which Jackson and Altschul alike remained involved even after both men had largely cut their formal ties with Radio Free Europe.

Radio Free Europe: Bureaucratic Battles, 1951-1952

Internally, RFE also faced some difficulties, not least because its rapid development and expansion had far outpaced its original organizational structure. The combination of Altschul's departure, the appointment of Jackson to head the National Committee for Free Europe, and the establishment of the Munich broadcasting facility, became the occasion for a substantial reassessment of the operational effectiveness of the New York headquarters of the committee, including its role in RFE and control over the radio's national desks. This was only part of a broader reorganization. In January 1951, when the Free Europe Committee selected Jackson as its new president, he was specifically mandated "to take appropriate steps to organize the

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[294] Griffith to Jackson, July 3, August 2, 9, 30, September 5, 1951, Jackson to Leich, August 8, 1951, Jackson to Griffith, September 10, 1951, Jackson to Lang, Griffith, Dolbeare, Rafael, and Galantière, September 10, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.

[295] Memorandum on the Sudeten Crisis, July 12, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.

[296] Griffith to Jackson, September 5, 1951, Jackson to Leich, September 11, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.

[297] Jackson to Leich, September 11, 1951, File Offices-Munich-Sudeten Material 1951, Box 285, RFE/RL Corporate Records.

Committee for effective action."[298] White, a public relations executive brought in to assist in this effort, suggested that everyone involved with RFE be asked to produce a short "credo" that would "appeal to patriotic, humanistic, religious emotions," one "broad enough to encompass any reasonable future program of political action," with a prize offered for the best effort. This would then be reworked, possibly with the help of a professional advertising consultant, "until it approaches psychological perfection." It would take no more than one minute to recite, and "should be so phrased as to be as easily memorized as the Lord's Prayer."[299] Altschul, always eager to take on such a challenge, responded with a less than succinct effort. In apocalyptic language, his preamble declared:

> Free men everywhere are today engaged in an epic struggle. A new tyranny, far more evil than any which history records, seeks to impose its rule throughout the world. Its atheistic philosophy denies all those fundamental values which lie at the foundation of our civilization. It conceives of the average man as a soulless robot, who, once indoctrinated, can be made to carry out mechanically the orders of a despotic master. It has set no limits on its mad drive for power.

Not only did this "tyranny" seek to destroy freedom of all kinds; in its quest to defend its actions and depict itself as a friend to working people, communist propaganda also abused the meaning of language. Altschul's credo highlighted the values of peace, freedom, "the dignity of man and the worth of the individual." Sounding themes he would reiterate on many occasions, he pointed out that not only had modern technology created "weapons of unparalleled destructive power," it had also "developed machines and products and techniques which, if turned to the arts of peace, can not only materially improve living conditions throughout the world but also usher in the dawn of a new era of social justice." Freedom could mean "freedom from a bitter sense of insecurity, evidenced by a progressively higher standard of living for the broad masses everywhere." This new era would not occur until the Soviet Union renounced its determination "to hold its own people in serfdom, to enslave its neighbors, and to rattle the sabre of aggression on every frontier." Until that "great liberating movement" occurred, the West must "let nothing deflect it from the determination to become invincibly strong."[300] Altschul's emphasis on butter over guns would become even more pronounced in coming years. His credo did not, however, become RFE's new watchword.

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[298] Jackson to Executive Committee and Board of Directors of the National Committee for a Free Europe, Inc., October 17, 1951; for further details of this reorganization, see this memorandum and Jackson to Executive Committee and Board of Directors of the National Committee for a Free Europe, Inc., October 18, 1951 (2 memoranda), File Free Europe Committee-Board of Directors, Box 189, RFE/RL Corporate Records.
[299] White to Altschul, Galantière, and Thorbecke, June 14, 1951, File Radio Free Europe-General April-December 1951, Box 265, RFE/RL Corporate Records.
[300] Altschul, "Preamble and Credo," June 20, 1951, File Radio Free Europe-General April-December 1951, Box 265, RFE/RL Corporate Records; another copy is in File National Committee for Free Europe, Organizations File, Altschul Papers.

A few months earlier, Altschul publicly described how he and Galantière, the New York policy adviser, supervised the production of RFE scripts and broadcasts. Just how well such arrangements worked in practice was a moot point. Organization charts notwithstanding, in mid-1951 Galantière wrote that where "the New York operation" of RFE was concerned, "it is fair to say that, except in Barry Mahool's head, the left hand has never known what the right hand is doing." Describing some of the existing weaknesses, he continued:

> Special Events attends guidance meetings, but it learns nothing from them for the reason that it doesn't imagine that they affect its work. It is still thinking in terms of exile leaders, 'interesting' personalities, etc. Too much free-wheeling. Program doesn't attend guidance meetings, has no background of knowledge of our real concerns, leaves it to the desk chiefs to say what shall go into a day's broadcasting, and seems not to bother about ensuring that a proper balance shall obtain between what we must say for direct propaganda purposes and what we may add to that as relief from propaganda bombardment. News is doing extremely well in the way of choice and reporting of items: it could stand a touch of propaganda inoculation. Editorial is fairly on the beam as regards the scripts it initiates; it performs no service which contributes to better radio writing that I can discover. Desk X [secretly manned by consultant Ladislas Farago, who contributed material to the Hungarian desk from October 1950 to January 1952[301]] contributes good propaganda ideas and material, but only because it is aware of its function, not because it has been integrated into the whole. Albania needs to be brought in. Information (Weld) gets no help from the rest of the shop concerning what its agents should look for that would best contribute to our purposes. Incidentally, political views between the Dolbeare office [for liaison with the National Councils] and RFE are still uncoordinated.

In addition, the abrasive and undiplomatic Director of Planning, Reuben Nathan, was devoting himself to efforts to reorganize RFE's administration, while showing little interest in improving programming output. As for the national desk chiefs, they frequently ignored the policy guidances they were supposed to observe, in terms of appropriate subjects and the way these should be treated. This was in part because they had "been told that RFE was 'their' radio," but failed to realize that it was also "an American political instrument," ultimately answerable to "its supporters, the American people." Some desk chiefs "just don't believe the topics dealt with in the guidances should have priority over their own pet topics," while others were too incompetent to implement them, or lacked the strength of character to force intransigent subordinates and outside contributors to do so.

These operational flaws and weaknesses notwithstanding, Galantière opposed drastic plans for reorganization that Nathan advanced, schemes that would have greatly enhanced the authority of either the policy adviser or Nathan himself. Wryly, Galantière remarked that if Nathan "could be

[301] Cummings, *Cold War Radio*, 48.

trusted to handle people with tact, I would see to it—mere adviser though I am—that he got his way where his way seemed to me good." An alternative proposal that Nathan himself "be empowered by the Director to act in his discretion and in the Director's name, would be catastrophic, if adopted," Galantière warned. Organizational problems notwithstanding, "RFE is neither the Army nor VOA," but "a sensitive instrument from the fact of speaking, not with the voice of those who manage it but with the voices of those whom the management employs—free Czechoslovakia, free Poles, etc." Galantière believed "that in this respect RFE has been incredibly successful," and thought its administrators should "do everything possible to avoid disturbing this delicate situation by the introduction of disciplinary measures." He therefore intended to adopt a conciliatory approach in remedy the existing situation, while seeking to improve "day-to-day" coordination between the various units and make this "mandatory". The planning unit would focus on developing special campaigns; providing daily news guidances; and analyzing the effectiveness of RFE programs and the degree to which they conformed to broader policy. Galantière himself would draft "a set of basic guidances which would be broad enough to be made mandatory." In future, he intended to discuss the implementation of guidances by going over the Script Anaysis Reports at the weekly meetings he held with each national desk. Despite their weaknesses, "[i]n day-to-day work we shall continue to consult our language desk chiefs, to take account of the handicaps under which they work (e.g. lack of first class staff), and to suffer patiently their shortcomings so long as we are not able to replace them by better personnel." The Policy Adviser also planned to cut back on "free-wheeling" by certain individuals on "radio and radio policy" by holding regular "staff meetings," at which he would "be informed of everything that touches RFE policy and output."[302]

Leigh White, another new RFE official whom Altschul had hired, thought RFE's entire structure was "defective," insofar as: "The Planning Unit, whose function, I gather, is psychological warfare, has swallowed up the news department and usurped the editorial function. The result is poor news programs written by people who are not writers and edited by people who are not editors. RFE's propaganda suffers accordingly." Nathan he condemned as "qualified neither by training, experience, nor inclination" to act as news editor, and "consider[ed] his news judgment poor and his propaganda judgment faulty." Scripts were of "amateurish quality." Moreover, much of the international news that RFE purveyed to Eastern Europe was, White charged, of little interest to the audience, which for the most part cared about global developments only insofar as these might "hasten their liberation," and actually resented American peace moves in Korea and felt nothing but contempt for the United Nations. White recommended that RFE "separate the news department from the Planning Unit, raise it to the same level, and place it in

[302] Galantière to Lang, July 27, 1951 (2 memoranda), File Free Europe Committee-Memoranda 1951-1955, Box 190, RFE/RL Corporate Records. On Nathan's proposals for reorganization, see Nathan to Lang, July 26, 1951, Subject: Action Required to Solve Problems Vital to R.F.E.," July 26, 1951, File Free Europe Committee-Memoranda 1951-1955, Box 190, RFE/RL Corporate Records.

the hands of an experienced radio news editor responsible only to Messrs. Altschul and Galantière."[303]

Debate as to the role of the National Councils was another continuing theme. CIA officers, especially the new regime of W. Bedell Smith and Allen Dulles, tended to consider them more trouble than they were worth, and sought to rein them in. At a Georgetown dinner party in April 1951 Dulles told Maynard Barnes, a former American minister to Bulgaria who had also served in the Paris embassy, that "these refugees had never lived so well in all their lives," and were now "getting too big for their britches." The Bulgarian left-wing Agrarian Party leader, Dr. George M. Dimitrov had, he complained, "gone practically wild"; ex-prime minister Stanislaw Mikolajczyk of Poland "never did have any brains"; and the Hungarian Ferenc Nagy was "saying terrible things about us. I know it because we intercept his mail." The émigrés would, he concluded, "have to do what our people . . . told them to do or else."[304] Not long afterwards, Lewis Galantière of the New York office produced a memorandum, in connection with RFE difficulties in Germany over Czech policies on the Sudeten Germans and Polish views on the Oder-Neisse line, in which he laid down a rather strict interpretation of RFE's relations to the exile groups. The station was, he declared, "a political instrument of the American people; not of any exile council, or party within a council, or splinter group within a party; or of the refugee representatives of any ethnic majority of minority within a country to which we address ourselves."

> RFE gives time on the air to persons who are qualified representatives of councils, parties, groups; but on these conditions: (a) that they speak in their own name or in the name of their organization, not in the name of RFE; (b) that they do not use our facilities to attack any of their compatriots other than those who lead or collaborate with the Soviet-dominated regime in their country.
>
> RFE insists that European members of its staff, in their work as RFE personnel, concern themselves with the objectives of RFE and not with the partisan objectives of the councils, parties, or group to which they may very properly belong. The objectives of RFE are, very simply, to encourage resistance to the Soviet-dominated regime and to sow dissension among the administrators of the regime and its institutions as a contribution to the eventual liberation of the country from a foreign power—a power dominating the regime in the interest of Soviet imperialism and not in the interest of the people it governs. This is our purpose, stated affirmatively.
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> RFE is interested in the views, sentiments and concerns of Europeans in exile only in so far as those views, sentiments and concerns appear—as well as our information permits

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[303] Leigh White to Altschul and Galantière, June 15, 1951, File Radio Free Europe-General April-December1951, Box 265, RFE/RL Corporate Records.
[304] Carmel Offie to Jay Lovestone, April 4, 1951, quoted in Wilford, *The Mighty Wurlitzer*, 38, and Morgan, *A Covert Life*, 219.

> us to determine—to be accurate reflections of the views, the sentiments and the concerns of the people at large in the country we address. We care about what is thought, felt and endured by the people we address; we do not, as a radio operation, care about what is thought, felt and endured by the politically organized exiles except as they contribute to our objectives. In so far as the exiles' objectives are not identical with our objectives—in so far, for example, as an exile group is concerned only with its seizure of power, and not with contributing to the liberation of its people—we are not interested in the exiles. That is our purpose stated negatively.[305]

The State Department's Office of Eastern European Affairs, which still held to its longstanding belief that RFE should be run by the various exile National Councils, returned to the charge a few months later. In a "Strictly Private" memorandum sent to the Free Europe Committee in January 1952, the office stated that both Radio Free Europe and the Free Europe Committee had oscillated between "two interpretations of their functions." The first, which had been dominant when the "mission" of the two organizations was set forth, "gives dignity and importance to the National Councils as the leadership organs of the Eastern European peoples in their struggle against the respective Communist dictatorships and defines the principal function of RFE as providing a way of communication between these councils and the homelands in conducting the liberation struggle." According to the second, which the office thought was currently predominant in RFE operations, "the RFE is apparently considered a predominantly American enterprise with the objective of achieving a bigger, better, more hard-hitting and more publicized propaganda program than the VOA but not differing fundamentally from the character and course that VOA has already marked out." This outlook "reduces the position of exiles connected with the RFE to that of professional employees engaged by the Americans, and the National Councils are given no direct responsibilities." The Office of Eastern European Affairs generally preferred the first of these models, warning that "[i]f RFE continues along its present course it will in our opinion become in the end simply another VOA. . . . If RFE is to achieve its first promise and full justification it must become the Voice of Eastern European freedom speaking through the mouths of the Eastern European leaders themselves."

The Office of Eastern European Affairs argued that the National Councils needed more, not less, responsibility, contending that "unless the RFE broadcasts are made in the name of the National Councils and the free exile leaders of Eastern Europe can speak regularly to their people by this medium the National Councils will never become more than creatures of arrested development and, deprived of the possibility of realizing one of their most important functions, will preoccupy themselves with sterile partisan rivalry and internal differences." Unfortunately, at the time of writing only the Hungarian National Council was "active in any degree as a unified and effective leadership group." The office therefore recommended that the Hungarian National Council be entrusted immediately with "the proposed RFE responsibilities," an action it hoped would

[305] Galantière to Jackson, June 19, 1951, File Free Europe Committee-Memoranda 1951-1955, Box 190, RFE/RL Corporate Records.

encourage other "national exile groups to pull themselves together into some kind of unified and active councils." Too much direct intervention by the National Free Europe Committee in the affairs of exile groups would, the authors warned, probably prove counterproductive. Once the National Councils had "taken charge of the broadcasting efforts to their respective homelands," they would still need some assistance and supervision from American officials, in terms of the provision of guidelines for any discussion of American foreign policy; "preventing partisan abuses such as the disproportionate use of the RFE by one party"; and ex post facto reviews of programs to avoid "abuses of any types." Overall, State's Office of Eastern European Affairs thought it "desirable to allow the councils the maximum scope of activity and responsibility in the RFE effort they are capable of undertaking in order to nurse the health and vitality of these councils as leadership organizations in the liberation struggle."[306]

Rather waspishly, Adolf A. Berle, a founding Free Europe Committee director, characterized certain "divisions of the Department" as demonstrating "an inert desire to continue the original policy" on the National Councils.[307] Another reason driving the State Department's effort to make the National Councils the governing force in Radio Free Europe was, as a 1952 Psychological Strategy Board report on U.S. agencies engaged in overt foreign information and propaganda recognized, fears that RFE represented a threat to the State Department's Voice of America station. The Office of Eastern European Affairs apparently allied itself with the International Broadcasting Division in the Department's Public Affairs Office, which had its own reasons for trying to cut RFE down to size. Although State Department officials had initially "expressed firmly the view that there would always be room for RFE," the latter's "relatively greater aggressiveness" and highly publicized fundraising campaign were perceived as implicitly raising comparisons liable to damage VOA's "ability to extract full appropriations from Congress." Imitating its rival, in Eastern Europe VOA had also "adopted a number of the distinctive techniques developed by RFE," so that "the distinction between the two ha[d] diminished." The Hungarian Council's success in mounting "a propaganda barrage which, while it is authentic, aggressive and quite effective, is nevertheless American in orientation," had impelled the State Department to contend that it should take over the Hungarian radio service entirely. Opponents of this proposal feared, however, that "such a shift of responsibility would serve only to split the Hungarian Council." One even compared this with "the struggle that would ensue if Truman, Taft, MacArthur, Hoover and a few other political leaders, all in exile on Madagascar, were trying to get their hands on a microphone beamed at the U.S.A." The report nonetheless suggested that RFE's successes had become "a case of the tail beginning to wag the dog." The dilemma for the State Department was that: "Further expansion of RFE will intensify the problem of defining the respective roles of RFE and VOA. On the other hand, any cutback

[306] State Department, Office of Eastern European Affairs, "The Functions of NCFE and RFE," January 23, 1952, File Free Europe Committee-General 1949-1956, Box 191, RFE/RL Corporate Records.
[307] "Notes on Meeting Held at Radio Free Europe, Munich, on Saturday, August 30, 1952," File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

or slowdown in RFE operations could well lead to repercussions from a public convinced that VOA was attempting to undercut a successful competitor."[308]

This renewed attack from State undoubtedly demanded some definite reaction. In spring 1952, Altschul was one of five individuals—the others being Lang, Galantière, Adolf A. Berle, Admiral Harold B. Miller, the new head of the Free Europe Committee—invited by Jackson to a ninety-minute "policy discussion session."[309] Almost certainly, exile relations would have featured prominently at this meeting, but so far no record of it has surfaced. Other American RFE officials, notably William E. Griffith, policy adviser to the organization's European director, were equally concerned by these problems. One knowledgeable historian considers Griffith one of the four individuals who had most to do with making RFE a successful operation.[310] Robert Lang, Radio Free Europe's first director, said in 1951 that Griffith "lives and breathes nothing but his work and is, I think, absolutely first rate at it."[311] Another, more critical RFE employee described him as the "linchpin of the entire organisation in Munich in the 1950s," a man of "intellectual brilliance" whose "well-furnished mind, his delight in mental fireworks, and his superb recall" made him "an intellectual's intellectual if there has ever been one."[312] How much input Altschul had into the evolution of Griffith's emollient and hidden hand approach to future RFE dealings with the exiles, and the distance it sought to maintain from the New York-based émigrés, is unclear.

A memorandum Griffith produced in early 1952, a little more than eighteen months after RFE first began operations and almost a year after Altschul described the situation in detail to Jackson, gives some indication how this tricky and sensitive problem was resolved. Griffith stated that he himself was "far from sharing the oversimplified view that exile politics and politicians are factious, useless and completely obsolete." So long as the Free Europe Committee could provide "a desirable and increasing degree of sympathetic but firm guidance—to assist them," they had "a useful role to play." The various National Committees could even serve as convenient "symbols . . . in RFE broadcasts." Griffith had high praise for the exile staff of broadcasters, journalists, and other in Munich, "selected primarily for their professional competence," who often "c[a]me close to excluding the crippling aspects of exile politics from their radio work," and who tended to be "contemptuous of the endless bickering politicians," an outlook Griffith believed "top Americans should judiciously encourage." He thought the 3500 miles separating the exile committees in New York from RFE operations in Munich "an excellent practical as well as symbolic dividing line."

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[308] "The Voices of America," report enclosed in John Sherman to Taylor and Browne, March 4, 1952, Declassified Documents Reference System.
[309] Marie McCrum to Berle, Altschul, Miller, Lang, and Galantière, March 5, 1952, File Free Europe Committee-General 1949-1956, Box 191, RFE/RL Corporate Records.
[310] Mickelson, *America's Other Voice*, 39 note.
[311] Lang to Altschul, May 22, 1951, File RFE Offices-Munich-General 1951, Box 282, RFE/RL Corporate Records.
[312] George R. Urban, *Radio Free Europe and the Pursuit of Democracy: My War Within the Cold War* (New Haven: Yale University Press, 1997), 231.

This was not, however, the whole story, in Griffith's view; something more proactive was required. He believed that: "Top Americans in RFE and in NCFE's National Councils Division have and must continue to take coordinated action (in exile politics and in RFE operations) to assure that exile politics can and will stay out of NCFE's psychological warfare operations." For the sake both of encouraging "internal exile peace" and "the main reason—producing effectively balanced programs," RFE's exile staffs should not display a "politically unbalanced complexion." Borrowing a term recently made popular by the Harvard historian and former RFE adviser Arthur M. Schlesinger, Jr., Griffith stated that they needed to represent "'the vital center'—always looking forward toward the enslaved homeland and not backward to the stagnant pools of exile politics—[they] must be able to set forth the democratic alternatives, to report on conservatism and liberalism alike." Paradoxically, then:

> NCFE's two instruments, exile politics and psychological warfare, must work closely and continually together in fact, although—often very desirably—apparently separate—to achieve by political means the essential end—the separation to the highest possible point, of exile politics from RFE operations.

One way of accomplishing this objective was by maintaining what Griffith wryly described as "the illusion of freedom" among RFE's staff, both exiles and Americans, so that they "genuinely consider[ed] themselves to be a 'small devoted band' carrying the war to the enemy against enormous odds." With considerable cynicism—his memorandum was indeed classified "Strictly Confidential"—Griffith described how leading American and exile executives in RFE must internalize the requirements of their CIA paymasters, continuing:

> This feeling of freedom is indispensible. That it is in fact an illusion, albeit a convincing one, is even more so. In such an operation the personnel at the very top, exiles as much as Americans, ... must be so intimately attuned to the policies and wishes of their superiors—and indeed to the U.S. policy in general—that continual consultation is not necessary, but they must consult whenever required. The fact of this consultation, whenever possible, must be minimized except from those at the very top. Only in this way can the illusion of freedom be maintained.

The Americans needed to convince the exile staffs that they regarded them as "equal partners," even while they maintained ultimate authority over RFE's operations. A velvet glove should conceal any iron fist. Appropriate "symbols" would be "very important" in doing so, since "U.S. control of what is in the last analysis an instrument of U.S. policy must be effective and never in doubt, but it must be concealed whenever possible." Americans should never, for example, read broadcast scripts before their production. "American policy and control should be exercised only at the very top and then, when at all possible, by suggestions and advice rather than direction." Ideally, desk chiefs should decide on "[i]nitiative[s] and propaganda targets"; only when "absolutely essential" should Americans set these, "and then the desk chiefs should be allowed and encouraged to present the resultant product to the exiles as their own." Such a strategy

would demand both highly qualified desk chiefs, and also "enthusiasm—apparently carefree but actually highly controlled—and self-abnegation on the part of the Americans in charge." To accomplish this was, in Griffith's view, a microcosm of the larger tasks facing the United States, which had been "so rapidly and so completely thrust into the position of world leadership is now so unwillingly but inevitably embraces." With somewhat grandiloquent missionary enthusiasm, he concluded by listing the qualities that Americans would need for this enterprise: "It requires sophistication and youth; enthusiasm and calculation; the illusion of freedom and the reality of discipline. But this is the same challenge which America faces today throughout the world. Insofar as America is successful in meeting these demands, whether on the small scale of RFE or on the large scale of the struggle with Soviet imperialism, she will be successful" in attaining even broader goals.[313]

How well Griffith's prescriptions worked in practice was something of an open question. Radio Free Europe was a large organization, offering more than adequate scope for bureaucratic intrigue of every kind. Discontented exiles could usually find allies among the American staff. In June 1952, Galantière moved to rein in an effort by another RFE official, William J. Thorbecke, who conducted weekly meetings with the national desks, to shift the agenda of these gatherings from "information items or minor tactical problems" to "strategy and themes." The subjects addressed included such controversial topics as "Liberation," "European Federation and Post-liberation problems," "A German policy for the Czechoslovak station," and "Yalta and Potsdam." Participants were invited to submit a discussion paper in advance, and many of these documents ignored the guidelines already set forth in an extensive RFE Policy Handbook, largely written by Galantière and Griffith, issued in late 1951, not to mention specific Special Guidances and Daily Guidances. On controversial issues, the subsequent discussions were inconclusive, and in some cases the contemplated strategies contravened stated RFE positions. Sharply, Galantière concluded that these gatherings had been "unsatisfactory," continuing: "They may have produced good talk; they may have raised important questions; in no case have they had positive results; and in almost every case they have been characterized by a surprising absence of attention to the real business of the participants—which is propaganda, not political chatter." He proposed to institute changes in both their "procedure and purposes."[314]

The National Councils continued to be a major bone of contention. Many American RFE officials had little faith in their financial probity. In late April 1952 Tyler, never an admirer of the National Councils, wrote from Paris to the New York headquarters about additional measures the CIA and State Department were putting in place to assist East European refugees fleeing to the West. It was expected that the Free Europe Committee would supervise these programs. While Tyler approved these in principle, it seems that he deplored the idea of allowing "the

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[313] W. E. Griffith, "RFE—Four Essential Ingredients of Its Success," February 15, 1952, File RFE-Policy Matters General 1950-1956, Box 286, RFE/RL Corporate Records.

[314] Galantière to Lang, June 19, 26, 1952, File Free Europe Committee-Memoranda 1951-1955, Box 190, RFE/RL Corporate Records. A copy of the Policy Handbook is included in Box 79, Jackson Papers. See also Puddington, *Broadcasting Freedom*, 42-45; Nelson, *War of the Black Heavens*, 51-55; Hixson, *Parting the Curtain*, 61.

National Councils getting their hands on the additional funds" for escapees these involved. One New York officer of the Committee, most probably Galantière, replied to Tyler, reassuring him that "all of us here feel exactly as you do," and that discussions with others concerned "indicate[d]" such arrangements would be "set . . . up in such a way that we would do the disbursing, or at worst set up some pretty effective machinery for policing the project if they were to do any disbursing." "Ideally," Tyler's correspondent continued, this enterprise would require "a special department . . . adequately staffed by competent personnel experienced in the ways and wiles of these people."[315]

Disillusionment with the exile organizations was if anything growing within the higher echelons of RFE's organization. In August 1952, a meeting of top RFE and Free Europe Committee executives in Munich discussed relations with the National Councils in some depth. Griffith called for more coordination between RFE and the Committee's Division of Exile Relations. Galantière felt there was a need to reconsider overall broad "policy thinking" toward the East European refugees, inquiring whether "the Exile Relations Division was not, perhaps, pursuing policies laid down three years ago which seemed realistic at the time and were now outdated?" Even more impatiently, Berle "advocated that wherever the councils in New York made trouble for RFE, we should withdraw our support from them, and that the impression he had was that by withdrawing this support they would disintegrate." The disappearance of the national councils would not, Berle believed, "affect our cause." At the beginning of 1952, there had already apparently been one suggestion that the Free Europe Committee and RFE should deal with "representatives" of the exiles, rather than supposedly unified national councils. Galantière recalled that the two initial reasons why the Committee had taken an interest in the exiles had been, "first to nurse them as potential members of provisional governments, after liberation; secondly and more immediately, the fact that some exiles in the United States have nuisance power through 'hyphenated' citizen groups and can cause difficulty, for example in Congress." Arguing that "NCFE stand[s] in the locus of the State Department vis-à-vis the exiles," he suggested that the Committee should "have more complete freedom of action toward them." At the Munich meeting, RFE and Free Europe Committee officers decided to take up the entire subject of exile relations in "a high-level meeting" in New York.[316] Shortly afterwards, probably as a result of this second meeting, the Free Europe Committee attempted to rein in the constant émigré politicking and intrigues, no doubt in part by exerting financial pressure. By early October 1952, it had instructed all refugee groups based in Washington to relocate their premises and operations to New York, a move that would presumably diminish their ability to lobby and network with conservative congressmen and other associates and supporters. The politically savvy exiles responded with an end-run, complaining ferociously to Truman administration officials that the Free Europe Committee sought to "reduce them to the status of paid American

[315] Letter to Tyler, April 30, 1951, Department of State files, Declassified Documents Reference System.
[316] "Notes on Meeting Held at Radio Free Europe, Munich, on Saturday, August 30, 1952," File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

agents," threatening to mount "a major propaganda attack on American exploitation and abuse of émigrés and displaced persons."[317]

RFE's relations with other American organizations could be just as fraught as dealings with the refugee groups. In summer 1951 Altschul became involved in efforts to resolve tensions that had arisen between RFE and the government-funded Voice of America radio station.[318] The VOA had been founded ten years earlier, during World War II, as a propaganda organ of the United States government. Radio Free Europe's founders recognized that they might easily be perceived as competing with the VOA, and tried to forestall this. The original rubric of the Committee on Radio and Press, approved by the Free Europe Committee's directors in early August 1949, specifically stated: "In developing its facilities and programs the Committee will have due regard to the position of the Voice of America in the field of radio broadcasting toward Europe. It will seek to supplement and support what is already being done."[319] On several occasions in 1949 and 1950, Altschul specifically raised the question whether setting up RFE as a completely separate station was the most effective strategy, or whether it would make more sense for the two radio ventures to share facilities and perhaps even merge their operations. It was scarcely surprising if VOA executives nonetheless felt some resentment towards the new, freewheeling RFE, unfettered by congressional oversight and apparently with access to almost unlimited funding.

