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October 19, 1938.

The Secretary

The Under Secretary

At a recent meeting of the Business Advisory Council of the Department of Commerce, Secretary Roper and Assistant Secretary Patterson again appeared before the Council and spoke of the proposed consolidation of the Foreign Services and expressed the desire that the Council give this matter consideration and support the efforts of the Department of Commerce to maintain the status quo. There appears to have been little discussion of the matter in the Council. After this meeting, Mr. Harriman, the Chairman of the Council, saw Mr. Welles and Mr. Harriman expressed his accord with the idea that an officer of this Department should explain to a Committee of the Council some of the features of the proposed consolidation with which the Council did not seem to be altogether familiar. As a result, Mr. Dickerman, the President of the American Locomotive Company, invited me to join a Committee of the Council at dinner in New York and I went to New York last evening for this purpose. The following persons were present as the guests of Mr. Dickerman at a dinner at the University Club at seven o'clock: Mr. Harriman, Chairman of the Business Advisory Council and President of the Board of

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the Union Pacific; Mr. Gano Dunn, President of the J. G. White Engineering Corporation; Mr. W. L. Batt, President, S.K.F. Industries; and Mr. R. J. Hamilton, President of the American Radiator Company. After dinner there was a discussion, which lasted from eight o'clock to a quarter of twelve, of the proposed consolidation measures.

Mr. Dickerman as host of the dinner opened the discussion by referring to Mr. Roper's and Mr. Patterson's statements to the Advisory Council and referred to the proposed plan as one to transfer the Bureau of Foreign and Domestic Commerce into the Department of State. His introductory statement was simply this and that the Council was naturally very much interested in any such measure and would be glad to have any information I could give.

I went into a very carefully detailed and objective statement of the whole problem giving the historical and legislative background. I will not go into detail here as to what I said except merely to record that I gave a very full statement of practically every aspect of the problem.

There then followed a discussion from which it was apparent that some of those present still clung to the idea that the proposed consolidation was one involving the transfer of the Bureau of Foreign and Domestic Commerce in its entirety into the Department of State. When I made it clear that this had never been considered, would not be desired by this

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Department, and that we definitely felt that the Bureau should be retained in the Department of Commerce and it and its District Offices in this country strengthened, it was quite obvious that this made a very distinct impression for it was not so much the transfer of the Foreign Service of Commerce into State which concerned those present as it was the transfer of the Bureau. It was felt by them that the Governmental agency in this country for the digesting and dissemination of information from the foreign field should be in the Department of Commerce which had the more direct liaison with business. I emphasized that the consolidation did not envisage anything further than the inclusion of the Foreign Service of Commerce in that of State and that we were definitely in favor of the strengthening rather than the weakening of the Bureau of Foreign and Domestic Commerce in this country and of its District Offices which we considered were doing a useful service. It was felt by those who had given the matter careful and objective study that the transfer of the Foreign Commerce Service into that of State would strengthen rather than weaken the Bureau and its ability to be of service to American business.

Various persons present then raised the question that small business in this country would misunderstand even the transfer of the Foreign Commerce Service, from which, they believed, they were getting all these services abroad. I

emphasized

emphasized the fact that certainly over 85 percent of the information which reaches large and small business in this country from the foreign field comes from the officers of State now and that the reason that certain business men have this impression that they are getting so much service from Commerce men abroad is that the identity of the material from the field is lost and they have the sole impression that it comes from the Commerce men abroad. Those present said that this fact was known to them, but it was not known to business men generally, and that therefore this was a wrong impression which had to be removed if business was not to be alarmed by consolidation. I think I was able to convince them that these apprehensions are not based on proper grounds but they still felt that they had to be considered.

One of those present raised the question that the officers of Commerce abroad might be able to do certain "dirty work" for business which officers of State could not or would not do. I said that there was no service which an officer of our Government could properly perform for any interest in this country, business or otherwise, which was not being performed by the officers of the Department of State. In our relations with other States we had to keep them on a reciprocal basis and, if we engaged in "dirty work" abroad, we would have to tolerate it by agents of other Governments in this country. Certainly the officers of the Department
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of State, by virtue of their position assured under international law and practice, were in a better position to secure information for and to aid business interests than officers of a Department who could not have a representative capacity under international law. I think I was able to dispell some of the misapprehensions which some of the members of the Council present may have had in this respect.

