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In My View

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RESPONSE TO "PEAK OIL, PROGRESSIVISM, AND JOSEPHUS DANIELS, 1913–21," BY ROGER STERN, *NAVAL WAR COLLEGE REVIEW* 73, NO. 4 (AUTUMN 2020), PP. 139–66.

Sir:

In his article, Dr. Stern describes "the management of an imaginary oil-scarcity crisis by Secretary of the Navy Josephus Daniels." He attributes it to claims by Interior Department scientists that the United States soon would run out of oil and to the Progressive "ideology" of using the power of the federal government to mitigate or eliminate actual or "ostensible" crises (p. 139).

Readers owe Dr. Stern thanks for digging into this issue, especially for his use of the papers of Mark L. Requa. Requa directed the "oil section of a wartime agency called the U.S. Fuel Administration" (p. 147) and served as a sort of liaison officer for the Petroleum War Service Committee, "a voluntary body composed of industry executives" (p. 146).

However, readers also deserve to have a clearer idea of what Secretary Daniels was thinking. In testimony to the Committee on Naval Affairs of the House of Representatives on 29 January 1914, Daniels revealed that he had been influenced by a statement made in the British Parliament by Winston Churchill, the First Lord (civilian head) of the Admiralty. Daniels quoted at length from Churchill's statement, in which the First Lord had explained to the House of Commons why the Royal Navy was switching from coal to oil, and therefore why the British government needed to have a reliable, secure source or sources of fuel oil.

As Churchill noted, oil-burning warships could sustain a higher speed than could coal-burning ones. In addition, for the same weight of fuel, oil gave the Royal Navy's ships greater range. Oil-fired ships also were much easier to refuel, and it took many fewer sailors to tend and maintain their boilers. In sum, "there is one great special advantage which oil confers upon the British fleet which would not be enjoyed by any weaker naval power—I mean the special advantage to the strongest navy of not being forced to leave its fighting position in order to refuel."[1]

After explaining the advantages of oil fuel and the need to stockpile it in quantity, Churchill turned to the issue that both the British and the American governments faced: price. The oil producers primarily were private firms; as such, they responded to changes in supply and demand in the petroleum market by adjusting the price of fuel oil and other petroleum products. What these firms wanted and needed was the flexibility that an open market gave them. However, what many major consumers of petroleum products wanted was price stability; to get it, they negotiated long-term supply contracts. The result, explained Churchill, was "that the oil market in future years is going to be greatly divided up and pegged out among different consumers," which made the policy of relying on annual procurement contracts high risk. As he said, "Our stake in oil-burning ships is becoming so important that we must have the certainty of being able to buy a steady supply of oil at a steady price."[2]

The oil producers needed market flexibility; the Royal Navy needed the certainty of an affordable supply. How could these different positions be reconciled? Churchill's proposed solution to this problem had several parts. One part was that "the admiralty should become the independent owner and producer of its own supplies of liquid fuel." As he put it to the Commons, "I do not myself see any reason why we should shrink, if necessary, from entering this field of State enterprise." Another part was "that we must become the owners or, at any rate, the controllers at the source, of at least a proportion of the supply of natural oil which we require."[3] Was this socialism? No. "[W]e are moving toward that position of independence outside the oil market which is our ultimate policy to secure." After all, if the Royal Navy's dockyards provided a "check on private constructors," why could not the Royal Navy act to guarantee a reasonably priced supply of oil fuel for its ships?

These arguments by Churchill were the same basic arguments that Daniels gave to the House Naval Affairs Committee. Indeed, the fact that the Royal Navy was acting to secure a supply of oil was reason enough for Daniels to want to secure as-yet-untapped oil supplies in California. Churchill had told the House of Commons, "We are, or soon shall be, able to draw oil from Burmah [*sic*], California, Persia, Texas, Roumania [*sic*], Borneo, Egypt, Mexico, and Trinidad."[4] Daniels did not want to risk being unable to draw on California oil; he did not dare place the Navy in the position of having to go hat in hand to the British to purchase oil at exorbitant prices from sources they controlled.

The U.S. Navy was shifting to oil from coal before Daniels was confirmed as the Secretary of the Navy—and even before the British made the decision to switch to oil themselves.[5] Daniels therefore found himself in the position of trying to meet a rising demand for oil from the Navy—his Navy—while watching other major consumers negotiate long-term contracts with producers. As Churchill understood, the problem was not just the availability of oil; it was also the price. Daniels could foresee a situation in which the high price of oil could constrain not only the ability of the U.S. fleet to deploy but even its size. Churchill had laid out a plan that could serve as a model to head off this potential crisis.

Daniels laid Churchill's comments before the House Naval Affairs Committee in January 1914 so the committee's members could think about what the British government was doing. In August 1917, Congress passed the Food and Fuel Control Act (PL 65-41), giving the federal government the authority to control the distribution of food products and fuel. As Dr. Stern pointed out in his article, that was the legal basis for Secretary Daniels's efforts to place some California oil off limits to foreign purchasers.

As Dr. Stern argued, Secretary Daniels may have acted during and immediately after World War I on the basis of incorrect scientific advice to secure California oil supplies for the U.S. Navy. However, I believe that the evidence shows that what also prompted him to take this action was less a "Progressive" ideology than a sincere desire to protect the Navy from a form of price gouging. Daniels watched what the Royal Navy was doing and understandably chose to follow its lead in controlling sources of oil.

TOM HONE

NOTES TO MR. HONE'S LETTER

1. *Hearings before [the] Committee on Naval Affairs of the House of Representatives on Estimates Submitted by the Secretary of the Navy, 1914,* 63rd Cong., p. 671 (1914) (statement of Josephus Daniels, Secretary of the Navy), quoting Winston Churchill.
2. Ibid., p. 672.
3. Ibid.
4. Ibid., p. 671.
5. See Norman Friedman, *U.S. Battleships: An Illustrated Design History* (Annapolis, MD: Naval Institute Press, 1985), pp. 104–105.