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ORGANIZATION FOR ECONOMIC WARFARE

16 May 1947

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GENERAL MCKINLEY: Gentlemen, this morning we have with us Major General Russell L. Maxwell. General Maxwell is a graduate of the U. S. Military Academy, the Command and General Staff School, the old Army Industrial College, and the Army War College. He just claimed, on the way over here, he was one of the oldest living graduates of the Industrial College.

In 1940, General Maxwell was Administrator of Export Control. In 1941 he was in charge of the U. S. Military Mission in Cairo. During the early part of the war he was Commander of U. S. Forces in the Middle East and later Assistant Chief of Staff, G-4. He was G-4 when this school was being put back together again after the war and was one of the strongest influences in our behalf. We are very grateful for what he did.

At the present time General Maxwell is Vice-President of the American Machine and Foundry Company. This morning he will speak to us on "Organization for Economic Warfare." I take extreme pleasure in welcoming back and introducing to you Major General Maxwell.

GENERAL MAXWELL: I thank General McKinley for the very kind introduction, but in view of what has happened in the radio business about vice-presidents, I think he ought to have said nothing about that particular title. Around my headquarters I am "Mr. Maxwell." When you come to visit me, you get in if you remember that.

About a year ago I had the pleasure of addressing the students of the College, and at that time discussed our experience with foreign trade control during the mobilization for World War II. On that occasion I expressed the conviction I had, that the peace of the world depends upon successful management of the economic conflict that underlies all of our international relations. This morning I want to express the hope that the steps that are now being taken by our Government in that field will bring us nearer the goal of an enduring economic peace, both at home and abroad. So, you see I am an optimist.

I believe you will agree with me that during the past year there has been a very marked growth in public interest in the various aspects of our economic life. As an example of this growth of interest, I offer the specific case of Mr. Nathan's proposed 25-cent wage increase without any price increase and the uproar of argument that followed his statement. Perhaps we might conclude from this that an economically unsound statement will not go unchallenged.

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On the other hand, when Mr. Baruch suggested that a change from our basic forty-hour work-week to a forty-four hour work-week would do much to heal our economic wounds, the soundness of his view was accepted without question.

In the foreign field, the repeated admonition of our Secretary of Commerce, Mr. Harriman, that if we intend to expand, or even maintain, our current rate of exports we must develop an equivalent rate of imports, has done much to clear up the mystery of foreign trade in the minds of many people.

I offer these three specific instances of an aroused public interest and, at the same time, express the hope that this interest in economic affairs will continue to grow until that great arbiter of destinies, public opinion, will be as effective in the economic field as it now is in other fields.

But these matters I have mentioned by way of an introduction have to do with economic peace and my subject is economic war, and the organization necessary for the conduct of economic war, a subject that has been in my mind very definitely ever since I was first confronted with the responsibility for certain aspects of the economic war, which was declared on the second of July 1940 when President Roosevelt signed the Export Control Act.

I am very frank in saying that when detailed as Administrator of Export Control, I did not realize what I was getting into. The detail came out of the clear sky, without any warning whatsoever to me. In the bewildering days that followed, I came to the College, then called the Army Industrial College, and asked for help. I needed assistance in the matter of planning the future of economic warfare.

I am very happy to report that the College responded in a wholehearted fashion. After a comprehensive study by a committee of the College on the relation of export control to economic warfare, the Commandant, Colonel Miles, agreed to the transfer of the embryo of economic warfare planning from the College to the Export Control Office. If I have aroused your curiosity in the committee study or its chairman you have him with you in the person of Colonel Clabaugh. So I am sure he can help you find the report in the files, if you have occasion to consult them.

Upon confirmation of the agreement by an exchange of notes with the Secretary of War, Mr. Stimson, early in 1941, we set up a unit in the Export Control Office, under the innocuous name of the Projects Section, to undertake this task of economic warfare planning. Mr. Thomas Hewes, a civilian with a background of experience in high civilian posts in the Government in Washington, became chief of the section. He supplied the energy and the enthusiasm that was necessary to get the tangible results that he got in a very short time.

