Samarqand Davlat Tibbiyot Universiteti, Ijtimoiy va gumanitar fanlar kafedrasi, Tarix fanlari doktori (PhD), Tursunova Gavhar taqrizi ostida

Abdug'aniev Bekzod Abduvali o'g'li
Samarkand State Medical University,
Teacher of Social and Humanitarian Sciences Department
Email: abduganievbekzod2409@gmail.com
ORCID ID: 0009-0002-8597-3356

ECONOMIC AND MILITARY MOBILIZATION OF THE UNITED STATES DURING WORLD WAR I: POLICIES, CHALLENGES, AND CONSEQUENCES

Abstract: During the period of U.S. neutrality (1914–1917), foreign demand for American products surged, driven by shifting trade routes and wartime necessities. Britain and France, previously reliant on German imports, turned to the United States for essential goods, funding their purchases through gold transfers, loans, and the sale of seized private securities. With U.S. entry into the war, large-scale mobilization became imperative, prompting extensive legislative action, including the establishment of the National Defense Council, the Selective Service Act, and various economic regulations. War financing involved progressive taxation, war bonds, and federal control over key industries. The rapid expansion of the military and aviation sectors significantly impacted the American economy, leading to inflation and unprecedented government intervention. The study also explores the post-war economic repercussions, including the Treaty of Versailles and John Maynard Keynes' critique of its economic burdens on Germany. This paper provides a comprehensive analysis of U.S. economic and military mobilization strategies, highlighting their long-term effects on both domestic and international economic landscapes.

Keywords: World War I, U.S. Mobilization, War Economy, War Bonds, Selective Service Act, Woodrow Wilson, Keynesian Economics, Treaty of Versailles, Inflation, Federal Reserve.

Introduction

During the period of U.S. neutrality (1914–1917), foreign demand for American goods surged due to shifting trade routes and wartime necessities. Britain and France, previously reliant on German imports, turned to the United States for essential products, financing their purchases through gold transfers, loans, and the sale of seized private securities. With the U.S. entry into the war, large-scale economic and military mobilization became necessary, leading to extensive legislative actions such as the establishment of the National Defense Council, the Selective Service Act, and various financial regulations. This paper examines the policies, challenges, and consequences of U.S. economic and military mobilization during World War I, highlighting its impact on both domestic and international economic landscapes.

Methods: Historical analysis, Chronological.

Results and Discussion: The mobilization for war significantly transformed the American economy. Industrial production increased rapidly to meet military needs, leading to extensive government intervention in key sectors. The War Industries Board coordinated production, while the Lever Food and Fuel Act regulated food and fuel supplies. The rapid expansion of the military also necessitated the introduction of the Selective Service Act, which allowed for the

drafting of millions of soldiers. Financially, the war was funded through progressive taxation, war bonds, and government control over essential industries. The War Revenue Act of 1917 introduced excess profit taxes and raised tariffs to support military expenditures. Inflation surged due to the influx of gold into the U.S., and the Federal Reserve struggled to manage the economic instability. The post-war economic consequences were significant. The Treaty of Versailles imposed financial burdens on Germany, and John Maynard Keynes criticized the treaty for its harsh economic penalties, warning of future instability. The war also marked a shift in global economic power, with the U.S. emerging as a key financial leader while Britain faced long-term economic decline.

