

War Trade
by
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Colonel Jordan, and Members of the Class -

I hope that this very generous introduction of Colonel Jordan's will not sound to you like an obituary notice. I like to think that I am still active and interested in things, and there is nothing that I am more interested in than the work which you are doing in this Army Industrial College.

My talk today will be, perhaps, disjointed at times because there are quite a number of things that I have in my mind to say; and I think that is entirely justified. A group such as you are already quite familiar, I am sure, with many of the things which I shall say; and what I shall say will perhaps only emphasize what is already in your minds; or, perhaps give some suggestions growing out of my own experience.

We live in a world organized for war. We do not usually state it quite as bluntly as that in the public press and in general lecture courses before the public. Possibly a good many of the public do not quite realize that that is so; but, paradoxical as it may seem, our public leaders talk a great deal about peace but they at least concern themselves at times with preparation for war. The American public, generally, expects its leaders to talk a great

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deal about peace, but when there is a crisis or a situation calling for some problem in international affairs to be considered they expect their leaders to prepare for war. In the modern world we are not quite as cynical, and I suppose we are not quite as honest, as Machiavelli, that philosopher of Florence, who wrote that famous book with his advice to princes. In that book he said that peace is a time when leaders should prepare and plan for war. Some time after that a cynical diplomat in Europe was asked to define peace. He said: "Peace is the interval between two wars." Well, if we are not quite as cynical as that or if the situation with which we are confronted today is not quite as bad as that, at least we are in a sort of nebulous atmosphere which is neither war nor peace, drifting along without any orderly organization of international affairs; and in the time which we call peace now fear and insecurity dominate international relations and deny to people the fruitful prosperity of a genuine peace. Taking the United States particularly, in the detachment in our relative security, the people are inclined to agree that Europe and Asia are organized for war. We like to think of the conditions in those countries as contrasting with the conditions in this country. Well, let's not be too confident that the contrast is anything more than a matter of degrees. Most of the American people have, in the long run, an interest in the orderly settlement of international disputes; but if that orderly procedure, collective security as it is some times called, breaks down, becomes inoperative and ineffective, then the American people become very vitally

interested in the question of armament and in the organization of ourselves to fit into a world that is organized for war.

American public sentiment has assumed, in a good many cases at least, a curiously unreal attitude toward peace, an attitude which recalls the nursery rhyme which says: "Hang your clothes on a hickory limb and don't go near the water". The latest product of that sentiment is our so-called neutrality legislation. It really is not neutrality legislation at all. It is an effort of Congress to define our relation to a world of war. One of your own officers made a suggestion the other day which I thought was very significant: "What would happen if the world were to apply the principles of our neutrality legislation against us in critical periods of our national existence?"

We do not lack in this country a discussion of peace. We have a lot of peace societies; we adopt a lot of peace resolutions, and I do not depreciate their value in the formation of public sentiment and perhaps the direction of public sentiment into what I hope may be more constructive channels as time goes on. Things like the Kellogg Anti-War Pact are very useful if they are something more than sentiment; but if they are just sentiment, if they are not backed up by a little force when force is necessary and when you are dealing with a world that is dealing only in terms of force, they are, of course, quite silly.

In our peace movement in this country the trouble has been that we have not approached it from a constructive point of view. Our peace movement has usually been negative. We have been inclined

to run away from responsibility. It is supported by the "keep us out of war" sentiment. It is grounded in the belief that we can live in peace in a world at war and in the conceit that we are a more peaceful people than others who lack our geographical advantages. Our pacificism is selfish - I am unwilling to do anything for anybody's peace except our own. I suppose there is some justification for that general public attitude at the present time. American people have looked abroad and they have seen collective security break down; they have seen the rise of the fascist states which are based on the philosophy of force; they have seen the democracies, England particularly, begin to rearm; and they are wondering: after all, what is it all about? I think that our own people are turning their thoughts more and more toward the question of rearming and of developing as a vital and effective part. Of course, you men are already doing that, but it is coming into the public sentiment. I think more and more the development of the planning mobilization organization for war is a vital part of America's economic life.

