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A REVIEW OF ECONOMIC MOBILIZATION FOR WORLD WAR II - UNIT I

6 May 1947

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A REVIEW OF ECONOMIC MOBILIZATION FOR WORLD WAR II - UNIT I

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DR. HUNTER: This is the first of two lectures entitled "A Review of Economic Mobilization for World War II." It will be a review, not of economic mobilization as such, but simply a review of the organizational and administrative aspects of economic mobilization, since that is what this section of the course is concerned with. This morning I plan to spend my entire time on the background for the defense and war period. But you needn't be alarmed. I don't plan to go back to the Middle Ages for my point of departure, as I did in my last lecture here.

It is hardly possible, I think, to get a clear conception of wartime organization except in terms of earlier trends and developments from the First World War on, but especially since 1932. We are all familiar with the fact that the ground for the economic mobilization of Russia and in Germany was in active preparation in the thirties. It is no less true that the organizational and administrative foundations of our war economy were being laid in this same period, not consciously or intentionally, but none the less effectively. It is with these foundations that I shall deal this morning.

It is my basic contention that for a nation such as ours the problem of waging war on the economic side is primarily one of management, above all, public management. With the greatest natural resources and industrial capacity in the world, the tremendous accomplishments in war production during the war are not surprising. For the last half century we have been the world's greatest industrial nation, and out lead ahead of the other industrial nations has been a wide one. The principal business of this country, as one economic historian has said, for the last century has been business. Our ablest talent has gone into this field and not into the arts, into the professions, or public services.

We have been, of course, extraordinarily successful in the management of business and industry. On the other hand, the management of public affairs during the period of great industrial growth of this country has never been anything to brag of. Quite the contrary. Whether in the local, state, or Federal Government, the record of misgovernment is little short of appalling if we go back three quarters of a century only.

At the same time the Government itself in this country has long been viewed with distrust and suspicion. We have been one of the most

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individualistic peoples in the world, largely because of the circumstances of our national experience. Until recent years the public generally has subscribed to the view that that government is best which governs least. Even during the nineteen thirties this view was widely held, and it is still widely held, among the upper economic and social levels.

Yet in spite of the distrust of government and in spite of the inefficiency of the much-criticized bureaucracy, we succeeded in organizing and running a vast and complex war government. We shifted with great speed from an essentially private enterprise economy to one which was in many respects a totalitarian economy.

A war economy, of course, has this much in common with a totalitarian economy: It is a centrally planned, centrally directed, and centrally controlled economy. The profit motive during war is subordinated to national welfare as the main driving force in the economy. The normal controls of the marketplace cannot safely be relied on. In fact, the principal mechanism of peacetime control--the price system--is itself in wartime a major object of control. There are many other controls essential in a war economy that you are all familiar with.

These varied and unaccustomed controls, as I have indicated, have to be exercised from a central point, by the Federal rather than the state governments. As a result of this situation, the war strain in our society has been greatest in that area where we have been weakest--in the field of public affairs, and, above all, in public administration.

For all these reasons I am inclined to believe our greatest home front achievements during the war were in the field of organization and administration of public affairs. That is not intended as a plug for any section of the course. It is a field in which normally \$10,000 a year is ceiling for most jobs.

To describe the administration of our war economy as a great achievement is not to imply in any sense that it was accomplished smoothly or efficiently, because obviously, as we all know, there was a great amount of blundering and many serious mistakes were made. Yet I think it is fair to say that we never suffered a major organizational breakdown. We suffered perhaps a good many minor ones. We did correct in time the worst of our mistakes. I think it is fair to say we did a much better organizational job than our totalitarian enemies with their much-acclaimed efficiency. Considering the size of the job to be done and the unprecedented character of the job, on the whole it was well done.

Now, to understand our success in organizing and running a war economy, I think we have got to look beyond and beneath the formal planning for wartime organization. Successful administration is much more than a logical and clear-cut organization chart. To do the job

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successfully we had to have administrators who were familiar with the methods, the problems, and the difficulties of administration, especially public administration. We had to have the ability to adapt old organizations to new purposes and to get them working. We had to have a public capable of understanding the necessity for new controls and capable of accepting them and falling in with them.