During the period when the United States remained neutral (from June 1914 to March 1917), foreign demand for American products increased sharply. This was partly a result of a shift in trade routes. Previously, Britain and France had purchased goods from Germany and its allies, but they were now forced to buy them from the United States. More importantly, this surge in demand was related to the high need for war-essential products such as steel and ammunition. Britain, France, and their allies paid for these goods through several methods: by shipping gold, borrowing from the U.S., and selling private securities that had been seized by their governments. It was this last financing method that caused major concern for Britain. The private securities owners were compensated by the British government, meaning they received British bonds in exchange for foreign securities. The British government used the Morgan investment bank in London to sell the seized securities to Morgan Bank in New York, while maintaining the official pound-dollar exchange rate for these transactions. However, for Britain, the loss of these securities was a significant blow. As the first industrialized nation, Britain had long maintained a higher per capita income and savings than its competitors. A large portion of these savings had been invested abroad, particularly in Argentina, Canada, the U.S., and Australia. Even as other nations caught up with Britain industrially, Britain had been able to sustain its relatively high standard of living largely due to these investments—much like a retired person who has wisely saved for old age. However, the First and Second World Wars shattered these plans. Britain lost its ability to maintain a higher standard of living than its rivals by relying on its accumulated wealth from the glorious industrial era. At the beginning of the war, concerns over the mass sale of securities owned by foreigners (both private and government-owned) in New York and the subsequent repatriation of funds in gold caused a brief financial panic. The newly established Federal Reserve System was not well-prepared to respond directly to this crisis. Fortunately, the crisis was contained through the issuance of emergency currency—the Aldrich-Vreeland currency—and the temporary closure of the New York Stock Exchange by the federal government. However, it soon became clear that the long-term issue was not the outflow of gold to Europe, but rather the influx of gold into the U.S. due to the export of war-essential military materials. As a result, the increase in gold inflows into the U.S. led to a significant rise in the money supply and caused serious inflation. Once the U.S. entered the war, it became clear that mobilizing a vast army and restructuring the economy on a large scale was necessary. European nations had already deployed massive armies, and if the U.S. wanted to change the course of the war, it needed to do the same. Even before the U.S. declared war, Congress had taken some measures to mobilize the economy. On August 29, 1916, the National Defense Council was established to coordinate industrial activities. On September 7, the U.S. Shipping Board was created, granting the Emergency Fleet Corporation a $50 million capital fund to build or lease ships. After the war declaration, Congress acted swiftly. On April 14, 1917, the Committee on Public Information was created to generate war propaganda. On April 24, the Liberty Loan Act was passed, allowing the government to issue war bonds. On May 18, the Selective Service Act was approved, introducing military conscription. On June 15, the Espionage Act was enacted to suppress rebellious or treasonous activities. On July 28, the War Industries Board replaced the National Defense Council, tasked with coordinating and increasing production. On August 10, Congress passed the Lever Food and Fuel Act to control food and fuel prices and stabilize supply.

Future U.S. President Herbert Hoover was appointed as the Food Administrator, while Harry Garfield, son of President James A. Garfield, was appointed as the Fuel Administrator. Taxation became one of the most controversial issues, but as mentioned earlier, on October 3, Congress passed the War Revenue Act. This law introduced a progressive surtax on income, excess profit taxes on corporations and individuals, increased postal rates, and imposed higher taxes on alcohol, tobacco, luxury goods, and other products. This legislative activity was extensive and impactful. Such a high level of legislative action in the U.S. was only seen again during Franklin Roosevelt's "100 Days" program.

Although by the end of October, the primary structure of the war economy had been established, several important laws were later passed. On December 18, 1917, Congress approved the Prohibition Amendment to the Constitution. Once ratified, this amendment would ban the production and sale of alcoholic beverages. The temperance movement had already been gaining strength—by 1917, 19 U.S. states had prohibited alcohol sales. The war further strengthened the "dry" advocates while weakening the "wet" supporters. How could a nation allow factory workers who produced weapons for frontline soldiers to be intoxicated? How could grain, which was desperately needed by the Allies, be used for alcohol production during a food shortage? On December 26, President Woodrow Wilson placed the nation's railroads under federal control due to the severe winter and war-related disruptions in railway operations, which had led to a coal crisis. His Secretary of the Treasury, William Gibbs McAdoo, was appointed to manage the railways. Later, Congress passed a law to allocate compensation for the railroads and created the U.S. Railroad Administration to oversee them. On April 5, 1918, Congress established the War Finance Corporation. This corporation started with a $500 million capital fund and was authorized to borrow an additional $3 billion. Its purpose was to support the financing of the war industry. The final major economic law passed during the war was the creation of the National War Labor Board on April 8, 1918. This board was responsible for resolving labor disputes. Troop mobilization occurred at an unprecedented speed, and American military planners were justifiably proud of their achievements. In January 1918, Secretary of War Newton Baker announced the rapid expansion of the Armed Forces. In April 1917, the U.S. Army had 211,834 personnel, including 9,324 officers and 202,510 enlisted soldiers. By the end of December 1917, this number had reached 1,539,485, with 110,835 officers and 1,428,650 enlisted soldiers. General John J. Pershing, upon arriving in France, had already begun planning for a force of 2 million troops.

