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INFORMATION SERVICE
FOR OFFICERS
FOREWORD

Information Service for Officers was established by the Chief of Naval Personnel in 1948. It contains lectures and articles of professional interest to officers of the naval service.

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PRESENT AND FUTURE NATIONAL OBJECTIVES

An Address delivered by
Bernard M. Baruch
at the Naval War College
March 31, 1950

Admiral Beary has asked me to talk to you on the subject of strategy. I certainly am not equipped to discuss strategy as it relates to specific weapons or to the role of the different services or even to the military importance of the atomic bomb. Since World War One, however, I have studied the inter-relationships of war and peace and some of my thoughts in this regard may interest you.

A little more than a year ago, one member of the Senate Armed Services Committee came to me in great agitation. He had heard that a defense budget of $30 billions was being prepared and he was frightened at what it would do to our economy. He asked my advice as to what policy should be followed in the matter of defense expenditures for the cold war.

My reply was that we had to avoid panicky over-spending. Instead we had to learn to pace ourselves in relation to the Russians and the threat of war. We dared not over-spend on armaments to where our social, political and economic system might be wrecked—that would suit the enemy as much as to defeat us militarily. Yet we dared not maintain so feeble a defense establishment as to invite aggression, as it did in Hitler’s time.

With each year of added cold war attrition, this concept of “pacing ourselves” becomes more vital—and also more difficult to carry out. The longer the cold war drags, the more essential it...
becomes to husband our resources, yet the greater grows the danger that the cold war may erupt into a hot, shooting war. In the past few years, while the whole world has been digging itself out from under the destruction and exhaustion of the last war, no potential aggressor has had the material means for waging another war. But what will happen when the potential aggressor has recovered his strength and there still is no peace?

Now by “pacing ourselves” I do not mean that we should undertake to match Soviet armament, plane by plane, tank by tank, man for man. On that I am completely in accord with General Omar Bradley. However, I do feel that we must vigilantly watch the over-all degree of Soviet mobilization for war and that we dare not permit too great a variance with our own mobilization—or we risk war.

By “pacing ourselves” I also mean that we must preserve a flexible attitude towards our problems of defense and not freeze rigidly on too narrow a strategy. For example, I would not think it wise to base our defense exclusively on our ability to retaliate against the enemy’s cities and industries. To prevent aggression, it is true that we must be able to retaliate instantly and that the enemy should know we can do it. Still, I am not sure that the “next war”—May it never come—will begin with flagrant open attack upon this country. It seems to me quite likely that the test may come in the more subtle form of civil war—probably in Germany. In event of such a civil war, the situation might be such that it would be unwise to retaliate against the enemy directly and yet we would not dare stand by impotent.

In short, I believe our defensive strategy must not only anticipate the danger of another all-out war, but that of civil war as well.
As a matter of fact, it might be said this state of civil war already exists, that that is what the cold war really is, neither peace nor total war, but a succession of civil conflicts, more or less violent, wherever the Soviets can foment such strife. In Western Europe we have managed to achieve a sufficient degree of stability to prevent open civil war. In Greece, after a bloody and costly struggle, the civil war appears to have been decided in the favor of the democracies. In China we have suffered a truly serious defeat.

That defeat has stirred a good deal of public discussion of whether we are losing the cold war. Certainly there is sufficient reason to feel that what has been done so far is inadequate.

A few weeks ago, the Secretary of State called for “total diplomacy”. Undoubtedly that is what is needed. Undoubtedly that is not what we have.

Although the cold war is now dragging into its sixth year and despite the enormous resources we have expended, we still have not faced up to what the total peace-waging requires. We still stagger from crisis to crisis, with the initiative left to the enemy. We still treat each country as a separate problem, instead of as part of a unified global strategy.

For several years, now, I have been pressing, both publicly and privately, for this over-all global strategy, which would do for the peacemaking what our global strategy did during the recent war. To devise this global strategy I have urged that a central “think body” be created, to survey the whole of the cold war, re-examining our policy and advising the President.

Recently my good friend Senator Vandenberg proposed a somewhat similar group. I am afraid, though, that the re-evaluation of American policy he proposes would not go far enough—his letter talks only of political and economic policy. Then, I do
not believe that a special committee, which would study the problems of ECA, report and then disband, is enough. What is needed is a non-partisan group which will stay on the job until the cold war is won, a group which would sit in continuous deliberation on the whole of the peace-waging, serving as a central point of decision, weighing all the many commitments pressed upon us, guiding the best disposition of our strained resources, determining where in the world we are to fight a more holding action and where we can achieve a decisive break-through—and at what effort.

In short, what is needed is a General Staff for Peace.

To cite only one instance of the sort of decisions now going by default—take Indo China. For tranquility to be restored to that Asian outpost the civil war now raging there will have to be brought to a victorious conclusion. Where are the French to obtain the necessary military supplies? It has been suggested that the French government use the materiel now being allocated to it under the Military Aid Program. But the aim of that Military Aid Program was to strengthen Western Europe against possible Soviet aggression. Are we then to weaken Western Europe for some half-hearted and possibly ineffective action in the Orient?

Sooner or later we must expect a showdown over Germany—since Germany cannot be expected to remain divided indefinitely. Are we pacing ourselves so that we will be ready for that showdown when it comes? Or will it find us as unprepared as we now seem to be to deal with conditions in the Far East?

Are we to continue to spread ourselves too thin, unable to achieve decision anywhere? Hasn't the time come for the expenditure of sufficient resources to force a decision somewhere?

If our diplomacy is to be truly “total”, we must mobilize not only public opinion but the necessary economic, military and
political resources, applying those resources on the basis of an overall global strategy. That is not now being done. I doubt that it will be done unless some central peacemaking agency is created.

I began urging the formation of such a GHQ for Peace even before the last war ended. In memoranda to President Roosevelt I pointed out that America's greatest power in the peacemaking would lie in the fact that we would emerge from the war with our enormous productive power untouched by devastation. No country in the world would be able to raise its living standards without American help. Our problem would be how to bring this great productive power to bear upon the peacemaking as decisively as we had done in the warmaking.

I proposed to President Roosevelt that an Advisory Peace Council be created consisting of the secretaries of State, War, Navy, Treasury, the Director of War Mobilization and Reconversion, the Foreign Economic Administrator and Harry Hopkins. This body was to consider all peace questions, formulating their recommendations for policy, which were to go to the President for his final decision. This Council was also to have a small staff of its own under the direction of a Counsellor who enjoyed the complete personal confidence of the President.

Roosevelt liked the idea and said he would put it into effect. He told me he would name James F. Byrnes as its chairman and Judge Samuel Rosenman, as the Counsellor. Judge Rosenman was then in Europe and the President put off establishing the Council until Rosenman should return. Shortly after that, President Roosevelt sent me to London to discuss some matters with Winston Churchill and while there I told Judge Rosenman about the President's plan. A few days later we received the tragic news that the President had died.
When I returned from London, I repeated the suggestion for this peace council to President Truman and he said he would create the body. But the idea got shunted off.

Possibly the reason was the creation of the National Security Council, which, I was told, was modelled upon the earlier suggestion of an Advisory Peace Council to the President. Unfortunately if that is what the Security Council was intended to be, it hasn’t worked out that way. The members of the Security Council are over-worked; its membership needs broadening; its functioning must be reorganized to come to grips with the problems of achieving a decision in the peacemaking, instead of avoiding decision as has happened too often in the past.

A revitalized Security Council could do the job but it would have to be brought under the direction of a man of the stature of General Marshall, and enlarged with men who have no other business but this. To win the cold war, there must be one group which does nothing but think, work, plan—live and breathe—the cold war.

The first task of this revitalized Security Council might well be to re-examine the whole situation to determine what would be required to win the cold war and to plan a step-by-step strategy for taking the initiative in gaining peace. Were that done, by the sort of body I envision, I believe its recommendations would command the support of the public and Congress.

Without such a central peacemaking agency "total diplomacy" will remain a mere phrase.

If the American people are told what must be done, honestly and frankly, they will see the peace through. On the other hand, if the tactics adopted are to lure them into ever deeper involvement, bit by bit, without ever facing up to what the total peacemaking requires, then there will always be doubt of their willingness to drift down a road which has no end.
While this General Staff for Peace is our first need, it is not our only need. For such a body to function effectively, it must have the best possible intelligence. How are we to pace ourselves in relation to the Russians unless we know what they are up to?