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In early 1941, the time that we set up the Projects Section and Mr. Hewes began his work, we were very definitely handicapped by a general lack of understanding of the necessity for giving economic warfare the recognition it deserved, and to having it considered as equal in importance to military and political warfare. In fact, this lack of understanding or appreciation of the importance of economic warfare made it inadvisable to call public attention to the fact that, for all practical purposes, declared economic warfare began on the second of July 1940, when the President signed the Export Control Act. Even today, in spite of our World War II experience, when we indulge in a discussion of our lack of preparedness for war, we are more than likely to do so in terms of military warfare and omit any reference to economic warfare.

If we examine the state of preparedness for economic warfare in early 1940, we find three notable deficiencies: No adequate legal authority; nothing but a nebulous plan; no trained organization to conduct such operations as might be decided upon.

In the Export Control Administration, where we were trying to get underway, we were conscious at all times of the fear on the part of other executive agencies that we might infringe their vested interests. That fear was a definite obstacle to our program.

Opposition to our efforts was both passive and active and we were denounced by the whispering squads as "empire-builders." At times the situation became sufficiently tense to attract the attention of the press. I recall an interview in which one press representative, on a hunt for a sensational story, began an interview with this question: "Why, in your position you can tell any Cabinet officer to go to hell, can't you?" I admit I was a bit evasive when I replied, "Up to date I have had no occasion to tell any Cabinet officer to go to hell, for two obvious reasons: First, he wouldn't go; and, second, I would never have a chance to use the same tactics a second time." (Laughter) I cite this, not to be facetious, but as an indication of the atmosphere in which we were working in the summer of 1940.

Another incident served to point up the failure to admit that we were actually engaged in economic warfare. During a visit to Washington, our Military Attache in London, General Lee, suggested it would be helpful to our program to have Colonel Clabaugh, who was then in our organization, return to London with him and observe the activities and operations of the British Ministry of Economic Warfare, which had been in operation for a considerable period of time.

I will not tell the sordid story of the difficulties which we encountered in completing arrangements for Clabaugh's trip to London, except to say we finally managed to smuggle him into the Embassy at London in the disguise of an Assistant Military Attache with special

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instructions, where, with General Lee's prestige and active help, Clabaugh, who, as you all know is somewhat of a diplomat in his own right, accomplished his mission.

In other words, we were still unable, after some eight or nine months of actual conduct of economic warfare, to come out and admit to the world that we were so engaged. In this particular case of getting an Observer to London, we benefited by a fortunate chain of circumstances rather than from a definite prepared plan.

It would be very unfair if I were to give you the impression that the Export Control Office got nothing but opposition in all of its work because such was not the case. But I do not believe it is necessary to tell someone starting out on a motor trip to the west coast where he is going to find the best roads, but rather to warn him against the detours he may find if he takes a particular route.

There are many instances of wholehearted cooperation on the part of various agencies, an outstanding one being the action of the Under Secretary of Commerce, Wayne Chatfield Taylor, who even went so far as to make space for our main offices in the Department of Commerce building. Anyone who participated in the battle for office space in Washington in late 1940 or early 1941 will agree that that was a very great piece of collaboration on Mr. Taylor's part.

It might be worth-while to review at this particular time the several forms that economic warfare may assume. The simplest form, in our experience, we called "conservation." Our earliest press releases from the White House, announcing the steps that were being taken to set up the Export Control Office, as well as our first proclamation, regulations, and so on, brought out the fact that the policy, or the underlying reason, for what we were doing was "conservation." In other words, we were going to deny exports in order to hold on to what we had at that time because we needed, for our own economy, the items that were being put under control.

Now about all that is needed for this form of economic warfare is a licensing system. A good example of the conservation type of action was the retention of machine tools that were needed to build up our own industry in 1940. Those of you who were concerned with the problems of mobilizing our industry in 1940 know that neither the Army nor the Navy had had any great amount of money with which to tool up their own establishments or to advance money to industry to tool up for the heavy programs that we were sure were in prospect. On the other hand, foreign buyers had come into our market in a big way. So the first major item to be put under control in 1940, within a few days after our office was set up, was machine tools.

From "conservation" it is an easy step to, what we came to call, "transfusion." That is simply sharing what we had with friends whose

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needs were admitted to be much greater than our own at that particular time. The supply of arms and ammunition to the British following Dunkirk will always stand out as one of the great historical examples of "transfusion."

