NEUTRALITY, PEACE LEGISLATION, AND OUR FOREIGN POLICY

TESTIMONY OF BERNARD M. BARUCH BEFORE THE UNITED STATES SENATE COMMITTEE ON FOREIGN RELATIONS

APRIL 6, 1939
NEUTRALITY, PEACE LEGISLATION, AND OUR FOREIGN POLICY

THURSDAY, APRIL 6, 1939

UNITED STATES SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, D. C.

The committee met, pursuant to adjournment, at 10:30 o'clock in the caucus room of the Senate Office Building, Senator Key Pittman (chairman) presiding.

Present: Senators Pittman (chairman), Harrison, George, Wagner, Connally, Thomas of Utah, Schwellenbach, Pepper, Green, Barkley, Reynolds, Guffey, Gillette, Borah, Johnson of California, Capper, La Follette, Vandenberg, and Shipstead.

Present also: Senator Byrnes and Senator Nye.

The CHAIRMAN. The committee will come to order. And let there be order in the chamber.

The committee has invited Mr. Bernard M. Baruch to appear before the committee this morning to make such comments as he sees fit on the proposed amendments to the existing so-called neutrality law and any other suggestions that he desires to make.

Mr. Baruch was in charge of the War Industries during the war, and undoubtedly is familiar with the whole history leading up to the present situation.

Mr. Baruch, you may proceed in your own way, sir.

Senator Borah. Mr. Chairman, before the witness proceeds, I would like to have inserted in the record a part of an article by Mr. John Bassett Moore on the subject of neutrality, and I would like it to follow Colonel Stimson's testimony.

The CHAIRMAN. Without objection, that will follow Colonel Stimson's testimony in the printed record.

The CHAIRMAN. Mr. Baruch, I assume that you have a prepared statement first?

Mr. Baruch. Yes, sir; and perhaps the members of the committee each would like to have a copy, so that they could follow as I read it.

The CHAIRMAN. Let them be distributed to the members of the committee. And now let there be order in the room, please.

STATEMENT OF BERNARD M. BARUCH

Mr. Baruch. Gentlemen, it is easier to proclaim neutrality than to maintain it.

Its practice is almost as difficult as its definition.

Since true neutrality is an almost unobtainable ideal, the best course for us to pursue is that which protects us as far as possible from involvement in war; that which preserves fairness in our dealings with belligerents; that
which aids in the development of our defense; and that which guards us against economic collapse.

A sound neutrality law will prove a definite aid to peace and, at the moment, an aid to the preservation of our method of life, system of government, and the flow of our trade and commerce. A neutrality measure therefore is an integral part of our protection and preparedness. But, neutrality does not mean the certainty of bringing about what we all want — to stay out of war.

Peace is what we all want. Peace is what the world needs. But we get no further toward peace by giving legislation a label that belies itself.

The essential difference between the so-called “Peace Act” and the existing legislation is that under the old law the sale of armament is wholly prohibited with the coming of war, or conditions that are judged to be of war. The Pittman bill will permit the continuing sale of all commodities now dealt in but under this condition: all types of exports, including manufactured war weapons, may be sold, but only if title passes in this country and shipments are made only on vessels other than those flying the American flag.

Neutrality cannot be absolute. It can be only relative. The divergent rights of the neutrals and belligerents cannot be maintained; they must be compromised. Theoretically, perhaps, neutrality should be established and preserved under the theories of international law, but international law is, especially today, a minus quantity. Based on recent world experiences we find new truth in the phrase of the immortal Justice Oliver Wendell Holmes that “a page of history is worth a volume of logic.”

Before I go further in this expression of my views, I think it wise to remind you gentlemen of the fact that wars are not fought merely for immediate results. Each participant makes an effort to impose his will upon his enemies by military and economic destruction. But, at the same time, he keeps in mind the after-results — new markets, new trades, and new intercourse — always at the expense of the defeated and frequently of the neutrals. Therefore, it is accurate to say that in every great war the neutrals have a stake in the future almost as great as any of the belligerents.

We dare not wholly abandon the protection of neutral rights. It is unwise to believe that if we hold no dealings with the actual belligerents we shall avoid the friction which makes for war. That is a cloistered method that was tried once. Jefferson did it in 1807. He embargoed all ships and shipments. He sought to draw the country into a shell but the result was devastating.

To prohibit any type of export (war weapons) without prohibiting the other (food) is a legalistic formula that I think is devoid of real justice. To embargo the sale of implements of war, under conditions that now exist, might be the means of cementing into power the stronger nations and reducing weaker nations to slavery or worse. We are trying to meet conditions existent at the moment. We are not trying to legislate for all time to come.

If, when, and as the circumstances that now justify this revision should change, the law can be changed. I see no difference in time of war between the sale of life-sustaining wheat and death-dealing guns. Wheat is essential for the armies but were we to keep wheat away from belligerents for that reason, the deprivation might become a mass killing, particularly of women and children. I repeat: We can have either an absolute embargo, such as Jefferson had, or a war commerce, qualified not as to commodities but as to condition of sale and shipment.

It may be doubted if any neutrality law, however wise, can do away with friction. It is just as easy to engender disputes over wheat, copper, cotton, scrap steel, and pig iron (essential to noncombatants as well as to armed forces) as over sales of ammunition and artillery. What is the difference between selling trucks and tractors but not selling armored cars or tanks? Further, enforced limitations of other goods are ready subjects of quarrel.

In this country we have faced situations similar to the present, in 1794 under Washington, in 1807 under Jefferson, in 1818 under Monroe, and during the Great War under Wilson. No secure course was ever found. Such a road may be found but only through an international agreement, capable of being enforced, which would firmly define the rights of neutrals or abolish those rights altogether.

The world’s effort toward an international agreement under which neutrals were forbidden to deal with belligerents, that method being called economic sanctions, has failed. Sanctions are acts of war. The opposite — complete neutrality in which efforts are made to preserve the friendship of warring powers by the neutrals — also have been failures.

After all is said and done, neutrality is what you make it, or maybe I had better say, what you can make it. We would only be fooling ourselves if we talk about international law. We must be strong enough to enforce our own theories of neutrality and wise enough to make those theories just. There is no thought of dominance in this idea. America will always be ready to cooperate on principles of equality but we do not want to do all the cooperating.

Both the old law and the new bill carry on the “cash-and-carry” idea. I think I was the first to suggest that, or its twin, “come and get it,” which is really more descriptive of the plan. It treats all nations alike. That is a primary element of neutrality. Each has an opportunity to get what it needs from us provided it takes title at the port of shipment, and provided further, that the shipment is not made in American craft. Of course, it is obvious that this will largely limit sales of supplies to those able to pay for them and able to move them, but after all, that rule holds good in normal commerce. I do not see that we are required to adjust all inequalities of this sort. If that is our intention we may as well face it and go to war. We discharge our obligations, including those to our long-term customers, by making available all of our products, just as we expect them to make available to us those supplies we need.

As we now suppose, this rule would prejudice Germany and Italy in favor of France and England. Most of our individual sympathies run that way but when we — not as individuals but as a nation — let our policies in international trade follow our sympathies, we may be idealistic but we are not neutral.

Furthermore, on the continent of Asia, most of our individual sympathies run to China rather than to Japan, and here the proposed rule works just the other way. If we, tomorrow, recognized a fact as obvious as the sun in the sky — that a state of war exists between Japan and China, and so invoked
this rule — we would be favoring Japan and prejudicing China. We have avoided that by refusing to recognize an existing condition of war. But it certainly was an uncomfortable position to have recognized undeclared war in Spain, where Germany and Italy were involved, and not to recognize it in Asia where China was involved.

Those who have not seen it at first hand may not view with sufficient gravity the vast modern change in the methods and principles of war. There was a time when nations risked their destiny on a sort of gladiatorial contest between relatively small trained armies of professional soldiers. Then the military effort was everything, and the economic effort was less important.

Now when whole nations have become instruments of war and war itself an impact of civilizations all this is changed. It is as important to supply and sustain the civilian contingent as the military contingent. Continuity of supply of every product in constantly increasing volume is absolutely necessary to maintain a great nation in war. Even the battlefield effort is decided in favor of the nation which can hurl at the other the greatest tonnage of industrial production — steel, rubber, chemicals, trucks, airplanes, tanks, petroleum, cotton — everything. Everything is a munition of war, if not a lethal weapon. In the World War, the truth was recognized that not merely weapons but all commodities supplied to an enemy were contraband of war. A rusty old tramp steamer rolling up from South America with a cargo of nitrates was frequently as vital as a division of infantry on the fields of France. German defeat was as directly due to economic strangu-lation as to military assault.