It is not easy to figure the Russians out. Still, I am not prepared to accept the viewpoint of Russia as an unfathomable enigma behind an impenetrable iron curtain. Certain factors about the Soviet Government should make it quite predictable.

As Dictators, the Soviet leaders can act without consulting their people and are therefore capable of unleashing surprises. But the Soviet Union is also a planned economy. Everything that happens in Russia is supposed to measure up to a Five Year Plan, which, in turn, is broken down into yearly plans. The Plan doesn't always work out in practice. Still it must reflect the judgments, decisions—and motives—of the Soviet leaders.

The Kremlin's calculations as to when war is likely—twenty, ten, five, two years from now, or even sooner—must be embodied in Soviet planning, in how critically short materials are divided between immediate military needs and the expansion of Soviet industry, in the rate of purchases abroad of materials the Soviets lack at home and so on.

Russia, being a dictatorship, none of these things can happen accidentally. Each action must reflect some decision taken in the Kremlin. Each action reflects some calculated risk which the Soviet government is taking. By putting together all of the bits and pieces, we should have an adequate basis for judging Russia's intentions as to war or peace.

Studying the Soviet economy in this way should also give us some means of checking the extravagant reports current as to Russia's military strength. One day these reports picture the Soviet
Union building a gigantic air force; then it is a terrific fleet of submarines; then it is tanks, and ground forces; then it is a navy. But Russia can hardly be a great land power, a great naval power, a great air power, a great atomic power, all at the same time. We know how difficult and expensive it is for this country to maintain our defense establishment and Russia has infinitely less resources at her command than we do.

In the course of “pacing ourselves” we are always likely to lag somewhat behind the Soviets in terms of readied military strength. In itself this is not necessarily alarming since our enormous potential for war also serves as a deterrent against aggression. If overt Soviet aggression has been prevented these last few years, it has not been solely because of our possession of the atomic bomb. The Soviet leaders have also been mindful of the fact that at the peak of the last war the United States produced nearly as many airplanes, tanks, guns and other war materiel as the rest of the world combined.

We can be sure that the Soviet leaders have not forgotten that fact. But we can also be sure that the Soviet leaders have not forgotten that it took us nearly two and a half years to convert our gigantic productive energies from peace to war.

This time gap in our mobilization is our gravest source of peril. It is the weakness around which any enemy must base its war plans. No nation in the world will attack a mobilized America. The only strategy any enemy can have is to attempt to overwhelm us during that “too little and too late” period while our military power is still “on order.”

That is the reason why I have never ceased urging the prompt enactment of a stand-by mobilization plan, which would insure the swiftest possible marshalling of all our resources in case
of attack. A ready-to-go mobilization plan should be put into law now, to go into instant operation upon joint proclamation by Congress and the President. To wait until war has begun and bombs are actually falling before we begin to legislate is to invite disaster.

Nor is anything to be gained by delay. What needs to be done is as well known today as it ever will be. The question is not what should be done, but whether we will do what we know must be done, or wait until disaster is upon us.

Included in this stand-by mobilization law should be:

An impartial selective service law, with a work-or-fight clause.

A readied civilian defense.

The elimination of profiteering.

The power to shut down less essential production to give military needs priority.

Rationing of scarce essentials.

Much higher taxes.

A ceiling on all prices, rents, wages and other costs to prevent the inflation which could wreck any mobilization.

These laws would not specify the quantities of weapons to be produced—that must be kept secret and be constantly revised. Their objective would be to organize the nation so that if war came, no time would be lost in meeting any military demands. May I also emphasize that the whole program is needed, not merely parts of it. Under political temptation, some may seek to leave prices uncontrolled, or to soften other mobilization measures here and there. That was done in the last war, at what a terrible cost not alone in inflation but in lengthening the war and with it the slaughtering and the maiming!
To sum up there seem to me to be four major essentials of a successful cold war strategy:

1. A military establishment which includes not only an immediate available striking force of sufficient power to insure prompt retaliation and deter aggression, but one flexible enough to deal with possible civil war abroad.

2. A ready-to-go mobilization plan which will insure the swiftest mobilization of all our resources—men, money and materials—in case we or our allies are attacked.

3. An effective intelligence agency to provide the information needed to pace ourselves in relation to the Soviets and the threat of war.

4. A general staff for peace, to re-evaluate the whole of the peacewaging and to formulate a global strategy which will achieve a decision for peace.

One final thought, which I always like to leave with a group such as yours. In the past, the American people tended to deny the realities of power and to think that peace could be preserved by mere moral pronouncements, by “outlawing” war and so on. Today, there is general realization that peace is impossible unless supported by military strength. Still, although aware of this fact, many Americans are uneasy about it. They would like to forget their dependence on military power, and so there is much grumbling about the so-called “militarization of American life” and of the “military running the country”.

Don’t let this grumbling disturb you. Yours is the right to be proud of your profession. You have brought imperishable glory to America. More important, you have never failed this country in your role as the guardian and protector of our liberties.
What makes a police state is not the existence of the police but the absence of law behind the police. What makes a military state is not the existence of the military but that the military constitute themselves the state. The American soldier—and by that I mean you naval men as well as the members of the other services—has never attempted to be a law unto himself. I resent any attempt to force you into a second-class citizenship. I, for one, want to acknowledge the great debt we all owe you.

I will close with a quotation from “England’s Answer” by Rudyard Kipling.

“Go to your work and be strong, halting not in your ways,
Baulking the end half-won for an instant dole of praise.
Stand to your work and be wise—certain of sword and pen,
Who are neither children nor Gods, but men in a world of men!”
CURRENT INTERNATIONAL LAW PROBLEMS

A lecture delivered by
Rear Admiral George L. Russell, U. S. N.
at the Naval War College
on April 11, 1950

It is a distinct pleasure for me to have the opportunity of addressing members of the Naval War College this morning. Some months ago I received the invitation from Admiral Beary, who suggested that an appropriate topic would be “Recent Decisions in International Law”. In the time which is allotted to me I will do well to do more than hit some of the high spots.

I am aware of the fact that the Naval War College conducts a correspondence course in International Law. I plead guilty to not having taken it myself, but it is my belief that those who have been fortunate enough to have had the course will be more likely to get the right answers should they find themselves in a position where it will fall to them to apply the principles of International Law to a given situation. To the extent that the correspondence courses and that portion of the curriculum at the College may be supplemented by up-to-date decisions, I propose to discuss a few of the cases that have come to me for opinion during the last couple of years. In addition, I shall take the liberty of expanding the subject matter to cover not only recent decisions but also recent international activities which have a bearing on it.

International Law is probably most unsatisfactory to those of us who have a leaning towards such exact subjects as mathematics. For that matter, all law is an inexact subject. International Law is particularly baffling to those who must rely on a written set of rules and regulations. The fact remains that the

Rear Admiral Russell is Judge Advocate General of the Navy, a position he has held since 1948. From 1945-1948, he was Assistant Judge Advocate General.
field is very broad indeed and that some phases of it have been reduced to such rules and regulations. The frustrating part of that is that it seems at times that there are no teeth in those rules, no way to enforce them, and that therefore they are of little or no effect. This is not entirely true. We have, of course, seen numerous examples of nations which paid no attention to the solemn obligations of a treaty, and as of today, Soviet Russia and her satellites appear to ignore, among other things, the provisions of that branch of international law regarding prisoners of war.

Notwithstanding the difficulties of establishing and administering a body of rules for international conduct, some 49 nations were represented at a conference at Stockholm, Sweden, to formulate new rules regarding the treatment of Prisoners of War and civilians during times of war. Soviet Russia was invited to the Stockholm conference but declined to participate. When a subsequent conference was held at Geneva last summer, however, Russia appeared and made the fiftieth nation to take part in the proceedings, thereby indicating that Russia is not so insensitive to world opinion as we have every right to deduce from the activities of the Kremlin. The Geneva Conference resulted in the adoption of four treaties based on the drafts drawn up at Stockholm. These treaties were:

1. For the Amelioration of the Condition of the Wounded and Sick of Armed Forces in the Field.
2. Amelioration of the Condition of Wounded, Sick and Shipwrecked Members of armed forces at Sea.
3. Treatment of Prisoners of War.

