

THE ARMY INDUSTRIAL COLLEGE
WASHINGTON, D. C.

GRADUATION EXERCISES

Addresses by

Honorable Harry H. Woodring,
The Assistant Secretary of War

Mr. Bernard M. Baruch,
former Chairman of the War Industries Board

June 23, 1934.

GRADUATION EXERCISES

Colonel McCain:

Mr. Secretary, Distinguished Guests, Class of 1934,
Ladies and Gentlemen:

My remarks this morning are going to be very brief indeed, and well they should be with some really distinguished speakers to follow. As you have no doubt heard - when the eagles are poised it is time for the owls and bats to hunt their holes.

But I cannot let the occasion pass, Mr. Secretary, without acknowledging that a full term as Director of this College is the greatest honor I have ever had conferred upon me. It has been my good fortune to have the support of yourself and of your predecessor. The Supply Arms and Services, whose school primarily this is, have been behind us one hundred percent. The Director of the Planning Branch and all his officers have given freely of their time and effort. As to my own assistants, commissioned, enlisted, and civilian, I never expect to have any better. The Navy's cordial support is manifest in the fact that some twenty-five percent of the faculty and student body are Navy and Marine officers. Due to this participation by the Navy the College might well be called The National Munitions College.

Now, gentlemen of the class, you well know how we of the Staff feel about you but I say it now publicly and with pride. Coming here as you have come, with individual efficiency ratings of Excellent or Superior, and from practically every Arm, Service and Bureau of the Army and Navy, the results have been what it was expected they would be. There has been some hard and constructive work. In a spirit of high intent we have arrived at a common understanding of a common problem. Where there is high intent and mutual understanding there is cooperation; where there is cooperation there is unity; where there is unity there is victory, which is the lifetime concern of every Regular officer.

It has been an honor to have served with you. We trust that in the fortunes or misfortunes of peace or of war our trails shall merge again.

Gentlemen, our immediate chief is here this morning, and I am going to ask him to say a few words to you. By the way, at our last graduating exercises we offered our congratulations on his marriage to a beautiful and charming woman. We now extend those congratulations on the recent arrival of a son. We trust

that the son will follow the footsteps of his father into the patriotic councils of his country's Government. Gentlemen, The Assistant Secretary of War, Honorable Harry H. Woodring.

Mr. Woodring:

Colonel McCain - Members of the Graduating Class - Guests:

As I remarked to you on a previous occasion, this class has been extremely fortunate in having the opportunity to study the problems involved in war procurement and in industrial mobilization during a period in which so many important changes have been taking place in the Nation's economic life and in the relationships of government to industry, labor and agriculture.

From the splendid committee reports and individual studies which you have produced during your school year, I am glad to note that you have taken into consideration evidence of these changes and their probable effects on any future control and coordination of the Nation's economic resources in the prosecution of a major war emergency. You are to be congratulated upon your serious efforts and the logical conclusions arrived at from your research into this vast and complicated field. I feel certain that from these studies we shall find much material with which further to improve and develop our plans.

We are doubly fortunate in having with us today a man who, from the wealth of his experience in solving the problems of industrial mobilization during the stress and strain of the great war, has given to the War Department invaluable assistance in the development of our existing plans. I wish to take this opportunity to thank Mr. Baruch for the time and effort which he has so generously given and also to express our deep appreciation for his kindness in being with us today.

In closing let me congratulate your Director and his Staff and Faculty. To their untiring efforts the College owes its present enviable standing in the Army's educational system. Colonel McCain and Major Quinton leave us this year to take up duties elsewhere. We shall miss them.

I wish for everyone of you Army, Navy, and Marine Corps officers long and continued success and happiness in your chosen professions, and hope that you may look back on your year at the Army Industrial College as one of the most pleasant and most profitable in your careers.

Good Bye and Good Luck.

123
Colonel McCain:

Thank you very much Mr. Secretary.

The principal speaker of the day needs no introduction to this audience, or for that matter, to any in the land. A month or so ago The Assistant Secretary of War sent him a letter asking that he make this address. He replied that he had arranged to sail abroad on June 20th, but added that he was much interested in this phase of the national defense and if he could be given a few days, possibly he could readjust his plans. So surely enough, in a few days he wrote that he would be here, and here he is.

I mention this instance only because it is so characteristic of the man - that is to say, whenever the interests of Mr. Baruch conflict with the interests of the United States, he himself, without hesitation, hands the decision to the United States.

He was born of Colonial stock and reared in the finest traditions of the old South. With this background and a brilliant intellect he went to the nerve center of the business world and in due course sat among the hierarchy of high finance. When we went into the World War that greatest of War Presidents, in his wisdom, selected General Pershing to command our armies in the field. It soon became more evident than ever before that in modern war armies in the field can accomplish little or nothing without the support of the armies of industry. Of these latter the President, again in his wisdom, selected Mr. Baruch for command. What followed is among the bright pages of our history.