"Strangulation," the opposite of transfusion, means denial of exports as a means of showing disapproval of a country's activities and intentions. Again we may use the example of withholding machine tools from the Soviet Government up to the time that Hitler launched his attack on the Soviets on the 22nd of June 1941; then we immediately changed our tactics from "strangulation" to "transfusion" and I am sure that history will show that once we started—shall I use the slang term?—we "went all out." We even supplied tools to the Soviets at the expense of our own industry, as many of you know.

The fourth and most violent form of economic warfare I shall call "Emasculation." The best examples of this form are the seizure of alien property and the reparations programs that are now in effect in several areas of the world.

In general, we may say that "economic war" differs from "economic peace" and is being waged whenever we depart from the accepted normal practices of foreign trade. For example, we deny exports, even if such denials ruin our export markets and bankrupt our foreign traders.

We encourage and, if necessary, force exports whether there are any compensating imports or not. The best example of that is lend-lease.

We import those things, especially strategic materials, which we require without regard to the cost and without any compensating exports.

We enter foreign markets and buy up certain commodities, to prevent unfriendly nations from buying them, without regard to our own needs for them.

We compile "Black Lists" and use them to deny exports to individuals and firms as well as countries, to hamper the economic operations of unfriendly countries.

We freeze funds and block currencies.

We establish blockades on land, sea and in the air.

We censor mail and intercept other forms of communication to control the flow of technical information, even to the extent of denying movement of individuals who possess technical knowledge.

Whatever the form or degree of economic warfare, our objectives should be clearly defined and our operations constantly and carefully checked to insure that what is being done and planned is consistent with

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approved objectives and actually moving us toward their accomplishment. Now I cannot overemphasize the importance of that check.

The support of business and industry and the people of the country, generally, must be enlisted and the necessity for each step understood and accepted because economic war cannot be waged without such support any more than can military or political war.

In point of time, economic war may precede, be concurrent with, or follow military or political war, and at all times there must be complete coordination of the total war effort.

Before going into a breakdown of what I conceive to be the basic organization necessary for economic warfare, I would like to point out that, as I understand the history of our country, the United States does not start wars. We do not seek war. We do everything possible to avoid war. But we, somehow, always seem to get mixed up in wars of various kinds, and when we do I believe that it is the will of the people of the United States that we win, and win as promptly as we can. If I am correct in my conclusion then we should do everything we can in advance to prepare ourselves for the effective conduct of "economic war" as well as the other forms of war.

Now as to the form of organization required to conduct "economic warfare," I do not know what your studies here at the College have developed during your past year's work, so I may be somewhat old-fashioned and out of date when I offer my first conclusion about organization. That conclusion is that there is no existing single agency equipped today to control, direct and conduct economic warfare should such warfare be thrust upon us. It is, of course, obvious that there are a number of executive departments well qualified to make substantial contributions in the form of individuals, information and policy recommendations. But unless something of a very revolutionary character has taken place during the past year, I believe it would be asking too much to expect any one of the existing executive departments to formulate and execute a specific program of "economic warfare."

If we admit the merit of the current effort for the unification of the Armed Forces for effective conduct of military warfare, the same reasoning applies to economic warfare to an even greater degree, because there are many more departments involved than in the case of military warfare.

I would like to say parenthetically I have never made any talks on the subject of the program for unification of the Armed Forces, and I am not making one now. But, from many years of service in Washington, and the opportunities I have been privileged to have to observe the functioning of our executive departments, both permanent and temporary, I even question the use of Washington as the location for the "Grand Headquarters of Economic Warfare." I would offer New York, for example,

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as a more logical location because it has certain obvious advantages and likes to think of itself as the economic capital of the United States, and perhaps of the world.

The first requirement for this "Economic Warfare Grand Headquarters" is a head. For want of a better title, I will call him "The Administrator of Economic Warfare," realizing that the name is quite immaterial. I would then give him a "Policy Committee," which would provide him with an agency advisory in character, to make available to him the views of the several Federal agencies, both permanent and temporary, that have a continuing interest in his plans, his programs, his procedures, and his practices. Through such a device each agency would have an opportunity to exert a proper influence on economic warfare operations while, at the same time, responsibility would rest squarely on the shoulders of "the Administrator," whose only superior would be the President.

Incidentally, I think if the administration was located in New York it would be much easier for him to do all that he would have to do than it would be if he were located here in Washington. Within his headquarters, the Administrator would have a normal management organization to cover the areas of personnel, intelligence, planning and operations.