The United States signed all four treaties. However, these treaties have not yet received the advice and consent of the Senate.
As you know, a milestone of international law was passed in 1949 upon the ratification of the North Atlantic Treaty. The basic purpose of the treaty is to maintain peace and security. It is a collective measure within the framework of the U. N. Charter to safeguard the inherent right of self-defense in the event of an armed attack upon any of the signatories of the treaty. Twelve nations signed the treaty. The new obligations undertaken by the United States in the treaty are:

1. To maintain and develop, separately and jointly and by means of continuous and effective self-help and mutual aid, the individual and collective capacity of the parties to resist armed attack (Art. 3)

2. To consult whenever in the opinion of any of the parties, the territorial integrity, political independence, or security of any of them is threatened. (Art. 4)

3. To consider an armed attack upon any of the parties in the North Atlantic Area an attack against them all (Art. 5), and

4. In the event of such an attack, to take forthwith, individually and in concert with the other parties, such action as the United States deems necessary, including the use of armed force, to restore and maintain the security of the North Atlantic Area (Art. 5).

The treaty expressly provides that all of its provisions must be carried out in accordance with the respective constitutional processes of the parties, which means that our Congress still retains its power to declare war. However, the plenary power of the President to make use of armed forces is likewise retained. The provision of the United Nations Charter, wherever applicable, control every activity undertaken under the treaty.
Of more direct interest to you in this connection is the description of the North Atlantic Area. The word “area” is intended to cover the general region, rather than merely the North Atlantic Ocean in a narrow sense, and includes the western part of the Mediterranean as well as the North Sea and most of the Gulf of Mexico. The term North Atlantic Area is general in description, and this choice of words appears to have been deliberate. From our standpoint such general language appears preferable. I say this because it would seem inconsistent with the spirit of the treaty to provide that Article 5 would come into operation in the event of an attack, for example, upon ships or aircraft at a given point but not if the attack occurred a few miles away. If there should be any doubt as to whether or not an armed attack has taken place within the area specified in the treaty, each party would decide for itself, in the light of the facts surrounding the particular situation and the significance of the attack.

Time does not permit further discussion of this important treaty of which I have discussed but a few of the high points. As I indicated before, Article 3 of the Treaty embodies the principle of “continuous and effective self-help and mutual aid,” which is the principle that forms the basis of the European recovery program. It was felt by the Congress that the implementation of this principle would not only help to deter aggression, but would go far, in the event all the efforts of the parties for peace should fail, to assure the successful defense of the United States and the collective strength essential for victory. And indeed shortly after the coming into force of the North Atlantic Treaty, Congress passed the Mutual Defense Assistance Act of 1949. Briefly, this Act authorizes the President to furnish military assistance to nations who are parties to the North Atlantic Treaty and who have requested such assistance. The Act further requires that the assistance must be furnished in furtherance of the common defense of the North At-
lantic area and to further the development of unified defense plans in order to realize unified direction and effort.

In addition, military assistance is authorized to be furnished to Iran, Korea, and the Philippines. The law further permits assistance to be furnished without payment except as may be provided in agreements concluded with nations to whom assistance is furnished. Assistance may take the form of procurement from any source and transfer of any equipment, materials, or services. No materials however, may be transferred out of military stocks, if the Secretary of Defense, after consultation with the Joint Chiefs of Staff, determines that such transfer would be detrimental to the national security. The President is directed to enter into agreements with nations receiving aid. Such agreements must contain provisions (a) that the use of the assistance will be in furtherance of the purposes of the Act; (b) that the recipient nation will not transfer the equipment or materials, information, or services received without the President's consent; (c) for the security of any article, service or information furnished; and (d) that the recipient nation will furnish reciprocal aid to the United States or other nations consistent with the United Nations Charter to further the purposes of the Act.

The President must terminate assistance when (a) the recipient nation requests it be terminated, (b) if the President determines it would be inconsistent with the United States national interest or security of the United States or the purposes of the Act, or (c) if the President finds that the continuation of assistance would be inconsistent with any United States obligation under the United Nations Charter, or if the General Assembly of the United Nations finds continuance undesirable, or it may be terminated by Congress.

Among other things, the Act allows personnel of the armed
services to be detailed to non-combatant duty abroad, or to any agency, for the purposes of the Act. In carrying out the purposes of the Act, the Secretary of Defense has designated a Director of the Office of Military Assistance in his own office and has designated a U. S. Military Representative for Military Assistance in Europe. The Secretary of Defense has established two basic guiding principles in this program. First, that Military Assistance activities will be accounted for separately from other activities of the Department of Defense, and second, except for the specific relationships established for overseas operations, by the agreements between the Department of Defense and the Department of State, all dealings with other Departments in this program will be to and through the office of the Secretary of Defense.

I can say that as of today the program is developing rapidly and many officers from the three services have been detailed to Europe to assist the program.

Of the many problems of international character handled by my office, the problems of jurisdiction are the most frequent. Due to the sending of thousands of our forces to foreign countries, the problem of jurisdiction is bound to be a recurring one. I will discuss the problem of civil jurisdiction as distinguished from criminal jurisdiction first. As you know, we naturally prefer to maintain exclusive jurisdiction over our forces abroad, but exclusive jurisdiction in civil proceedings is a right that is very hard for us to claim on the basis of international precedent. Criminal jurisdiction has a logical basis in the assertion that if it is exercised by the sovereign of the territories visited, it might interfere with the personal freedom of the visiting sovereign's forces. This is not inherent in civil jurisdiction and therefore, although we claim it, we are on much poorer ground. The fundamental basis why foreign countries have been loathe to yield their nationals' rights to bring suit in
civil proceedings against our people has been that where damage is
done with intent or by negligence, the people who have had dam-
age done to their property should have some recourse.

We recognized this finally by our Foreign Claims Act of 2
January 1942, as amended (31 U. S. C. 224d), with which all of you
should be familiar, because it may give you a way out in some such
case. Under this Act where the loss of or damage or destruction
to public or private property is caused by or incident to non-com-
batt activities of military and naval personnel, it may be adjudicated.

The Congress contemplated the settlement of two types of
claims under the provision of the Foreign Claims Act, namely, (1)
claims based on acts or omissions involving a lack of reasonable
care on the part of United States military personnel involved; and
(2) claims arising out of authorized activities of United States
forces which are peculiarly military activities having little parallel
in civilian pursuits.

The Foreign Claims Act affords a ready means of promptly
settling claims of inhabitants of foreign countries, grounded on
damage to their persons or property which is caused by Army, Navy,
or Marine Corps forces. It is a statute which can be of great as-
sistance to commanding officers of occupation or visiting units in
friendly foreign countries. The speedy, on the spot, settlement of
such claims, if within the purview of the Foreign Claims Act,
will do much to improve relations during and after the occupation
or visit.

An example of what may happen when the Foreign Claims
Act is not invoked is a case which arose in Lisbon where a couple of
our sailors from a destroyer during a “good will” visit of an
American naval squadron took a private automobile without the
consent of the owner. While operating the car on a “joyride” they
collided with another privately owned automobile. They were arrested and later turned over to their commanding officer on the promise that the resulting damages would be made good. The commanding officer effected a settlement of the claims with the assistance of the Naval Attache by paying the claims out of the ship's welfare and recreation fund. When the claim for reimbursement of the ship's fund finally drifted into the Navy Department for payment under the Foreign Claims Act, we had to inform the Naval Attache that he, as well as any commanding officer had authority to convene a foreign claims commission and that it was his duty to do so in order that meritorious claims might be promptly settled and friendly relations engendered thereby. In order to give wide dissemination to the existence and purpose of the Act, this case was reported in the Advance Copy of Court Martial Order No. 18 of 25 August 1948.

We have paid a variety of foreign claims under the authority granted by this Act. A brief summary of some of the claims paid will help you to visualize the wide range of the provisions of the Act. For instance, the claim for destruction by fire of a Chinese godown while occupied by units of the Marine Corps was paid even though the cause of the fire was undetermined. Injuries received as the result of unprovoked assaults and as a result of negligent operation of motor vehicles form the basis for payment in a large number of cases. The visits of our task forces to Australia seem to generate what we call "the Case of the Missing Cameras." The camera is checked by an Australian visitor as he boards one of our men-of-war and cannot be located when he is ready to depart. Such cases could be processed at once by a commission convened by the commanding officer.

The Foreign Claims Act is available not only to the Army, but also through the Unification Act to the Air Force. The Army
and the Air Force, however, administer the Act through standing foreign claims commissions appointed by the Army and Air Force commanders in the field. Since the Navy moves around frequently, this procedure cannot be followed, but a foreign claims commission must be appointed by a commanding officer in the area where the injury occurs or in the locality where the claim is presented, depending upon the expediencies of the situations. Since unification, the three services are attempting, with marked success, a coordination of policy in the handling and treatment of this class of claims.

