HENRY AGARD WALLACE AND LATIN AMERICA (1932-1946):

THE LIMITS OF AMERICAN LIBERALISM

Honors Thesis in History

Presented to Clayton Koppes and Oberlin College

Submitted By

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May 1981
INTRODUCTION

The crowd waited anxiously, expecting the nominations for Vice President to begin momentarily. Throughout the galleries the chant began, "We want Wallace!" It swelled into an uproar and the Chairman of the convention, Sam Jackson, despite all of his efforts, could not stop the chanting and the noise. Finally Jackson called for adjournment. The entire stadium retorted "No!" Sam Jackson spoke up, "The ayes have it" and the days work at the convention ended despite all of the booing which the Chairman's action instigated. The next day, the anti-Wallace forces had manipulated enough delegates to nominate Harry S. Truman for Vice President on the second ballot at the 1944 Democratic convention as the regulars within the party flexed their muscle.[1]

The fight between the liberal New Dealers and the more conservative Dixiecrats and City Bosses within the Democratic party had been won by the latter. The defeat of Wallace was supposedly proof of this fact. Political and economic democracy which Wallace believed to be at the foundation of the liberal principles guiding the Democratic party were only a myth. The conservative elements within the Democratic party, worried over the idealistic rhetoric Wallace used, fought to maintain the status quo. In his seconding speech for President Roosevelt, Wallace stated that: "The future belongs to those who go down the line unstabhvingly for the liberal principles of both political and economic democracy regardless of race, color or religion. In a political, educational and economic sense
there must be no inferior races."[2] These goals were not to be realized. Yet despite the fears of the city bosses and southern politicians caused by this type of rhetoric, Henry A. Wallace was a liberal and his reform measures were limited.

Wallace entered the Roosevelt administration as Secretary of Agriculture in 1932. He was well qualified for the position as he was a man of many talents. Wallace was already a well known geneticist and possessed an extensive background in economics and farm related problems. As editor of "Wallace's Farmer," which was a magazine his father had started, he was intimately involved in the day to day controversies of the farming community.

As Secretary of Agriculture, Wallace helped to develop a farm program aimed at raising farm prices. In keeping with early New Deal policy, the farm programs developed under Wallace attempted to restore economic stability to the farm community rather than reform the social injustices within the agriculture community. Wallace carried out the task of crop destruction as well as slaughter of over six million little pigs in his initial attempt to raise farm incomes.

In general, he pursued a middle path devising a strategy of subsidizing farmers while refraining from price fixing and advocated incentives to induce farmers to curtail production but attempted to resist proposals for mandatory controls. He was interested in improving conditions for the most destitute within the farm community but not at the expense of losing
support of the major farm organizations and he did not try to change the existing class structure and mores in the American agriculture industry.[3] This is best illustrated by the plight of the sharecroppers working in the south.

In 1934, A.L. Michail, who had begun to organize the sharecroppers, persuaded his friend Norman Thomas to tour the south and issue a detailed report. The Thomas report charged that the Agricultural Adjustment Administration (A.A.A.) was creating worse conditions for the sharecroppers. Larger farmers first withdrew from production lands which were cultivated by tenants and sharecroppers and these individuals were pushed off the land.[4] It appears that the sharecropper was sacrificed for political and economic reasons although later on in the New Deal the Department of Agriculture attempted to help this segment of society after it took over the Rural Resettlement Administration (R.R.A.)

This pattern became a standard practice for Wallace especially in his plan concerning Latin America. In the midst of a crisis, the system had to be protected which usually meant that the already established interests were strengthened. After the stability and maintenance of the system was assured, work could begin in areas which attempted to combat the problems of those who held a relatively insignificant stake in the system. These latter plans and the Wallace rhetoric earned the Secretary of Agriculture his liberal reputation.

Wallace soon won a reputation as a liberal "New Dealer" firmly on the progressive side of most of the issues. Although
he appealed to the Corn Belt, Wallace scared most of the party regulars. He was thought to be a poor politician and had a reputation for mysticism. Democrats as well as Republicans believed Wallace to be "a naive and woolly minded idealist" as well as a wild speaker. Wallace, as Secretary of Agriculture and later as Vice President symbolized the past excesses and the "future dangers of the New Deal."[5] Although Wallace was thought to be at the left most extreme within his party, many of his ideas were similar to the beliefs held by more conservative party members. He was more sensitive on on issues such as the conditions of the poor or discrimination aimed at social and religious groups than many of his fellow party members; however his goals, and the means to achieve them, were more conservative than most people of the day believed. Nowhere is this more evident than in his views regarding Latin America. Although Wallace was loved in Latin America primarily because of his idealistic rhetoric, his actions affecting social and economic conditions in the Latin hemisphere were within the mainstream of American liberal politics.

In many instances his speeches sounded almost idealistic, however, when rhetoric was transformed into action, his programs were more conservative. Despite accusations of being a communist, Wallace was a mid-western progressive whose beliefs and ideas more resembled those of Herbert Hoover than Earl Browder. Like Hoover, Wallace strongly believed that the free enterprise system could overcome all obstacles in reaching
the goal of economic security for the common man. Both Iowa progressives believed in business-worker harmony, progress through technology, the protection of civil rights, and balancing the self interest of men with idealism. The major difference between the two was Hoover's fear of big government. Wallace did not reject increased government planning or action and he thought that government could be used as a check on business abuse as well as a resource to be used by business, making their job easier.

By examining Wallace's views on Latin America, it may be demonstrated that he was more conservative in his methods than previously believed and that Wallace was not as far to the left as his reputation or the actors of the period perceived him to be. While his early thoughts and plans regarding Latin America were relatively idealistic and called for a major change in the status quo, Wallace quickly realized that these plans faced insurmountable obstacles. He then abandoned them in favor of ideas which were more acceptable to the powerful groups functioning within the hemisphere. Thus Wallace, who was representative of the left wing of the Democratic party throughout the 1930s and 40s may also be used to represent the limits of liberalism. The overwhelming desire of Wallace to work through the system forced him to conform to a rate and type of change which was acceptable to the most powerful elements in the existing status quo.

This does not mean that Wallace was not critical of the powerful groups operating in Latin America. He had worried
about the effects of American investment in the hemisphere for a considerable length of time. The turn of the century and especially the 1920s was accompanied by a substantial increase in United States investments in Latin America. At the turn of the century United States investment there totalled 308 million dollars. On the eve of World War One this figure grew to over 1.6 million dollars and just prior to the depression the total was in excess of 5.4 million dollars. [6] Wallace opposed the intensive investment because he believed that most of it was not being used properly and that the United States Government, by following a policy of protecting American investment abroad, was fostering imperialism and war. Wallace believed that the government should not guarantee the foreign investments of "economic adventurers." [7]

At the same time this investment was taking place, an increased number of students and intellectuals within Latin America were studying Marxist political and economic doctrines. [8] Consequently, the stage for a showdown was set. The seeds of revolutionary nationalism had been planted and this made it necessary for the United States to begin to adopt a new method of settling problems concerning the United States within the hemisphere.

This problem was acknowledged long before the inauguration of the Good Neighbor policy. In a memorandum on the Monroe Doctrine in 1928, J. Reuben Clark understood the inflexibility of the current method of intervention especially in instances where national defense could not be legitimately claimed to be
at stake.[9] Thus in some ways, the Good Neighbor policy was not a dramatic change in United States-Latin American relations but instead was only an official acknowledgment and approval of sentiments which existed in prior administrations. The Good Neighbor policy was a new method of dealing with old and new problems and was supposedly a successful first step in transforming a lukewarm hemisphere into a well organized and content community.

Muca controversy exists in reviewing the effectiveness of the Good Neighbor policy, specifically because the policy was never spelled out. Some historians believe the Good Neighbor policy to be a marked shift away from the era of the Big Stick. Historians who are proponents of the Good Neighbor policy believe the policy was a great and continuing improvement over the policies which had previously been pursued. While inequality continued to exist, it was starting to be reduced. Most importantly, the leaders of the United States gave more attention to hemispheric relations and this led to an increase in cooperation. This cooperation took many forms. United States business interests were still able to operate in the hemisphere while the Latin Americans were started on the road to industrial development through the benefits of American technology and expertise. The United States shared the decision making processes with the Latin Americans and this created more friendly and cordial relations within the hemisphere.[10] This new approach might be easily demonstrated in many controversies.
After the turn of the century, the United States had significant investments in Cuba. Before removing the troops stationed on the island after the Spanish-American War, the United States insisted on a permanent treaty which included a clause (Platt Amendment) allowing America to intervene militarily in the country's domestic affairs. The United States intervened on two occasions during the early twenties. Intervention was thought to be the best means of protecting investments on the island which was the principal source of America's sugar imports. United States interests had considerable investments in the sugar industry and other areas.[11]

With the onset of the depression, the economy and social life in Cuba was severely disrupted. President Roosevelt sent Sumner Welles to the island and he initially appeared able to control the chaos. After the interim Presidency was toppled, a dismayed Welles requested the Marines in order to protect American lives and property. Although President Roosevelt dispatched a naval force to the area, no troops landed on the island. Political and economic persuasion were sufficient in convincing an army sergeant named Batista, who had previously led a revolt in the army, to assume control.[12] Non-intervention, at the foundation of the Good Neighbor policy, had proven to be successful in its first major test. However, other tests were to follow.

Another example of the supposed effectiveness of the Good Neighbor policy occurred in Mexico. On March 18, 1938,
President Lazarc Cardenas expropriated the properties of the oil companies operating in Mexico. The expropriation was a response to the refusal of the oil companies to accept a decision by the Mexican labor board in a labor dispute involving higher wages and better fringe benefits for the workers.[13] Not only did the United States recognize the legality of the expropriation but some members of the United States government such as Ambassador to Mexico Josephus Daniels worked in good faith with both sides in order to bring about a settlement.

In November of 1942, an agreement was reached not only on the oil controversy but on other outstanding issues as well. Agrarian claims were settled and a reciprocal trade agreement was signed. The dollar peso rate was stabilized and the United States pledged to purchase newly minted Mexican silver as well as finance Mexico's portion of the Pan American highway. In the case of the oil controversy, after each nation chose an expert to determine the amount of compensation, a figure of 29 million dollars was reached despite the original claims of the oil companies that the properties should be valued at 260 million dollars.[14] Despite resistance in both the private and public sectors, the Good Neighbor policy brought about an effective settlement just in time for the war. This settlement allowed the United States and Mexico to more easily cooperate in war related areas as the hemispheric solidarity, which was perceived to be essential to the war effort, was easily maintained between "good neighbors." However, this is not the
view of all historians.

Critics of the Good Neighbor policy have alleged that while the United States policy makers used new rhetoric and more often focused their attention on Latin America, economic relationships at the foundation of United States-Latin America relations remained essentially undisturbed.[15] These economic relationships created a stable atmosphere which helped to perpetuate social and economic inequalities existing within a majority of Latin American countries. While the United States did pursue policies which admittedly gave Latin American governments a larger share of the economic wealth which was being taken from the countries, this increased the dependency of these governments on the United States.

By the late thirties, many countries, especially those which exported strategic war related materials, had expanded production in order to meet the demands of a growing United States market. At the same time, these countries produced less food and thus relied to an even greater degree on the United States for foodstuffs. Also, by reinforcing existing class relationships, the United States helped to stop social reform and revolution which was increasing during this period. The Good Neighbor policy was an attempt by the United States to meet a somewhat different environment than had previously existed in Latin America. It was a period during which American business interests, supported by the United States government, attempted to roll back the tide of revolutionary social change in Latin America by maintaining a conciliatory
attitude towards the Latin Americans and by giving them a larger share of the economic pie.

In the specific case of Cuba, while the Roosevelt administration did not intervene militarily, it approached the first crisis in Latin America in a traditional manner. As David Green points out, Roosevelt operated on the assumption that "United States interests in the hemisphere could be upheld by unilateral fiat." This fiat was exercised in such a way as to protect and maintain the "existing social and economic structure of Cuba against the threat of revolutionary nationalistic change."[16] As time passed, the administration was able to develop a more flexible policy which did not operate under the assumption of a unilateral fiat. Nevertheless, this more mature version of the Good Neighbor policy attempted to insulate American nationals operating in Latin America from the effects of revolutionary change. This was achieved primarily through the use of economic incentives. Ample evidence for this new type of policy exists in the controversy over the Mexican expropriation of American owned oil lands.