I will speak of the personnel department first. Because of the varied sources from which his personnel would have to be recruited, he would immediately have to organize some training unit to orient new arrivals and prepare them for the performance of specific assignments. This same training unit would be of great value for re-training individuals when transfers were found necessary.

I do not believe I can put too much emphasis on the importance of selection and assignment of personnel because the pressure of patronage begins to function very early in the life of any new organization, particularly if it is located in Washington, and it takes little imagination to see how easily the most able administrator could be defeated by being forced to take into his organization all of the friends of his friends and their friends who, for some reason (quite aside from their qualifications for the work they are to do) need to be taken care of in the early stages of such an organization.

In the field of intelligence, the need for information in usable form is of the utmost importance. From our World War II experience in Export Control, it stands out clearly that we were ever in need of intelligence on commodities, countries, and the business history of firms and individuals. Much of that information exists in the files of the permanent departments and soon builds up in temporary departments and agencies. But to get the information in the form you can use it is something you cannot leave to anyone outside of your own headquarters.

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Another important duty of the Intelligence Department is the compilation of the "Black List" and the digest of enemy information from whatever source it is received. And another very important duty is effective liaison with other intelligence agencies.

The Planning Department must prepare and promulgate plans for current and future operations and carefully evaluate the success of operations in every respect.

The Operations Department would be charged with the actual control or operation, if direct operation were decided upon as necessary, of licensing systems, both for imports and exports; the movement of shipping; restrictions on the use of credits and funds; seizure and management of alien property and persons.

The Operations Department would also control any branch offices that might be established at home or abroad. Such offices would be headed by Directors who would collaborate with, but be independent from the control of our diplomatic representatives in the areas in which they operate.

That is not said because of any prejudice against diplomatic representatives. They have their functions to perform in the areas assigned to them. But my concept of an economic warfare area of operation is that it would normally include a number of the diplomatic areas. For example, we might take the Middle East, with which I was quite familiar during 1941-1943. There were about sixteen political subdivisions in the area that became known as the Middle East. Both the British and ourselves found it necessary, for economic warfare operations, to have a grouping of the political subdivisions of that vast territory, which is much greater in extent than Continental United States into one economic area; whereas our very able Minister in Cairo, Mr. Alexander Kirk was accredited to only two of the sixteen, Egypt and Saudi Arabia. So that to undertake to coordinate or manage economic warfare operations through the small political units, using as our agents our ambassadors and ministers, would be hopeless and futile.

There is another reason why I do not believe in trying to use the political organization and in giving this explanation I must be very frank and call attention to the experience of two of our missions that went out in 1941. As you all know, if you have looked into the history of missions and the experiences of the missionaries, General John Magruder took a mission to China. I would suggest, if you are sufficiently interested, that you get from the files and read his directive, as I did in 1940 when I began to organize the mission to the Middle East. In my opinion, General Magruder was defeated before he ever left Washington. He could not possibly accomplish his mission because of the elaborate snarl of relationships between him, his mission, and the diplomatic agencies with which he was going to deal when he reached his area.

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We tried to benefit from his experiences, although his directive antedated ours only a month or so and when Mr. Stimson finally signed the directive under which I moved out, it contained only one brief paragraph pertaining to the subject of relationship with diplomatic agencies. It said in substance, "You will keep the diplomatic representatives in your area informed of your activities and operations to the extent you deem necessary" which, I believed was the proper kind of a directive. It worked very well perhaps because we were fortunate in having an exceptionally able, intelligent senior diplomatic representative in the person of Mr. Kirk in Cairo. I showed him that directive the day after I arrived in Cairo and then I took occasion at least once a day, or on the average of once a day, thereafter throughout the sixteen months of our service together, to keep him informed of our operations "to the extent we deemed necessary." I believe he was always satisfied. There were certain things he had to know about our operations and there were other things he did not want to know about our operations. We had a very good understanding on that subject.

Another point on this question of overseas areas of operation: If it becomes necessary to pass from "economic war" to actual "military war," then the areas set up for control of "economic warfare operations" must be adjusted so that the boundaries of the military theaters and the economic areas are the same. When a military theater of operations is established the Director of Economic Warfare in the area should become the subordinate of the military theater commander, because the theater charter is drawn on broad lines and it is necessary to closely coordinate the activities of all the types of warfare in a military theater of operation.

