

# McAdoo on Ship Purchase Bill

[The following speech was delivered by Secretary of the Treasury McAdoo, before the business men and commercial bodies of Indianapolis, Indiana, October 13, 1915.]

What is a naval auxiliary? It is a fleet of merchant vessels so constructed that they may render essential service and assistance to our battleships and cruisers in time of war and serve the needs of our commerce in time of peace. A navy, no matter how strong in battleships, cruisers, torpedo boats and submarines, is only partially equipped without a merchant marine auxiliary. It is a fact, and every naval expert will so testify, that a merchant marine naval auxiliary is just as essential to the effectiveness of the navy considered as a complete fighting machine, as the guns upon the decks of our battleships and the seamen upon whose skill and valor the effectiveness of those guns depends. Why is this so? Because battleships and cruisers and torpedo boats and submarines have to be furnished at sea with coal, provisions and supplies of all kinds. Fighting vessels can not carry sufficient supplies to remain long from their home bases, and they must have these essential auxiliaries in order to enable them to stay at sea and engage in effective offensive and defensive operations away from their home ports.

We can not, with safety, rely upon our ability to purchase or charter suitable naval auxiliaries when a crisis appears. The very essence of preparedness for the navy is to have these vessels of suitable types and construction where we can put our hands on them quickly. To prove this I need only to tell you what happened when war with Spain broke out in 1898. We had no naval auxiliaries—no army transports. We were utterly unprepared. We had to go into the market and buy immediately any and every kind of boat that could be hastily adapted to our purposes, and, of course, we paid fabulous prices for them. When a man, or a government, has to have something the other fellow has got, and that fellow knows that this something can't be gotten from anybody but himself, he exacts the highest possible price and gets it. This is human nature. The navy alone bought at that time 102 vessels as naval auxiliaries and paid, in round numbers, the fabulous sum of \$18,000,000 for them. There is no officer of the navy who knows about these purchases who won't admit that most of these vessels were junk. But we had to take anything we could get and pay any price the ship owner or broker asked, in order to send our fleet just a little way from home—to Cuba. This is the penalty we paid for our failure to create a real naval auxiliary. Unhappily we have learned nothing from that painful lesson and are in worse condition today than we were in 1898, so far as merchant marine naval auxiliaries are concerned, because our navy is much larger and its requirements more exacting.

In addition to the \$18,000,000 spent by the navy, the war department spent millions for vessels to transport troops. If we build a real and efficient naval auxiliary, we shall have the right kind of vessels to supply the army with transports when it needs them.

We have not today under the American flag sufficient vessels to give our navy, in case of war, the support and assistance which is indispensable to its efficiency. I do not ask you to take my word for this statement. I will give you the testimony of the secretary of the navy himself. In June last I addressed the following inquiry to the navy department:

"Considering our navy as it is today, and having reference to its maximum usefulness and efficiency in time of war, what number of merchant vessels and of what tonnage would be required?"

Admiral Benson, who was at the time acting secretary of the navy in the absence of Secretary Daniels, replied as follows:

"There would be required 400 merchant vessels for auxiliaries with a total of 1,172,000 gross tonnage. In addition to the above, should our own coast be invested, or even occasionally visited, there would be required a large number of small vessels fitted for mine sweeping, say at least 324 of such vessels, of about 150 gross tons each."

Then follows a statement of the various types and characteristics of the vessels required, but it is hardly necessary to give these details beyond saying that they cover fleet scouts, colliers,

colliers, supply and repair ships, transports, ammunition supply ships, hospital ships, destroyers and submarine tenders, etc.

This estimate does not take into account future needs of the navy. As it increases each year our auxiliary merchant marine must increase proportionately.

There is no doubt of our ability to supply from our coastwise vessels the 324 small vessels for mine sweeping, referred to in Admiral Benson's statement; but we are not so fortunately situated with respect to the 400 merchant vessels for auxiliaries, aggregating about 1,172,000 gross tonnage, to which the admiral refers. Undoubtedly a large part of this tonnage could be drawn from ships now under American registry, but such ships would, in many respects, be makeshifts and not suitable, either in type, speed or construction, to render, in the highest degree, the service which a well developed navy would require.

I am informed by the navy department that we could draw from our present merchant marine approximately 700,000 gross tonnage of vessels that could be converted into naval auxiliaries. This leaves us with a deficiency of about 500,000 gross tonnage to meet the needs of our navy as it stands today and without allowing for growth. It may be claimed in this connection that our merchant marine has grown so rapidly in the past year that we are justified in relying on it to keep pace with our naval requirements, so that we could draw from it what we want in case of war. The increase in our merchant marine in the past year is due to the liberal act passed by the congress after the European war broke out, known as the Ship Registry bill, which authorizes any one to register a foreign-built ship under our flag by complying with the conditions of the act. While the German cruisers were in the Atlantic and Pacific, a considerable number of vessels of English and other registry, many of which were owned by American citizens, were transferred to the American flag. We have no assurance, however, that these ships will remain under American registry after peace is restored in Europe. Even if they do, their crews are composed mostly of foreigners who are under no obligation to fight for our flag and are not likely to volunteer to do so in an emergency. It is, of course, out of the question to rely upon citizens of foreign powers to fight our battles upon the high seas. We must not rely upon foreign ships and foreign crews which may have taken the benefits of American registry merely for safety and insurance against attack while the war is raging in Europe and which may desert us as soon as that danger is past.