While a settlement had been reached in the oil controversy, the United States Government continued to press for the return of American multi-national oil companies to Mexico so that the companies could regain their favored position. The settlement between the companies and the government of Mexico which was brought about by the United States was but a temporary aberration in the United States'
policy of supporting private investment abroad. The departure from traditional policy was caused by the perceived Nazi threat to the hemisphere. The United States temporarily placed issues such as this on the back burner in order to cement improving relations with her Latin American neighbors. Once the threat passed, the State Department immediately pursued the oil matter further, in an attempt to reverse the nationalization.[17]

More importantly, the action taken under the Good Neighbor policy especially with regard to the oil controversy was an attempt to insure and protect a dependent type relationship. "It was not specific pieces of corporate property that were at stake but a system." In the short run, government policy might temporarily be at odds with particular interests in the continuing quest to maintain the larger system.[18]

Thus the Good Neighbor policy was an attempt by the United States to update the methods it used in dealing with Latin American governments. Intervention was no longer a suitable means of achieving policy objectives as this approach was too inflexible. While it might work in a single instance, it was harmful to overall United States-Latin American relations. Intervention was no longer necessary as the United States could better pursue its objectives by using economic incentives. Most of the United States' policy objectives concerning Latin America usually regarded Latin American political, economic, and social growth in a direct as well as indirect manner.
Throughout the 1930s the center of American attention was focused on domestic issues. By the middle of the decade, economic recovery had slowed and even reversed creating a feeling of uncertainty among an already weary population. The majority of Americans were still under the influences of the depression despite the attempts by the Roosevelt administration at relief, relief in farms some considered revolutionary for the American political and economic system.

Henry A. Wallace, then Secretary of Agriculture, shared in the national consensus. The urgent state of America's agricultural industry was his primary concern throughout the decade. Although the clouds of war were already on the horizon by the latter part of the decade, the Secretary of Agriculture generally dealt with domestic farm problems. Although Wallace had often displayed an interest in world problems as well as global political issues, the demands of his position afforded him little time to address the topics.

While the Agriculture Secretary labored at restoring stability in the domestic agricultural markets, Wallace did not completely ignore American foreign policy issues. Wallace's most intensive exposure to foreign policy issues were those which were directly related to United States domestic agricultural policy. Often, foreign policy questions which concerned the Department of Agriculture were local in nature, usually only encompassing the hemisphere or countries within it. Hemispheric agricultural problems were Wallace's first
aigh level expostre to issues concerning Latin America.

Throughout this early period, Wallace displayed a general interest in hemispheric problems, even addressing issues outside the agricultural field. He was a staunch proponent of the Good Neighbor policy of President Roosevelt and generally echoed existing policy positions maintained by the administration. Wallace's ideas concerning Latin America were usually vague and general although by the end of this period he did realize the potential role of America's southern hemisphere in economic related areas.

By 1939, Wallace realized that most individuals living in the United States knew very little about their southern neighbors. While the Good Neighbor policy had brought the hemisphere closer together, the majority of Americans knew practically nothing about Spanish culture. This ignorance was the focus of Wallace's earliest plans. By late 1939 Wallace was speaking in the public forum on this issue. He advocated the inclusion of Latin American history as well as the study of Spanish in the curriculum of American high schools and colleges. He also stressed the need for a greater circulation of American books translated into Spanish so that they could become more readily available in Latin America.

Another plan would include a frequent exchange of art exhibits throughout the larger cities of the hemisphere. His two most important ideas concerning cultural exchange during this early period were setting up an interAmerican university
for post graduate study and most important of all, the Pan American Highway. While the highway was already under construction, its completion would mean that Americans would for the first time be able to travel to the southern hemisphere in a manner within their means. [1] Wallace’s interest in Latin America increased as he better understood the fact that interdependence within the hemisphere would continue to grow. If there was to be a stable community within the Americas, the United States must do its part to foster good relations and mutual understanding.

In the economic sphere, Wallace believed that much could be done to bring the hemisphere closer together. Economic reciprocity was essential and an increased number of business trips by individuals within the business world was to be a must. More importantly, Latin America should develop and export products which the northern half of the hemisphere was unable to produce. The two examples most often used by the Secretary of Agriculture were rubber and hemp. Wallace believed that if plans such as these were carried out, increased hemispheric solidarity would result. Latin America had many things which the United States needed just as the United States could be of great benefit to the Latin American nations.

In discussing the need for Latin American development of rubber, Wallace stated that: ”This will require the utmost co-operation between Latin American people and resources and North American science and capital; but the job can and will be
done within a few years after the will to do it definitely appears.\[2\] Cooperation was to be high priority as it would enable the American hemisphere to become almost entirely independent of the "old world." This would allow the American hemisphere to develop without interference from the old world, a world which was preparing for war.

Wallace seemed to believe that greater hemispheric cooperation would be of significant benefit to every Latin American nation as their economies would not continually be disrupted. Latin American nations had faced a serious depression after World War One and the growing war in Europe would likely bring about the same results. The United States would also benefit from the plan because items such as rubber would not become as scarce. With the exception of Germany and Japan, the idea was not designed to push other imperial powers out of the hemisphere. However, this would have been the effect. The increase in cooperation called for by Wallace would have enabled the United States to strengthen its hold on Latin America. By developing materials such as rubber and hemp in a relatively closed hemisphere, Latin America would have become even more dependent upon the United States for export markets. A colonial rather than community relationship would have resulted.

There is no evidence to suggest that Wallace desired greater American control of the hemisphere at this time. It appears that the plan was brought forth in good faith but that the ramifications of the idea were not adequately addressed.
This is representative of one of Wallace's major problems during the depression and throughout the early war years in his thoughts concerning Latin America. In many instances he did not fully comprehend the implications of his plans in realizing Latin American development. Other general problems with his plans for hemispheric development existed throughout these periods as well.

During this period, Wallace's political and economic thoughts concerning Latin America were in most instances vague. This was primarily because the Secretary of Agriculture was unfamiliar with the problems of Latin America. During this period he understood only the most basic aspects of Latin American problems. Although Wallace's ideas concerning Latin America were still in their infancy, a great deal of his political philosophy reached maturity at this time. He also developed some of his most basic economic ideas.

Throughout his life, Henry Wallace was an avid supporter of democracy. Democracy, Wallace believed, should be at the foundation of every political system. The foundation of the democratic faith included ideas which were taken for granted by most Americans. First, action should be based on the will of the majority after a nation's people had sufficient opportunity to inform themselves as to the facts. Next came freedom of speech, press, the arts, science and religion. Thirdly, stability, order, and the avoidance of all violence, bloodshed and anarchy. Last and in some respects most fundamental, the promotion of a stable but ascending general welfare by
increasing the productivity of the people and distributing the income as evenly as possible without destroying the incentive to produce.[3]

This foundation held many assumptions, assumptions which Wallace later found he could not apply to some of the specific problems of Latin America. The most fundamental of these assumptions was that a given population had the ability to inform themselves as to the facts. Also, Wallace assumed that a given order which could maintain stability in a relatively democratic society, should not be radically altered regardless of the economic and social needs of the society. Although he later modified these ideas, the bulk of his theory did not appreciably change over the course of his career.

It is in this early period that Wallace developed his basic political philosophy, a philosophy which would greatly affect his ideas concerning Latin America throughout his life. The seeds of contradiction were already present. On one side lay the freedoms of speech, art, religion, the press and science as well as the idea that wealth should be distributed as evenly as possible, while on the other side lay the concept of stability. The idea of a stable environment both political and economic was to become more important for Wallace as his career progressed. The struggle between these two fundamental ideas was the focus of Wallace’s most basic thoughts.

In the economic sphere, one of Wallace’s more important ideas surfaced during this early period. In discussing the role of large corporations Wallace praised their skills of
individual management in each particular instance. At this time he believed that corporations did not know enough about their role and responsibilities to the societies they operated within. Wallace believed that the critical problem facing the American society in general and the major corporations in particular, was that while individually the corporate sector and expanded production, collectively they had not yet learned "the secret of expanding consumer purchasing power as rapidly as production."[4] This is another idea which would become a center of attention for Wallace and his plans concerning Latin America. He would later focus a great deal of his thought on the general problem of purchasing power of individual countries and how it affected United States-Latin American relations.

By the end of his tenure as Secretary of Agriculture, Wallace began to realize how important Latin America might become in the near future. A friend later wrote to Wallace: "I can see twenty years, more or less of the greatest prosperity our country has ever seen—not exploiting these countries to our south but by reconstruction."[5] As time passed, Wallace molded his plans to maintain and expand the economy of the United States so that it could function effectively in Latin America. It was after this that his political blueprint could be successfully implemented. However, Latin American related problems were placed on the back burner by the midle of 1940. Over the summer, Wallace was chosen as the Democratic party's choice for Vice President. The campaign trail would consume the majority of his time until election day.
Wallace rested little after the 1940 election. In late November he traveled to Mexico to officially represent the United States at the inauguration of President Avila Camacho. For Wallace, it was a chance to visit part of an area in which he possessed a strong and ever-intensifying interest. He received a first hand look at some of the problems which inhibited closer United States-Mexican relations and the visit enabled him to form a personal bond between himself and the new President of Mexico.

The trip marked a new chapter in Wallace's career as a public servant. For the first time, Wallace was being used in an area outside of his specialty. The new role meant that Wallace had to be more sensitive to diplomatic protocol; carefully monitoring his own remarks both in the private and public forum. In all, it was a new experience for the Vice President elect, one in which he prepared for in his usual diligent manner.

In preparation for Camacho's inauguration, Wallace sought help from several sources. He received a list of many of Mexico's cultural and intellectual leaders who would help him understand cultural trends within the host country and afford him exposure to the individuals whose thoughts and ideas shaped Mexico's consciousness.[6] The usual preparations were made by State Department officials as the entire American embassy was placed at the Vice President elect's disposal. Sumner Welles wrote Wallace shortly before the trip: "It is a pleasure for me to congratulate you upon this important appointment and to
assure you of my desire that all proper facilities be placed at
your disposal."[7]

Wallace received his most valued background information
from his friend, Harold Young who at that time worked for the
law firm of Leake, Heary, Young and Goldman in Texas. He would
later become a Vice Presidential aide. Young advised Wallace
on a number of pressing issues. With regard to the continuing
oil controversy, Young held the position that the oil companies
were asking too much of the Mexican government primarily
because the refineries could not compete with those in Colombia
or Venezuela due to the high sulfur content of the Mexican
fuel. According to Young, the American refineries had ceased
to be commercial and the basis of the objection to the
expropriation of the oil lands was that it would set a
precedent which might be followed by other Latin American
nations.[8]

In the agricultural sphere, Young explained the plight of
the farmers throughout the country who after harvesting their
corn crop could not protect the stored crop against weevils.
He stated that any individual who could alleviate this
condition would rival Jesus Christ in popularity and
recommended that Wallace advocate the building of granaries
with mechanisms to kill off the weevils so that the Mexican
population could better feed itself.[9] On a more general
level, Young thought that the dollar policies would bring about
hostility in Mexico as they had to a great degree in Cuba.
Young believed that "...our dollar policies have not worked in
Cuba and will not work in Mexico."[10]

It must be stressed that many of the positions which Young communicated to Wallace were in contradiction to the positions maintained by the State Department. Especially in the oil controversy, in which the State Department consistently backed American nationals operating abroad almost blindly. By understanding these unofficial points of view, Wallace gained much respect from the peoples of Mexico.

In late November, Wallace embarked on his first official trip south of the border. Arriving in Laredo, Texas the Vice President elect asserted that "Whatever benefits Mexico benefits the United States in the long run."[11] Although he did not elaborate on this statement, it appears that Wallace believed that long run American prosperity was partially tied to the fortunes of Mexico as well as all other countries of the hemisphere. Mexico's economy could not remain depressed without having an adverse effect on segments of the American economy. Statements such as these made Wallace extremely popular in Mexico. Wallace crossed the bridge into Mexico on foot and then proceeded to Monterrey where he was received more enthusiastically than any visitor in the city's history. The five mile route was lined by crowds estimated to number between 50,000 and 100,000 persons who threw confetti and flowers. All along the route the crowds shouted and sang their approval of the American representative.[12] It was the first time an important official of the United States visited Mexico and it was perceived by the Mexicans as a tacit acknowledgment by
President Roosevelt of the importance of Mexico to the United States.