As early as January 1950, Altschul wrote to Edward Barrett, a *Newsweek* journalist and Free Europe Committee member who had just been confirmed as assistant secretary of state for public affairs, a position which gave him overall responsibility for supervising the Voice of America, to discuss relations between the Voice and the Committee's proposed radio venture.[320] Two days after RFE began broadcasting on a regular schedule, and ten days after the Korean War had begun, Altschul and Lang made a trip to Washington, where they and OPC representatives met with Foy Kohler, head of the State Department's International Broadcasting Division, which ran the Voice of America, and also with the director of the official American radio service in occupied Germany, Radio in the American Sector. The conference represented an attempt to try to clarify the extent and limits of the new station's operations and purposes. Seeking to define what distinguished RFE from the Voice of America, Altschul once more emphasized its private, unofficial character, and its close relationship with the East European exile communities. He stated that RFE "planned to use to the greatest degree possible the authentic voices of exiled political and intellectual leaders, and occasionally the voices of lesser known or unknown exiles," and to make its programs "local in nature," in terms of their relationship to the satellite

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[317] Wilford, *The Mighty Wurlitzer*, 38-39.
[318] The fullest account of the relationship and disputes between VOA and RFE is Krugler, *The Voice of America and the Domestic Propaganda Battles, 1945-1953*, 155-165. Krugler's account tends to downplay the rivalry and infighting between the two organizations.
[319] Resolution of National Free Europe Committee, August 4, 1949, attachment to Agenda for Meeting of the Executive Committee, May 4, 1950, File National Committee for Free Europe, Organizations File, Altschul Papers.
[320] Altschul to Barrett, January 3, 1950, File Edward W. Barrett, Box 154, RFE/RL Records.

countries. Lang brought the audience up to date with the tangible progress in developing RFE's European facilities. The meeting was apparently amicable. Altschul discerned "little evidence of antagonism around the table," rather a "spirit of cooperation." He concluded that, "while no concrete decisions were reached, there was a feeling that there had been on many points a meeting of minds."[321]

Harmony was still far from complete. In April 1950, the VOA had agreed to give RFE personnel access to its music library, summaries of Foreign Broadcast Information Service monitoring reports, and material the VOA itself had rejected as inappropriate for its operations.[322] In practice, this agreement may not have been entirely satisfactory. In August, the Radio Working Committee suggested that Poole should approach Kohler, to request that he pass on to RFE any material which he thought unsuitable for broadcasting to Eastern Europe by VOA, given its government sponsorship, but that RFE might be able to utilize.[323] Six weeks later, relations between the two stations deteriorated, when the State Department declined to give any "diplomatic support" to negotiations by the Free Europe Committee to acquire additional properties in France or Portugal where they might install "second-line" radio transmission facilities. State Department officials declined to act unless they could work simultaneously on a package of all such requirements for both RFE and VOA. The RFE official involved discerned "considerable hostility to Radio Free Europe" within the State Department and "a disinclination to do anything to advance its interests," feelings he ascribed to resentment by VOA staff of what they perceived as RFE's competition, and the potential impact on congressional funding for VOA. There were also suggestions that the State Department sought to reserve the most attractive sites for its own VOA operations.[324] By December 1950, however, State Department opposition to negotiations for additional RFE facilities overseas had been dispelled, and talks with Portuguese government officials went ahead successfully.[325]

By mid-1951, the official Voice of America radio service had attracted significant congressional criticism, on the grounds, according to Altschul that its broadcasts were ineffective, and had "failed to justify the vast expense involved." Altschul felt that some of the blame lay with poorly conceived and implemented government policies, which it was hard for VOA to defend, but that nonetheless the VOA had not "done as thoughtful or imaginative a job as it might have done." The result was that it had failed to create "anywhere a noticeable upsurge in pro-American sentiment." This, he felt, was in large part because the VOA's programs were overly one

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[321] Altschul, "Memorandum re: Washington Meetings," July 8, 1950, File Radio Free Europe, Organizations File, Altschul Papers.
[322] Minutes of Meeting of Radio Committee, April 6, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[323] Minutes of Meeting of Radio Working Committee, held August 4, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[324] Minutes of Radio Committee Meeting, September 15, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers; Mickelson, *America's Other Voice*, 34, 43.
[325] Spencer Phenix to Theodore G. Augustine, memorandum, January 18, 1951, File Free Europe Committee-Board of Directors, Box 189, RFE/RL Corporate Records; also Mickelson, *America's Other Voice*, 44-49.

hundred percent American, too concerned with "the trivia of American life" and poorly suited to the target audience.[326] The organization also attracted close political scrutiny and on occasion McCarthyite attacks from those on the right, including some East European refugees, who felt that its coverage was too even-handed and insufficiently hard-hitting in condemning communism and socialism.[327] Altschul's analysis of what he considered VOA's flaws was not entirely fair and perhaps indeed somewhat insensitive and disingenuous. Undoubtedly, one major problem for VOA was the tactics that RFE used in promoting itself, especially during its major fundraising effort, the highly publicized Crusade for Freedom of 1950-1951.

The Crusade for Freedom was a public fundraising venture was launched in spring 1950, a move designed to whip up popular support for the activities of the Free Europe Committee, including RFE, and also to provide financial cover for these. As expenditures of the Free Europe Committee soared, propelled in large part by the decision to establish Radio Free Europe, its sponsors felt that some plausible explanation of the sources of their funding was increasingly advisable. They also hoped to use a highly publicized campaign to generate popular support for the new enterprise. Giving the infant venture at least the appearance of financial independence was clearly an early preoccupation for Allen Dulles. On July 14, 1949, he informed several CFE directors, including Poole, Altschul, Spofford, and Page, that the U.S. Treasury Department had ruled that private contributions to the Free Europe Committee would be deductible for income tax purposes. This would, he hoped, provide the impetus for a nationwide fundraising campaign.[328] In July 1949, Dulles met privately with Poole and Wisner to urge the need for the Free Europe Committee to solicit "sizeable contributions from individuals." This would, he urged, serve the dual purposes of winning the "interest, attention and support" of influential Americans, while addressing "the necessity of creating cover for the governmental funds which are used."[329] Towards the end of the month, the Committee established a finance committee, to consider "the feasibility of forming in various important cities around the country small groups or committees which will assist in making known the objectives and work of the national committee and aid in raising funds."[330] In August 1949 Poole reported to Dulles on a lunch with former OSS operative Howard M. Chapin, director of advertising for General Foods Corporation, who headed the Free Europe Committee's advertising committee. Chapin hoped through well-placed publicity to raise up to "a half-million dollars, year after year," for the FEC, and Poole recommended that Dulles meet him to discuss these plans.[331] Over the next three

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[326] Altschul to C. D. Jackson, June 2, 1951, File Voice of America, Box 354, RFE/RL Papers. Another copy of this memorandum is included in the File Radio Free Europe, Organizations File, Altschul Papers.
[327] On these attacks, see esp. David F. Krugler, *The Voice of America and the Domestic Propaganda Battles, 1945-1953* (Columbia: Universityof Missouri Press, 2000); also Nelson, *War of the Black Heavens*, 58-60
[328] Dulles to Poole, Altschul, Spofford, and Page, "Memorandum on Organization Operations," July 14, 1949, quoted in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 11-12.
[329] Dulles as reported by Wisner, July 1949, quoted in Johnson, *Radio Free Europe and Radio Liberty*, 14.
[330] Mickelson, *America's Other Voice*, 51-52. The fullest account of the first Crusade for Freedom campaign is that in Cummings, *Radio Free Europe's "Crusade for Europe,"* which covers its evolution and course in great detail.
[331] Poole to Dulles, August 11, 1949, quoted in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 13.

months Poole kept Dulles closely informed of the evolution of prospects for fundraising, sending him a list of potential wealthy donors; apprising him of ongoing negotiations with the public relations firm John Price Jones, who undertook a preliminary study on behalf of the FEC; and expressing his personal preference for approaching numerous small contributors, a strategy that was less cost effective than concentrating on a few wealthy sponsors, but would give many ordinary people a sense of identification with the new organization and was likely to prove most compelling in persuading prominent individuals such as General Lucius D. Clay to endorse the undertaking.[332]

In January 1950 the Committee decided to establish a special committee to organize a fundraising drive, chaired by General Lucius D. Clay, the head of the American military government in Germany who had become the symbol of American the Berlin airlift. Together with Allen W. Dulles, Arthur W. Page, vice president of American Telephone and Telegraph, and Poole, Altschul was a member of the Executive Committee and in addition the Treasurer of what was soon christened the Crusade for Freedom.[333] An early draft statement of the Crusade's objectives, possibly written by Altschul, was relatively conciliatory in tone, stating that "the Crusade for Freedom seeks the emergence of a society in which the destiny of the individual will be fulfilled, and the inviolability of the nation-states will be assured." While characterizing the present time as one "when a new despotism, masquerading as a liberating force, imposes slavery in the name of freedom," it mentioned neither communism nor the Soviet Union by name.[334] By the time the Crusade for Freedom was formally launched, however, the Korean War had begun, and vehemently anti-Soviet and anti-Communist rhetoric was a staple of its approach. "Stop Stalin's Big Lie!" was, for example, the title of a Crusade for Freedom advertisement in the *New York Times*.[335]

Abbott Washburn, a public relations expert in General Mills, one of the country's largest food producers, was recruited to head the initial campaign. Like so many Free Europe employees, he had served in the OSS during World War II. He and an associate, Nate Crabtree, planned a nation-wide campaign based around a Freedom Bell, a replica or at least closely modeled upon the Liberty Bell in Independence Hall in Philadelphia. The bell would be cast in the same foundry as the Liberty Bell, brought to the United States, where it would travel around the country by on a Freedom Train, serving as the centerpiece of mass fundraising rallies. Finally, it would be installed in West Berlin, as a symbol of that city's determination to withstand pressure from East Germany to acquiesce in incorporation into the surrounding communist state. Crusade for Freedom committees would be set up in every state and many major cities. Ordinary

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[332] Poole to Dulles, September 13, October 13, November 16, 1949 quoted in Cummings, *Radio Free Europe's "Crusade for Freedom*," 13-14.
[333] Extract of the Minutes of a Special Meeting of the Board of Directors, January 19, 1950, File Free Europe Committee-Board of Directors, Box 189, RFE/RL Corporate Records.
[334] Statement beginning "Profoundly aware of the nature of the contemporary conflict," n.d., File Radio Free Europe, Organizations File, Altschul Papers.
[335] "Stop Stalin's Big Lie!," *New York Times*, October 24, 1950.

Americans were encouraged not only to donate Freedom Dollars to support the expansion of Radio Free Europe, but also to sign Freedom Scrolls, a declaration affirming their belief in freedom and the rights of the individual and their support for the Crusade for the Freedom, as a gesture of solidarity with East Europeans behind the Iron Curtain.[336] Officials of the Free Europe Committee were enthusiastic. Clay, who had left Berlin for retirement in Asheville, North Carolina, quickly agreed to head the public campaign, telling Washburn and Crabtree how valuable the RFE was, and how much it would benefit from wide popular support. He also reiterated his faith in RFE's mission, stating: "We need another voice—a voice less tempered perhaps by the very dignity of government, a tough slugging voice, if you please.[337] A blue-chip array of prestigious sponsors was quickly assembled. In a speech in April 1950, President Truman publicly demanded a "Campaign of Truth" to combat Soviet propaganda. At the beginning of May, he warmly endorsed the Crusade for Freedom's efforts. Dwight D. Eisenhower, who had recently taken over as first commander of the new NATO forces in Europe, identified himself prominently with the Crusade for Freedom. On Labor Day he opened its campaign with a nationwide radio broadcast, carried on three-quarters of all the Voice of America's programs the following day, appealing to Americans to contribute financially to the Crusade, sign Freedom Scrolls, and put themselves behind the forthcoming expansion of Radio Free Europe's transmission facilities to encourage freedom behind the Iron Curtain.[338]

It was Altschul, as treasurer, who initially received and approved the estimate of $4,500 for the construction of the Bell, which was cast in Britain in late July, in a highly respected foundry in from same area that had produced Philadelphia's Liberty Bell.[339] Prudently, Altschul also recommended that the Crusade for Freedom should be "incorporate[ed] . . . as a separate organization" and "its tax-exempt status properly established." In October 1950, the Crusade followed this course, with Allen Dulles' law firm handling the legal formalities.[340] In a message beamed to East Europeans on Bastille Day (July 14), 1950, when the station began its full broadcasting schedule, Altschul promised a massive upgrade in Radio Free Europe's still rudimentary facilities, that would allow the transmission of far more extensive programming to each nation. This would, he claimed, be financed by the funds to be raised in the forthcoming Crusade for Freedom. He described how the Free Europe Committee had chartered a Constellation plane to fly Clay and forty other Americans who were taking leading roles in the Crusade for Freedom, across the Atlantic to be present at the casting of the Freedom Bell, a ceremony that would likewise be attended by the US ambassador in Britain, Lewis W. Douglas,

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[336] Mickelson, *America's Other Voice*, 52-53.
[337] Mickelson, *America's Other Voice*, 53; Puddington, *Broadcasting Freedom*, 20-21; Jean Edward Smith, *Lucius D. Clay: An American Life* (New York: Henry Holt, 1990), 565-567.
[338] See Crusade for Freedom Files, Boxes 166-168, RFE/RL Corporate Records; Poole to Edward L. Greene, September 11, 1950, File Better Business Bureau, Box 155, RFE/RL Corporate Records; Nelson, *War of the Black Heavens*, 47-48; Cummings, *Cold War Radio*, 18-21; Cook, *The Declassified Eisenhower*, 131-132.
[339] Walter Dorwin Teague to Altschul, March 31, 1950, File Freedom Bell, Box 168, RFE/RL Corporate Records.
[340] Altschul to Dulles, June 24, 1950, quoted in Cummings, *Radio Free Europe's "Crusade in Europe,"* 23; for the Crusade's incorporation, see ibid., 40-41..

and numerous other prominent dignitaries. This trip was also designed to make the Americans involved "familiar with the situation abroad at first hand," in the expectation that they would "return as ardent campaigners in a challenging cause."[341] As the Free Europe director most intimately involved in setting up the radio station, in late July 1950 Altschul himself visited Chicago to take part in an inaugural Crusade ceremony connected with the casting of the bell over in Europe.[342]

The Bell toured the United States, arriving in New York in September 8, travelling to the West Coast by way of Pittsburgh, Cleveland, Detroit, Chicago, Kansas City, Denver, and Salt Lake City, and then making its way back to New York via a dozen southern cities, before returning to New York on the Freedom Train for a final rally and ticker tape parade on October 8. Given his official position, Altschul attended at least the New York events, and possibly others. Leading politicians, businessmen, and public personalities, including the Hollywood film star Ronald Reagan, all endorsed the Freedom Bell campaign, appearing at public parades and rallies or making broadcasts supporting its objectives. Newspaper editorials and television and radio stations all applauded the campaign and massed the media firmly behind it. In all, the Bell visited 26 American cities, invariably the centerpiece of spectacular and well orchestrated mass events. It then travelled across the Atlantic to Germany, and was installed in West Berlin on October 24, with General Clay there to toll the bell's first note. Altschul, together with most of the Free Europe Committee, attended the highly emotional and widely reported ceremony, as did 400,000 Berliners, at least a quarter of them from the eastern sector of the divided city. Freedom scrolls signed by more than 100,000 Americans were presented to the Berliners and displayed permanently in the Bell tower. In various incarnations, the Bell became the long-time symbol and logo of the National Committee for Free Europe.[343]

The opening campaign was a huge public relations coup, which soon won the backing of the American Advertising Council, an organization that brought together advertisers, advertising agencies, and the media. From 1950 to 1972, the Advertising Council subsidized most of the costs of the Crusade's national advertising campaign, providing free access to the media, so that Crusade organizers only had to cover the production expenses of their posters, advertisements, and broadcasts. The value of these free services was estimated as somewhere between $12 million and $20 million. Early Crusade publicity urged Americans to join the Free Europe Committee, but the Crusade soon assumed a momentum of its own. In September 1950 the Free Europe directors voted in favor of making the Crusade an independent organization. Crusade for

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[341] Altschul, radio address, July 14, 1950, File Radio Free Europe, Organizations File, Altschul Papers. In this address, Altschul recycled most of the material from his earlier statement of Crusade for Freedom objectives, with some added reflections on the aggressiveness and non-peaceful character of Soviet methods, as demonstrated in Korea.

[342] Ann Whitman to Arthur Schlesinger, Jr., July 25, 1950, File Arthur Schlesinger, Box 331, RFE/RL Corporate Records.

[343] Mickelson, *America's Other Voice*, 54-55; Puddington, *Broadcasting Freedom*, 20-22; Cummings, *Cold War Radio*, 21-22; Nelson, *War of the Black Heavens*, 47-48; Lucas, *Freedom's War*, 102-103; Johnson, *Radio Free Europe and Radio Liberty*, 14-15.

Freedom branches were set up across the United States, and in February 1951 the organization became a separate corporation, with Clay as chairman, Washburn as executive vice chairman, effectively its chief executive officer, and Altschul, Poole, C. D. Jackson as directors. Its next big campaign, in which Altschul made several public speeches, lasted for three months in 1951 and focused again on Radio Free Europe, and also on sending printed propaganda across the Iron Curtain by balloon. Massive parades and public forums, with speeches by prominent exiles and American celebrities, featured extensively in the early years. The Crusade for Freedom became part of the American cultural landscape of the 1950s and early 1960s, winning wide acceptance for the activities of Radio Free Europe, for which all the funds which it raised were designated.[344]

Most of the people who volunteered their services for the Crusade at a state or local level had no knowledge of the fact that they were raising funds and expressing their solidarity with a venture that, despite its heavily emphasized private status, was in fact largely financed by covert government funding channeled either through the CIA or through complaisant foundations. When the National Better Business Bureau, a small business and consumer organization, asked for audited accounts to supplement the reports the Free Europe Committee submitted to them, the request was declined, on security grounds. "The Committee explained that it does not follow a policy of making its audit available to the public. The reason for this policy is the NCFE is an organization engaged in anti-Communist activities and does not wish unnecessarily to impede its effectiveness by making publicly available to the Communists details about its operations or course of action."[345] In terms of RFE's overall budget, the money the Crusade generated was relatively insignificant. The 1950 campaign raised $1,316,476, but the costs of the flamboyant and highly publicized undertaking were around $900,000, leaving little more than $400,000 to assist in Radio Free Europe's operations. The following year it actually ran at a loss, with costs of almost $2 million in the eleven months from April 1951 to February 1952, while contributions were just over $1.75 million, a shortfall of close to $250,000. Free Europe Committee reports, however, stated that for each of those years, all "administrative and fund-raising expenses"

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[344] Puddington, *Broadcasting Freedom*, 22-25; Mickelson, *America's Other Voice*, 55-58; Nelson, *War of the Black Heavens*, 48-49; Hixson, *Parting the Curtain*, 60. For Altschul's speeches, see Altschul, draft for Montclair speech, n.d. [1950], Altschul, address to New York Commandery of the Military Order of Foreign Wars, n.d. [late 1950 or early 1951], File Radio Free Europe, Organizations File, Altschul Papers. For an example of early Crusade publicity, using the logo of the Freedom Bell in the name of the National Committee for Free Europe, see flier "To Halt Communism and Save Our Freedom," n.d. [1950], File National Committee for Free Europe, Organizations File, Altschul Papers. On the early years of the Crusade for Freedom, see also See Crusade for Freedom Files, Boxes 166-168, RFE/RL Corporate Records; National Committee for a Free Europe, Inc., *President's Report for the Year 1951*, 10; *President's Report for the Year 1952*, 12; *President's Report for the Year 1953*, 31-32, all in File Radio Free Europe, Organizations File, Altschul Papers. On the American Advertising Council, see Daniel L. Lykins, *From Total War to Total Diplomacy: The Advertising Council and the Construction of the Cold War Consensus* (Westport, CT: Praeger, 2003).

[345] National Committee for Free Europe and Crusade for Freedom, memorandum, January 15, 1953, File Better Business Bureau, Box 155, RFE/RL Corporate Records. In previous years, the Committee responded to similar requests merely with statements that the auditors' reports had not yet been received. Griffith to Maye A. Russ, September 22, 1950, J. Clayton Miller to Russ, October 29, 1951, File Better Business Bureau, Box 155, RFE/RL Corporate Records.

relating to those campaigns had been "underwritten by donors who prefer to remain anonymous." In each of those years, overt American governmental contributions to the costs of Radio Free Europe were around $2.3 million, with another $800,000 in fiscal 1953. For the rest of the 1950s, the Crusade raised between $2.25 and $3 million annually, averaging something like 19 percent of RFE's running costs in the later 1950s, with the bulk of its budget invariably coming from governmental sources both overt and covert. The Crusade for Freedom—merged in 1960 with the Radio Free Europe Fund for administrative purposes—continued active for twenty-five years, until 1976, during which time it raised $50 million dollars, while spending $20 million on campaign costs and other running expenses, for a net gain of $30 million.[346]

The real impact of the Crusade for Freedom was not so much financial as psychological. Around 25 million Americans not only donated small sums but also signed Freedom scrolls in 1950 and 1951, with many more following suit in subsequent years. These contributions gave numerous ordinary Americans a strong sense of identification with Radio Free Europe and the Free Europe Committee, enlisting them as what would now be called stakeholders in these enterprises. They also enabled RFE to maintain with some plausibility the subterfuge that it was a privately funded organization. Even so, Free Europe Committee officials doubted the credibility of such claims. As early as September 1950, Poole wrote to Dulles stating his worries that the forthcoming audited accounts for the year ending in June 1950 would "disclose the magnitude of our operations," and that the figures for the following year would be even more "striking." He feared "a crisis approaching in which we shall be asked about ourselves in a way we can't evade," and that the Committee's financial position would become increasingly "difficult to explain, unless we somehow are rescued by the Crusade for Freedom." Poole wondered, therefore, whether the directors should not openly "make ourselves into a 'mixed corporation' in which the Government has frankly a part," thereby "becoming 'honest women.'"[347] Such suggestions were unavailing. Edward Barrett, assistant secretary of state for public affairs, was more anxious that the number of individuals aware of "the full background of the Committee . . . should be kept to the absolute minimum," arguing that "one of its principal advantages will be lost if the general public, particularly in Europe, has grounds for belief that RFE has any official or semi-official connection with the United States government."[348] Barrett's view prevailed.

Within the CIA, the growing financial demands of Radio Free Europe and Radio Liberation, the comparable service directed at Russia, competed with other activities of the Agency, and sometimes led to internal "complaints that the radios were devouring too large a portion of the resources of an organization that was supposed to be concerned primarily with intelligence collection and analysis." The idea of transferring responsibility for the enterprises and the Free

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[346] Quotation from National Committee for Free Europe and Crusade for Freedom, memorandum, January 15, 1953, File Better Business Bureau, Box 155, RFE/RL Corporate Records; see also Mickelson, *America's Other Voice*, 58; Cummings, *Cold War Radio*, 21-25; Nelson, *War of the Black Heavens*, 28-29; Puddington, *Broadcasting Freedom*, 22-25; Lucas, *Freedom's War*, 102-103; Hixson, *Parting the Curtain*, 59-60.
[347] Poole to Dulles, September 6, 1950, quoted in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 32.
[348] Dulles to Wisner, January 11, 1951, quoted in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 47-48.

Europe Committee elsewhere in government, however, was perceived as too risky. As the CIA official responsible for RFE recalled: "The existing arrangement worked tolerably well, and no one at the policy level wanted to face the high risk of exposing prior Agency involvement that was inevitable in any shift to public funding."[349] Allen Dulles' personal patronage of RFE gave it additional protection. In October 1953, for example, he informed Secretary of Defense Charles Wilson, who was scheduled to speak in that year's Crusade for Freedom campaign, that the CIA "consider[ed] Radio Free Europe to be about the hardest hitting and most effective weapon we have for reaching people in the satellite areas directly." He urged Wilson to "stress . . . the importance of private citizen participation in the present struggle against the totalitarian system." In a postscript, Dulles specifically warned Wilson that "CIA's interest in the Crusade and Radio Free Europe is entirely *covert* and therefore should not be mentioned."[350] For decades the highly visible Crusade served as additional and extremely effective camouflage for the fact that the great bulk of the station's funds came covertly from CIA sources, something that many involved with the organization assumed if they did not know, but that nonetheless belied its vocal claims to be a purely private operation.

The Voice of America found RFE's boasts of its supposedly non-official status particularly galling. In internal discussions, RFE and Free Europe Committee officials frequently used VOA as a standard and benchmark against which to measure themselves, openly arguing that, if RFE were to justify its existence, it must be able to accomplish tasks that fell outside the limits within which VOA operated. An early description of the "Basic Objectives of Radio Free Europe," possibly written by George Kennan and mailed to Altschul, described it as "provid[ing] a channel via which a group of U.S. citizens can beam programs to prisoner states and say things the Government desires to say but cannot say." The writer further described RFE as "a people to people propaganda weapon as distinguished from the VOA (Government to People)," one that "constitute[d] another effective weapon in frustrating USSR propaganda attacks on the U.S. Government as the creature of Wall Street-Washington war mongers." RFE would be "complementary or supplementary to the VOA," and while it might use some of the same source material, albeit for rather different purposes, would also have access to "independent sources of information" in both the United States and overseas.[351] In a memorandum written some time in 1950, for example, Robert Lang told Altschul that, while RFE would utilize the same news sources as VOA and the British BBC, it would seek to provide "interpretive" broadcasts that would feature packages of several news items "woven together" with appropriate "commentary" so as "to create the right reaction." So long as RFE broadcasting time remained brief, the station would be unable to provide comprehensive coverage, but would have to select those items it considered most suitable for its target area. In Lang's view: "Our task goes far beyond the

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[349] Meyer, *Facing Reality*, 115-116.
[350] Dulles to Charles Wilson, October 16, 1953, quoted in Cummings, *Radio Free Europe's "Crusade for Freedom,"* 105-106.
[351] "Basic Objectives of Radio Free Europe," n.d. [1949 or early 1950], File Radio Free Europe, Organizations File, Altschul Papers.

bringing of information. We must present to the satellite countries those thoughts and interpretations which will maintain the spirit of liberty and will contribute to the psychological warfare within these satellite countries."[352]

It was one thing when such comparisons were made around a committee table in private, or in memoranda designed for limited circulation, but far more controversial when RFE officials contrasted their own efforts with those of VOA when making public appeals for funding at meetings and rallies organized by the Crusade for Freedom. With considerable hubris, speakers from RFE and the Free Europe Committee emphasized that the new radio station had been organized by a group of "private citizens" rather than government officials, and could therefore take controversial positions and transmit provocative broadcasts to overseas audiences, tactics that diplomatic niceties precluded VOA from adopting. VOA's critics in Congress and elsewhere, always on the alert for reasons to cut its budget, quickly took up these comparisons; they also inquired why VOA had not turned to private sources of funding. VOA resentment of these brash, well-funded rival newcomers so vocally touting their own merits was only too understandable. Altschul himself was far from guiltless in this respect. In addresses on behalf of the Crusade for Freedom, Altschul specifically described "the difference between our function and that of the Voice of America," telling the New York Commandery of the Military Order of Foreign Wars that the VOA was "essentially a propaganda arm of the United States government. Its mission is to present the American case throughout the world in the best possible light." Turning to RFE, he described this as "a citizens' adventure in the field of psychological warfare" that could use tactics debarred to VOA, sometimes going so far as to remark of specific Communists or collaborators, "using a formula for which I can claim no personal credit," that "'This is the sort of man to whom an accident might happen on a dark night.'"[353] Listing "what we can do that the Voice would have difficulty in doing," Altschul told another audience: "[W]e can use on our programs political exiles whom diplomatic considerations may prevent the Voice from using." Moreover, "we can call a spade a spade—we can call a traitor a traitor. When we have verified reports, as we often do, of Communists, natives of our target area, who are acting as informers for the Soviet Union, we can tell their compatriots about them." By so doing, RFE could "threaten individuals by name with eventual retribution at the hands of their own people." Besides "bring[ing] a wider variety of local news" to the target areas, RFE could also "place greater emphasis on the aspect of eventual liberation than it might be prudent for government to do." Overall, RFE could "be a more aggressive force [than VOA] for keeping alive the hopes of our friends and arousing the fears of our enemies."[354]

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[352] Lang, memorandum, n.d. [1950], File Radio Free Europe, Organizations File, Altschul Papers [Lang's underlining].
[353] Altschul, address, n.d. [1950 or early 1951], File National Committee for a Free Europe, Organizations File, Altschul Papers.
[354] Altschul, draft for Montclair speech, n.d. [1950], File Radio Free Europe, Organizations File, Altschul Papers.

