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

13 May 1947

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

WASHINGTON, D. C.

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

PUBLICATION NUMBER L47-130

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DR. HUNTER:

Last week I outlined in some detail the administrative and organizational developments which prepared the way for our war government. This morning I have the much more difficult job of tracing the actual development of the war organization and methods by which our economy was actually mobilized, first, of course, for defense and then later for war. There will be little that is very new in my remarks this morning. I will give simply a broad picture of the developments with which I think we are all more or less familiar as a result of the attention we have given to the whole story. But a broad review serves a certain useful purpose, I think.

It is, of course, impossible to cover the whole story in any comprehensive fashion; as just to list the names of the principal agencies and describe briefly their functions would take up the greater part of the hour. The treatment, accordingly, has to be selective; and for this reason I shall concentrate attention on what were the central problems of our wartime economy, which were, first of all, production, prices and then over-all coordination, with production receiving the principal emphasis, because, after all, production was the principal objective of economic mobilization. There were, of course, many other aspects of economic mobilization, all of them essential, all of them closely related to production, if not actually a part of production--procurement, war financing, manpower, war information, economic warfare, transportation and all the rest. Each one of these aspects of economic mobilization presented its own distinctive problems of organization and administration and of coordination with the war program as a whole.

Economic mobilization, as we have seen, is simply the process of bringing all the productive forces of the economy to bear in support of the Armed Forces on the scale and in the time required to meet the demands of the strategic situation. It calls above all for a tremendous increase in total production to meet the combined military, civilian and foreign aid demands. It requires a drastic modification of the normal methods of directing labor, capital and industry into the channels of demand, because the demands are so radically different in so many ways as well as so much greater than those of peacetime. A huge and very complex organizational structure must be built up to provide the central direction and coordination and control which are essential for full and effective production.

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On major points such as these there is general agreement. On the organizational arrangements and the administrative devices and procedures best calculated to attain these objectives there was endless controversy during the war, and there is continuing disagreement today. The work of description and analysis and appraisal of our wartime organization will go on for some years. It has, in fact, just begun; and it will be some years before we will have a thorough understanding and appreciation of all that is involved.

Very little about the war, of course, went according to plan, including the plans themselves. We started out with a strongly isolationist and antiwar public. We were gradually drawn into the conflict over a period of more than two years. Our first wartime organization took its shape during peacetime and under the limitations imposed by peace. The scale, the duration and the complexity of the war were far greater than we had anticipated. We spent three hundred billions and more in the Second World War as compared with only thirty-six billions in the First World War, including aid to allies. As compared with the nineteen months we spent in the First World War, we were in the second for four and a half years. We fought it all over the globe, in contrast with the single European front in 1917 and 1918.

Furthermore, the demands upon the economy and upon the whole machinery of war organization were in process of continual change. Each stage in economic mobilization brought its new organizational problems, and each change in the strategic situation had its impact on war organization, as did, of course, in a somewhat less striking way the major developments in new materiel and weapons.

Still another factor must be noted and emphasized if we are to understand and fully appreciate the development of our wartime organization. This organization was not developed and could not possibly develop in response only to the logical requirements of the strategic and economic situation. Organizations may be planned and drawn on paper; but they operate through men and through groups of men. One of the most important facts about our wartime organization was that it was hammered out, and it could only be hammered out, in the face of great and continually changing pressures, the pressures of a dynamic political situation. This is not only inevitable, but it is desirable under the system of government that we have, a representative democratic government, with lots of free speech and the operation of all kinds of pressure groups.

At every stage in the economic mobilization and in connection with every major organizational issue the question was not what arrangement was ideal and logically sound for the job to be done, but rather what arrangement was possible and acceptable to all the parties concerned. At all times it was necessary to reckon with a variety of contending

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forces, interests and pressures, from political parties and blocs, and from economic groups and interests organized along occupational lines, industrial lines, and regional lines. Every major organizational development and most of the minor ones had to face a running fire or criticism from the powerful interests unfavorably affected, from trade and business organizations, labor and farm organizations, and professional groups, to say nothing of editors, columnists, radio commentators and the like. The opposition worked through all the channels used by pressure groups and especially through Congress.