The point I wish to stress is that since Congress has provided a simple and efficient machinery for the prompt settlement of claims of this type, every effort should be made by the service concerned to employ the Foreign Claims Act whenever applicable in order to contribute to the promotion and maintenance of friendly relations in foreign countries. The prompt and proper employment of the Act will increase the prestige of the nation, the branch of the service and particular unit involved.

Turning now to the matter of criminal jurisdiction over our forces abroad, I can say that it is a very legal and technical problem. Nevertheless I discuss it with you here because it is a question which will arise in the career of almost every officer and particularly, in command or staff functions. You will have questions of legal jurisdiction to decide, and some background for them is necessary. These jurisdictional questions are a natural result of two principles of international law that very clearly conflict. The first principle is the theory of sovereignty which gives to a state exclusive jurisdiction over all persons within its boundary. The second principle is the rule that a state has exclusive jurisdiction over its armed forces. During the course of World War II we had stationed large contingents of our armed forces in foreign countries and it should be quite clear to all of you what a clash automatically occurs between these two principles in any such
case as that. The theories have been attempted to be reconciled by the general rule of international law that a sovereign, in permitting armed forces of another sovereign to come into its territory, thereby automatically waived jurisdiction and granted jurisdiction to the visiting sovereign over its own forces.

This view was set forth for the purpose of international law and for the purpose of American law in the well known case of Schooner Exchange v. McFadden. That case is a landmark of the law and is a fine example of Chief Justice Marshall’s leadership in that particular field. Although the Schooner Exchange case involved a French warship which was libeled in the port of Philadelphia, the basis for the various questions of jurisdiction and the American view on the subject came from a remark he made in the course of his opinion to the effect that “a case in which the sovereign is understood to cede a portion of his territorial jurisdiction is where he allows the troops of a foreign prince to pass through his domain.” That case became the precedent for a good many other cases, which I could cite to you for several minutes at least.

The British wouldn’t go along with that view. It is interesting to note that one of the reasons undoubtedly has been that in most cases we haven’t had visiting forces. We have had our forces visiting and for that reason we have always insisted that jurisdiction should lie with us. Whereas, in the case of the British, they are much more likely visited and therefore they have attempted to cut down some of the jurisdiction of the visiting sovereign who in the past war particularly, has been the United States.

The British, before the last war, held that jurisdiction only extended in the quarters that were assigned to the visiting forces, for example, where we had a base. Within that base we could exercise exclusive jurisdiction over our people. Outside the base, if
they got into trouble, they were subject to the British civil and criminal law. Finally, in order to minimize difficulties between Great Britain and the United States during the past war, Great Britain agreed without prejudice to yield to the American view. They did that by a statute known as the United States of America Visiting Forces Act, passed by Parliament on 27 July 1942, which denied all jurisdiction to British Courts to try members of the United States armed forces. This question is still a live issue and some of you may very rapidly come in contact with it. A memorandum of the Secretary of State of the United States, dated February 5th, 1946, in reply to an Aide Memoire (which is a diplomatic letter) from the British Embassy, points out the clear conflict between the British and the American theories of jurisdiction and amends the American view (and this, I might add, is something which is important as stating our present position), in that, “Pending further experience, this government did not object to the exercise by British courts of jurisdiction of civil proceedings involving members of the armed forces of the United States provided no attempt was made to exercise any control over their persons and provided further that judgment was not rendered against them when they were prevented by official duties from defending the action”. About two years ago the British government raised the question of repealing the Visiting Forces Act on the grounds that there were not enough United States armed forces personnel in England to warrant retention of the Act. Due, however, to the recent increase in military personnel, particularly Air Force personnel, in England, the Secretary of Defense strongly urged the retention of the Act, and no doubt in these critical days, no further attempt will be made to repeal it.

The question of jurisdiction is sharply pointed up in the British colonies where leased bases are located. As you know, we obtained 99 year leases to establish bases in certain British colonies
in return for the transfer of 50 destroyers to the British several months prior to our entry into World War II. All questions of jurisdiction were supposed to be settled by Article IV of the Leased Bases Agreement which provides for American jurisdiction in the first instance over military offenses committed by members of our forces either within or without the leased areas. It provides for American jurisdiction in the first instance of offenses committed by British nationals where the offense is committed and the offender apprehended within the leased area, and American jurisdiction in the first instance in the case of nationals of other countries where the offense is committed in the leased area regardless of where the offender is apprehended.

Three points should be noted with regard to cases pertaining to jurisdictional questions as a matter of practical policy for the officer in the field: (1) The first one is the Military Establishment's policy of adherence to the American doctrine of extraterritoriality for our forces unless modified by agreement with the nation concerned, and, only in such case in strict adherence to the terms of the modifying agreement. (2) The second point is that where proper authority exists, the implementation of existing international instruments by working arrangements with local authorities, may be approved as long as you don't fly in the face of international rules and policies of the Military Establishment. It makes for smooth working out of local affairs. (3) The third point is the necessity that, in a case of any implementation, the Department concerned be kept fully advised in the matter, particularly if the questions are, as they are apt to be, eventually referred to them.

Now with regard to jurisdiction in other countries. Our military jurisdiction within base areas, our own bases or our own ships, has been universally conceded as long as we are in the area or on the ships. The main problem always involves jurisdiction over non-military criminal offenses committed outside of our bases
and ships. This is especially true where there is damage done to nationals of a foreign country, either physical injury or property damage. Negotiations to meet these various problems are constantly being conducted.

Following the Confederation of Newfoundland and Canada on March 31, 1949, the Canadian Government requested changes in the Leased Base Agreement with Newfoundland with respect to its taxation, customs exemptions, postal services, and jurisdiction provisions. Negotiations are still proceeding on the requested revisions. Of primary interest are the negotiations pertaining to the jurisdiction provision of the Leased Base Agreement with Newfoundland. In the view of the Canadian Government this provision was undesirable because it gave to U. S. courts jurisdiction over Canadian citizens and did not adequately protect the position of Canadian civil courts. Our position has been that while the provision does give U. S. service courts some jurisdiction over British or Canadian nationals, it requires that the trial of such persons must be before a United States civil court sitting in the leased area. Since we have never maintained such courts within any of the leased areas and since there is no present intention of maintaining such courts, the result is that no Canadian nationals have been tried, nor is there any likelihood that any would be.

Another point of difference is that the Agreement was thought to deal with civil as well as with criminal jurisdiction and the Canadian Government had the impression that our service personnel had immunity from the civil jurisdiction of the Territory. Our position is that the provision deals exclusively with criminal jurisdiction. The Canadian Government also requested revision of the jurisdiction provision of the Agreement because it conferred exclusive jurisdiction upon U. S. authorities in some respects. Our position is that from the words “The United States shall have the absolute right in the first instance” to take jurisdiction does not
preclude the local courts from exercising jurisdiction subsequently in certain specified types of offenses. All of which is to say that our Government takes the position that all jurisdiction is concurrent, although in certain indicated cases the United States has the right to exercise jurisdiction in the first instance. We can all watch with interest the final result of these negotiations.

We now have exclusive criminal jurisdiction over naval and military personnel in Brazil, and in Uruguay, recognized by the Supreme Courts of the particular countries involved. In Egypt and with the China Nationalist regime, we have similar exclusive jurisdiction by agreements which have been reached through diplomatic channels. With some countries, we have agreements like the one with Denmark for the defense of Greenland by which we exercise exclusive jurisdiction over any acts by personnel, that are concerned directly with the defense of the bases there.

The problem is somewhat different in the Philippines. The Philippine Islands were given their independence on July 4, 1946, and the Republic of the Philippines is now, as you know, an independent nation. The Philippines present no exception to the adolescent experience of all states in that, when first embarking upon an independent career, they experienced severe growing pains and their national passions ran high. Shortly after the Philippines achieved their independence, a military bases agreement was negotiated with the Philippine Government. The Military Bases Agreement of March 14, 1947 grants to the United States the right to retain the use of certain bases listed in the agreement for a period of 99 years. Some of these bases, such as the naval reservations at Subic Bay and Sangley Point, were reserved to the United States by an executive order of the President issued sometime before World War II, and the Navy Department has consistently maintained that title thereto was never relinquished to the Philippine Government by
the Treaty of General Relations of July 4, 1946. While some of the provisions of the Philippine Military Bases Agreement of March 14, 1947 are somewhat similar to those of the United Kingdom Leased Bases Agreement of March 27, 1941, the jurisdiction articles thereof differ in many respects. Under Article XIII of the Military Bases Agreement, the Philippine Government yielded to the United States jurisdiction over three classes of offenses: (a) those committed by any person within the base, except where the offender and offended parties are both Philippine citizens not members of the United States Armed Forces on active duty, or the offense is against the security of the Philippines and the offender is a Philippine citizen; (b) those committed outside the bases by a member of the United States Armed Forces and the offended party is also a member of the armed forces; and, (c) those committed outside the bases by a member of the United States Armed Forces against the security of the United States. The Philippine Government, however, reserved jurisdiction over all other offenses committed outside of the bases by any member of the United States Armed Forces.