The foundations for this success were laid in the period between the two wars, as I have indicated. I would like to start with the Federal Government as it was before the First World War. I will show you a chart of that later on and put it up alongside the chart of the Government in the New Deal period.

The Federal Government back in 1916, before the impact of war, was one which consisted of ten cabinet departments. We are all familiar with them. The last of those to be established as a separate department was Labor, in 1913. Then there were a handful of independent establishments, not more than a handful.

Another feature of the Federal Executive Branch in 1916 was the absence of any system by which the President, as the Chief Executive, could control the administration of the different cabinet departments and independent agencies. The various cabinet departments were pretty close to being independent administrative establishments, responsible directly to Congress rather than to the President.

Now, because of the weaknesses and limitations of the Executive Branch on the eve of the First World War the wartime functions of the Government were handled largely outside the framework of the Executive Branch of peacetime. Because of the limited administrative resources, the emergency organization developed very slowly, even after we were fully committed to the war in the spring of 1917. It was not until May, 1918, thirteen months after we entered the war, that the President was given by the Overman Act, administrative powers adequate to war conditions. It was not until September, 1918, that our war organization was at all complete. Then three months later the war was over.

We won the war, of course, but the manner in which we won the war was not something to be proud of on the home front. There were long months of fumbling, mistakes, and delays. Serious breakdowns occurred in the shipbuilding and aircraft programs and in railroad transportation. At the end of the war we were on the verge of a breakdown in artillery production and the motor transport situation was so serious in France that some believed that if the war had gone on much longer, our effort there would have come to a standstill. We made tremendous contributions, at any rate, to the war effort in men, materials, and money but, as you know, we relied largely on our allies for major items of equipment.

The postwar years brought a return to a condition labelled "normalcy" in the relations of government to the economy. The Republican

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rule, of course, was marked by reaction against war and prewar trends toward big government and toward the centralization of federal authority. The Executive Branch did not actually contract. It continued to expand, but rather slowly. The total number of employees increased from some 525 thousand to 580 thousand between 1922 and 1932. The expenditures in those ten years increased just about 10 percent. The development was chiefly by way of an expansion of the old agencies and services. A few new ones were added--the Federal Power Commission, the Federal Radio Commission, and the Federal Farm Loan Board.

Then came the depression and with it the extraordinary expansion of the Executive Branch. I have tried to show on this chart the Executive Branch as it was in 1916, and the Executive Branch as it was in 1935. The contrast, I think, is evident enough.

Alongside the ten cabinet departments and the series of old-line independent agencies on the second row of this lower chart we have several groups of new agencies. We have a group of regulatory agencies--the Securities and Exchange Commission, the Federal Communications Commission, the National Labor Relations Board, and so on down the line. Then there was a new group, concerned with relief primarily--the FCA, the CCC, and so forth--and three other groups concerned with credit, with insurance, and with production control. Quotation marks ought to be put around that phrase "production control" there.

The NRA through the code authorities, as you may recall, attempted to raise the level of industrial production by providing favorable conditions and wiping out unfair trade practices and the like. The basic purpose in the industrial field was to expand production, because during the early depression years the production of nondurable goods had fallen 20 to 25 percent and the production of durable goods had fallen nearly two-thirds. So that these measures were indirectly a form of production control.

Of course, in the field of agriculture the Triple A was concerned with the control of production in the reverse direction. They sought to increase prices by curtailing production. The farmers were given payments to reduce acreage.

As a result of these developments there was a tremendous increase in the size of the Executive Branch--from 582,000 in 1932 to 836,000 in 1936. The great bulk of that increase was in these new agencies. In 1936, incidentally, the number of federal employees here in Washington was exactly to the thousand the same as at the peak of the war period, 1918.

Of course, much more important than the mere increase in size were the new economic functions taken on by the Federal Government. For the first time in a large way in our history in peacetime the Government

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undertook to direct and control certain features of our economy, as indicated by the chart here. We have only to compare these agencies set up in the thirties and their functions with those of a war administration to see many very real similarities. The objectives and the problems were different in the main, but the methods at least have a certain similarity.