We have now an absolute prohibition of the export of lethal weapons. Now, on the essential principles we are discussing here — the principles of neutrality or keeping out of war — this has nothing to do with either. It springs from another high purpose, which is to prevent our country from selling any kind of weapon with which men kill each other. It is a rebuke to war as an institution. It will not prevent war, take us in, or keep us out of war. If we want to make a gesture, let us do so but let us not do it under any idea that it aids either neutrality or peace. If we do not supply the weapons, other nations will. Such a rule serves to aid a country, such as Italy, which makes at least some of its own weapons against others, like Ethiopia, which did not. It might even aid one South American nation, like Argentina, for example, which has easy access to other arms-manufacturing nations, like England, against another like Chile, for example, which is more remote.

There is another lack of realism about this well-intentioned proposal. It would be easy to define and embargo some component parts of a lethal weapon — like parts of a bowitzer — but not so easy to define other parts like cotton or toloulu, which are equally necessary to its operation for propellants and explosives. As I have stated earlier, chemicals, petroleum, steel, and rubber are just as essential to the mass-murder of modern war as machine guns or airplanes — or, for that matter, motortrucks, locomotives and optical glass.

It is for this reason that I am now willing to include everything in the cash-and-carry plan. It is also for this reason that I think we should approach this discussion recognizing plainly that any economic restriction or discrimination is harmful to some belligerent and we should proceed with great caution.

I understand that some of the pressure for this legislation is the reverse of a wish to treat all nations alike. It has been suggested that the aggressor nations if not halted will start a European war, that if there is a European war we can’t keep it out of it and that therefore the only way to keep out of war is now to engage in economic war against them to prevent them from starting the conflagration.

On that theory, if our economic war fails, we will be in military war and I think that, if we make economic war, that conclusion is inevitable — furthermore, I am not sure that even with the utmost economic pressure we could prevent European war if it were determined upon by the aggressors.

I also question the theory that we must take part in any European war. I am no military expert but I do happen to have some experience with nations in the World War. I venture to believe that this country or this hemisphere can escape involvement in a European conflict and we can do this without burying our head in the sand; we can still raise our voice against faithlessness, brutality, and injustice.

You will hear it said that if we do not go in of our own volition our turn will come next. It is true that our barriers of sea water have been narrowed by science and invention. But they are still formidable. It is incredible that without almost complete domination of the water and sky of both the Atlantic and Pacific Oceans, a military attack in truly threatening force could be launched against this hemisphere from either Europe or Asia in the face of such resistance as this and other American, if not European, nations could offer. Who has the wisdom or the boldness to advocate involvement of our country in any overseas war on the assumption that this apparent axiom is no longer true — and on what known fact or theory? If we believe we can defend this hemisphere then the whole argument for now waging economic war weakens.

Our defeat here certainly can never happen if we maintain a defense ade-quate to prevent it. It is far easier for us to maintain such a defense than it is for any of the threatening nations to build up an offensive force sufficient to overcome it. It is with exactly this idea that I began advocating our immediate rearmament several years ago. Just before the Ethiopian crisis, I learned of the extent of German and Italian rearmament and the unpre-paredness of England, France, and ourselves. It was then that I confirmed myself in many of the opinions which I expressed, some of which I am repeating here today. We must rely upon ourselves to protect this hemisphere. We must be ready to do it. It is not necessary to do it on the continent of Europe. If advocating protection of ourselves and our hemisphere is war mongering, then I plead guilty. I think it is the way to peace, and I shall always think so until armaments are limited by agreements which are faith-fully kept.

It is a pleasure to take up one branch of this argument upon which all seem to be agreed—that we should permit no American financing of foreign conflict. I was among the earliest to advocate that and Senator Johnson’s bill not merely as a basis of discussion, but as a firm conviction. We have learned by bitter experience that “where the treasure is there will the heart be also.” By neither loans nor any kind of credit should we finance a nation at war — no matter how our sympathies may be involved. To refuse credit to all impartially is within our rights as beyond all question it is true neu-
NEUTRALITY—PEACE LEGISLATION—FOREIGN POLICY

trality. One nation may become, by practice and location, dependent on another for supplies of one sort or another. But there is nothing in comity or custom that entitles any nation to rely upon another for loans. Refusal to finance foreign wars is clearly a means to keep us out of war. Since I do not understand anybody to disagree with this, I shall not labor the point.

All of these efforts toward neutrality bear on the future of our foreign commerce. That is a subject worth serious study. For if we serve notice now on the nations of the world — those with ships and credit and those without — that the instant they suffer the misfortune of war — innocently or not — we will cut them off from any trade, to the extent here proposed, how many of them will feel wholly confident in relying on us for necessary supplies in peace? Why would they not seek other suppliers, more dependable in both peace and war?

And we must realize that what we mete out, we will get back. From the time we become involved in war, England, adopting our rule, might shut us out from our vital war supplies of tin, rubber, nickel, and tea, except as we could come and get it in our own ships, some of it from half-way round the world. If she did that, we must not resent it as a treacherous and hostile act. What's sauce for the goose is sauce for the gander, although if she threatened it, we might look about us now for more dependable sources or buy and store what we need.

The bearing of unnecessarily harsh restrictions on the new reciprocal-trade treaties is also plain. If we are to avoid the commerce-destroying bilateral barriers system and to attempt to break down trade barriers and restore the flow of free private commerce by reciprocal agreements, we should also avoid all possible new barriers to trade, such as any proposal to restrict all exports within unnecessarily narrow and, to some nations, impossible limits. There are many more nations now in the area of possible new world conflict than there were in 1914. That war grew partly out of a kind of economic war. But it is as nothing compared with the economic war that has been going on throughout the world with increasing intensity for many years. It reaches now to the uttermost parts of the earth.

The commerce of the world upon which rests both the peace and prosperity of the world is dying. It is being killed by increasing restrictions of barter, tariffs, quotas, and self-containment. With one hand, through Secretary Hull's efforts, we are attempting to restore it. With the other, through some of the extremist proposals and attitudes on this legislation, we threaten to restrict it further. Such a course I regard as unwise.

While I agree with the cash-and-carry plan, these thoughts lead me to raise a question on the sanctions in these bills and I raise them for your thought and consideration. They make shipment or transportation to belligerents a felony. What we are really trying to say is that we are ready to abandon our old rights as neutrals under international law. But in order to abandon them is it necessary also to abandon our commerce?

Under the Peace Act it would be a crime to transport to a belligerent under the American flag even in a case where there is no risk at all. We might be abandoning much or even all of our shipping trade for nothing. Would it not serve all of our purposes in such cases not absolutely to prohibit such shipments but, instead, to serve notice on our people and the world that the American flag will not protect them? Should there be flexibility in these laws which in appropriate circumstances might be determined by the Secretary of State, we could then say: "Ship at your peril," rather than to say: "You can't ship at all"?

These are my considered views and I hope the committee will recognize that I speak not as anti-German, anti-English, or anti-anything — but only as an American. It is my deep conviction that no other attitude is permissible. The Nation should be controlled by the interests of all the people, not by the sympathies of some.

The CHAIRMAN. Mr. Baruch, I know that the committee deeply appreciates your very well thought out statement based upon your logic.

May I, without being impertinent, and I am sure that you will understand it, say that at various times there have been irresponsible charges or insinuations to the effect that you are an international banker or that you are associated in some way directly or indirectly with international banking, or that you are in some way interested directly or indirectly in munitions plants, plants for the manufacture of munitions, and that you have interests probably in South America, either commercial or financial, or some other countries which may be engaged in war soon, and while I do not personally believe any of those charges, I ask you do you desire to make any comment on some of those charges?

Mr. BARUCH. Mr. Chairman, I am very glad to answer those questions, and I trust after I have answered them, if anyone has any lingering doubt, that he will follow up that doubt with further questions. I am not and never have been a banker or an international banker, nor have I ever had any relations with any. I have no interests whatsoever, directly or indirectly, in any manufacture of munitions. I have no interests, not a penny of interest, in any country or anything south of the Rio Grande to the tip of Patagonia.