Any major organizational or administrative change in the war government was sure to meet more or less opposition too from one or more of the existing government agencies, either from the old-line agencies and/or the new war agencies after they were established. Each agency naturally sought to protect its own interests or the interests of those it represented and to advance those interests.

But I think it is much more than a case of the vested interest protecting itself that we have to reckon with here. As the war organization of the Government became tighter, no major organizational action could be taken which was not felt all across the board. So that as the war mobilization advanced and the situation became tighter and tighter, all the major agencies had to be heard and had to be reckoned with before making any contemplated change. Adjustments had to be made, adjustments growing out of realistic conditions. Every solution to an organizational and administrative problem was reached only after long discussion and long negotiation and accompanied by a great deal of political pulling and hauling both in public and behind the scenes. These organizational compromises are often so complicated and so illogical as completely to confuse an outsider, and they frequently make a mess of organizational charts. Yet they often worked. Ideal solutions of organizational problems look nice on paper and are useful as objectives to aim at, but they are rarely achieved in real life.

Finally, administrative arrangements usually have to be adapted to the key personalities that are involved. Of course, occasionally these personalities can be changed or gotten rid of, either by retiring them or by kicking them upstairs. Mostly they have to be put up with and worked with. The administrative machinery usually has to be adapted to them to a greater or less degree.

For example, there is a great deal about our wartime organization that cannot be understood except in terms of the personality of President Roosevelt. Whether you like President Roosevelt or the man who happens to be Chief Executive in any future emergency, you have to put up with him and with his personality, with all its elements of weakness and strength. You have to operate in relation to his attitudes and ideas.

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for they are usually the controlling ones, however poor they may seem.

Also, the war brought to Washington many powerful personalities from the business and industrial world, business executives who were accustomed to moving directly toward objectives with a minimum of opposition. They were accustomed to giving orders rather than taking them. They were usually unfamiliar with the ways and practices of government. Men like Stettinius, Knudsen, Nelson, Eberstadt and Batt made the influence of their personalities felt in one degree or another upon the wartime organization.

I have spent some time stressing what probably does not need to be stressed with you, that is, the dynamic, fluid nature of organizational arrangements in the national emergency. We can't describe and we can't understand the development of our war government simply by means of neat, clear-cut organizational charts or in terms of logical principles of administration. It follows that any thinking and planning for a wartime organization must take into consideration the hard realities that will have to be faced at some time in the future but cannot fully be anticipated now. We have to be sufficiently flexible and fluid to deal with these conditions as they arise. So much for preliminaries.

Throughout 1939 and down to the end of May 1940, our defense program was handled within the framework of the existing government agencies. Increased appropriations were obtained for procurement of materiel and supplies by the Services. The Treasury Department, the Justice Department, and other departments were directed early in 1939 to take measures in anticipation of a possible outbreak of war in Europe. Then in August 1939, came the appointment by the Assistant Secretaries of War and Navy of the War Resources Board, which I referred to last time, headed by Stettinius and composed of seven prominent business and professional men,

Their primary job was to review the plans of the Services for industrial mobilization, but they also went further and undertook a number of precautionary measures of preparedness with respect to methods of price control. They made surveys of the inventories in key industries. They looked into the problem of skilled labor supply in case war came.

The original intention of keeping the War Resources Board in being to serve as a core of a key superagency in the event of war was abandoned. On making its report to the President in around the middle of October, the Board was dismissed with thanks. And it was dismissed due to a variety of political considerations both international and domestic. As I noted last week, the Board disapproved of that feature of the Industrial Mobilization Plan which concentrated authority in a key superagency, the War Resources Administration, favoring coordination rather than centralization of power in a war economy. In other respects the Plan was generally approved.

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The first formal organizational step to deal with the problems of defense was the setting up in December 1939, of the Interdepartmental Committee for the Coordination of Defense Purchases, that is, military purchases, both foreign and domestic. This was known as the President's Liaison Committee. Its purpose and functions are suggested by its name.