Wallace overcame his shy and reserved manner and endeared himself to all classes of the Mexican population. On his way to Mexico City, Wallace visited a peasant farmer in one of Mexico's rural areas and conversed as often as he could in Spanish. Admiration for the Vice President elect was most noticeable when he entered the Chamber of Deputies for the inauguration. With his entrance, spontaneous cheers and applause filled the room in an unprecedented demonstration of respect and affection for an American. The Wallace trip seemed to represent a new era in United States-Mexican relations for the majority of the Mexican population.

This does not mean that the consensus among Mexicans was total. There were many citizens of the country who still did not trust Americans regardless of appearances, and the Wallace entourage was confronted by Mexicans who held this belief on more than one occasion. Upon his arrival in Mexico City, Wallace drove through mobs of angry rioters who pelted his car with rocks. Outside of the American embassy another riot broke out in the evening which had to be broken up by police using tear gas but not before an American reporter covering the event was struck on the back of the head with a fist or club. Inside the embassy the official atmosphere was cordial and friendly as a dinner party was in progress.[13] The historical animosity was due to the perceived exploitation of the Mexicans by the Americans; especially recent actions taken before the
inauguration of the Good Neighbor policy. "U.S.-Mexican relations between 1915 and 1933 were filled with conflict and ill will..."[14] This was supposedly changing as indicated by the friendly atmosphere at the inauguration.

The inauguration took place on December 2 in the late morning. President Cardenas entered the Chamber of Deputies followed by Camacho. After taking the oath of office, Avila Camacho was given the Presidential sash by Cardenas and the ceremony was complete. With the exchange of the sash, United States-Mexican relations instantly moved closer. Life Magazine noted that "Nothing could have shown the urgent importance of Mexico to the United States than President Roosevelt's choice of his next Vice President to attend the inauguration of the next President of Mexico."

After the inauguration, Wallace sat down with high level Mexican officials and held a series of discussions regarding existing Mexican-American differences. Although no concrete progress was made on any of the existing problems, closer ties between the two nations were brought about.[16] The spirit of the Good Neighbor policy was maintained and augmented as the trip resulted in a solid foundation for future Mexican-American ties. Positive feelings existed within both countries, and President Roosevelt believed that the Wallace excursion had produced "exceedingly useful results."[17]

The Vice President elect returned to the United States with many new ideas and impressions on a wide variety of subjects concerning Mexico and Mexican-American relations as
well as the role of the United States within the hemisphere. For Wallace, the most important short term problem was hemispheric solidarity for the upcoming war effort. Much as he hated to believe so, Wallace felt that unofficial American involvement in the war was inevitable and strong hemispheric ties were to be essential in any war effort the United States was to involve itself in. Wallace was extremely concerned about Nazi activity within the hemisphere and advocated specific measures to curb the influence of the Third Reich.

The first measure to curb Nazi influence, which was advocated by Wallace in his report to the State Department, was to undue Latin American newspaper officials or help subsidize newspapers who presented the allied point of view. Wallace strongly believed that this would result in the Latin American public becoming more sympathetic to the Allied position. This was a method which was continually and successfully employed by the Nazis. Wallace believed that "It might be worthwhile considering supporting in some real but subtle manner the point of view of the United States." [18] Although this violated Wallace’s ethical code to some degree, the threat to world peace and individual freedom made this type of policy essential; he thought that fire had to be fought with fire in this particular instance.

Also of great concern to the Vice President elect was the postage rate for publications. Latin Americans were able to purchase more European publications because the cost of sending the books and magazines was less for a European publication
tian for its American counterpart. Wallace strongly recommended that the postage rate for these articles be reduced so that they would be more competitive.[19] Emergencies necessitated the use of all methods in the destruction of the "evil" which was attempting to spread over the hemisphere. This was imperative as the "evil" spread by the Nazis meant that less progress could be made in all other areas. Once the Nazis were defeated, the resources formerly devoted to that battle could once again be used to materially help the people of Latin America.

Wallace's only other fairly well defined plan was in the field of agriculture. He urged the United States to send America's technically advanced farm machinery to Mexico as well as other Latin American nations. This would allow Latin American farmers to increase their yields. The exporting of technology would result in many benefits for both the United States and the Latin American countries. First, Latin American nations would be in a better position to feed their poor and under-nourished. This would help bring about more stability within each country. For the United States, the spirit of the Good Neighbor policy would be furthered which might translate into better opportunities for the American business community as well as a greater probability of the United States achieving hemispheric solidarity. Wallace stated that "Simple experimentation and demonstration with corn and beans would go a long way toward improving the lot of the majority of the Mexican people."[20] Thus goals within each country of the
hemisphere would be met satisfying the American goal of reciprocity.

On a more general level, Wallace recognized the widespread corruption which existed in Latin America and he voiced anxiety over the link between American business interests operating in Mexico and wealthy officials who were constantly augmenting their wealth by aiding these foreign business concerns. Wallace realized that "Foreign companies furnished a large part of the money which has made it possible for many of the higher officials to become wealthy."[21] Unlike the State Department, Wallace believed that the social and business mores which allowed this to happen should be fought. He appears to have recognized the link between extreme poverty and revolution.

In a majority of Latin American nations the 1920s was a time of intensive investment by foreigners. While this enabled the growing number of poor to find employment, it did not appreciably raise their standard of living as raises in the wage rate were usually offset by increases in inflation. Sheldon Liss has pointed out in the case of Venezuela, "Prices grew faster than wages, and the nation was soon unable to feed itself or to afford imported foodstuffs."[22] For the upper strata of society on the other hand, foreign business activity enabled many to become increasingly wealthy. Besides the poor psychological state of the population which the conspicuous consumption helped to bring about, the relationship between foreign companies and the upper-classes of Latin American society helped to cripple the average Latin American consumer.
A perfect example of this occurred in Venezuela. The retail price of Venezuelan gasoline was higher in Venezuela than in the United States even after shipping charges and taxes were added to the American price. [23] Officials of the Gomez regime were able to increase their wealth through bribes received in this arrangement.

Another related problem which Wallace forecast, was the possible excess profits of the American business community in the development of Latin America as well as the excess profits which could be realized when the hemisphere began to intensively prepare for defense. [24] Wallace was a staunch advocate of capitalism and the free enterprise system but he was not unaware of the excesses and abuses which the system sometimes permitted. As elaborated elsewhere, Wallace thought that the best way to bring about development was through the private sector. This was also to be true in the particular case of defense preparation, although qualified. In the case of defense, increased governmental supervision was necessary in order to better coordinate defense plans but Wallace never waivered in his belief that the private sector could produce the best and fastest results. [25] He did believe that part of the business sector was solely interested in its own short term goals and thus attempted to profit at the expense of the good of the hemisphere. It was this segment of the American business community over which Wallace voiced concern. "...we can criticize many of [the corporate directors] for having very little knowledge about the relationship of their business to
the general welfare over a period of years."[26]

In Mexico, the Vice President elect witnessed first hand some of the contradictions of American foreign policy. He understood the desire of Roosevelt for a more closely united hemisphere and attempted to formulate policies which would realize this goal while at the same time materially benefitting the poorer segments of Latin American society. He realized that a general lack of trust existed within Mexico and that this feeling was representative of other Latin American countries. He thought that this was primarily a result of past economic and diplomatic maneuvers which to some degree continued despite the official change in United States government policies. During a dispute over the property rights of foreign nationals during the Harding era, the Harding administration refused to recognize the Mexican Government until it would guarantee the protection of allegedly American owned property. An oil company representative who was involved in the controversy noted in his diary: "Great good fortune; see them all today—and very truly no recognition of Obregon until American interests are fully safeguarded.... A most satisfactory day."[27] More recently, after the oil nationalization in 1938 the State Department had been working on the side of the oil companies in attempting to bring about a settlement in the dispute. These types of actions hurt Mexican-American relations.

Wallace thought that the new President of Mexico, Avila Camacho, wanted to move closer to the United States; however,
the questionable practices used primarily in the past by both American business and governmental officials created a domestic consensus within Mexico which severely limited acceptable alternatives for the new Camacho regime, forcing it to steer a more moderate course as far as its relations with the United States were concerned. Wallace seemed to imply that, over time, the Camacho regime would move closer to the United States. After his trip he reported to the State Department: "I am convinced...[Camacho] is fully aware of the economic and political importance of the United States to Mexico and that he is anxious to move in our direction as fast as political necessities permit him to do so."

Wallace's first attempt in the field of diplomacy was a great success. He was more sensitive to the goals and desires of the foreign nation he visited than most State Department officials working in Latin America. This is primarily because he appears to have demonstrated a better understanding of the long term needs of both the United States and the Latin American nations. His shy but friendly manner tremendously impressed the new Mexican President and this enabled Wallace to form a close personal relationship with the new President. The trust which Wallace had gained was especially important in view of the fact that top State Department officials were generally perceived as adversaries especially since the oil expropriation.

As a diplomat, the Vice President elect demonstrated a keen eye, understanding and reporting existing problems to the
State Department in a precise manner. The fact that Wallace was not a State Department official allowed him to be more critical of some American actions within Mexico and present a more balanced picture of what was going on. After Wallace reported to the President regarding his trip, he focused his attention on his new job, the Vice Presidency.

Upon returning from Mexico, Wallace was involved in the slow process of settling into his new office of Vice President. While he had found his old job as Secretary of Agriculture challenging and extremely time consuming, his new position seemed to bore him and afforded him large amounts of free time to pursue his other interests. He used the time well as he gained a better understanding of defense matters through regular discussions with White House staff personnel. [29]

For the first half of 1941, Wallace continued to explore Latin American culture. This was an ever-growing interest for the Vice President and he used part of his free time to educate himself in matters concerning Latin America. Although his interest in Latin America had greatly expanded during this period, Wallace's ideas remained general and vague. With the exception of plans to partly combat Nazi influence within the hemisphere as well as a partial agricultural plan to aid Latin American farmers, Wallace's thoughts on Latin America had not yet matured. He did not seem to possess a great historical understanding of the continent nor was he aware of the possible ramifications for some of his earliest plans for industrial development in Latin America.
Although Wallace's thought was still not well defined at this time, the period marked the start of his career as a world actor. During this period Wallace began to better understand problems in a global perspective and started to concern himself with world and specifically Latin American problems on a much broader scale. While world events such as the war led the Vice President to study present and future world problems more diligently, and although Wallace possessed an increasing desire to study Latin American culture, Wallace's ascent to becoming a credible spokesman in the world forum appears to be partly a result of luck. Had not Roosevelt forced the nomination of Wallace as Democratic Vice Presidential nominee, fate, and well organized Wallace enemies would have left Wallace as the Secretary of Agriculture. The timing of events in this particular instance proved essential in building Wallace into a national and world leader. A new American spokesman loved by the people of Latin America, his role as Vice President enabled him to devote much of his energy to developing a general plan of action for world problems and the specific problems of Latin America. In general, his early plans for Latin America were an extension of his domestic ideas with the added dimension of cooperation between governments. He already understood the interdependent relationship which existed within the hemisphere and the possibilities for Latin American development with help from the United States. Wallace would further refine his ideas as the war progressed. He noted that: "Science, capital and management, if fostered by sympathetic governments, can make
tropical Latin America into a significant new frontier..."[30]
After months of inaction and boredom, Wallace's talents were finally harnessed as President Roosevelt appointed him to the chairmanship of the Economic Defense Board (EDB) in July, 1941. In August, Wallace was made chairman of the Supply Priorities Allocation Board (SPAB). As was characteristic during the Roosevelt tenure in office, the mandates for these executive agencies were ill-defined. Thus rivalries were formed and meaningful action was hampered by the fact that no clear line of authority existed and the decentralization of authority created an environment in which contradictory acts were common place and duplicity of work a standard practice. [1]

After the Japanese attack on Pearl Harbor, Wallace received his most satisfying appointment. By executive order President Roosevelt created the Board of Economic Warfare (BEW) and the Vice President was appointed chairman. The board assumed the responsibilities of the old EDB but with a stronger mandate. For the first time, Wallace headed an agency with the potential to put into effect programs which could shape post war relations within the hemisphere as well as conditions within Latin American nations. [2]

With this new assignment, Wallace became involved with the war effort and how it was affecting Latin America on a day to day basis. He had not begun to think about how the BEW could effect social change as well as win the war, although he started to realize the potential by the end of this period. Wallace expanded his knowledge of Latin American problems and
began to develop his post war blueprint during this time. For Wallace, winning the war was the first priority as his speeches stressed the social progress which could be realized after the war rather than during the war. It was important however, to begin planning a post war society which alleviated the basic problems of the world and Wallace had a clear vision in this regard although his plans usually lacked detail.