The situation as it has been developing in Europe is, of course, very much in your minds. There is in the general public a lot of misunderstanding about what has been going on. What has been really going on in Europe during the last couple of decades is a process which amounts to the revision of the Treaty of Versailles. There was a treaty which was dictated by force, and I may say that there was no blame for the Treaty of Versailles upon the armed forces of this country. The blame was on the so-called statesmen who were

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organizing the world for peace, and they did a pretty job of it in that treaty. As the German people began to come back more and more into their national consciousness and increase their power, they, of course, looked to an orderly process at first for the readjustment of certain terms of the Treaty of Versailles. There was the question of armament, the question of the adjustment of certain economic problems, the question of the Rhine frontier - problems on which, at least on the theory which was laid down at the time of the Treaty of Versailles, the German people might have had a right to expect some readjustment. But it did not come; and as frustration met those peoples at this point and at that point they turned more and more toward the doctrine of force. The WEIMAR constitution vanished and men like Hitler came into the picture. We have witnessed a progressive decline in Europe in international standards, or a deterioration in international conduct, if you want to call it that. The problem of the organization of the world for peace as contrasted to the organization of the world for war has gradually become less and less real in the minds of statesmen, and we are today faced on the one hand with the elemental rule of force in large areas of the earth's surface and on the other hand by the necessity of our own country to face that fact and organize in order to meet it.

That may seem like a rather long introduction to what I am to talk about today, but it seems to me it is essential because the mobilization plans, our plans for war, have become today a more vital and living part of our national existence than they have been at any

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time that I can recall; and your job, and I wish that I had more of a share in it, has a very vital relation to our national life at the present time. I used to say that the American people were confronted with two alternatives when I was speaking about the peace movements in this country: They were confronted with the necessity of dipping into international affairs to a sufficient extent that their influence would be felt in the interests of the orderly processes of international government, and that would mean taking an active interest in the solution of world problems as they arise in different sore spots anywhere in the world. I still think that we have a national interest in the orderly process of international government. I am not an isolationist. I do not believe that we can live unto ourselves. I think that if the American people would back up a process with certain states looking toward cooperation in international government it would be a very desirable thing. Our life does not stop at our territorial frontiers. Our economic frontiers are out to sea and in foreign countries. We have vital interests over seas just as we have vital interests within our territorial frontiers, but it is rather difficult for the American public to see that we do have vital interests in China, that we do have vital interests in other parts of the Pacific, that we do have vital interests in Europe. Apparently that line of approach has, at least for the time being, become academic. We seem to be confronted now with the practical problem of rearming and organizing ourselves in order to defend American rights and American ideals, if you please, in a world that is organized for war.

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May I just digress there to illustrate what I mean. There is a lot of foolishness today talked about the Philippine Islands. I was talking the other day with a Government official and we were commenting on one of the recent developments in that situation. He said: "It is too bad that Gilbert and Sullivan are not living today. They would have a grand subject to write another opera about." I am not going to go into the details of the Philippine Islands (I expect I am bordering on some very dangerous ground among experts in tactics) but I think there is only one basis on which we should stay in the Philippine Islands. If we do not stay on that basis I think we should get out entirely and put aside a lot of this sentimental stuff that has been costing the American people such an enormous lot of money in connection with staying in the Philippine Islands. That basis is this: that we should say frankly that we were going to keep the Philippine Islands as a military and naval base in the Far East; that we should build in the Philippine Islands a naval base which would equal the British base at Singapore; and maintain that as our line of defense, either independently or in cooperation with the British in case that would be in line with American policy.

Now a word or two about different phases of mobilization. I see I am beginning to talk too long. First, the question of the mobilization for war at home. For about seven years I was a member of the United States Tariff Commission. I was one of the charter members under Dr. Taussig, who was the first chairman. One of the first things that we did was to begin to develop industrial surveys.

You will find in the publications of the Tariff Commission a survey of practically every industry of the United States, developed in an orderly way under a general outline of production and imports, foreign sources, competitive conditions, and other factors which are relevant in tariff legislation. As I was thinking over what I might say to you, I thought I would just call your attention to what the Tariff Commission did as a possible guide or parallel to the work which I am sure you are doing. Of course, your problem is different from what ours was on the Tariff Commission - it is to determine whether or not we have the industrial capacity to meet the needs of war; and it is a question of paralleling the needs with the capacity, but you have got to know what the situation is before you determine what has to be done, in addition to what has already been done. If American industry generally is deficient at any point we ought to take steps at that point to see that it is supplied either through private initiative in industry or through Government cooperation - in case the article which it is necessary to have is not available.