Furthermore, how stupid anybody would be to endeavor to bring this country into war with the idea of making profits. Least of all I, who have been the strongest advocate, or as strong as any — credit must be given to Senator Nye and others for this also — not only to take the profit out of war, but to make it impossible for a man to make profits in war, or at least the kind of profits he could make in peace.

I hope that I have answered those points, for I should be childish if I did not know that those things are being whispered about.

I should like to have any member of the committee who remains unsatisfied as to me or my position to pursue it in questions now, so that I can answer them once, and I hope for all.

Now, gentlemen, you can proceed with any other questions.

The CHAIRMAN. Senator George, do you desire to ask any questions?

Senator GEORGE. I have none.

The CHAIRMAN. Senator Borah?

Senator BORAH. Mr. Baruch, I do not desire to ask any questions about international banking.

Mr. BARUCH. Sir?

Senator BORAH. I do not desire to ask you any questions about international banking, but as I understand your position, it is this, that we ought
neutrality—peace legislation—foreign policy

not to undertake to legislate for neutrality, but for a system which you conceive will bring peace? You do not contend that this proposition that you have been discussing and with which you were earlier associated, is a neutrality proposition?

Mr. Baruch. No sir; I do not think it is a purely neutrality plan.

Senator Borah. Is it neutral at all?

Mr. Baruch. In one way, no; but the reason that I recommended it was because I thought it was the least harmful of any that had been suggested.

Senator Borah. I understand that. But you are discussing it not as a proposition of neutrality, but as a practical proposition to meet a war situation, and the question of being neutral is not a controlling question with you in this matter.

Mr. Baruch. Yes, you have stated my idea, anyhow, at this time. I do not want this country to take sides in a war. I do not want to get this country involved in war.

Senator Borah. I understood you to say a moment ago, and in fact I have before me here a discussion of this matter by yourself, and I will ask you if this states your position: "Now, this is not neutrality, not by 20 sea miles. It amounts to giving active assistance to whatever nation has command of the seas."

Mr. Baruch. I have repeated that in my statement.

Senator Borah. So I understood. So it is, as you say, 20 sea miles from neutrality. I want to ask, along another line——

Mr. Baruch. Senator, I do not think there is any such animal; there "ain't no such animal" as neutrality.

Senator Borah. I came to that conclusion from your remarks.

Mr. Baruch. Yes, sir.

Senator Borah. What is your objection to prohibiting the sale of arms and munitions and instruments of war to all nations engaged in war?

Mr. Baruch. Well, I will tell you how it lies in my mind, Senator. First of all, it very difficult to say what is a munition and what is not. Is pig iron? Is a steel billet? Is a casting which might be made into a gun or into shells? Already, Senator, there is a demand in this country to stop scrap iron because it is an element of war. Now, I think we would be better off by shipping anything under the restrictions of this bill, so as to avoid a constant bickering in taking something off the list or putting something on. That is point number 1. May I just finish, Senator? Here is another thing which I have considered, and perhaps have laid undue stress upon, because at one time I had a good deal of responsibility in seeing this country got the things that it needed. If we adopt this policy and it becomes a policy of the world, and we get into a war, say in the Pacific Ocean — which is not probable, I hope — and we immediately needed arms, would England restrict the sale as we have? Now, that may be a rather stretched-out thing, but that is what I have in my mind — that, plus the great difficulty of discriminating as to categories. Now, as I pointed out, if we want to make a humanitarian gesture, that is all right; but I think we ought to know what we are doing. That is for you gentlemen to decide.

Senator Borah. As I understand, there are two objections: The first is that it would be difficult to define armament, munitions, and so forth. Well, we could resolve the data ourselves and stick to the question, as far as we are concerned.

Mr. Baruch. Yes.

Senator Borah. If there was a doubt about it, we could resolve it in favor of it being an instrument of war; but there is another question in my mind, and that is that we ought not to cut ourselves off from the manufacture of armament and the necessities of war because of the financial embarrassment which it might bring to our country. That is continually advanced. Is there anything to that?

Mr. Baruch. Well, I don't think that is an important consideration. I will tell you why, Senator: Since I have been thinking over this thing, 2 or 3 days, I said to myself: What arms and munitions can we ship? Airplanes? Yes. Well, I would like to see an airplane capacity developed in this country. We cannot ship any guns. Any capacity that may develop for small arms or large arms and ammunitions, we shall need in our present preparedness program, for which appropriations are already allocated for all existing capacities. I do not think it is going to be as important as you think it is. I see exactly what you have in mind. It is what I had in my mind when I said if we want to make a gesture, let us do it. I say this because I don't like war. Personally I would not engage in the business, I don't care how much money there was in it. I can understand the natural abhorrence of having something go from America that is going to kill somebody.

Senator Borah. Well, don't you think there is substantial reason in the fact that, when two nations are engaged in war, we ought not to sit on the side and furnish the instrumentalities to carry on that war?

Mr. Baruch. Then perhaps we ought to embargo everything.

Senator Borah. Well, I am in favor of embargoing everything that goes into war, and that is the question I put to you.

Mr. Baruch. What is the alternative? The alternative might result in, as Jefferson found: An utter collapse of our economy. Are we ready to meet that and are we ready to pay that price? That is the question.

Senator Borah. Well, do you think there would be a break-down, financially and economically, in this country, if we refused to furnish those things which were requested as munitions and instrumentalities of war?

Mr. Baruch. There would be a break-down if you dealt with commodities in that way — wheat, cotton, and other things of that kind, and various forms of steel — but it is not going to break down this economy if we said "You can't ship any cannon or ammunition."

Senator Borah. That is what I was referring to that I was not including wheat and corn because that is a very different question; but, going back to the question which you advanced: I understood you to say, in your statement, that if this cash-and-carry plan were put into effect now, it would be greatly to the advantage of Japan and to the disadvantage of China.

Mr. Baruch. Yes.

Senator Borah. How do you explain that?

Mr. Baruch. Well, because Japan could come and get it, and China couldn't.

Senator Borah. Well then, we are legislating on that basis for a certain class of nations — the advantage to them and the disadvantage to the others?
Mr. Baruch. Unquestionably. I brought that out.

Senator Borah. You have been very candid, but I wanted an explanation. That would be equally true on the other side of the United States, wouldn't it?

Mr. Baruch. Certainly; as war is conducted now, it might be. If England and France, let us say, because we have in the back of our minds what is taking place on the other side, would have command of the sea, they could "come and get it." And this, too, is possible. I can imagine where Italian and German huge merchant submarines — I understand there are such, but that is only a rumor — could come over here and load and go back. Twenty years ago a German submarine came in here and got drugs and tungsten and went back without any molestation. But, as it seems now, you are quite right in saying that England and France would have the advantage, but they have the advantage now.

Senator Borah. That brings me to the proposition that you do not anticipate making any difference between aggressor nations and nonaggressor nations. If an aggressor nation could come and get the stuff, they would have the same right to come and get it as those who were not aggressors?

Mr. Baruch. Unquestionably.

Senator Borah. That is all I care to ask.

Senator Barkley. Mr. Baruch, if I understand you, among the different bills that are now before this committee, you favor the Pittman bill?

Mr. Baruch. I was discussing the Pittman bill only because it seemed to me that what you were mainly talking about is the embargo. The old so-called neutrality bill is about to expire, and in a few days, is it not?

The Chairman. The 1st of May.

Mr. Baruch. The discussions have seemed to me to have been upon a continuance of embargoes. That is what I thought you wanted me to talk about. I will be very glad to discuss the others. Of course you can do as Senator King says, if my memory serves — "Well, just call the whole thing off, let us go to where we were before." But then we are face to face with the possibilities and the probabilities of repeating what happened in the World War.

Senator Barkley. If that happened, we would go back to what used to be or what used to be supposed to be international law, under which any nation had the right to ship its products to belligerents, even with the understanding that if they were overtaken by a ship or a vessel of a country and they desired to destroy it, they could stop it and search it, and there was a humanitarian provision that they should protect the lives of those on the ships, and take the ship to some port, and so forth, all of which seems to have been scrapped. There is no longer any —

Mr. Baruch (interposing). International law.

Senator Barkley (continuing). International law. And there is no longer any sportsmanship in waging war. If we do not do anything about it, that is what we go back to, which means that we go back to nothing, is that right?
head agree with my heart. I do not think it will bring any more peace into the world or prevent war any more than the embargo or sale of the other categories. I do not know whether that answers your question?