Another feature of interest in the depression program was the important place which planners had in it, even though there was far more improvising, as you will recall, and perhaps pretty poor improvising. Nevertheless, there was a good deal of planning. Much of this planning was of the brain trust variety, but there was a good deal of more formal planning in each one of the major agencies. And then a planning agency was set up, the National Resources Committee, which later became the National Resources Planning Board.

I think enough has been said to indicate that the New Deal in its economic aspects was a kind of mobilization of the resources of the nation, not for war, of course, but against the peacetime war of the time, if you want to dramatize it, a war against the forces of the depression.

Now, as to the effectiveness of the New Deal measures, obviously there is a great deal of controversy. But we are not concerned with that here. What is beyond controversy, I think, is the substantial influence which these organizational developments had upon Federal organization and administration. The Federal Government underwent a great expansion. It took on many new functions. A great advance was made in the centralization of administrative authority in the Executive Branch as it had never been centralized before.

Moreover, the New Deal administration gave the Government experience in dealing with emergency situations calling for large-scale intervention under what were essential crisis conditions. It accustomed the American people in all fields--labor, management, agriculture--to working with and depending upon government agencies as they never had done in peacetime. Whether they liked it or not, in the main they worked along with the Government.

Also large numbers of business men, men from industry, men from the professions, were brought to Washington during the depression days, especially during the period of the NRA. Many of them stayed but a short time. Others continued permanently in the government service. All learned a good deal about the Government and about public administration as practiced. Whether they learned good things or bad things, they learned a great deal about how things went on in Washington. It is surprising to see the number of key executives in the war production program who had their first experience in Washington back in NRA days.

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This experience of the thirties also greatly stimulated study and research in the field of administration and in the problems also of economic control.

Well, it all adds up to this, I think: that as a result of the depression we had in 1939, an organizational structure and administrative skills that were far more adequate for the job of running the war economy than was the case in 1917, not only in terms of organization, not only in terms of skills, but also in terms of practical knowledge. The Federal agencies in 1939 were far closer in touch with more sectors of the economy than they had been back in 1917 or any time previous--with agriculture, with manufacturing and so on across the board of the economy.

They had vastly better machinery for gathering factual data than in 1917. There were numerous statistical agencies, many of them very well organized and staffed. We had a far more comprehensive body of statistical data. Though, of course, that was not adequate for the purposes of the wartime years, yet it provided a point of departure.

So far I have not touched on what was in many respects the most important administrative development of the war in the thirties, and that was the reorganization of the Executive Branch. That reorganization was, I think, unquestionably one of the most important steps in our administrative mobilization for war.

A Federal reorganization had long been talked of. The first inquiries along that line were made back before the First World War. Then during the twenties and thirties various reorganization bills were brought up in Congress. But none of them got very far until 1933, when the Reorganization Act of that year was passed. A beginning had been made in the Budget Economy Act of 1921, under which the Budget Bureau was established on a very limited basis.

This reorganization which had long been talked about was first carried through with success in 1933 because the multiplication of New Deal agencies made it almost essential that there be some means of effecting coordination. The expansion of the Federal Government in the early period had not proceeded in a logical fashion. So there were a good many cases of agencies with overlapping functions and duplicating functions. A great deal of that needed to be cleared up, and that provided the first drive for the reorganization of the Federal Government.

Now, as the federal agencies in the Executive Branch became more numerous, the problems of supervision and coordination by the President became more and more difficult. The situation reached the point in the early thirties where several score federal agencies were reporting directly to the President.

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The most obvious feature of the reorganization plans provided for a reshuffling and rearrangement of the executive agencies and the executive functions. Agencies were combined or transferred or eliminated. Duplications were eliminated to some extent. An effort was made to bring like functions under or into the same agency. But the progress in reorganization on this side was very slow, because of the strong resistance of Congress. Those who had a vested interest in the status, organizationally speaking, opposed strong resistance to these changes.