You remember during the World War, particularly after the World War, we heard a great deal about the so-called key industries. We studied them quite a bit in the Tariff Commission. I have one of the volumes of our reports with me; I just picked it up as I came over. It has a report on optical and chemical glass; it has a report on tungsten bearing ores, on manganese ores and the mangacite industry, on zinc ores, on the sulphur industry, on the potash industry, on dyes and related coal tar chemicals. In those days we were quite

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conscious of the so-called key industries. In this period of our history we do not think very much of them, perhaps beyond the limits of your organization here, of the Army and of the Navy, but they are a very vital problem to be considered and we should not wait until the necessity arises to face those in authority with the problem which confronts us.

I shall not say much about the question of the mobilization of shipping, although in the picture that I am trying to paint for you I have to say just a word about it. I think that national defense is the only justification for the use of taxpayers' money for the purpose of developing shipping. I, of course, recognize the value of the establishment of trade routes, and that can come along as a necessary corollary to the program for subsidizing shipping, but the approach to the problem of the development of a merchant marine, from my point of view, is shipping as a part of the program - a problem which you are studying here. The first job, if we are going to use taxpayers' money, is to see that it is used in the development of shipping with reference to the ultimate needs of mobilization and trade routes, and there is a phase of planning in that field which I am sure you are familiar with and that is the cooperation with possible allies in the matter of shipping. You all recall the inter-allied shipping control during the war. Of course, there is no book that is more illuminating in that field than the book of Sir Arthur Salters entitled "Inter-allied Shipping Control". That is a phase of planning which I, of course, assume that you are studying. It has a connection with war trade, because if you can not keep your

ships moving you can not keep your trade moving.

Now a word about the mobilization of trade. The trade agreements program, which is now sponsored by the Secretary of State, has, of course, very important bearing upon the development of our peace-time trade, but it also has some interesting phases connected with war trade. Some of you know that I have been interested in the principles which lie back of the trade agreements program for many many years. I have advocated this program publicly at the present time, have looked upon it as a non-partisan measure, and have urged the Republicans to support it as some of the Democrats are supporting it. As a matter of fact, most of the trouble, I understand, with reference to the trade agreements program is coming from Democrats and not from Republicans; but my ox is not being gored in that particular field. The trade agreements program is based on the principle of protection. All my contacts with the negotiators have recognized the fact that American industry must be maintained and that the negotiations must take place on the basis of margins which exist in present tariff rates and trade facilitated in that way. I will recall to you the fundamental concepts back of the trade agreements program. The first is systematic reciprocity. That was not new in this trade agreements Act of 1934, it was a conception which was developed in the tariff Acts of 1890 and 1897. The second principle in the trade agreements program is the putting of trade agreements into effect without ratification in the case of each particular agreement by Congress. In other words, they are put into

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effect by presidential proclamation, thereby permitting the executive to develop within the framework of the law as laid down by Congress a systematic and orderly commercial policy. The third policy is the unconditional most favored nation principle, which was brought into our treaty structure by Mr. Hughes, now Chief Justice, then Secretary of State. We are, of course, now in the midst of the negotiation of a trade agreement with Great Britain. That has, of course, very great importance from the standpoint of trade but it also has a lot of importance from the standpoint of political relations and possibly military cooperation. I suppose here again I am venturing on a field of tactics and planning in which I am not entitled to opinion, but I have the feeling that any planning with reference to war can go on the assumption of cooperation between the United States and the British Empire. I can not visualize the American and British peoples or the American and British statesmen permitting a war between the American peoples and the British peoples and any planning in that field I would, perhaps, relegate to a secondary place. These investigations which are taking place in connection with the trade agreements program are going to have very great value in case war trade becomes a practical problem. It is extraordinary, the detail which the negotiators are going to in the analysis of American trade at the present time. They are breaking down the classifications in the tariff acts and presenting to us a body of information which is bound to be of very great service to us in facing the practical problem of war trade.