Growing resentment between the two stations was further stoked by charges from VOA that RFE was stealing or imitating programming ideas that had originated with VOA, allegations Altschul denied to Gates Lloyd, Deputy Chief of the CIA's Psychological Staff Division.[355] By May 1951, top VOA officials, notably Foy Kohler, who as head of the State Department's International Broadcasting Division directed VOA's operations, were deeply concerned by the "increasingly good public relations of RFE-Crusade and the increasingly bad public relations of VOA." In a conversation with Lang, Kohler expressed his fears that, if this situation continued, with the Crusade for Freedom ostentatiously raising money from private sources for RFE, overall American psychological warfare and propaganda initiatives would suffer, since "[t]he public will want the entire job done by private citizens," and Congress would impose drastic budget cuts on VOA. Abbott Washburn, head of the Crusade for Freedom, wrote to Jackson, suggesting that the different radio agencies needed to coordinate their efforts and present themselves as a valuable complementary package to both Congress and the American people.[356] Other Crusade for Freedom operatives were less enthusiastic over such a potential alliance. After a trip to Washington, one reported to Washburn on the "almost unanimous feeling—ranging from apathy to contempt—against the Voice of America" among a dozen or so top journalists and broadcasters he had met in the national capital. His informants believed "that the Voice was doing an inadequate, incompetent job and was staffed with too many inadequate, incompetent people," and in consequence, "VOA was falling down on the job." He queried the wisdom of any association between RFE and VOA in the forthcoming Crusade for Freedom fundraising drive.[357]

Kohler took over responsibility for VOA in October 1949, some time after State Department officials had approved in principle of RFE's existence, and remained in his position until September 1952. In 1948 Secretary of State George C. Marshall had gone so far as to reject allowing Soviet and East European refugees to deliver broadcasts on VOA, which he feared Soviet bloc states might find unduly provocative.[358] In April 1950 President Truman called publicly for a "Campaign of Truth" to combat Soviet propaganda, which would involve a major enhancement of American information and cultural activities. Kohler presided over a massive expansion of VOA facilities and broadcasting, further propelled by NSC-68 and the Korean War. VOA's budget grew from $9 million in 1950 to $13 million in 1951, reaching $20 million in fiscal 1952. Kohler proposed to expand the number of languages in which the station broadcast from twenty-five to forty-five, a target the VOA reached in mid-1951, and urged increasing the number still further. Congress appropriated $50 million for new transmitters. The number of VOA staff grew dramatically, with just over 900 added between July 1950 and September 1951,

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[355] Altschul to Gates Lloyd, May 23, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[356] Washburn to Jackson, May 16, 1951, File Crusade for Freedom-General 1951, Box 167, RFE/RL Corporate Records.
[357] Alton Kastner to Washburn, June 15, 1951, File Crusade for Freedom-General 1951, Box 167, RFE/RL Corporate Records.
[358] Krugler, *The VOA and the Domestic Propaganda Battles*, 160-161.

bringing the total to close to 2,000. VOA also opened a radio center in Munich, a facility that initially restricted itself to interviewing refugees and defectors and monitoring East European media, but that began its own East European and Russian language services in October 1951, remaining operational for eight years. These broadcasting facilities were supplemented by the use of a transmitter ship in the Mediterranean, which began its own programs to Eastern Europe and the Soviet Union in September 1952.[359] Imitating RFE, VOA broadcasts to Eastern Europe also became more aggressive and hard-hitting in tone, "adopt[ing] a number of the distinctive techniques developed by RFE" to discomfit Communist officials, a Psychological Strategy Board report noted.[360] Ironically, VOA complained of many of the same problems that RFE encountered, particularly the difficulty of obtaining swift and accurate policy guidance from the State Department. This occurred in part because many officials in the Department, from Secretary of State Dean Acheson downward, resented and disliked VOA, distrusted its operatives and administrators, and wanted as little as possible to do with the organization, a source of constant frustration to Edward Barrett, assistant secretary of state for public affairs. VOA also encountered difficulties with the sometimes squabbling and factionalized exile personnel of its own national broadcasting desks that resembled those that bedeviled RFE.[361]

Kohler's empire-building temperament did not incline him to look kindly upon the rival organization. At the beginning of June, Kohler suggested to Barrett that VOA and RFE personnel should get together in Washington, in an effort to address the issues dividing them. Barrett, who had joined the Free Europe Committee in August 1949 and advised it on various matters, resigning from it only when he accepted a government position, had sympathies on both sides of the divide. After joining the State Department, Barrett continued to praise the Free Europe Committee's intention to establish Radio Free Europe and the Crusade for Freedom, to the point that in July 1950 Poole asked him to use his good offices with the chairman of the Advertising Council in securing that body's backing and sponsorship for the Crusade.[362] This was not the first effort to try to resolve these problems, but whatever understandings had been reached when Altschul, Lang, and CIA representatives met with Kohler in early July 1950 had clearly proved inadequate. Kohler apparently sent Barrett a memorandum requesting "a full dress Washington meeting of all interested parties to define the relations of USIE [US Information and Educational Exchange Division] with NCFE and VOA with RFE in the light of developments at home and abroad since (the) first meeting of this kind last year." Kohler

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[359] Alan L. Heil, Jr., *Voice of America: A History* (New York: Columbia University Press, 2003), 49-50; Robert William Pirsein, *The Voice of America: An History of the International Broadcasting Activities of the United States Government 1940-1962* (New York: Arno Press, 1979), 160-219; Krugler, *The VOA and the Domestic Propaganda Battles*, 136-143; Nelson, *War of the Black Heavens*, 58-59; Cull, *The Cold War and the United States Information Agency*, 51-67; Johnson, *Radio Free Europe and Radio Liberty*, 22.
[360] The Voices of America," report enclosed in John Sherman to Taylor and Browne, March 4, 1952, Declassified Documents Reference System.
[361] Krugler, *The VOA and the Domestic Propaganda Battles*, 149-155, 160-161; Pirsein, *The Voice of America*, 124.
[362] Poole to Barrett, June 20, 1950, Barrett to Poole, July 7, 1950, File Edward W. Barrett, Box 154, RFE/RL Corporate Records.

specifically assailed what he thought was unfair competition from the Crusade for Freedom's fundraising campaign, "NCFE's freedom to engage in a colossal domestic publicity and public relations operation," and the "Crusade's portrayal of RFE as an 'efficient private business operation free of the diplomatic inhibitions and bureaucratic restrictions affecting USIE and the Voice.'"[363] At the Washington meeting, Washburn reported to Jackson, RFE personnel were told: "VOA is in a jam. Its budget may be seriously cut." They were to "do nothing to aggravate this situation," but must "help them out in any way we possibly can." Whenever they could, RFE operatives were to "continue . . . getting in a plug for the Voice." For several weeks, at least throughout the rest of June and July, RFE was to reduce its national publicity "down to a trickle," so as to avoid "unfair comparisons" while the Senate and House were holding hearings on VOA appropriations. Washburn was to hold further conferences with both Kohler and Barrett, to devise the best possible publicity information on the relationship between and separate functions of VOA and RFE, to be included in Crusade for Freedom fundraising literature.[364]

Further negotiations ensued, in some of which Altschul took a prominent role. Even before this meeting was held, he had sent Jackson two lengthy memoranda on the two radio organizations. In one, Altschul contended most of VOA's problems were due not to "the activities of RFE" but to poorly conceived programming on its part. This was something he believed RFE representatives should stress should they be subjected to "an all-out attack" from "our friends from the Voice, irritated by our favorable publicity and fearful of its effect upon them." Defending RFE's decision to mount a major public fund-raising campaign through the Crusade for Freedom, Altschul said this was rooted in the very nature and origins of Radio Free Europe, in a decision "more than two years ago that it was essential to have a citizens' organization perform certain functions in relation to exiled intellectual and political leaders, and more particularly, to enter the field of propaganda via radio beamed to the prisoner states in a manner far more aggressive than the amenities of diplomatic intercourse would permit an official government agency to adopt." Once this organization had been established, Soviet propagandists "were quick to attack RFE as a device and a sham. Where was the money coming from for such a vast enterprise? The finger was pointed directly at government, and in particular at CIA." While RFE officials initially claimed their support came from "gifts from a few foundations and wealthy individuals," the organization "required a far firmer foundation on which to build," something "the Crusade for Freedom was organized to provide." During its first year of operations, the primary purpose of the Crusade was to "obtain acceptance for the idea that RFE was exactly what it purports to be," and the actual money raised, though eventually substantial, was secondary. Altschul believed that the Crusade had been "notably successful" in meeting "the absolute necessity . . . of gaining growing recognition for RFE as an enterprise conducted and financed by private citizens." Having established this, in future years the Crusade intended to shift its "emphasis . . . to the fund-raising aspect."

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[363] Kohler, quoted in Altschul to Jackson, June 2, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[364] Washburn to Jackson, June 6, 1951, File Radio Free Europe, Organizations File, Altschul Papers.

How sympathetic VOA officials would be to the argument that the demands of maintaining RFE's cover as a private organization justified its high-profile fund-raising operation and the collateral damage to their own service's image was another matter. Altschul claimed that RFE officials had always tried to avoid competing with VOA, had invariably spoken highly of its activities, and believed that their activities "compliment[ed]" [sic] rather than "compete[d]" with those of the Voice. RFE officials felt "keen regret" that they had "unwittingly aroused concern among our friends in VOA," the more so since: "We have avoided raiding the personnel of the Voice. We have not consciously stolen any of their ideas." Throughout its history, VOA had experienced difficulties with Congress, and RFE considered "groundless [the] charge that we are responsible in any way" for its current problems. Representatives of RFE nonetheless believed that the Voice had "a mission of inestimable value" to perform, and were willing to assist in with mustering public and Congressional support for its sister station "in any manner that lies within our power and that is consistent with the discharge of the specific mission which has been entrusted to us."[365]

Whether the sometimes abrasive and uncompromising Altschul was the best person to undertake such a mission was an open question. Perhaps because he had handled similar negotiations with Kohler almost a year earlier, Jackson nonetheless gave him and Galantière the responsibility of setting out RFE's position to Kohler. On June 12 Altschul dispatched a memorandum of his own on the subject to VOA's head, followed the next day by a further memorandum produced by Galantière. Altschul sought to contrast the Voice of America with Radio Free Europe, telling Kohler that the former organization was "essentially a propaganda arm of the United States government. Its mission is to support and explain the policies of the United States government and to present the American case throughout the world in the best possible light. It tells the people of the world about the American way of life and expounds our country's thinking on national and international affairs. Beyond this, it combats Communism with its truthful presentation of the news—in sharp contrast to Communist lies and distortion. But when it speaks, it is always as an organ of Government operating on behalf of the American people." Recycling material he had used in some of his Crusade for Freedom speeches, Altschul then characterized Radio Free Europe, by contrast, as "a citizens' adventure in the field of psychological warfare. Our mission is to keep hope alive among our friends behind the Iron Curtain, and to sow distrust and dissension among our enemies."

> To do this we must gain the confidence of our friends—we must constantly remind them that they are not forgotten and that while the date of their ultimate liberation is not predictable, its coming is inevitable. At the same time we must undermine the Communist regime in the prisoner states by exposing it for the vicious fraud that it is. To accomplish this we throw the spotlight of truth on their lying claims. Unhampered by the amenities of diplomatic intercourse, we enter the fight with bare fists. Our concern is not primarily with what goes on in the United States, but rather with what goes on in the

[365] Altschul to Jackson, June 2, 1951 (2 memoranda), File Radio Free Europe, Organizations File, Altschul Papers.

> prisoner countries. We identify Communist collaborators by name; we give their addresses and an account of their misdeeds and thus hold them up to obloquy.

In Altschul's account, RFE's purportedly private status meant that: "At times in foreign policy we take positions well in advance of any that an official voice of government can afford to take." Its broadcasts sometimes featured Americans speaking in an unofficial capacity, but claiming to represent "views" with "wide-spread support throughout the land." RFE was also able to offer its facilities "to distinguished political and intellectual exiles." RFE's émigré broadcasters, moreover, spoke "as Poles speaking to their compatriots in Poland, as Hungarians speaking to their compatriots in Hungary, etc., rather than as Americans speaking to foreigners in the prisoner states."[366]

Galantière's memorandum reinforced and expanded on the theme that RFE was a foreign venture, "[i]n a sense . . . not an American station at all." He characterized RFE as "a European resistance operation equipped by American citizens who thus make use of European exiles in the common interest against the common enemy." In a sentence he eventually deleted, Galantière even described RFE's efforts at "psychological warfare" as "a type of guerrilla warfare carried out by Poles on Polish terrain, by Hungarians on Hungarian terrain, and so on." RFE's East European broadcasters were free to attack the Communist regimes in their own countries, or even American policies, for example, the decisions on Eastern Europe that President Franklin D. Roosevelt and Stalin had reached at Yalta, in a way that was not open to VOA. Although RFE broadcasts inevitably sometimes discussed American foreign and domestic policies—subjects VOA sometimes considered as falling solely within its own purview—they did so from the perspective of "the recently arrived European exile," rather than presenting "America seen through American eyes." While a certain amount of overlapping VOA and RFE coverage of both American and international events was to be expected, Galantière saw "no harm in such duplication." Listeners who wrote to RFE always assumed they were addressing East Europeans, and the station's "fan mail is as 'national' as paprika goulash." In Galantière's view, "the fundamental difference comes to this: VOA says in effect 'You Poles' or 'You Hungarians' whereas RFE says 'We Poles' and 'We Hungarians.' You see all problems, fundamentally, through American eyes; RFE sees them, on the whole, through European eyes." The result was that RFE possessed "a tone, an atmosphere, totally different to that of VOA," something Galantière "consider[ed] . . . in the highest degree desirable." Taking up the vexed question of RFE's real nature, he stated: "We cannot shut our eyes to the fact that many of our listeners refuse to believe that RFE is a private station, independent of U.S. Government control; but no listener can fail to perceive that the two stations are in reality quite different, and the least they

[366] Altschul to Kohler, June 12, 1951, File Voice of America, Box 354, RFE/RL Papers.

can say to themselves—whether they do or do not believe that we are a private station—is that RFE supplements VOA and is far from identical with it."[367]

Replying to Altschul a week later, Kohler told him "in all frankness" he felt the former's memorandum "reflected very little information about what VOA does." The Office of International Broadcasting sent over to RFE a document that, Kohler declared, they hoped combined the essential points of the memoranda by Altschul and Galantière, while giving "a somewhat broader perspective on VOA." While stressing that both stations were "members of the same Free World team in the fight against Communist imperialism and for the restoration of personal and national freedom everywhere," the VOA memorandum subtly suggested that RFE was a junior partner in this enterprise, while seeking to establish VOA's "aggressive, hard-hitting" credentials. Both stations, VOA affirmed, were "needed to counteract the lies and distortions spread by the gigantic Soviet-directed propaganda machine," but they differed in "scope, method of financing, and approach." VOA operated world-wide, in almost 50 languages, with 75 transmitters, whereas RFE had ten transmitters focused on a mere "five captive nations." VOA was "financed by the American people as a whole through public funds," RFE "by individual citizens through contributions." Describing the two stations' respective approaches, the VOA memorandum borrowed heavily from Galantière's description of their differing American and East European emphases. VOA, the Kohler draft stated, "reported world developments both inside and outside the Iron Curtain," whereas "RFE's primary concern is with events in the satellite countries themselves. Seeking to allay criticisms that VOA was too conciliatory in its approach, the statement proclaimed: "VOA broadly exposes the fraudulent ideological, political, economic and social bases of the satellite regimes and combats their persecution of religion and denial of human rights. RFE in addition carries the attack to the next and more detailed stage," naming "Communist collaborators," for example. In Eastern Europe, however, the two stations' "aims are essentially the same: to sustain the hopes of enslaved peoples for eventual freedom; to remind them that they are not forgotten; to stiffen their hostility and resistance to their oppressors; to expose the fraud and lying claims of the Communist regimes." Contrasting their varying approaches with the uniformity of Cominform propaganda, the statement finished by declaring that the very fact that the two "speak in separate voices, each working in its own way toward common objectives," was "in itself an object lesson in democracy."[368]

This was by no means the end of the story. Kohler invited Altschul and his colleagues to send any written comments they might have on this statement to his office, and suggested that he and his staff might meet with Altschul, Washburn, Lang, and Galantière a week later.[369] Whether

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[367] Galantière, draft memorandum to Kohler, January 12 or 13, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[368] "Voice of America—Radio Free Europe," enclosed in Kohler to Altschul, June 19, 1951, File Radio Free Europe, Organizations File, Altschul Papers.
[369] Kohler to Altschul, June 19, 1951, File Radio Free Europe, Organizations File, Altschul Papers.

these invitations were accepted is unclear. Meetings apparently continued inconclusively throughout the year, with CIA and State Department personnel heavily involved. Meanwhile, in public addresses Barrett and Jackson sedulously praised the radio ventures of each other's organizations.[370] In late November 1951, four CIA representatives, Dulles, Wisner, Gates Lloyd, deputy chief of CIA's Psychological Staff Division, and Tom Braden, Chief of the International Organizations Branch in the Psychological Division of the OPC, held an evening meeting at Barrett's home with Kohler, John E. Devine of the State Department's Press Office, and Walworth Barbour, Director of the Department's Division of Eastern European Affairs. No RFE or Free Europe Committee officers attended. Defining the respective roles of RFE and VOA proved difficult. Dulles remained a strong supporter of RFE but Wisner, perhaps due to his internal CIA rivalry with Dulles, had apparently lost some of his enthusiasm for the venture. Kohler, who would clearly have liked to close down RFE altogether, in company with the newly established Radio Free Asia, made an aggressive pitch against the rival station. He first tried to restrict it to "covert or supplementary activities which will aid the official United States Government radio," and eventually "stated that he does not see in practical terms what this non-Governmental area is." He even suggested that RFE programming was probably "a little more conservative than VOA because RFE is not so near policy and has to tread carefully on a number of issues." Kohler also "raised the question of what we are really after in Eastern Europe," saying he thought the United States had no need to conduct propaganda there, "because the Russians are doing our work for us." He went so far as to say "that two radio stations are worse than one when they are not clearly distinguishable by the audience." Attacking plans—ultimately aborted—for RFE to begin broadcasting to the Baltic states, he likewise contended "that there is nothing that needs to be said to the Baltic that cannot be said quite adequately by the Voice of America." Barrett took a more conciliatory approach, arguing that, since the Soviet Union was currently spending more than two billion dollars annually on propaganda and related activities, there was "considerable justification for multiple activities [by the United States]—provided they don't adversely affect one another." He also believed "it was most important . . . to get news and ideas to the people in Eastern Europe." Joyce, too, an enthusiastic CIA supporter, defended RFE's activities, on the grounds that it was implementing earlier National Security Council directives.

The fundraising activities of the Crusade for Freedom were also discussed extensively, and the meeting apparently agreed that the next Crusade for Freedom would be toned down, relying on magazine and direct-mail publicity, and "would not be of the high-pressure and spectacular nature" of those of 1950 and 1951. Barrett's misgivings focused particularly on this enterprise, since he feared that the existing "type of campaign was harming the total United States effort and making people ask the question whether the Voice of America is really needed." He had been pleasantly surprised that the recent congressional hearings on VOA's budget had not raised the

[370] Barrett to Jackson, September 28, 1951, Jackson to Barrett, October 3, 1951, File Edward W. Barrett, Box 154, RFE/RL Corporate Records.

question of the "apparent duplication between Radio Free Europe and VOA." Dulles was extremely reluctant to abandon or rein in the Crusade, telling the assembled bureaucrats that Washburn "was only getting into high speed on the Crusade," and hoped to build it up to the point where it might raise 15 to 20 million dollars annually. Dulles also suggested that the Crusade was valuable "in making the public more aware of the international political situation." Barrett's response was that, while it might indeed do so, "on the whole [it] created more problems than it solved."[371]

Although some issues remained undecided, a month later, on Christmas Eve 1951, the State Department issued a circular that supposedly clarified "the status of Radio Free Europe (RFE) and similar activities sponsored by private groups vis-à-vis the United States Government." This document emphasized that Radio Free Europe was "a private, non-governmental agency supported from contributions solicited in the United States by 'The Crusade for Freedom,'" and that its activities were concentrated on the East European satellite countries behind the Iron Curtain. Although both the Voice of America and RFE operated in this area, and their "major aims" were "essentially the same," RFE devoted the bulk of its broadcasts "to events inside those countries," something that VOA's mandate to report American and world news precluded it from doing. While VOA spoke "for the United States Government and the American people, Radio Free Europe is a privately-organized medium through which, for example, Poles speak to Poles as 'The Voice of Free Poland', Hungarians to Hungarians as 'The Voice of Free Hungary', etc. The statement emphasized RFE's private character, stressing that "Radio Free Europe cannot be construed under any circumstance to be speaking officially for the United States Government. Any suggestion by other nations that the United States Government assume responsibility and endeavor to control the output of Radio Free Europe has been rejected as contrary to democratic procedure and the principle of freedom of information." American diplomats in USIE were instructed to treat RFE journalists and media representatives as they would those of any other private undertaking, allowing them access to unclassified material but not to any privileged or classified information.[372]

This circular represented the Department's official position, but several vexed issues between VOA and RFE remained unresolved. In mid-January 1951, the group of State Department and CIA officials met again, this time including both Washburn and C. D. Jackson, president of the Free Europe Committee. With Jackson and Washburn in the room on this occasion, Kohler's earlier suggestions that no real need existed for an independent RFE were not repeated. Barrett took this opportunity to make it clear that his major problem with Radio Free Europe was not its existence *per se*, but the activities of the Crusade for Freedom. He recalled "that NCFE had started as an organization to look after and make use of the various Eastern European refugee

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[371] Central Intelligence Agency, Memorandum for the Files, November 23, 1951, in U.S. Department of State, *Foreign Relations of the United States, 1950-1955: The Intelligence Community, 1950-1955* (Washington, DC: Government Printing Office, 2008), Document 94; Johnson, *Radio Free Europe and Radio Liberty*, 22-23.
[372] Foreign Service Information and Educational Exchange Circular Number 14, December 24, 1951, *FRUS, 1951*, Vol. IV: *Eastern Europe*, 1315-1317.

groups," and "that giving these groups a radio voice was something of a later development." The primary purpose of the Crusade for Freedom, he reminded his listeners, was "as a cover for the governmental support of the enterprise." Barrett was concerned "whether or not the Crusade for Freedom had grown to such proportions that it was now a case of the tail wagging the dog." He feared that "the two or three million dollars that might be raised in the Crusade might be endangering the $85,000,000 involved in the appropriations for the USIE operations," and "thought it . . . important to get back to the idea of just enough of a Crusade to give the minimum necessary cover to NCFE." It was agreed that the Crusade should be scaled back, to be relatively low key and short, lasting no more than two weeks as opposed to the three months the previous campaign had taken. Jackson spoke strongly in favor of maintaining the Crusade's "efficient field organization," since this had "done an important selling job on the American public in the matter of psychological warfare," and could be turned to other purposes. Those assembled discussed other "useful projects" it might perform on a year-round basis, "such as film shows, publicizing the visits of foreign labor leaders, and "general education on psychological warfare."[373]

The next Crusader mailing and publicity included a supplementary flier explaining "The 'Voice' and Radio Free Europe Complement Each Other: Both Are Indispensable." Based on the earlier attempts to differentiate the two stations, but far briefer, in bold type this statement explained: "The Voice and Radio Free Europe are both vitally needed if we are to win the Cold War." It continued:

> They are completely separate organizations. Each performs a distinct function in the fight against the gigantic Soviet propaganda machine.
>
> The Voice speaks with the authority of the U.S. Government. It is financed by Government funds.
>
> Radio Free Europe was set up by private citizens. It is financed by millions of individual contributions to the Crusade for Freedom.

Subsequent paragraphs contrasted the worldwide reach of the Voice, broadcasting via 75 transmitters in 46 languages to "a potential audience of 300,000 listeners," with the "much smaller" Radio Free Europe's concentration on Eastern Europe. Precisely what the differences in approach or programming might be were left sedulously vague, almost certainly reflecting the failure of the two organizations, after more than a year of negotiations, to reach any real meeting of minds.[374]

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[373] Memorandum of Conversation, January 17, 1952, *FRUS, 1950-1955: The Intelligence Community, 1950-1955*, Document 100.

[374] "The 'Voice' and Radio Free Europe Complement Each Other: Both Are Indispensable," Crusader Supplement, January 1952, File Radio Free Europe, Organizations File, Altschul Papers.

Even the anodyne demarcation agreement eventually reached was less than palatable in every respect to some RFE officials. In January 1952 Galantière commented on instructions from Philip Barbour of the Research Department stating that "RFE should steer clear of American subjects, which were the province of the Voice." In order to combat Russian propaganda that the United States was the source of all international evils, RFE must, he countered, be able to mention the United States. "[I]ndeed to produce anti-Soviet propaganda without talking of America is to produce Hamlet without the Prince," he contended. Exiles should be free, Galantière stressed, to tell their audience in Eastern Europe their impressions of the United States—"America seen through foreign eyes"—as well as other Western countries.[375] Such caveats notwithstanding, top-level government officials felt that the agreement was a reasonable compromise. In mid-1952 Walter Bedell Smith, head of the CIA, told a meeting of the Psychological Strategy Board that there had been "certain conflicts of policy, a certain overlap of functions, which eventually will be ironed out." He anticipated that, on leaving their government positions, the "Assistant Secretaries of State who are responsible for the Foreign Information Program" would "become members of the Board of Directors of the National Committee for a Free Europe," a move he hoped would ensure better coordination between VOA and RFE.[376]

Bureaucratic warfare was still by no means abandoned. In late January 1952 the State Department's East European Division, many of whose personnel had close links to East European émigrés in the United States, took the opportunity to suggest again that RFE's operations should be handed over to the exile National Councils, as envisaged in the original blueprint for the radio service.[377] It was perhaps not entirely coincidental that in December 1951, a few months after Radio Free Europe's German headquarters became fully operational, Gordon Gray, director of the new Psychological Strategy Board (PSB), which included CIA and State Department representatives, launched a full-scale assessment of its performance and potential, to decide whether the new station deserved to obtain continuing support from government sources. Mallory Browne, the PSB's Assistant Director for Evaluation and review, was requested "to carry out a quick on-the-spot survey of the present situation of Radio Free Europe," to determine:

1. Is it necessary to continue RFE?
2. Is RFE important or indispensable to our PSB program?
3. Is RFE, on the contrary, inadvisable altogether?
4. Should RFE be reduced in scale and scope if it is to be continued?
5. Is it, on the contrary, advisable to increase its scale and scope, and generally step up the magnitude and effectiveness of RFE?

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[375] Galantière to Mary Augustine, January 13, 1952, File Radio Free Europe-General 1952, Box 265, RFE/RL Corporate Records.
[376] Psychological Strategy Board, Thirteenth Meeting, June 12, 1952, Papers of Harry S. Truman-Psychological Strategy Board, Truman Library, sanitized copy available on Declassified Documents Reference System.
[377] State Department, East European Division, "The Functions of NCFE and RFE," January 23, 1952, File Free Europe Committee-General 1949-1956, Box 191, RFE/RL Corporate Records.