Senator Barkley. I would like to be specific about one or two things, because there are so many ramifications to this whole program. Take cotton — we are running around in circles here every day now trying to find out what to do with our cotton, the unsalable surpluses. Somebody brings in a bill every day trying to solve that problem, and nobody has the last word. Cotton is an innocent commodity as cotton, but it can be made into so many things. We had a demonstration only the other day in the Senate by the research department of the General Motors Co. as to what could be made out of cotton, what could be made out of skimmed milk, and coal, and a lot of other things, all of which are innocent in themselves but by the scientific developments which have been brought about, can be made into many dangerous instruments. Shall we say that we shall ship everything that cannot everywhere be made into a war instrument —

Mr. Baruch (interposing). Then you will have to embargo everything — practically everything.

Senator Barkley. Of course, if we embargo cotton, it is not difficult to know what could happen to our economic situation in the cotton States. Then, let us take wheat — we used to ship about 200,000,000 bushels of wheat abroad every year, and it provided a market for our surplus and therefore helped our economic situation. Suppose we embargo wheat on the ground that some of it may reach soldiers — and it has always been said that an army travels on its stomach and it cannot travel long unless something goes into the stomach. Suppose we embargo wheat and say that we won't ship wheat because it might reach a soldier, although it might reach the civilian population and prevent starvation. And so we embargo wheat because it might get to the army, and if it gets to the army, it is just as important as the gun which the soldier uses. Suppose we embargo trucks — all armies have to have trucks, and at the same time farmers and merchants and wholesale manufacturers have to have trucks. How can you say that you won't ship trucks because a few trucks can get to the army, and thereby become an instrument of war, whereas most of them might be used in industrial production. If we are going to try to draw the discrimination, are we under obligation to send somebody from our country over there to see that those things do not get to the army? How can we draw the line? How can we administer a law that undertakes to discriminate between the use of these things that are needed in the armies and in the civilian population?

Mr. Baruch. I thought I had stressed those points in my document.

Senator Barkley. I am trying to get a little more specific illustration.

Mr. Baruch. I used cotton. I think a little better example is scrap iron. There is a great hullabaloo about embargoing scrap iron now. If you embargo scrap, you will have to embargo all steel — billets —

Senator Barkley (interposing). Billets? You say "billets," and not "bullets"?

Mr. Baruch. Yes. You will then have to embargo all lines of steel. If you embargo scrap steel, you will have to embargo everything. After all, the big thing we are trying to do is to keep out of war. That is the high light — how to do that without losing our self-respect or putting us under the policy of scuttle and run.

I heard somebody say the other day that America is adopting this theory or policy because America is afraid. It is not that. It is because we do not want to fight. Anybody who thinks that America won't fight if she has to is making an awful mistake, and Germany made that mistake the last time. Anybody who thinks that America won't fight when its rights on this hemisphere are involved is making a great mistake. I think Americans are going to reserve to themselves certain rights but they do not want to go in and fight in what they think is somebody else's war. That is what I think is back of all this neutrality legislation. The average man on the street says, "I want to keep out of war," and he thinks this neutrality legislation is going to keep him out of war. It will make it, I hope, less easy for us to get into war. We certainly got into the war the last time because of violations of our rights in shipments of goods and the neutral rights of Americans to have liberty of action in the ships they sailed on, and other forcible breaches of our rights.

The Chairman. Mr. Baruch, Senator Johnson wanted to ask some questions, and if I may just lay a foundation before he asks his questions, I will.

The question of course before this committee is as to whether we are going to legislate at all or not, and if so, which one of the alternatives we are going to accept. I want to know from you if you know of any other alternative than those that have occurred to my mind at the present time, and that is, add all materials directly used in war to our Embargo Act and maintain our Embargo Act, or place all such materials on the cash and carry, or give greater discretion to the President with regard to these questions, or repeal the act and rely on international law. Do you know of any other alternatives that this committee has?

Mr. Baruch. No, sir.

The Chairman. What would be the effect, in your opinion, if war should break out in Europe very soon, before the 1st of May if the present cash-and-carry principles of the existing law, which require the conveyance of title of all materials not on the embargo list, the conveyance of title out of any citizen to some foreigner before it is transported or exported? What would be the effect on this country?

Mr. Baruch. Is your question, Senator, what would be the effect upon this country if the legislation would expire and none would be enacted?

The Chairman. Yes. And war would be going on in Europe.

Mr. Baruch. We would be back where we were in 1917.

The Chairman. In other words, although we stopped the exportation of the limited manufactured articles now defined in the act as arms, ammunition, and implements of war —

Mr. Baruch (interposing). I thought your question was confined —

The Chairman (interposing). I agree with your answer, but I want to make it clear.

Mr. Baruch. Oh, yes.

The Chairman. I want to make it clear. If we enacted any legislation and war was going on, those things defined as arms, ammunition, and implements of war would not move out of this country, but everything else
could move out of this country, the title still being in the citizen of the United States, because that part of the act dies on May 1. Would not then those goods be subject to destruction just the same as arms and ammunition and implements of war would be subject to destruction by the belligerents?

Mr. Baruch. I do not think I understand. Let me see if I have got what you are saying, Senator. The present legislation expires on May 1, all of it; doesn’t it?

The Chairman. No.

Mr. Baruch. Which part of it?

The Chairman. Only as to the “cash and carry.”

Mr. Baruch. Only as to the “cash and carry.” And then the embargo comes up — then you embargo?

The Chairman. Arms, ammunition, and implements of war as described in the act.

Mr. Baruch. And then what becomes of Senator Barkley’s cotton and wheat?

The Chairman. Everything then may be shipped as it was during the war. And what I am trying to get at is, would not the same dangers of involving us before the World War arise as to oil and lead and cotton and zinc, steel, and so forth?

Mr. Baruch. Unquestionably.

The Chairman (continuing). As it did during the World War?

Mr. Baruch. Unquestionably. As regards these goods that would be moved, unquestionably so.

The Chairman. The enemy would try to stop those goods from going — I mean the belligerents would try to stop those goods from going to their enemies, the same as they would the arms, ammunition, and implements of war?

Mr. Baruch. Exactly.

The Chairman. They would adopt the same means to stop them?

Mr. Baruch. Yes.

The Chairman. And you would have exactly the same situation as arose before we went into the war?

Mr. Baruch. Yes.

The Chairman. Senator Johnson?

Senator Johnson of California. We meet on a common ground.

Mr. Baruch. Sir?

Senator Johnson of California. We meet on a common ground; we do not want any war. That is correct, isn’t it?

Mr. Baruch. In every way, yes, sir.

Senator Johnson of California. And short of the sacrifice of our own honor and the sacrifice of those things that we hold dear to us, we won’t have any war if you and I can prevent it, will we?

Mr. Baruch. That is right.

Senator Johnson of California. That is the desideratum, and we may say it is the premise of what you have presented today?

Mr. Baruch. Yes.

Senator Johnson of California. In the language of the President, that is a mouthful, and if we continue to have that in mind, we may be able to solve this problem. The purpose of this committee is to endeavor to solve it if it can. If it cannot, we are still going to stick, many of us that are here — to the thesis that we want no war. You agree with me in that, do you not?

Mr. Baruch. Yes.

Senator Johnson of California. We do not want to choose any of the warring countries of Europe simply as a matter of choice, however our sympathies may be, in a war that may occur in Europe. That is correct, isn’t it?

Mr. Baruch. Yes, sir.

Senator Johnson of California. Yesterday we had a very distinguished gentleman on the stand here. I was unable to understand exactly his position, but I deem it to be that he would choose Great Britain and France as democracies in any trouble that occurred in Europe, and the whole tenor of what he said to us was that he was looking for a place to make that choice, and with anxiety reviewing what might transpire. You have no such design and no such desire, have you?

Mr. Baruch. No, sir.

Senator Johnson of California. Yet in examining him yesterday briefly, and I will say to you that my examination will be very brief because we have a common ground of interest, more than any particular law that might be enacted here, and if that law will not take us into war, we are not particularly anxious about it, because our design is to stay out of war. That is correct, isn’t it?

Mr. Baruch. Yes, sir.