With the change from Sitzkrieg to Blitzkrieg in the spring of 1940 and the extraordinary success of the Nazis in the Low Countries and France there came the establishment of a full-scale emergency agency, the National Defense Advisory Commission (NDAC). The legal basis for this agency was provided, as you will recall, by the Defense Act of 1916, which was still on the statute books. It represented the views of the President and his professional advisers, who were essentially nonpolitical men, both as to what was politically feasible and also as to what was organizationally desirable at this stage. The general feeling of the President's advisers at the time was that we needed to keep our defense organization loose and flexible, readily adapted to any changes in the situation, domestic or foreign.

The seven members of the Advisory Commission included representatives of business, industry, labor and agriculture. It included liberals as well as conservatives. Accordingly NDAC was accepted and approved by the public generally. It consisted of seven divisions with a commissioner at the head of each. The three most active divisions were those dealing with materials, production and labor; but there were four other divisions-- prices, consumer interests, transportation and agriculture.

The Advisory Commission, as its name indicates, had advisory powers only, at least to begin with, though later it was given certain operating duties. Its functions were simply to coordinate the different aspects of the defense program; to bring together the different agencies that were concerned with procurement and other government agencies; and to establish a link between the procurement agencies and the industries producing munitions, and with labor. Its job was to prod, push and needle all those engaged in the defense program; it had somehow to get things going and to speed up action. Its job also was to look ahead and plan for the developments which could be anticipated or might be expected. Each commissioner served as the adviser to the President in the field with which he dealt. The Commission worked chiefly through the old-line agencies, especially with the procurement branches of the Services, and with all the agencies that had a hand in defense.

Viewed as an operating agency, which it was only in small part, the Advisory Commission was something of an administrative freak. It had a body with seven legs, each leg acting independently, but without any head. There was no chairman. It had a secretary, Mr. McReynolds, an old-line civil servant; but he declined to operate in any sense as

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chairman. Since in the early months the Commission had no operating responsibilities, it didn't do too badly. It was simply a group of men which met fairly often for the discussion of common problems. In a number of matters its members reached a certain amount of common agreement on over-all defense policies. But each commissioner was primarily an adviser to the President. He reported directly to the President. He was responsible only to the President.

As we moved further along into the defense program and as our national objectives became somewhat clearer with the advance of the war in Europe, an advisory commission became less and less adequate to the job in hand. Advice and suggestions and verbal needling are very useful when you are moving cautiously along toward rather limited and uncertain goals; but as the size of the defense program mounted, as facilities, machine tools and materials began to get tight in certain areas, as prices began moving up in a somewhat alarming fashion, as some facilities became overcrowded and others refused to take on defense jobs, or to expand plant and equipment for that purpose, it became necessary that more action of a direct kind be taken.

Also as the situation became somewhat tighter, the procurement agencies became less and less inclined to take advice and suggestions from an advisory commission which had no authority to act, but only to give advice. So the Commission became increasingly unable to provide the direction and guidance necessary in the mobilization of our resources. By statute and by Executive Order the Commission did acquire certain operating functions--contract clearance, tax on antitrust certification, and the issuance of priorities. But they were not in a position to use those powers very effectively. Increasingly in performing its major role of coordinating the national defense effort, the Commission was hampered by its largely advisory character, by the looseness of its organization, and by the lack of an operating head.

So finally in January 1941, the Commission was replaced as the key production agency by the Office for Production Management. In the opinion of many if not most observers, the Commission had outlived its usefulness by some months. The controlling factors in the delay appeared to have been principally political. All through the summer and fall of 1940 the country was in the midst of a presidential campaign, and it seemed inadvisable to take any steps which would upset the nice balance of interests and viewpoints that were represented by the membership of the Advisory Commission.

The most obvious need was for a directing head; but in a program of which the primary objective was more production you couldn't very well appoint as a head either a career civil servant, a New Dealish ex-college professor, or a labor leader. You had to have a production man, a business man or industrialist. In a campaign in which President Roosevelt's

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principal support came from labor, that was a step which obviously could not be taken, for political reasons.