The most important feature of the reorganization was the building up of the Budget Bureau, principally after 1933. It began in 1933, in an effort to keep in step with the rapid expansion of federal functions. The full development, however, of the new budget mission did not come until the Reorganization Act of 1939 went into effect.

What happened was simply this: The greatly increased load on the Chief Executive simply couldn't be carried without adequate provision of administrative assistance. With the handful of personal assistants in the President's office that were available before the development of the Budget Bureau the President couldn't possibly begin to do the administrative job of supervising, coordinating, and planning. He was largely ignorant of what was going on in the Executive Branch. He was largely dependent for such information as he had upon the formal reports of the cabinet heads and the heads of the independent agencies; and, naturally, in their reports they were not inclined to give what might be regarded as a detached, objective account of what was going on in their agencies. Consequently, the Budget Bureau under the reorganization plan was given a greatly enlarged duty of serving as the management staff of the President, whereas in its earlier years the Budget Bureau operated largely in a mechanical way to process the federal budget, that was adopted for the first time under the act of 1921.

As I say, in effect the Budget Bureau became actually the general staff of the Executive Branch, and I think its introduction in the early thirties in that capacity is fully as important as the development of the General Staff in the Army. The preparation of the budget, I might say and as you perhaps know, was and is simply a device by which the President's administrative control is exercised through the Budget Bureau.

Now, in its capacity as a general staff of the President, the Budget Bureau came to perform a number of major administrative functions. It served in the first place as a link between the President and the executive agencies, supplying him with information about agency activities, programs, conditions, and so on, acting for him in a wide range of routine matters. It served also as an administrative planning agency, making studies and analyses to discover weaknesses and defects in federal organization and in federal administrative practices. It made also long-range studies of the federal organization, trying to anticipate the direction

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in which things were going and to prepare for dealing with problems before the problems were actually on us. In general, it was the function of the Budget Bureau to anticipate the organizational requirements of the Administration's program.

Its most important function, I think, was that of a more or less continuous review, evaluation, and coordination of the agency programs. This it accomplished in part by day to day contacts with the various agencies. Their supervision and the control that went with it were made effective through the form of a review by the Budget of the departmental requests for appropriations. A continual check was kept on the agencies by the Budget Bureau, and the President was kept informed in regard to it.

So that under the reorganization we had these developments, which came to a peak in 1939, when the Reorganization Act of 1939 provided for what had already been taking place--an enlargement of the Budget Bureau's functions along the line I have indicated. To give you some indication of the scale of importance of this development let me say that during the thirties there were in the Budget Bureau about 40 persons. By 1946, chiefly developed from 1939 on, there were 600 in the Budget Bureau.

I think enough has been said to show the importance for economic mobilization of the developments in the thirties. By 1939, our administrative mobilization, if we can speak of it as such, for any national emergency was pretty well begun. The foundations of our wartime organization were laid, even though those foundations in terms of what were to come later will probably be considered inadequate. Of course, this was not planned this way. It was not intended for purposes of war. Yet in effect, as I suggested, that is the way it worked out.

Now, of course, the formal planning for wartime organization went on all through the twenties and thirties, as you are aware. It was very little affected by the expansion of the Federal Executive Branch and by the changes in the Executive Branch. The civilian agencies, as you will recall, had virtually no hand in mobilization planning on the industrial side or any other side. All the planning for war on the organizational and administrative side prior to 1939, was carried on by the Services as a result of their statutory responsibility. I might say that perhaps Congress did give some attention to industrial mobilization during the thirties through the fact that a number of bills were introduced, and Congress devoted some time to those bills.

I would like to spend a little time in reviewing this planning. I discussed it last fall from another viewpoint. I want to discuss it today with respect primarily to the organizational framework proposed for industrial mobilization in this series of plans.

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This story has been worked out in some detail by Dr. Thatcher in his "Planning for Industrial Mobilization, 1920-1940." He covers it fully there. It resulted, as you know, in a series of industrial mobilization plans.

Now, the planners throughout the twenties and thirties were governed by certain basic assumptions or tenets, if you like, which are worth reviewing briefly.