Another problem which is active in the field of international law has to do with maritime jurisdiction and territorial waters. As you know, the United States has always asserted the “freedom of the seas” proposition, and has adhered to the three-mile limit as the maximum extent of territorial waters. However, other nations have in recent months sought to extend the limits of their territorial waters. For instance, Yugoslavia claims a six mile limit, Costa Rica extended its protection and control over a zone extending 200 nautical miles from the continental coasts including off-shore islands, and the Russians have asserted a 12 mile limit. During the war the United States by Executive Order created defensive sea areas, which extended more than three miles from shore, but these were never challenged, since it was considered legal to create such areas for our national security. And we have
been very careful to reiterate the general rule of international law that the defensive sea areas in no way had the effect of extending sovereignty over our territorial waters beyond the three mile limit.

Two or three years ago a diplomatic incident occurred between the United States and Russia involving international law and the Navy Department, which serves to illustrate one of the many problems of territorial waters. The Russians complained that their territorial waters had been violated by Navy planes in the Alaskan sector. You may recall from your history that when Alaska was purchased from Russia in 1867, a dividing line was drawn on the chart in the seas between Russia and Alaska. It was the intent of the treaty-makers that all land to the eastward of this line should belong to the United States, and to the westward to Russia. An official protest was received from the Soviet government that a Navy plane had circled the Soviet ship TEMP in a position which they claimed plotted to the westward of this line and was therefore a violation of their territorial waters. The position, when plotted from information received from our aviators, turned out to be slightly to the eastward of the line and the Department of State submitted to the Navy Department a proposed reply to the Soviet government which stated that fact without more. The Navy Department took the position, however, that our retort should not be based on this premise, but rather on the fact that even the position given by the Soviet government was well outside the limit of territorial waters of the Soviet Union as recognized by established rules of international law. Accordingly, the official reply pointed out that since the position of the Soviet ship was 35 miles to the northeast of Cape Wellen it was upon the high seas and thus not subject to restriction. It was our fear that the Soviet government might construe the first dispatch to mean that we acknowledged that they had sovereignty
over all waters to the westward of this imaginary line of demarcation. The fact that the Soviet government had, in 1926, issued a decree that they intended to exercise sovereignty over all land areas in a sector to the northward of the Soviet Union and extending to the north pole influenced our decision. This Government has never recognized the sector theory of sovereignty of polar areas either in the Arctic or the Antarctic.

The latest territorial waters problem has given us considerable trouble in the Far East. On June 25, 1949, the Chinese Nationalist Government proclaimed a “port closure” of certain Chinese ports including Shanghai. The United States and Great Britain refused to recognize the port closure on the grounds that it was illegal since the Nationalists were trying to close ports over which they had no effective control. However, the presence of Nationalist war vessels in the Yangtze Estuary demonstrated that it was able to effectively control the egress and ingress of vessels operating in the Communist held port of Shanghai. Apparently our own State Department people reasoned that to recognize the port closure would be tantamount to recognizing a “blockade”, although there is a distinct difference. In any event, if our nation had recognized it as a blockade, it would have meant recognition of a belligerent status, with the attending rights of belligerency on both the Red Government and the Nationalist Government—something that our country is not yet ready to accord. Following our Government’s protest to the Nationalist Government, the Department of State issued a notice to American shipping lines that to enter Shanghai or certain other Chinese ports would be at their own risk. All American shipping lines, except one, refrained from entering Shanghai. The one line who refused to accede to the admonition of the State Department was the Isbrandtsen Company. That particular company, as you read in the papers, continued to send its
ships up the Yangtze Estuary. Eventually, some of these ships were intercepted and fired upon. Meanwhile the Isbrandtsen Company flooded the State Department and Navy Department with telegrams and letters demanding naval protection to their vessels. They argued that since the Government refused to recognize the port closure, they were within their rights in taking their ships into Shanghai. Moreover, they insisted that in accordance with Navy Regulations, the Navy had the mandatory duty of furnishing protection to their vessels. The Navy regulations specifically invoked are the following:

Article 0620, which reads as follows:

“So far as lies within his power, acting in conformity with international law and treaty obligations, the senior officer present shall protect all commercial vessels and aircraft of the United States in their lawful occupation, and shall advance the commercial interests of this country.”

Article 0614 provides that:

“1. The use of force by United States naval personnel against a friendly foreign state, or against anyone within the territories thereof, is illegal.

2. The right of self-preservation, however, is a right which belongs to states as well as to individuals, and in the case of states it includes the protection of the state, its honor, and its possessions, and the lives and property of its citizens against arbitrary violence, actual or impending, whereby the state or its citizens may suffer irreparable injury. The conditions calling for the application of the right of self-preservation cannot be defined beforehand, but must be left to the sound judgment of responsible officers, who are to perform their duties in this respect with all possible care and forebearance. In no case shall force be exercised in time of peace otherwise than as an application of the
right of self-preservation as above defined. It must be used only as a last resort, and then only to the extent which is absolutely necessary to accomplish the end required. It can never be exercised with a view to inflicting punishment for acts already committed.

3. Whenever, in the application of the above-mentioned principles, it shall become necessary to land an armed force in a foreign territory on occasions of political disturbance where the local authorities are unable to give adequate protection to life and property, the assent of such authorities, or of some one of them, shall first be obtained, if it can be done without prejudice to the interests involved."

The Isbrandtsen Company, not satisfied with the replies obtained from the Secretary of the Navy, carried its campaign to the press, and bought several full-page ads in the New York Times and Washington Post insisting that a mandatory duty lay upon the Navy to protect its vessels in that situation. This was followed by a letter to the President accusing Admiral Berkey and the 7th Fleet of lapping up all the whiskey in Manila instead of performing their duties to the Isbrandtsen ships, and demanded the punishment of the Secretary of the Navy and the officers responsible by General Court Martial. Finally, it appeared that some of the attacks on the Isbrandtsen ships took place on the high seas, and Admiral Berkey then set up a patrol and drew an arbitrary line westward of which our vessels would not offer protection. This line was well outside of Chinese territorial waters, and was not meant to be definitive of Chinese territorial waters, but simply for patrol purposes. Since the establishment of the patrol there have been no further incidents, probably because Isbrandtsen has elected to unload its cargoes at Tsingtao and Taku Bar rather than at Shanghai.

The Navy position, while never publicly expressed, has simply
been that the duty to protect the lawful commerce of the United States is a discretionary and not a mandatory duty as insisted upon by the Isbrandtsen Company. This position is clear from the language of the Regulations wherein the words "the conditions calling for the application of the right of self-preservation ... must be left to the sound judgment of responsible officers ..." I could go at length into the merits and demerits of the Isbrandtsen position, our own position and that of the Chinese Nationalist Government. However, time does not permit. But I do want to get over to you the point of discretionary duty as distinguished from mandatory duty, which is a practical distinction which everyone of you should understand.

Another current problem pertaining to maritime jurisdiction is that of the submarines of a certain foreign power which persist in hovering off our coasts. In dealing with the problem it has been necessary to invoke certain principles of international law. Hovering foreign submarines are generally considered to be possible threats to our national security. We do not question the right of innocent passage of foreign submarines through our territorial waters. It is our position, however, that if a foreign submarine comes within our territorial sea, she must navigate on the surface and comply with our domestic regulations of navigation. Our requirement in this respect is supported by international law. Among other places, the expression of the principle may be found in the final Act of the Hague Codification Conference of 1930. It appears that where a foreign submarine hovers off our coasts, submerged or surfaced, international law recognizes this as a possible hostile threat to our security. Furthermore, international law recognizes the inherent right of self-defense of a nation whose security is threatened, which means that under the great doctrine of "reasonableness" a nation may take reasonable measures to protect its security and right of privacy. A noted authority has stated:
"Justification of such defensive measures of prevention . . . rests generally upon the casual connection between acts sought to be thwarted and injury otherwise to be anticipated from them by the aggrieved State within its territory. As that connection may be found to exist at varying distances from the outer limits of territorial waters, the freedom of such a State is not on principle dependent upon the precise location of the spot where an offender may be apprehended, or upon the possession of the State of a special right of control over that spot." (Hyde, Int'l. Law, Vol. I, P. 460)

This is to say that whether the submarine is within or without our territorial waters and there is reasonable belief that its actions constitute a threat to our security, we can take reasonable measures, including force, to repel that threat.

