

CIVILIAN ORGANIZATIONS FOR PRODUCTION CONTROL

17 December 1946

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Students

THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D.C.

CIVILIAN ORGANIZATIONS FOR PRODUCTION CONTROL.

17 December 1946.

CAPTAIN WORTHINGTON:

Most of you have heard Mr. Novick before in our seminar, but since this is his first lecture here I will give a brief introduction.

He holds the degree of Bachelor of Philosophy from Brown University, Master of Arts from Lafayette College and Doctor of Philosophy from New York University. He has been instructor in the School of Commerce and Finance of New York University, head of the Economics Department of Dana College and an economist with the U. S. Tariff Commission. In July, 1941, he left the Tariff Commission to accept employment in the Office of Production Management and has followed that organization into the War Production Board and to the Civilian Production Administration. He has been Chief of Priority Research and Statistics, Director of the Controller Division, Associate Director and Director of the Program and Statistics Bureau, and Director, Industrial Statistics Division.

He is co-author of "Economic Problems of War" and has just completed "Control of Industrial Production and Distribution in Wartime."

His subject is Civilian Organizations for Production Control, and it is a pleasure to introduce Mr. Novick.

MR. NOVICK:

I want to start with an apology and say that the immediate problems of liquidation of the civilian production and control organization have been such pressing and current ones that I haven't had an opportunity to devote either the thought or the time to the preparation of this lecture that might otherwise have been the case. As a result I will do something that I object to being done by others, and that is read a piece that I prepared some months ago on the same subject. I will preface it with a few words on my personal convictions on the need for civilian control of industrial mobilization and by a few references on the same subject, the principal one being to that of the elder statesman of war production policy, Barney Baruch.

In this country we met the complex problems of modern warfare and the attendant ones of industrial production for the first time in the period 1914-1918. Although we won the war, our methods of industrial control were not perfect and such methods as were used were not recorded or analyzed to make them available for future guidance. Perhaps that was due to the fact that the magnitude of modern war, even when demonstrated as in World War I or World War II escapes or is too big for the human individual's imagination. We talk of total war in a glib fashion and take it for granted that this country fought a total war in the period just ended. I think there is a very serious question as to whether we did fight a total war in 1942-1945 and whether our ability to fight this last war wasn't more a testimony to the extent of our resources than of our ability to organize them. Most of you are familiar with the final report of the Chairman of the War Production Board, and you will find in reviewing it a rather frank admission that the war effort which we made was simply superimposing the war economy on a relatively fat civilian economy. I don't know whether any country has ever fought a total war. Frankly, I don't know at what point total war begins and ends. I think total war is a question of resources more than anything else. On the assumption that sometime we might have to fight a total war I think we need to learn our lessons now and do a much more effective job of organization and planning than the one that we did between the last two wars.

I start on a promise which I assume we will not have to argue, even though this audience is composed almost entirely of military personnel. That is, "Organization for war production is a civilian job." I will appeal for authority to Bernard Baruch, and read you an excerpt from his "American Industry in the War", with which you are undoubtedly familiar. It begins on page 102 and runs over onto page 104. Three steps in industrial mobilization are proposed. He says:

"First. There should be established a peacetime skeleton organization following the lines of the War Industries Board. It should be headed by a Chairman who should have associated with him the chiefs of the centralized purchasing bureaus of the Army, of the Navy, and of any other Government department which might be called upon to make large purchases in case of war. Other members of the Board should be selected to take charge of raw materials, finished products, facilities, price control, labor, priority, conservation, and planning and statistics. There should be a Vice Chairman, a general counsel, and a secretary. To function under the several principal divisions there should be selected about 50 chiefs of commodity sections. Each chief of a commodity section would name a committee to represent the industry under his charge. The committees of the chief industries should meet separately as occasion required for the purpose of keeping acquainted with the general growth of the industry and the demands which a war would make upon it. The main organization should meet in general conference at least once a year to discuss and outline plans, to

keep in touch with the general nature of war needs, and to keep acquainted with one another. The office of secretary should be permanent and salaried, and the division of planning and statistics ought to be a moderately large, permanent organization--a reservoir of information for all departments of the Government and the Congress. All other members and subordinates of the Board should serve without compensation.

"Second. During the war the country was constantly threatened with a shortage of available supply of nitrogen, manganese, chrome, tungsten, diestuffs, coal-tar derivatives, and several other essential materials. These materials had always been imported into the United States but their production never developed, although sources for most of them exist here. The Government should devise some system for protecting and stimulating their internal production. Among these nitrogen is of outstanding importance, not only because it is indispensable for war but also because it is almost indispensable for agricultural purposes. There is only one natural source in the world, and the fixation process, having been proven to be practicable, should be developed to commercial proportions.