You have made in the Army and the Navy some very illuminating studies with reference to raw materials and the deficiencies in our national life with respect to certain raw materials, and I have just one or two suggestions to make in that connection. I have seen your various classifications of strategic materials and critical materials and have found them very illuminating, but I would like to call your attention to the classification of raw materials which I made in a book I published in 1925 entitled "International Economic Policies". I classified materials in this way: First, energy resources. Those are, of course, coal and oil, in particular. Second, reproducible raw materials - those products such as cotton, jute, hemp, and products of that kind which can be reproduced seasonally without any difficulty. Of course, it does not always solve the geographical problem but it does solve the problem of reproduction. Third, the non-reproducible but partially recoverable raw materials. Iron, for example, is a non-reproducible raw material but it is a recoverable raw material. Scrap iron has become a material of very very great importance in world trade. Fourth, non-reproducible and non-recoverable raw materials - materials like manganese, or other materials which disappear in the process of production and can not be recovered subsequently. It is in that field that some of the most serious problems of supply arise. Finally, the classification of foods. I also have a second classification, which I will read just the headings of. First, those materials of which we have an adequate

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domestic supply and in some cases an exportable surplus. Second, the practical total dependency on an outside supply. Third, raw materials not produced in sufficient amounts to satisfy domestic demands, which must be supplemented by imports from foreign countries. I suggest these classifications to you as possibly a basis for a re-analysis of some of the very interesting tables and studies which you have already made in that field.

On the question of raw materials, let me say just one thing further. In the monthly summary of the "League of Nations" for March 1937, there is a very interesting table on raw materials. It lists in the first column the essential raw materials; then it has a column on the British; another column on France and her colonies; a column on the Netherlands and her colonies; another column on the United States; a column on the Soviet Republics; and finally a column on the remainder of the world. The first thing you notice about that is that there is not a basis in the distribution of raw materials for a separate column for any of the countries which are the so-called unsatisfied, discontented countries at the present time. As you go across this table on each of the essential raw materials you see that the great bulk of the supply lies within the areas which I have enumerated and is not in the possession of those countries which are today disturbing the peace of the world. That, of course, opens a very large subject. It is one of the basic subjects, at least, in the question of world peace today.

The study of the trade agreements is such that I think it

will not be difficult to shift to the negotiation of treaties in war time or treaties for the purpose of preparing for war - transitional period - I mean when we are leading up to a situation which may precipitate this country into war. There are several principles which are practiced now in the negotiation of trade agreements which might very possibly be changed if the conception of the mobilization for war, the relation of the present situation to war trade, were in the minds of the negotiators. We now, for example, give a concession on a product in our trade agreements only in case the country with which we are negotiating is the principal supplier. I think it might be possible and very practical, as we are going on into this world organized for war, to change in certain cases that emphasis and negotiate on particular items not so much with reference to whether the country is the principal supplier at the present time but whether it would become the principal supplier in case a war situation developed. That conception would apply in particular to South America. I am not familiar with the details of war plans, but I assume we are moving into a period of a double Navy to protect the Pacific Coast and the Atlantic Coast, and I can not conceive of a war situation of that kind which would not include Central America and South America in the picture more than would be included some more remote areas of the earth. So our trade agreements with Latin American countries might very properly emphasize another principle than that of simply giving concessions in the case of the country being a principal supplier. In other words, develop a regional aspect of our trade agreement policy

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in connection with South America. Of course, that has a broader aspect, the psychological aspect, that is back of the idea that if you develop closer economic relations you tend to cement more and more the political relations and develop a regional area which might cooperate in case of a world crisis.

