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Edward S. Miller, ***Bankrupting the Enemy: The U.S. Financial Siege of Japan Before Pearl Harbor***. Naval Institute Press, 2007. 352 pp. Appendices, notes, bibliography, index.

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Edward S. Miller, a retired business executive with deep experience in international business, global finance and U.S.-Japanese trade, has offered historians a close analysis of the origins and implementation of the freeze of Japanese dollar assets by the United States on 26 July 1941. Drawing upon previously classified or overlooked archival records and his own expertise, Miller has given historians a work that is an important contribution to the literature on U.S. financial diplomacy and the finance-war nexus, and is a fresh, noteworthy—even provocative—rethinking of the immediate origins of the war in the Pacific.

Miller's focus is on the decision by the Franklin D. Roosevelt administration to freeze the financial assets of Japan in the United States as a means to compel Japan to withdraw from its occupation of China and French Indochina, and to deter it from undertaking further aggression in the region. The main thrust of the financial freeze was to prevent Japan from using its dollars in the U.S. to purchase the petroleum it needed to meet ongoing requirements. To President Franklin Roosevelt and his advisors, a financial freeze would be seen as less threatening than a full-out petroleum embargo, given that the U.S. in 1941 supplied 75 to 80% of Japan's oil requirements, and the financial freeze would allow the U.S. to permit some sales over time without appearing to back down.

Most scholars explaining the origins of the war in the Pacific have explored the strategic aim of the policy (try to shape Japan's behavior by withholding a vital resource while avoiding war) while also noting the means (the financial freeze rather than a direct embargo). Few, however, have sought to clarify why such a complex maneuver seemed most appropriate, and none have explored its real implications. Miller has offered an analysis of the economic relationship between these two states and revealed the previously unknown account of how U.S. officials forged this financial sword.

To get to the decision-making process of early summer 1941, Miller takes the reader on an extended examination of Japan's pre-war economic relationship with the United States, the importance of the silk trade to this, the initial and limited attempts at economic coercion of Japan in the late 1930s (tempered by Roosevelt's desire to allow China access to U.S. supplies by not recognizing the war between the two), and the

Japanese efforts to purchase necessary raw materials from the United States. Miller's signal contribution comes in his highly detailed explanation of Japan's financial maneuvers, about which the following can only be a brief and incomplete summary. By 1936, Japan was using silk exports and gold sales to purchase dollars with which to finance its military operations. Because of the banking regulations that governed account transactions and gold sales, federal officials believed they knew how much money Japan had, how much in war supplies it could stockpile, and how long it could hold out in a full economic embargo or financial freeze. Based on these assumptions, later shown to be false, the Roosevelt administration decided that curtailing access to the military-related commodities (such as petroleum, aluminum, and molybdenum) would work best because the U.S. was restricting exports of certain materials to meet internal stockpiling requirements anyway. What was not understood was that Japan had been misreporting the financial information, had managed to stash far more dollars than the U.S. knew, and was able to use the 1939-1941 period to acquire the supplies it needed at a greater level than anticipated. When the subterfuge was uncovered in August 1940, it triggered a race by Japan to move the extra dollars out of the United States before they might be frozen. By early 1941 it became clear to U.S. officials that using export controls as an economic weapon was simply too complex an information management task. Officials had to examine each and every purchase of goods on the restricted list, which created a large paperwork backlog. What was easier, and more powerful, was simply a freeze of a foreign nation's financial assets in the United States, which prevented them from purchasing anything in the first place. The effort would be interdepartmental, but leadership for this effort came from Assistant Secretary of State Dean Acheson, who would push for, and get, a more aggressive policy by the summer of 1941.

Miller emphasizes that Acheson and the other officials involved did not fully appreciate what the impact of a financial freeze would really be. He explores the little-known Export Control Administration, a new entity reporting to Roosevelt charged with overseeing exports but whose researchers began to explore the vulnerability of Japan to interruptions of its exports to the U.S. and the flow of dollars. Miller draws from this the fact that the effects of either a dollar freeze or interruption of certain non-military commodities (like potash, a critical fertilizer) could well be dire for Japan but that there was no proper integration of their conclusions into the decision-making process. No one really understood the economic implications of this for Japan, least of all the mid-level government official who was driving the effort to use what was really a non-military weapon of war. The immediate effect of the freezing of Japanese assets in the United States was to block Japan from acquiring petroleum or other war materials, as intended. The wider implication, however, was that Japan was now unable to finance any number of imports from across the entire Western hemisphere (using its dollars) or, once Britain followed with its own financial freeze, in the sterling bloc either. Japan was illiquid, effectively bankrupt, and unable to move in the international economy. Rather than rein Japan in carefully, Acheson had choked it sharply. Japan faced an extremely difficult choice: either back down in China (and lose face), continue the war with a command economy and suffer a gradual decline in the standard of living by 15-20% (as Miller explains on page 235), or go to war with the United States. Japan chose the latter and suffered much, but Miller ends the work by noting that after the war at least one Japanese official defended his government's actions as rational, legitimate act of self-defense against an extremely powerful, though non-military, first strike by the United States. Though he does not explore it, Miller leaves the reader with the provocative implication that Acheson through his ignorance about the effects of this financial weapon was responsible for putting the United States into an extremely dangerous position, and that Secretary of State Cordell Hull and President Roosevelt were foolish for allowing Acheson to proceed on this path at the very time that they were attempting to avoid war in the Pacific.

As eye-opening as the book is at times, it is also subtly frustrating. On the one hand, Miller is really to be commended for utilizing records that either were until recently closed to researchers or have tended to be overlooked. These include key Treasury, Federal Reserve, Alien Property Custodian, Tariff Commission and Export Control Administration papers, opened or reorganized only in the 1996-1999 period. These are complex materials, and Miller has the expertise to interpret them for non-specialists in international business or finance. On the other hand, Miller does not appear to have used well-used records that now cry out for a reexamination based on these newly examined materials. He does not make use of key personal papers, such as Hull, Attorney General Robert H. Jackson or Undersecretary of State Sumner Wells, with the exception of the published Henry J. Morgenthau diaries. A footnote indicates that the Truman Library and Yale's Sterling Memorial Library both advised him there was nothing relevant among their Acheson papers. There does not seem to be anything from the FDR library, including the published microfilm office files. As a consequence, scholars will be frustrated by, among others, Miller's blithe agreement with other historians that we do not really know why Acheson came to dominate the interdepartmental committee charged with implementing the financial freeze, something that Miller now shows is a critical question. Moreover, we are given nothing about the role that the British played in all of this, even though Britain was interested in avoiding war in East Asia, had used such a weapon in the past, and implemented a financial freeze shortly after the U.S.

Miller has forced historians to reexamine a topic that is not yet put to bed. Military and diplomatic historians generally do not trouble themselves with the financial intricacies behind the big story, but as Miller reminds us these are frequently of immense importance. This was the second time in the 20th century that a major industrial power attempted to use its superior financial position as a weapon to shock its opponent, though in this instance it was to prevent the war that came anyway. Choosing non-military weapons like financial freezes or credit withdrawals as a substitute or alternative for military power in particular circumstances is a very significant policy choice, especially when it backfires. Accurate representations of the complex decision-making processes surrounding national defense must consider the full spectrum of warfare and the complete range of weapons available, particularly non-military ones like credit or access to critical services. Given the enormous importance of international financial leverage to contemporary discussions of national security, *Bankrupting the Enemy* is a work that should spur further scholarly inquiry and careful thinking by decision-makers.

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