Senator Johnson of California. All right, sir. Yesterday I spoke of the great democracies marching together, and in a way that I regret of, being sarcastic at times, I said that the great democracies of Great Britain and France and Russia, we would be marching beside them, and this would be taken by some of my brethren to mean that I believed Russia was a great democracy — but we will pass that. In no word that I say to you today do I intend to be sarcastic at all. Yesterday I did indulge in a bit of sarcasm, which, of course, is always misunderstood, and so we won’t now do that sort of thing at all, but if Russia were to unite with England and France, the sympathies that we all have might cool a bit, might they not?

Mr. Baruch. I think so.

Senator Johnson of California. Because we have recognized Russia as the greatest state for liquidation — that is a word that is coined in relation to murder —

Mr. Baruch (interposing). Did you say liquidation or degradation?

Senator Johnson of California. I said “liquidation” — as a sort of murder in the last few years, but Russia has been the greatest state of liquidating human beings that there has been in all of Europe, and we would not care to see ourselves being united with Russia, would we?

Mr. Baruch. No, sir; and I do not think that we ought to think about uniting with anybody yet. Let us unite within ourselves first.

Senator Johnson of California. That is absolutely correct. We do not want to be united with anybody, but as the Senator from North Carolina said yesterday, the propaganda is driving us into that sort of thing and driving us day in and day out, and although the witness said that he had never heard of any propaganda at all, every one of us know that there is such propaganda abroad at the present time as to put us in the category of
certain nations in the controversy of war that may occur, and so we would keep out of all of that, would we not?

Mr. Baruch. Yes, sir.

Senator Johnson of California. Now, you said in answer to Senator Barkley, I think, that there is no international law now. Did you quite mean that?

Mr. Baruch. None except the law of might. I don't know of any, Senator. I would like to be informed.

Senator Johnson of California. Then this body of international law that is quoted almost daily by our State Department, that is referred to by every nation on earth that pretends to decency at all, that is something that you do not recognize at all?

Mr. Baruch. I won't say that I do not. Nobody else does but us.

Senator Johnson of California. I think you are in error there. There is an international law just as there always has been, just as there always has been the law against theft, but because the thief gets away with his booty at times is no reason why we should say that the law against theft has been abrogated.

Mr. Baruch. I would change my answer in view of what you said, sir.

The Chairman. Let me ask you at that point. Do you agree with Judge John Bassett Moore's testimony before our committee in the form of a pamphlet that I introduced, where he takes the same ground that international law lives, but that international law is not dead but asleep during a war?

Mr. Baruch. Secretary Hull has always taken the position, as I understand it, that we ought to make protests against breaches of international law and not become a party to them.

Senator Johnson of California. Why certainly. Our rights as a neutral were violated again and again by Great Britain during the Great War, were they not?

Mr. Baruch. Unquestionably.

Senator Johnson of California. There has been since various methods which have been devised of trying to right some of the wrongs that were done. They have not succeeded wholly by any means, but those have been upon the theory that Great Britain has recognized that she was guilty of infractions of international law. International law still lives although it may be that it would be sleeping during war, but that doesn't mean that it is dead, by any means.

Now, the reason I asked you about international law is this. Here are three propositions that have been presented, as I understand it — maybe four — to this committee. I am open-minded concerning most of them. I want to do just what you want to do — keep this country out of war. That is the great thing, after all. There are gentlemen who believe that there should be an absolute embargo on goods of military character, there are those who believe that they should be of a "cash-and-carry" proposition and there are those who, like Senator Lewis and Senator King, believe in the repeal of the whole law and resting upon what there is of international law. Does that not strike you as at least a logical method to pursue?

Mr. Baruch. It is logical if they think that will work better than the other. And maybe they will.

Senator Johnson of California. That is true.

Mr. Baruch. But if we repeal the law and we refer back to international law, are we not where we were back in 1917?

Senator Johnson of California. Quite so.

Mr. Baruch. And we are in that danger.

Senator Johnson of California. Quite so, but where are we now under your scheme of "cash and carry"? As I said, when the bill was before the Senate, we are the ally of Japan in the Pacific and the ally of Great Britain in the Atlantic. That is true, isn't it?

Mr. Baruch. I won't say that we are allies, but they are favored now. They can come and get it while the others cannot, but that ability to command cash and transportation is due to no plan of ours, but we favor them. They can come and get it and the others cannot.

Senator Johnson of California. So you see there are obstacles and objections to your system, as well as to the system of international law?

Mr. Baruch. Do I understand you, Senator, that you feel that we had better go back under the scheme of Senator King's?

Senator Johnson of California. I am not clear on the matter, but I think it is likely that we should go back and we should take international law as it exists today, and if we can, pursue what remedy we have, because under your system you at once get into difficulties with the belligerent nations — those that are not able to come and get and pay for the goods that they take, and the title will then rest as the chairman has said.

The Chairman. There is nothing about cash in the bill.

Senator Johnson of California. You don't care about cash.

The Chairman. No. I want to keep out of war.

Senator Johnson of California. That is it every time: Keep out of war. That is the whole thing.

Mr. Baruch. I am sorry to interrupt you. We want to keep out of war, but I am just wondering. A great many people feel that we have to do something to get away from the position we occupied before the World War, and that is the reason they advanced the present so-called Neutrality Act. The question is, if we go back to where we were, do we take a greater chance than to try a new law?

Senator Johnson of California. That is right. It is a weighing of the advantages and disadvantages, as you weigh a lawsuit or anything else — are the advantages greater in this sort of thing or that sort of thing? — But you do not relieve yourself of pursuing one thought you suggest: Of taking sides. That is the obstacle. You take sides by doing that because you know when you are beginning about those things.

The Chairman. Every Senator here, I think, wants to ask this distinguished gentleman some question. I believe we should go down the line, according to seniority, and ask the gentlemen if they want to ask any questions, if that is agreeable. Some may not want to ask any questions. That is the only fair way of moving.

Senator Johnson of California. Do you want me to stop?

The Chairman. No; but I want to state what I am going to do if the committee desires.

Mr. Baruch. I am a witness. I am here at your request.

Senator Johnson of California. And a very good witness, too. You are a very good witness because I respect your frankness, as expressed here this morning, and I want to say that publicly, that I respect it. Some other witness — I might not respect his frankness. [Laughter.]
Now, I would call to your attention the fact that immediately you take sides, under your scheme — you may say that you don't, because you have got a law that permits the taking of goods from this country by the belligerent who is able to take them. Well, you know in advance what belligerents are able to take them. There is no doubt about that at all. In the Pacific it is Japan, in the Atlantic it is Great Britain. In the Pacific they are trying to stop the taking of scrap by Japan, and have been for some time; and it is a pitiful thing to see the Chinese picketing those ships. Little they can do, and they don't succeed in doing much: but it is a pitiful thing to see. We know what we are doing when we permit that, and we know that we are taking sides with the stronger cause. Now, I say to you, therefore, why isn't it better to let the law do that, and attempt to revise it if it is necessary to revise it — international law — deal with the subject? There you have centuries of the best thought that there is, and has been, in all the centuries, in the world — certain rules and regulations that may have been broken and violated, but there they exist. So why isn't it better to rest upon that law? It may be that we come to the point where it is no good, but at any rate we have tried to be fair and square and show no favoritism at all, and that under the law as it exists.

Mr. Baruch. Then, of course, if we say that we don't accept the tenets of international law, and a country breaks it, what then?

Senator Johnson of California. That is an objection, of course; and it may be that, under international law, the same thing may eventually occur as it does now: That only the strong can take the goods; that they have got to run a blockade.

Mr. Baruch. And do it at their peril and risk?

Senator Johnson of California. Exactly. I am trying to say that resort to international law is a resort to an established method of maintaining neutrality. Now, it may not succeed, that is quite true. I will recognize that.

Mr. Baruch. International law, then, will be exactly what we make it, if we say "You have violated the law and we protest." England searched our ships when the war began. That was a breach of international law, and we will have breaches like that from both sides.

Senator Johnson of California. But I won't admit that we have to have breaches such as that, and I won't admit that those breaches would have occurred in the Great War if we had played the game with the great contestants without favor and without fear. The only thing I would like to have here is Mr. King's proposal, and see if you can reconcile that with the views that you present here. That is what is troubling me, and it is what I prefer to do at present, without any fixed idea on the subject, rather than deal with goods that would be given to a country that is able to get them rather than embargoeing all the commerce of this country.

I take it that my colleagues here, as the Senator has said, want to ask you some questions, and I will close with these words: We want to keep out of war, and we should say to these gentlemen who are coming to us and telling us how to get into the war that democracy hasn't a particle of sympathy with them.