I am not open to argument on that subject, having been both an economic mission head and military commander, I am convinced that no other system will work because it is impossible for a military theater commander to function effectively and efficiently without control of all of the war agencies within his theater. Under such circumstances, the Director of Economic Warfare in a military theater would have the benefit of Staff guidance from the administrator of the home office, whether it is Washington or New York or Kansas City.

An important part of the Operations Department would be what we called the Clearance Committee, which provides an operating contact with interested Federal agencies. We found that that was necessary in Export Control even after consideration of policies and procedures by the Policy Committee at the top level, where assistant secretaries of departments and people of equivalent rank met once a week to clear matters of policy, the day-to-day operations had to be cleared through a group of liaison officers who could commit their departments on specific actions that were being taken in the execution of our programs.

Another segment of the Operations Department would be a requisitioning unit to perform the function of requisitioning and providing compensation

for owners of requisitioned property, a very essential field of activity in economic warfare.

I will not go into any discussion of the usual administrative, legal, financial, public-relations functions because they would be performed by members of the administrator's personal staff. What I have endeavored to outline is a concept of a small, compact office, which would keep itself down to a minimum in size; which would utilize the existing agencies, to the limit of their capacity, to perform functions closely allied to or related to their normal peace functions.

But I want to emphasize again that the primary job of the organization I have been talking about is to conduct "economic war," whereas the established agencies of the Government are engaged in the functions and duties essential to the maintenance of economic peace, and, therefore, not necessarily well qualified to conduct economic war.

I also want to say I am talking about the situation as I understand it today. While I have these very firm convictions, I hope I am capable of adjusting to whatever evolution takes place as we gain experience in playing the role in which possession of our vast economic power has cast us. Who am I to say that within the next few months we may not see an individual or an agency emerge which would provide the ideal management for economic war should we be so unfortunate as to have to engage in that expensive operation?

In conclusion I would like to say that it is a great personal satisfaction to me, a veteran of one period of economic war, to realize that the study of the problem occupies an important place in your program at the College. I wish you well, and I am confident that what you do will make the task of future managers of economic warfare much easier than ours was in 1940 and 1941.

Thank you.

GENERAL MCKINLEY: Are there any questions anyone would like to ask?

A STUDENT OFFICER: General Maxwell, it occurs to me that in your analysis of a possible organization for planning economic warfare you would have to have very close liaison with the organization which was planning economic mobilization. That would be particularly so in the state when it was being planned and in the "shadow" state before the shooting war started; otherwise, one organization could quite readily negate the plans of the other.

Would you care to comment on that, sir?

GENERAL MAXWELL: Well, I quite agree with what you have said.

One of the first things we did in Export Control was to get an agreement with the Secretary of War and the Secretary of the Navy that my contact with the two departments, as Administrator of Export Control, would be with the Army and Navy Munitions Board, as it existed at that time. So we never dealt with the War Department and the Navy Department directly. We dealt through the Army and Navy Munitions Board and, therefore, kept not only our planning but our current operations completely coordinated with what was going on in the Army and Navy Munitions Board, in the same way, as I mentioned, I went to the Industrial College as the source of knowledge on the problem with which I suddenly found myself confronted.

So I believe it is very important that the College here should study that subject because if you do not study it, nobody else will.

A STUDENT OFFICER: General Maxwell, did you control exports through the Army and Navy Munitions Board during this period 1940 to 1941?

GENERAL MAXWELL: No.

A STUDENT OFFICER: In other words, did the ANMB make the final decision as to what should go to England or France, or did your office make it?

GENERAL MAXWELL: The ANMB gave us the benefit of its advice as to what was needed at home, or how desperately it might be needed. So it was, shall we say, party to the actions that we took; but the decision rested elsewhere.

The Board was not the only agency that had a lot to say about what it thought ought to be done. It was very difficult at times to keep everybody's mind clear on the subject. That responsibility rested on the President and he had, as long as I was on the job, delegated the responsibility to me. In fact, there were several appeals which did not stick, I am happy to say.

A STUDENT OFFICER: Not an inconsiderable group of people hold the opinion that the American businessman has been very visionary in his own little backyard so far as his own product is concerned.