I have the honor to present that veteran patriot of South Carolina, New York and the United States - Mr. Bernard M. Baruch.

Mr. Baruch:

Mr. Secretary, Colonel McCain, Distinguished Guests, Members of the Class of 1934, Ladies and Gentlemen:

"Taking the Profit out of War" is a phrase that has become popular but, as is often the case with catch words, so often repeated by those for whom it has no real meaning that it is likely to become meaningless itself.

The profit motive is one, which in my judgment, society is not yet ready to eliminate. But, society is ready, and it does demand the elimination of profiteering and above all the profit

incentive to war. Even under the fiery spell of patriotism; even under the great surge of emotions called into life by war, the factor of gain is still present. I do not preach the millennium. To me the phrase "Taking the Profit out of War" does not mean the entire extirpation of individual profit; it does not mean that we can get along without the spur to action that the hope of profit provides. To do so would be to assert the counsel of perfection so devoutly to be wished. Those engaged in manufacturing operations, which are shifted from private to public business must still be allowed a margin, sharply reduced, between their outgo and their income. However patriotic their impulses may be, the opportunity for personal profit will bind them even more tightly to the wheel of public service.

Having said that in a negative way, it becomes necessary to explain what the formula does mean positively. It means, at least to me, the recapture of all profits, in bulk, made by all industries engaged in war supplies, above a small and reasonable return on the moneys invested. This recapture can be done only through a control of prices, together with increased taxes in war time. While money must be given a wage, or it will not work, the wage must be less than in peace time, and must bear comparison with the sacrifices made by the men in the field. Some of my friends may disagree with the need of wages for capital, but the fact remains that all history shows it to be axiomatic. Indeed, we take an enormously long stride forward, and one that will be attacked bitterly by the conservatives, when we advocate to clamp down on profit-making, and seek to skeletonize it, and eliminate it in war. That is precisely what I advocate, and that is what must be done. It is the first requirement of any approach to social justice. It is a safeguard to subsequent economic security for, by limiting prices and profits during wartime, we can prevent the vast and sometimes unnecessary expansions that played so large a part in bringing about our present post-war confusion.

I want to put a ceiling over prices and profits, above which no prices and profits may go. Thereafter, a tax program must be enacted that will take away, in totality, the spread between the selling prices and the costs, plus a reasonable return. That is what I mean by "Taking the Profit out of War". Then there will be far less profit in war than in peace.

By parallel planning, there must also be a control over all prices, goods, foods, rents, wages, services; in short, of all activities that yield profit. All must be denied the right to indulge in a joy-ride at the expense of the nation. The control of dollars must be made applicable to the entire citizenship, regardless of their classification. War, Napoleon said of Prussia, was that country's most profitable industry. That charge should

never be permitted against our nation. Incidentally, I hold the belief that the last war was profitable to nobody - neither to individuals nor to nations. Where are the war brides of 1914-1918? Gone where the woodbine twineth. They died unmourned and most of them poor. They made apparent profits but none of permanent nature. We should even avoid a first appearance of profit, for war is too horrible a thing to permit any advantage to be gained therefrom.

You gentlemen of the Army Industrial College represent a paradox. You are men of war, seemingly living a quiet, peaceful existence, while your civilian brethren, men of peace in theory, are engaged in a bitter war against the depression. But there is a common ground on which you both stand, for the war they are fighting now, grew out of the war you fought sixteen years ago. The maintenance of peace is perhaps the most difficult job in the world today. At any moment its delicate processes may be shattered and chaos may overwhelm us. The interdependence of the world is something against which no nationalism, no matter how strongly developed, can prevail. In fact, paradoxical though it may be, the stronger the nationalism, the less certain is peace.

While we civilians fight now, you prepare to fight later should the need arise. From you must come the plans, so that the nation may be ready, if necessary, to battle for its very existence.

Your duty is to keep the war-making agency in such close touch with industry that when called upon, it will be able to bring to the defense of the nation all of its resources. You must study and plan so that when the necessity arises, a peaceful nation may instantly become a nation at arms fully equipped.