On a general level, Wallace believed that the world had the potential to be free from want. For Latin Americans, this meant that there could be sufficient food for a balanced diet, proper living and working conditions, a job for every individual who sought work as well as educational opportunities for all who desired them. For Wallace as for most liberals, technology had given man the ability to solve all of his material problems. He stated that "Modern science, which is a by-product and an essential part of the people's revolution, has made it technically possible to see that all the people of the world get enough to eat."[3] The problem as Wallace perceived it, was to harness technological advancements through the establishment and maintenance of world consensus. Thus, trade agreements would have to be reached, a renegotiation of tariffs would have to take place, all national currencies would have to be stabilized and the world community had the responsibility to insure that all countries had adequate purchasing power so that the system would not break down. Wallace noted that: "All these facts and factors are of prime
Importance in determining the state of the world's health, and they will naturally form some of the main ingredients of post war economic planning, if this is to be done on a comprehensive scale.\[4\] In short, Wallace believed that the potential existed for an orderly world economic system.

Although Wallace appears to have been extremely optimistic during this period, parts of his undetailed world vision had already grown more conservative. This is primarily because Wallace was continually growing more practical. He began to temper his idealism in order to develop an effective, workable plan. At the beginnings of America's involvement in the war, Wallace stated that gold should be used as a base for all national currencies and "as a means of setting international trade balances."\[5\] This policy of standardization would help to bring about stability in the world community and would consequently result in an expansion in world trade. The monetarization of two metals in the world community as well as countries which based their currency's worth on no metal inhibited world trade and investment. Business concerns lacked confidence and could not receive as favorable treatment if their country was on a gold standard and a potential investment country was basing its currency's worth on silver.

Before Wallace took office as Secretary of Agriculture, he flirted with the idea of Symmetalism. The plan called for the remonetarization of silver at some arbitrarily defined price near the market price, and each United States dollar would be backed partially by gold and partially by silver. The
individual would not be allowed to redeem his dollars exclusively in either gold or silver and thus the more precious metal would not be driven out of use. [6] Wallace believed that this would stimulate trade between the United States and all other countries on the silver standard most specifically those in Latin America.

There are several possible reasons for Wallace's change of position on this issue. First, just as he believed that the world could not remain "half free" and "half slave," he may have decided that having nation-states back their currencies with two metals would create more disorder for the world community, and for Wallace achieving order was a primary concern. Rapid progress could only be made in an orderly international system. As long as order could be maintained, the world community would be able to devote its energies to solving material problems.

He may have also believed that the larger industrialized nations which remained exclusively on the gold standard might view the move unfavorably and undertake "retaliatory" measures, again creating disorder. Finally, Wallace had enough common sense to understand that it was easier to have the smaller less industrialized nations conform to a world order rather than the technically more advanced nations, who usually had a larger stake in existing financial arrangements, reorient themselves to a new system. As Wallace was further exposed to Latin American problems and world problems in general, he modified his post war plans as his practical side gained more
experience.

By the end of 1941, Wallace began to address problems of international importance. According to the Vice President, one of the most damaging problems to international trade and economic stability was the continually fluctuating price of raw materials. When demand was heavy, underdeveloped nations exporting the various raw materials received high prices and consequently had sufficient capital to maintain a steady industrialization schedule. When demand fell off during the cyclical depressions which had occurred approximately every six to ten years, or when supply of the material grew at a faster rate than the demand, prices dropped markedly. For the underdeveloped countries this resulted in a drastic decrease in national income which meant that these countries could not purchase some of the excess goods produced by the industrialized countries and the underdeveloped nations had an even more difficult time feeding their populations. By not purchasing the finished goods of industrialized nations, the situation was aggravated as demand by the industrialized nations, for the raw materials produced by the underdeveloped countries, further slackened.

Wallace believed that this problem was at the foundation of the chaos which existed in the world economic order. If the price of raw materials could be maintained at a fairly constant level, then underdeveloped nations could more easily plan for the maintenance and expansion of their economies. Also, the underdeveloped nations' purchasing power would not fluctuate as
greatly so that the spiral of depression would be lessened as these less industrialized nations would be able to maintain a more steady purchasing rate from the industrialized nations. Wallace believed a "need [existed] for an economic arrangement to protect the raw-material producers of the world from such violent fluctuation in income as took place after World War I."[7]

To combat this problem, Wallace applied his domestic agricultural plans to the world economy. He called for total cooperation on the agricultural surplus problem.[8] He believed that the ever-normal granary which had been used effectively in the United States could work on a hemispheric scale. This would help farmers throughout the hemisphere maintain a steady income through guaranteed minimum prices and would be of benefit to the consumer by keeping the price fluctuations of food staples to a minimum. Another added benefit of this plan was that a surplus stock would be maintained so that supplies would always be available to alleviate the hunger in war-stricken territories during the years immediately following a war. In assessing peace time goals, Wallace stated: "As part of the effort to win the peace, I am hoping that what might be called the 'ever-normal granary principle' can be established for a number of commodities on a world wide scale."[9]

This plan would help to end fluctuating prices in the short run and would be a type of insurance policy for farmers in the long run. It could be used in other areas such as petroleum or copper with the the same goals pursued. The Vice
President realized that barring a tragedy for producers, especially farmers, conditions were such that a constant surplus would be produced which would put a strain on the concept of the ever-normal system. Although Wallace was a staunch advocate of the ever-normal system on a hemispheric level, he understood the need for additional mechanisms to insure against continual surpluses. He thought that the hemispheric community would be able to sit down and eventually reach a consensus on decreasing production of certain items such as wheat or cotton.[10] Wallace thought that all nations would be able to understand their long term best interests and work towards them together.

A tentative plan to help ease the problem of overproduction was to reallocate resources so that in the case of farm products there would be fewer farmers producing staple goods. Latin American farmers could remain farmers but instead of producing products which could be produced throughout the hemisphere, they should concentrate on products which were area specific such as tropical fruits. Thus the United States might exchange her pork, lard or flour for Latin American cocoa. Wallace thought this would greatly benefit the world community because: "In terms of residual balance, the cost of such a program may be less than the financial loss coming from demoralized raw material markets, needy producers and hungry consumers."[11]

On a world scale, this plan could be used in many areas besides agriculture. Hemispheric and world cartels could be
set up and storage facilities might be built insuring a greater measure of stability in all raw material producing nations. Consensus among all nations could be reached benefitting the consumer as well as the producer. Forging a consensus would mean that all classes within the world community could materially benefit. Cooperation, order and good will would allow expertise, technology and world resources to be put to the best possible uses.

These were some of the Vice President's better defined plans during this period. While he appears to have understood important problems in the world economic order, his plans were still not complete and he overlooked some fundamental problems for the schemes. First, while reaching a world consensus is conceivably possible, it is extremely difficult to achieve especially when the world is divided into two as it was in 1941. Even a hemispheric consensus would have been difficult to achieve and maintain. During the war years, the Axis and Allied camps were continually competing for the allegiance and raw materials of the Third World nations. Even in Latin America which was increasingly considered by Americans to be a sphere of influence under her economic control, Axis influence was strong. For many Latin American countries such as Argentina, domestic economic considerations superceded global political considerations. Argentina continually played each side off against the other and by wars' end, was in the strongest economic position of any country in Latin America. Since nation-states are usually unwilling to relinquish power,
a world ever-normal system would have the same difficulties all multinational organizations have faced—it would have lacked the power to enforce its policy. This would be true of all raw material regulating organizations even those operating on a hemispheric level.[12]

More importantly, this type of plan demonstrates Wallace's inability to understand the dependent relationship between the United States and Latin American nations, a dependency which was constantly growing. Latin America would decrease her production of basic foodstuffs and would be sending non-essential luxury items to the United States in return for basic foodstuffs. This would have increased the leverage the United States would have had over her Latin American neighbors. Even during the Good Neighbor era of the 1930s, the United States exerted strong pressure through the use of economic incentives and penalties. Had this plan been implemented, the United States would have been able to use basic food items in the same manner as she had used economic assistance programs; to exchange for favorable political and economic conditions for American nationals and the United States government.[13]

The protection of raw material prices represented the Vice President's most detailed major hemispheric plan at this time. He had also considered other problems such as assuring production, consumption, and jobs for all individuals who desired them. Also, he studied the idea of creating a minimum standard for all individuals; however, these ideas had considerably more rough edges when compared with his plans for
Wallace felt that there was a strong need for underdeveloped nations to industrialize. Only by increasing heavy industry and decreasing the number of individuals who remained in agriculture could the hemisphere expect to better the living conditions for its underprivileged. Wallace thought that "The process of industrialization is the way to attain a higher standard of living. Everywhere there are communities that must increase their proportion of people engaged in industry and reduce the number of people engaged in the production of farm products."[14] For Wallace, one had only to study living conditions in developed nations to understand that industrialization was the key to a better way of life. According to Wallace, the responsibilities of the United States for Latin America were great, and constantly growing. The Vice President realized the effect of the United States economy on all Latin American nations and he understood that this semi-dependent relationship was increasing as the hemispheric defense and war preparations grew.

In the short run, the United States was responsible for cushioning the shock of peace which was still far off. Wallace felt that by concentrating on production, the war would come to an end more rapidly and the Latin American economies would have the potential to develop faster. He stressed the need for development corporations to be set up immediately in Latin America, financed in part with Latin American capital. The development corporations would have the dual role of
aggressively obtaining materials related to the war effort as well as activities which would help Latin American countries readjust their economies in the post war era so that they could continue to produce without interruption. This would increase the speed at which Latin American industrialization would take place and the plan would be easily implemented.[15] The idea seems to have been Wallace's best economic plan and although it was still in its infancy at this time, it would be easy to organize and carry out.

Wallace's best defined short term plan was in the field of agriculture. The Vice President was acutely aware of the poor conditions which existed in the mountains throughout Latin America. These people worked long days and were barely able to feed themselves as the ratio of bushel per man hour work was dismally low. Wallace recommended the use of better seed as well as the rotation of crops which would result in an increase in the yield. The former Secretary of Agriculture was not worried about the affect this plan would have on world agricultural prices as it was his belief that the increased production would be consumed rather than exported.[16] This was a simple well defined plan which was once again easy to implement and would bring about quick results. It would allow the mountain populations to concentrate on their other problems.

His general long term plans were many. First, Wallace desired to use a mixture of United States and Latin American capital and American resources such as advanced technology and
expertise to develop Latin America. He stressed the low interest rate environment for the industrial development. By so doing, the Vice President believed that industrialization would be brought about at a more rapid pace.[17] While the Vice President did not elaborate on this plan at the time, and although the plan lacked detail, many flaws existed in the general idea.

First, maintaining a low interest rate environment and attracting private capital are usually contradictory. As a general rule, the private sector was only willing to accept a relatively low rate of return on an investment when the investment was close to risk free. Latin American investments were usually judged to be a greater risk than domestic investments, consequently venture and investment capital would only be attracted to a high rate of return in Latin America. The plan appears to be unworkable if it were to take place exclusively through the private sector.

If the low interest rate environment were to be maintained, foreign governments, or the United States Government, would probably have had to create some type of incentives such as loan guarantees, subsidization or tax relief. The political climate of the time would have made these measures difficult for the United States to pursue. The only alternative would have been for Latin American governmental intervention in one of these areas. This also would have been highly unlikely as foreign based corporations operating within Latin America might have construed this to be
an infringement of their domain. These corporations had considerable power in the southern hemisphere and their desires were usually met.