Now in your contacts with businessmen today—you move around—have you seen any hopeful signs of our American businessmen taking cognizance of their responsibility and position on the team when we start economic warfare, rather than that old story of "I will take what is mine and let the rest scramble for the scraps?"

GENERAL MAXWELL: Well, from my limited opportunity to observe, I do not believe that New York—shall we accept that as a representative group of businessmen?—has the slightest thought on the subject of what

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we would do or would not do. They are so busy conducting what we shall say is the domestic economic warfare that they have very little time to think about this other field.

This is one of the things I had in mind when I suggested if we think of New York as the possible location of the Grand Headquarters of economic warfare we might begin to get them to think a little bit about what they would do under given circumstances. But they are a rather hard-boiled, ruthless bunch. You cannot just by putting a little squib in the paper, change their minds on any subject. I think they are primarily concerned, at the moment, with their own company problems and domestic problems and the general attitude toward foreign trade is not very different from what it used to be, which was primarily "export; take your profit on this shipment and to hell with the future."

Now I like to believe that there is a younger generation, some of them veterans of the Export Control Administration, who have a little different view; but they are very much in the minority. They are not actually in control at the present time.

Anybody setting up to manage economic warfare would be confronted with the same series of obstacles and problems with which we were confronted. I would not want to minimize the size of those obstacles in anyone's mind by anything I have said. My only hope is that the public interest in the subject will continue to grow, and I think there is evidence every day that that interest is growing. Pick up any newspaper and you will see one or two articles on this subject, whereas seven years ago nobody cared; nobody said anything. If anybody said anything, nobody took any exception to it because they did not care. They are interested now.

A STUDENT OFFICER: General Maxwell, if we disregard for the moment the degree of intensity, do you feel that the Truman Doctrine, as it has been called, is an open declaration of economic warfare against Russia.

GENERAL MAXWELL: I think it was intended to be. But, remember, that was the 12th of March and today is the 16th of May. I should say what started out to be a war has ended up as a skirmish.

CAPTAIN ROWLEY, USN: I think there was the implication in the latter part of your discussion that you feel there should well be an administrator of this, shall we say warfare or skirmish, pretty soon if this doctrine is carried out. We are all aware that the Greco-Turkish loan, as it may be called, is only a starter. We have something from France coming along soon which may double that. Then there is the Korean situation; also a recent discussion about Italy.

Do you feel there could be such an administrator appointed for that type of organization in, what we call, peacetime?

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GENERAL MAXWELL: I feel that the scattered control that exists today in the several departments should continue, and will continue, until probably long beyond the time when the necessity for a single head is apparent.

There will be a great lag in setting it up. It will have to be proven many times over. So far as I know, today the President has no contingent fund from which he could allot the necessary dollars and cents to set up such an organization, even if he had the idea. I do not know whether he has or not.

So I feel we are not going to have it, no matter how badly we might need it.

CAPTAIN ROWLEY, USN: Is not scattered control, in your opinion, going to be effective, sir?

GENERAL MAXWELL: No.

GENERAL McKINLEY: Is not an administrator of this program to be appointed? I heard something on the radio about that. They would not say who it was, but somebody was being considered. I do not know what the background was.

GENERAL MAXWELL: I really do not know. I have not been consulted, so I do not know. But I would guess--I am just guessing without any knowledge--that there would be an administrator for Greece, another one for Turkey. In other words, they will follow the diplomatic pattern and the operations will be generally directed by the Department of Economic Affairs in the Department of State. That would be my guess.

GENERAL McKINLEY: Well that sounds very logical.

A STUDENT OFFICER: You spoke about simplicity in instructions in setting up a mission, as quoted by that directive. Yet, during the last war, in getting the foreign economic matters all under one head, there was probably three, at least three, years of friction between the various organizations accomplishing these many functions--Commerce, Treasury and State Departments.

It was not until 1943, with the establishing of FEA, that an agreement was alleged to have been reached between Mr. Crowley and the Secretary of State. I understand that that was quite detailed in character, but it at least removed, or was alleged to have removed, all of the friction.

I was wondering if you would comment on the suggestibility or the feasibility of having this administrator, who would be appointed immediately, coordinate with the State Department, as one of his first

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actions, in order to get a clear line of delineation as to respective functions in the various areas concerned.