The "underlying" agenda, in Browne's view, was: "If it is found advisable to continue RFE, how should it be operated, under what sponsorship, at what level, and on what scale?"[378] A definite sense already existed within RFE that the radio services and the Free Europe Committee had both grown so rapidly, that a major administrative reorganization was required. A consultant's report submitted in late 1951 apparently noted "the lack of clearly defined areas of jurisdiction; the necessity for continuing program analysis and planning; the need for clarification of the relations between RFE-N.Y. and RFE-Munich; the requirement of further program policy development; and the looseness of coordination between RFE and NCFE." The report itself was criticized, however, as failing to appreciate the realities of relationships among the various departments and organizations involved, and attempting to impose "five or six levels of superstructure" of administration above the exile desks that actually produced the programs. Even the report's critics, however, admitted that "the separation of policy from operations by too great a distance is undesirable," and complained of the poor quality of some personnel.[379] A few weeks later, R. D. Loken, another consultant told Jackson that he had listened to "numerous discussions of NCFE 'policy,'" which usually "ended in a dead heat since in the final analysis none of the participants actually knew what this nebulous policy was." After gathering together such statements as were available from various sources, he was impressed by "the hazy and multi-directional nature of what appears to be the official NCFE policy." Loken recommended that the Committee develop a "clear statement of general and specific policy," detailing the mission and "objectives" of the Committee as a whole and each of its separate divisions.[380] Browne's mission offered another opportunity to prescribe remedies for some of these shortcomings.

Browne undertook a "preliminary" whirlwind tour of Frankfurt, Munich, Berlin, and Vienna, returning with a highly favorable assessment of RFE's operations. He recommended that it was, "if not absolutely necessary, at least highly desirable and advisable to continue RFE," and that the station's "scale and scope . . . should be increased." Given "its present free-wheeling posture," Browne did, however, think it "essential to institute a greater measure of responsible policy control at the operational level." So great was the radio's impact in Eastern Europe that in Czechoslovakia the first secretary in the U.S. Embassy in Prague was convinced "that before long the [State] Department might well have to decide whether it wants to continue the Mission there or RFE." Even so, Browne contended that "RFE is far too valuable to us for us to allow it to destroy itself, as it may very well do, unless steps are taken to make it more responsible." Brown had consulted many American information specialists in all the cities he had visited, and

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[378] Quotations from Mallory Browne to Gordon Gray, February 12, 1952, Papers of Harry S. Truman-Psychological Strategy Board, copy in Declassified Documents Reference System; see also Gray to Browne, "Subject: Evaluation of Radio Free Europe," December 7, 1951, ibid.; Nelson, *War of the Black Heavens*, 54-55.
[379] J. C. Miller to Lang, November 21, 1951, File Radio Free Europe-General April-December 1951, Box 265, RFE/RL Corporate Records.
[380] R. D. Loken to Jackson, Subject: Foggy Bottom, New York—Dispelling the Gloom Thereof, December 18, 1951, and enclosed appendices, File Free Europe Committee-General 1949-1956, Box 191, RFE/RL Corporate Records.

while some had criticisms to make of "one phase or other" of RFE's operations, none "believed RFE should be discontinued." Although "[o]ne or two thought its work might better be taken over by VOA, . . . by and large there was an overwhelming consensus that RFE is one of the most effective elements in the free world's cold war strategy today."

At this point, RFE was consistently attracting large audiences in Hungary and Czechoslovakia, the two countries to which it was already transmitting a full-scale service. Browne thought it "clearly established that a substantial majority of both the Czech and Hungarian populations hear the RFE broadcasts, either themselves or from friends and neighbors; and furthermore that they consider it their major link with the free world." While he admitted that this was also true of VOA broadcasts, "the difference is that RFE is more popular—more dramatic, more aggressive, more exciting." VOA probably "appeal[ed] more to the intellectuals and high-level people, while RFE has a more powerful appeal to the peasants and industrial workers." Although there might apparently be little to choose between the two, in Browne's view RFE specialized in "hard-hitting programs addressed particularly to those Czechoslovakians and Hungarians who for one reason or another are discontented with the existing regime, and who are or could become a nuclei [sic] of resistance groups there." RFE also had superior access to recently escaped refugees from these countries. Browne's major recommendation was that, while RFE's "actual direction and operation . . . appears [sic] to be good," greater coordination with the diplomatic missions in Prague, Budapest, and elsewhere was required. He also believed that its precise objectives might require clarification, suggesting "that not enough thought has been given to thinking out just what are the particular aims and certainly [to] attaining its broad goal of making trouble for the Communist regimes in Czechoslovakia and Hungary." If this could be accomplished, Browne thought "steps should be taken to strengthen and build up RFE," by improving the caliber of its staff and "increasing the power of its transmitters."[381]

Browne, a former *New York Times* correspondent in London who was subsequently responsible for information and cultural affairs matters in the American embassy in that city, included in his report some interesting indications of East European views on the relationship between RFE and the United States government. Whether or not the American government kept up its cover story that RFE was a private operation was, he seems to have thought, irrelevant. Browne believed that "all indications [were] that these listeners in Czechoslovakia and Hungary think of it as an operation carried out by free Europeans backed by American money and American governmental authority. There seems to be every reason for not changing this."[382] In a supplement to his report, Browne added that interviewed numerous refugees, of whom he "made particularly persistent enquiries to find out whether these listeners and other Western Europeans thought of it as financed by 'Americans' or whether they considered it was financed by the American

[381] Mallory Browne to Gordon Gray, February 12, 1952, Papers of Harry S. Truman-Psychological Strategy Board, Truman library, opy in Declassified Documents Reference System.
[382] Mallory Browne to Gordon Gray, February 12, 1952, Papers of Harry S. Truman-Psychological Strategy Board, Truman Library, copy in Declassified Documents Reference System.

Government." The supposed cover story was clearly unconvincing, but, he continued, this fig leaf was not important:

> The answer I got was that the listeners to RFE and other Western Europeans could not even conceive of such a big enterprise as RFE, with its powerful stations and hundreds of members on the staff, not being officially sponsored by the American Government. In the first place, they think of it as being in the American Occupied Zone of Germany, where it could not be without the endorsement and active support of the American military and political authorities in that Zone. Secondly, if they think about it at all, they are inclined to believe rather cynically that the large sum of money necessary to run such a big operation could only be forthcoming from a Government, and not from private sources. Thirdly, and this is perhaps most important, they are, by their whole tradition and custom, naturally inclined to think of a radio propaganda operation of this type as necessarily sponsored and supported by the Government.[383]

Conscious of the potential threat from the State Department, top Radio Free Europe and Free Europe Committee officers were eager to ingratiate themselves with their CIA patrons. Jackson's resignation as NCFE director at the end of January 1952 was an opportunity for him to write a fulsome letter of thanks to Walter Bedell Smith, the new CIA head. Jackson sent this missive just after returning from "a ten-day blitz of our European installations," an assessment tour that had left him "tickled silly at what we have all been able to do in one year." Jackson thanked Smith in particular for the latitude the CIA had allowed the Free Europe executives to run the enterprise as they thought best, telling him:

> We would never have been able to create these things . . . had it not been for the attitude that you and your organization had toward us. The freedom you granted us, which could have been only an illusion, was so skillfully and tactfully handled . . . that we were able to do a lot of things more quickly, and with a greater sense of responsibility, than would have been the case had we constantly felt tugs at the reins. I know just enough about official and non-official relationships to appreciate how nearly miraculous our relationship has been, and I can't tell you how grateful I am to you, and Allen [Dulles], and Frank [Wisner], and Gates [Lloyd], and Tom [Braden], and many others, for the way you have handled us.[384]

In an exchange of congratulations, Smith responded by thanking Jackson for his "tremendous contribution" over the previous year as the "directing genius of the national Committee for a Free Europe and related enterprises." Jackson had, Smith told him, the knack of creating weapons that could "strike through the enemy's outer armor and reach his vitals." Under his

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[383] Browne to Gray, February 12, 1951, Papers of Harry S. Truman-Psychological Strategy Board, Truman Library, copy in Declassified Documents Reference System.
[384] Jackson to Smith, January 31, 1952, Box 78, Jackson Papers, quoted in Cook, *The Declassified Eisenhower*, 129-130.

leadership, RFE had become "one of the most potent and effective" tools available to help the United States "withstand the Communist onslaught."[385]

Warm words only went so far in preserving RFE from its enemies; tangible evidence of performance was also required to justify its existence. Less than three weeks later, Altschul advised Free Europe Committee officials as to how he believed they should respond to requests made some months earlier, presumably by the CIA as Smith and Dulles imposed greater control on that organization, for "an account of their stewardship." This amounted to a demand for a progress report on how successful NCFE had been "since its inception [in] accomplishing the mission with which it had been entrusted," with "[t]he underlying purpose" of "plac[ing] in the hands of those who have the responsibility of determining" the Committee's future "a document which will aid them in reaching a sound decision." Altschul, now at least semi-detached from the Free Europe Committee, of which he was no longer even a director, recommended that it examine in turn the various fields—intellectual activity, radio, American contacts, national exile councils, fund raising, and the Free University—it had undertaken, and frankly assess both its "accomplishments" and "failures" in each. He advised honesty rather than "[a]ny attempt to gild the lily" where this was not justified. "It is not desired to prepare a sales talk for NCFE, or an apologia. What is desired is a document so fairly conceived that it will aid those ultimately responsible to decide intelligently whether our original mandate should be renewed, modified or withdrawn." Free Europe Committee representatives should, he believed, give their honest opinion on "the extent to which any or all of the activities of NCFE seem to have served and seem to continue to serve the national interest." Having delivered this "presentation," they should then make a "formal request for a decision" on whether their operations deserved continuing CIA support.[386]

Altschul's recommendations betrayed a certain ambivalence in his mind as to the operations of the Free Europe Committee, something that would become even more apparent later that spring, when he met at Princeton with other associates of the organization. Many of its supporters were less conflicted, almost certainly one reason why, six months later, the CIA and the Free Europe Committee reached agreement on a new Memorandum of Understanding governing their continuing relationship.[387] Browne's preliminary report was not the only broadside delivered on RFE's behalf. Three weeks later US Ambassador to France David Bruce, former head of OSS operations in Europe during World War II, reported to the State Department from Paris on a meeting of the heads of the various American embassies, missions, and consulates in East Europe to discuss policy towards the Soviet satellites. The assembled diplomats concluded that both VOA and RFE were "of extraordinary importance for US policy in Sov[iet] orbit." Each,

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[385] Smith to Jackson, March 11, 1952, Box 78, Jackson Papers, quoted in Cook, *The Declassified Eisenhower*, 130.
[386] Altschul, "NCFE-An Historical Summary," memorandum to Thorbecke, February 29, 1952, File National Committee for Free Europe, Organizations File, Altschul Papers.
[387] Dulles, Memorandum to Deputy, Director, Plans, and Chief, International Organizations, August 4, 1952, available on http://www.coia.cia.gov/browse_docs_full.asp.

they believed, had "separate functions to perform," and "their identity should be kept separate in minds of listeners insofar as possible." Given the potential for provocation, they argued, the implications of RFE activities for American diplomatic relations with the satellites should "receive urgent study." Reaffirming the tactics RFE was already following on this sensitive topic, the meeting emphasized that, when speaking of German rearmament to East Europeans, RFE—and other American propaganda—should invariably "stress safeguards against revival Ger[man] power, especially integration Western Ger[many] in European community progressively more united and inclusion Ger[man] units in Eur[opean] Army dedicated to self-defense and peace." On the still more crucial and controversial subject of liberation, American information services were specifically warned to "avoid stimulation [of] unjustified and premature action or hopes for early liberation which cannot be fulfilled."[388]

The question of liberation of Eastern Europe came to the fore in spring 1952, in part because it was clear the issue would loom large in the impending presidential election campaign. Altschul was one of a group of twenty-eight who attended a weekend meeting held at Princeton in May 1952, to discuss the future of American covert operations directed at Eastern Europe and elsewhere. The meeting was convened by C. D. Jackson, who left the National Free Europe Committee at the end of February to work for Dwight D. Eisenhower's presidential campaign. According to Allen W. Dulles, the genesis of this gathering was the impression Jackson "received during [his] trips abroad and reviewing the work that was going on in RFE, that we [the American government] were now at a point where we had a weapon of propaganda which could be turned on and directed, and, vis-à-vis certain countries could have, if directed, a very potent effect." Jackson therefore "wanted . . . to get together a group to analyze the situation and how this weapon could best be used."[389]

Altschul was one of two people—the other being Abbott Washburn, head of the Crusade for Freedom—with whom Jackson held preliminary consultations in late April, at Altschul's office, to discuss plans and the agenda for this meeting. Jackson complained that no clear guidelines for the operations of either RFE or the Free Europe Committee existed, and the organizations needed to decide: "WHAT DO WE WANT? WHERE ARE WE GOING? WHAT IS OUR PLAN?" The "paucity of policy in Washington" on the subject would, he claimed, "horrify" Eisenhower. The American government needed a "blueprint of policy and plan for U.S. psychological warfare" on a global scale. As it was, responsibility for this field was divided among several competing agencies, with no single overall directing guidance. Altschul's criticisms were somewhat different, focusing on what he perceived as the absence of any public fervor for

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[388] The Ambassador in France (Bruce) to the Department of State, March 7, 1952, U.S. Department of State, *Foreign Relations of the United States, 1952-1954*, Vol. 8: *Eastern Europe; Soviet Union; Eastern Mediterranean* (Washington, DC: Government Printing Office, 1988), 14.

[389] Quotation from Allen W. Dulles, in transcript of proceedings, Sunday morning session, May 11, 1952, National Committee for a Free Europe Conference, US State Department, Declassified Document Reference System. Copies of all these declassified documents are also to be found in the Princeton Meeting Files, Box 83, C. D. Jackson Papers, Dwight D. Eisenhower Presidential Library, Abilene, Kansas.

implementing Cold War policies. In a three-person encounter in which Washburn apparently remained silent, a pessimistic Altschul expressed worries of his own, primarily that Americans had apparently "lost [their] capacity for moral indignation, [their] essential American hallmark of being crusaders for human liberty." To his regret, it seemed that Americans put material considerations first, and were "only . . . interested in protecting our living standard, our unspeakably high living standard. We don't give a damn for the rest of the world. And the rest of the world knows it." Altschul also contended that broad American Cold War policies to date had been ineffective, and had if anything promoted anti-Americanism on a global scale. Even though the United States had "flooded the world with dollars and propaganda . . . we are more unpopular than when we started. There is more distrust and resentment of America than ever before." He called for a "revival" of the American spirit, something he believed "requires new leadership, new inspiration, new direction."[390]

The conference was preceded by a much-publicized article in the British weekly, *The Economist*, with the title "Containment Plus," that expressed reservations over the activities of the Voice of America and Radio Free Europe, in terms of the potential inflammatory impact of their broadcasts upon listeners in the satellite states. "There is much," the journal declared, "to be said for frightening both the Politburo and its friends in Eastern Europe. For the West to allow tyrannical regimes to carry out their aims without making any effort to exploit their difficulties would be a craven and short-sighted policy." The editors nonetheless thought it "dangerous . . . that an unofficial and covert policy of actively supporting passive resistance should run parallel with an official policy of doing next to nothing about Eastern Europe." They called for the announcement of a coherent Western policy towards the region, defining the limits of American intentions in the area.[391] The article served as ammunition for those RFE officials and associates who felt that they had no clear mandate, and sought administration endorsement for a statement authorizing a more aggressive and forceful policy towards Eastern Europe, with clearer directives as to the organization's ultimate objectives. At the request of the Free Europe Committee, Altschul allowed the Overbrook Press to distribute 6,000 copies of this article to influential recipients around the United States, using his own name as cover for the committee.[392]

Most of those attending the Princeton conference were NCFE and RFE officials, who were frustrated by what they saw as unclear guidelines as to what they should be doing, and sought to win government acquiescence in a policy statement that would frankly commit the station to encouraging efforts by East Europeans to free themselves from Soviet rule, if necessary through armed uprisings. The group also anticipated that they might be able to provide guidance to the

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[390] "Notes of meeting held Monday, April 28, 1952, 5:30 P.M., at office of Frank Altschul. FA, CDJ, and AW attending," File Princeton Meeting, Box 83, Jackson Papers.
[391] "Containment Plus," *The Economist* (April 26, 1952), 203-204, copy in File Princeton Meeting, Box 83, Jackson Papers; also quoted by Lewis Galantière, in transcript of proceedings at opening session of the National Committee for a Free Europe conference, May 10, 1952, US State Department, Declassified Documents Reference System.
[392] Altschul to Miller, June 17, 1952, Miller to Altschul, July 8, 1952, File Frank Altschul, Box 142, RFE/RL Corporate Records.

incoming administration of whoever might be elected president in the American elections later that year. Among those gathered in Princeton were NCFE stalwarts Joseph C. Grew and DeWitt Clinton Poole, both past presidents of the organization, Admiral H. B. Miller, its current president, former US assistant secretary of state Adolf A. Berle, a long-time NCFE member, and Robert Lang, head of Radio Free Europe, together with a number of RFE executives, including Lewis Galantière, Frederic Dolbeare, and William E. Griffith, and Abbott Washburn, who headed the Crusade for Freedom. The rising young academic Walt W. Rostow of the Massachusetts Institute of Technology was a vocal and passionate attendee, and his colleagues, Jerome Wiesner; also there were Lloyd V. Berkner, president and chairman of the executive committee of the New York-based Associated Universities, Inc., and Alan Valentine of the newly established Radio Free Asia. Allen W. Dulles, by that time Deputy Director of Plans for the Central Intelligence Agency was present throughout, and Charles E. Bohlen of the State Department, who had since early 1951 sought to moderate the more confrontational aspects of United States policy towards the Soviet Union and its satellites, attended the Saturday afternoon and Sunday morning sessions. Others in this group included Bohlen's colleague Robert Joyce of the Policy Planning Staff, who handled State Department liaison with the Free Europe Committee; George Morgan of the Psychological Strategy Board; William Jackson, deputy director of the Central Intelligence Agency, and Thomas Braden, another CIA operative. The meeting also had the blessing of Dwight D. Eisenhower, former commander of World War II Allied forces in Europe and current military chief of the newly established North Atlantic Treaty Organization (NATO) headquarters in Paris, who was at that time a candidate for the Republican presidential nomination. The general sent his "full endorsement" of Jackson's efforts "to improve our penetration of the Iron Curtain" so as "to bring freedom to those who want it, and lasting peace to a troubled world."[393]

According to Rostow's retrospective account: "RFE's problem, briefly, was this. It had developed considerable operational capabilities, but American policy offered an inadequate foundation for talking persuasively to Eastern Europeans in terms of their problems and aspirations."[394] More concretely, it seems that several top RFE officials and their CIA backers were frustrated by the practical restrictions limiting what they felt able to accomplish in terms of ending Soviet domination of its European satellites. Jackson and several others at this meeting argued that American psychological warfare policy had become unduly defensive and was not responding adequately to potential opportunities to make headway in Eastern Europe. Jackson, Galantière, Grew, Berle, and Rostow all complained that the United States government was not taking the initiative to undermine the Soviet position in Eastern Europe, and that RFE had no long-term objectives. In Berle's words: "RFE has come to a point where it simply cannot maintain unrest. Something must happen—either we tell them to go home, or start composing music, or drop out of the picture, or we suggest a goal for the U.S. or West. Without that, I don't

[393] Eisenhower to Jackson, May 8, 1952, File Princeton Meeting, Box 83, Jackson Papers.
[394] "Notes on the Origins of the President's Speech of April 16, 1953," Paper Prepared by Walt Whitman Rostow, Massachusetts Institute of Technology, May 11, 1953, *FRUS 1952-1954*, Vol. 8, 1173-1174.

see how the boys in Munich can make noises and increasingly make trouble there without getting themselves hated for their pains." He called, as he had been doing for at least eighteen months, for "some kind of Command Post" to direct RFE policies, so that "we might start discussing attainable objectives, to be attained now or worked toward now, giving tangible evidence that we mean business." He also believed that RFE needed a "blue-print, highly flexible, of what we expect to do." Rostow and Berkner both argued that, while RFE had high credibility with its target audience, the United States needed to give East European peoples positive objectives to which they could aspire. Rostow pointed out that East European states had long "been a plaything of major foreign powers" and would respond with apathy and skepticism unless they were to "have a chance with American power in keeping Russia and Germany in bounds." Moreover: "Clarification of America's objectives and successful projection of them does not solve the problems raised—how in fact can we implement them without a war?"

As the morning session drew to a close, Altschul joined the debate, and inquired "whether a part of our problem does not lie in the fact that there is a great difference between our stated aims and our instinctive and for the time being unstated aims." Rather bluntly, he told his audience: "If our stated aims are merely to make our corner of the globe secure that, I am afraid, is not going to be agreeable to our friends behind the Iron Curtain." He agreed, however, with a recent statement by Eisenhower, "that a dynamic program must be one that will bring freedom to those who want it and bring lasting peace to a troubled world." Altschul warned forthrightly: "If we have less than that as our stated objective, our propaganda will have a hollow sound." Altschul suggested that the American government had been sufficiently frank with neither the American people nor those in Eastern Europe who were the targets of American propaganda. He wondered if the fact that the United States "ha[d] been and still [was] extraordinarily afraid of . . . precipitat[ing] war" meant that "time is no longer working in our favor." Altschul worried that such fears might be counter-productive, speculating: "Maybe sooner or later we are going to have to take the risk if war should come in spite of our efforts and we are to have the allegiance of the people we need and want to have with us in this struggle." Domestically in the United States, he could not "see any great crusading zeal, no evidence of moral indignation," leading him to fear that "maybe the country is not quite ready to support an all-out statement on this backed and implemented by a consistent policy." Condemning the current state of American policy and absence of genuine fervor in American policy, and popular reluctance to bear the necessary economic burdens, Altschul rather apocalyptically charged:

> I don't think the country has been told the story. I don't think the crisis has been sufficiently dramatized. I don't think they realize that the civilization of which they are a part is in jeopardy, and against the question of whether their living standards are maintained at the present level for a few years is literally a matter of relative unimportance. Both from the standpoint of our fear of consequences from the Russians and fear that our country is not prepared, we have undisclosed, instinctive and deeprooted aims which will only be useful to us in propaganda when once they are laid on the table.

As the morning ended, Altschul warned once more that a policy of containment rather than rollback would not inspire "the rest of the world," to whom "it looks . . . as though we are trying to dig in on the Elbe and the Rhine and are not interested in anything beyond. They are discouraged by those aspects of our policy and are not much impressed by the papers on file in the NSC and what we do." In terms of the draft statement under consideration, he believed that: "Reasons have not been made clear enough to the American public. There are great moral issues involved. Extraordinary military and political difficulties in the way." Stressing the need to generate popular fervor for such Cold War policies, Altschul concluded: "Unless the climate of opinion around this country is such that it will welcome that kind of statement and arouse enthusiastic support, statement will not be good enough." [395]

In his appreciation of the importance of broad public endorsement of American foreign policies, Altschul was more perceptive than many of his peers who gathered at Princeton that weekend. While those involved with Radio Free Europe and the National Committee for Free Europe were dissatisfied with the current policies of the United States government, Charles E. Bohlen of the State Department, who attended the afternoon session, defended the official administration position against these attacks, and said that trying to accomplish anything more would be impracticable. He asked those attending exactly what they wanted from the State Department. Rostow complained "that a gap exists in the understanding of the nature of the American objectives," one that "contributes to apathy and weakens the dynamism of any effort to see that part of the world move without war toward a shape which is in the American interest."

> With respect to Eastern Europe, they know we are against Communism and Russia and that we combat their view of what American life is like—but we have not responded to their question as to what kind of Eastern Europe we stand for in the long run.
>
> With respect to Russia, we have never articulated clearly in any concrete way the manner in which American long-run objectives might be compatible with the American national interests.

Rostow also told Bohlen it was the sense of the meeting that, while a clearer statement of American aims was needed, this should not "involve any commitment as to the use of armed force" to "re-establish . . . freedom" in Eastern Europe.

Lang, who had to deal with RFE's operations on a daily basis, read aloud a memorandum telling Bohlen that its policies to date had amounted to, firstly, "[d]enouncing Soviet policy and behavior"; secondly, "[s]upplying general information about world events as seen from a Western viewpoint"; and thirdly, "[o]ffering some vague hope of liberation." These activities,

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[395] Transcript of proceedings at opening session of the National Committee for a Free Europe conference, May 10, 1952, US State Department, Declassified Documents Reference System; see also draft summary of Princeton Meeting on Political Warfare, May 10-11, 1952, enclosed in Lewis Galantière to C. D. Jackson, June 2, 1952, C. D. Jackson Papers, Declassified Documents Reference System.

effectively representing what he termed "guerrilla warfare without strategy," had brought an "already noticeable growth of anti-Soviet unrest behind the Iron Curtain." Lang warned that: "Unless they are carefully handled, these broadcasts may stir up futile moves, which would bring—after their ruthless suppression—increased despondency and disappointment." In what amounted to a manifesto on his station's behalf, Lang expounded the need for some more inspiring and positive credo, affirming:

> We are engaged in the greatest war between opposing cultures and ways of life that the world has ever seen. In this gigantic struggle all the natural sympathies of the Curtain peoples are definitely with the West and Soviet Russia is seen by them as an enemy.
>
> But what is our contribution to this great war of ideas?
>
> We give to our listeners a mixture of generalities about freedom, justice and free enterprise, seasoned with hazy promises. They confront it with the obvious absence of a Western policy with regard to Central Europe, with the experiences of the past (Yalta), with colonialism, corruption and advocacy of a policy of containment.
>
> Their conclusion may be conducive to a feeling of bitterness and resignation. It may also induce a fatalistic indifference, or—at best—the belief that "Western imperialism" is the lesser of two evils.
>
> If the object of our activity is to win the sincere and lasting support of the people of the subjugated countries, we should endeavor to give them something more than a mixture of anti-Communism and polemic aimed against Soviet objectives at a tactical level. We should present to them a positive creed, something worth striving for—a synthesis of all that Western Civilization stands for. We should offer a positive vision of a better future. Unless such a program is put forward, the people of the nations concerned may conclude that the aim of the West is simply the restoration of the status quo ante bellum. Such a conclusion could be detrimental, especially as it is being supported by Communist propaganda to the effect that the Western world is the champion of reactionary policies. Our objectives, on the other hand, should be to prove that Soviet Russia is the most reactionary power in the world, while the West stands for every form of social and political progress aiming at the improvement of the conditions of human life.

In discussion, Bohlen warned that a statement that the United States would not resort to war to attain its political aims was likely to prove counterproductive, and would only reassure the Kremlin that it could do as it wished. Bohlen also pointed to more immediate dangers to the East Europeans themselves, telling his hearers:

> Anything you can do through political warfare short of open use of American divisions across the lines that will reduce the hold of the Soviet on the satellites, render them insecure, disturb the regimes in any way, that would not cause the people to be bombed

> and killed (and the same thing goes for the Soviet Union) is all to the good. The question comes down to what more you can do effectively. The present end result of the operations of VOA and RFE would be to get people killed.

Allen W. Dulles, by contrast, was an enthusiastic advocate of "a restatement of our aims and ambitions with respect to the satellite powers, not in a way to provoke revolt but in a way to keep alive hope and to provide a backdrop for the radio activities of the agencies represented." He hoped that a formal governmental statement on the subject might be issued "in the next few weeks." Brushing aside fears that such a pronouncement might raise false hopes among Eastern Europeans, resulting in unnecessary deaths, Dulles blithely remarked:

> I am not sure that one of the things that we have lacked in these countries is maybe a martyr or two to inspire these people. This thing is never going to come about unless there are people who are ready and willing to stand up and be counted and take the consequences. After all we have had over a hundred thousand casualties in Korea—but there are more than eighty million in Eastern Europe, and if we have been willing to accept those casualties, I wouldn't worry if there were a few casualties or a few martyrs behind the Iron Curtain without desiring to stir up a situation of revolt.