Also, if the United States and Latin American governments were to jointly decide on how development should take place they would have had to take an active role in the planning stages. This again would have been difficult given the political climate which later materialized and would have antagonized business as it would have meant intervening in a traditional business sphere. In a short time, United States government growth was no longer perceived as good, especially since the private sector of the American economy was thought to be responsible for the then current financial health of the country. While the Vice President did not seem to think the idea through clearly, he did not base all of his hopes for Latin America on this plan.

Although it lacked detail, one of Wallace's most interesting plans was to set a minimum living standard for all the peoples of the world. He argued that after the potential abundance of the world was translated into real wealth and a high standard of living, "certain minimum standards of food, clothing, and shelter ought to be established, and arrangements ought to be made to guarantee that no one should fall below those standards."[13] This plan would have had a tremendous impact upon Latin America as the average income for the bottom 80% of the population was considerably lower than the per capita figures most often used by officials. Besides
guaranteeing every individual a decent living standard, the plan would have stimulated international trade and the flow of goods from industrialized nations to the underdeveloped countries.

The major problem with attempting to initiate a plan such as this would have been in deciding: who was to set the standards and which countries were to pay a given percentage of the relief work. These two hurdles would have probably created a situation of conflict, rendering the plan unworkable. But the advocacy of these types of ideas made the Vice President increasingly popular in Latin America.

In order to avoid a long term relief effort which was what the above plan would have created in the short run, Wallace also advocated the reduction of inequalities of income through the use of fiscal policy and social security type programs. Wallace believed that this would have resulted in a higher and more stable demand for consumer goods and help smooth over the boom and bust type cycle which was ever present in the world economic community. He thought that there must be a reduction in "the inequalities in incomes, so that a higher and more stable demand for consumers' goods will be attained."[19] The theory behind this particular idea appears to be sound but it seems that Wallace was over-confident when it came to putting theory into practice. The idealistic side of Wallace had not yet been tempered to any large degree by his practical side.

As far as Latin America was concerned, the wealthy classes would not have sat idle while their wealth was being
At the foundation of the Good Neighbor policy was the pledge of non-intervention, a policy Wallace strongly supported. This being the case, it would have been extremely difficult for the United States to influence the Latin American governments in that direction. Although the United States often furnished many Latin American governments with financial assistance, in general, it was the private sector which held most of the power in the economies of Latin America. It would seem that the plan to redistribute income would have greatly endangered the position of foreign businesses operating in Latin America. First, it would dry up the cheap source of labor which foreign companies desired. Secondly, the plan as previously stated, would have antagonized the upper classes of Latin American society. Foreign business concerns operating in Latin America would have sided with the upper classes since this segment of society was essential in providing profitable opportunities for business concerns operating in their countries. Although the plan sounded good, it would have had to face many insurmountable obstacles.

Another of Wallace’s roughly defined plans had to do with trade barriers. He believed that trade could be increased by guiding investment while at the same time decreasing trade barriers such as tariffs. This would help enlarge markets for industrialized nations and would transform predominantly agriculturally oriented Latin American nations into budding industrialized societies in the quickest possible manner.[20]

Although Wallace again did not elaborate on the fine
points of this plan, the theory behind it and the possibility
to implement the plan was greater in comparison with many of
his other ideas. Because this type of plan would have
deleagated a great deal of responsibility to the private sector
at the same time allowing the private sector to realize
considerable profits, it would have probably encountered less
resistance than his other plans which were aimed at breaking
the hold of the corporate giants.

At first glance it appears that during this period Wallace
was advocating a conglomerate of loosely related plans in the
achievement of two basic aims. At the forefront of his mind
was the goal of winning the war. After that half of the battle
was achieved the goal was winning the peace; creating an
orderly hemispheric and later on world economic order. With no
stable peace, there could be no progress. The war might be won
quickly, however, if the peace was not fought for, and won, the
victory on the battlefields would not be of any benefit to the
common man. While all of the Vice President's ideas attempted
to alleviate the fluctuations in production as well as in
consumption, no over-all strategy appears to be evident in the
realization of these aims. However, upon closer examination,
Wallace's ideas fit into a discernible pattern during this
period.

In his speech of May 1942, Wallace stated: "...the century
which will come out of this war—can and must be the century of
the common man. Everywhere the common man must learn to build
his own industries with his own hands in a practical fashion.
Everywhere the common man must learn to increase his productivity so that he and his children can eventually pay to the world community all that they have received."[21] This passage was at the core of Henry Wallace's economic and social theory. His "Century of the Common Man" speech, which was probably his most famous, connected all of the loosely related plans he had advocated, and articulated the basic philosophy behind his blueprint for world prosperity.

According to Wallace, industrialized nations were under a moral obligation to help less developed nations industrialize without taking advantage of them. He argued that "...there must be neither military nor economic imperialism."[22] In the long run, developing nations would be able to pay back the assistance which they received from the industrialized nations. This would also bring about long term prosperity for the industrialized world as developing nations would be able to purchase more finished products from the highly developed countries. Through the private sector and under government supervision, the world could achieve undreamed of prosperity. Freedom from want would enable the world population to educate itself and this would result in the spread of democracy.[23]

All of the plans which Wallace advocated during this period could fit into this package, in quest of freedom from want. Although each plan was difficult to implement on its own and could not achieve the long run objective by itself, Wallace seems to have believed that if all the ideas were worked out simultaneously, they would not be as difficult to implement.
All of the plans were geared towards borrowing from the well off for the benefit of the poor until such time as the poor could stand on their own feet and eventually repay the well off industrialized nations.

Wallace's thoughts on Good Neighbor diplomacy at this time fit into the liberal New Dealer consensus on foreign policy issues concerning the hemisphere. However, this point of view was not shared by the majority of those empowered to formulate foreign policy. Wallace's beliefs did not yet resemble the ideas and assumptions in the mainstream of American foreign policy. Most responsible for this rift was the fact that the Good Neighbor policy was never thoroughly or carefully delineated and thus was subject to the interpretations of various policy makers. Liberal politicians such as Wallace could stress the need for patience which was necessary to maintaining a neighborly relationship while more conservative thinkers emphasized the concepts of the "open door" and reciprocity which seemingly justified harsher actions when American wishes were not met.

Although Wallace never sided with the conservative thinkers, his positions regarding various aspects of hemispheric foreign policy most resembled those of mainstream American foreign policy in his mature period which began after his May 1942 speech. While his thought grew more conservative during this later period, mainstream American foreign policy ideas moved towards the center. The war was partially responsible for this shift as the Roosevelt administration
perceived a need for intensive hemispheric solidarity throughout the war effort. More importantly, just prior to American involvement in the war and throughout the early war years, foreign policy decisions regarding Latin America were not left exclusively in the realm of the State Department. A greater number of liberal New Dealers began taking part in foreign policy decision making and they had a "softening" effect on policy formulation. As the war progressed, however, the impetus of liberals regarding foreign policy decisions waned. [24]

Wallace brought all of these generalized ideas forward in May 1942 with the favor of a religious leader. He maintained his faith in the free enterprise system despite warnings from his close personal friend and former Ambassador to Mexico, Josephus Daniels. Daniels, who was the Ambassador during Wallace's visit to Mexico had unusually liberal views for an officer of the State Department. In his letter to Wallace after the Vice President had returned from the inauguration in Mexico, Daniels stated that it was imperative to monitor the actions of large corporations as they would probably undo all the good which had been done in the last eight years. [25]

Although Wallace continually spoke of the century of the common man and his quest for freedom, his ideas during this period focused on economic matters rather than on political problems. But even in this relatively early period in which his thoughts and ideas were generally rough, it appears that Wallace had reached the conclusion that nothing constructive
could be done on a political level until material needs were met. He outlined this part of his theory in greater detail shortly after his May 8 speech. In the quest to obtain basic material necessities for the poor, Wallace attempted to inspire faith. This is part of what made him so popular, especially in Latin America. All of his speeches and articles attempted to capture the spirit of and for progress. Although his ideas concerning Latin American-United States relations had not yet fully matured, Wallace had reached his zenith as an orator and this helped him to receive notice in the international arena.

He later wrote to a friend regarding the first time he had heard William Jennings Bryan speak, which was in Des Moines on the subject of prohibition. This was before the days of loudspeakers and despite being on the outskirts of a large crowd, Wallace noted that Bryan could make himself heard. This is what impressed Wallace most about the great orator. "In those days I had no use for oratory and was not too enthusiastic about Bryan because I thought he appealed too much to the emotions and not enough to the intellect. I think much more of Bryan today than I did thirty years ago."[26] Although Wallace wrote this in 1945, it appears that the Vice President had learned the lesson much earlier. At the end of his "Century of the Common Man" speech, Wallace stated: "The people's revolution is on the march, and the devil and all his angels cannot prevail against it. They cannot prevail, for on the side of the people is the Lord....Strong in the strength of the Lord, we who fight in the people's cause will never stop
until that cause is won."[27]
While part of Henry A. Wallace's energies were always focused on the war effort and related issues, the amount of thought devoted to the post-war world and the plight of the less-developed countries increased and matured. The goals of ending hunger, providing housing for all, adequate medical treatment, jobs and prosperity for everyone, never changed. However, the means to achieve these ends were under constant scrutiny as the Vice President attempted to bring about prosperity in a practical fashion.

The century of the common man was to be an industrial and initially materially-oriented revolution rather than a social one. Industrial progress is at the foundation of Wallace's ultimate goal of democracy. A country must have the capacity to produce in order to provide the basic necessities such as food and shelter. Wallace believed that only after these needs have been met could an underdeveloped country begin to establish a true democracy. The most important prerequisite to true democracy is an educated population. It is only when individuals are able to understand the various alternatives and have sufficient time to choose, that true democracy exists. In order to educate a given population not only must their basic needs be met, but they must also have the free time and excess resources to devote to education. Wallace believed that it is necessary to start with industrialization because the industrialization process historically has a limiting effect on population growth. This effect allows resources formerly used
for basic necessities of an expanded population to be used elsewhere such as in the field of education. "There is a seeming conflict between freedom and duty, and it takes the spirit of democracy to resolve it. Only through religion and education can the freedom loving individual realize that his greatest private pleasure comes from serving the highest unity, the general welfare of all. This truth [is] the essence of democracy...Democracy is the hope of civilization."[1] The strategy used to industrialize and eventually democratize Third World nations involve the already industrialized world.

The cooperation of the industrialized world is essential to Wallace's industrialization blueprint. The industrialized nations, predominantly through the private sector, loan the underdeveloped nation the expertise, advanced technologies, semi-finished goods and other resources necessary to the rapid industrialization of the underdeveloped nation. These resources are then repaid after the underdeveloped nation industrializes sufficiently. "Older nations will have the privilege to help younger nations get started on the path to industrialization."[2] Before industrialization takes place, however, certain conditions must exist within an underdeveloped nation.

The two most important elements necessary to Third World industrialization are economic and political stability. Economic stability is essential if an underdeveloped country is to attract foreign capital. Wallace believed that without
sufficient private foreign capital the industrialization process would be retarded. Political stability is needed to ensure that the existing capital, capital which usually could not be removed easily, is safe-guarded against destruction. Wallace realizes that the resources necessary to industrialize an underdeveloped country will not be provided by the private sector unless stable political and economic environments exist within the country being developed. After the stability is achieved, planning may begin.

According to Wallace, planning is essential to an orderly economic system whether the system be in the United States or Latin America. However, the Vice President opposed a planned economy. "I am against a planned economy. It means that all economic decisions would be made by a small group at a central spot. It means tyranny. Nevertheless I favor planning."[3] The role of the American government is to work against concentration while promoting free enterprise. This will, among other things, allow Latin American nations to better meet their plans for industrialization since they will be able to coordinate their plans rather than having their industrialization blueprint dictated by a powerful multinational corporation. Wallace stated that "Economic freedom requires that economic decisions should be, as much as possible not concentrated, but diffused...I approve every governmental measure which promotes and energizes private ownership and operation and enterprise."[4] Although Wallace realizes that other industrialization plans exist during this
period, it is his belief that this is the most realistic as well as the fastest.