"Third. Under the supervision of the proper departments of the government certain war industries should be encouraged to maintain skeleton organizations through which they could develop the rapid manufacture of guns, munitions, airplanes, and other direct military equipment. This might be done in some cases through Government purchase of factories, in others through the placing of sufficient orders to permit the owners to keep the plants in existence. It is extremely important that our recent development of machine tools, in the nature of dies, jigs, etc., for the manufacture of munitions, should not be allowed to dissipate. At an expense bearing very little relation to the cost of building anew in time of emergency, present stocks could be carried forward and supplemented as new designs replace the old in the development of war devices.

"These measures are suggested as direct methods of insuring against some of the heavy losses and unfortunate delays which the country experienced in the process of converting its industries from a peace to a war basis. They involve very small current expenditures, but are capable of being instruments for saving many millions of dollars in an emergency."

I think those same sentences could be properly written right now. I think it is important that we remember this as a whole because those statements were made many years ago. In the meantime we have seen the effect or lack of effect which they had upon the efforts which we made to prepare for war. Later Mr. Baruch made a similar statement and went further in his reference to the problem of civilian versus military organization and said:

"It is absolutely impracticable for the War Department to control industrial mobilization because (a) it is an economic problem requiring the ablest leadership in the world and is unsuited to military administration; (b) the greatest element is that of the civilian population and no single competitor such as the War Department should be entrusted with such administration, and (c) the job of the War Department is to run the Armed Forces, and that is a big job, and to pile on top of that the administration of economic mobilization would insure the failure of both."

I would add to Mr. Baruch's statement the Navy Department as well as the War Department. I think the problems of industrial organization and implementation are sufficiently different from the problems of military organization and implementation to indicate that the two cannot be done by the same people.

Going back to the failure or lack of ability of humans to do the things that they recognize are necessary, I would like to read a brief statement that General Rutherford--with whom you are all familiar--made when he was serving in an important capacity in relation to 1916-1918 industrial mobilization:

"The chief difficulty was in the long delays and in meeting situations as they arose. At the time they didn't anticipate them. These problems can be better solved at the outset."

I am in complete agreement with the last statement that these problems can be better solved at the outset, and I think it is unfortunate that the long delays in meeting situations as they arose at that time hadn't been anticipated, at least in the introduction of the planning. I would like to feel that efforts such as these in which you are now engaged will somehow eliminate the possibility that another ten or twenty years will find us once again without any effective industrial mobilization planning or organization.

The most important thing I can bring to you this morning is therefore emphasis on the need for more than just "plans." The essence of successful administration is administrative method, and when I say method I don't mean administration in the sense of procedural charts of organizations. Procedures are extremely important; but the procedure must be related to the day's work. Industrial mobilization cannot be manned with top-flight industrialists any more than an Army can be manned by Generals. In the end the plan of operation must be transmitted all the way down the line in industrial organization just as it is to the foot soldier or the sailor aboard ship. In this case it must go down toward the machine, and more particularly the administrative worker, who transmits the actual directions. Curiously enough in the War Production Board and in other Government agencies we found that when orders were not followed by detailed administrative instructions or procedures nothing happened. Frequently we made grand policy or grand strategy but forgot that orders had to go down the line if it was in fact to be carried out. As a result we found men sitting around tables making plans and relaxing when the

plans had been made. They assumed something was going to happen when in fact nothing ever did happen. For the most part, there was no way of determining what had happened and whether it transpired in the measure, to the degree, at the time, or to the extent that was contemplated. I think that lesson is one that is likely to escape us. I think most of us sit back and say "Oh, we did a great job. We organized CMP," and then forgot about it. The truth of the matter is that we did the job on an evolutionary, time-consuming, trial-and-error basis, just as it was done in the last war. Whether we did the job any better or not I don't know because World War II lasted longer and we had more time to get the feel of things and to learn how to carry them out. It was not foresight but compulsion of the moment that actually forced us to develop the administrative methods and practices. It was need that forced us to learn how best to execute production, procurement, and scheduling. Need rather than planning forced us to develop the methodology that saw us through. But we did do the job. It may be that the next war will be as much larger when compared with the war just past as this Second World War was when compared to World War I. If that is true I am not sure that we will be fortunate enough to have either the time or the resources to waddle along until we get our pace as we did this last time.

I will now read to you the paper that I have prepared: 1/

A review of wartime controls over production and distribution indicates clearly that crisis organization of our economy by trial-and-error fumbling is slow, costly and dangerous. We have survived the experience twice. On both occasions, however, the time required for the transition from peace to war, and for the delays attached to our mistakes, was gained for us by the courage and sacrifices of our allies and the strategic errors of our enemies. There is no reason to believe that we will be so protected in any future emergency. In fact, consideration of the swinging balance of international power and the development of new weapons and techniques of offensive war indicate that if this country is again in peril, the time in which to prepare will be shorter, the drain on our resources heavier, and the conditions of industrial production more complex.