It is with hope and uncertainty that we are able to view the influence which international law may have on the conduct of war in the future. It was hoped through the war crimes trials that future wars of aggression would cease; it was hoped that prisoners of war in the wars of the future would receive more humane treatment by their captors. Today, we have Russia who has yet to repatriate all of the many prisoners of war she captured during World War II. It is known that many of the prisoners she still holds are suffering privations and are being used in slave labor battalions. We have seen in the past few years how Russia has taken over one nation after another. This has been most discouraging, particularly since the Russians have participated in the war crimes program themselves, and have condemned those acts which they continue to commit themselves. However, there is a bright ray of hope—as yet there is no shooting war, and the Russians are sensitive to world opinion. For that reason you find them using the United Nations as a forum to justify their position and acts before the
world. As mentioned before, the Russians refused to participate in the Stockholm Prisoner of War Conference. However, they finally signed the Geneva Convention of 1949 when the chips were down. The standards set in these Conventions cannot help but have an improved effect on the treatment of Prisoners of War in the future. Strategic planners of all nations will most certainly take account of these facts. The one great fear I have is the world wide efforts of Russia to install communist regimes in all countries. It is foreseeable that with continued success they might in time control a majority of the votes in the United Nations and thus try to cloak their infamy with the aegis of legal authority. However remote, it is still a possibility unless we keep militarily strong, and assist the peace loving democracies back to economic stability.

Our lease base agreements with the United Kingdom still have 90 years to run before they expire. In the event of a future war these bases will become bastions of defense for this country. The international law that governs their use is found in treaty, the so-called lease base agreements.

In the event of another war, the former Japanese mandated islands of the Pacific, which are now being administered by the Trusteeship Agreement with the United Nations, having already been declared strategic areas, will be used as military and naval bases, subject to the rules set forth in the Trusteeship Agreement.

It is my own belief that international law has made rapid progress in its development during the past few years. Certainly, as of today this nation and the world stands in a far better position, insofar as international law is concerned, in the event of future war than it did in 1939. We now have on the public record certain standards of treatment of prisoners of war and civilians universally approved from the humanitarian standpoint. We have a United
Nations which is struggling to perpetuate peace, but which in the event of war, can exercise a strong moral force that will go far to restrain irresponsible conduct in the waging of a war. Lastly, we have the International Court of Justice, which if properly implemented, may one day be able to enforce standards of conduct which humanity insists must be maintained in the conduct of war.
ECONOMIC ELEMENTS OF U. S. WAR POTENTIAL

A lecture delivered by
Dr. Bertrand Fox
at the Naval War College
October 6, 1949

My topic this morning is "Economic Elements of the U. S. War Potential." As you can imagine, it is a tremendous topic and I am going to have to skim fairly lightly and rapidly over many phases of it. I will talk in fairly general terms and hope that various specific details can be brought out later in the question period. I want to deal with the topic in three major headings and, if there is time, to add one additional topic.

My first of the three headings is "The determinants of maximum overall production potential." The first point I want to make is to dispose of money. In peacetime, the magnitude of what is produced in the aggregate, and for any particular segment of the economy the maximum of a given thing that can be produced, depends upon money demand. Therefore, we think of money as being of tremendous importance to the volume of production. In wartime, however, if the country is solidly behind you, there is no problem of appropriations such as you have in peacetime. There is no problem that is really difficult relative to raising the money to buy what has to be produced. The government will provide the demand with money that can come either through taxes, borrowing, or if necessary, various other inflationary means.

Money itself is not a limiting factor in war production—that is something that can be disposed of fairly easily. We do use money, however, as a general measure, and I will keep referring today to a particular magnitude that we call gross national product,

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which is the sum total in value terms of all the goods and services produced in this country. That is the measure we use of the total level of production. It is measured in terms of money because you cannot add tanks, ships, and yards of cloth. We have to have a common denominator, and for this we use money. But as far as I am concerned and from the point of view of this presentation, we can dispose of money.

The real determinants of production come down to the basic and physical factors of production, and I want to deal with each very rapidly. First, the human factor—labor. Out of any given population, the labor force actually is a small fraction—less than half. Out of our population today of approximately one hundred forty to one hundred forty-five million people, our labor force is somewhere around sixty to sixty-five million people. Now the magnitude of the labor force depends on the composition of the population. Russia with a much larger population has a smaller labor force. They are in a stage of a rapidly growing population. We are in a stage of greater stability of population. The greater the stability of the population, the less rapid is the growth, hence the larger is the proportion which is in the working age group. So you have to consider not only the population, but also its age distribution and its composition. Our labor force today is somewhere around sixty-two to sixty-five million people.

The second element we have to think of is the degree of employment of that labor force. We hear all kinds of talk of “full employment”. The term “full employment” is really “high level employment”. If we ever reached a point of full employment, our whole system would be completely rigid with no mobility or flexibility. Full employment really implies: “With a sixty million labor force—somewhere around one to two million unemployed.” They were the float. That’s the group that provides the flexibility
to shift from job to job as the production of certain things is stepped up and other things are curtailed.

In war time, at the peak of employment during World War II, we got down to a figure of about eight hundred thousand unemployed. At that stage our whole system was tight and rigid. The problem of staffing various munitions lines which were on the upswing, of transferring workers from the lines where production was to decline to those where we needed more workers was a terribly difficult job with that degree of unemployment. Ordinarily we need somewhat more than that to provide the flexibility required in a changing production pattern.

The third element is the amount of time workers are employed. Here, I think, today the average work week, taking days off and things of that kind, is somewhere around 35 hours a week. I think the standard forty-hour week now has gone by the boards somewhat. With that length work week, again we have more flexibility for expansion, because the stepping-up of the work week is easier. If we are already working a 48 or 54 hour week, the possibility of flexibility to step it up is much more limited. In the last war we had an average increase in hours per worker of up to 25 to 35 per cent, because we had that flexibility. There is not that same flexibility in nations which are already working the much longer work week.

In addition to those broad elements in the labor force, we have to think of a special problem in wartime, because probably the most able and the most vigorous of the labor force is drained into the military service. Also in wartime, the need for particular kinds of skill is much greater. The shift is to hard goods production and out of soft goods. The need for mechanical skills is much greater. But again, those same skills are needed in the armed forces, and the problem in wartime to get those particular
skills—to get them in the places where they are needed—is extremely difficult. The training problem in wartime—the training of the type of workers which are needed for the particular production line, is one of the most difficult of the mobilization problem.

In addition we must consider a particular kind of labor group—the supervisory skills. In our mass production type industry, the supervisors play a very important role. Again they are the same type who make good non-coms and good officers. They are taken rapidly, and the upgrading that goes on to get the required supervisory personnel in production, raises very difficult problems. We could go on to many other aspects of that, but I have to skim lightly.

The second major factor is natural resources. And again I want to mention two specifically—agricultural land is the first. In a war period, the need for food is considerably greater for the same group of people eating than it is in peacetime. Believe it or not, the military consumption of food per capita is considerably greater than civilian consumption per capita. In wartime the shift in production is to hard goods production. With more vigorous work, the need of food per person is greater. Again, almost inevitably, you have an inflationary pressure during the war. People have more money to spend. They want more food. For example, back in 1939 there were about 47 per cent of the families in the United States whose annual income was one thousand dollars per year or less. During the war this average income almost doubled. I assure you there is considerable room for an expansion of diet when you start with a family earning a thousand dollars a year. Hence the need for agricultural land, because of the greater pressure on agricultural land during a war period, is very great, and the food problem in war is of very great importance.