There was, too, a great deal of disagreement as to the precise form which any reorganization of the defense program should take. There were many agencies and personalities and interests which had to be reckoned with and consulted. The technical administrative problems involved had to be carefully explored. There were many and conflicting pressures.

The OPM, therefore, represented a number of compromises, and in many respects it was no great advance over the Advisory Commission. In one respect OPM was a step away from the centralization of the defense program represented by the Advisory Commission. Only three of the original divisions of NDAC were transferred to OPM--those concerned with production, materials and labor. Nelson, who as Coordinator of Defense Purchases was, in effect if not officially, the eighth member of the Commission, became head of the new Purchases Division. The Bureau of Research and Statistics of the Advisory Commission was likewise placed in the new production agency. But other functions of NDAC were not taken over. In other words, this became in literal fact a specialized production agency focusing its attention on simply one aspect of economic mobilization, although the principal one.

The problem of a head for OPM was resolved, you will recall, by the much-ridiculed administrative invention of Mr. Roosevelt, the double-headed executive, with Director General Knudsen operating along with Associate Director General Hillman. However, illogical and administratively unsound this appeared, there is something to be said for it, for, as was pointed out in The United States at War, the system did work fairly well.

An OPM Council was provided for, consisting of the Director General, the Associate Director General, and the Secretaries of War and Navy. This had the advantage of bringing together the key officials concerned with production at this stage. But it did result in a tendency to concentrate on direct military needs, somewhat to the neglect of the broader problems of economic mobilization.

The functions assigned to OPM were very similar to those of the Advisory Commission in the production field--advising, planning, stimulating and coordinating in matters relating to defense production. From January to late August 1941, OPM had only the same limited priority powers that were exercised by the Advisory Commission, covering only orders placed directly by the Army and the Navy. At the end of August the President delegated his enlarged priorities authority to OPM. This new priorities authority covered foreign purchases, civilian supplies and subcontracts as well as direct military orders. OPM was also given

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powers to place compulsory orders and requisition property, powers not often exercised but nonetheless very useful as a threat to bring reluctant companies into line.

The establishment of OPM cut the heart out of NDAO but the Commission continued to meet until late October in 1941. In its contacts with the Army and Navy, however, it had to operate through OPM channels. The remaining divisions of the Advisory Commission were one by one split off and set up as separate agencies in the defense program. The Agricultural Division eventually became the War Food Administration which, in effect, operated under the Department of Agriculture. The Transportation Division in mid-December 1941, became the Office of Defense Transportation, and various staff units of the Commission became the Office of War Information, the Office of Civilian Defense, the National Housing Agency, and so on.

Next in importance to the establishment in the OPM of the divisions concerned with production was the merging of the consumer protection and the price stabilization divisions of the Advisory Commission in the Office of Price Administration and Civilian Supplies (OPACS) in April 1940. I will reserve further comment on the price control organization until later.

The Office of Production Management was organized mainly along functional lines with three divisions: Production, Purchases and Priorities. The weakness of this type of organization was that each division tended to function more or less independently, having its own direct contact with the Army, Navy, and other agencies. Each division, too, had its own commodity or industry branches. The result was that there was a great deal of duplication, overlapping and resulting confusion. Business men and manufacturers seeking contracts often had to make contacts with each division separately.

There were two important staff divisions in OPM. One that was taken over from the Advisory Commission, was the Bureau of Research and Statistics. It served as a kind of brain trust for the organization and did the essential job of gathering statistical data for all Divisions. Then there was the Production Planning Board, set up to formulate long-range policies. The top executives simply didn't have the time, taken up as they were with the day-by-day problems, to consider many of the broader issues and long-range policies. On this Planning Board there were two representatives from each of the Services, from labor, from industry, plus several public members.

This Board played an important part in obtaining the first comprehensive statements of over-all defense requirements, including foreign aid. It is interesting to note that in June of 1941 this Board proposed

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that the OPM Council advise the President to put the 1939 Industrial Mobilization Plan into effect immediately. That, of course, was not done.