Our recent history has also made it clear that even in favorable circumstances the development of the management skills, the organized use of experience in applying techniques of industrial control to specific situations under conditions of war-emergency, cannot be expected to occur rapidly. In time of crisis there is no leisure to consult experience. Impelled by urgent current pressures, administrators hardly have the time to plan today what they will do tomorrow. Every force is toward immediate action. Every criticism is of delay. But without a fund of experience

1/ Memorandum from Mr. David Novick to Mr. J. D. Small, Administrator, Civilian Production Administration dated September 18, 1946, subject: Need for Peacetime Industrial Mobilization Agency.

studied creatively, without a current plan which comprehends the necessities of the emergency, without the management skills -- the "know-how" -- head-long action inevitably drives into error. And once the direction has been established and the administrative machine has begun to move, it is impossible to start over again and difficult to change the course.

The sum of 1940-1946 experience demonstrates clearly the minimum preparation which should be made now if we are to be ready for any future emergency of equal magnitude. We need a plan for industrial mobilization which includes carefully designed and experience-tested methods for controlling material distribution, industrial production, and the allocation of both materials and finished products to the needs which are most essential to the furtherance of the national ends. This should be more than a paper plan. Even as a paper plan, it should be realistic, built upon the practices of industry and government. If the methods and procedures exist and are realistic and adequate, the mobilization plan would have greater assurance of protection for this country than the efforts used in World War II. But methods and procedures, however perfect, cannot be made effective unless there exists the core of an administrative organization with the trained personnel necessary to introduce them quickly and serve as the professional nucleus of an expanded crisis organization.

The personnel should be civilian. This is from first to last a civilian job. It is a civilian assignment to reconcile the conflicting and competitive interests of the services. It is a civilian assignment to provide the objective and disinterested staff. Only a civilian group can reconcile the interests of direct war needs with support of our allies and with the requirements of a sound war economy for our civilian population. The natural military tendency is to concentrate on the immediate fulfillment of direct military requirements and to blackout of the picture all other needs, many of which must be satisfied if military production is to be kept on schedule.

To deal with the problem, therefore, we must first recognize the need for plans and for the methods and procedures required to make them effective. Next, we must develop an adequate concept of the administrative organization and personnel necessary to make plans, to develop methods and procedures and, above all, to provide the organization which can translate plans into operations at the time of crisis.

For the nation's safety we should undertake now the measures necessary to provide an effective method for dealing with the industrial aspects of war as part of the defense program and before the next crisis is upon us. It is, therefore, urged that we now undertake:

- (1) To create a civilian organization charged with responsibility for industrial mobilization.
- (2) To lodge in this agency authority for determining the magnitude of both the military and essential-civilian portions of the war program.

The agency must be in a position to determine the portion of our economic resources to be devoted to the military and the portion to be assigned to the essential-civilian economy. Within these two broad categories, it must have authority to establish the extent to which specific programs can be given the economic assistance which they seek.

(3) To give the civilian agency responsibility not only for planning in the policy sense, but also for the continuous development of methods and procedures by means of which the plans will be executed. These methods must be continuously revised as paper plans and as a vital adjunct to the procurement policy of the military services and the methods used by all segments of the producing economy.

(4) To maintain in the civilian agency a nucleus staff which will work continuously on these problems, and an organization large enough to provide the key personnel necessary for rapid expansion in time of crisis. The staff should carry on educational progress, practice field work, and make periodic test runs which will permit the military and industrial portions of the nation to be familiar with and trained in the methods and procedures which will be adopted in a national emergency.

(5) To provide for a permanent civilian organization large enough to carry out the planning portion of the task and to serve as a nucleus in time of emergency, backed by a civilian reserve similar to the military reserve. This would mean that individuals in time of peace would receive training and assume responsibility for specific assignments. If mobilization should become necessary, they would be called upon to assume their specific stations in the industrial mobilization scheme just as the trained reserves are given specific assignments by the military.

There is nothing new in the recommendation that a permanent civilian agency be established charged with responsibility for planning for wartime industrial mobilization. In the final report of the War Industries Board, submitted in March 1921, and again in a memo for the War Policies Commission in 1931, Mr. Bernard M. Baruch outlined the lines of industrial preparedness in time of peace.

This advice was not followed. Responsibility for planning for industrial mobilization was assigned to the Assistant Secretary of War and a considerable amount of work was carried on in the next two decades of substantial potential but slight actual use in 1940.

Others in addition to Baruch have advanced similar proposals and the concept is so congenial to the tradition of public planning in this country that it passes as legal tender in all circles, industrial and governmental, military and civilian. This climate of opinion is a source of both strength and weakness. It assures a ready reception for the general project and fosters an easy enthusiasm for setting up an agency, or a joint undertaking of existing agencies, with a staff busy laying out organization charts, drawing up plans and doing other absorbing, time-consuming things which are impressive in their aura of importance. It is an atmosphere filled with extreme danger however. It cultivates the ~~same~~ kind of shallow judgment which during two wars has been so charmed with organization charts and

plans for policy making that it delayed coming to grips with the hard fact that organization charts have relatively little significance, and policies without implementation have none.