Senator Green. One of the fundamental ideas underlying your statement is that this country should treat all nations alike?

Mr. Baruch. Yes.

Senator Green. I wish you would amplify that. Why is it necessary for us to treat them all alike?

Mr. Baruch. What I mean is to treat them alike in this sense: That they can all come and get it — all in the same circumstances. In saying that, I admit that there is inequality, as Senator Johnson has brought out, and as I made plain in my statement — inequalities that, at present, work in favor of Japan and England because of their strength on the water.

The Chairman. Wouldn't there be exactly the same inequality if we didn't have any neutrality or peace law?

Mr. Baruch. Yes. What I am trying to do is to keep out the inequalities. As far as we make them. We have no control on changing conditions in the world. As a neutral, we must take them "as is."

Senator Green. I understood you to imply that you felt it was important to treat them all alike.

Mr. Baruch. Yes, in our country, and alike as they now stand.

Senator Green. Why do you think it is important for us to treat England and France and Japan just alike?

Mr. Baruch. Because as soon as we treat them other than alike, as they are now we are declaring an economic war.

Senator Green. Haven't we always followed the principle of considering the interests of America first? Why should you treat them all alike?

Mr. Baruch. I think it has a warlike economic aspect, unless we keep the status quo.

Senator Green. But in the past we have treated nations differently, haven't we?

Mr. Baruch. We have by trade treaties, I suppose.

Senator Green. Was not the enunciation of the Monroe Doctrine a remarkable illustration of the treating of nations in this part of the world differently?

Mr. Baruch. We did that because it threatened our national existence. It was our domestic policy of self-defense.

Senator Green. Why shouldn't we do the same thing in your views?

Mr. Baruch. And say to Japan that "We are not going to have anything to do with you?"

Senator Green. No, but because it threatens the peace and security of America.

Mr. Baruch. I don't think it threatens it enough.

Senator Green. For the same reason you would not treat Germany and Italy, if war broke out, differently from England and France? Let me go back a sentence or two. I understood you to justify the Monroe Doctrine on the ground that our ultimate peace and security were threatened if it was not enunciated.

Mr. Baruch. Yes. I justified it on the ground I stated, and I do not go back on it.

Senator Green. Would you distinguish between the enunciation of some and not of other doctrines?

Mr. Baruch. If we were certain of it.

Senator Green. We are never certain. We were not certain of it when it was enunciated by Monroe.

Mr. Baruch. I wouldn't go as far as that, certainly.

Senator Green. Well, I understood you to say that this was a great crisis
in our history. Do you think it is as great, or not so great, a crisis as in the
time of President Monroe?

Mr. Baruch. I cannot understand that question.

Senator Green. But assuming it is as great a crisis, would you be in favor
of adopting some policy of distinguishing between different nations in our
treatment of them?

Mr. Baruch. To answer that question, Senator, we have to go back to
what started the differences.

Senator Green. Let us not go back. Let us get the conclusion.

Mr. Baruch. I don’t want to draw a conclusion on what has already
been done — on a fait accompli of more than 120 years. We have got to go
back to what started it. Certainly no one can accuse me of being friendly
to Germany or friendly to Russia.

Senator Green. I just want the general principles.

Mr. Baruch. I don’t want to assume the responsibility of saying to any
people, such as the Germans, or the Italians or even the English or Chinese,
that they have taken the wrong steps. Japan has about 70,000,000 people
on some islands about the size of California. She wants to expand — she
says she has to. I am not in the least condoning what Japan is doing to
China, or implying that her explanation is true, but I admit that there is a
question growing out of such situations.

Senator Green. I am looking at it as a question of the peace and security
of the United States of America. I know that other nations have their
troubles and problems, but what I am asking you is this: Isn’t America
justified, in a great crisis, in enunciating a policy, in its treatment of other
nations, which would distinguish between them, on some ground rather than
treating them all alike, just as it did in the time of President Monroe?

Mr. Baruch. I perhaps am so imbued with the idea of keeping out of war
that I would probably say “no.” I prefer to keep the status quo unless we are
prepared to take an action that could be construed as a declaration of war.
We did not gain any commercial advantage by the Monroe Doctrine.

The Chairman. Senator Connally.

Mr. Baruch, I just want to ask you a couple of ques-
tions to see if I understand your attitude. Your fundamental view is that
neutrality means treating both alike, is that right?

Mr. Baruch. I don’t think there is any such animal. I can’t define
“neutrality.”

Senator Connally. Well, if you are going to be neutral, it means treat-
ing both alike, doesn’t it?

Mr. Baruch. At the starting point; yes. It means keeping the status quo.

Senator Connally. Now, you also brought out that a state of war be-
tween two other nations necessarily interferes with our normal commerce
and trade.

Mr. Baruch. Unquestionably.

Senator Connally. And you brought out that nations, in doing that
were indirectly at least making war on our trade and commerce, is that
right?

Mr. Baruch. Yes.

Senator Connally. Now, under the old international law, before the
World War, the nations insisted on the freedom of the seas and their right
to carry on their commerce irrespective of a state of war, but the strong
nations came along and said, “We will make up a list of contrabands which
is exempt from the freedom of the seas and we will destroy it,” simply be-
cause they were strong enough to do it.

Mr. Baruch. Yes.

Senator Connally. That brought us into the World War because of the
destruction of our ships and American lives.

Mr. Baruch. Yes.

Senator Connally. Now, your attitude now — as I understand it — is
that we will conduct our normal commercial business, but we don’t take
those risks? We shall provide that if they come here and take the goods
of America, they shall furnish transport themselves.

Mr. Baruch. That is right.

Senator Connally. And we will treat them both alike. In other words
we make no discrimination as between the strong powers and the weak
powers, or between the democracies and the totalitarianisms, but we will
treat them both alike on the theory that that is the nearest approach to
neutrality that we can make. Is that correct?

Mr. Baruch. Yes.

Senator Connally. In olden times, war materials were fairly well under-
stood, because they came within these categories that were announced as
contraband, but you now contend, as I understand it, that food to feed a
man is as necessary as a bullet to feed a gun?

Mr. Baruch. Yes.

Senator Connally. Therefore, that there ought not to be any discrimina-
tion between what we have heretofore regarded as purely war munitions
and the general supplies necessary to carry on the economic life of the country
and the army and the navy; is that correct?

Mr. Baruch. Yes, sir.

Senator Connally. I thank you.

The Chairman. Just one question. The bill that I introduced exempts
the Red Cross from this act in carrying these goods to all belligerents, that
is to the civil population of all belligerents. Do you believe in that?

Mr. Baruch. Yes, sir. Under this law, does this exempt Canada?

The Chairman. It does not.

Mr. Baruch. I was in doubt about that.

The Chairman. It exempts traffic on the Great Lakes and coastal waters,
but it does not exempt Canada, if Canada becomes a belligerent, from the
embargo or cash-and-carry provisions of the law.

Now, Senator Gillette.

Senator Gillette. Mr. Chairman, just one question. Mr. Baruch, your
very excellent statement here left in my mind a strong impression of in-
consistency that I am sure you can correct.

Mr. Baruch. Senator, neutrality is such a difficult question, I do find
myself wondering as to where wisdom lies.

Senator Gillette. Referring to the matter of embargo of arms and muni-
tions under our present law, you state, on page 2:

To embargo the sale of implements of war, under conditions that now exist,
might be the means of cementing into power the stronger nations and reducing
weaker nations to slavery or worse.

Then the point in your argument for your advocacy of the enlarging
of the cash-and-carry principle, you state on page 3: “It treats all nations
alike.”
It is for this reason that I am now willing to include everything in the “cash and carry,” but it is also for this reason that I think we should approach the discussion recognizing plainly that any economic restrictions or discriminations are harmful to some belligerent, and I understand that the pressure for this legislation is the reverse of a wish to treat all nations alike.

Mr. Baruch. Now, let us take it one by one. Where do you think the inconsistency is?

Senator Gillette. In the first place, you state that your objection to our present embargo might be the means of showing favoritism and cementing the power of the stronger nations.

Mr. Baruch. Like Italy against Ethiopia?

Senator Gillette. Yes. Then you state that to include this in a “cash and carry,” and enlarge the cash-and-carry principle, is on the theory that it treats them all alike, but you say:

We must keep in mind that it does not treat them all alike and that the pressure for its passage is the reverse of a wish to treat them alike.