As a part of our naval program of preparedness we should provide every element of a well-equipped, highly efficient, and perfectly balanced naval fleet and organization. The ships, both of the fighting line and of the auxiliary line, should be the best that American skill and science can produce, and the men who are to fight the battleships and operate the auxiliaries must be trained American seamen, imbued with our national spirit and knowing no allegiance except to the United States. So vital is this that, whereas a few years ago we permitted foreigners to enlist in our navy, the law now compels the enlistment of American citizens only.

Every part of a highly developed navy and every unit of the human organization should work in thorough reciprocation like the parts of a perfect locomotive, enabling it to develop the highest power, the greatest speed, and the maximum of efficiency in all circumstances and under all conditions.

Our neglect to provide in the past the necessary naval auxiliaries give us, however, one great advantage. By building them now we can develop a type that will be better than anything the world has yet produced. We can construct a more efficient arm of this character than any nation on earth possesses, and, while we are conserving the national safety by increasing the power of our national fighting machine, we can, at the same time, put into commerce a class of ships which will give to our people in the expansion of our foreign trade advantages over every competitor. We can do this because the merchant marines of our leading rivals are, in most respects, composed of old ships, with obsolete equipment. We can build new ships of modern equipment, constructed with special ref-

erence to navy uses, commercial requirements, and economical operation that will be superior to anything that naval and marine architecture have yet turned out. As I said before, this is the one advantage of our past neglect, but that advantage will be lost if the calamity of war should overtake us before we can create our well-balanced navy, with its complement of merchant marine naval auxiliaries.

Up to this point I think we can all agree. I believe there is no citizen, however partisan he may be, or whatever his views may be about a merchant marine, who will not agree that the government should provide the necessary auxiliaries for the navy just as it should provide the battleships and other essential fighting units of the navy. Certainly we can not afford to rely on private capital to create these naval auxiliaries. We can not sleep any longer—we must prepare.

The government should proceed immediately with the construction of these auxiliaries as a part of the program of preparedness. The vessels should be designed by the best marine and naval architects in this country. They should be passed upon and approved by the navy department, and the contracts for their construction should be let to American shipyards to the extent that such shipyards can build them, and our own navy yards should construct as many of these vessels as their capacity will permit. I wish to emphasize the importance of building these ships in American shipyards and in our navy yards. It is just as important a part of naval preparedness to have adequate shipyards for the purpose of constructing and repairing vessels as it is to have the vessels themselves and the men to man them. We must pursue an intelligent system of building up our shipyards and our navy yards as a part of the vital problem of naval preparedness.

When we have built the 500,000 gross tonnage of merchant vessels as naval auxiliaries, the question is, what shall we do with them. They will not be required for actual service unless a war breaks out. There are two methods of dealing with them. First, tie them up in our harbors and allow them to remain idle and rot; and, second, operate them under some intelligent plan for the protection and expansion of our foreign commerce.

Of course, no rational person would advocate that these vessels be kept idle in our harbors, awaiting the uncertain eventuality of war. The interest charge alone would be a large and continuing expense. In a comparatively few years the vessels would go to ruin and the whole investment would be lost.

If, on the other hand, we operate these ships under some sensible plan and expand our foreign trade, we will do the most intelligent possible thing from every standpoint. The operation of the ships will keep them in fit condition to respond to the immediate call of the navy in case of need, and we shall, at the same time, create a large corps of trained American officers and seamen, and the direct earnings may show a handsome return on the investment. Even if a loss is incurred, it will be a small price to pay for preparedness and the national safety. While thus preserving the ships and creating a highly efficient naval reserve, we can enlarge our foreign trade and carry our influence, both financial and commercial, into the open markets of the world. Is not this the intelligent thing to do? Can there be any difference of opinion on this point? If not, then all of us, whether partisans or not, can travel the same road this far.

I imagine also that there can be no difference of opinion as to the desirability of increasing our foreign trade. I believe that we shall all agree that the prosperity of this country depends upon the maintenance and expansion of our foreign commerce. What could more clearly prove this than the experience through which the nation has recently passed and is now passing? When the European war broke out the first result was a complete disorganization of exchange and international credits, a dislocation of all foreign commerce and its almost complete stoppage for several months. The effect upon our internal situation was immediate and dangerous. In all of our leading ports there was great congestion of grain, cotton and supplies of all kinds, with corresponding injury and depression throughout the country. This was followed by a period of gradual loosening up, of restoration of confidence and credits, until now the orders from foreign nations have so stimulated our foreign trade that our industries are running full time and there is a demand for all of our surplus products, particularly the products of the