To begin with, the planners distinguished throughout between two aspects of industrial mobilization, which, though closely related, they felt should be handled separately. It was assumed or taken for granted that the two aspects of planning should be handled separately. Procurement on the one hand was assumed to be traditionally the function of the Services. No really serious consideration was given, as far as I can find out, to possible changes in the method of handling procurement. They accepted the traditional way as the best way. Talk of a civilian ministry of munitions during and after the First World War, during the twenties and the thirties, had never gotten very far.

Industrial mobilization in the broader sense of the term was separated from procurement. That calls, as you know, for mobilization of all the resources of the economy, and that was accepted throughout as a civilian function, to be handled by a civilian agency staffed by civilians.

Another basic doctrine of the planners was that industrial mobilization in the broader sense was to be handled not by the old-time peacetime, old-line agencies, but rather by the specially created war agencies, the so-called super-agencies. This view again seems never to have been seriously questioned by the planning agencies. There was that attitude which prevailed at the beginning and it prevailed to the end. The analyses of the problem seem never to have carried the plan to the point where they considered another way of handling the matter. The possibilities of a different arrangement were never explored.

The routine explanation for giving control of industrial mobilization in the larger sense to specially created super-agencies appeared, you will find, in all the discussions of the industrial mobilization plan. For example, it was believed that the old buying agencies were busy with their regular peacetime functions and would not have the time or the staff to handle the war job. There was, too, a belief that if the regular agencies were given important wartime functions, they would, in typical bureaucratic fashion, never willingly relinquish them when the end of the war came. There was a belief, too, that the old buying agencies would lack the drive in the sense of the urgency required in wartime. Finally, the organizational structure of the war economy was based on the assumption that it would be established and put into effect only when war had been

declared--the formal M-Day concept that we are all familiar with but which I think we have to keep in mind in this connection. The Army and Navy Munitions Board, of course, was to serve as the key planning agency between the time war was declared and such time as the super-agencies would be set up.

With the development of the international crisis, I might say, in 1939 and with the outbreak of war, a revision of the M-Day concept did take place. It began to be recognized increasingly as the situation expanded that the movement of this country into war, if at all, would be gradual rather than sudden. So the planners developed in 1939, a new three-phase concept of industrial mobilization, and the various measures to be taken as each phase appeared were outlined in some detail. But no significant organizational changes were involved in this modification of the M-Day concept.

Now, so much for the basic assumptions of the planners, which, as I suggested, they seem never to have really seriously analyzed and examined with a view to possible changes. I would like now to examine briefly some of the organizational aspects of the Industrial Mobilization Plan.

In the first place, of course, the wartime organization of the Plan was closely modeled on that in effect at the close of the First World War. This is the 1933 plan on the chart here, and this is the 1939 edition over here. If you compare the 1933 edition and the 1939 edition of the plan with that on the other chart there, you will see the very close similarity. In fact, Brigadier General Rutherford, who was Chief of the Planning Branch, declared that the Industrial Mobilization Plan contained nothing new; that it proposed practically what was eventually established piecemeal with the consent and approval of the people during the World War.

Now, during the planning period I have simply picked out two of the plans here and put the 1933 plan above and the 1939 plan below, because I think they are sufficient to give you the main organizational pattern. For a while there was a good deal of changing so far as details of the plan were concerned on the over-all side, and yet there were no major changes in fundamentals.

The one really significant innovation came in the 1930 plan, in which, to contrast it with the 1933 plan, you have the War Resources Administration. The War Resources Administration is the super-agency, and in that war financing, war trade, war labor, price control, and so forth were all geared into the War Resources Administration. There were under the authority of the War Resources Administration, Public Relations, Selective Service, and other administrative agencies of procurement, the same as in the 1933 and other plan.

Interestingly enough, this was the one major feature of the Industrial Mobilization Plan with which the War Resources Board appointed in 1939 to

review the Plan, refused to go along. They favored an organizational setup substantially, we will say, as in the 1933 plan.