In the reorganization of OPM that took place in June 1941, however, the organization along commodity lines provided for in the Industrial Mobilization Plan was adopted. The duplication of commodity branches in each of the older divisions of OPM was eliminated in this manner. These branches were distributed among the three divisions, with responsibility for each commodity confined to a single division. Industries in which production problems were primary were placed under the Production Division. Industries in which the problems were primarily those of purchasing, for example, food, clothing, textiles, were placed in the Purchases Division. Where the problems were principally those of importation or allocation, the industries were placed under the Priorities Division, for example, tin, rubber, mica, lead, zinc, etc. Industry advisory committees were established to serve as contacts with industry in the commodity sections.

There were other reorganizations, of course, that took place on OPM, but time will not permit their consideration. For example, the reorganization of September 1941 added two new divisions: Materials and Civilian Supply. The commodity sections were renamed industry and commodity branches and were reassigned among the divisions with the Priorities Division at this time relieved of all commodity branches. The scale of operations at this stage of the war compared with that in the First World War as suggested by figures of personnel. At the peak of the First World War the War Industries Board had total personnel of about 1,600. At the beginning of 1941 the Advisory Commission had about a thousand. Twelve months later, when OPM passed out of the picture, it had some 7,500 employees. On 1 July 1942, six months later, WPB had 18,000 on the payroll.

Two other organizational developments of special importance took place in 1941: the transfer of civilian supply from OPACS to OPM and the creation of the Supply, Allocations and Priorities Board (SPAB). The first change was the result of a contest between OPM and OPACS over priorities control as this related to materials for meeting civilian requirements. The difficulty here grew out of OPACS' responsibility for civilian supply. This agency, headed by the dynamic Leon Henderson, insisted that it could not perform its mission unless it had the power to assign priorities to materials necessary to supply the requirements of the civilian economy. This contest was closely tied in with the controversy going on at the time between the two agencies over the curtailment of civilian production. The Office of Production Management, with its industry and commodity branches largely staffed with industry men, showed no great enthusiasm for rapid curtailment and conversion. OPACS,

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staffed at the higher levels with career civil servants, university professors and economists, had surprisingly enough in view of its responsibility for civilian supply, taken the initiative in driving for all-out conversion of industry to war production. It was a strong and persistent advocate of the curtailment of civilian production as the best method of forcing conversion to war production. The outcome of the contest between OPM and OPACS was a decision in August 1941, to concentrate priority authority in a single agency, OPM. Accordingly, Civilian Supply transferred to OPM and OPACS thereupon became and remained OPA.

The second important organizational change was the establishment of SPAB at the end of August 1941. The creation of SPAB was a step in the direction of centralization, after the splitting up of the defense program which attended the breaking up of NDAC. In effect it superseded the OPM Council, since it was given greater powers than the Council and had authority over both OPM and OPA.

The OPM Council, with the two heads of OPM and the Secretaries of War and Navy, was overweighted on the side of military claimants. It not only had two military representatives, but Mr. Knudsen was generally partial toward the military. In the new setup the claimants for Lend-Lease, Russian aid, and civilian requirements got more of a voice in the production policy.

SPAB also provided a means for overriding to some degree the reluctance of the industry-minded OPM divisions to drive for all-out curtailment of civilian production and conversion to military production. Its membership included, in addition to the two heads of OPM and the Secretaries of the War and Navy Departments, the administrator of OPA (Henderson), the Special Assistant to the President on Lend-Lease (Hopkins), Vice President Wallace, as chairman, and Donald Nelson, as executive secretary. Politically, SPAB was a less conservative group than the OPM Council.

SPAB was a top policy group without operating functions. Its job was to determine total defense requirements; to allocate resources as between military, civilian and foreign aid requirements; and generally to provide coordination for the entire defense effort.