Those present emphasized their realization of the importance of the service which the Department of State was rendering to business. They realized that it was wider in scope and more effective than that rendered by Commerce officers. They frankly stated that they appreciated that the men in the Foreign Service of State were on the whole of a much higher type than those in the Foreign Commerce Service. I think I was able to convince them that under the present organization of the Foreign Service of State the Service is a reservoir from which we can draw men for any purpose which we may need abroad.

The question was raised as to whether the action in consolidating the Services might not be considered "another blow" to the business interests of this country by the Administration. I asked them whether they thought it would be. They agreed that it would not be, but that it would be considered by some as such.

There was general agreement among all those present
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that the proposed setup would be more in the interests of our Government and people and that the present setup in the Foreign Services was one which business would not tolerate in its own organization. Several of those present were outspoken in their belief that the consolidation should be carried through in the public interest.

One of the interesting things brought out during the discussion was the fact that so much that I told them with regard to our Foreign Services was new to them. It was quite obvious that the attitude so far taken by the Advisory Council on this matter of consolidation was based on a very inadequate knowledge of the facts.

Towards the close of the discussion Mr. Harriman, as Chairman of the Advisory Council, said that after Mr. Roper and Mr. Patterson had recently appeared before the Council, the Council had approved a resolution addressed to the President asking him to give this matter further thought before he approved consolidation and expressing in general their disapproval of the plan. Mr. Harriman stated that he had informed Mr. Welles of this resolution and that, after his talk with Mr. Welles, he had called on Mr. Roper and informed him that he felt that the Council should not be brought further into this controversial matter. He expressed the strong hope to Mr. Roper that he would not call on the Council for any further action with regard to it as the

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Council preferred not to take any active part therein.

There was a good deal of surprise among the members of the Council that they should have been left under the impression that the transfer of the Bureau of Foreign and Domestic Commerce was contemplated when it has not been in reality considered, and I think this raised a good many further doubts in their mind as to the information which they had heretofore received on this matter.

My net impression of the meeting last night is that those present have an entirely different understanding of the matter from that which they had before. I believe that everyone present was convinced that the consolidation was a measure which could usefully be taken in the public interest, and in their own interest, and that the present setup in the foreign field was not one which they would tolerate in their own business. I gathered, however, that, in spite of this feeling, the Advisory Council seems to consider itself there to support Mr. Roper rather than to give objective counsel in matters of this kind. They hesitate to take a stand on the matter in spite of their convictions on the subject. For this reason they prefer to remain aside from the question leaving their resolution before the President which, however, has been practically nullified by the statement already referred to which

Mr. Harriman

Harriman made to Mr. Roper to the effect that the Council hopes that he will not call upon them for further action. I think in spite of the fact that the meeting last evening may not result in a reversal of the decision of the Council in sending this resolution to the President, the Committee will inform the Council that it should take no further action in this matter. My own thought is that the impelling reason for this attitude is that the members of the Business Advisory Council realize that they are representatives of big business and that they believe that small business men will feel that big business may be neglecting the interests of small business. I did not fail to point out the incongruity of this attitude when they realized that small business was not properly informed and that the consolidation would be as much in the interest of small business, if not more so, than of big business. I think those present realized this incongruity and the essential unsoundness of the attitude they were taking. They felt, I had the impression, rather unhappy about the whole situation and the position into which they had been put by Mr. Roper and Mr. Patterson.

They expressed very much the hope that in some way or other this matter might come to the Congress as a recommendation of the three Departments concerned. I had the feeling that some pressure in this direction might be

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brought on Mr. Roper by individual members of the Council.

I should add that all those present at the dinner indicated that they had the impression that Mr. Roper was largely influenced in his attitude on consolidation of the Foreign Services by the feeling that this was another amputation of a function from the Department of Commerce following others; that he was conscious of the falling prestige of the Department of Commerce and that this step would be interpreted by the public in a manner further damaging to that prestige. I pointed out in this connection that, as a matter of fact, the consolidation could be handled in such a way as to add to the prestige of the Department of Commerce by emphasizing that it was a business-like solution of a problem of administration in Government and that, by emphasis on the services in this country of the Bureau and its District Offices, the Department and the Bureau could augment prestige rather than lose it. There seemed to be agreement with this thought of mine on the part of those present.

G. S. Messersmith.

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