One other major point that I would like to make in regard to the Industrial Mobilization Plan is this: The plan did not face squarely the problem of coordinating and integrating the activities of the war agencies with those of the regular peacetime agencies. There was, it is true, toward the end of the planning period in the thirties a belated recognition of the existence of a gradually enlarged Executive Branch, performing a great many functions which were not performed by the Federal Government.

I recall that General Hugh Johnson was writing a column at that time and he came out with quite a blast--that was after the 1939 plan had been published--in the papers criticizing the planners for being asleep to what was going on in the federal agencies, and he called attention to, called the roll of, the number of new federal agencies and pointed out the various ways in which they could be employed in industrial mobilization.

No serious attempt was made, so far as I can see, to explore the possibilities of a wartime organizational setup which would effect a close integration of the new war agencies and the old-line agencies. Such an exploration, even if it had resulted in a decision against integration, would, I think, have produced substantial benefits in the form of cooperation with and from the peacetime agencies. They would necessarily have been consulted. It would have effected, it seems to me, a much better coordination of activities of the peacetime and wartime agencies when the war actually came.

Why was not this done? In a way it seems a little obvious now. But things always look obvious after the fact, as they rarely do before the fact.

I think possibly it was due to an inadequate understanding of federal administrative trends during the twenties and thirties. It was due possibly, too, to the fact that when there was a recognition of the existence of this greatly expanded peacetime establishment, it came so late in the day that the difficulty of effecting integration seemed too great to permit tackling the job under the developing emergency conditions.

A more fundamental reason, however, I think, was the distrust of New Deal agencies among the planners, which you run into again and again, not so much in outright statements, but in the phraseology, in the manner in which agencies are referred to, especially with reference to their use in war.

In substance, the Industrial Mobilization Plan called for the establishment of a virtually independent emergency organization to mobilize

and run the national economy in war, independent, that is, of the peacetime Executive Branch and in a sense existing alongside it. In many respects, it was a kind of dual setup, which was bound to give rise to many organizational problems. Of course, we went through the war to a large degree in that fashion, one organization arguing that there was no other way of handling it. But I think perhaps we went through the war that way because we were not prepared to handle it on any other basis. We hadn't thought in other terms.

While the President was recognized always in the plan as the responsible head of the war government, the administrator of the dominating super-agency, the War Resources Administration, was the real directing head of the war economy. In the opinion of many, that job was much more important in wartime even than the job of the President. President Roosevelt, of course, was obviously not the man to take a back seat in his own administration, and that feature of the Industrial Mobilization Plan was clearly objectionable to him. There is no clear evidence that Mr. Roosevelt ever read the Industrial Mobilization Plan, but that feature of it was called to his attention in a joint meeting with the War Resources Board in 1939, and he set out informally his own conception of how these war agencies should be. They were all to be responsible directly to him.

Working within the limits of their controlling assumptions and with the data on world requirements supplied them by the General Staff, the planners did a good organizational job, I think, without any question. The organizational framework for a war economy was presented in main outline. The functions of each major agency and division were described. Major policies were suggested. The detailed measures that were supposed to be taken at the outset were laid down.

Many of the key problems of a war economy were anticipated. Colonel Neis has called attention yesterday to the various elements of the economic mobilization that were overlooked by the planners. I think the principal failures to anticipate war needs were in respect to aid to allies, the civilian requirements, and so on.

Now, the difficulty here was that those who planned for the military mobilization, like those who were concerned with industrial mobilization, were thinking basically in terms of World War I, of an army of four million men intended primarily for continental defense. The industrial planners were necessarily controlled, I presume, by the data and assumptions supplied them by the military planners. I think when General Somervell was here he suggested that during the war in their setup, they had to try to get the heads of the military planners in the General Staff to try to anticipate these things. I don't know whether that was ever done in the planning of the thirties, whether the industrial mobilization planners went so far as to go out on a limb by themselves. Evidently not. I see no evidence of it.

Now, since the planners for industrial mobilization were not specialists in government, in administration, or in economics, perhaps it was wise for them to stick pretty closely to the experience of the First World War. So far as that went, they were on fairly sure ground. It is very evident that in its main outline at least the wartime organization that they planned was fulfilled in the actual development of the war organization.