Wallace thought that if this plan were to be implemented correctly it would not antagonize any single class and would be good for all in the long run. Capitalism is potentially the best means of achieving industrialization and is part of a democratic way of life. "Considered in its essentials, however, capitalism can be the most efficient system of organizing production and distribution on principles of freedom and equal opportunity yet devised by man."[5] Each class realizes substantial benefits proving that class interests are in harmony with each other.

The foreign capitalist is able to realize many short term profits which are essential to its health. Also, by bringing about a more highly industrialized community, the foreign capitalist is increasing the purchasing power of an underdeveloped nation in the long run. This, according to Wallace, will create a larger long-term export market. The elites within a developing country are able to maintain their status and increase their wealth assuming they share in the country's economy. In this mature period, Wallace is no longer fighting wealth by attempting to redistribute it, rather he is attempting to enlarge the pie. "I am preaching no warfare on wealth."[6] All governments involved, as well as the common man, would supposedly benefit from Wallace's mature industrialization plan.

The United States Government would greatly benefit from
this plan as she would gain closer political ties within the hemisphere. Thus the Good Neighbor policy would be furthered as hemispheric solidarity would increase. Foreign governments would have a more satisfied population which would increase stability both politically and economically. Also, the foreign government would gain prestige both domestically as well as in the international community. A government could boast that it was responsible for creating a better environment for its population. Finally and most importantly, the common man would begin to have the chance of material security. This would enable him to realize educational opportunities so that he could then enjoy a better way of life, a democratic way of life. "For the welfare of the American people and the world it is even more important to invest four billion dollars in the industrialization of underdeveloped areas in the so-called backward nations, thereby promoting the long-term stability that comes from an ever-increasing standard of living. This would not only be good politics and good morals. It would be good business."[7]

Throughout his career as Vice President, Wallace would find many examples which convinced him that his plan would work. In every area of United States-Latin American contact, progress was continually apparent. By the time Wallace became the Secretary of Commerce, he reached maturity as a political scientist. In this period he focused almost exclusively on his basic theoretical plan and its practical applications rather than the more idealistic plans for Latin American development
of his earlier periods. He began with industrialization through the private sector.

In most instances the private sector had an expertise unmatched by the government and it was for this reason coupled with Wallace's general theory on the role of business in the hemisphere that he consistently sought to expand development in Latin America through the private sector. "If a joint enterprise utilizing Peruvian resources with North American materials, technique, and know-how, and with joint Peruvian-United States financial participation can be set up I share the point of view of many in this country that such a method would be mutually advantageous and would be a real step forward in a practical demonstration of being really good neighbors."[3] Thus it appears that Wallace had, to some extent, given up on developing the southern hemisphere in a low interest rate environment. His new position stressed development but allowed for the private sector to realize the profits it desired. It seems that Wallace allowed the business community more freedom but only when the private sector would meet its obligations to industrialize the world in rapid fashion.

Although the private sector was primarily responsible for the development of Latin America, the government was to supplement American business in many areas. Wallace maintained his position on the exportation of technology and expertise from his earlier periods. The United States had proven that she could produce rapidly in war time and the Vice President
could see no reason why the high level of production should not be maintained during peace time as well. Nowhere was this more evident than in the field of agriculture. Even after Wallace left the Department of Agriculture to become Vice President in 1941, he still kept a close eye on the actions taken by his former department and was active in Agriculture Department programs which were related to Latin America. Wallace's discussions with the USDA trainees bound for Latin America demonstrated his long term outlook when confronting world problems. "I talked to the Latin American trainees about conservation of land, water, grass and trees, wildlife and minerals. I pointed out the need for doing this on a sustained yield basis without exploitation by American coyotes. I pointed out that the technique of sustained yield could be learned and should be applied as soon as possible for the sake of the entire hemisphere."[9] These types of programs were advocated throughout the political career of Wallace. Although in his mature thought Wallace reduced the role of the government in his plan for hemispheric industrialization, the government still had many duties.

In the economic field, one of the primary objectives of the United States Government was to formulate a policy which would maintain a stable domestic economy and increase opportunities abroad. According to Wallace, the best way to achieve this goal was for the government to decrease trade barriers. "The sound way to develop an expanding foreign trade is to lower the barriers which obstruct the international
movement of goods and the Reciprocal Trade Agreements Program provides a gradual selective method for accomplishing this end without serious dislocation to our economy."[10] It must be emphasized that the funding as well as the technology were to be provided almost exclusively through the private sector.

As a general rule, Wallace wanted the government to take a passive role in some traditional business spheres. It was only when the private sector could not or would not meet the needs of the economy that the government should step in. The availability of credit serves as a fine example. Wallace thought that "Government funds should be employed only if absolutely necessary, in which case they should be used not to supplant but merely to supplement existing sources of credit."[11]

In other areas Wallace pursued a greater degree of government intervention, however, the paramount goal was to keep the private sector healthy. Not only did Wallace voice concern over restrictive business practices, but he also worried about cutthroat competition. Very early on, the Vice President realized the potential role air travel would play in the post war society. Wallace desired to utilize this advancement in the best manner possible and he advocated an international air authority in order to regulate what would probably become a flourishing industry in the post war world. He thought that some firms should be granted monopolies on certain air routes as this would rid the industry of destructive competition and concentration.[12]
While the Vice President was always an advocate of business health, he now held a more conservative stance regarding the way in which Latin American industrialization should be achieved. In order to bring about industrialization more rapidly, Wallace was willing to ignore some of the abuses of the private sector. Government was to take a reactive rather than an active role in many spheres. Thus the role of government was to examine existing problems of the free enterprise system and to formulate policies which would allow the private sector to function more freely with less problems. "I favor planning to make the American economic system free-er than it is today."

The government should react to its environment only taking an active role in most economic spheres when business was unwilling or unable to do so. The private sector could then build upon governmental activity. "By serving the general welfare in this manner, government is not denying free private enterprise. Rather it is providing a stronger and surer support for economic progress and an expanding economy." Consequently, government would guarantee loans to insure confidence and it would also supply credit when the private sector was unwilling. This helped to insure private sector activity and growth.

Wallace realized that the private sector must remain healthy especially if it was to successfully industrialize Latin America. Unlike his earlier thought, the Vice President acknowledged the fact that the war could be a catalyst in bringing about closer hemispheric ties. For Wallace, the war
was a chance to expand hemispheric trade and general contacts on all levels in the hemisphere. Expanded trade opportunities would hopefully result in more contact with Latin Americans and so the Vice President attempted to bring about strong business ties within the hemisphere in areas in which the government was to coordinate.

For this reason, Wallace as chairman of the BEW, advocated maintaining importing and exporting firms in the picture rather than having a government monopoly. Wallace felt that the government might restrict its operations in the post war era and retreat from the aggressive war time policies it would no longer need to pursue. The private sector on the other hand, could use the contact it would gain during the war in a constructive manner and would not be subject to the political climate within the United States to any great degree. While according to the theoretical model, all classes of individuals would benefit, Wallace understood that the possibility for abuse existed.

This possibility for abuse pushed Wallace away from his earlier belief that altruism could exist in politics. Unlike his former plans and positions in which individuals or groups had a moral obligation to act in a certain manner, Wallace based more of his mature thought on power politics. While he maintained his ideas on moral obligation, he more often focused on interest groups and their role in the industrialization of Latin America. Nowhere was this more evident than in Wallace's views on labor.
The ideas of redistributing wealth through fiscal policy and social security type programs were placed on the back burner during this period as Wallace focused more on interest group politics. For the first time, Wallace acknowledged and accepted class interests and he attempted to formulate policies which would maintain stability and be in the interests of the working class as well as the capitalist class.

Wallace believed that the working class was at the foundation of a democratic way of life. "The working population of the continent is the strongest and the only safeguard of democracy against fascist invasion from abroad or fifth column activity from within."[16] A strong working class would be able to win more from the capitalist class and thus increase the purchasing power in the poorer segment of Latin American society. Also a strong working class would help to increase the speed at which industrialization would take place since this class was usually found in the cities and demanded more consumer goods than the rural individual. A greater demand for consumer goods meant an expansion in the industrial sector.

It appears that Wallace now believed that an interest group type political structure would be the best vehicle on the road to industrialization. He seems to imply that all classes had their self-interest at heart and in order to bring about industrialization, a nation had to build up those segments of society which would propel it into a more advanced age. A prospering working class would then help the poorest segment of
the Latin American society. The theory somewhat resembles the competing interest group notion (pluralism) later developed by political scientists such as Robert Dahl.

This new theory had many ramifications for other positions Wallace held. In his mature period, Wallace attempted to help the working class at the same time he aided the capitalist. Unlike the Marxists, Wallace did not see an inherent conflict of interest between the classes but instead believed that a common interest existed between the capitalist and the worker. While exploitation could sometimes benefit the capitalist in the short run, in the long run the workers and the capitalist were dependent upon each other. Interest groups would insure stability as long as they did not gang up to exploit other interest groups. "It [is] a mistake for agriculture and labor to gang up against capital, or for agriculture and capital to gang up against labor."[17]

As an example, Wallace focused on the rubber workers in Rio. Johnson and Johnson owned one of the rubber plants in Rio during World War Two, payed their workers three times higher than other workers doing similar work elsewhere in the city. In addition, the company furnished a substantial noon meal to all of the laborers. All of this was obviously of great benefit to the workers as they could now afford more of the necessities of life and receive a better diet. But the plan aided Johnson and Johnson as well. The workers at this particular plant turned out five times as much per person as workers doing the same or similar work in Rio.[18] For Wallace,
This was concrete evidence that his type of plan could work. Latin America could industrialize rapidly through a middle course, socialist and fascist alternatives were poor by comparison. While his mature plan was somewhat more conservative, Wallace was still perceived as a radical idealist although he did not perceive himself as such.

Wallace never believed himself to be a radical primarily because he always advocated the solving of problems through the system. While he often advocated reform, he never pursued changes in the system itself. His faith in capitalism remained unshakeable throughout his career. "I am not the glamorous revolutionary that some hostile commentators seem to be trying to persuade me that I am. Here, as usual, I am simply adopting old American practices to new American national problems."

His political philosophy was based upon ethical practices which occasionally had to be broken. For the most part this ethical framework was used in conjunction with an American sense of fairness so that the whole world would prosper and not just segments of it. In his maturity as a world politician, Wallace understood the possible problems and abuses which occurred in the free enterprise system. His faith in the system remained despite the fact that Wallace continually encountered situations in which abuse was evident. His plan was not perfect, but Wallace believed that it held the best chance for success during an era he knew would be difficult.

Wallace was now intimately involved in Latin American affairs and he realized that solving the existing problems
would be a difficult task. Although he was pleased with the hemispheric solidarity which he understood to be a combined result of the Good Neighbor policies and, more importantly, the war effort, the Vice President worried about the course hemispheric relations would take after the war ended. "Once the war is over I anticipate that Latin America will cause us more difficulty than most people would now believe possible."[20]

Although Wallace pointed out many successes in Latin American development he was not unaware of existing problems. Some of these problems led Wallace to question some of the fine points of his plans. This is best exemplified by the ongoing dilemma for Wallace regarding which type of government could best lead the Latin American nations during the industrialization process.

Wallace thought that genuine democracy could only be attained after the peoples of each country were sufficiently educated. An illiterate population often permitted reactionaries to fight conservatives for political office. Even when progressives joined the contest, Wallace was unsure of which party could bring about the best conditions within a given country. In the forthcoming elections in Nicaragua Wallace wrote: "Somoza makes it appear that the forthcoming elections are a fight between extreme reactionaries and progressives of the Somoza type. In a country where only about half the people can read and write it is probably pretty hard to have a genuine democracy and I haven't the slightest idea as
As a result of situations such as these, Wallace was continually questioning which political party could best industrialize a country. A liberal regime was usually preferable to a conservative government since it usually allowed greater political freedoms, however, the conservative regimes were more likely to maintain order. This problem was, at least for the Vice President, academic since the Good Neighbor policy was based on the theory of non-intervention. Latin American governments, as long as they could maintain power and stability, would be recognized by the United States in most instances. Thus the practical side of Wallace allowed him to support dictators within the hemisphere as long as these dictators were committed to the goal of industrialization. In a conversation with the Vice President of the Philippine Islands, Wallace bluntly stated that since the majority of the people in the underdeveloped nations did not know how to read and write "a dictatorship which rapidly increased the percentage of literacy, improved the nutrition and industrialization without interfering to any great extent with the Four Freedoms might be justified as a preliminary to democracy."[22]

The goal of freedom from want seems to have finally led Wallace to political conservatism. It appears that the practical side of the Vice President dictated the use of questionable methods, however, the ethical idealism never left him. When pressed for a plan in a given situation Wallace
displayed many conservative traits, yet his theoretical philosophy remained American liberal. His ideals and the plans seemingly necessitated by reality created a constant tension in the Vice President's continuing search for a middle way.

