

ADDRESS

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by

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"THE POSITION OF UNITED STATES
IN THE WORLD MARKET."

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In the few moments available there can, of course, be no adequate discussion of so large a subject. I only hope to present what seem to me a few outstanding and significant facts and to draw from them some general conclusions which may perhaps be taken as prophecy. I have stood before you a number of times as a prophet, and not always presenting prophecies which pleased you. I am glad tonight to have a subject which to me offers an outlook for a most brilliant future.

We are, of course, only beginners in real foreign trade. We have long been great exporters of grains and raw materials. It required no salesmanship nor world organization to sell those. The War made us great exporters of manufactured goods, but there we were without competition and had only to measure our exports by our capacity to produce. With the last years of the War we began to make some attempt to get into general world trade. Much of that first essay was humiliating. Not so humiliating in its totals as in the realization that came to us promptly of the undesirable methods we had employed to reach them. Fly-by-night opportunists, without experience, capital or goods entered the world markets and obtained orders, by any means they could, and filled them with small regard to commercial ethics.

That phase soon passed. Serious minded men of ability came into the field. Capital was enlisted. Few of our people today realize what has been accomplished in a brief six or seven years.

The period was in some ways a time of peculiar difficulty. World trade had received a paralyzing shock from the War. Not until 1925 was the world exchange of commodities again equal to what it had been when War came.

The World's trade had been growing from 1900 to 1913 at a rate of six and one-half per cent a year. If growth had continued at that rate the total world exchange of commodities would have been twice what it was last year instead of only about equaling the pre-war figures. Actually, however, we doubled the value of our own exports in that period.

Examine this growth in some detail. The development in which we are interested has really all taken place in five or six years, for it is in these years that we have really entered foreign trade. Take the region of the Gulf of Mexico and the Caribbean, our immediate neighbors on the South. Normal business has been interrupted with our great neighbor Mexico because of abnormal internal conditions. In spite of that our exports to this comparatively small region in five years have grown from 225 to 603 millions—from nine per cent of our total to thirteen per cent, and we are clearly on our way to sending a billion dollars into this immediately contiguous territory to the South.

We exported to Venezuela and Colombia last year ninety million dollars of goods compared with ten million in the period just before the War. The United States is now the first supplier of goods to every Latin American country except Paraguay, and more than two-thirds of our exports to the South are in the finished products of American manufacturers. We have doubled our proportion of the world's total exports to these South American countries. It now stands at nearly thirty per cent of their total demand for world products as against fourteen per cent in the pre-war period. To Central America we send two-thirds of all they buy from the world; to Mexico seventy per cent and to Cuba sixty-three per cent. We are now sending over nine hundred million dollars of goods to Latin America as a whole and six hundred million of that come from our work shops.

This great trade stands on a sound basis of five billion dollars of American investments, and a point of more import is that a great part of these investments have been for economic development which promise to make the totals we now observe with pride only the beginning of the attainment that is ahead. Canada presents even a more pleasing picture.

I believe the situation is much the same elsewhere and that we are on the threshold of a development of foreign trade that will make any totals thus far attained seem lilliputian in the next ten years.

No people ever fully satisfy their material wants. So far as practical considerations go, a people will take all the desirable goods it can find means to pay for. So it becomes unsafe to make any limiting figures for the developing totals of foreign trade.

Take the trade in automobiles for example. We are already quite the predominating world figure. There is one great question in the automobile world. It is, "what is the point of saturation?" At home we may appear to be reaching it. No motorist wants to ride alone and when we have a car for every three or four people we will have presumably reached the point of saturation. I believe, however, we have not begun to explore the possibilities of total production. The rest of the world wants easy transportation as much as we do. Our genius for mass production gives us command of this field. An inquiry as to the point of saturation for the world is pointless. We are going to be the great suppliers of motor cars to the world and the world has hardly begun to use this marvelous means of locomotion. We will see an export business in automobiles such as no trade statistician has yet ventured to predict. Our output may yet be doubled, may become what you will.

Again, take the field of farm machinery. With the amazing growth in world population, and that growth in recent years is the most significant fact in all human history, the pressure for food will inexorably demand more enlightened methods of food production. There are fifty thousand people added to the world's population every day—a gain equal to the population of the United States in less than seven years. With the aid of agricultural machinery we have, at home, without any increase in the number of agricultural workers, increased our agricultural production in twenty-five years one hundred fifty per cent. Just as surely as the world will require more food it will inexorably require better agricultural methods and machinery. What country can possibly meet this demand as well as the United States?