Second, a general group of things you have heard much about already—materials. Most of the talk of materials before the
last war, and still to a considerable extent today, is in terms of a group which we call strategic or critical materials. To my mind they are infinitely less important than another group. No nation can be a strong industrial nation and a strong war power without what I think of as basic materials—steel, copper, aluminum, rubber, the chemical industry, oil (natural or synthetic), and power. These are the key materials—the key resources, as far as the war economy is concerned, and to my mind considerably more attention should be given to the readiness of these material industries in peace time as a possible preparation for war than to give almost exclusive concern to the strategic and critical list where stock-piling is the temporary solution.

The third major factor is productive equipment—industrial plant and machinery. In this country we have a larger volume of machinery and equipment per worker than in any other country in the world, and it accounts for our very great productivity per man. Our productivity is about twice that of the highest European country. During the war, in comparison with Russia, we had about three to four times the productivity per man, and about five to six times the productivity per man as compared to Japan. That is largely accounted for by the machinery and equipment which each man has to use, and also by the skills with which the men are co-ordinated and the production process is integrated. Production equipment of all kinds is a very key element, but there is one in particular that I want to emphasize. That is the machine tool industry, which makes the machines which produce the goods we want. We have the largest and most highly efficient machine tool industry in the world. If we are going to have the possibility of shifting production lines from one product to another, in which we have to retool, then if the machine tool industry is not up to snuff, our flexibility is greatly limited. We have heard the term “armed in depth”. Armed economically in depth is of equal importance,
and for that we need a machine tool industry. The shift, for example, from the B-17 to the B-29 would have been impossible without an effective machine tool industry because the tooling had to be completely different. Practically all tools, that is the big machine tools, were scrapped from the B-17 lines when the B-29's came in.

Where rapid shifts are required to improved types of munitions, they can be produced only if we have the tools. If we have an effective machine tool industry, such shifts can be made rapidly, as they were. To my mind, Russia's greatest weakness at the moment is its lack of a really first class machine tool industry. During the last war we provided the bulk of their machine tools. Today they are doing everything possible to get machine tools from us. But the idea is to have the "know-how" to make the tools, to make the things we want, and that is a very critical element in our war potential.

Another element is the size of our production units. This question of the size of the largest units, creates all kinds of problems of control of industry, charges of monopoly, and things of that type. But in wartime, I can assure you, they are a boon, because the large production units have a facility for organizing big production jobs and for integrating all of the steps in the production process. Giving a contract to a large unit like General Motors means that you put on the shoulders of General Motors the problem of integrating a production job, in lining up the subcontractors, in lining up the materials, and getting all the parts of it tied in together. If that had to be done almost entirely from a central point, the control job would be almost impossible; hence time after time, during the war, many thanks were given for the size of many of our production units.

A fourth factor, and one of vital importance is managerial ability. This comes down to the skill of integrating the various
other production factors, in devising means by which they can be made more effective, and in supervising and integrating the whole flow of the production process. We are again very fortunate in our type of economic system to have probably the best training ground possible for the development of managers. Our skill at management and our management “know-how” are the envy of the world. Without that “know-how” in management techniques, our whole system would be considerably less effective. And that consists, to a very great extent, in the ability to break a job up into its detailed component parts, and to be able to fit men and machines to a job in the most effective fashion. Where you have the problem of many workers being unskilled and not trained for a particular job in war time, the need for breaking each task up into its simplest elements is of even greater importance than in peace time. And the fact that our management techniques, our production techniques of a mass production character, do break complicated jobs up into simple elements, meant that the problem of training workers was considerably easier.

Finally, one additional point is research—scientific ability, scientific skills and technological research. “If you don’t keep up, you are lost.” At various times you have heard that phrase. You have to either be ahead scientifically, or lose. New production techniques, new weapons, new materials, new ways to substitute for things that are scarce, all are a part of the technological scientific problem which I just want to mention as vital.

Those in general are the fundamental factors, the basic factors, which determine the maximum to which our economy could go in reaching its top. How do we attain it? What are the measures to attain maximum production in war time? The first thing I want to point out is that we cannot rely on the type of incentives and motives that exist in peace time. In peace time, our system is what we call “a profit economy”. Resources, both human and physical,
move into those lines of production which offer the possibility of the greatest return. If a thing is scarce in relation to what people want, there is a tendency to bid its price up, to make that line more profitable. Additional firms come into the business or old firms expand. Perhaps the possibility opens of paying higher wages to attract more workers; hence the incentives for movement of resources in a peace time system is the opportunity of greater wages, greater profits, and a greater return per capita. We cannot rely on that in war time. The problem in war time is the shift from peace time pursuits to munitions production. True, the government, in buying munitions may quote a price which offers a better-than-average profit and which enables the new munitions lines to offer higher wages to attract workers. To an extent, that type of natural or normal incentive can be used, but it is limited for this reason. As we pay more to workers and as equipment gets a greater return, they have greater income. But at the same time resources are shifted from peace time products, hence the supply of those products is reduced. If incomes are higher, people can buy more. The inevitable result is that the prices of peace time products will tend to rise, and we are back in the same place we started, because then those producers can raise wages to attract workers and resources are attracted back again. Or, it becomes a kind of a "step" proposition with greater and greater inflation. We cannot rely solely on the profit motive in war time to get the shift of resources needed. Secondly, there is a natural apathy to shift to munitions industries for a war period of indeterminate length from a line of work that you are used to and to which you want to return after the war. No worker with an established home wants to uproot himself and his family and move to the new areas of munitions production, which perhaps are on the coast or far away from his old home in new areas where housing is not adequate. It takes a very major incentive to get those shifts. We have to rely on something more than the normal incentives of peace time pro-
duction. We have to establish central controls, and the controls have to be operated from a central point in order to force the necessary shifts.

Now what controls are needed, and what is the objective of the use of such controls? The first stage of the process is the central plan. In a war time picture, especially today, it is a problem of planning for the utilization of total resources. It is not simply a question of a military production plan. It is a control plan for the entire economy. It is a total-control program. The first stage of it, of course, is the formulation of military requirements—the translation of the strategic and operational plans into logistic requirements, and these in turn into production requirements for the various types of munitions and allied products required. But in the formulation of the overall plan, I would like to stress very strongly, that there is great need for integrated individual plans developed cooperatively and simultaneously, involving three elements—namely, the strategic and logistic elements; second, the economic elements, involving what resources are available and how they can be mobilized or utilized; and third, the political elements. The latter involves questions of what kind of an economy we are going to have, the degree of belt-tightening possible and still retain a healthy civilian economy, the possibility of war time and post-war stability, and the effects of various actions on the ultimate transition to the postwar semi-normalcy. The three types of decisions, the three types of plans must be developed simultaneously, concurrently and cooperatively. The time wasted in World War II, in separate planning and in a kind of a resistance towards working together intimately between the political groups—represented primarily by the President and Congress—the civilian production groups—the War Production Board, the Office of War Mobilization, etc.—and the military services, cost us a great deal of time and many errors. Today, the organization, at least, for mobilization
planning, the National Security Resources Board and the National Security Council, provides for that mutual exchange. I want to emphasize very strongly that that is the only way in which the plan can be developed most effectively. We must have a unity in the planning groups and an intimate interchange of ideas as the basis on which the total plan is to be developed.

Even so, the first to be developed must be the military plan. That, in turn, has to be judged against the availability of resources of the particular kinds required, when and where, plus the general political appraisal as to how much and how fast the civilian economy is to be disrupted. Perhaps we discover that the military program can be achieved as it stands. Perhaps modifications are necessary, and then it is a process of steady give and take. The size of the program, military or otherwise, has to be large enough to provide a real incentive to get the wheels going hard and fast. At the same time, it can't be so large that we have to commit all of our resources in a rigid program at once with insufficient flexibility for later adjustment and change. Change in war time is inevitable. We have to have some flexibility to make those changes, yet the entire program must be large enough to provide the drive to achieve maximum production. President Roosevelt, in his message in early 1942, called for the production in 1942 of sixty thousand planes, forty-five thousand tanks, a huge number of ships and other munitions in balance. He called for one hundred twenty-five thousand planes and seventy-five thousand tanks in 1943. These goods were so huge that everybody practically threw in the sponge until they saw he meant it, and then they got behind it. That was the incentive program, the high goal, that was needed at that stage to really get action and the economy mobilized. As far as numbers are concerned, neither goal was achieved. But if you want to add, for instance, the pounds of aircraft in the type of planes that were in existence in 1942 when he made the statement, both of those goals were ex-
ceeded by the weight of aircraft actually produced. But in the interval, there were so many changes, such as increased weight of planes and types of planes, ships and tanks, that as far as the numbers went, the goals were not reached.