C. D. Jackson likewise took the line "that people will get killed anyhow" and agreed with Dulles that "maybe a couple of martyrs may not do us any harm." Seeking, however, to allay fears that political warfare could quickly get out of hand and precipitate armed conflict, Jackson also told his audience that all major nations, including Russia, Germany, and Japan, practiced this as "a fact of their existence." He believed that the United States could do likewise, "without bringing on World War III or anything like it. Political warfare is not a preamble to armed warfare." Obviously envisaging an expansion of American activity in this sphere, Jackson reassured his audience: "There is nothing too terribly dangerous about this thing that is being proposed. It is a fact of contemporary existence. I really believe that we are on the side of the angels."

It was left to Altschul to try to make some positive response to Lang's challenge to the United States to put forward a progressive and visionary program that would appeal to Eastern Europeans and others around the world. It was not dissimilar to schemes he had outlined to Kennan somewhat earlier. Rebutting the enthusiasm of many of his colleagues, he suggested that, despite the preoccupation of officials in Washington and elsewhere with "political warfare," the results to date were "not too encouraging." In his bleak assessment, "nothing we have done has made any impact on the Soviet Union as far as the satellite states are concerned, and we fear we are reaching the point of diminishing returns." In Altschul's view, around the world, "with the exception of Great Britain, we have no dependable ally, and a good deal of prejudice against the United States and its policies has been developed. Asia is sitting on the fence." He wondered if this situation did not demand a completely novel initiative. Rather than a policy statement, he thought what might be needed was "a new approach to the Soviet Union, perhaps without any great hope that it would accomplish any feasible result, but it might have an effect

on world opinion, and might regain for us that kind of leadership to which we aspire." Altschul believed that the United States should publicly repudiate "the thesis that we are committed for all time to political warfare and eventually open conflict," together with "the position of Stalin and Lenin that the end ultimately has to be war." He suggested that the American government should "explore a little bit what this conflict is going to mean not only to us but to the rest of the world, including the Soviet Union," and point out that their two countries "ought to have as our common objective finding a way of avoiding this catastrophe." Seeking to reduce defense expenditures, Altschul envisaged an international initiative resembling the Marshall Plan, and thought the United States "might propose to the Soviet people that if this was accepted now, instead of spending untold amounts on armaments, we stand ready to embark on a world wide, gigantic Marshall Plan. And in the fruits of this gigantic Marshall Plan the Soviet Union would benefit." The principles behind this venture should, Altschul urged, include "the principle of the right of individuals to live out their lives in freedom under governments of their own choosing." He believed that advocates of this scheme should depict "the practical application of that principle . . . to Eastern Europe," and "draw an idealistic picture of a new kind of world in which there will be an enduring peace." While Altschul confessed that he had "sketched it very roughly indeed," he suspected that "a statement that takes this approach to the Soviet Union and gives us a better platform would . . . be more effective than a statement of political warfare."[396]

Altschul's suggestions fell on deaf ears. His fellow conferees listened politely and continued their debate, agreeing to draft a statement that was fine-tuned the next day. On the final morning, Altschul made minor suggestions as to the detailed drafting of this statement, but was considerably more taciturn than the day before. Poole, his old adversary in the Free Europe Committee, was characteristically rarefied, wishing the statement "to emphasize that armament can be no more than a temporary shield . . . and the only happy issue from our present situation is a movement of the spirit throughout the world to resolve the situation." Others were more enthusiastic. Allen Dulles proclaimed that he believed the United States now had more than adequate "machinery" for "psychological warfare." He believed that there was a prevalent, and well-justified, impression that "in the race" to establish such mechanisms, initially the Americans had "started second" and had therefore "been somewhat on the defensive. We have been answering calls to put out fires." He hoped that the time had arrived "where, in certain areas, we can now go over to the offensive," and believed that "[o]ne of those areas might be certain of the satellite states." He was "particularly interest[ed]" in "see[ing] what concrete things we could do in this somewhat limited but vitally important area." Robert Lang, head of RFE, who "like[d] this document," nonetheless sounded a cautionary note. Reminding his hearers that some had compared it to the Fourteen Points of Woodrow Wilson during World War I, and "the great hopes that they aroused in many quarters of the world," Lang warned that American officials

[396] Minutes of Princeton meeting 5/10-5/11/52, White House, May 10, 1952, White House files, Declassified Documents Reference System; see also draft summary of Princeton Meeting on Political Warfare, May 10-11, 1952, enclosed in Lewis Galantière to C. D. Jackson, June 2, 1952, C. D. Jackson Papers, Declassified Documents Reference System.

needed to keep a firm "grasp of capabilities." Presciently, he stated: "If this document were too enthusiastically merchandised, we might arouse in the minds of people here and in Eastern Europe the belief that somehow someone had a mysterious secret in Washington on how to liberate these people just by political warfare." Lang thought it would be unwise to "blow up too great a political offensive on the basis of a statement like this." Dulles, recalling his own small part as a youthful diplomat in drafting the Fourteen Points, promptly defended the statement, claiming "that the political warfare that was started with the Fourteen Points and was carried on won the war . . . with the German Army still intact on the other side of the Rhine because of the Fourteen Points." Reiterating his readiness the previous day to take some chances, and to sacrifice some East European lives, the future CIA director coolly proclaimed:

> I don't think you can wait until you have all your troops and are sure you are going to win. You have got to start and go ahead. As I said before, you have got to have a few martyrs. Some people have to get killed. I don't want a bloody battle but I would like to see things started. I think we have got to take a few risks. We have got to move on with caution and foresight.

Clearly relishing the prospect of taking the battle to the Soviet sector, Dulles told his audience:

> As we look around the perimeter of the Soviet world, we see that their weakest point is in having had to move in and keep their power in the satellites. Therefore, if we are going to move in and take the offensive, Eastern Europe presents the best place to start. It is dangerous, but we live in a dangerous world.[397]

The policy statement that eventually emerged from these heated discussions was far less sweeping than many of those assembled might have wished, and perhaps believed. While proclaiming that it was United States policy that the satellite nations should regain their "liberty," the document also made it clear that this "goals [should] be achieved without resort to war." It urged further economic and security cooperation among the nations of Western Europe, proposing that the East European states should be admitted to such ventures as soon as they had escaped from Soviet domination. The statement also called for the unification of both Germanies under a democratic government, and "effective world-wide armament reduction and control." The authors affirmed that the United States had no desire to "threaten the Russian national interest," and that peace and the Russian renunciation of its "unilateral and imperialist policies" would benefit all. It also denied any American ambition to "impos[e] its cultural, social, economic or political patterns on any country."[398] Bohlen took a copy of this statement back to Washington. Eventually, it was discussed by the Psychological Strategy Board, which

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[397] Sunday morning session, May 11, 1952, Minutes of Princeton meeting 5/10-5/11/52, White House files, Declassified Documents Reference System; see also draft summary of Princeton Meeting on Political Warfare, May 10-11, 1952, enclosed in Lewis Galantière to C. D. Jackson, June 2, 1952, C. D. Jackson Papers, Declassified Documents Reference System.

[398] Statement, Draft #3, May 11, 1952, File Princeton Meeting, Box 83, Jackson Papers.

passed it to the State Department for comment and further consideration at a subsequent meeting. The unenthusiastic Bohlen presciently warned that too many people at the Princeton meeting had regarded this statement as a "magic wand" that would solve their problems and frustrations, expectations he thought unrealistic; in addition, he defended the Truman administration's record on political and psychological warfare. George Morgan of the Psychological Strategy Board described the meeting that had produced this document as a symptom "of public pressures for a spectacular political warfare offensive based partly on unrealistic conceptions of what political warfare can achieve, partly on the American urge to get going even if we don't know whither, partly on desperation." Ultimately, the statement sank within the national security bureaucracy.[399]

All were aware, however, that the Truman administration's days in power were numbered, and Jackson was looking to another patron, Dwight D. Eisenhower, the Republican presidential nominee whom he and the Luce publications alike were giving strong support. The general received a copy of the statement, displayed interest in it, and through General Lucius D. Clay requested Jackson to develop a plan to implement it, one he would be able to consider after the election. Eisenhower then made the need to reform the entire United States information and propaganda bureaucracy a major element in his campaign.[400] At this point, Eisenhower may also have been responding to pressures to be more aggressive in espousing the cause of liberation of the Soviet satellites. In July 1952, jJust before the Republican convention opened in Chicago, the journalist Cyrus L. Sulzberger met with Eisenhower's unofficial campaign chief of staff, General Lucius D. Clay, who had helped to bring him in to the Crusade for Freedom campaign. According to Sulzberger, Clay saw need for expressions of "a more active foreign and strategic policy." By the general's account:

> last autumn, word was received through Radio Free Europe that we could stage a revolution in Czechoslovakia any day we wanted to. We had to tell our friends in Czechoslovakia to lay off because they would have been crushed and there was nothing we could do about it. We must evolve a policy warning the Russians that if there is any revolt by free forces in a satellite nation, we will not permit the Soviet army to intervene.

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[399] Mitrovich, *Undermining the Kremlin*, 105-109, quotations from Bohlen and Morgan on pp. 107 and 108; Nelson, *War of the Black Heavens*, 55-56; Lucas, *Freedom's War*, 151-154; Cull, *The Cold War and the United States Information Agency*, 74; "Notes on the Origins of the President's Speech of April 16, 1953," Paper Prepared by Walt Whitman Rostow, Massachusetts Institute of Technology, May 11, 1953, *FRUS 1952-1954*, Vol. 8, 1173-1174; Psychological Strategy Board, Thirteenth Meeting, June 12, 1952, Papers of Harry S. Truman-Psychological Strategy Board, available on Declassified Documents Reference System.

[400] Abbott Washburn to Eisenhower, n.d., Clay to Jackson, n.d., Eisenhower to Jackson, August 22, 1952, Jackson to Eisenhower, September 5, 1952, and Jackson to Clay, September 5, 1952, File Princeton Meeting, Box 83, Jackson Papers; Cull, *The Cold War and the United States Information Agency*, 79.

> We cannot keep calling off possible revolutions, or all our friends will either get fed up with us or get locked up by the Communists.[401]

Despite his close association of several years with Radio Free Europe and efforts to weaken the Soviet hold on Eastern Europe, Altschul was always somewhat skeptical just how successful such efforts were likely to be. Fundamentally, it seems, his first priority remained how best to strengthen the Western security alliance of NATO, upon which Altschul believed all prospects for liberating the Soviet satellites ultimately depended. In June 1949, he told Kennan that he believed that the current American emphasis upon "the Atlantic Pact and the prospective implementation of the latter through a program of military aid" seemed to him the most "promising course," on "more likely to lead to the strengthening of our defenses in time than any exaggerated concentration on Western Union."[402] Discussing plans for Radio Free Europe in April 1950, Altschul derided plans for greater European unity as "a form of escapism" which was "unrealistic as an effective defensive weapon in the present struggle," and suggested that "it was much more important to stress coalitions between nations, such as the Atlantic Pact."[403] In June 1951, Poole objected to a Radio Free Europe broadcast script written by Altschul, in which the latter categorically denied Soviet allegations that serious rifts divided Britain and the United States. Rebutting all such charges, Altschul declared unequivocally: "The cornerstone on which an expanding world of freedom will be built is the North Atlantic Treaty Organization. But this organization can be no stronger than the ties which bind the United States and the British Commonwealth together. . . . And it is upon the fundamental unity of the English-speaking world, lending its immense strength to the North Atlantic Treaty Organization and to the rest of the free world, that your hopes for ultimate liberation must be based." Expounding on this theme to Poole, Altschul added that "French security, no less than the hope of liberation of enslaved peoples, depends upon the strength of NATO."[404] Altschul's commitment to this perspective never faltered. Meeting with C. D. Jackson in April 1952 to discuss plans for the unofficial Princeton conference the following month on how best to boost the American commitment to psychological warfare, Altschul remarked on the need "from the outset to coordinate this with the British and other NATO nations."[405] When the group assembled decided to submit a rather anodyne and uninspiring declaration of policy on combating Soviet control of Eastern Europe to the Truman administration for further consideration, Altschul unavailingly sought to have

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[401] Sulzberger, diary entry, July 6, 1952, in C. L. Sulzberger, *A Long Row of Candles: Memoirs and Diaries [1934-1954]* (New York: Macmillan, 1969), 767.
[402] Altschul to Kennan, June 9, 1949, File George F. Kennan, Catalogued Correspondence, Altschul Papers.
[403] Minutes of Meeting of Radio Committee, April 6, 1950, File Radio Free Europe-Minutes, Organizations File, Altschul Papers.
[404] Altschul to Poole, June 20, 1951, and enclosed excerpt from RFE broadcast, File 520, National Committee for a Free Europe, Organizations File, Altschul Papers. An undated copy of the speech in question, beginning "This is the voice of Free Poland speaking over Radio Free Europe," is also included in the Radio Free Europe Files, Organizations File, Altschul Papers.
[405] "Notes of meeting held Monday, April 28, 1952, 5:30 P.M., at office of Frank Altschul. FA, CDJ, and AW attending," File Princeton Meeting, Box 83, Jackson Papers.

included in this document "a statement . . . that while these efforts continue, we must concentrate on our primary objective, which is the rearming of Western Europe and ourselves."[406]

Difficulties with Germany had the potential to undercut the Western alliance strategy. In autumn 1952, just as the American presidential campaign was nearing its end, RFE's difficulties in handling sensitive topics in German relations with the East European communist satellites flared up once more, with Altschul and Jackson both taking a hand in their resolution. On this occasion, intertwined issues concerning the relationship of RFE and the Free Europe Committee with the State Department, and just how independent RFE might be on major policy matters, intersected with the long-running tensions in the two organizations' dealings with the East European exile communities, councils, and national radio desks. In October 1951 Konrad Adenauer, the West German chancellor, stated that his government considered the lost provinces beyond the Oder-Neisse line as still belonging to Germany. At this point, RFE was shortly planning to open full-scale radio transmissions to Poland. After reading Adenauer's declaration in the morning paper Altschul, then visiting Munich, told Jackson: "This will certainly make the problem of our Polish broadcasts even more complicated than it already was."[407] The following August, Radio Free Europe executives met in Munich, to discuss once more their policy on German-related issues, at a gathering chaired by Galantière, attended by Tyler, Lang, Condon, and Griffith, as well as Admiral Harold B. Miller, then head of the Free Europe Committee, and Adolf A. Berle. Galantière opened by stressing the importance of having RFE's Czechoslavak and Polish staff support "the German policy of the United States and its principal allies," whose objective was "the integration of a democratic Germany into a democratic Europe." This was, Galantière continued, the only policy that appeared to promise the central European states any real chance of independence, since "[a] sovereign Germany not so integrated would probably be a Germany tempted to revert to its earlier imperialism and dominated by the militarists and industrialists of the old order." RFE would have preferred to ignore the Oder-Neisse question completely; since this was not possible, the American officials had persuaded the Polish desk "not to agitate for recognition of the line," and to report judiciously and "without comment" major expressions of opinion on the subject by prominent Poles in exile and leading Germans.[408]

More controversial was the Sudeten German question, since two million Sudeten Germans had been expelled to West Germany, many of them bent on dismantling Czechoslovakia and

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[406] Transcript of proceedings, Sunday morning session, May 11, 1952, National Committee for a Free Europe Conference, US State Department, Declassified Document Reference System; original in File Princeton Meeting, Box 83, Jackson Papers.

[407] Altschul to Jackson, October 8, 1951, File National Committee for a Free Europe, Organizations File, Altschul Papers.

[408] "Notes on Meeting Held at Radio Free Europe, Munich, on Saturday, August 30, 1952," File National Committee for Free Europe-German Problem, Box 80, Jackson Papers; see also memorandum on "RFE Oder-Neisse Policy," n.d., "Extracts from Polish Broadcasts," October 30, 1952, attachments to Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, enclosed in Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers; also Johnson, *Radio Free Europe and Radio Liberty*, 69.

regaining the territory ceded to Germany under the 1938 Munich agreement. Peroutka, the Czech figure who was anathema to the Sudeten Deutsch, had by this time occasionally broken the silence imposed on him and spoken on the subject of Benes and the Sudetens, but had done so "with the knowledge of the Policy Adviser of RFE, for reasons which he judged imperative," and had spoken, in Galantière's view, "with sense, tact, and humanity."[409] However conciliatory Peroutka's intentions may have been, a commentary by him on the subject broadcast on October 7, 1951 that admitted that in 1945 the Czechs had sometimes treated Sudeten German expellees very harshly had in practice pleased no one. The Sudetens found it weak, while the Czechs resented the fact that a matter they considered closed should be brought up at all.[410] Griffith described how, as the German Federal Republic came ever closer to regaining sovereignty and control of its own affairs, the Sudeten Germans were intensifying their political activity. The Sudeten Germans normally attacked those RFE personnel whom they considered "minions of the Council of Free Czechoslovakia—to them a symbol of the Benes regime which expelled them." They saw Radio Free Europe's German operations as a lever "for blackmail purposes—to shift U.S. policy on Czechoslovakia." Sudeten German pressure to dismantle Czechoslovakia must, Griffith stated, be resisted, since "the alternative is German domination of Eastern Europe." RFE would be well advised to follow the lead of the State Department on the subject, and otherwise to remain silent, since "[a]nything RFE says will only make the situation worse." The assembled RFE officials decided to improve their public relations in Germany, and Lang pledged that the board of directors would make the necessary funds available. They also considered providing some welfare assistance, "with German governmental approval, to a unified German expellee organization," and maintaining regular contacts with German refugee groups. The meeting ultimately decided that "RFE will not touch the Sudetendeutsch question until further notice"; that it would "report, but not comment upon, expressions of opinion concerning the Oder-Neisse situation"; and that it would "attempt to do a real public relations job in Germany."

The assembled RFE officials were also apprehensive that RFE's tenure of its premises in Munich and elsewhere in Germany, which had been obtained in a five-year lease, might be precarious. Berle "was not optimistic, feeling that as Germany acquires more strength and with a possible emergence again of the Bismarckian policy, the Germans may be anxious to work out arrangements with the Russians," and that closing down RFE "would be a nice offering [for West Germany] to lay on the Russian altar." He thought RFE could expect no more than another three years in Germany at most. RFE officials in Germany took a rather less gloomy view of their future viability. Richard Condon, head of RFE's European operations, thought it "unlikely that the present German government would throw [them] out, but that it would rather try to influence RFE and work through and with RFE." Griffith agreed that the German government

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[409] For details, see "RFE Policy on the Sudeten Problem," n.d., and "Extracts from Czechoslovak Broadcasts," October 30, 1952, attachments to Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, enclosed in Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.
[410] Johnson, *Radio Free Europe and Radio Liberty*, 71.

would prefer to use RFE as "a hostage to put pressure on the United States in respect to the latter's policy toward Eastern Europe." Griffith also believed Americans would "probably . . . have to accept the fact that Germany will become 'the other power' besides the United States with respect to Eastern Europe." The best solution, all agreed, was to use all means possible to strengthen the movement for European unity, "which might get the German interest in Eastern Europe into a more European framework." Moreover, Griffith said: "The idea of European unity has enormous emotional allegiance behind the Iron Curtain and is RFE's main positive propaganda theme." Galantière explained that, when pushing for "a fraternal Europe, RFE explained to its listeners that the United States had a very "material, real interest and not merely a theoretical and sentimental one" in encouraging this. Broadcasts took the line that "[a]nother war would mean loss of American life, exhaustion of American resources, necessary lowering in the standard of living, and an imposition of controls and regimentation—to a degree which might constitute a threat to our fundamental institutions." Even more bluntly, Berle "said we either get European unification or another world war. If there is anything between, he didn't see it. The old days of organization by 12 empires are gone, and something must replace them."[411]

Returning to New York, Galantière delivered a talk to the staff of RFE's American headquarters, summarizing the organization's policies towards Germany, and urging all RFE employees to exercise tact and sensitivity on all German-related matters. Reminding them of the long history of German territorial incursions into Eastern Europe, he warned them uncompromisingly that "[t]he Western policy of integration of a democratic Germany in a democratic European federation is the sole means at present visible to safeguard the Iron Curtain countries from being crushed between the Russians and the Germans." Galantière urged East Europeans to do all they could to encourage "democratic and 'European' tendencies within Germany and, rather than attacking the policies of the Adenauer government, "to spread faith" in its policies "by searching out and reporting evidences of democratic beliefs and behavior in West Germany." In particular, RFE staff should "be at particular pains not to allow thoughtless sentiments about the Germans . . . to slip into scripts and be broadcast over RFE facilities."[412]

Conciliation and moderation proved unavailing in preventing another major German crisis from blowing up a few weeks later. Altschul had not been present at the August meeting, but he was among those individuals RFE officials consulted as they sought to formulate an appropriate

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[411] "Notes on Meeting Held at Radio Free Europe, Munich, on Saturday, August 30, 1952," File National Committee for Free Europe-German Problem, Box 80, Jackson Papers; on the commitment to European unification, see also "Aspects of Radio Free Europe Policy," October 29, 1952, and "Radio Free Europe Policy with Respect to German-Mid-Europe Border and Displaced Population Problems," n.d., attachments to Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, enclosed in Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers..

[412] "RFE and the German Problem," n.d., Galantière, Speech on Germany to the Staff of the National Committee for a Free Europe, October 2, 1952, attachments to Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, enclosed in Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

response. In October 1952, the *Rheinischer Markur* of Coblenz, a newspaper with close ties to German Chancellor Konrad Adenauer, published an article hostile to RFE's stance on the Sudeten Germans and the Oder-Neisse line, which stated that C. D. Jackson's resignation as president of the Free Europe Committee the previous February had been due to his disagreement with the positions on Germany of the Poles and Czechs in that organization. (Jackson had in fact given up the presidency to enable him to work full-time in the effort to win Eisenhower the Republican nomination.) The article, which coincided with mounting hostility to RFE in the pro-Sudeten German press and among the Sudeten German community, declared that RFE should no longer maintain silence on issues involving German expellees, but should openly support the cause of the Sudeteners. It also warned that, given the impending cessation of the Allied occupation of Germany, renegotiation of the agreement governing RFE's future presence in Germany would be required, and that it would be difficult for Germany to sanction the continued provision of facilities to a station that was broadcasting material detrimental to German national interests. The West German Foreign Office in Bonn also expressed concern about RFE's future in Munich after forthcoming general elections in Germany, to be held in 1953. Radio Free Europe officers responded with alarm to this episode, which was compounded by a suggestion from Charles Thayer, American Consul General in Munich, that in future RFE would submit its broadcast scripts to "all interested German authorities," who would then be able to satisfy themselves whether they demonstrated "any anti-German tendencies." At a lunch with Thayer and Dr. Oberlaender, Bavarian State Secretary for Expellee Affairs, Griffith apparently agreed to this, albeit "not as a check on RFE, which is not subject to censorship [by German officials], but as a check on the veracity of our adversaries' statements about RFE. He also expressed interest in hosting meetings between "German and other European refugees," which fellow RFE officials feared might easily degenerate into forums where large numbers of Sudeten Germans would seek to intimidate Czechs and other East Europeans.[413]

Jackson, by then devoting all his energies to the final stages of the Eisenhower campaign, agreed to sign a letter to the press, to be written by Galantière, denying that either the Polish or Czechoslovak National Councils set the policy of RFE; stating that any resolution of the Oder-Neisse and Sudeten questions would have to wait until the governments of Poland and Czechoslovakia were no longer dominated by the Soviet Union; and affirming his belief that "a united Europe with a democratic Germany as one of its strongest pillars" offered the only feasible avenue whereby Europe could avoid the devastating "border feuds" that had been responsible for the wars of "the disastrous past." Evidence that Europeans had not abandoned their former national hatreds was likely to "persuade the American people to turn their backs on Europe." The New York businessman John Hughes, who handled RFE's liaison with the CIA,

[413] Galantière, "Background Paper for Wednesday, October 29," October 23, 1952, enclosed in Helen B. Estock to Jackson, October 24, 1952, "Notes on Consul General Thayer's Intervention in RFE-German Relations," October 15, 1952, Miller to Phenix, October 20, 1952, Griffith to Galantière, October 20, 1952 (2 telegrams), enclosed in Estock to Marie McCrum, October 24, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

approved of this letter.[414] RFE and Free Europe Committee officials met with each other on October 29, 1952; two days later, Lang and Harold B. Miller, president of the Free Europe Committee, had a meeting with several State Department officials from the Bureau of German Affairs, together with CIA representatives.[415]

Several RFE officials, including Condon, Galantière, and Lang, were eager to abandon their past policy of silence on German issues. Arguing this case by telephone to less enthusiastic New York Free Europe Committee officers who "wanted [them] to stay out, fearful lest [they upset the apple-cart," they "retorted . . . first, that nobody is going to set us straight with German public opinion except ourselves, that neither the German nor the U.S. Government people at Bonn care enough; secondly, that a straight factual answer by us can only help, it cannot hinder, those at Bonn who may be morally on our side without thinking us important enough to go to bat for." Galantière was perhaps foremost among RFE officials in urging that the radio station and the Free Europe Committee take an assertive line toward German demands. He perceived grave dangers of a Europe-wide resurgence of fascism, militarism, and nationalism. "It is not too much," he wrote in a broadside to his colleagues,

> to say that the storm raised around RFE is one of the most dangerous with which Europe is being faced. Not the 9,000,000 expellees themselves, but those who lead them and who agitate against RFE are, without question, the worst elements in the in the free world. It is not merely that they are, almost without exception, authoritarian in political aspirations. It is that they would command, at Bonn, a reversion to the old sources of European—and therefore world—war; war over border territories. They talk about being 'European' and not nationalist. They talk about a regional federation—a fascist federation to the east of Germany which, if it could be erected, could be erected only by a fascist Germany. They are in favor of German rearmament, not for purposes of reintegration with the West, but conquest of the West; not for defense against Soviet Russia but for a future offensive as, perhaps, the partners of Soviet Russia. (Extremes meet.)

Galantière thought it unrealistic to believe that either the German Foreign Office in Bonn or the political office of the American High Commission in Germany would take any effective action to counter the pressure facing RFE. The onus, he felt, rested upon RFE to put forward its own policy to the State Department, and win that organization's acquiescence.[416] (He was apparently following advice given to RFE and Free Europe Committee representatives by David Bruce,

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[414] Draft Letter from C. D. Jackson, Vice Chairman, National Committee for a Rheinischer Merkur (Koblenz), October 21, 1952, enclosed in Galantière to McCrum, October 22, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

[415] Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, , enclosed in Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

[416] Galantière, "Background Paper for Wednesday, October 29," October 23, 1952, enclosed in Helen B. Estock to Jackson, October 24, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

under secretary in that department and a former top OSS operative, to the effect that "you won't get a policy until you propose one and try to push it through the State Department.[417])

Galantière recommended that RFE officials tighten their control over both the Czechoslovak and Polish exile organizations, stating publicly that the national councils did not speak for RFE, exercising careful scrutiny and control of scripts on sensitive issues, and "fir[ing] unhesitatingly those [national desk personnel] who are proven to be disloyal." Meetings between East European and German refugees should take place, but at least initially these should "be limited to high-level German expellees," avoiding large gatherings where emotions could easily run high. Equally significantly, Galantière believed that RFE's "great mistake was to follow the State Department in their recommendation of silence" on the Sudeten and Oder-Neisse issues. Lang too considered the past silence "disastrous." The two men recommended that RFE should begin to work out its own policies on these subjects, and then state them frankly to the German people. In what amounted to almost a declaration of independence for RFE, Galantière proclaimed that the State Department representatives "still do not know what RFE is." They must be made to recognize that RFE was "not an American station in rivalry with VOA, it is a cluster of six European stations under American management; it is the Voice of Poles (et al) or it has no reason for being." State Department officials should also appreciate that RFE was "not playing European power politics, it is a station of men of good will concerned with political morality, not with power." In addition, "RFE cannot possibly represent any exile council because it must not attract to itself the enmities which the councils attract and with which they are infested." Taking a very elevated view of the mission and potential of RFE, Galantière went so far as to describe it as "today the most powerful instrument that exists for the winning of its particular audiences to the cause which the State Department defends—that is, the bulding of a world in which American lives and resources will not be wasted in warfare and American institutions will not be regimented, out of all recognition, under the pressure of defense needs." The State Department therefore needed to range itself uncompromisingly behind the radio station's German activities:

> RFE must not be viewed by the Department as a body which can readily be sacrificed in the interest of grand policy; it is itself an instrument of grand policy, not an interloper.
>
> The Department's representatives in Germany should say to the Germans that NCFE (parent of RFE) is doing vis-à-vis the [East European] exiles in the West what the Bonn Government seeks to do vis-à-vis German refugees in its land—keeping them from troubling the international situation. NCFE will do its best to keep 'its' exiles in order, to educate its exiles in the facts of current diplomacy, but it expects the Bonn Government to do the same as regards the more troublesome German exiles.