Beyond the army, the air force also expanded significantly. It had only been 14 years since the Wright brothers' first flight. In April 1917, the Aviation Section of the Signal Corps had just 65 officers and 1,120 enlisted personnel. By early 1918, this had grown to 3,000 officers and 82,120 enlisted personnel. These troops needed to be fed, clothed, armed, housed, trained, and transported to the front lines. As a result, large contracts were issued by the army, navy, and Emergency Fleet Corporation for food, clothing, ammunition, and transportation. For example, the army purchased 19 million blankets, 21 million pairs of wool gloves, and 10 million pairs of boots. While these were significant numbers, it is essential to consider the vast scale of the U.S. economy. In 1914, the U.S. had produced 98 million pairs of men's shoes and 80.9 million pairs of women's shoes. This means that the army purchased about 10% of the men's shoe production. Although this was a significant portion, meeting such demand was feasible, especially since civilian demand slightly decreased due to military mobilization. On December 4, 1918, President Woodrow Wilson departed for Paris to participate in negotiations determining Germany's fate. Ultimately, the key decisions were made by the "Big Four": Wilson (U.S.), Georges Clemenceau (France), David Lloyd George (Britain), and Vittorio Orlando (Italy). The primary economic issues were straightforward: Britain (and other members of the British Empire), France, and Italy demanded money, land, and resources from Germany. Wilson's goals, however, were generally described as more idealistic ...ending secret treaties, granting independence to ethnic minorities

in Central and Eastern Europe, and establishing the "League of Nations" to prevent future conflicts. Punishing Germany and seizing its resources were not among his top priorities. Perhaps Wilson's attitude toward Germany reflected his views on the American Civil War. Wilson was a historian and a Southerner, and he believed that the harsh measures taken against the South after the war had been a grave mistake, leading to long-lasting resentment. In contrast, during World War II, Franklin Roosevelt adopted the Northern perspective on the Civil War regarding Germany: the correct policy was the one Lincoln had envisioned for the South—forcing Germany into unconditional surrender and then implementing political reconstruction to establish a strong democracy. For economists, the analysis of the Treaty of Versailles begins with John Maynard Keynes. During the war, Keynes served in the British Treasury and later as an advisor to the British delegation at the Paris Peace Conference. However, he left before the conference concluded and returned to England to write his book The Economic Consequences of the Peace. In this book, he harshly criticized the Treaty of Versailles, condemning it as a "Carthaginian peace" that would lead to future unrest in Europe. While Keynes' criticisms were extensive, he emphasized two key points. First, the reparations imposed on Germany by the Allies were excessively high. A large portion of these reparations included separation allowances for soldiers, pensions for veterans, and compensation for veterans and their families. Germany had agreed to the armistice based on Wilson's promises, which stated that Germany would only be responsible for compensating damages suffered by civilians, and that Allied military expenses or punitive payments would not be imposed on Germany. According to Keynes, the suffering of a soldier's widow and a factory worker's widow was equally tragic. However, based on the promises previously given to Germany, separation allowances, pensions, and compensations for widows should not have been included in the treaty's obligations. Keynes acknowledged the devastating economic impact on civilians. However, he argued that the destruction was largely confined to the battlefield areas. Since trenches were dug and artillery bombardments took place in relatively narrow zones, the agricultural lands and industrial facilities on either side of these battlefields remained largely intact.

Conclusion

World War I drastically reshaped the U.S. economy and global financial dynamics. The war accelerated industrial growth, led to unprecedented government intervention, and introduced new financial policies that influenced future economic strategies. While taxation and war bonds helped fund the war, inflation and economic instability remained major challenges. The study concludes that U.S. mobilization strategies were effective in supporting the war effort, but the long-term economic consequences—both domestically and internationally—were profound.

References

1. Keynes, J. M. (1919). The Economic Consequences of the Peace. Macmillan.
2. Link, A. S. (1954). Wilson: The Road to the White House. Princeton University Press.
3. Rockoff, H. (2012). America's Economic Way of War: War and the U.S. Economy from the Spanish-American War to the Persian Gulf War. Cambridge University Press.
4. Sprague, O. M. W. (1917). Loans and Taxes in War Finance. American Economic Review, 7(1, Supplement), 1–15.
5. U.S. Congress. (1917). War Revenue Act of 1917. Public Law 65-50.
6. Venzon, A. C. (1999). The United States in the First World War: An Encyclopedia. Garland Publishing.
7. Wilson, W. (1918). Fourteen Points Speech. U.S. Government Printing Office