We all are of the common belief that war ought to be avoided at all hazard, but we must plan that if war comes, we shall meet the enemy with our maximum effectiveness with the least possible injury and violence to our people, and in a manner which shall avoid inflation and waste. Plans to eliminate war profiteering should provide that each man, each business, every thing and every dollar shall bear its just proportion of the burden. These plans should be designed to avoid the prostrating economic and social aftermath of war, and, finally, should be laid with full recognition that modern war is a death grapple between peoples and economic systems, rather than a conflict of armies alone. To that end, we should merit for industrial America something of what Field Marshal Von Hindenburg in his retrospect of the World War had to say of the American effort in 1918 -

"Her brilliant, if pitiless, war industry had entered the service of patriotism and had not failed it. Under the compulsion of military necessity a ruthless autocracy was

at work and rightly, even in the land at the portals of which the Statue of Liberty flashes its blinding light across the seas. They understood war."

Your studies have already shown you that in any major conflict the entire population must cease to be individuals following a self-appointed course and become a vast mechanical unit composed of co-related moving parts all working to the end of directing practically all the national material resources to the single purpose of victory. Modern war requires that the full power of the nation be exerted in the shortest possible time, not only for the purpose of destroying the enemy by material forces, but also by the process of slow and often insidious economic strangulation and political isolation. We must use all the means of transportation, communication and supply which will permit us to bring in our enormous mass of men and material at a given moment at a given spot. Science is creating destructive forces which require, for their use, or for defense against them, the products of practically the whole industry in quantities many times those required for the uses of peace.

I need hardly bring to your attention what must be done by a nation in arms, - the discipline and mobilization of its moral and material forces. Judgment born of experience shows that the moral or spiritual is the greater of the two forces. The destruction of its morale did much to defeat Germany. Ludendorf bitterly complained his military front remained impregnable long after what he called "the home front" had crumbled. Napoleon said: "In war, the moral is to the physical as 3 to 1." Civil morale therefore, is fully as important as military morale. To obtain this civil morale we must see that burdens are shared equally by all.

War on the modern scale we now know has disturbed our normal economic structure so greatly, that irrespective of the side which wins, the aftermath of the struggle prostrates both the conquered and the conqueror. To war's aftermath we must give such thought, and make such plans that we shall not suffer again, what has become as burdensome sixteen years after the war, as at any time during the war. From my experience, I am convinced that it is quite possible now to arrange plans that will make the transition from peace-industry to war-industry without serious disruption, to carry on the industrial activity of war with the least possible harm to civilian morale, to accomplish all in the economic struggle that we shall ever need to accomplish, and lessen the after-effects of major conflict. This is the responsibility of the Industrial War College.

There are sequences that attend every major conflict and I cannot better state this than to quote from previous documents on this subject -

- (1) Shortages of services and things develop rapidly.
- (2) Competitive bidding among the procurement agencies of government and, in the last war at least, other procurement agencies, and for the civil population send all prices into a rapidly ascending spiral.
- (3) Expenses of government multiply. The abnormal need for money requires vast issues of government indebtedness. The inherent threat of destruction of government impairs national credit. The combination of all these things rapidly debases the exchange value of money thereby still further increasing the prices of things. The consequent destruction of buying power in the markets of the world begins almost immediately to impair the economic strength of the nation in the conflict. This sapping of economic strength will, in future wars, be the determining cause of defeat.

This process intensifies as time elapses with the following inevitable results:

- (1) Destruction of domestic morale through a just and bitter resentment by soldiers, their families (and indeed by all persons of fixed income) at the spectacle of grotesquely exaggerated profits and income to those engaged in trade or in services for sale in competitive markets and the constantly increasing burden of bare existence to all those who are not so engaged. This is the greatest source of complaint of "unequal burdens". The present demands for "equalizing burdens" and "Taking the Profit out of War" both go back to this single phenomenon of war inflation. There is no more important problem to solve - whether we consider it purely as a means to maintain the solidarity and morale of our people, or as the basis of our economic strength for war purposes, or to avoid war's aftermath of economic prostration, or on the broader grounds of humanity and even handed justice.
- (2) The inflationary process affords opportunity to individuals and corporations to reap profits so large as to raise the suggestion of complacency if not of actual hospitality toward the idea of war. That any human

being could be persuaded, by prospect of personal gain, however magnificent, to invoke the horrors of modern war is almost unthinkable, nevertheless the certainty that war could never result in the enrichment of any man would give us all security and comfort.

- (3) Inflation enormously increases the cost of war and multiplies burdens on the backs of generations yet to come. The war debt of the nation is necessarily incurred in terms of debased dollar values. In the inevitable post-war deflation the debt of course remains at the inflated figure. Thus the bonds that our government sold in the World War for fifty-cent dollars must be paid through the years by taxes levied in one hundred cent dollars. For example, our total war expenditures was \$39,000,000,000 incurred in terms of 1917, 1918, 1919 and 1920 dollars. In terms of the purchasing power of 1913 dollars it would have been only \$13,000,000,000, or in terms of 1930 dollars probably not more than \$15,000,000,000. Such a grotesque result would be almost unbelievable were the figures not living facts. If anything can be done to avoid this practical doubling of the economic burden of war certainly we should spare no effort to accomplish it. If anything can be done to prevent a collapse of our economic system such as has almost engulfed us, it should be done.