This was the major weakness of the preparatory work carried on in the decades between the wars. It was absorbed with ways and means of determining what to do and how much to do in any national emergency. It devoted almost no attention to how to do it. The result was that when the time came to carry out the determined policies the operating mistakes of 1917-18 were repeated in some areas, and in others a new series was hatched.

It is for this reason that these recommendations move beyond a blueprint of organization and a skeleton permanent structure supported by periodic conferences, unpaid part-time consultants, and limited statistical staffs. Recommendations with respect to the organization of a government control agency are relatively easy to prepare, but the Civilian Production Administration's and War Production Board's experience indicates that men and methods are incomparably more important than administrative relationships. Therefore, although one possible organizational structure for a permanent industrial mobilization agency is presented in the attached chart and explanatory notes, it is not argued that this is either the only or the best arrangement of responsibility and authority.

If the to-be-established Industrial Mobilization Agency is to be an effective instrument, its authority should be coterminous with its responsibility. The directive to IMA should define its responsibility and authority as planning and operating agency and should clearly determine its superior cognizance with reference to all phases of industrial mobilization. The most effective frame of reference is one which recognizes the functions of IMA as part of the national defense of the United States, as vital to its protection as the standing Army, Navy and Air Force. The personnel and the weapons in being at the onset of an emergency which threatens the security of this country are the first line of protection and must be able to withstand the shock of any aggression directed against us. But it is the ability to strengthen, expand and supply the force in being--rapidly--which measures the capacity to move from defense to offense to victory.

Policy making and policy execution are the two sides of the job of managing industrial mobilization. They therefore become the twin responsibilities of IMA. On the policy-making side the principal function is the quasi-judicial one performed by the War Production Board Requirements Committee from 1942 to 1945. The heart of this function is the accumulation of supply and requirements aggregates in common units for each critical material, the creation of a balance by calculated cutbacks of selected requirements areas, and the distribution of the available supply to programmed areas.

Analysis of the wartime administrative and reporting problems faced by the War Production Board and private industry should make an important contribution toward the establishment of the framework upon which any future agency with comparable responsibilities could build swiftly and efficiently. This assignment--to review critically--should be a prime responsibility of the IMA.

The experience of the past war demonstrated beyond all doubt that the greatest failure of public management was in control of policy execution. We cannot afford to enter a comparable emergency as ignorant of the techniques of administration, as dependent on improvisation, and as poorly equipped with methods and standards for measuring operating efficiency. The first step toward preventing a repetition of the failure is the specific assignment of responsibility to IMA.

What was done in the field of public administration by the War Production Board, however, is an incomplete and to some extent a misleading record. In the first place, much that was attempted was not successful, and the record of inaptitude is clear beyond any but personal dispute--as in the case of broad woven cotton textiles. From such instances government and industry can learn what not to do; derivation of a positive program will require unaided affirmative exploration, experimentation and adaptation. A second and more subtle difficulty will be encountered in those aspects of industrial control in which the results of operation can be added up to a summary of reasonable success, yet in which it is almost impossible to reconstruct the standards of performance required to gauge the efficiency of management, in terms of number of people employed, burden on controlled industry, or alternate and more economical ways of achieving the same results. Finally, there is the problem of adaptation to the procedures, record and business practices of the industrial community which are continually in flux. What may have worked rather well in the economy of 1944 may be totally unsuited to the economy of 1955.

For these reasons the research units of IMA assigned to the development of methods and procedures of control must move beyond the record of WPB experience as the only source of positive and negative lessons. They must be in the position of living general staffs in the logistics of public administration. They must draw up in concrete detail, plans for executing all current and potential lines of policy formation. But of far greater importance, they must be in a position to appraise these devices of policy execution in their successful adaptation to the techniques of military procurement and the practice of the industrial economy.