Although Wallace was willing to work with the dictators holding power in Latin America, he was not uncritical of them. His concern for bringing about higher living standards for the poor in a rapid manner was genuine and Wallace criticized all who opposed this view including those in the State Department. During a controversy in the tin mines in Bolivia Wallace stated that: "the State Department wants a revolution to the right and only gives lip service to the formation of a government which would really help the people of Bolivia get a higher standard of living."[23] Wallace appears to have been well aware of the close ties American interests both private and public had with many Latin American governments which carried on questionable practices both in regard to economic and political matters.

Wallace was continually alarmed by the relationship between American representatives especially those employed by the State Department and their ties to private concerns operating in the southern part of the hemisphere. Former Ambassador Daniels also brought this to Wallaces's attention. "We have had too many Ambassadors and Ministers abroad who regard themselves as the representatives of the Standard Oil, Bethlehem, and other monopolistic profiteers."[24] Other agencies were also involved. The Vice President wrote to President Roosevelt concerning cases involving conflict of
interest. It was discovered that some agents of the Reconstruction Finance Corporation (RFC) were also owners of economic concerns operating in Latin America. It was found that many of these concerns had realized extensive profits in their dealings with the United States Government. In Argentina, RFC's only representative was primarily responsible for purchasing tungsten. He was the biggest seller of tungsten in that country and represented his own corporation and the RFC in arranging an advance of $100,000 from the RFC to his corporation. In Bolivia, the two men who represented the RFC were part owners of the largest properties from which the United States Government purchased its Bolivian tungsten. Two million dollars in RFC loans had been made for the development of these properties. In Peru, the RFC representative was a full-time official of the company from which RFC purchased its lead and zinc, while in Chile, both the RFC representatives were top officials of a huge nitrate company from which the United States bought significant amounts of nitrate. [25] Although Wallace wanted the private sector to operate relatively freely in Latin America, specific duties and ethical guidelines had to be met.

Wallace continually set forth the duties of business and paramount among these duties was the duty to produce to the limit. It is for this reason that Wallace despised cartels and general monopolistic practices which perpetuated a world of scarcity. An environment of healthy competition was necessary to rid the country of cartels. According to Wallace, these
cartels had extremely damaging effects on United States-Latin American relations. The United States had missed many opportunities to cement better relations with its southern neighbors because of cartels. "Time and time again the efforts of the United States to form closer bonds with our Latin American neighbors came to nothing because cartels had decreed that American interests should not compete in South American countries."[26] Also, the businessmen operating throughout the hemisphere had to further the interests of the common man. For Wallace, this criterion always had to be met.

Wallace constantly advocated prosperity for all in his general political and economic theories. He also understood that the private sector and the governmental agencies which often attempted to protect that sector did not always operate with that maxim in mind. In June of 1945, the State Department was apparently strongly in favor of an International Telephone and Telegraph (IT&T) takeover of Mexericsson—the Mexican owned part of the phone system. The Export-Import Bank would loan 23 million dollars to IT&T in order to buy out Mexericsson and that company's holdings in Mextelco, the IT&T affiliate operating in Mexico. IT&T would benefit through economies of scale as well as the higher rates it would be allowed to charge after the takeover. It would therefore be able to repay the 4 percent interest charge and retire 75 percent of the principle within twenty years. "The State Department people were not at all shocked at the idea that the United States Government should use its power to help one of our utilities to raise its
rates in a foreign country in order to make a loan good which
has been made by this country. It seems that this type of
thing has been done again and again by the State Department
working with private corporations."[27]

Wallace, and Secretary of the Treasury Morgenthau were the
only members of the IMF bank meeting to protest the action.
This example illustrates the major difference between Wallace's
ideas, and the economic plans of other liberals and
conservatives of the time. Unlike unnecessary concentration,
control was not an evil per se. But if increased control did
not benefit the common man then Wallace believed it to be a
poor idea. This and other economic ideas remained intact
throughout his lifetime.

Although he never drew up specific plans, Wallace
maintained his position on the need for Latin American dollar
exchange. He still believed that if Latin America could
increase her dollar reserves, she could purchase more of
America's excess product. It is for this reason that Wallace
continually maintained his position on the need for the
development of non-competing goods.[28]

Although Wallace's economic plans were generally sound, he
missed an important problem which would later effect United
States-Latin American trade relations. In the immediate post
war years, world demand for American products was extremely
high. The United States Government felt that it had to
adequately meet domestic demand which in the post war years was
the highest in history. The American consumer now had the
chance to spend all the money he had saved up through the war years.

The next American priority was the reconstruction of Europe. In part for political reasons but also on moral grounds the United States committed a tremendous amount of resources to this endeavor which was labeled the Marshall plan. With the increased tension between the United States and the Soviet Union, Western Europe had to be rebuilt in the fastest possible manner. Both of these plans had catastrophic effects on Latin American economies.

Not only did America's post war priorities have grave economic consequences on Latin America, but there were political ramifications as well. In the economic sphere, the Latin American nations had built up large dollar reserves over the course of the war. Latin American war time demands for an increase in the amount of American goods were constantly frustrated by the fact that the United States had to devote a majority of her shipping resources to the war effort. These demands were met by promises of post war prosperity. When the United States could once again devote her resources to consumer goods, Latin America would receive her fair share as a just reward for the patience and help the southern hemisphere afforded the war effort.

This was not to be the case. In the immediate post war years, Latin America was a low priority partially because the continent did not appear to American foreign policy makers to be integral in immediate post war plans. Once again Latin
American nations asked the United States for more American products in an attempt to meet consumer demand as well as to industrialize. These demands were met with minimal increases in the quantity of goods shipped to Latin America. Instead of purchasing large amounts of goods, the dollar reserves bid up the price of imported goods and created a large degree of inflation. The question remains: why did Wallace miss so fundamental a problem and if he did not, why were his general economic theories unable to combat the problem.

At the foundation of Wallace's theory was the idea of industrialization through the borrowing of resources from the industrialized world. If the Latin American nations could maintain a sufficient dollar reserve, industrialization would be easier as the Latin American community would not have to borrow as heavily. By the end of 1945 the Latin American nations had sufficient dollar reserves, but nothing to spend it on. They could neither borrow nor buy the products for industrialization from the United States. It appears evident that Wallace missed this problem completely.

Had Wallace been aware that such a problem might occur in the post war world, why did he advocate the development of non-competing products? Had he realized post war priorities earlier, it would have seemed wiser to advocate the development of basic industry in Latin America on a much larger scale. This would have speeded up development and helped to maintain a more stable hemisphere. While this episode demonstrates a lack of foresight in one area of Wallace's thought, it can also lead
to many generalizations on the way in which Wallace formulated his ideas.

In the economic sphere, Wallace generally addressed problems from a long term perspective. This would partially account for his lack of foresight in analyzing future economic developments in Latin America. In most instances his economic theories were general and consistently lacked detail. He never thoroughly enunciated a short term plan. Also, the short term matters he attempted to detail were addressed in a reactive manner. Except in the field of agriculture, Wallace rarely brought forth a detailed plan ready to be implemented. Instead, he helped to rework existing plans and criticized others. This may be another reason why Wallace did not foresee the problems which would develop in Latin America.

Political ramifications for America's post war plans were great as well. First, the inability to meet consumer demand in Latin America especially when the environment fostered high expectations created social unrest throughout the southern hemisphere. The unrest worried the business community and resulted in a loss of venture capital from the Latin American economy. Consequently, the industrialization process was further retarded. Also, Latin American nations finally realized where American priorities lay and thus aligned themselves with nations other than the United States whose interests were similar to their own. The low priority of Latin America eroded the confidence of the Latin American nations, a confidence which had taken over a decade to build. The United
States was following a poor post war blueprint.

A personal friend of Wallace, the Director of the Department of Social Welfare Clemons J. France, once wrote that America had two choices in the post war era: the first was to follow the line of Winston Churchill and imperialism while the other was to follow the line of America's great revolutionary leaders. Mr. France believed that the world was involved in a revolution and the only individuals not affected by the revolution were Americans as well as a small percentage of Aristocrats and Tories in Europe. 1945 marked the end of an historical epoch and revolutionary change was to guide the near future. Mr. France was concerned that the United States would not lead or even passively accept the idea of revolution. "The deplorable fact is that we will not only fail to lead but we will be a drag upon the great changes which will affect mankind in this new historical epoch." For France, it was imperative that the United States choose the proper foreign policy. "All we have to do is to ascertain the aspirations of hundreds of millions of peoples in Europe, the aspirations of over a billion people in Asia and the South Seas, and place our might behind those aspirations no matter what the result, no matter if it upsets every one of our preconceived ideas and traditions."[29]

This idea fit perfectly with Wallace's concept of a century of the common man. Wallace later wrote to France conveying his impressions of a copy of France's letter to Green: "I have read your letter to Senator Green and am struck
with the clarity of your vision."[30] As a political philosopher, Wallace and liberalism remained united. While he advocated more conservative policies in private political circles, he still championed the cause of the common man in the public forum and although he appears to have been concerned with the way in which the United States was formulating her foreign policy, he consistently placed America on the side of revolutionary change when speaking in the public forum. "Our choice is between democracy for everybody and democracy for the few--between the spreading of social safeguards and economic opportunity for all the people--or for the concentration of our abundant resources in the hands of selfishness and greed."[31]

It appears that Wallace was more willing to accept conservative means in his mature thought primarily because he understood the dependent relationship of Latin America on the United States. Those who possessed the resources to industrialize Latin America were conservative. "As I look to the future I also have great faith in the development of great civilizations in Latin America and China. These developments will depend in large measure on how well we in the United States measure up to our opportunity for world leadership during the years immediately ahead."[32] He also understood that the United States could make many mistakes in her help with industrializing the southern part of the hemisphere.

During this period, Wallace changed and broadened his thoughts on economic matters and applied his energies to the political sphere as well. He developed a theory of linkage in
which he realized that events that took place in a particular area had global ramifications. Economic and political conditions in one part of the world always affected other areas although usually indirectly. Thus the quest for freedom in Latin America was in part a quest for world freedom including freedom in the United States.[33] The first freedom to be sought was freedom from want, then political freedoms could be gained. "...we shall never have freedom in the United States until there is a very considerable amount of freedom everywhere else in the world."[34]

As the Vice President's thought matured, two often opposing views had to be compromised. His mature thought was filled with an ethical idealism which had continued from his earlier periods, however, this ethical idealism was now tempered by the growing practical side of Wallace. The practical side grew as Wallace had more contact with Latin American problems and the obstacles which often blocked his plans to alleviate these problems. Through his work in the B&W, Wallace was continually being educated in the art of realpolitick, an education he put into constant use.

Although Wallace covered a somewhat broader range of subjects during these latter years, he never forgot the fundamental positions which made him so popular in Latin America. While his means grew increasingly conservative in his mature period, the goals he sought never changed. Even in the later conservative years, his ethical idealism kept him safely in the left most part of the American liberal camp. His
intimate contact and knowledge led him to advocate policies which he believed would work in a rapid manner at the same time maintaining a stable environment for all classes of people. The peoples' revolution was to be an industrial revolution and this revolution was supposed to hasten social reform rather than upheaval.

An industrial revolution never took place to any substantial degree. However, the order which Wallace believed necessary to the industrialization process was instituted and maintained. This led to stagnation and repression throughout Latin America. In many of these countries, a degree of freedom was sacrificed in order to bring about the stability which was a prerequisite of the industrialization process. This led to worse conditions for the common man in Latin America.