Today we are suffering from the economic, social and moral aftermath of the war. We try to catch up with it, to pay for it, to get rid of it, but after sixteen years, we are just seeing our way out. It is not our purpose to deal with it as it is at present but it is our purpose and your duty, if I may say so, to see that it does not occur again. There is one way to see that it does not occur and that is to control prices so that there will be far, far less profit in time of war than there is in peace time - none at all if that were possible. There is no difficulty about this. You are all familiar with the plans the War Department together with the War Industries Board has perfected, and which are now in the Department's keeping.

This is your task: - to see that the armed forces of the country get what they want when they want it and that each man and each thing and every dollar takes its place in line, guided and marshalled to do its duty. If war comes, let us be prepared with a flexible machine that will enable us to carry on offensively and defensively. But men no longer can be asked to fight - indeed, they will not fight - if others remain at home to profiteer. The greatest legacy of a nation after war is that it has done its best, that it has fought for the right and that each one has taken his place and has borne his burden.

It is from the crucible of our World War mobilization that we have drawn the present War Department plans and the assembling of our economic forces to fight the depression. Indeed, we have all the beginnings of a war effort from an economic standpoint.

It is not generally realized how embattled the world is. While it is true that the primary purpose of the present struggle is not to kill and maim, yet it has for its object the restriction of international commerce with immediate reactions upon the life and happiness of others. Except for the men under arms and fewer factories belching forth munitions, the world is as great an armed camp as it was in the World War. Each government sits behind a bristling fortress equipped with terrible economic weapons of destruction, instead of mere guns. Shells are not fired but peace, which means harmony, is even further away than if blood were shed.

National economies are more highly organized than ever before, and all on the basis of offense or reprisal. They have their tariffs; their quotas of imports and exports, capital limited in its operations; currencies depreciated; exchanges controlled; debts repudiated; agricultural production restricted; business highly organized under governmental sanction; and barriers set up against establishing businesses and opening up enterprises in foreign countries; except in a very limited way. Airplanes and navies are being increased and from some far distant places, we can faintly hear the tramp of increasingly greater masses of men under arms. Surely in these circumstances you must study well the forces at work and be ready if the dreadful day comes to meet it.

It has been said that in the passing of dynasties of kings and princes who could make war, there would be less chance of war. There already is established in the world, governments under dictatorship with powers greater than that possessed by any of the modern princes before the World War. Any of these can declare war overnight and proceed with tyrannical power to achieve world dominance, or meet downfall, without any expression of their peoples through legislatures. There is no doubt that peaceful as may be their intentions and their avowals, either Stalin, Hitler or Mussolini can plunge the world into a war that could not be localized.

There is small comfort to those who view the present embattled economic state of the world. Each nation seems to have its financial, industrial, agricultural and moral forces thoroughly mobilized for the restriction of the others. Yet I feel hopeful that this very situation - a world bristling with economic armaments - will soon bring home to the nations the necessity of

sitting down together again and reestablishing some fair relationships, so that men and women may carry on their lives and bring others into being, each with a decent regard for the rights of all.

That can be done; it must be done, and in that better day this country will hold its place, as it does now, as the chief evangel of peace and its blessings.

In closing, I want to thank you for this opportunity of appearing before you to speak on a subject to which I have given so much thought and time. I repeat: that all should struggle for peace but if war should come, then the fundamental should be that it must be conducted so that there will be no profiteering and that each and every thing and dollar, and each man and woman shall share equally the burdens. Any profit incentive to war must be absolutely destroyed.

Colonel McCain:

We are very grateful to Mr. Baruch for a most able and instructive address.

Presentation of Diplomas by The Assistant Secretary of War.

Colonel McCain:

From Jamestown and Plymouth Rock on down through the years our people, individually and collectively, have, in time of stress, turned to the "God of our Fathers, known of old" So, "lest we forget", we now ask intercession through the voice of our beloved ex-chief of Chaplains, Colonel Julian Yates.

Colonel Yates:

O God our Father, we humbly invoke thy blessing upon those who go out from here today to take their place in the affairs of their country. Imbue them with a spirit of patriotic self sacrifice in all their dealings with their fellow-countrymen- May they be guided by the high ideals enunciated by our Master when he said "Whatsoever ye would that men should do unto you, do ye even so unto them." Help them to carry on faithfully and well all the high obligations entrusted unto them so that at the sunset of their lives they may be conscious of duty nobly done. And may thy kingdom come and thy will be done now and forevermore.

Amen