I want to leave some time for questions, if the class disagrees with some of the things I have said, and I hope they do, but in conclusion I want to say a word about procedure. I would like to see the work which you are doing here fitted a little bit more vitally into our national thought and national organization. I know that you are in touch with the Industrial Conference Board, which is a splendid group of industrialists who are doing, I think we may say, the most constructive thinking for industry today that is being done. If you are in touch with them you are getting some very vital information right along the line in which you are interested, but I would like to make two suggestions, at least for the purpose of criticism and discussion: The first is that there be established an interdepartmental committee on industry and trade mobilization in case of war. I presume there are interdepartmental committees already. Perhaps there is one exactly along the line which I have in mind, but if so I do not know of it. I know there is an interdepartmental committee on commercial policy which is very active at the present time in the formation of our commercial policy. All important questions of policy connected with the trade agreements program go up to that committee. Dr. _____, of the State Department, is chairman. It has on it representatives of all the

departments that are interested in the trade agreements program. There is an interdepartmental committee on the Philippines, an interdepartmental committee on radio; and I think there are quite a number of other committees which are coordinating the activities of the Federal government in the respective fields. There is not any field at the present time that requires, demands, coordination as much as these problems of the mobilization of our economic forces for war, and it would be a clearing house for views; it would be the center for pooling of information; it would begin to coordinate the point of view which you have with the facts and the thinking which is going on in these other departments; it would help, for example, carry out this idea of reorienting our trade agreements program a little more in the direction of mobilization for war and make the transition much easier in case it becomes necessary to turn our vast national life in the direction of actual fighting.

The second thought that I have in mind is in connection with the so-called Business Advisory Council. You no doubt know what the Business Advisory Council is. It was organized under the Commerce Department. It is not, strictly speaking, a Government organization. It is an enormous committee of leading business men who gather once a month, some times oftener, at the Commerce Department to discuss national business problems. It has a series of sub-committees: a committee on foreign trade, a committee on aviation, a committee on shipping, etc.; and it is made up of the leading industrialists of the United States. That Business Advisory Council should have a

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committee on the subject with which you are dealing, and through that committee it should have direct contact with you and you should find that a means of moving out into the industrial field for the solution of a good many of these problems which we are discussing here this morning.

Colonel Jordan, I think that is all I will say for the moment. We will see whether there are any questions or discussions.

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Colonel Jordan: Major Sadler, I would like to hear from you about the first proposition that Dr. Gilbertson advanced. I know you can tell the class something on that and I would like the Doctor to hear what you have to say.

Major Sadler: Which proposition do you mean?

Colonel Jordan: The one for an interdepartmental committee in which the War and Navy Departments should be represented in planning for mobilization.

Major Sadler: Not speaking for the Planning Branch, of which I am a small part, but for myself I will say that that question of interdepartmental cooperation in planning is one of the most important steps, I think, we have to take in the future. I have heard Dr. Gilbertson speak before of the Advisory Council, and I know the advantages of an organization of that Council so far as planning is

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concerned. I only bring one small thing as a point that illustrates why it has not been utilized. In the first place, a good many of these problems are confidential and, as the class knows and as Dr. Gilbertson knows, the war trade problem is confidential. The present controversy over the trade agreements program threatens at times to involve national defense. In other words, every agency that is affected by trade agreement programs appeals for intervention on the part of the War and Navy Departments, particularly if they have been interested in assisting plans for national defense. I might mention that this is all confidential. I will mention the shoe industry in connection with the Czechoslovakian agreement. The facilities of the Army-Navy Munitions Board and the Planning Branch are very small and this one subject is a big one in itself. Its surface can not be scratched as far as the actual operation is concerned. Up to date it has been the conception that if we can make a fair organizational setup and a fair procedural setup that we will have to leave the detail until the emergency appears imminent. There are advisers, though, within the Government departments. We get in touch with the Foreign and Domestic Department and the Trade Agreements Department of the State Department. I think it is a major step in planning, when and if it appears.

Colonel Jordan: I wanted you to hear what Major Sadler had to say, because I knew he was interested in it, and I wanted you to know we were not overlooking your suggestion, sir.

Colonel Best: I would like to ask the Doctor about the trade agreements. You spoke of building up our merchant marine at the

same time. Is there any provision in the trade agreements for a certain amount of goods to be carried by our merchant marine? Do we have to ship our goods in our own ships?

A. There is not such a provision. Do you mean a provision that a certain percentage of our trade shall be carried in American ships?

Colonel Best: Yes sir.