It was in this latter period that Wallace realized that the fastest road to industrial development lay in creating a stable atmosphere with careful government supervision in a limited number of areas. Social revolution might throw off the chains of injustice, but it could never speed up the industrialization process. Stability therefore, was essential. Although Wallace began to recognize class interests during this time, he maintained that mutual interests between the classes were far greater in number. He therefore no longer advocated policies which would hurt the upper classes unless problems were severe enough to warrant it. The economic pie no longer had to be re-cut, it simply had to be enlarged. "Mutual interest and reciprocal needs are the firmest basis for
international cooperation by free peoples."[35]
CONCLUSIONS

Contradiction appears to have accompanied Henry A. Wallace throughout his career. In his search for effective world organization in general, and Latin American development in particular, he continually attempted to balance stability and order against social justice. His rhetoric stressed the need for human rights, the alleviation of material needs, and a broader understanding between all people of the world. These themes earned him the respect, admiration, and hope of the majority of Latin Americans. However, his plans were unrealistic primarily because of the assumptions he made and the lack of effective mechanisms to safeguard his system.

The possibility for abuse remained too strong in many of Wallace's ideas. Although in his mature period, Wallace attempted to build safeguards into his system by realizing the need for an interest group type organization within society, this was not enough. The "check" of labor and government on the business community was not sufficient to force the private sector to act in the best interests of the entire society. Most Latin American officials did not desire to alter the public or private relationship between themselves, their governments and foreign corporations operating in their country. Those which did were rarely powerful enough to force the corporations operating within their countries to accede to their wishes.[1] Thus Wallace appears to have been overly optimistic, placing too much trust and faith in the private sector.
Wallace constantly assumed that in the majority of situations, the private sector would act in an ethical manner. He seems to have given the benefit of the doubt to the representatives of this segment of society. Despite the blatant conflict of interest which Wallace brought to Roosevelt's attention [refer to May 1942-1946: Matured Thought, p. 70], the Vice President concluded his letter about these conflicts of interest involving the representatives of the RFC by stating that: "These men are honest loyal American citizens. They served RFC because RFC requested them to. The issue is simply that of whether they should have been asked to represent the U.S. Government in its dealings with producing industries in which they were personally and financially interested."[2]

The Wallace blueprint did not alter the relationship between the worker and the capitalist elite. Workers might win more when the economy was expanding at a rapid pace, however, there was no mechanism in Wallace's plan to maintain and insure these gains. To a large degree, the workers were at the mercy of the propertyed classes. Those without a stake in the system would have to wait a substantial period before they received any benefits if they were going to receive anything at all. Workers, with a marginal stake in the system could not insure their position and would live a life of insecurity. Wallace placed too much faith in a private sector which was anything but altruistic and he did not entrust the government with enough power to combat the abuses which might arise.
For Wallace, the government was to act in a reactive manner. That is to say, the private sector would be trusted with the first attempt at development. Although the government was allowed to plan and coordinate, it was the private sector which was to have the initial chance of alleviating the problems of the common man in Latin America. Only if the private sector were to fail or decline to take the necessary initiative was the government to intervene. This placed the government in a situation in which it would only be able to confront problems after they had been created. This would have allowed time for the problem to become acute. In the case of the common man, it might have meant that he would have had to tolerate a condition of poverty for an increased length of time. More often than not, the private sector created as many problems as it helped to combat in Latin America.

The private sector did a poor job of changing the life pattern of the common man in Latin America. Despite the enormous influx of capital during the war, the common man of Latin America still lived in a state of poverty. Even Wallace, who as head of the BAW had the opportunity to effect a relatively large amount of change, had little to boast about. While he believed that his plans would work, he was only able to use a few successful examples to justify his theory, a theory which was full of contradictions.

Although Wallace's ideas are easy to understand, he was rarely concise and did not work all the bugs out. For Wallace, a constant tension existed between the freedom of the
individual and the need for stability which was necessary for industrial progress. This trade off was never thoroughly or clearly defined. Wallace always emphasized basic standards of freedom and ethics yet it appears to have been more concerned with the need for industrial progress. There was no mechanism in the Wallace plan to safeguard a minimum level of civil liberties. In later years, these liberties were sacrificed in quest of stability in Latin American with depressing results. Thus, civil liberties were repressed with the hope that this would foster rapid industrial development which would be of benefit to the common man. However, the economic development which did take place primarily benefitted the upper classes and foreign capitalists.

Most of Wallace's plans attempted to cure the symptoms rather than the disease. He tried to fight poverty through programs which would have expanded production. However, it must be pointed out that the expanded production did not necessarily insure the equitable distribution of goods. A modern day example in Latin America might be Brazil. Since the change of government in 1964, Brazil has increased her GNP by approximately 300 percent. Brazil was able to achieve this with substantial help from the industrialized world as intensive investment by the private sector of the industrialized world is primarily responsible for the growth of Brazil's economy. While the upper strata of Brazilian society has benefitted a great deal from the progress, the majority of Brazilians have not gained anything of significance. Most
Brazilians still live in a state of poverty. Thus, in a modern day setting, a Wallace type plan has not achieved the results Wallace might have predicted.

While the Vice President had a clear and flexible vision when dealing with long term objectives, his short term plans were insufficient. His long run plans often blinded him to short run problems but more importantly he had difficulty adapting his general plan to short term conditions. The suffering which resulted in the short run created more discontent in the poorer segments of Latin America. This made the realization of Wallace's long term plans almost impossible. The common man of Latin America was unwilling to wait the long period of time necessary to the success of Wallace's blueprint and was eventually unwilling to accept the unequal partnership which the Vice President's ideas would have created.

Henry Wallace was sincere in his desire to bring about better conditions for the common man in Latin America. However, his plans would have relegated Latin America, and the Third World in general, to secondary importance. Although he sought an interdependent world, it would have been an interdependency among unequal actors. Wallace did not understand that his plan would have perpetuated the larger system through which exploitation had always taken place. Thus Wallace, whose ideas are representative of liberalism at its most effective, clearly demonstrates the limitations and failures of liberalism.

Because Wallace stressed the need to work within the
system, he could not devise a method which might weed out the corrupt elements within the Latin American society. By working through the system, Wallace limited the types and the extent of the change which might take place. While progress might have resulted had a greater number of Wallace's plans been implemented, the extent of the progress would have been insufficient to alleviate the problems which existed in Latin America. Like most New Deal liberals and mid-western progressives, he relied too heavily on social and political progress through economic expansion.

Like Wallace, Herbert Hoover had also shared in this progressive ideal. His engineering days had convinced him "of the need for using scientific expertise to improve socioeconomic conditions."[3] Although there were many differences when comparing the ideas of these two men, some basic similarities did exist. The two Iowa progressives sought a middle way based on the advance of technology, and a more equitable distribution of resources. Both Wallace and Hoover believed that inequality created discontent and could lead to socialism or fascism. By expanding the pie, discontent might be quieted. This faith blinded both politicians to the contradictions of a capitalistic ordered society.

Although well intentioned, Henry A. Wallace did not realize the contradictions which existed within his ideas. In addressing some of these contradictions he moved steadily in a conservative direction. As in the case of most liberals, in the quest to remain or appear theoretically consistent,
socially acceptable and palatable, as well as effective, Henry A. Wallace used conservative means in an attempt to bring about socially progressive and humanistic goals. He attempted to use a contradictory and generally ineffective theory to effect vast improvements for the common man.
NOTES

Introduction


10. See Wood and Gellman op. cit.


12. ibid. p. 20.


15. See Lloyd Jarduer, Economic Aspects of New Deal Diplomacy (Madison, WI, 1964) and David Green, op. cit.


Pre-1941: Immature Thought


2. Ibid. p. 160.


5. Frank P. Lyons to HAW Memo/ Diaries 5/6/40.

6. Nelson Rockefeller to HAW Wallace Papers, Iowa Reel (R) 22 Frame (F) 216 11/19/40.

7. Sumner Welles to HAW Wallace Papers, R 22 F 219+225 11/19/40.
3. Harold Young to HAW Wallace Papers, R 22 F 233 11/19/40.

9. ibid. p 239.

10. ibid. p 237.


13. Life Magazine, "Next Vice President of U.S. Goes to Inaugural of New President of Mexico" p. 17 12/16/40.


17. ibid. p. 77.

18. HAW, Report to State Department Wallace Papers, R 22 F 282.


20. HAW, Report to State Department op. cit. R 22 F 628.

21. ibid. F 257.


24. HAW, Report to State Department Wallace Papers, R 22 F 251.

25. HAW, "We Must Save Free Enterprise" in Democracy Reborn p. 251


28. HAW, Report to State Department Wallace Papers R 22 F 259.


July 1941 - May 8, 1942: "Century of the Common Man"


5. ibid.


10. ibid.

11. ibid. p. 185.

12. The best current example might be OPEC.

13. For a single example see Jason Steiker, "The Readjustment of Defaulted Latin American Bonds and the Good Neighbor Policy" (1969). The Paper demonstrates the types of pressure which were usually used by the State Department.


15. HAW to FDR note/ Diaries 1/28/42.

16. HAW, "Latin America Comes Ever Closer" op. cit.

17. ibid.


19. ibid. p. 188.

20. ibid.


22. ibid.

24. The period of significant liberal "New Dealer" impetus in American foreign policy decisions was brief, confined almost exclusively to the early war years. One example would be Wallace when he served as Chairman of the BEW.

25. Josephus Daniels to HAW Wallace Papers, R 23 F 134 1/3/42.

26. HAW to Wayne C. Williams Wallace Papers, R 34 F 704 5/16/45.


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1. HAW, "Three Philosophies" in Democracy Reborn p. 120.


4. ibid. F 741,743.

5. HAW, "We Must Save Free Enterprise" op. cit. p. 251.


3. HAW to Juan Chavez Minster Commercial Counselor Peruvian Embassy Wallace Papers, R 33 F 202 12/6/45.
9. HAW to USDA Latin American trainees/ Diaries 2/26/43.

10. HAW to Ralph Arizvello Chairman local 227 Textile Workers Union of America/ Wallace Papers, R 24 F 250 4/24/45.


14. HAW, "We Must Save Free Enterprise" op. cit. p. 253.

15. HAW to Mark Sullivan Wallace Papers, R 24 F 695 5/20/43.


17. HAW to Roy Howard/ Diaries (Blum) p. 174 1/28/43.

18. HAW--Conversation with Caldwell King President of Johnson and Johnson in Argentina and Brazil/ Diaries 6/3/42.


20. HAW to Harry Hopkins Wallace Papers, R 27 F 522 11/27/44.


22. HAW to Sergio Osmeña Vice President Philippine Islands/ Diaries 5/20/42.

23. HAW to Bolivia Official de Lozada/ Diaries 1/1/44.
24. Josephus Daniels to HAW Wallace papers, R 25 F 27 7/29/43.

25. HAW to FDR (note) plus enclosure "Comments on the statement made by Jesse Jones" of 7/5/43 Wallace Papers, R 24 F 348-953 7/5/43.


27. HAW, Import Export Bank meeting/ Diaries 6/12/45.

28. HAW, For radio broadcast to Latin America Wallace Papers, R 23 F 682 7/3/42.


30. HAW to C.J. France Wallace Papers, R 30 F 530 2/6/45.

31. HAW, "America Tomorrow" in Democracy Reborn p. 240

32. HAW for Ladies Home Journal Wallace Papers, R 37 F 248 10/13/43.

33. Freedom as defined by President Roosevelt in 1941, the four Freedoms.

34. HAW to Russell Davenport Wallace Papers, R 27 F 476 11/14/44.

35. HAW, "Invisible Governments" Wallace Papers, R 26 F 15.

Conclusions

1. This assumes that Latin American desires were in contradiction to the actions taken by foreign corporations.
While this may have been true in some countries such as Mexico, it was not the case for all countries in Latin America. In many instances the elites of a Latin American nation aligned themselves with these corporations. During the Good Neighbor era this was the case in Venezuela under the Gomez regime. For a fuller account see Sheldon Liss, Diplomacy and Dependency: Venezuela, the United States, and the Americas (Salisbury, NC, 1978). For a general theory of Latin American elites and their interest in helping foreign nationals operating within their countries see J. Galtung, "A Structural Theory of Imperialism."

2. HA&W to FDR enclosure "Comments of the Statement made by Jesse Jones" Wallace Papers, R 24 F 949-950 7/5/43.