Whether Galantière was totally confident that the State Department would follow this prescription or that, even if it did, the West German government would accept these arguments,

[417] "Notes on Meeting Held at Radio Free Europe, Munich, on Saturday, August 30, 1952," File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

was perhaps more problematic. His final recommendation was a contingency plan that, if German objections to the German and Polish broadcasts continued, RFE should investigate the possibility of moving its operations out of Germany altogether.[418]

On October 29, a meeting of top RFE and Free Europe Committee officials was held in New York, to discuss the German situation and Galantière's recommendations. Although no record of this seems to have survived, or at least to be publicly available, both Altschul and Adolf Berle apparently attended. Before the meeting, Berle sent in a rather apocalyptic memorandum stating that, if German policy toward Eastern Europe continued along the lines that had been taken in previous weeks, Germany would eventually seek to take over the territory it had lost in Eastern Europe, and quite possibly more. Since German forces were likely to form part of a West European army, and with German membership in NATO increasingly probable, he feared that Germany would "create a situation in which the Russians and satellites use force to defend the line—and the European Army then will have to be called into motion to defend Germany." In no way, therefore, Berle recommended, should RFE endorse German irredentist claims on Eastern Europe. Indeed, he thought the American government itself had been delinquent in permitting this problem to arise, and feared it was "allowing this situation to drift straight towards World War III." It was up to RFE to redress the balance. "We must not merely determine policy for ourselves, but direct the attention of the Department of State to the fact that a policy of drift is likely to be fatal later on." RFE should, he argued, continue its policy of refusing to enter into the rights and wrongs of the Oder-Neisse and Sudeten disputes, and make itself "the champion of conciliation" among Czechs, Poles, and Germans, "drawing all parties into the framework of a united Europe." The Free Europe Committee should, he urged, publicly advocate these policies and "insert [them] the picture as rapidly as possible," without even bringing in the American government. As he had suggested two months earlier, Berle also believed that RFE should make preparations to move its operations from Munich to a more congenial venue.[419]

The meeting of RFE directors, Altschul included, took a rather more favorable view than Berle of the idea of bringing the State Department in to their deliberations and seeking its assistance. Writing to Lang after the meeting, Altschul suggested that, when dealing with German officials, RFE should emphasize its commitment to German unification, to ending Soviet control of the East European satellites, and to the process of European integration. In western Europe the movement toward greater unity had "proceeded more rapidly than even the most optimistic would have expected." RFE would continue to express its faith that, ultimately, the satellite states must likewise be included in a united Europe and that, once this was accomplished, outstanding border questions could be settled. Reiterating established RFE policy, he urged that

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[418] Galantière, "Background Paper for Wednesday, October 29," October 23, 1952, enclosed in Helen B. Estock to Jackson, October 24, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.
[419] Berle, "Memorandum for the National Committee for a Free Europe, Inc., Conference, 9:30 AM, Wednesday, October 29th, 1952," October 27, 1952, attachment to Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, enclosed in Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

until that time, "agitation of these questions is not only unrealistic and premature, but . . . exceedingly damaging to the long-range interests of the whole free world, including Germany." This was effectively the same policy that Altschul himself had set forth in early RFE policy guidances. Given the current delicate situation, he recommended RFE officials should seek to meet with representatives of the Bonn government, "to find a way to avoid the damage which would be done to our common cause should RFE be permitted to become a political football" in the impending German elections. Seeking to tone down Galantière's more advanced proposals, Altschul put more faith in quiet negotiations than in open confrontation. In a cover letter to Lang, Altschul cautiously suggested that, while he approved in principle of Jackson's proposed letter to the press, he believed that it would be advisable for RFE officials to avoid all forms of publicity on the subject until they had "made secure allies of the Bonn government." If representatives of the Adenauer government then in power proved sympathetic, he hoped they might then be amenable to "discussing this whole matter in the light of the German national interest with responsible members of the opposition party in order that all possible pressure may be exerted on both sides to remove RFE as an element of controversy."[420]

Altschul's recommendations were among a package of materials that Lang and Miller gathered together when they met, on October 31, met with several members of the Bureau of German Affairs, including James W. Riddleberger, the director; Samuel Reber of that bureau, former counsel to the US High Commission in Germany; Geoffrey Lewis, the deputy director; Henry J. Kellermann, the bureau's adviser on public affairs; Richard Strauss, an information and education specialist; John Lawrence Barnard, an intelligence specialist with the bureau; and Charles J. Nesbitt, representing the CIA. Lang and Miller sought to explain RFE's "past performance" and the principles guiding it, and suggest a future strategy, based, it seems, primarily on Galantière's recommendations, for winning German acceptance of these principles. According to Lang's account, the assembled State Department functionaries apparently found the principles "acceptable"; agreed "that RFE should carry on its own negotiations with proper German authorities in Bonn"; approved RFE's suggestion that it should launch a public relations campaign in Germany, and offered to assist with this; and accepted that RFE could no longer remain silent on the Sudeten issue, and should adopt a moderate line similar to that advocated by the Czechoslovak Peroutka. The diplomats apparently thought RFE's apprehensions somewhat exaggerated; Lang recounted that they offered "no real opposition to any of our policies or beliefs—only occasional tolerant smiles." The German Affairs bureau believed RFE was "not in any immediate danger," and that the "Bonn authorities were very much on our side," though they did suggest that at some stage RFE would have to accept "some sort of German participation" if

[420] Altschul to Lang, October 29, 1952, and Altschul, "Line to Take with the Germans," October 29, 1952, attachments to Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, enclosed in Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

they wished to continue to operate on German soil. Reflecting on the meeting, a relieved Lang concluded: "Our first attempt to solidify our position, policy-wise, went off extremely well."[421]

Over the next two years, RFE's relations with the West German government improved significantly. In early November 1952, an encounter between Galantière and an aggressive German foreign ministry official, who rather arrogantly suggested that the United States was ignorant of East European affairs and should avoid meddling in them, led the New York policy adviser to suggest once again that RFE should transfer its operations to a more sympathetic location elsewhere in Europe. In practice, RFE kept its Munich base for many decades. The appointment in its German headquarters of a new public relations officer, Ernest Langendorf, soon brought a major improvement in relations with influential Germans within and outside the government, while the political influence of the Sudeten Germans gradually declined. Influential members of the German parliament were invited to tour Radio Free Europe's Munich facilities, while post-broadcast copies any Czechoslovak or Polish transmissions that "might be the subject of uninformed or malicious complaint" by the station's "adversaries in expellee circles" were submitted to the Bonn government. As early as spring 1953, the press officer of the German Foreign Office assured Lang that "his Government was convinced that the operations of RFE were not contrary to German interests but were, in fact, consonant with German interests and with the interests of the free world."[422] Even by that time, Altschul's role in the organization had become close to non-existent, as his active involvement in both Radio Free Europe and the National Committee for a Free Europe dwindled quite rapidly after his formal responsibilities ended. Even so, as late as 1961 he was concerned when Senator Christopher J. Dodd of Connecticut, Altschul's home state, signed a statement expressing sympathy for the Sudeten Germans. Altschul, who firmly believed that Germans should accept the realities of the postwar frontiers, however unpalatable these might be, warned Dodd that it would be "a mistake to encourage the Sudeten Germans along lines at once so unrealistic and dangerous."[423]

The Aftermath

Altschul's close association with Radio Free Europe and its parent organization was relatively short-lived. In terms of shaping his worldview, however, his experiences with these ventures had several significant consequences. They affected his outlook on how propaganda could be most effective; they gave him a long-term interest in Eastern Europe; the practical inability of the

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[421] Lang, Meeting with Messrs. Reber, Riddleberger, Lewis, Kellerman[n], Strauss, Nesbitt and Barnar[d], on October 31st, 1952, November 7, 1952, enclosed in Estock to Jackson, November 10, 1952, File National Committee for Free Europe-German Problem, Box 80, Jackson Papers.

[422] Galantière and Shepardson to C. D. Jackson, April 22, 1953, File Radio Free Europe, Box 5, Jackson Papers; Johnson, *Radio Free Europe and Radio Liberty*, 69-74; Puddington, *Broadcasting Freedom*, 80-81; Holt, *Radio Free Europe*, 53-56.

[423] Altschul to Christopher J. Dodd, October 23, 1961, File Christopher J. Dodd, Catalogued Correspondence, Altschul Papers.

United States to dislodge the Soviets from Eastern Europe demonstrated to him the limits of American power; and the realization that thermonuclear war might well be the outcome of any serious Soviet-American clash over the area may have ultimately helped to impel this once dedicated Cold Warrior towards greater accommodation with the Soviet Union.

Although he ran a highly regarded private press, gave occasional interviews to journalists, and wrote editorials for the *Stamford Daily News* in the late 1940s, before 1949 Altschul had relatively limited personal experience with the media. For around two years, he devoted himself to ensuring that Radio Free Europe became operational, a venture that absorbed most of his energies, and gave him new insights into the most effective strategies for presenting both news and subliminal messages. His time with RFE if anything reinforced Altschul's conviction that the United States needed to take international opinion into account. In 1966 the well-known Realist scholar Hans J. Morgenthau organized a Council on Foreign Relations study group to re-examine American foreign policy. In one of the papers Morgenthau submitted to the group for discussion, he argued that "world public opinion" did not really exist, and was merely "the aggregate opinions of individual national entities reacting separately in terms of their own interests." Altschul, by contrast, stated that while there might not be "unanimous world opinion," there was such a thing as "majority opinion," which exerted a palpable impact."[424] Getting Radio Free Europe off the ground did not make him an aficionado of agile packaging, and the politic tempering of information conveyed to the target audience; rather the reverse. In response to a proposal to appoint one individual as a propaganda tsar to coordinate all American information activities across the different government departments, Altschul expressed misgivings that this person would be ineffective, "lost in the almost impenetrable bureaucratic jungle of Washington." His major concern, however, was that "our trouble in projecting an acceptable image abroad does not lie primarily with the existing institutional setup, but . . . with our own national behavior. . . . I have often felt that the image of the United States held by some of our friends abroad is closer to the reality than the image of ourselves we at times conjure up."[425] While believing that Americans "did far too little in the way of adapting our propaganda to the sensitivities of a varied audience," Altschul perceived broader problems, telling one Yale academic in 1961: "In my view the unfavorable impression we so often create abroad is less due to the quality of our propaganda than to the nature of our conduct."[426]

From his days in radio, Altschul apparently imbibed an entrenched distaste toward what he termed 'news management,' techniques that would later be known as 'spin.' In 1963, he warned that "some important issues are not being fairly presented to the American public," something he found "particularly deplorable, since Americans believe that, if the issues are fairly presented,

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[424] Record of Fifth Meeting of Study Group on a Re-examination of American Foreign Policy, November 28, 1966, CFR Records-Studies Department.
[425] Altschul to Mrs. Robert P. Patterson, April 6, 1961, File Robert P. Patterson, General Correspondence, Altschul Papers, also Altschul to Patterson, April 20, 1961, ibid.
[426] Altschul to Jan Tumlir, June 14, 1961, File 712 Yale University, Organizations File, Altschul Papers.

the public will make a good choice." Even worse, this made American "policies suspect abroad." He also warned that American public information agencies placed "too much emphasis on creating an 'image' despite the fact that people abroad recognize the 'image' as a fraud." Proclaiming the superiority of substance over style, Altschul declared: "Propaganda cannot be better than the behavior it represents; it is our behavior that determines the effectiveness of what we transmit abroad."[427] Reiterating this theme, in 1964 Altschul told Reuben Nathan, former head of the Planning Department at Radio Free Europe, "that in the last analysis propaganda can be no better than the behaviour of the nation whose cause it undertakes to advance. Insofar as our own propaganda has failed to make friends and influence people, I think is in some measure due to the existing gap between the American dream and the American reality."[428]

Altschul also felt that American propaganda was often too simplistic and of poor quality, charges he made repeatedly against the Voice of America. Commenting on a 1954 speech by a Republican politician demanding a major boost in spending on the VOA, to enable the United States to compete effectively with Soviet efforts, Altschul doubted whether, "no matter how large the appropriations, we can really make our propaganda effective or appealing until we are prepared to conduct ourselves at home and in our relations with other nations in such a manner as to inspire confidence in our leadership, or at least in our qualifications for senior partnership." Warning that he did "not believe that propaganda can be any better than our national behavior," Altschul repressively concluded: "From what I know about the Voice, I am inclined to think that it is somewhat worse than that today."[429] Rebranding might be one answer. In 1956, Altschul supported an unsuccessful suggestion by David Sarnoff, head of the Radio Corporation of America, that the radio's name be expanded to "Voice of America—for Freedom and Peace."[430] Two years later, he saw little evidence of improvement. In 1958 he told George V. Allen, the new head of the US Information Agency, which supervised the operations of the VOA, that "while the Soviet broadcasts are addressed to the adult mind, ours have, in general, been addressed to the juvenile mind." While Americans "like[d] to think that we are reaching the masses, the Soviet propagandists speak to the intellectuals," who in Eastern Europe tended to "give direction to the masses rather than vice versa." Altschul felt that American "domestic radio programs" were "in large measure . . . geared to appeal to a rather low level in American intellectual life," and that this was reflected in VOA programs targeting foreign audiences. Soviet broadcasts, on the other hand, were "listened to attentively by the intellectual leaders that Moscow wishes to influence," and "furnish[ed] the raw material for political discussion and debate in the coffee house and the bazaar." Expressing his hope that under Allen's "guidance the United States Information Agency and, in particular, the Voice of America may be converted

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[427] Report of Fourth Meeting of Study Group on International Political Communication, March 5, 1963, CFR Records: Studies Department.
[428] Altschul to Nathan, October 13, 1964, File Nat-Naz, General Correspondence, Altschul Papers.
[429] Altschul to John D. M. Hamilton, October 28, 1954, File John Hamilton, General Correspondence, Altschul Papers.
[430] Altschul to David Sarnoff, June 12, 1956, File David A. Sarnoff, Catalogued Correspondence, Altschul Papers.

into a more effective weapon in the cold war than it has been to date," Altschul urged "upgrading the quality and the quantity of our political broadcasts."[431]

By the later 1950s, the increasing tendency to conceal classified information from the American people aroused strong misgivings in Altschul. He had, he told Professor William Y. Elliott of Harvard University, a man who often served as a conduit between Washington and academe, "grown up in the conviction that our democratic process in the last analysis depended upon the judgment of an informed public opinion." In recent years, however, he had come to feel "that public opinion is far too often not informed and at times deliberately misinformed about great issues before us—a procedure facilitated by the development of the techniques of propaganda and the use of the new media of mass communication." Such developments, Altschul believed, "attack the very fundamentals of our democratic process."[432] A decade later, he told another friend of his fears that "our traditional democratic process is being undermined," since "far too often issues today are not fairly presented to the American public. The techniques of Madison Avenue on frequent occasions seem effective substitutes for the search for and for the presentation of the factual truth. Beyond this, in this highly complex world in which we are living, information which should have an important bearing on decisions is either classified or, if fully disclosed, would be incomprehensible to the vast majority."[433]

Altschul's personal involvement in the Radio Free Europe Committee declined precipitately in the final stages of the Truman administration, and except on special occasions there was no real place for him under Eisenhower. Jackson still made substantial use of him as an informal adviser, but it seems that Admiral Harold Miller, his successor, was less close to Altschul and rarely called upon his services. Many leading Free Europe Committee members, including Jackson, Allen Dulles, and other "alumni" of the organization, worked for Eisenhower's election and were rewarded in 1953 with influential jobs in the White House, CIA, and State and Defense Departments, leading Adolf Berle to reflect that they seemed "to be taking over the Eisenhower Government."[434] This was not true of Altschul, whose early support for Eisenhower ultimately evaporated when the Republican candidate persistently failed to dissociate himself from Senator Joseph McCarthy. Another reason why Altschul broke with Eisenhower was the use that the candidate himself and John Foster Dulles, widely and accurately expected to become secretary of state if the Republicans won the election, made of the theme of "liberation versus containment" of Eastern Europe during the campaign. Dulles' aggressive campaign pronouncements claiming that under the Republicans the United States "would never make any deal with the Soviet Union to recognize its conquests," and would instead seek to destabilize Eastern Europe, did not appeal to him. Dulles went so far as to suggest that American propaganda agencies—presumably

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[431] Altschul to George V. Allen, February 18, 1958, File Ad-Als, General Correspondence, Altschul Papers.
[432] Altschul to William Y. Elliott, September 22, 1958, File William Y. Elliott, General Correspondence, Altschul Papers.
[433] Altschul to Leo Cherne, March 15, 1967, File Ch, General Correspondence, Altschul Papers.
[434] Schwarz, *Liberal*, 308.

including Radio Free Europe, as well as the Voice of America—"would begin to stir up the resistance spirit behind the Iron Curtain," which in turn would mean that "resistance movements would spring up among patriots, who could be supplied and integrated via air drops and other communications from private organizations like the Committee for a Free Europe."[435] Bellicose Republicans took up the theme that the Truman administration had not been sufficiently aggressive in combating international communism, and that if Eisenhower were elected, they would roll back Soviet control of Eastern Europe and liberate the satellite nations, yet avoid American involvement in World War III.

Altschul thought this totally infeasible. Writing to an Eisenhower campaign aide who had suggested that he might wish to meet Sherman Adams, the candidate's chief of staff, when the latter was in New York, Altschul set out his own complete disagreement with the liberation and rollback strategy, warning: "To suggest, as Mr. Dulles does, that Tito's example points the way to the liberation of the satellites from within with no more than the moral support of the free world seems to me, to use a polite term, at the very least utterly unrealistic." Altschul pointed out that no popular uprising had taken place in Yugoslavia, Tito's government, including the military and the secret police, had merely refused to continue its "allegiance to Moscow, while maintaining its own power at home intact." Yugoslavia succeeded in pulling this off largely because it had had "no frontier exposed directly to the Red Army." In the other satellite states, any comparable potential nationalist elements had been ruthlessly purged, making it "difficult to see how under present circumstances the yoke can be thrown off in the manner Mr. Dulles suggests." Altschul suspected that, while eschewing publicity for such efforts, the Truman administration was still doing "much . . . to keep hope alive and to maintain latent resistance which, if brought prematurely to the surface, could only spell disaster." Meanwhile: "As we are not prepared to challenge Soviet power in this area by force, for the time being we can do no more than pursue a policy of containment."[436] Since Eisenhower campaign operatives ignored Altschul's complaints, shortly before the election he publicly broke with the candidate he had helped to persuade to run. In letters published in both the *Stamford Advocate* and the *New York Times*, Altschul gave his reasons for this decision. Besides citing Eisenhower's willingness, as a matter of "political expediency rather than high principle," to tolerate the attacks of Senator Joseph McCarthy on former Secretary of State George Marshall, Altschul had, he proclaimed, based this decision on his misgivings over the views Eisenhower had expressed on foreign policy issues. Among these were "[t]he loose talk about 'liberation,' which everyone familiar with the situation in Eastern Europe knows cannot be accomplished at the present juncture short of war."[437] Eisenhower nonetheless won the election, and soon named Dulles as the next secretary of state. Just before the two men took office, in January 1953, Altschul corresponded with

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[435] Quoted in Altschul to Eustace Seligman, January 9, 1953, File Eustace Seligman, Catalogued Correspondence, Altschul Papers.
[436] Altschul to Thomas E. Stephens, September 16, 1952, File Dwight D. Eisenhower, Politics File, Altschul Papers.
[437] Altschul to Editor, *Stamford Advocate*, October 27, 1952, Altschul to Editor, *New York Times*, October 28, 1952, published in *New York Times*, October 29, 1952.

Eustace Seligman, Dulles' law partner and a mainstay of the Foreign Policy Association, criticizing Dulles' stance unfavorably by comparison with that of his own good friend Hamilton Fish Armstrong, who had recently published an article on the same subject in *Foreign Affairs*. While Armstrong, too, had stated that the United States would "never be reconciled" to Soviet domination of the East European nations, and that the United States could do more than it had in the past to assist the "underground resistance," he had nonetheless proclaimed that it should "not make the mistake of urging local patriots to sacrifice themselves in premature revolt." Altschul clearly preferred the latter, more tempered response.[438]

Altschul's distance from Radio Free Europe and the Free Europe Committee rapidly increased, especially when he ceased to be a director of the Committee at the beginning of January 1953. His public switch of allegiance from Eisenhower to Stevenson had cost him any chance he might have had of a role in the new administration. But he was not an entirely spent force. Altschul's reluctance to incite rebellion in Eastern Europe came into play later that year. Radio Free Europe executives did, it seems, call upon him on at least one occasion in 1953, when riots broke out on June 1 in Pilsen in Czechoslovakia after the Communist government implemented an unpopular currency reform. The unrest spread quickly to other cities, but was suppressed by the police, who arrested about five hundred protestors. Shortly afterwards, in mid-June, a workers uprising erupted in East Berlin, spreading throughout the rest of East Germany, only to be put down by the Soviet army, with a death toll of more than 125. Unrest continued throughout the summer. Faced with this situation Radio Free Europe split. One faction that included Reuben Nathan, the New York policy director, seemingly favored inciting further protests, especially in Czechoslovakia. A guidance memorandum issued on June 18, apparently drafted by the CIA, endorsed this line, but was never implemented. Another, more moderate faction that included Galantière, Griffith, and possibly Lang, recognized that the United States government was not prepared to intervene militarily to assist a rebellion, and favored restraint. Arguments over the direction of the station's policy continued for a year.[439] Adolf A. Berle, a long-time director of the Free Europe Committee, wrote in his diary a few months later of the "split in the organization. One-half wants a violent campaign strictly in American interest. The other and more intelligent half wants a more cautious, better thought out campaign: that we are presently pursuing."[440] Altschul aligned himself with the second camp. In a broadcast to Czechoslovakia that he recorded on June 17, just as the Berlin uprising began, he commiserated with the Czechs on the currency reform imposed upon them, and congratulated them on the "accumulating evidence" that they had "not been deprived of [their] fighting spirit." Expressing American solidarity in the Czech "struggle for freedom and human dignity" as "our struggle too," he

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[438] Seligman to Altschul, January 8, 1953, Altschul to Seligman, January 9, 1953, File Eustace Seligman, Catalogued Correspondence, Altschul Papers.
[439] Nelson, *War of the Black Heavens*, 67-69; Puddington, *Broadcasting Freedom*, 55-60; Hixson, *Parting the Curtain*, 70-71; Johnson, *Radio Free Europe and Radio Liberty*, 52-53, 56.
[440] Berle, diary entry, February 9, 1954, in Beatrice Bishop Berle and Travis Beal Jacobs, eds., *Navigating the Rapids 1918-1971: From the Papers of Adolf A. Berle* (New York: Harcourt Brace Jovanovich, 1973), 628.

nonetheless urged the Czechs to "be patient while we grope for the most effective course of action for the United States in this vital global contest."[441] While perhaps inglorious, Altschul's stance recognized that, however much sympathy some in the CIA and the Eisenhower administration might feel with East European demands for liberation from Soviet rule, in reality the United States government would not risk nuclear war with the Soviet Union to bring this about. He did not share the enthusiasm some of his more bellicose colleagues demonstrated for creating "martyrs" in Eastern Europe.

As late as 1956, the head of RFE's Information Department felt free to seek Altschul's advice on a memorandum on "The Present Nature of Cold War Propaganda"; Altschul, ever mindful of civil rights, suggested that he should include a mention of the "obligation" in a democracy "to preserve and protect the rights of the minority."[442] By that time, Altschul's distance from the enterprise that had once absorbed his energies was nonetheless extremely apparent. One of the Committee's more aggressive programs, inaugurated in 1951 was sending balloons loaded with propaganda of various kinds across East Germany and Eastern Europe; when they reached a certain height they burst or deflated and showered their contents on the land below. Between 1951 and 1956, around 400 tons of such reading material, 300 million leaflets in all, were delivered behind the Iron Curtain by these means.[443] In October 1951 Altschul suggested that, as a Christmas gesture, the Crusade for Freedom should employ these balloons to deliver packages of pharmaceutical products needed in Eastern Europe, scarce antibiotics such as penicillin, aureomycin, and streptomycin, behind the Iron Curtain, as a gift from the United States to hospitals in those countries.[444] Altschul apparently did not keep himself been particularly au fait with subsequent efforts in this field. When he received some information on the balloon campaign in early 1956, he was enthusiastic about this "exciting project," confessed himself "amazed" at "how much vital and effective information" the newspapers carried in this fashion could include, and described it as "an extraordinary and most creditable effort."[445]

While ever less involved with the Free Europe Committee, Altschul undoubtedly followed the evolution of the Eisenhower administration's policies towards both the Committee and Radio Free Europe. C. D. Jackson, who became a special assistant for psychological warfare to Eisenhower, remained a dedicated supporter of Radio Free Europe and its parent Free Europe Committee, affording the undertaking a certain level of protection against efforts to dismantle it,

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[441] Altschul, statement, June 17, 1953, File National Committee for a Free Europe, Organizations File, Altschul Papers.
[442] Altschul to Konrad Kellen, June 4, 1956, File National Committee for a Free Europe, Organizations File, Altschul Papers.
[443] Mickelson, *America's Other Voice*, 56-57; Grose, *Rollback*, 124-125; Puddington, *Broadcasting Freedom*, 61-72; Lucas, *Freedom's War*, 151; Hixson, *Parting the Curtain*, 65-66; Nelson, *War of the Black Heavens*, 49; Johnson, *Radio Free Europe and Radio Liberty*, 58, 60-62, 67, 72-73; Cummings, *Radio Free Europe's "Crusade for Freedom,"* 54-57, 66-68, 118, 131-132.
[444] Altschul to Washburn, October 8, 1951, File Balloons-General, Box 150, RFE/RL Corporate Records.
[445] Altschul to Richard M. Hunt, January 9, 1956, File National Committee for a Free Europe, Organizations File, Altschul Papers.

as well as McCarthyite attacks. By early 1953 the Voice of America, by contrast, had become a favorite target of McCarthy and his followers, who undertook what amounted to a rolling investigation of the broadcasting service in the early part of the year.[446] Slightly ironically, given its past efforts to take over RFE, in February that year Jackson defended the VOA against calls by some in the Eisenhower administration for its "immediate liquidation," telling Secretary of State John Foster Dulles, who as eager to remove the agency from the State Department, that shutting it down completely would "almost inevitably be interpreted as evidence of panic" in the face of McCarthy's ongoing investigations. Instead, he favored the official radio service's reform.[447] In January 1953, Eisenhower established the President's Advisory Committee on Government Reorganization, a panel headed by the wealthy Republican businessman, politician, and philanthropist Nelson A. Rockefeller. This committee submitted a report in April 1953, recommending that the Voice of America should be removed from the State Department and housed in a separate United States Information Agency, which would be charged with responsibility for all American cultural diplomacy. With the exception of educational activities overseas, which Congress decided should remain within State's remit, this recommendation was implemented later that year.[448]

With American information policy in some disarray, RFE did what it could to enhance its own image by calling on high-powered business consultants. Just before Eisenhower took office, RFE commissioned an outside report on its activities from General Motors, whose team of assessors concluded: "Support of this organization is one of the very best investments American business and American citizens can make in their effort to win the cold war."[449] Within days of taking power, in January 1953 Eisenhower also set up a Committee on International Information Activities to review the entire spectrum of Cold War American propaganda enterprises, which had burgeoned so dramatically since World War II. The group was chaired by William H. Jackson, a New York investment banker who had been involved in the establishment of the CIA and served as deputy director: it included such stalwarts as C. D. Jackson, who had become Eisenhower's special assistant**;** John Hughes of the Free Europe Committee; Gordon Gray, former head of the Psychological Strategy Board; Robert Cutler, Eisenhower's national security adviser; representatives of the Defense Department and the Mutual Security Agency; Barklie McKee Henry, a New York banker with close foundation ties; and Sigurd S. Larmon, an advertising executive and member of the U.S. Advisory Committee on Information. Washburn of the Crusade for Freedom served as the group's Executive Secretary. The group surveyed the sprawling and disorganized conglomerate of American psychological warfare and information activities, recommending the creation of an independent US Information Agency to administer

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[446] Cull, *The Cold War and the United States Information Agency*, 75, 82-94; Krugler, *The VOA and the Domestic Propaganda Battles*, chs. 7-8; Heil, *The Voice of America*, 51-56.
[447] Cull, *The Cold War and the United States Information Agency*, 84, 86, quotations from 86.
[448] Krugler, *The VOA and the Domestic Propaganda Battles*, 198, 204-205, 208-209; Cull, *The Cold War and the United States Information Agency*, 81-82, 84, 90-91, 94-96.
[449] General Motors Research Staff, "Report on Radio Free Europe," December 15, 1952, File Free Europe Committee, Box 45, Jackson Papers.

all American official propaganda, cultural, and educational programs. The Jackson Committee's report also addressed the proliferation of rival supervisory and coordinating agencies for psychological warfare, recommending the abolition of the Psychological Strategy Board and the Psychological Operations Coordinating Committee, and the inter-agency Consultants Group on Psychological Warfare, and their replacement by an Operations Coordinating Board under the National Security Council.[450]

Radio Free Europe officials took the opportunity to submit to the Jackson Committee a memorandum, drafted by Nathan and cleared with the CIA, praising its own attainments to date, and its existing mode of operation. The station could not, they proclaimed, have had any success in its mission "if it had submitted to the shackles of conventional propaganda techniques." Employing what had become the customary sleight-of-hand in reconciling the governmental and exile contributions to RFE, the memorandum's authors declared: "Radio Free Europe does not speak as an instrument of and for the people of the United States—it is not the Voice of America but that of Free Hungary, Free Czechoslovakia, of Free Poland, Free Bulgaria, Romania and Albania. It promotes the ideas of the Free World—it champions U.S. policy but it does so not because it is itself an instrument of American policy but because the United States is the champion of freedom, the leader of the free world, and because the future of the captive countries is, therefore, inextricably linked with Western ideas and with American policy. Apart from which, of course, RFE's mission coincides with American policy objectives." Continuing this intellectual balancing act, the memorandum recounted how "RFE's staff of exiles does not speak as the staff of an American organization but as the representatives of their own presently enslaved nations; they originate their own scripts, broadcast in their own style, participate in the formulation of policy." Juggling somewhat with the realities expressed by the policy advisers Griffith and Galantière, it described how: "An American staff of experts guides and advises, but avoids directing; fundamental policies—no matter where they originate—are the result of consultation among partners in a venture, allies in a common struggle." The end result of these practices was, the memorandum congratulated itself, "fresh, aggressive, vital scripts—the scripts of front-line fighters."[451]

Since many of them had been closely involved with the Free Europe Committee, Jackson Committee members were, of course, well aware of the American government's role in Radio Free Europe. The Jackson Committee gave Radio Free Europe—which by mid-1953 employed no less than 252 Americans and 1,526 foreigners in its American and European operations—

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[450] The text of the Jackson report is included in U.S. Department of State, *Foreign Relations of the United States, 1952-1954*, Vol. II: *National Security Affairs* (Washington, DC: Government Printing Office, 1984), 1795-1874; also Lucas, *Freedom's War*, 176-178; Hixson, *Parting the Curtain*, 24-27, 55, 63, 67; Cull, *The Cold War and the United States Information Agency*, 83-84, 90-96; Krugler, *The Voice of America and the Domestic Propaganda Battles*, 198, 206-208.