A. No, there is not. I suspect there is that kind of a provision in ships that come to our shores. I wanted to say on that point that the trade agreement negotiators are at the present time, and they have become only recently, very conscious of the relation between concessions made in the trade agreements and the shipping problem. Some of these big foreign shipping concerns have been suspected of absorbing any advantages which arose out of concessions made in the trade agreements and nullifying the concession immediately by the increase in rates. In fact, I think there is a general investigation now ordered by the Maritime Commission with reference to that very problem in the Pacific Northwest, and the State Department has brought on to its staff Mr. _____, who is a shipping expert, and the State Department is watching very carefully the relationship between the operation of shipping lines, shipping rates, and the development of the trade agreements program. I think that is a very good sign of coordination there.

Q. Doctor, you made a statement, and I made a note at the time you made it, on which perhaps I am not clear. You stated in effect

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that it might be advisable to take steps to fit our demand and our desires and needs and wants with the national thought. I presume you had reference to any program of procuring strategic materials, for example; that we might do something about that now. It seems to me that everything we do is a matter of timing. No later than last night one of our distinguished senators took a very decided blast at some of our proposed war legislation. Do you think the time is propitious, let us say, to start talking about strategic materials, etc., so far as public thought is concerned?

A. I think it is inevitable that any discussion of war mobilization or a war program will run into the emotional peace societies and organizations, and I have a feeling myself that we have not presented the case for war, to be perfectly blunt, sufficiently frankly and fully to the American public. I have a feeling that if they saw the problem in its economic aspects, for example, that we would get a pretty substantial support for it. Perhaps I may be wrong about that, but at least we ought to try to approach the thinking people of the country with the facts that you have here - the editors, the big business men, the people in our colleges - so that they will understand what the problem is, whether they disagree with it or whether they do not. They do not have today the fact basis which would enable them to pass an intelligent judgment on the war needs of this country. The reason I started out the way I did was because I do not think we have ever been in a situation in this country before where the vital interests of this country vis a vis a world organized for war were as

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great as they are now. Of course, we seem to be going into a "rearm" period, but alongside of the actual development of armaments there is this question of economic organization and planning, which I think is just as vital as the other.

Q. At the moment, Doctor, I am engaged in studying trade associations. In line with your suggestion that we fit our planning into national consciousness to a greater extent, it occurs to me that we might utilize these trade associations more than we do, perhaps, in this planning and bring this pressure to bear throughout the highways and byways of the country. We have some two thousand active trade associations, and that might be one medium through which we can create this thought. I wonder what you think about that?

A. I think those are the kind of people it would be well to deal with. They have their meetings - annual meetings of the big trade associations. You could discuss this problem with reference to their particular industry. I would rather like to see a talk on this subject at the United States Chamber of Commerce this year when the business men gather from all over the country. That is the first week in May. I should think we might approach Mr. Davis, the President of the United States Chamber, and say: "Here is a subject that has become really vital. Why don't you put this on your program?" I do not know whether he would do it or not but we might try it.

Colonel Jordan: He will, sir. He is a friend of the College and the Planning Branch and he wants to do his share. I do not think there is any question of it.

Q. You spoke, sir, about neutrality and our trade relation with the British. There has been quite a change of thought in the last few months relative to our future relationship with Britain. Would you recommend that we have an alliance with the British?

A. I think a formal alliance between the American peoples and the British peoples would probably at this time create an unfavorable reaction, but I do not see any reason why there should not be an understanding with reference to certain contingencies in case of war. I have a strong suspicion that there are such understandings.

Major McPike: In regard to this understanding with the British, does not the cash and carry provision of the Neutrality Act, inasmuch as it puts our goods at the disposal of the nation that controls the sea, amount to a tacit alliance with the British? In other words, we are a silent partner.

A. There is not any doubt but what the Central European countries charged that at the time the Act was put through. I am sure that the peace societies which boosted the neutrality legislation did not intend it that way; but, of course, it does favor the country that controls the sea.

Q. What effect, if any, has the so-called Neutrality Act had on our national peace-time economy up to this time, and what effect is it likely to have over a period of years if it remains on the statute books?