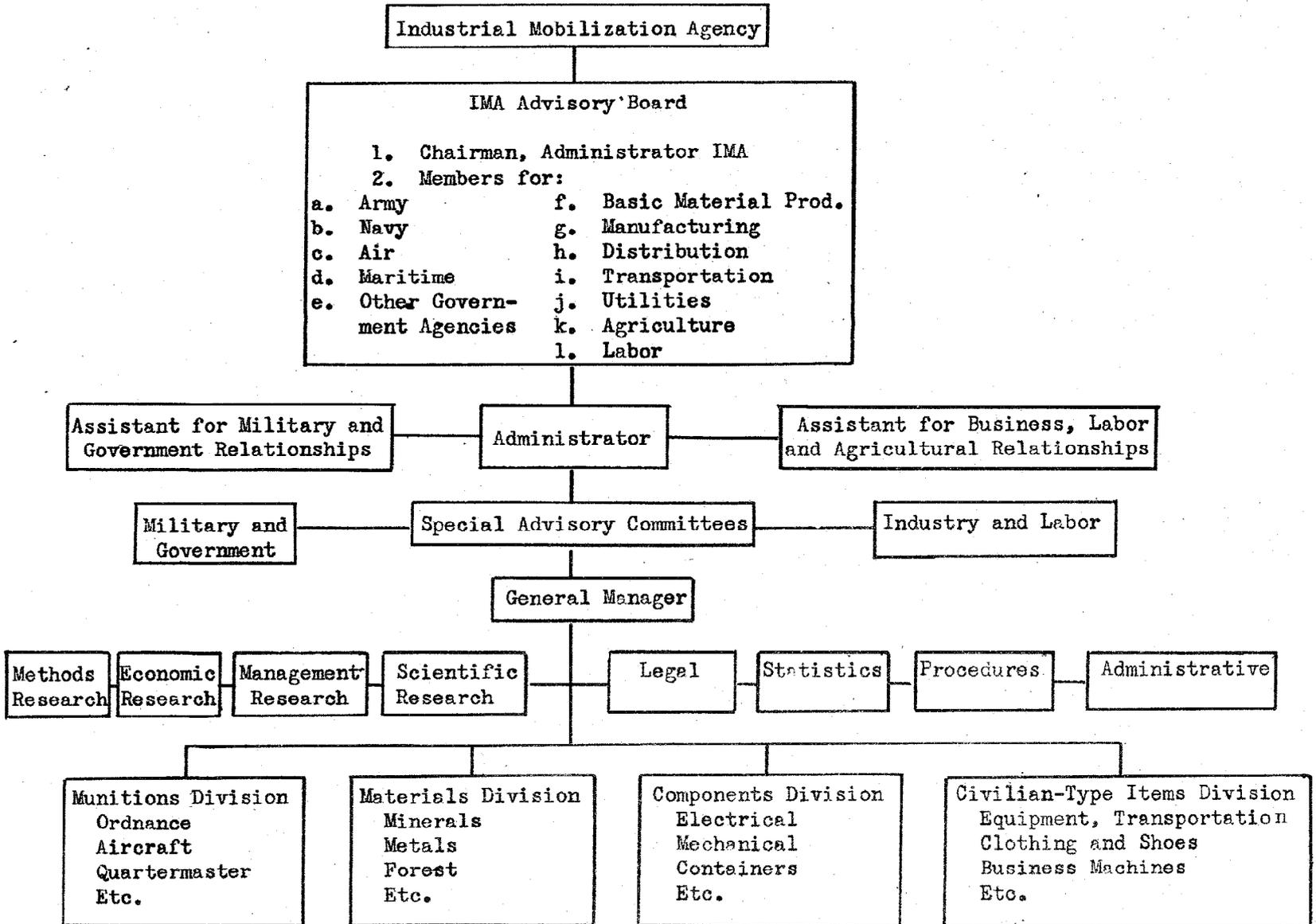
However effectively the permanent IMA staff carries out its assignments under this program, it will still be necessary in any national emergency to undertake a rapid expansion of personnel responsible for the administration of the economy. One of the most serious handicaps in the War Production Board's operations was the absorption of inexperienced individuals with no background in public administration and no familiarity with the special problems of production control and material distribution. A

comprehensive program for industrial preparedness should make provision for the supply of this essential staff. Probably the simplest and most acceptable method for doing this would be the establishment of a civilian corps parallel to the ROTC organization of the military services. Under such a scheme, selected individuals from industry, the universities and the federal agencies would accept temporary appointments to the IIA staff during which they would participate actively in the planning, experimenting, field tests and methodological analyses carried on by the mobilization agency. After completing their terms, these individuals would be enrolled in a civilian reserve from which they could be summoned to active duty in the event of a national emergency requiring the directed mobilization of this economy for defense.

Adoption of such a proposal would ensure to the crisis successor to IIA a group of individuals familiar with the problems of industrial control and fortified by a background of experience in tested techniques of managing the economy for national ends. It would have immediate benefits to industry in time of peace. The industrial point of view and the existing methods and procedures of private enterprise would be thrust forcefully into the shaping of plans and operating techniques. This should make a direct contribution toward realistic thinking in terms of current industrial practice and minimize the inevitable tendency of planning groups to direct their work toward theoretically complete and perfect systems, rather than toward the most effective compromise between the real needs of the administrative agency and the real ability of the economy to function efficiently and without interruption. Returning to their own companies, the civilian industrial reserve would take back a new understanding of the problems and techniques of public administration. Over a period of time, it could be anticipated that this interflow of private and public thinking, methods and objectives would ameliorate business-government relationships in time of peace, make a significant contribution to the federal statistical reporting program, and assist significantly a rational and orderly transition from private to public direction of the economy in any future national emergency.