Mr. Baruch. We treat them all alike as to the opportunities we offer them here. Our wheat is available; our materials are open to purchase. It is up to the belligerents to make the arrangements necessitated by their own conditions.

Senator Gillette. You are not maintaining that the enlargement of the cash-and-carry principle to all arms, implements of war, and so forth, would be treating them all alike?

Mr. Baruch. Yes: I do. The point lies here. If we start out with this principle of equality of opportunity it would be dangerous and taking an actual step of war for us to try to change the condition of one belligerent so as to put him in a more favorable position. To declare an aggressor involves that. It may be all right, but let us not delude ourselves — it is a step toward war. The safest plan is to keep the status quo — to let those who can come and get it.

Senator Gillette. That is all, Mr. Chairman.

The Chairman. Are there any other questions?

Senator Reynolds. Yes; I would like to ask some questions, Mr. Chairman.

The Chairman. Just a moment. The Chair violated the rule of the committee. He should have asked Senator Schwellenbach.

Senator Schwellenbach. I have some questions, but I do not mind waiting.

The Chairman. I just want to maintain the rule.

Senator Reynolds. I will defer until the Senator from Washington concludes.

Senator Schwellenbach. Mr. Baruch, I do not know whether you have this information or not, but I think the committee should get it before you get through. Possibly you have it. Do you know the number of English ships that were sunk during the last year off the coast of Spain?

Mr. Baruch. No.

Senator Schwellenbach. Do you know as a fact that there were a considerable number of them sunk off the coast of Spain?

The Chairman. You will have to answer and not nod your head.

Mr. Baruch. Yes; I do.

Senator Schwellenbach. Have you any information on that subject at all?
The Chairman. Japan is violating such agreement. That is all; thank you.

Senator Reynolds. Mr. Chairman, before questioning Mr. Baruch, I desire to state that Mr. Baruch and I are, not only geographically speaking, neighbors, good neighbors, but we are neighbors in thought, because we are both following in the footsteps of my distinguished colleague, Senator Johnson, in that both of us are against war. That is correct, isn't it Mr. Baruch?

Mr. Baruch. Yes, sir.

Senator Reynolds. I had not intended questioning Mr. Baruch in regard to the Eastern situation, but in view of the fact that the inquiries were directed to him by my colleague from Washington, I want to ask a few questions in reference to the situation that exists in the Orient today and as it relates to the Nine Power Pact mentioned by Senator Schwellenbach. Is it not true, Mr. Baruch, that the United States of America has really been of assistance to China in the present controversy existing in the Orient now between China and Japan by way of the President not having declared that war exists today in the Orient?

Mr. Baruch. I referred to that in my statement, Senator.

Senator Reynolds. Yes. As a matter of fact, we are then in accord with one another to the extent that the United States of America has endeavored to help China under the Nine Power Pact by not having declared war, because today no war exists in China insofar as we have taken official notice of it, and if the President of the United States had declared that a state of war existed between China and Japan, it would have been to the grave detriment of China, isn't that true?

Mr. Baruch. Yes, Senator; but Japan is going through the hocus-pocus over there, as I understand it, of not having declared war on China, isn't that so?

Senator Reynolds. But that would not be at all necessary if the President of the United States under the present act would say that war exists between China and Japan now, and then the thing about that would be that China would have control of the seas and would seize everything that would be considered as contraband of war, isn't that true?

Mr. Baruch. Yes.

Senator Reynolds. So therefore, we have helped China by the President of the United States not having declared war, because there is a radical distinction between war and a state of war, isn't that true?

Mr. Baruch. Yes, sir.

Senator Reynolds. Quite so. Now Mr. Baruch, you believe in the cash-and-carry system?

Mr. Baruch. Let us get this clear. I believe in that as the best means toward which we are trying to do. It may not be the best. I am not wedded to it. I do not assume any all-wise attitude upon the subject. Perhaps I first suggested it and called it "come and get it," then somebody else called it the "cash-and-carry plan." Put it that way.

Senator Reynolds. You advocate that theory?

Mr. Baruch. Yes.

Senator Reynolds. Now in case there were a war between China and Japan, and China would be put at a great disadvantage because it has not
Senator Reynolds. Shylock did not wait 20 years; Shylock did not wait 20 days.

Mr. Baruch. I have always advocated the adjustment of——

Senator Reynolds (interposing). I knew that you had.

The Chairman. I must insist that the witness ought to be allowed to finish the answer to the question — just as a parliamentary practice.

Senator Reynolds. Excuse me. Go right ahead, Mr. Baruch.

Mr. Baruch. I do not mind, Senator. We are both deeply interested in this.

Senator Reynolds. Certainly.

Mr. Baruch. I do not think that this would be a proper time to press the debts.

Senator Reynolds. Let us assume everything being exactly like it is in the world today, and Germany and Italy had command of the sea, and that they could buy all that they wanted from us, and Great Britain and France could not buy anything, would you still maintain the theory that you pronounced here today to the effect that we should sell to those who are able to get it?

Mr. Baruch. Yes, sir.

Senator Reynolds. You do?

Mr. Baruch. Yes.

Senator Reynolds. Regardless of the difference between the forms of government, that is, the so-called democracies of Great Britain and France, and the dictatorships of Germany and Italy?

Mr. Baruch. Deeply as I feel about some of these questions, Senator, I do not think it is any of our business to stick our nose in their business, and they ought to keep their nose out of our business.

Senator Reynolds. I am very happy to hear you say that, Mr. Baruch. That is what I have been telling the American people for months past, and I am glad to have the benefit of your moral courage. Mr. Baruch, of course during the last war, you were very instrumental in aiding the American Government and we are all greatly indebted to you for that. During the last war, I will ask you if everything except ostrich feathers was not considered as contraband of war?

Mr. Baruch. Pretty nearly.

Senator Reynolds. Everything?

Mr. Baruch. Pretty nearly.

Senator Reynolds. As a matter of fact, even lip rouge was considered a contraband of war on account of containing glycerine. Isn't that a fact?

Mr. Baruch. And on account of the fact that we would like to see our women use it.

Senator Reynolds. Our women in America do not have to use it to be beautiful, Mr. Baruch.

Mr. Baruch. I agree with you on that. [Laughter.]

Senator Reynolds. Now, Mr. Baruch, do you consider the Soviet Union a democracy?

Mr. Baruch. No, sir.

Senator Reynolds. Do you approve of the so-called democracies of Europe, Great Britain and France, soliciting and courting Soviet Russia in this crisis?

Mr. Baruch. Well, any port in a storm. They are up against it. We say that politics makes strange bedfellows, and I think that war makes still stranger ones. It is not in my mouth to say to England, France, or Russia or any of these countries involved what they ought to do when we do not propose to do anything about it. That is my position. I feel very deeply about some of these things, but my personal feelings and my feelings as a witness before this committee to discuss what is best for America are two entirely different things.

Senator Reynolds. Mr. Baruch, were the Soviet Union to ally itself with France and Great Britain, don't you really think that that would somewhat cool the ardor of the American people toward Great Britain and France?

Mr. Baruch. Probably; probably.

Senator Reynolds. If France and Great Britain should become involved in a war controversy with the totalitarian states and the so-called democracies of France and Great Britain should be very seriously imperiled, do you think that the United States of America, if we saw that Great Britain and France were going to be destroyed, do you think that the United States would go to war to try to again save Christianity and spare democracy?

Mr. Baruch. That is a pretty tough question that Senator Green — was it — put to me?

Senator Reynolds. Yes.

Mr. Baruch. My desire to keep out of war is the predominant thing in my feelings in all of these matters.

Senator Reynolds. I know that.

Mr. Baruch. But of course the question is where and how we are threatened. If I thought this Western Hemisphere would be invaded or become a subject of conquest, I would give very serious consideration as to what we ought immediately to do in the circumstances.

Senator Reynolds. That would be a matter of small consideration then, of course.

Mr. Baruch. If your question is: Would that be a matter for consideration, yes, sir.