A. Thus far it has affected only one country actively. That country is Spain, and our trade with Spain is very limited.

There seems to be a disposition on the part of those in power at the present time to just let the Neutrality Act die. Of course, it affects the movement of arms, but you are thinking more of the broader aspects of trade, I suppose, and I really do not consider the Neutrality Act as of very much importance today, and certainly not in case of war - it would go out the window immediately and new legislation would take its place. But they have not been willing in the seat of the mighty to issue any proclamation with reference to the situation in the Far East, and that would seem to indicate that the Neutrality Act might be on its way to becoming a deadletter. I am only guessing at that, but that is the way it looks to me. I do not think it has affected trade to amount to anything at all up to the present time, as our trade with Spain is extremely limited and I understand that even there a certain amount is allowed to go through without looking too closely as to whether it violates the proclamation or not.

Q. What, in your opinion, will be the effect of our refusal to buy silver in Mexico upon our goodwill built up with South American countries?

A. That Mexican situation is a very complex one. I know only what was in the newspapers about it. The cynic would probably say that it is the product of a good neighbor policy which was not reciprocal, and if you can not have a reciprocity in good neighborliness you better not have it at all. I need not say that I agree with that idea very thoroughly. I think there is some indication that the Government is going to exert some pressure to salvage something for

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the oil companies in the Mexico situation. I am afraid it is only salvaging, because they have allowed the situation to go too far. I might argue just a little personally and say something about the handling of problems of that kind. I am really not criticizing the Government because I do not know enough about what has been going on in Mexico, but when I was Ambassador in Chile we had a lot of situations which were just as serious as that situation which is going on in Mexico. We had a billion dollars of American capital invested in copper, in nitrate, in the electrical power plant and in the telephone there; and then we went into that period of revolution in Chile where the whole economic and political and social structure of the country went to pieces. I had to deal with that situation, and my policy was from the very beginning not to wait for instructions from Washington because they are rather slow in arriving but to try to deal with each situation as it came up, before it became a political issue in the country. We dealt with several serious problems connected with the copper and the nitrate situation, and with the electric bond and shares interest there - anticipating the crisis; going to the public officials, the press and others, and talking about the fundamental relationship between the two countries; and in a good many cases I was able to head off crises before they got into the public sentiment of the country. When a case like the oil situation in Mexico becomes a political issue, one class for it and another class against it, the cry against the foreigner and imperialism, the exploitation by the colossus of the North and all that sort of stuff that they hand out

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in their political campaigns down there, just makes it impossible for anybody who wants to hold a political job in that country to oppose it. That is the reason why I am afraid we are confronted only with the salvaging process which may save something for the oil companies. Concerning applying pressure, such as you suggest, in stopping the purchase of silver, the reduction of the price of silver is going to have repercussions on other classes of people in Mexico and it may even make the situation worse than it is at the present time. While I am speaking of that, may I mention one other phase of that sort of problem. The action of Mexico immediately had its repercussions all down the coast and in other countries in Latin America. I heard of a situation in another country, which followed almost immediately upon the action of Mexico, in which they took the attitude: "Well, we are going to take part of the profits of your company", (It was an American company) "and if you do not like it what are you going to do about it? They did it in Mexico and we are going to do it here." Our whole so-called good neighbor policy is to some extent at stake at the present time. American investors and American business men are concerned not only with what is going on in Mexico but with the repercussion of that whole situation throughout Latin America.

Commander Dunham: With respect to strategic materials and our ability to get them, particularly with reference to the attempt being made to put in some stocks of strategic materials, manganese, for example, any move which we make to put in a stock of good manganese from South America or some other place immediately results in the local

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interests which have poor grades of ores trying to forestall the importation of good ore in order that they may develop their own. Would you care to say anything about the method which we might take to forestall any such action?

A. You can not tell me anything about that problem. Right after the war we had the domestic manganese interests riding us for high tariff duties, and apparently even with the duties they have they have not been very successful in developing their supplies. Of course, I feel that what little supplies we have should be kept in the ground as a reserve until such time as we may have to have them under the pressure of extremely high prices, but I do not know in a democracy any way to deal with the situation of which you speak. Some how or other the smaller the minority the bigger noise it can make, and certainly it is amazing the noise that the manganese lobby here in Washington has made. On the question of the storing of minerals, I have had the thought, that I suppose some of the rest of you have had, that we might take some of that gold out of the hole in the ground and put in some useful minerals in its place and keep them there for emergency. I do not know whether manganese keeps in storage or not, do you know?