On the other hand, it did produce some confusion because of a certain amount of crossing of lines of authority that was involved. For example, Henderson was both the head of OPA and head of the Civilian Supply Division in OPM. As head of OPA he was a member of SPAB. As a member of SPAB he could help overrule any decision taken in OPM with reference to his Division of Civilian Supply. Nelson was not only head of the Purchases Division of OPM but also Executive Secretary and key man of SPAB. He was in a position therefore to exercise considerable

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authority over Knudsen and Hillman, his superiors in OPM. In fact, Mr. Nelson, as Executive Secretary of SPAB, would communicate SPAB's decisions to Mr. Knudsen, who in turn would pass them down to Mr. Nelson as head of the Purchases Division. These things didn't cause too much of a problem, but the situation was not suited for smooth working under stress.

Pearl Harbor cleared the way for straightening out many of these organizational difficulties. With the declaration of war there was no further doubt as to what our national objectives were. A great deal of the bickering and quarreling that went on between the different groups was eliminated. We were ready as a result of Pearl Harbor to move into a really tight production organization. This was, in fact, compelled by the new production goals that were established by the President and his advisers. Total defense expenditures in 1941 added up to about eighteen and a half billion dollars. The goal for 1942 was set at fifty billion of dollars, a figure which hardly seemed impossible at the time.

Reorganization of the war effort took place under the Executive order of 16 January 1942. This established the War Production Board under a single chairman, who was charged with full power and authority to complete the mobilization of our resources. SPAB was abolished. The War Production Board, it is true, had the same personnel as SPAB, but the Board had advisory functions only. Nelson as chairman was directed by the President (1) to exercise general direction and control over the war procurement and production program; and (2) to determine the policies, plans and procedures of all federal agencies with respect to procurement and production, including everything from specifications right down to purchasing, plant construction, conversion, financing and all the rest. All federal agencies were directed to comply with policies established by Mr. Nelson. His power was further increased when the President delegated to him the additional powers of allocation granted by the Second War Powers Act. If he had so desired, Nelson could have taken over procurement from the Services, so great was his authority.

Actually the sweeping powers granted Nelson or, rather, his ability to exercise these powers, was subject to very real qualifications. He was dependent to a large degree on other agencies for putting his policies into effect, especially on the Army and the Navy. Bucking the departments which were charged with responsibility for the conduct of the war was not to be lightly undertaken, obviously. There were ample opportunities for obstruction, not only by the procurement services, but by every one of the government agencies affected.

Nelson's ability to exercise his power depended to a large degree on the skill with which he used it. Obviously, if he made a mess of things, if he created a great deal of friction and disturbance and bogged down the production program, he would have to go. He had to maintain the

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confidence not only of the President, but of Congress and the general public. He had to get results without too much friction and controversy and without too many appeals to the President.

Nelson was given the top production job for a number of reasons. From his first defense job in the Procurement Division of the Treasury he had risen steadily in the estimation of all concerned. He had been advanced to more and more important positions, ending up as Executive Secretary, the key man, of the Supply Priorities and Allocations Board.

He showed from the first a capacity to see the economy as a whole. He was not simply production-minded; he was national economy-minded, in contrast with some of his predecessors, who had been primarily industry-minded or service-minded. He saw especially the importance of maintaining the civilian economy in a state of strength if maximum production was to be obtained. Furthermore, as he points out in his "Arsenal of Democracy," he learned a great deal from his year's experience in the Federal Government under the National Recovery Administration. He learned then one very important thing--that in the Government, in contrast with business, there can be no straight line to an objective. You have to proceed usually over a zigzag course. There are too many groups, too many interests, to be considered and consulted, too many attitudes and opinions to be reckoned with to permit an even, straightline advance.

Finally, the major reason for giving Nelson the job was that he belonged to that minority group among the top executives within the defense organization that had been plugging for all-out production, in contrast with the cautious, go-easy policies of his predecessors who, as industry-minded men, were greatly concerned about what the expansion of facilities would do to their position in the postwar period, having in mind the large under-utilization of productive capacity in the thirties.

The initial organization of WPB was for the most part simply a modification of that taken over from OPM. There were six major divisions, dealing with purchases, production, materials, labor, industry operations and civilian supply. The most important of these divisions was the Division of Industry Operations, which had the responsibility for, (1) carrying out conversion and carrying it out quickly, (2) directing the flow and supply of materials throughout the war industries, and (3) serving as a center for all industry contacts with the War Production Board.