[451] Nathan, Memorandum on Radio Free Europe, March 28, 1953, File Policy-General 1950-1956, Box 286, RFE/RL Corporate Records; another undated copy is to be found in CIA files, Memorandum on Radio Free Europe, n.d., http://www.foia.cia.gov, consulted on May 22, 2010.

relatively high marks, describing its programs as "widely heard" and "well received" across the satellite states. While admitting that its "cover" as a non-governmental organization had "worn thin," the Jackson Committee recommended that this fiction be maintained, declaring: "So long as its government connections are not officially admitted it can broadcast programs and take positions for which the United States would not desire to accept responsibility." In a tacit admission that the East European governments and the Soviet Union were prepared to acquiesce in this polite fiction, the Jackson Committee thought "the present cover adequate for this purpose." RFE's parent organization, the Free Europe Committee, was less well regarded. The "research and news-gathering activities" undertaken by refugees through various programs was fairly well reviewed, since this "provide[d] material for broadcasting operations and [was] also a source of information regarding developments behind the Iron Curtain. The Free University in Exile, by contrast, was condemned as lacking a sense of mission and motivation. The strongest criticism, however, focused upon the Free Europe Committee's "[e]fforts to form national councils composed of political leaders from the various migrations," endeavors which, the Jackson Committee complained, had "largely been frustrated by the bickering and jealousies common to émigré politicians." If émigré leaders could create credible such organizations "of their own volition," these might still have potential value to the United States, and the Free Europe Committee should encourage and assist them "to engage in such propaganda activities as they may be qualified to conduct." The Jackson Committee recommended, however, that NCFE make broadcasting its most important priority, while the CIA should review the organization's other activities "to determine whether they should be continued or modified." It also recommended "a clear line of demarcation" between RFE and the Voice of America, with RFE and "other nonofficial stations" handling "[a]ll material intended for psychological warfare," while VOA broadcasts should maintain the "restraint and dignity" that befitted "the official voice of the United States Government."[452]

In September 1953, the CIA responded to the Jackson Report, concurring that the NCFE "should devote primary attention to RFE," while budgetary limitations meant that the National Committee's "other activities . . . would be subjected to review by CIA."[453] How far these efforts to exert a measure of control over RFE and its parent NCFE were successful was another matter. The State Department certainly continued to have reservations on the subject, as its continued efforts to tame both organizations revealed. In July 1954 Eisenhower appointed a panel headed by General James H. Doolittle of the US Air Force, a member of his Board of Consultants on Foreign Intelligence Activities, to review the effectiveness and organization of the CIA's covert operations. As this panel prepared to begin its task, the Deputy Operations

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[452] Report to the President by the President's Committee on International Information Activities, June 30, 1953, *FRUS, 1952-1954*, Vol. II: *National Security Affairs*, 1832-1833; Hixson, *Parting the Curtain*, 63.

[453] Report of the Central Intelligence Agency on Implementation of the Recommendations of the Jackson Committee Report, Annex E to Operations Coordinating Board Progress Report to the National Security Council on Implementation of the Recommendations of the Jackson Committee (NSC Action 866), September 30, 1953, *FRUS, 1952-1954*, Vol. II: *National Security Affairs*, 1898.

Coordinator in the Department of State produced a memorandum highlighting what he considered to be "outstanding problems in the field of covert operations which have not yet been satisfactorily resolved." Foremost among these was the independence shown by the Free Europe Committee and Radio Free Europe, two "powerful propaganda and psychological political instruments which are controlled by the [Central Intelligence] Agency and are supposed to operate under policy guidance from the [State] Department. Both had "grown into very large establishments, staffed by highly competent people." Unfortunately, in the State Department's view, while the two organizations were "supposed to function within the framework of official US policy and under policy guidance from the [State] Department, they have been gradually assuming a degree of independence of operation, which has created a control problem. Decisions involving matters of policy consequence are frequently taken by FEC and RFE without reference to the Department through the Agency." According to this State Department official, this represented "a matter of real concern which the Department and the Agency are currently attempting to resolve."[454]

Despite State Department fears that RFE and the Free Europe Committee were overly independent, others argued they were subject to undue CIA interference. In March 1955, Robert Lang resigned as Radio Free Europe's director, after a dispute involving the manner in which the New York headquarters and the CIA had handled revelations by an East European defector, Colonel Josef Swiatlo of the Polish secret police. A few months earlier, Lang had complained to Whitney Shepardson, the latest head of the Free Europe Committee, of constant "intrusion in each and every element of our affairs by characters on the operating side of our friends' organization," in other words, CIA officials.[455] In a memorandum he copied to C. D. Jackson, Lang explained that, in the past, RFE had been characterized by a fruitful partnership between émigrés and Americans working together and threshing out any differences that might arise. In the recent dispute, however, American officials in New York had overridden strongly expressed advice from the Polish national committee, splitting the Polish desks in both New York and Munich and precipitating a highly publicized scandal that transfixed the Polish-American community, making press headlines and provoking critical editorials. "Poles are now asking Poles—who is the worst master, the Russian or the American." The reason was not far to seek. "The Free Europe Committee," Lang charged, "is an uncoordinated mass—a group of separate empires competing with one another for various people's attention and supposed individual glory." Although Lang had made various recommendations for its reorganization, "two different divisions still do iron curtain propaganda, political thinkers get into operational matters, pursuit of fame and size runs riot, competition replaces coordination." The Free Europe Committee's New York headquarters was bedeviled by "duplication of effort, . . . lack of leadership and . . .

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[454] Memorandum from the Deputy Operations Coordinator in the Office of the Under Secretary of State (Hulick) to the Under Secretary of State (Hoover), August 23, 1954, *FRUS, 1950-1955: The Intelligence Community, 1950-1955*, Document 188.

[455] Puddington, *Broadcasting Freedom*, 27-28; Wilford, *The Mighty Wurlitzer*, 39; Johnson, *Radio Free Europe and Radio Liberty*, 60.

generally wasteful administration and inefficient operation." Yet, in Lang's view, its "climate and atmosphere . . . is the only important element in our business. We deal with people—with human beings—and rather strange ones at that. To the extent they are dealt with properly you will have a good product—to the extent current climate prevails, we are living, product-wise, on borrowed time."[456]

Altschul resigned as a director of the Free Europe Committee at the end of 1951, but he still retained an interest in its work, and was by no means contented with the scaling back of its operations. In November 1954 he went so far as to resign even his membership in the National Committee for a Free Europe, though he stressed to Whitney Shepardson, its latest head, that he remained fully in agreement with the Committee's "work, programs, [and] policies."[457] By this time, Altschul was focusing more upon its research activities. Altschul particularly regretted that the amount of work the Committee provided for refugee scholars and intellectuals from Eastern Europe was declining, something he feared might be "penny wise and pound foolish."[458] Two months after Lang's resignation, in a nine-page memorandum to Allen Dulles, now director of the CIA, Altschul enlarged on similar charges. He claimed that his views were not affected by his friendship for Lang, who had, Altschul asserted, "long had a growing feeling of frustration which was bound in the end to lead to a clash." Altschul warned Dulles that not long before, he had been "thoroughly alarmed" when an influential friend of his who was aware of the relationship between the CIA and the Free Europe Committee told him that "he was so disgusted" with the situation there that he intended to divulge this to an leading congressional committee chairman, with the intention of sparking an investigation of the Committee's undertakings. Although Altschul had dissuaded him from doing so, the episode had impelled him to make further inquiries into the situation at the Free Europe Committee's New York headquarters.

Like Lang, Altschul focused in particular on the position of the exiles in the organization, which he feared had been downgraded. Somewhat ironically, given his earlier unfavorable views on refugee influence upon Radio Free Europe, he warned that "the manner in which we deal with the Iron Curtain refugees in general and, in particular, with their exile political and intellectual leaders is an element in the cold war to which . . . we are inclined at times to attach too little importance." Cutbacks in the Free University in Exile at Strasbourg and the Mid-European Studies Center had deprived many refugees of financial support. Cooperation between exile leaders and RFE's language desks was greatly diminished. Several such exiles had told Altschul "that RFE no longer speaks for them, but has become—purely and simply—an American affair, and is so regarded throughout the exile community." If it continued in this direction, becoming

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[456] Lang to The Executive Committee of the Board of Directors of the Free Europe Committee, March 4, 1955, Box 28, C. D. Jackson Papers, available on Declassified Documents Reference System.
[457] Altschul to Whitney H. Shepardson, November 18, 30, 1954, January 6,1955, quotation from final letter, File National Committee for a Free Europe, Organizations File, Altschul Papers.
[458] Altschul to Shepardson, January 6, 1955, File National Committee for a Free Europe, Organizations File, Altschul Papers.

"generally recognized as merely another 'Voice of America,' the question is bound to arise whether there remains any justification for its independent existence." The United States would then "be confronted with the choice of two evils: to continue RFE as a thinly disguised propagandist agency of government would be damaging in the extreme; to abandon RFE entirely would have most unfortunate effects throughout the satellite states." Exile leaders had told him that they had "little or no occasion to discuss matters of policy with the American staff." Many exiles working for RFE or in other capacities for the Free Europe Committee had "lost the feeling of fighting for a cause and now hold on to their jobs without enthusiasm merely because they have no place else to turn." Perhaps retrospectively idealizing the past, Altschul proclaimed:

> At the outset there was a real spirit of partnership between the Americans and the exiles. Somewhat later, the Americans, doing lip service to the spirit of partnership, emphasized more and more their position as senior partners until finally, all authority was vested in their hands and the relation with the exiles was transformed into one of employer and employee.

Altschul almost certainly exaggerated the subservience to the Americans of the foreign émigré elements associated with Radio Free Europe, and perhaps forgot the difficulties of the earlier days. Interestingly, he proceeded to warn Dulles that, although Griffith in Munich and Galantière in New York were responsible for producing policy guidances which supposedly laid down the policies RFE broadcasts should follow, "while the precept that the American view and decision should and must in the last analysis prevail is accepted in principle, I am told that it is by no means always observed in practice, that guidances are read and then either followed or ignored, and that the post audit of scripts is not comprehensive enough either in Munich or in New York to insure the early detection of deviations from the line laid down." The Polish and Hungarian crises the following year would demonstrate just how much difference the individual abilities and views of exile employees of Radio Free Europe could make to the implementation of its policies. There was probably considerable truth in further charges on his part, that the Free Europe Committee was "honeycombed with intrigue and dissension," to the degree that: "The American staff includes too many individuals who, in spite of great ability, are inclined to empire building and who seem to be more concerned with advancing their personal position than with the success of the endeavor." The same, however, is almost certainly sadly true of most large bureaucratic organizations. Most revealing, perhaps, was his recollection of how, "[i]n the early days the officers and the board of directors of the Committee were encouraged to exercise a considerable degree of autonomy, it being recognized that this would be exercised within the broad framework of our national objectives as understood by management or interpreted to it." This operational independence, which he believed had given Radio Free Europe "the aspects of a citizens' endeavor with which government was in sympathy but no more," had, Altschul

contended, "disappeared." In consequence, the CIA's role in the enterprise had become widely known.[459]

In a conversation with Altschul shortly afterwards, Dulles apparently took some exception to this memorandum, which Altschul also sent to John Hughes, a long-time CIA operative and officer of the Free Europe Committee. Eventually, Dulles thanked Altschul for his information, which the CIA director discussed confidentially with both Hughes and C. D. Jackson, promising that Altschul's views would "be given most careful consideration."[460] Dulles was apparently particularly incensed by Altschul's charge that exile leaders felt alienated from Radio Free Europe, and told him that the present was "the time, of all times, to press forward energetically" with its operations. Following up on this conversation, Altschul professed agreement with the CIA director, but expressed some doubt whether the organization's "short range or longer range objectives have been clearly defined." What was needed, he told Dulles, was "a well-conceived program designed to achieve clearly defined objectives in a struggle which may be prolonged."[461] Here at least Altschul was prescient: Radio Free Europe and American cold warriors alike were still adjusting to the fact that a quick and easy overthrow of Soviet domination over Eastern Europe was improbable, given the reluctance of United States leaders to risk nuclear war to accomplish this.

A few months later, Altschul for once found something to praise in the Eisenhower administration's policies. On August 24, 1955, Eisenhower delivered a major speech to the American Bar Association in Philadelphia, in which he discussed the recent conference of major powers at Geneva, where the participants had attempted to resolve various international issues dividing them in a relatively amicable fashion. Eisenhower urged that the Soviet Union, the United States, and other competing nations should continue to pursue the "spirit of Geneva" and work for international peace, while refusing to tolerate or acquiesce in injustice and oppression. In particular, the United States should not make any "outright or implicit agreement that injustices and wrongs of the present shall be perpetuated in the future." In specific terms, this means that in Europe, Eisenhower told his audience, this meant that the United States would not support the long-term division of Germany, while "[t]he domination of captive countries cannot longer be justified by any claim that this is needed for purposes of security." Eisenhower nonetheless urged the Soviet Union to work in partnership with the United States, to promote peace and economic development around the world.[462] An enthusiastic Altschul not only hailed this speech as an example of the mixture of conciliation and firmness he believed should characterize American foreign policy, but printed it off as a broadside at the Overbrook Press.

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[459] Altschul, memorandum, May 16, 1955, File Radio Free Europe, Organizations File, Altschul Papers.
[460] Dulles to Altschul, May 25, 1955, File Allen and Clover Dulles, Catalogued Correspondence, Altschul Papers.
[461] Altschul to Dulles, May 20, 1955, File Radio Free Europe, Organizations File, Altschul Papers; another copy may be found in File Allen and Clover Dulles, Catalogued Correspondence, Altschul Papers.
[462] Dwight D. Eisenhower, "The Spirit of Geneva," Address at the Annual Convention of the American Bar Association, Philadelphia, August 24, 1955, *Public Papers of the US Presidents, 1955*, on The American Presidency Website, http://www.presidency.ucsb.edu/ws/index.php?pid=10356&st=&st1=, accessed June 5, 2010.

His "real purpose" in producing these, he told John Foster Dulles, was "to make them available to the exile staff of the Free Europe Committee in the hope that this would give them much needed encouragement."[463] They had, he told Ann Whitman, "been terribly depressed by recent developments which left them with a feeling that we were accepting coexistence, the status quo and the abandonment of their countries to their Soviet masters." The portion of the president's address that Altschul reprinted "constituted a much needed and telling answer to their fears. It has," he continued, "had wide and enthusiastic reception throughout the Free Europe Committee organization, where I think it has done much good." Eisenhower himself also sent Altschul a note of thanks, which he framed and hung with the broadside itself.[464] Perhaps prematurely, Altschul hoped the president's speech gave some promise that Soviet rule in Eastern Europe could be ended through negotiation rather than nuclear conflict. For another three decades and beyond, the broadcasting station would wrestle with the dilemmas of reconciling rhetorical American support for its stated objectives with the reluctance in practice to put the United States in jeopardy of nuclear attack.

Other Activities

In company with several leading Soviet and East European specialists, throughout the 1950s Altschul was also involved in various organizations that sought to provide employment for Russian and East European refugee scholars and intellectuals who had fled their native countries. Perhaps ironically, or perhaps as compensation, his commitment to these organizations grew as his involvement in Radio Free Europe dwindled. Ironically, his enlistment in these ventures may have been one reason why he was so sensitive when Free Europe Committee funding for exiles declined in the mid-1950s. George F. Kennan, the Columbia University Russian specialist Philip H. Mosely, director of studies at the Council on Foreign Relations from 1955 to 1963, and the banker R. Gordon Wasson of J. P. Morgan & Company, were Altschul's closest associates in these enterprises. Boris Bakhmeteff, appointed Russian ambassador to the United States in 1917 by Alexander Kerensky's provisional government, also supported them. Planning for the Committee for the Promotion of Advanced Slavic Cultural Studies began in late 1948, at the urging of Wasson, with the objective of finding positions for leading Russian and East European scholars at such universities as Yale and Columbia, and funding projects on which such scholars were engaged. According to Altschul's recollection: "We felt that there was a real need for advanced scholarship in the study of pre-revolutionary Russian literature and culture; the literatures of the non-Russian Slavs, and of comparative Slavic philology, and the Committee served to provide a channel for modest funds to assist qualified scholars delving in the much

[463] Altschul to John Foster Dulles, August 30, 1955, File John Foster Dulles, Political Series, Altschul Papers; see also Altschul to Washburn, August 30, 1955, File Abbott M. Washburn, General Correspondence, Altschul Papers.
[464] Altschul to Whitman, September 1, 1955, File Ann Whitman, General Correspondence, Altschul Papers.

neglected field of Slavic cultural studies."[465] Kennan, Altschul, Mosely, Wasson, and Bakhmeteff were all directors, joined within two years by the leading New York lawyer, Ferdinand W. Coudert. As consultants, the group turned to several leading professors in the field, including Michael Karpovich of Harvard, René Wellek of Yale, and Roman Jakobson of Columbia. The organization was established in early 1949. Meetings were often held in Altschul's New York apartment. In 1949, the Committee received seed funding of $10,000 from the Carnegie Corporation, and late that year the Overbrook Foundation contributed $1,000, while smaller contributions were received from various individuals. In 1952, the Carnegie Corporation contributed a further $10,000. By the end of 1952, the Committee had received $52,250 in grants and donations, and had also been instrumental in helping Harvard University raise $5,000 to publish a series of Slavic monographs. Almost $44,000 had by that time been disbursed in grants to various Slavic scholars, journals, and writing projects.[466]

The Committee for the Promotion of Advanced Slavic Cultural Studies worked closely with the East European Fund, from which it received a cheque for $20,000 in late 1951, the largest donation to date. This was to be used to subsidize two journals, the *Novy Zhurnal* and the *Annals of the Ukrainian Academy*.[467] A further $30,000 followed in 1953, the only income the Committee received that year.[468] So close was the relationship that meetings of the Committee for the Promotion of Advanced Slavic Cultural Studies, most of whose directors were also directors of the East European Fund, were usually held immediately after each other in the same venue with overlapping personnel attending. The East European Fund, originally known as the Free Russia Fund, was another CIA-backed institution created in early 1951 as "an instrumentality of the Ford Foundation," which claimed to provide all its financing. In reality, a substantial portion of its funding--$3.8 million between 1951 and 1956—probably originated with the CIA. Again, Kennan, Altschul, Mosely, and Wasson were the moving spirits in its operations, all serving as trustees under Kennan as president, together with Paul B. Anderson, Assistant Executive Secretary of the Young Men's Christian Association; Prof. Merle Fainsod of Harvard University's Department of Government; and John E. F. Wood, a partner in the leading New York law firm Root, Ballantine, Bushby, and Palmer. Altschul was enlisted on Kennan's invitation, telling Kennan that he "considered it a privilege" to join.[469] The stated purpose of the East European Fund was "to increase the usefulness to free society of exiles from Soviet Power

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[465] Altschul, affidavit, June 15, 1954, File Philip E. Mosely, General Correspondence, Altschul Papers.
[466] Annual Report of Committee for the Promotion of Advanced Slavic Cultural Studies Incorporated for 1952, March 2, 1953, File Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers.
[467] Minutes of Special Meeting of the Board of Directors, Committee for the Promotion of Advanced Slavic Cultural Studies, January 2, 1952, Files Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers.
[468] Annual Report of Committee for the Promotion of Advanced Slavic Cultural Studies Incorporated for 1953, January 26, 1954, Files Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers.
[469] Quotation from Altschul to Kennan, February 9, 1951, File Free Russia Fund January-May 1951, Organizations File, Altschul Papers.

by improving their morale, their mutual welfare, the suitability of their occupation, and their facilities for association and mutual aid, and by helping them to contribute to the general fund of knowledge in this country [the United States] about Russia and the Union of the Soviet Socialist Republics." It began operations with an interim budget of $200,000, and its trustees held their first meeting on March 2, 1951 at the exclusive Century Club in New York, supposedly reviving the activities of an earlier organization, the American Society of the Friends of Russia Freedom. There Kennan "outlined the reasons why . . . there was need for the establishment of a small body of persons in the New York area who could use their influence to aid Russian exiles in this country and to improve their morale and their possibilities for usefulness."[470] In response, Altschul told Kennan that he fully agreed with Kennan's "point that until we can see more clearly ahead we must proceed more vigorously with our military program." For his own part, Altschul also admitted "considerable skepticism as to whether the evolutionary trend toward the Russia of our desire will be permitted to run its course undisturbed." The same was true of Eastern Europe, since he believed that "the liquidation of men of good will behind the iron curtain is proceeding apace." Admitting that "there is nothing positive that we can do about this at the moment," Altschul nonetheless told Kennan, "I cannot help watching what is going on . . . with sadness and indignation."[471]

When the board of the East European Fund—then the Free Russia Fund—incorporated itself on March 23, 1951, the trustees authorized Kennan to write to Walter Bedell Smith, then the director of the CIA, J. Edgar Hoover, director of the Federal Bureau of Investigation, and Secretary of State Dean Acheson, together with Paul Hoffman, head of the Ford Foundation apprising them of the new fund and its objectives. The trustees stated that, since they recognized that projects "affecting the morale and well-being" of these exiles must "have some political significance," they would be happy to cooperate with these agencies, especially if any of them should feel concern that the Fund's activities were "about to assume a character" that might be "undesirable from the standpoint of Government policy." They did so despite believing that this enterprise was "serving purposes which are in deepest accord with the feelings of our people, and the policies of our Government." From the Ford Foundation the new Fund requested $145,000 as an initial budget, to cover its operations up to October 1951, an appropriation that was quickly approved. Not surprisingly, the Fund also worked closely with Free Europe Committee officials. Even before it was fully established, in June 1951 George Fischer, the Fund's director, reported on discussions with Spencer Phenix and William Griffith, conversations facilitated by Altschul with Kennan's approval. Initially, the Fund made grants to a wide spectrum of Russian refugees from the Soviet Union. Although it sought to "balance its grants to organizations of all leanings" while excluding "authoritarian extremes" of both left and right, some of those bodies that received funding, such as the Tolstoy Foundation, a monarchist group "viewed with some

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[470] Quotation from "Minutes of Meeting which took place on March 2, 1951, at the Century Club, New York City," File Free Russia Fund January-May 1951, Organizations File, Altschul Papers.
[471] Altschul to Kennan, March 4, 1951, File Free Russia Fund January-May 1951, Organizations File, Altschul Papers.

suspicion and distrust by some of the recent émigrés," had a fairly reactionary reputation. In September 1951 the Ford Foundation informally suggested that future aid for such refugees should be handled by other relief agencies, such as the International Rescue Committee, leaving the East European Fund free to devote itself to literary and cultural projects. Kennan claimed to welcome this decision, given the "many difficult problems" involved in dealing with the "fierce mutual jealousies" rife within the Russian exile community.[472]

When he was nominated as ambassador to the Soviet Union in November 1951, Kennan felt obliged to resign as president of the East European Fund. At this time Fischer also resigned, impelled to leave, it seems, largely by "internal wrangling among refugee groups." In late 1951 the East European Fund gave up its offices and fired most of its staff, while Ford Foundation officials contemplated what if any future it should have. Eventually, the decision to reorganize the enterprise was taken, and in March 1952 Mosely replaced Kennan as its president, while new offices were opened.[473] This was a course advocated by R. Gordon Wasson of J. P. Morgan & Company, who agreed with Kennan in November 1951 that "there is an area for Foundation activities in the Russian émigré field," pledging his personal support for such endeavors. "Low overhead, quiet operation, and limited range within which we are sure we know what we are doing,--those would be my guiding principles, by contrast with what we have been doing."[474] In a six-page single-spaced letter to Paul Hoffman, president of the Ford Foundation, Kennan successfully backed Wasson in this strategy.[475] After Kennan's return from the Soviet Union, he rejoined the East European Fund as a trustee.[476] Ford Foundation funding to assist refugees from the Soviet Union to adjust to American life continued, with grants for this purpose to the East European Fund amounting to $1,588,500 in 1952. From 1952 onward, however, the bulk of this funding was directed to established community integration projects for immigrants in areas where many Russian refugees had settled, rather than directly to Russian émigré organizations. Even so, as late as 1954 the Ford Foundation contributed $65,000 to enable the Fund to continue its support for the "reception programs for new arrivals operated by the Tolstoy Foundation and

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[472] Quotations on East European Fund operations from Eric Thomas Chester, *Covert Network: Progressives, the International Rescue Committee, and the CIA* (Armonk, NY: M. E. Sharpe, 1995), 46-51; Ford Foundation Reports, 1951-1957, on www.fordfound.org/archives.html, consulted May 14, 2010; on the East European Fund's operations, see also East European Fund, *First Annual Report March 1951-1952* (New York: East European Fund, 1952); East European Fund, *Second Annual Report March 1952-1953* (New York: East European Fund, 1953); East European Fund, *Third Annual Report March 1953-1954* (New York: East European Fund, 1954); Files Free Russia Fund and East European Fund, Organizations File, Altschul Papers; East European Fund, Inc., Files, Box 146, George F. Kennan Papers, Mudd Manuscripts Library, Princeton University; Saunders, *Who Paid the Piper?*, 142; Cummings, *Cold War Radio*, 25; Lucas, *Freedom's War*, 108.