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Notes on Industrial Mobilization Agency Organization Chart

General policy direction would be lodged in a Top Advisory Board. The Chairman of this Board would also serve as permanent full-time Administrator of the Industrial Mobilization Agency. The military services and the principal segments of the American economy should be represented on the Board. Specifically, there should be top-ranking officers sitting for the Army, Navy, Air Force, Maritime Commission and State Department; and civilian members appointed by the President, representing (1) mining, basic metal and other materials producers, (2) manufacturing, (3) transportation, (4) wholesale and retail trade, (5) utilities, (6) agriculture, (7) labor, and (8) a public member representing the general interests of economic stabilization and price control. The Board should serve in an advisory capacity only, with general responsibility for counseling the Administrator in the shaping of broad policies for IMA (Industrial Mobilization Agency). The Administrator should have the only vote and his line of responsibility should be direct to the President. The Advisory Board should meet once each calendar quarter and more often on the call of the Administrator.

The Administrator of IMA should have two permanent assistants fulfilling liaison functions, one with the military agencies, the second with industry and labor. These assistants should serve as two-way channels of information. It should be the special responsibility of the Assistant Administrator for Military Relations to maintain a current flow of information related to the strategic and logistic plans of the Army, Navy and Air Force; to work with the services and IMA's technical research units in developing translations of these war plans and materiel requirements into the common units of supply-demand measurement for basic production materials; and to keep the proper divisions of the military services informed about current information, research activities, adaptations in industrial mobilization projections, and pro forma balance sheets for the crisis economy, as developed by the operating sections of IMA. The Assistant Administrator for Industry and Labor should perform parallel functions for his respective areas.

Reporting to the Administrator on a line basis should be a permanent General Manager of Operations. This officer should be the firing-line executive with responsibility for translating the policy directives handed down by the Administrator into operating instructions for the staff research and commodity units under his control.

Under the immediate supervision of the General Manager should be a number of specialized research units, each devoting its attention to both planning and current operations. The character of the work of the special units is best suggested by a listing: (1) four groups devoting their attention to theoretical and applied research in production and materiel control methods, economics, management, and scientific developments for wartime industry; (2) four groups devoting their attention to current and projected developments in the areas of law, statistics, IMA internal procedures, and IMA internal administrative management; and (3) four groups of materials and products sections responsible for planning and testing

production control techniques for (a) munitions items (ordnance, aircraft, quartermaster, Navy and Maritime ships), (b) materials (minerals, metals, forest products, agricultural, chemicals, etc.), (c) components (electrical, mechanical, packaging, etc.), and (d) civilian-type end items (transportation, agricultural and manufacturing equipment; textile and leather products; etc.).

CAPTAIN WORTHINGTON:

Are there any questions?

A STUDENT OFFICER:

You suggested a very practical solution of that but I would like to ask a question or two as to how far in your opinion that could be developed. As to the suggestion of having a squadron organization and calling upon industry, labor, and other organizations to provide people in a sort of ROTC capacity as we have done all along in the Army, is there a possibility there of also sending them to school? The reason I bring that up is that we find that probably the most valuable Reserve officers in the Infantry were those who went to the Infantry School for about three months in addition to going on these ROTC details. In addition to that we have, of course, yearly maneuvers in which Reserve officers are given an opportunity to absorb military principles, etc. Can something of that nature be worked out with this mobilization organization where they could actually work out plans for various industries, labor, etc., to give actual fictitious orders as they would do in a maneuver, and go down and see how they would plan and implement it, etc.? How far do you think that could be developed?

MR. NOVICK:

I think you have the essence of this whole plan. It is assumed here that we can establish a "Peacetime Mobilization Commission" just as we established the Federal Communications Commission or any of a variety of independent offices that make up the Executive Offices of the President. It is assumed that just as in the Federal Reserve Board and other important functions we can get competent heads for the organization and free them from the vagaries of politics. I am assuming also that something under 500 persons would provide a permanent staff which would be familiar with the problems of the steel industry, the magnesium industry, the cotton textile industry. This number would also include a staff which would be continually writing the equivalent of wartime limitation orders, conservation orders, and materiel allocation and distribution orders; and remember that an order is meaningless unless it is accompanied by the appropriate procedures by means of which paper is passed up and down the line to implement the actual terms of the order. I am, assuming also that this country from now on will have a peacetime military budget of from five to ten billions of dollars; that there will be an agency for the procurement of things varying from battleships and tanks to socks and shirts which will afford an opportunity for the agency to use its implementation methods.

This agency with a permanent staff of something under 500 will be in a position to absorb trainees from business, labor, and agriculture. As I proposed in my paper, these men would accept a term of assignment to this peacetime agency. A basic training course of three to nine months. This followed by 30 days refresher assignments every year or two. I am assuming that these people will come in and actually work with the agency for a period of three to nine months. I am assuming this idea can be sold to the major industrial companies in light of the continuing military procurement needs to be met. I assume they recognize the need for such an operation in time of war or other emergency and therefore they would be desirous of having their bright young men know how this agency operated. I think the labor leaders would have the same idea. I am assuming that a number of Government agencies would be interested in these same phases of the mobilization program. As we all know, we had a rather successful social operation between the last wars in the Ordnance Association, Quartermasters Association and the like.