GENERAL MAXWELL: I might mention—and I think you will find in the historical records of the operations of the Export Control Office—a series of what we called "treaties" with the various Executive department; and later the other agencies. Those treaties attempted to set forth our mutual interests and responsibilities.

Take State, for instance. As I recall, it was a much longer document than any of the others, signed by Mr. Hull and myself. I had about, I might say, two weeks to get going before the bill, which was then in Congress, became a law.

As I remember it, Secretary Hull gave me five points of contact with the State Department, which was all right for me. It was rather embarrassing to the State Department I think, because I naturally selected the one of the five that I thought was most favorable to the plan I had in mind at the time. So it was not a very effective agreement from their point of view and was not altogether satisfactory from my own point of view.

We had similar agreements with some of the other departments—Treasury and Commerce; then with Mr. Stettinius, who had the earlier version of the War Production Board. As new agencies came along, we invited them to sit on our Policy Committee and to sign a paper. Well, papers are just as good as the use you make of them. They were always useful to have because you might have to get them out to make a point in some argument.

So I agree with you that the first thing the administrator, which I have outlined, must do when he takes office, is to arrange his "treaties" and set up his Policy Committee for contact with the other agencies. That is the only way I can see that he could avoid the interference that would come through fear on the part of these other agencies, that this upstart was going to build an empire and destroy theirs. So it is very important.

GENERAL MCKINLEY: I notice you said, "theirs."

A STUDENT OFFICER: I have another question I would like to ask in connection with your proposed organization; it has to do with the Intelligence Section. Would that be just an evaluating section in your headquarters, or would they have coverage with agencies in the field?

GENERAL MAXWELL: If you were getting satisfactory service from the agencies in the field, you would not establish any of your own. When you decided you were not, then you would. You see, you must be practical. You have to have intelligence, whether you get it from someone else, or in some other way. That is a decision you would have to make at any given moment. You must have it; you cannot operate without it.

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A STUDENT OFFICER: In the field, how feasible do you believe it is to conduct joint economic warfare, such as the Middle East Supply Center?

GENERAL MAXWELL: It is just as feasible as conducting joint military warfare. I think it is a question of having the capacity, in the form of your managers who participate in the joint effort. I think it is quite all right.

I might illustrate my point by commenting on how we operated in the Middle East. My mission, initially, was primarily economic, in support of the British forces and the economy of the Middle East, Russia and later on when we took over the Persian Gulf. The British, you know, recognized the need for a political and economic head for the Middle East as a unit, and sent a Minister of State, first, Sir Oliver Lyttleton, and then, in the interim period, Sir Walter Mankton; and, finally, our old friend, the Australian Minister, Dick Casey, as Minister of State in the Middle East and Member of the war Cabinet. He was recognized as the personal representative of Mr. Churchill in the Middle East.

He sat at the head of the table of the Middle East Council. That was his "policy committee," so to speak. There was the head of the Royal Navy in the Middle East; the head of the British Army, the Royal Air Force, and my own little self. I used to be a little facetious at times when talking about what part I actually took. I am a great believer in that old saying that whoever owns 51 percent of the stock has a lot to do with running the corporation. I think I figured my holdings were about 10 percent, so I said I was entitled to one word out of ten, and I was going to save my word until I needed to use it.

I think that is a pretty good rule to remember because you can get along, in a group like that, if you speak in proportion to your right to speak.

Now we set up in our headquarters an Economic Branch. I seem to be talking a lot about Clabaugh, but he was appointed head of that branch. My Adjutant General came to me one day. He was very much concerned about showing an Economic Branch on the chart as a direct offshoot of myself. I wanted to have Clabaugh represent us with the Middle East Supply Center. I said, "I want Clabaugh to keep me lined up with them. I also want to know what they are up to. I want that branch reporting directly to me, just like Public Relations does on the other flank."

Well, Clabaugh did a very wonderful job. I do not think anyone put anything over on us. I think we helped them which, of course, was the primary intention of setting it up that way.

We did not participate any more than the economic aid we were furnishing called for us to do. We got into it to the extent we needed

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and no more. I might say that Casey's idea, when he arrived, was "This is a dual throne. Your place is by my side, and we will run the show together." It did not work out quite that way, although that was his obvious intention.

GENERAL MCKINLEY: You certainly have been very generous in giving us so much of your time. We appreciate your coming back here from industry and giving us this splendid talk. We do want you to come back often.

Thank you very much.

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