Senator Reynolds. I observe that in a portion of your testimony here on page 7, the first paragraph, you say:

It is a pleasure to take up one branch of this argument upon which all seem to be agreed — that we should permit no American financing of foreign conflict. I was among the earliest to advocate that and Senator Johnson's bill not merely as a basis of discussion, but as a firm conviction. We have learned by bitter experience that 'where the treasure is there will the heart be also.' By neither loans nor any kind of credit should we finance a nation at war — no matter how our sympathies may be involved. To refuse credit to all impartially is within our rights, as beyond all question it is true neutrality. One nation may become, by practice and location, dependent on another for supplies of one sort or another, and so forth. Mr. Baruch, if you insist upon no financing of nations at war, and so only nations at war able to buy and to pay for what they buy, are you not inviting a repetition of the experience of another day when rather than lose the wartime business, we would finance the nations at war when they exhausted their own resources?

Mr. Baruch. That is impossible under this bill.

Senator Reynolds. In what respect?

Mr. Baruch. They not alone deny anybody the right but they make it a felony and with a $10,000 fine.

Senator Reynolds. Unless they pay cash.
The CHAIRMAN. Pardon me. There is no such thing as cash in this bill. Senator REYNOLDS. I was speaking of cash and carry.

The CHAIRMAN. There is no such thing as cash mentioned, or cash and carry.

Mr. BARUCH. They pay and take ownership; they "come and get it."

Senator REYNOLDS. And take it away in their own bottoms?

Mr. BARUCH. Yes.

Senator REYNOLDS. Eliminating any risk on our part.

Mr. BARUCH. On the sea.

Senator REYNOLDS. That is all, Mr. Chairman.

The CHAIRMAN. Just about three questions. Mr. Baruch, there is nothing in cash and carry except that when material is transported from the United States across a submarine-infested ocean it is not the property of an American citizen.

Mr. BARUCH. I so definitely understand, Senator.

The CHAIRMAN. That is true. And if it is destroyed, there is no complaint to our Government by an American citizen by reason of its destruction?

Mr. BARUCH. Quite right.

The CHAIRMAN. There are no changes in the cash provision of the bill at all, are there? That is, the bill that I introduced carries all of the financial restrictions that exist in the present law.

Now, one other question. If the Neutrality Act were repealed — if the present law were repealed and we were back exactly where we were in 1917, would not the same advantages exist as to governments controlling the sea or governments that have money as they would under the cash-and-carry proposition?

Mr. BARUCH. Unquestionably.

The CHAIRMAN. It gives no greater favors than they would have had in 1917.

Mr. BARUCH (interposing). Or that now exist.

The CHAIRMAN. Or that now exist, one way or the other, but it would restrain our own citizens from attempting for high prices, to transport goods through submarine zones or otherwise, and give them a cause for complaint to our Government to incite our people on the ground that our rights had been violated if such goods were destroyed. And the other provision is that our ships shall not also endanger the peace in this country by transporting anything to belligerent countries. Is that not true?

Mr. BARUCH. Yes, sir.

Senator REYNOLDS. I would like to ask one more question, Mr. Chairman. But is it being neutral when we sell only to those that command the seas, the strong at sea, and do not sell to those not in command of the sea and therefore weak at sea? Is that being neutral to sell only to those in command?

Mr. BARUCH. I think we are trying to put a new definition upon "neutrality." I think accepting the status quo and not changing it is remaining neutral. That is what I think, Senator.

Senator BORAH. Mr. Baruch, I wanted to ask you just one question in connection with the questions that were asked by the chairman. Under the cash-and-carry — designating it that way because it is publicly designated in that way — under the cash-and-carry plan if it be enacted, Japan, being the master of the sea on that side of the world, would be able to come here and get whatever she wants?

Mr. BARUCH. Yes, sir.

Senator BORAH. China would not be able to do so?

Mr. BARUCH. No, sir.

Senator BORAH. You say that is the status now?

Mr. BARUCH. Yes.

Senator BORAH. But suppose that our people with their own ships desired to assist China, to give her some help in the matter, they could not do that under that, could they?

Mr. BARUCH. It is curious that nobody touched upon this point. I tried to touch upon what I think you have in mind. As I understand, you do not want to give up absolutely the right to sell, is that correct, Senator?

Senator BORAH. I do not want to enact legislation —

Mr. BARUCH (interposing). I am going to answer your question.

Senator BORAH. Very well.

Mr. BARUCH. I do not think that we would be taking any great risk — as I indicated in the last paragraph of my statement, I am surprised that nobody asked me about this, because I thought this was something on which there would be a great difference of opinion. I believe that certainly in some circumstances that we would say to Americans: "Well, if you want to go and take the risk, you can do it, but you sail on the ship and you send those goods at your own peril. The flag won't follow you or protect you." I think we ought to give grave consideration to such an attitude. And especially of this, sir — suppose the war that we are thinking about in Europe occurs. Suppose we say that the English fleet bottles up the German fleet in the North Sea, and that the Italian fleet is bottled up through the Suez Canal and Gibraltar, and an American says, "I want to take some goods over from San Francisco or Los Angeles to Australia" — who are now on the side of England — and he says "I do not think there are any submarines, I am not afraid of any danger there. Can't I do that?" I think some sort of discretion ought to be given our official policy on this point. That is one step forward toward yours. I do not want to see our American enterprise entirely given up. I do not want to see our liberty of action wholly impaired. But in doing this, Senator, you may be going nearer what we are trying to avoid — war.

Senator BORAH. Well of course, we all want to avoid war.

Mr. BARUCH. Every one of these things leads to war.

Senator BORAH. There would be no purpose in it if we are not going to avoid war.

Mr. BARUCH. That is exactly the reason I raised that point toward the end of my statement. It deals with the very questions that you put. It is something that should be considered. I am not certain about it myself. I do not want to advocate it yet; I want to give it a good deal more thought. It is disturbing me as it is apparently disturbing you.

Senator BORAH. There are many things about the cash-and-carry proposition which theoretically seems entitled to be sympathetically considered. But it seems to me if we should pass that kind of a bill, we would accentuate and strengthen the power, say, by illustration of Japan. If some of our people, or ships, should say "We are willing to help China, we are willing to
they were going at their own risk, is satisfactory, brings up the question again as to whether or not we can entirely exclude from our laws the necessity of protecting American citizens in their rights. We held, when we went into the war, that we could not. When we have attempted to place in a bill that citizens could travel on belligerent ships at their own risk, one of the most distinguished members of this committee said, "No! we would have to protect their rights if they travel on belligerent ships, whatever those rights were under international law."

Again, if you are going to allow goods to be taken to Australia because it is safe, and Australia is in alliance with Great Britain in a war, then we have our ships taking goods to one of the belligerents. I drop that for consideration, that is all.

The CHAIRMAN. On that question, today every port on the Pacific in China is controlled by Japan. Even Hong Kong is surrounded by the Japanese Army. It is a known historic fact that nothing can get into China from the Pacific. Through Rangoon on the Indian Ocean, supplies can get at the present time get into China. Senator, and they can get in there through Russia, but in no other place could they get into China now except in those places. They are just as helpless with regard to American vessels or any other vessels except those traveling on the Indian Ocean as they would be under my proposed act.

Sen. Borah. But, Senator, we take that situation and accentuate it in behalf of Japan. We do not recognize that fact as it now exists, but in addition to that, we fine anybody who undertakes to break it.

The CHAIRMAN. You have to some penalty, do you not? I think the penalty is entirely too great, and it occurred by reason of the fact that the penalty that was used to prevent great corporations from violating the existing law was carried to the end of my proposed act. I certainly agree that as to the minor offenses, there ought to be minor penalties, and Mr. Baruch has mentioned that already. It was done in trying to cut out particular penalties throughout each section. That certainly should be taken up for consideration.

Sen. Borah. I think we are through with Mr. Baruch, are we not?

Sen. Reynolds. One question suggested by my colleague Sen. Nye. If there is no objection, I will ask Mr. Baruch, does the Pittman proposal accomplish the present neutrality law as it forbids loans and credits to nations at war, or are you familiar with that?

The CHAIRMAN. I am familiar with it, and it copies the existing law.

Sen. Reynolds. It copies the existing law?

Mr. Baruch. It is a copy of the existing law.

Sen. Reynolds. Thank you.

The CHAIRMAN. Mr. Baruch, we thank you very much. We know that you are not in very good health and we appreciate your coming down here.

We will now adjourn until Monday morning at 10:30, at which time Mrs. Louise Leonard Wright, of Chicago, will testify on behalf of several large groups of women.

(Whereupon, at 12:45 o'clock, recess was taken until Monday, April 10, 1939, at 10:30 o'clock.)