Once a program is established, the control system has to be geared and meshed into that. That requires a variety of things. One is a series of limitation orders. Generally the only way in which we can get shifts of resources is to prohibit the production of the things from which we want resources to move, so we say, "No more automobiles." When you can produce no more automobiles, the automobile manufacturers and workers will willingly produce munitions.

The first set of controls, then, is limitation orders, either prohibiting the production of an end-item or stopping the use of a particular type of material in the end-item which often stops production.

Second, are established priorities which direct the flow of components, materials and equipment to particular products which are most in demand. If the supply of a material is greater than the demand for it in high priority stuff, the demands of the key items can be met by simple priorities. As soon, however, as the total priority demands equal the total supply or exceed it, priorities will no longer do the job of material control. Then you have to institute an allocation system—a detailed precise system of allocations to direct the flow of particular amounts of a material, so many tons of steel or pounds of aluminum to each particular end use. When things get even tighter, at times we have to use also production scheduling to take into account in more detail the needs of each particular production line, so that no matter how urgently the end product is needed, we don't flow more to its production than can be used. These comprise a very tight, integrated set of pro-
duction controls, but a variety of others have to be used to direct the economy, such as monetary controls, fiscal controls, price controls, rationing and man power controls, and these must be integrated in with the material and resources controls.

Typically, it is easier to control the flow of materials and to establish programs in terms of a common denominator of materials than in terms of man power or in terms of price and so on. These other controls, therefore, must be integrated into the production control system rather than vice versa. That integration was never successful in World War II, and is one that is being studied very carefully now.

Two other things should be mentioned briefly in the steps to achieve maximum output. One is, what is the information you have to have to run this set of controls, this central planning? In any business you have a detailed accounting system and a set of internal records. General statistics are to the economy what accounting or bookkeeping data are to an individual business. But the problems of obtaining statistical data from the economy as a whole are infinitely greater and present some of the greatest difficulties in central planning. Peace time mobilization planning should keep alive the statistical and informational tools, in order that decisions can be made most easily when needed.

Finally, the personnel in the central planning group must be considered. There is no ideal peace time training to provide personnel for the planning which is needed in war time. The problems are over-all in character. Most of our business executives think too narrowly in terms of their own business and its problems. Here the problem is the integration of steel with machine tools, with tanks, with ships, with allocations, with rationing, and so on. It is a broad overall conception. We don't train men that way. They must, in addition, have great versatility and be able to shift rapid-
ly from one problem to another. Third, they have to be able to work effectively under pressure, including the intense pressure of criticism. They have to be able to make those tough decisions. They have to have the guts to do it and to do it fast. They have to have the ability to appraise a situation realistically even though they realize that they can't get all the information that is needed to make the best decisions. Nevertheless they must make the decisions with what information they have, and make them fast. More production men and less salesmen are needed in the lower echelons. The tire problem, one of the meanest during the war, was run by a group of salesmen for a time. Everyone was dissatisfied. A top-flight production man was recruited and things cleared right up. One of the toughest problems therefore, is to get the right type of personnel to run the top planning effort.

The last general point I want to discuss is, "How large a proportion of this total production potential can be devoted to war?" In part, that is a political decision, but one point we have to keep clearly in our minds. If the munitions production is to be at its maximum, there must be a healthy civilian economy and war-supporting economy. Without it the efficiency of munitions production will decline. The difficulty is to determine what might be called the marginal degrees of essentiality of various parts of the military, war-supporting and civilian programs and they vary with the stage of the war effort. If you take the position of "no sacrifice for sacrifice sake but only when needed," then in the earlier stages of a war production effort, the limiting factor is generally machine tools. At that time all machine tools are diverted to munitions. Civilian production isn't hurt, but it can't grow easily.

The second stage is generally critical materials—usually hard material such as steel, copper, aluminum, and zinc. At that
stage, the production of civilian hard products is cut. That, again, does not hurt the standard of living too much. True, civilians can't get a new automobile, refrigerator, or radio, but they can get enough food, clothing, etc.

The real pinch comes when the limiting factor becomes manpower. Then the shortage becomes general. At that stage the most difficult allocation problems are reached. That is the stage we had reached early in 1945, and things really looked tough for the central control agencies. Up to that point the allocation problem was not impossible.

The difficulty arises because there are no guides which can be used to determine those degrees of essentiality. You have to play by ear to judge the problem. Our most effective instrument was what we called the “squealometer”. If in the process of an allocation or program determination, we achieved a uniform pitch of “squeal” from all parties, we thought that the allocation had been successful. On the other hand, too often there was an attempt to increase pure munitions production at the expense of the war-supporting activities, and we found that by starving the railroads of steel plate to make additional tank cars, freight cars, and box cars, we really ran into trouble in the latter part of the war. Then it had to be diverted out of munitions to such uses in order to keep munitions rolling into the seaports.

At the peak of war production only about forty-five to forty-eight per cent of steel output was devoted to pure munitions production, but out of a total of about 65 million tons per year of finished steel products, probably only about 20 thousand tons went to pure civilian uses. The rest was of a war-supporting character, going for additional oil production, for rails, for maintenance, repair, and operating supplies, for war related construction, for electric power—all required to produce munitions and transport them.
There is one additional point that I want to make in this connection. The length of time that is allowed to reach peak production is all-important in this type of decision. If there is time, it is possible to devote some steel and other critical materials to the production of additional steel plants. However, it takes about 2½ tons of steel to build the capacity for one additional ton per year. If there is time, it is possible to make the decision to build more steel capacity. If there is not time, we can't afford to devote steel for the production of more steel or other types of material. So, time is a critical factor in those decisions. Only if you have time, is it possible to build more capacity to meet the peak demands at a later stage.

I am not going to have time to go into the role of the peace time planning agencies, but I do want to make one or two final points here.

I have talked about the resources to achieve the maximum potential. I want to emphasize one or two final ones, which seem of great importance to me. We talk largely about things that perhaps we can put in balance sheets and use to compare one country with another, such as facilities, materials, and things like that, all of which are very important. But, when the real, all-out pinch comes, the key factors become things which we cannot put into balance sheets. Then it comes down to human factors and morale factors, which include the effectiveness of those who are guiding both the overall effort as well as the segments of that effort in industry itself; their skill at integrating and coordinating the production lines; the brains and intelligence they have; their skill in devising production techniques, new ways of saving materials and things of that kind; their skills to improvise, to substitute, to find new and better ways of doing things. In other words, it comes down in part to the effectiveness of management, both in individual plants and in the central planning agencies.
Second, and perhaps more important is the morale of the working force and the morale of the bosses of production jobs. If their heart is solidly behind the job they are doing, if they are convinced that the job they are doing is as important or more important than anything else, if they have confidence that what they are producing is going to be used effectively by the military services and not wasted, the effectiveness of their work will be greatly enhanced. Their confidence in the use being made of the products they are producing is vital to the morale and the effectiveness of the production effort. The activities of the services relative to worker morale in the form of incentive programs are extremely important, but there was an awful lot of muttering and grumbling later in the war in many areas. If the people as a whole are solidly behind the production effort and morale is high, then in our type of system, we can really go to town. If morale isn’t high, we will lose some of the power and drive behind that effort. It comes down to the degree of unity behind the job that they are doing. If the people feel no immediate danger of attack and are not afraid, if they are seeing in the headlines that things are going fine, and if they have money in their pockets—more money than they ever had in their lives before—they want to spend it and they don’t want to work in an all-out fashion. That is the time morale counts in keeping the drive and the pressure behind the job. In the last analysis when the pinch is really on, it’s the morale factor, it’s the heart and the will of the people doing the job that becomes the key factor in our war potential.
RECOMMENDED READING

This section lists material published in current periodicals which will be of interest and value to Navy officers.

"Stalin's Chestnut Strategy"

"Beria, Russia's Mystery of Mysteries"

"American National Strategy"

"Will We Need A Navy To Win?"

"The Hydrogen Bomb"

"A New German-Soviet Pact?"
by Theodore Draper. The Reporter. April 11.

"Jefferson's Republic: The Rediscovery of Democratic Philosophy"
by Whitney A. Griswold. Fortune. April.

"China in the Long Hall"

"Breakup of the Two-Power World"

"Our Defense Program: Master Plan or Makeshift?"

"Communism and the Asiatic Mind"

"The Mutual Defense Assistance Program"
Armed Forces Talk #315.