[473] "Ford Fund to Aid Soviet Refugees," *New York Times*, May 18, 1951; "Ford Fund Retains Soviet Refugee Aid," *New York Times*, March 16, 1952.

[474] Wasson to Kennan, November 19, 1951, File East European Fund 1951-1965, Organizations File, Altschul Papers.

[475] Kennan to Paul Hoffman, November 29, 1951, Wasson to Milton Katz, December 17, 1951, File East European Fund 1951-1965, Organizations File, Altschul Papers.

[476] "Kennan Rejoins Fund," *New York Times*, September 24, 1953.

the United Ukrainian American Relief Committee."[477] In 1954, Altschul wrote: "The Fund has supported community projects in some 11 parts of the country, designed to promote the more rapid adaptation of the new anti-Soviet exiles to life in America and to help them to make important contributions to the strength of the free world."[478] The refugee resettlement program was wound up in June 1954, by which time the Ford Foundation had given a total of $3,791,500 to the East European Fund.[479]

Besides its direct refugee assistance work, the East European Fund ran two major programs. One was its role in helping to create a research institute where refugee intellectuals and scholars could undertake intensive and detailed studies of the Soviet system, a project to which several overlapping organizations contributed. According to the Ford Foundation's 1953 report, 261 grants to support research had already been made to this venture, with 53 of "the more significant studies already published and distributed," and expectations that around 100 more studies would be published before the program expired in 1955, after four years in operation. The East European Fund directed grants totaling $777,000 to its Research Program on the U.S.S.R., which ultimately provided a total of 288 fellowships of various kinds for such scholars. Many of the studies produced had considerable intelligence value in terms of providing information on the Soviet Union's domestic and foreign situation and policies.[480]

The second of the East European Fund's major academic undertakings was the establishment of a subsidiary press, the Chekhov Publishing House, created in September 1951, whose aim was "to provide the type of reading material not otherwise available through commercial channels to Russian-speaking persons in the Free World," and thereby "to provide a vehicle for the intellectual life of Russian exiles." By 1955, the press had published more than 150 titles, including historical memoirs, fiction and non-fiction works by Russian émigrés, anti-communist volumes that "thr[e]w a true light on the situation in the USSR and unmask the technique and threat of world communism," and Russian translations of major English-language works considered to highlight the achievements of American and Western democracy. According to Altschul, its purpose was "to provide a democratic fund of knowledge and artistic experience to the anti-Soviet refugees, scattered throughout the free world." The annual budget of the Chekhov Publishing House was approximately $200,000, a sum that enabled it to bring out around three dozen full-length books annually, generally at very low prices. By the time the Ford Foundation ended its subsidy to the press in 1956, the enterprise had absorbed $531,309 in

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[477] Ford Foundation Reports, 1951-1957, on www.fordfound.org/archives.html, consulted May 14, 2010; on the East European Fund's operations, see also its three annual reports, 1951-1954; Files Free Russia Fund and East European Fund, Organizations File, Altschul Papers; Free Russia Fund File, Altschul Overbrook Papers; and East European Fund, Inc., Files, Box 146, Kennan Papers.

[478] Altschul, affidavit, June 15, 1954, File Philip L. Mosely, General Correspondence, Altschul Papers.

[479] The figures are taken from the three annual reports of the East European Fund.

[480] East European Fund, *First Annual Report*, 18-24; *Second Annual Report*, 23-37; *Third Annual Report*, 28-37; Ford Foundation Report, 1953, on www.fordfound.org/archives.html, consulted May 14, 2010.; Chester, *Covert Network*, 50, 82-83.

funding.[481] Altschul, ever supportive of publishing initiatives, regretfully commented that it was "too sad about the Chekhov Publishing House. I wonder why the Ford Foundation, having started such a worthwhile venture, let it die in midstream?"[482]

In late 1953, the East European Fund announced that it would wind up its operations in 1954, describing its program as "an intensive, short-term effort to tackle, through a comprehensive, many-sided approach, the inter-related problems of large numbers of ex-Soviet exiles from Soviet tyranny who have come to the United States to build new lives of usefulness to themselves and to a free society."[483] Quite possibly, this decision was related to the recommendations of the Jackson Committee in 1953, that non-radio activities of the Free Europe Committee should be scaled back. Efforts to assist the integration of refugees ended in June 1954, though in practice some of its research programs and subsidies to the Chekhov Publishing House and the journal *The New Review* continued into the following two years. The East European Fund itself was supposedly wound up in 1957, though liquidating its existing commitments took several more years.[484]

The Committee for the Promotion of Advanced Slavic Cultural Studies, by contrast, continued its modest program of operations for several more years. At the end of 1955 it had over $26,000 in assets, most invested in US Treasury bonds, which brought in an additional $1,860.54 in 1956. In 1957 it also inherited the royalties of publications subsidized by the East European Fund. Disbursements for 1955 amounted to $4,600, and those for 1956 were almost $4,800, representing small grants of between $300 and $1,500 to finance further selected publications in Slavic studies. In 1957 the largest grant was one for $2,000, to Columbia University Press, to assist with the publication costs of a *History of the Soviet Theatre*. Until the mid-1960s, the Committee continued to provide grants for research expenses and publications in the broad field of Slavic studies. Interestingly, most of the works it helped to subsidize were in the fields of art, culture, literature, linguistics, folklore, and somewhat remote history, with few if any direct political implications. By the end of the 1950s, the Committee had disbursed $80,959.70 and committed a further $5,298.40 in 68 separate grants. As 1959 ended its uncommitted funds,

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[481] Quotations on Chekhov Publishing House from "An Investment in Democracy: The Chekhov Publishing House," unsigned article, File Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers; Altschul, affidavit, June 15, 1954, File Philip L. Mosely, General Correspondence, Altschul Papers; and Mosely, "Liquidation of the Chekhov Publishing House and Its Inventory," March 23, 1956, File East European Fund 1951-1965, Organizations File, Altschul Papers. See also East European Fund, *First Annual Report March 1951-1952*, 25-31; *Second Annual Report March 1952-1953*, 38-49; *Third Annual Report March 1953-1954*, 38-46; Ford Foundation Reports, 1951-1957, on www.fordfound.org/archives.html, consulted May 14, 2010; Files Free Russia Fund and East European Fund, Organizations File, Altschul Papers; East European Fund, Inc., Files, Box 146, Kennan Papers. Chester, *Covert Network*, 50-51; Saunders, *Who Paid the Piper?*, 142.

[482] Altschul to Mosely, January 23, 1956, File East European Fund 1951-1965, Organizations File, Altschul Papers.

[483] East European Fund, *Second Annual Report*, 50-51.

[484] Ford Foundation Report, 1957, on www.fordfound.org/archives.html, consulted May 14, 2010; Cummings, *Cold War Radio*, 25.

boosted by donations of $3,000 from the Bollingen Foundation and $5,000 pledged by one of its directors, C. H. Reisinger, amounted to an additional $14,200.09.[485]

Over the first half of the 1960s, these assets gradually dwindled; by the end of 1962, the Committee had given further small subsidies to another nine projects, and its outstanding uncommitted balance was a mere $11,280.00. Between 1949 and 1962 the Committee had received a total $99,440.15 in income, including $50,000 from the East European Fund and $20,000 from the Carnegie Corporation, and it had disbursed $85,219, with a further $2,940.40 already committed.[486] Nine more grants totaling $6,000 were made over the next eighteen months, all but two to the Dutch Mouton Company, based in The Hague, as subsidies for various publications. With the surviving trustees by then no longer in their first youth, and what was left of its capital and income growing ever smaller, after some discussion, in mid-1965 the remaining balances, together with all royalties accruing from Committee-sponsored publications, were transferred to Harvard University's Department of Slavic Literature, to be used for similar purposes.[487] Over fifteen years of low-key operations, the Committee had received slightly over $100,000 in income, more than ninety percent of which had been disbursed in small grants to a wide variety of publications, most of them scholarly works with limited political impact, beyond the fact that in many cases they provided employment of some kind for refugee scholars from behind the Iron Curtain.

The 1956 Crisis, and Beyond

Severing most of his ties with Radio Free Europe did not end Altschul's interest in Eastern Europe. The most searching test of Radio Free Europe's mission came in late 1956, with the Hungarian uprising of October and November 1956. When Hungarians tried to escape Soviet control and establish an independent and neutralist, albeit communist, government, the United States stood by and limited itself to rhetorical support in the United Nations. Eisenhower and John Foster Dulles were not prepared to risk nuclear war in order to expel the Soviets from one of their East European satellites. Embittered Hungarian rebels and refugees and their sympathizers later accused Radio Free Europe of inciting the rebellion, both by allowing its Hungarian service transmitters to re-broadcast messages from small independent freelance stations in Hungary itself, and by appearing to promise American intervention in their own broadcasts, and then leaving the Hungarians to face the consequences. Internal inquiries revealed that, thanks in part to the illness of the head of the Hungarian desk in Munich, and the failure of American officials to exercise tight supervision, Radio Free Europe's record in this

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[485] Wasson, Report of the PROM Committee for the Calendar Year 1959, Files Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers.
[486] Wasson, Report of the PROM Committee for the Calendar Year 1962, Files Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers.
[487] Files Committee for the Promotion of Advanced Slavic Cultural Studies, Organizations File, Altschul Papers.

crisis left something to be desired. More than fifty years later, the bitterness still lingered and the episode looms large in every history of Radio Free Europe.[488] The American failure to come to the assistance of the Hungarians with United States troops, or even to unleash refugee guerrilla paramilitary units that the CIA had secretly trained and equipped ever since the late 1940s, traumatized Wisner, who watched across the border from the American embassy in Austria as the uprising progressed, and found himself helpless to take any action to oppose the Soviet crackdown. His career stalled as he fell victim to illness, manic depression, and alcoholism, and in the mid-1960s he eventually committed suicide.[489]

The Hungarian revolt was the type of event that Altschul had, if anything, tried to discourage. At the beginning of 1956, he told a more optimistic British friend he could discern "little evidence to warrant the belief that there has been any marked advance in the prospects of greater freedom either in the satellite states or in Russia itself," a belief that informed a report of the Committee on International Policy of the National Planning Association for which he had been "largely responsible."[490] A few months later, he cautiously suggested to Galantière of Radio Free Europe that recent Soviet expressions of interest in peaceful coexistence might provide a fruitful opportunity for "the captive peoples themselves to step up their demands" on the Kremlin. Soviet leaders had recently permitted the posthumous rehabilitation of various prominent Polish politicians who had been liquidated during the Stalin years. Altschul considered "the restoration of individuals long since dead and buried . . . at best a somewhat futile gesture," but told Galantière "that if the Soviet leaders are sincere in their protestations the liberation of the enslaved peoples would carry convincing proof of sincerity." He suggested that Radio Free Europe might encourage its listeners to demand such policies from their Soviet masters."[491] As dissent intensified in both Poland and Hungary, Brand optimistically suggested that "Free Europe" should be "very satisfied with the developments in Poland and Hungary, developments which are likely to spread elsewhere." Uncharacteristically sanguine, the Englishman predicted: "The Russians with all their tremendous emphasis on anti-colonialism will find it very difficult to use naked force to put down all these national movements."[492] Events in Hungary proved all such hopes to be premature. In mid-November 1956, a few days after the suppression of the Hungarian uprising, Altschul argued that these events and concurrent Soviet attempts to intervene in the Middle East during the Suez crisis marked a major break with the "spirit of Geneva" and the concept of "competitive co-existence" that had seemed to mark Nikita Khrushchev's first years in power. At that time, he asserted, the Soviets had begun to rely on

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[488] Puddington, *Broadcasting Freedom*, 89-114; Nelson, *War of the Black Heavens*, 69-84; Urban, *Radio Free Europe and the Pursuit of Democracy*, 211-245; Mickelson, *America's Other Voice*, 91-103; Michie, *Voices Through the Iron Curtain*, 193-285; Meyer, *Facing Reality*, 123-130; Johnson, *Radio Free Europe and Radio Liberty*, 79-82, 86-118.
[489] Grose, *Operation Rollback*, 217-218; Grose, *Gentleman Spy*, 436-437, 440-443; Thomas, *The Very Best Men*, 142-152, 160-163, 314-321; Hersh, *The Old Boys*, 386-404, 412- 414, 420-425, 436-441.
[490] Altschul to Barbara Ward, January 3, 1956, File Barbara Ward, General Correspondence, Altschul Papers.
[491] Altschul to Galantière, April 30, 1956, File Lewis Galantière, Catalogued Correspondence, Altschul Papers.
[492] Brand to Altschul, October 25, 1956, File Robert H. Brand, General Correspondence, Altschul Papers.

economic aid to the developing world as a major instrument of foreign policy; the Hungarian crisis marked a return "to direct military and political pressures in order to attain their international objectives." Since unrest in Eastern Europe had made it more difficult for the Soviet Union to exploit the economies of these satellites and "thereby improve its own posture vis-a-vis the free world," the potential Soviet ability "to undertake an economic offensive in uncommitted areas of the world" had fallen dramatically.[493] Commenting on a talk by Allen Dulles to the Council on Foreign Relations in early March 1957, Altschul uncompromisingly highlighted how Soviet possession of nuclear weapons had inhibited the United States from taking any action to assist the rebellious Hungarians. "In a situation in which the fundamental values of national independence and human liberty were at stake, our fear of the consequences forced us to give a large part of the watchful world a demonstration of Western impotence in the face of Soviet intervention."[494]

In December 1956, Altschul responded forcefully to criticisms in William F. Buckley, Jr.'s *National Review* of a recent article by George Kennan, that had stated that it would almost certainly prove impossible for East European refugees who had been in exile for more than twenty years to return to their native countries "and pick up again where they left off ten or twenty years ago." While Buckley sought to characterize this statement as a heartless abandonment of these expatriates, Altschul defended it as simply a realistic recognition of "the alienation of the democratically minded exiles from whatever governments might arise in the future in the satellite states." Citing another passage in which Kennan stated "that the release of Eastern Europe from the abnormal sort of bondage in which it has been held in these recent years will be best facilitated if the line that divides American and Russian military power in Central Europe is not too strongly accentuated and if there can be an increase, rather than a reduction, in the neutral zone that stands between," Altschul triumphantly stated that Kennan envisaged a "finality . . . in regard to the position of his exile friends, but not at all in regard to the ultimate fate of the satellites."[495]

Altschul's admiration of Kennan was not, however, uncritical. A fortnight later, on January 3, 1957, Kennan delivered an address at the Council on Foreign Relations, at which Altschul was present. If not soulmates, the two remained and always would be exceptionally close friends. Altschul congratulated Kennan on his address, especially on "the warmth of the applause for his remarks," telling him that he could not "remember ever having seen the guests [at a Council dinner] quite so demonstrative." He did, however, have various caveats as to Kennan's prescriptions, including those for Eastern Europe. Anticipating suggestions that he would make more formally in his BBC Reith lectures in Britain the following year, Kennan had suggested

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[493] Report of First Meeting of Group on United States Foreign Economic Policy, November 14, 1956, Records of the Council on Foreign Relations: Studies Department, Mudd Manuscripts Library, Princeton University.
[494] Alschul to Dulles, March 12, 1957, File Allen and Clover Dulles, Catalogued Correspondence, Altschul Papers.
[495] Altschul to William F. Buckley, Jr., December 19, 1956, File William J. Buckley, Catalogued Correspondence, Altschul Papers; also Altschul to George N. Shuster, January 22, 1957, File George F. Kennan, Catalogued Correspondence, Altschul Papers.

"the desirability of holding before the Soviet Union and the satellite states some tempting offer of a general European settlement." This would, he hoped, be accomplished by a mutual willingness on the part of the United States "to withdraw troops progressively from Europe when and if the Soviet Union would consent to a unified Germany and withdraw all troops from the satellite states." Europe would then become a neutral zone in the Cold War, and "a gradual liquidation of NATO" might even ensue. Altschul welcomed the idea, which he thought represented a return to the spirit of 1945 and the original meaning of the Yalta and Potsdam Agreements of that year, but queried: "It is not too much to expect that the Soviet leaders will be prepared to abandon the communist dream any time in the foreseeable future? And unless there is concrete evidence of such a change of heart, would we be prepared to go so far as to liquidate our far-flung network of bases?"[496]

Altschul nonetheless continued to contemplate what might prove the most effective means of breaking the Soviet hold upon Eastern Europe. For at least a decade, Altschul became almost the automatic choice to chair Council on Foreign Relations discussion groups on the region. The first of these, set up in the aftermath of the Hungarian uprising, focused on "United States Policy Toward the Soviet Satellites in Eastern Europe." Its members included William J. Donovan, the former director of the Office of Strategic Services; three representatives of Radio Free Europe and the Free Europe Committee, Lt. General Willis D. Crittenberger, Lewis Galantière and Edmund O. Stillman; Ray S. Cline of the Central Intelligence Agency; former assistant secretary of state for public affairs Howland H. Sergeant, now head of the American Committee for Liberation from Bolshevism, the organization that operated Radio Liberation, RFE's Russian equivalent; Alfred V. Boerner of the United States Information Agency; several State Department representatives; John Campbell—formerly head of the State Department's East European division—and the Soviet specialist Philip Mosely from the Council on Foreign Relations; and an array of bankers, lawyers, academics, and journalists.[497] The group met five times, discussing developments within the satellites themselves, especially Hungary and Poland, which had also experienced serious unrest in 1956; the situation in Yugoslavia; and potential US policies towards the satellites. Discussions were somewhat inconclusive, and the group came up with no firm recommendations on a "clear course of policy."[498]

While this group was deliberating, Altschul consulted Allen Dulles. In 1956 Soviet leader Nikita Khrushchev, who had recently won control over the Kremlin power structure, had repudiated many of the actions of his predecessor Josef Stalin, especially Stalin's personality cult and his brutal purges of opponents. In Altschul's view, this "had shaken the very foundations of the world Communist movement," while the suppression of the Hungarian uprising had "thrown a

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[496] Altschul to Kennan, January 4, 1957, File George F. Kennan, Catalogued Correspondence, Altschul Papers.
[497] List of members, Study Group on United States Policy Toward the Soviet Satellites in Eastern Europe, 1956-1957, CFR Records: Studies Department.
[498] Quotation from Report of Fifth Meeting of Group on United States Policy Toward the Soviet Satellites in Eastern Europe, May 1, 1957, CFR Records: Studies Department.

spotlight on the sheer hypocrisy and brutality of the Kremlin." He also felt that the growth of "independent" and "national" Communist movements in both Poland and Hungary, indicated that "prolonged propagandist indoctrination" in those countries had proved ineffective, and that Soviet leaders "must realize that throughout the satellite states they have potential enemies rather than reliable allies." In Poland, Altschul was quite willing to accept any Communist government that was not Soviet-dominated, telling Dulles that "we should extend a friendly hand to national Communism wherever it raises its head above water. . . . It is in Communism as an instrument of an encroaching Soviet imperialism that the danger lies. And national Communism is a step removed from this aspect of things." In the long run, he believed, communism would be unable to match liberal capitalism in terms of "satisfy[ing] the material and the spiritual longings of human beings."[499] Dulles, too, believed that "that the repudiation of Stalinism has shaken world Communism to its foundations. In the long run this fact may be a lot more important than some realize today."[500]

Less clear to either was just how the United States could build upon or encourage discontent in Eastern Europe. As these meetings progressed, Altschul took positions largely consistent with those he had adopted in the past. At the inaugural meeting in January 1957, Altschul raised the proposition that "United States policy is dictated by fear. As long as fear dominates our policies, we can't do anything. Wherever we turn, we have with us the fear of the hydrogen bomb. Should we take risks in our policies towards Eastern Europe? Can we do anything as long as fear is the dominating force in our policy making?" This was a theme he had raised almost five years earlier, at the May 1952 conference of Free Europe associates in Princeton, and it highlighted one of the central and permanent dilemmas of American policies towards the Soviet satellites.[501] Expanding on this theme, after the first meeting, Altschul submitted a memorandum warning that American foreign policy was driven by "obsessive and paralyzing fear" of thermonuclear warfare with the Soviets. While the recent events in Hungary had "demonstrated that years of Soviet indoctrination have not stilled the desire of the people for national independence and a degree of personal liberty," and the same was true of other Soviet satellites, "the revolt in Hungary was crushed by Soviet tanks without even a gesture of support having emanated from the free world." Altschul was "inclined to think that in the critical days of the Nagy regime there were things that we could have done had our policy—or lack of policy—not been primarily determined by fear." He was apprehensive that, despite evidence of Soviet difficulties in its satellites and domestically, which might facilitate "fruitful negotiations,"

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[499] Altschul to Dulles, March 12, 1957, File Allen and Clover Dulles, Catalogued Correspondence, Altschul Papers.
[500] Dulles to Altschul, March 27, 1957, File Allen and Clover Dulles, Catalogued Correspondence, Altschul Papers.
[501] Report of First Meeting of Group on United States Policy Toward the Soviet Satellites in Eastern Europe, January 21, 1957, CFR Records: Studies Department.

Americans might be so handicapped by their own fears that they would be unable to take advantage of this.[502]

In practice, however, Altschul recognized that American options were limited. The fundamental problem facing the United States in Eastern Europe, he remarked in the third meeting, was that, should "another situation similar to that . . . in Hungary" arise, "[a]ll action short of the risk of war would only lead to the imposition of Soviet control and the failure of the United States to prevent it."[503] Yugoslav separatism was one encouraging feature of the scene he believed the United States should support, by furnishing aid to Tito's regime. When another member of the group objected that this amounted to "purchasing Yugoslav loyalty," Altschul retorted that in reality it was a question "of supporting Yugoslavia in order to have that country adopt a foreign policy which would parallel the foreign policy of the U.S." While some members of the group found much to dislike in the Yugoslav regime, "such methods as granting aid to a particular country in order to bolster its economy and defense" were justified if they won its support for American policies.[504] As the group struggled to come up with definite suggestions, Altschul queried whether "alternative policies toward Eastern Europe could be divorced from global struggle and strategy," since in negotiations the Soviets always linked American actions in Europe with "United States positions and bases throughout the world." He suggested that, as it had in the early Cold War, the United States should specifically declare "that it was not interested in imposing its economic or governmental system on the Eastern European countries." He had, of course, been responsible for crafting Radio Free Europe guidance directives that took this line. He also brought up another longstanding favored scheme of his own, that the West European countries should establish a Marshall Plan for the rest of Europe, which he hoped the Soviets would be unable to prevent the satellites from joining. Altschul concluded the meetings by suggesting that members of the group should "draw up several plans of action to meet developments which might arise in the satellites in the future, . . . to meet the changing situation in both Germany and Eastern Europe."[505]

Altschul continued to hope that Soviet control of Eastern Europe would ultimately be dissipated. Early in 1958, Altschul attended a Council on Foreign Relations meeting where Mikhail A. Menshikov, the Soviet ambassador to the United States, delivered an address, dealing with the projected summit conference on nuclear testing and disarmament to which both powers were in principle committed. On that occasion, Menshikov also stated that the agenda of any such meeting must exclude two topics, the future of Germany and the Soviet satellites in Eastern

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[502] Altschul, Memorandum for "Discussion Group on United States Policy Toward East Central Europe," January 22, 1957, CFR Records: Studies Department; another copy is in File Council on Foreign Relations-Study Group on US Policy Toward East Central Europe 1957, Organizations File, Altschul Papers.
[503] Report of Third Meeting of Group on United States Policy Toward the Soviet Satellites in Eastern Europe, March 13, 1957, CFR Records: Studies Department.
[504] Report of Fourth Meeting of Group on United States Policy Toward the Soviet Satellites in Eastern Europe, April 8, 1957, CFR Records: Studies Department.
[505] Report of First Meeting of Group on United States Policy Toward the Soviet Satellites in Eastern Europe, January 21, 1957, CFR Records: Studies Department.

Europe, since their inclusion would amount to interference in the affairs of sovereign states. Altschul himself wrote at length to Menshikov protesting these conditions, and dispatched this missive by registered mail to the Soviet envoy. Recalling the promises of the wartime Yalta and Potsdam agreements, that the East European governments would be free to choose their own governments, Altschul complained that the Soviets were "in essence asking us to accept the domination by the Soviet Union of much of Eastern Europe as a continuing feature of the post-war landscape." He did not see any "hope for a relaxation of tensions or for improved Soviet-American relations . . . on any such basis." The East European nations should, Altschul continued, be free to choose whatever form of government they desired, without intervention from either the Soviet Union or the United States. Altschul sent a copy of this missive to Eisenhower, with a cover letter suggesting that, even if the United States government eventually decided to attend a summit meeting under these conditions, it should publicly and eloquently protest against the absence of both issues from the top leaders' deliberations. "[T]here is," he told Eisenhower's personal secretary,

> some evidence that behind the Iron Curtain Communist ideology is at present in crisis, particularly among the intellectuals and the youth. At whatever cost to the outcome of the Summit conference, we should strive to give these groups maximum encouragement. It is of vital importance that our friends within the Soviet Union should understand—and beyond this, that world public opinion should understand—that we have not abandoned them.[506]

In 1958 and 1959, Altschul chaired another Council study group on Yugoslavia and Eastern Europe, with many of the same personnel as that of the previous year. He displayed a certain qualified optimism over future prospects for the area, suggesting at one meeting that, "while the U.S.S.R. would not likely withdraw completely from its position of domination in Eastern Europe, the Soviets might withdraw their troops or make other concessions if they thought that they would gain more than they would lose thereby." Reiterating his advice to Eisenhower, Altschul also felt that the United States must continue to urge the case of the European satellites, and disagreed with one member of the group who suggested that the United States should simply acquiesce in Soviet rule behind the Iron Curtain. On the contrary, Altschul responded, that "it would be dangerous for the United States to enter a summit conference having renounced any interest in the affairs of Eastern Europe. This would make it appear that we accept the status quo."[507] Over time, as his interest in détente with the Soviet Union developed, Altschul's position shifted. Six years later, chairing yet another study group on the same region, this one on Western Policy Toward Eastern Europe, he "suggested that perhaps the cart had been put before the horse and that nothing can be done about Eastern Europe until a U.S.-Soviet accord is

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[506] Altschul to Whitman, March 17, 1958, enclosing Altschul to Mikhail Menshikov, March 11, 1958, Folder Frank Altschul, Box 2, Ann Whitman Administration File, Dwight D. Eisenhower Papers, Eisenhower Presidential Library, Abilene, Kansas.

[507] Report of Third Meeting of Group on Yugoslavia and Eastern Europe, May 20, 1958, CFR Records: Studies Department.

reached along broad lines." At this point, in 1964, Altschul had the "impression that the international climate has changed, and that the time might be right for negotiation on matters of real substance." Altschul believed the Cuban missile crisis might have had a chastening effect on the Soviet leaders. Therefore: "If the Russians are approached properly, perhaps a détente can be reached which would make possible latter [sic] settlements on Germany and Central Europe."[508]

For Altschul, one of the most enduring legacies of his time with Radio Free Europe was perhaps that it gave him a real sense of the genuine limits upon the power of the United States to affect developments within the Soviet sphere of influence. For Altschul at least, the Radio Free Europe years were probably crucial in setting his future course. Like many of his colleagues in this venture, he entered the Free Europe Committee undertaking still relatively sanguine as to what the United States could accomplish in terms of combating Soviet power and authority, especially in the East European satellites. The experience of trying to undermine Soviet power in this region quickly convinced Altschul that the scope for effective American action short of war was distinctly limited. His instinctive belief in the importance of military strength was to some degree further diluted by his enormous respect for George Kennan's analyses of the situation. Kennan, though twenty years younger, would in some sense always be a mentor and foil for Altschul. Almost certainly, he had a magnetic influence in terms of drawing Altschul into the affairs of the Free Europe Committee. In terms of social policy, Altschul's instincts were decidedly more liberal, but he could never attain Kennan's measured and sonorous eloquence. Both men, however, embarked on a similar journey, from espousing fiercely anti-Soviet policies to believing that, when all things including the risk of nuclear warfare were considered, accommodation and détente with the Soviet Union were the most fruitful and prudent path to tread.

[508] Report of First Meeting of Study Group on Western Policy Toward Eastern Europe, May 5, 1964, CFR Records: Studies Department.