This continuous movement of personnel from industry and labor to the peacetime mobilization agency will form an alumni group which will have the responsibility for keeping business and labor informed on what is going on. Most important is the fact that many of these men will come from steel plants, woolen mills, etc., and when they go back to the factories the continuous orders for woollens for uniforms, etc., will force them to discharge their responsibilities not only to the peacetime agency but also to their company in the actual processing of the procedural and administrative paper. Does that answer your question?

A STUDENT OFFICER:

Yes, except one point, and that is, do you have something comparable to a maneuver that we have in the military? For example, can you in this organization actually send down certain directives for them to see what sort of plans they would have to meet in an emergency?

MR. NOVICK:

I am assuming that we would do that continuously and that the size of the program would represent an important enough impact on the economic organization to represent a continuous study.

A STUDENT OFFICER:

An agency like that would have to be set up by Congress. Who would draw up the plan? Where will it get its support?

MR. NOVICK:

It could be set up by Executive Order. I think it would be more desirable to have it set up by Congress. I think support for it will come from the industries which will still remember the confusion and

and difficulties that attended their recent wartime experiences. I think support will come from labor. The proposal may encounter the same type of criticisms that might attend any national mobilization act. Nonetheless, I think the general public, the Chamber of Commerce and similar organizations will recognize the importance of this proposal.

A STUDENT OFFICER:

Your plan seems to be an excellent one. Our committee has discussed similar plans. We feel that the biggest obstacle to such a plan would be getting industry to furlough their personnel to this committee. How do you propose to get around that?

MR. NOVICK:

That will be a major problem because we can assume they will not want to give up their best people. On the other hand, if we have a permanent and continuing operation we could recruit young men, so-called junior executives. If a promising young man has had three or four years with the company it is not improbable that the company would be willing to furlough him to the peacetime agency. It might be desirable to follow a plan of furloughing, the salary being continued by the private enterprise. However, it is not at all impossible or even difficult to provide for the payment of, let's say, the equivalent of expert trainee salaries for those men for the period of their assignment, and the company would give them reemployment rights similar to those granted men inducted into the Armed Services.

A STUDENT OFFICER:

It seems to me that in the cases of the trainees lacking in the necessary background it would be necessary to carry it a little further. How would it be to have a trainee come to a college like this for a short period or a full term and then go to a board and serve on the board?

MR. NOVICK:

Well, the trainee is always lacking in experience, but then the executives may be lacking in experience too. That was one of the lessons we learned during this war. That is when a man gets to the top he may have spent so much time in playing office politics or he may have been so far removed from the actual operation such as the actual passing of a purchase order that his experience may no longer be of value in a new task. I am assuming that those young men would get their training in the paper pushing operation and go back to their company and carry their experience with them into the company program.

A STUDENT OFFICER:

Mr. Novick, realizing that industrial mobilization is just as important as military mobilization, and now that we have a military

National Guard the members of which are compensated by the Government for the time that they give to their training, what is your comment as to the creation of an industrial national guard, with the appointment of your industrialists to the level of Major Generals and Generals, and Colonels, with a cadre the equivalent of noncommissioned officers, the time that they devote to their training in industrial mobilization to be compensated for by the Government the same as the men are compensated in the military mobilization of a military National Guard?

MR. NOVICK:

Assuming that this training is as valuable to the company as it is to the Government, whether the Government intends to use men from a steel plant, a trade association or an agency of the Government, I frankly don't see the need for this compensation. I think the training of those participating is compensation to the agency supplying the personnel. Furthermore, the demand on ones time for this kind of thing would not be as extra-curricula as going to an armory and drilling once a week. It is my assumption that from their continual contact with procurement, the use of the appropriate forms, orders and directives and regulations when the men went from the training courses back to their plants they would bring a real value back with them. They would undoubtedly excel in handling some of the problems they would now encounter in the company, since the operation of the mobilization agency would continuously affect the peacetime operations of business organizations. They, I think, would want to know how this thing worked.

A STUDENT OFFICER:

The question is whether or not the continued interest could be maintained on the part of a large number of men in the various echelons of authority to remain in the establishment over a period of years that they might acquire this knowledge.

MR. NOVICK:

You may have noted that in the personnel structure of many of our corporations, at a certain point, a group of men in their 30's is selected for future leadership and frequently some of them are sent to Washington to do a term of office. That is how business gets its knowledge as to how the Government operates.

A STUDENT OFFICER:

I am assuming that this industrial mobilization planning organization will be planned for the stockpiling of strategic and critical materials where they plan expansion, and for the transportation control needs for it, and it would appear to me that it would be impossible to have such an organization that wasn't closely allied with the military logistics planning because that is where you are going to get your whole requirement. The civilian requirement would be not more than 40% of the whole.

and I should think that your military logistics planners would be under that organization.