It is, of course, quite illogical and unfair, it seems to me, to expect the planners in the thirties to have the foresight equivalent to our hindsight. At a minimum, however, we could fairly expect them to have learned all the major lessons of the First World War; and I think any criticism of the planning of that period should start with that criterion.

There is one critical area in which the planners failed to capitalize the experience of the First World War. They failed to gather or to make plans for gathering statistical data absolutely essential for sound programs and intelligent administration in any kind of war administration. I am going to explain that just very briefly and then we will call it a morning.

There was plenty of warning from World War I on this score. Clarkson in his volume on "Industrial America in the World War," which is a classic in this field, virtually one of the textbooks used in the old Industrial College, stressed that point again and again. "First to last," he said at one place, "in all government departments, the lack of ordered facts was a cause of inaction or mistaken action." Again, "The Statistical Division of the War Industries Board should have been the first one developed to full capacity--actually it was the last."

Wesley Mitchell, leading American economist, devoted his presidential address as head of the American Statistical Association, 1919, to discussing the essential role of statistics in government, making particular reference to our wartime experience. I don't know if the planners ever read the American Statistical Journal or the other publications of the Association, but this is what he said: "The time we spent in framing our war organization and getting it started might have been substantially shortened had anybody in Washington been able to put before the responsible authorities promptly the data they needed concerning men and commodities, ships and factories."

Mitchell stresses throughout the vital role that statistics play in planning of any kind, strictly up-to-date statistics, that describe the various aspects of our economy.

Now, this was right after the war. All during the twenties and the thirties there was a steadily increasing emphasis in industry, in government, in economics, and administration on quantitative analysis and

statistical controls. It was recognized that without organized information the administrative official lacks a sound basis for policy making and for executive decision and action. Here in Washington the statistical services of the Government were greatly expanded along with the other functions and activities of the Government. We were, as I indicated, far better equipped statistically in 1939 than in 1917. We know far more as a result of statistical analysis about the functioning of our economy. We knew far more about how it functioned than in the earlier period. For example, we had in 1939, something that we didn't begin to have in 1917, that is, fairly accurate figures on national income.

But, of course, statistics have a limited value except in relation to the uses to which they are put. When the Second World War came, we found that the statistical data that had been collected by the various peacetime agencies didn't begin to meet the varied and complex requirements of the war economy. We had with that background of preparation a growing recognition of the need of the quantitative approach. Yet in the industrial mobilization planning no attention was given to this critical raw material of war.

Not until three days before the actual outbreak of the war in Europe was a statistical branch set up within the office of the Assistant Secretary. That came directly as the result of the inquiries of the War Resources Board. Among the first things that they set out to get when they met in Washington were facts and facts and facts. So that statistical branch was set up.

Well, I give that simply as a case, a study, if you like, in a very small way of a specific problem that we might have been prepared to deal with and were not prepared to deal with.

Next week at this time, I will attempt to deal with the organization and administration in a broad way in the war period itself.

COLONEL NEIS: Gentlemen, this has been one of the most comprehensive talks on organization I think we have ever had. I think we should take full advantage of this opportunity to ply the speaker with questions.

A STUDENT: Could you tell us something of the functioning of the War Resources Board, what were some of the faults of it, and why it was dissolved?

DR. HUNTER: Yes. I have that down on the bill of fare for next week. If you would like to have that information now, I will give it to you.

The War Resources Board was appointed in August 1939, ostensibly and primarily to review the Industrial Mobilization Plan of 1939, and to

give the best judgment and comments of the members of the board upon the plan, its feasibility, how sound it was organizationally and otherwise.

A couple of weeks back I got into the records of Mr. Stettinius, who was the chairman of that board, and got some light on the story, which hadn't been evident before.