The land is not lacking to augment the world's food supply. There are plans well developed since the war, and already partly executed, which will bring ten million fresh acres of land in India under irrigation. There is still an empire of new wheat-growing land in British Columbia. We are on the edge of a development in Africa which will be one of the wonders of the world.

It is not alone in agriculture that there is to be development. The greatest development of our time is in the use of minerals. In the last twenty years the world has consumed more of the commercial minerals than in all the history of mankind prior to those two decades. On our Southern border lies Mexico, an eldorado of

mineral resources. I will not predict when the door to these resources may be opened for the safe entry of a colossal amount of fresh American capital and directive genius, but that time will come, and it will bring an addition to world trade from that source alone which will be a phenomenon of the time. Coal fields greater than any yet tapped are awaiting their time in the far North.

China, in spite of war, floods, utterly disorganized government and incalculable tax levies showed an increase in her exports last year of fifteen per cent. What will she show when conditions there are composed, as they must be sometime? China will come into world trade as a nation of the first order. The whole Pacific basin is in many ways the most promising region for trade development in all the world. We shall see the phenomenon of a sun rising in the West—which will bring a dawn in the Pacific heralding the greatest trade development of our time. Barring war, Europe will again resume much of its former relative importance. Barring war! That is the incalculable factor.

We are inquiring as to the position of the United States in world trade. Let our first conclusion then be that we may fairly predict a future volume of world trade which will make anything we have seen before seem like only a beginning.

Now, what qualifications have our people for maintaining a major position in this development? One cannot uncover this subject in ten minutes. I will not waste a moment on the usual catalog of advantages—rich supplies of raw material, abundance of cheap capital, a sound and scientific credit and banking system, highly paid but still more highly efficient labor, a national genius for mass production, a people economically capable of saving billions of fresh capital and willing to send part of those billions into the world as a basis for sound trade relations.

In measuring such abilities I wish first rather to call your attention to our own recent development and have your mind carry the implication of those facts to the possibilities of what might come, when the rest of the world follows, even if laggingly, the road which we have been traveling. It has been a period of scientific attack upon industrial and economic problems, and as a result we have almost made two blades of grass grow where one grew before. We have nearly doubled in twenty-five years the effective output per worker. For all agriculture, mining, manufacture and transportation the effective output per man is today one hundred

seventy-nine per cent of what it was twenty-five years ago and one-third of that growth has come since 1919. We have accomplished this, not by working harder, but with decreased hours of labor.

How has it been done? First by ingeniously substituting power for human muscle. We have doubled, and nearly doubled again, the installed horse power to drive machinery. That is but a superficial statement of what we have done. It is the patient, scientific study of the problems of agriculture, commerce and industry which has nearly doubled the effectiveness of every worker; the doing of things on a large scale and doing them by means that mean the least possible expenditure of effort.

Are we, alone, to reap the heritage of this modern spirit of scientific attack? Certainly not. It is spreading and will spread with increased vigor throughout the world. Human labor will become more efficient everywhere, and as we have grown, others in less and perhaps in some case greater measure will grow too.

It has for years been drilled into us that we were tyros in foreign trade. That we were represented in foreign markets by blatant salesmen, ignorant of languages and customs. That their efforts at home were supported in only a desultory way in times of domestic slackness and abandoned in times of activity. That our goods did not conform to the needs and tastes of buyers. That we packed them so inexpertly that they arrived in had order. That we were careless in making quality correspond to contracts and frequently dishonest and given to sharp practice. There was a time when those charges lay true in some degree against some part of our trade activities.

Since 1920 we have written an entirely new page in our foreign trade history and it is one of which we can be justly proud. Our great gains have by no means been solely attributable to the brute force of our wealth, our cheap raw materials and our manufacturing genius. There is a fundamental reason why we have made such progress in foreign trade in these half dozen years and why our outlook is, as I believe it, one of unexampled brilliance. That reason is because we have attacked the problem of foreign commerce by the same methods by which we have so successfully solved the problems of domestic industry—a scientific attack. We have replaced the blatant salesmen with serious, trained, long-visioned men and supported them by the most ample resources. They have gone at the matter as a scientist works in a laboratory and they

have been backed by the most efficient government aid. That aid has not been a matter of diplomatic maneuvering but a scientific attack.