MR. NOVICK:

The actual organization would include almost every facet of our military as well as our civilian economy. I am assuming that we will have a full-time administrative organization as well as an advisory board. The advisory board would include the Army, Navy, Air Forces, Maritime Commission and such other organizations as might seem appropriate. There would be representation from some of the other Federal agencies. I am also assuming that there would be one assistant administrator who would devote most of his attention to the military and other governmental agency side of the picture. Another assistant administrator would devote his attention to the industrial, labor, and agricultural side of the picture. These major assignments would of course break down into smaller assignments to sub-administrators who would work in specialized fields.

A STUDENT OFFICER:

Would this agency be similar to the British Ministry of Munitions?

MR. NOVICK:

Frankly, I don't know anything about the peacetime operations of the British Ministry of Munitions. Whether this proposed agency would be similar to it or not I don't know. However, I do want to point out one thing and that is that when we start to consider British experience we must recognize the size of the English industrial economy, which is somewhat different from ours. One of the reasons I think the United Kingdom did such an excellent job--and I think they did a very good job--was that controlling their steel industry is a smaller task than controlling one major company in an industry as large as ours.

A STUDENT OFFICER:

You propose sending business people to the Government to find how the Government works. Is there any objection to sending the Government down to industry to see how that works and what their problems are?

MR. NOVICK:

I am assuming they would do that all the time. I don't know how familiar you are with peacetime Governmental operations. I am in the public service and I think in the Tariff Commission where I took my training the commodity experts spend up to a quarter of their time visiting plants and consulting with business men.

A STUDENT OFFICER:

I meant working with them.

MR. NOVICK:

I meant working with them. I mean in the operating problem. I mean working with them in the factories, on the job, at the machines. The man in the steel industry job would know the techniques of the steel industry. It would also be his job to work with the steel industry on the paper passing problem, the reporting and production problems, and allied situations, for they have become extremely important in a wartime organization.

A STUDENT OFFICER:

Can you express an opinion on the plan of having an economy-minded man going in the office of a military bureaucrat?

MR. NOVICK:

I think that is as much a question of luck as it is of logic. If the plan were presented properly to certain Senators it might be adopted. I feel sure this idea could be sold to a logical, hard thinking man. The cost wouldn't be great. If Barney Baruch and some of the heads of the major companies like steel and automotive companies would support it there would be a very good chance of getting it through.

A STUDENT OFFICER:

In case it doesn't go through what are you going to do for industrial mobilization?

MR. NOVICK:

Do exactly what we did.

A STUDENT OFFICER:

If your thought is good and it works out as planned what is going to prevent in the next war the President from issuing an Executive Order and before you have this industrial mobilization bringing in a captain of industry like we have and starting from scratch?

MR. NOVICK:

That is one of the problems of a Democracy. I go on the assumption that if a man builds a better mouse trap he will catch the mice.

A STUDENT OFFICER:

Assuming that such an organization as you propose can be established and maintained by training and that plants can be trained to be ready for economic mobilization, what assurance have we that Congress will grant the necessary authority to enable it to operate until things are in such a muddle that it is really too late to do effective work?

MR. NOVICK:

I am assuming that it would be set up by law. A major trouble will be in getting the men to administer it, and that is something that hasn't been mentioned.

A STUDENT OFFICER:

It seems to me you would still in your plan have to overcome the basic difficulties that we had with the industrial mobilization plan in 1939, and one is the problem of getting the people to accept it, and the other is to get the men that you want to head the job. In other words, I would suggest if I may an amendment along the lines of this proposition: I believe Senator Fullbright has brought up a constitutional amendment providing for an additional Vice-President. We know of hundreds of companies that have numerous Vice-Presidents. The United States of America has only one, and when he takes the place of the President there is no Vice-President. What I mean is this: We have got to go to the people in a question as important as this and tell them frankly what we are after, instead of resorting to any back-stage method and tell them what we want; that we want a Vice-President elected by the people to be in charge of all mobilization and national security, or whatever you would call it, and to put him in a position where he will have the responsibility of leading the Government in the job in time of peace and providing the machinery for operation in time of war.

MR. NOVICK:

I think your basic question is one that has to be resolved, and that is, "Do we establish a Peacetime Mobilization Agency by legislation or do we do it by executive order?" I assume the best way to do it is by legislation, in which case in the normal process after the introduction of a bill hearings are held and the public has an opportunity to express itself as to its desire or lack of desire. One thing that has not been emphasized enough in my statement is that there should be a basic career organization, one that has continuity and permanence. It would be augmented by people from industry, commerce, Government, trade unions, trade associations and the like. I think that if the agency was well constituted, once started it would grow in strength and stature automatically.

A STUDENT OFFICER:

How do the senior executives feel about coming down here and working for the Government a while?

MR. NOVICK:

All I can say is I think six or nine months probably would not be too much of a contribution to make to the country for either the Government or the company. I think the junior executive would rise in value

to the company because of the new knowledge he had required. I am assuming that in all likelihood he would learn some things that would be valuable to him in production and procurement.

CAPTAIN WORTHINGTON:

We certainly appreciate your very forward-looking talk. Thank you very much.

MR. NOVICK:

Thank you.

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