A. Yes sir.

Dr. Culbertson: I think the idea of having a minimum storage of the essential raw materials which we have to import from abroad is a very good one. Of course, we have manganese mines in Cuba, do we

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not? - so we probably would not have a serious problem in getting a supply there. One way to deal with situations of interest seeking high protection for a deficiency raw material is to give the consumer of that raw material some support. The great steel industry consumes manganese. It is one of its essential materials and it should be encouraged in its program to render secure the supply of that raw material, not only in peace time but in war, and I presume that the steel industry has given a good bit of thought to that very subject. You know that better than I, perhaps.

Q. Dr. Gilbertson, in considering your remarks, it appears even more clearly perhaps than any of us have realized before that there are four departments, which by reason of their functions in peace or in war, are particularly concerned in general international trade and in war trade in particular: Departments of State, War, Navy, and Commerce. Unfortunately, we are, as you also expressed, very largely controlled in this country by sentimentality. The State Department, of course, governs our foreign relations, at least in peace. That is merely as a background for the question I have in mind to ask you. Captain Mahoney's remark about timing has some application here. Do you think, sir, that it would be appropriate to start any action for concerted effort on the parts of those four departments: State, War, Navy, and Commerce, to analyze, to veto action along war trade that would promote our national defense? If you think that would not be appropriate, then would you care to state any means whereby we

might obtain some concerted action that would reconcile, if any reconciliation is necessary, the viewpoints of these same four departments?

A. My answer to your question is frankly yes, I think there ought to be a definite coordination of the interests of the various departments with reference to your problem. I think we have had too much hypocrisy in this country about war and peace. I think that we are all scared to death to talk about the real, vital problem. The public men get up and make these sentimental talks about peace, which are quite all right. No one could charge me with not being interested in peace organization. I have written about it and talked about it and worked for it, but I think we have come to a time when we do not need to start out with a brass band and a procession of trumpets and announce that we are planning for war, but I do think that the responsible people in our Government, the responsible business men of the country, the responsible thinkers of the country should become more conscious of what the war problem is. It is not a question merely of getting ready to fight, it is a question of adjusting the situation which will be created by a war, if it is precipitated upon us, to the whole national structure. One of the reasons why we have been suffering so much in these post-war years is because there was not an adequate plan with reference to the tremendous upheaval which comes to the economic life as a result of war and the readjustment of that situation to the subsequent period of peace which follows. I intended to say something, Colonel Jordan, about the mobilization of finance. Look at what has

happened with reference to finance since the World War - the mess of the inter-allied debts, the mess about reparations, the depreciation of currency, the complete disorganization of the international exchanges and the international finance of the world. Of course, we can not avoid all of the difficulties which follow upon a great world crisis, world war, but by planning ahead and making people conscious of what the problem is we could do something to minimize the results which would follow. So again I say I think that we ought to urge people to put aside some of their hypocrisy about this subject and talk it out in meeting.

Captain Mel: I think I might be able to say a little bit about the manganese ore, which has been discussed. We have a small appropriation in the Navy, initial appropriation, for critical and strategic materials. We have bought certain quantities of tin and other metals. We recently advertised for manganese ore. There was a good deal of doubt as to whether it would keep indefinitely of the grade which is used commercially by the various steel companies; and also the fact that they insist that there should be a blending of ore, that ore from one country would not make good ferro-manganese. As a result of that, we rejected all bids and recently advertised for ferro-manganese of the commercial grade of about eighty per cent. We did receive two bids from American concerns who agreed to furnish ferro-manganese from American ore quantities, which were not very big, only fourteen thousand tons, but they agreed to deliver in one hundred twenty days. They all feel that if they could ever get a start in the production of ferro-manganese

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and the sales of domestic steel companies that they would not have any difficulty. The ore is low grade, has to be beneficiated, and there has not been any particular call for it because in the first place the steel companies prefer to use the foreign manganese ore, which is refined by one or two concerns. But it looks now, for the benefit of the "buy American" act, which off the record is about twenty-five per cent differential, as if we were going to buy all our ferro-manganese from American sources.

Colonel Jordan: Doctor, I want to express the appreciation of the College for your coming down here, being with us, and delivering such a fine lecture, sir. Thank you many times.