Let me illustrate. One of the most important things in foreign trade is packing the goods. No matter how well adapted to needs they may be if they arrive in bad order they may be useless. The government has established a research laboratory. Every American exporter may send sample packages of shipments and they will be tested as a physicist undertakes a problem. When the Government is through it can tell the shipper where his methods are wrong, how they should be improved and will make suggestions for economies.

The Government—one might almost say Mr. Hoover—has sent to the ends of the earth trained, intelligent, vigorous men, not the ordinary public servant, to study trade conditions and report to interested American exporters. The inquiries that reach the Department of Commerce number several hundred thousand in a year and the answers add greatly to the wisdom with which we are handling our export business.

We are not resting wholly on the Government, however. We recognize that the mere selling of one bill of goods is of small importance, but the satisfaction of the ultimate consumer who is to repeat the order is very important; and so we send trained engineers first to see that the goods are really adapted to the intended uses and we follow this up in many fields with an engineering service that insures that a machine is properly set up and intelligently watches its future operation. Our system of service in the automobile field is giving us an advantage abroad commensurate with the way it developed our own use of motors at home.

When the aim is to have the sale of an article result in such satisfaction to the ultimate consumer that it will be followed by an order for two similar articles we see the marvel of geometric progression written into our books of account.

Today we are not alone selling goods. We are showing buyers in turn how to market what they buy from us. We are sending out sound economic missionaries to advance trade and they are doing a marvelous job. We are opening the eyes of our customers to what we know to be one of the greatest instruments of trade invigoration—the value of advertising, and we are planning campaigns that bring our goods to the favorable attention of the ultim-

ate consumer. There are possibilities in this development of advertising alone, which are hardly measurable.

I am not thus praising our exporters' ability as a crude American boast. It is rather testimony by our keenest competitors. Official reports by Government and trade investigators of the leading industrial European nations can be cited to show it is the belief of the people who are competing with us that we have become experts in the field. They no longer sneer. They hope to emulate.

You will say all this is a pretty optimistic picture. That it is not going to be quite such plain sailing. You or some friend whom you know about may have had a discouraging experience in foreign trade. Quite true, but when you find the man in foreign trade who says his business is bad ask him if American exports to the country in which he is doing business are bad. You will probably find that if the individual has lost trade he has lost it to another and more efficient American.

You may say that with wages three or four times those in competent competitive countries we cannot hope but feel their competition. We will, but I believe we can meet it, and not by lower wages here, but by the miracle of greater and greater human efficiency, of more product per man, even with shorter hours and less disagreeable exertion. It is but another phase of the miracle of science.

You may say that we cannot increase our exports without increasing our imports. To do that we must let down our tariff and that might disorganize our home industry. I will not debate that in the moment I have left, but only say that if we will apply to our tariff the scientific methods that have been successful everywhere else in industrial affairs, we need have no fears.

There is something else, however, that is fundamental if anything like the vision I have seen is to be realized. Its realization is possible only in a world of peace. The folly of men who think that big business wants big wars!

When we note, as I have, that the World's exchange of commodities today would be double what it is, had the prior rate of progress continued from 1913, we need no further illustration of the necessity of peace, and so I believe there is something in this world trade matter that is fundamental. It is a matter, not of economics, but of morals. If we are to realize the possibilities of the future we must not only be efficient, we must be just and fair.

We must be broad-minded and see the point of view of others. We must grip the fact that a generous and just unselfishness is after all the most keenly intelligent selfishness. We may aim to be the most prosperous but we must not try to be the only prosperous people. For prosperity and well-being to attain its greatest development it must be surrounded by wider and wider circles of prosperity and well-being.

So in this highly material thing of foreign trade we need to grip one of the greatest of all moral truths, and that is that ethical responsibility lies on a *nation* as it does on an *individual*. The so-called sovereignty of the State does not free that State, in its foreign relations, from punctilious compliance with the principles of right and justice. Material strength implies moral obligations, and as our material strength stands unparalleled so our obligations are greater than those of any other nation.

Instead of looking at our prospects with vainglory we might well regard them more with a humbleness of spirit and with the hope that in our relations with other people we shall maintain a sympathetic understanding. Let us not magnify our virtues and underestimate the achievements of others, nor minimize our faults and exaggerate others' shortcomings.

Here then is what I see. First a growth in foreign trade that will give us soon totals which will double those at which we now marvel, and then double them again.

We have applied and are applying sound scientific methods and the result of that will, I believe, be as miraculous in world trade as has been the growth in our domestic business.

Now, have we the moral fibre to stand all this prosperity, to be fair and just in our international relations and to make our due contribution toward keeping peace?