According to the account of one of the key members of the board, whose name I can't give, it was believed in the Government in July 1939, that the situation was particularly critical as regards our relations with Japan, in fact, that we might be at war with Japan--this was the opinion of this member--within a month or six weeks. How that can be substantiated I don't know. But certainly it is true that Second Assistant Secretary of War Johnson had been trying to get the President to appoint such a board for some months, and the President decided to do that early in August. The board was appointed on August 9th with Mr. Stettinius as head and half a dozen leading industrialists and financiers as members of the board.

They met. They reviewed the plan. They went further than reviewing the plan. They actually began to gather information on inventories, to gather information on personnel, to establish a possible War Resources Administration, and the like. And then they finally reported to the President about the middle of October.

The member of the War Resources Board whose confidential memorandum I saw expressed the opinion that the President never saw the report of the board; that the board met with the President and they reached a fair measure of agreement as to the broad outlines of a war resources administration. Once that had been agreed upon, the board did not meet any more.

Of course, the concern of the President in the fall of 1939, in September, was with the repeal of the neutrality legislation. He was greatly concerned not to give the isolationists in the country and in Congress any handle to use in opposition. So that that was played down very definitely.

A STUDENT: In your research did you find any time limit projected into the future, that the Bureau of the Budget was to plan? The reason I ask that is that yesterday in the seminar, Dr. Childs said that the Bureau of the Budget was primarily concerned with day-by-day activities rather than projected plans.

DR. HUNTER: They have one division, the Division of Administrative Management, I believe it is called, whose primary responsibility is to think, not simply in day-by-day terms, but in long-range terms. Now, what "long" means in the language of the Bureau of the Budget I wouldn't

attempt to say. Whether "long" means anything more than one, two, or three years in advance, whether they try to project any further than that, I don't know. But it is their responsibility in that division, which is headed up by Donald Stone, to see the federal organization as a whole, the federal administration as a whole, and to anticipate and discover problems earliest, especially developing problems, maybe for years in the future.

A STUDENT: Doctor, you say the Bureau of the Budget is the managing staff or the general staff to the President. Could you explain that a little further? It seems that they may curtail the President when they give him money for these various activities many times.

DR. HUNTER: You mean the Bureau of the Budget curtails activities?

A STUDENT: Don't they do that? I thought they cut down many of the appropriation amounts that he was asking for.

DR. HUNTER: Well, of course, I am not too familiar with the actual day-by-day operations. But it is my understanding--of course, they act for the President, and they are familiar with his general program.

A STUDENT: You mean they never go against his policy? If he wants so many billions for this agency, do they always give it to him?

DR. HUNTER: I should assume they would never go against it. They might discover, when they came to work out a particular program, that there were certain inconsistencies involved, certain contradictions, certain conflicts with other agencies' programs, which they might find it necessary to straighten out. So the total amount recommended, say, in the President's message might be cut down. But they act for the President, not against him.

A STUDENT: You kept referring to the planners during the thirties. Who were the planners other than the military?

DR. HUNTER: I am talking in terms of the military planners. There were two groups--those who worked on the Army mobilization plan and the military planning proper. There were the industrial mobilization planners and those Army men in the Office of the Assistant Secretary, specifically in the Planning Branch of the Office of the Assistant Secretary. They constituted the Army's side of the Army and Navy Munitions Board, who coordinated planning as between the Army and the Navy. Then, of course, the Navy had its side of the Army and Navy Munitions Board.

A STUDENT: But outside of those. How about the Federal Power Commission, which planned for the power for defense?

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DR. HUNTER: I think you will find that every major federal agency, especially those that have action programs, are continually planning. They think in terms of plans for the activities in which they are engaged. And, of course, during the thirties a great deal of attention was given in a big way to planning on a national scale. But the only specifically planning agency in the Executive Branch for the Government as a whole was the National Resources Committee, as it was first known, appointed in 1935, I believe it was. Then that became the National Resources Planning Board under the Reorganization Act of 1939.

COLONEL NEIS: Dr. Hunter, in connection with the Department of the Interior and the FBI, you will find that they recognized the potential job that was going to be placed on them by the war and that they did some very forward-looking and constructive planning, which paid dividends during the war. That was brought out yesterday.

We will be looking forward, Dr. Hunter, to your lecture next week. Thank you.

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