The real operating centers of WPB were the industry branches which were under the Division of Industry Operations. There were several staff agencies of importance in WPB. There was the Planning Committee, a small group of first-class men who served Nelson as a kind of brain trust. It made many basic studies essential to long-range planning,

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analyzed trends of civilian production in relation to national income and prepared studies of national income and gross national product and of industrial capacity, materials and labor supply. There was also an Office of Progress Reports, which kept the chairman informed of all programs in monthly reports. Finally there was the key Requirements Committee, made up of representatives of the principal claimant agencies. Its job was that of assembling all the estimates of raw material requirements from the various claimants and reducing the total estimated requirements to fit the available supplies, and then allocating the supplies of each major material among the claimant agencies.

During the first year and a half of operations there were several reorganizations before WPB settled down to what was essentially its final form. The number of operating executives reporting to the chairman was reduced. Old divisions were combined or eliminated, and new ones were added as production emphasis shifted from expansion and conversion of facilities during the early part of the fighting war period to the development of satisfactory techniques for distribution of raw materials during the later months, and finally to bringing order and balance into the various competing programs, as the production program tightened up and strategic objectives became firm.

The general trend was toward concentration of authority in the hands of a very few operating divisions, by combining some divisions, and by elevating other divisions to the position of staff agencies where they were limited to advisory functions. At the operating end responsibility was concentrated more and more in the hands of the industry branches, which were elevated to the status of industry divisions. Eventually each industry division became pretty much autonomous and self-supporting. Each one has been described as in itself a little War Production Board.

More interesting than the details of these internal developments were the relations of WPB to the other agencies. The authority which Nelson was given by the President was far more sweeping than anything found in the First World War. He was granted full authority not only over production, but over procurement as well. In a very real sense Nelson became the directing head of the American war economy. Only one major power was withheld from him, and that was the power over prices.

Whether Nelson could have used all the authority granted him is debatable. I think it is very doubtful that he could. But even if he had wanted to and had tried to use all his authority, there were too many powerful interests and personalities that had to be reckoned with. The record, however, shows that Nelson had no desire, nor any intention, of making the WPB the top superagency under which all production and procurement agencies would operate. At the outset he considered carefully and deliberately the matter of taking over procurement from the services, but he rejected the idea. If we can accept his account, the problem rather was to keep procurement from taking over production.

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He showed on various occasions his readiness to give up power rather than to get more or to use all he had. Here again it is debatable whether this was an element of strength or of weakness in Nelson as an administrator.

He made a determined fight to prevent the loss of a major function in only one instance, so far as I know. That was the case of the Division of Civilian Requirements. There was a determined move within Congress and out to set up civilian requirements as an independent claimant agency outside of WPB so that the civilian economy would get what was necessary to its efficient functioning instead of having to get along with leftovers. This movement did not succeed, due to Nelson's opposition.

To some extent as a result of Nelson's policy the principle of keeping all production a single production agency was violated in several cases. These were the cases of the so-called commodity czars. The idea of royalty seems to have a peculiar fascination for the American people. Since the czar as a historic institution is behind us, we are inclined on occasion to idealize it, to escape from the frustrations often associated with democratic methods. Under conditions which seem to call for prompt and decisive action, the demand for a strong man is not unusual even in peacetime. During the war, setting up a czar was with many a favorite prescription for getting out of acute production difficulties in critical industrial areas. Give one man full power to deal with the situation.

The difficulty with this solution was that our economic war organization as a whole was built up along functional lines. We had a separate organization in the main to deal with every major function--production, procurement, price control, transportation, foreign trade, labor and so forth. To give one organization power to deal with all these functions with respect to a particular commodity or industry obviously cut across the work and controls of a variety of functional agencies. To insure success in one critical program by this method might hamper or endanger the success of a number of other programs. Although czars were proposed for a number of different commodities, actually only four were set up--oil, rubber, solid fuels and food. As it worked out, the violation of the functional principle of organization was not as great as at first seemed to be the case. Take rubber, for example, a variety of agencies were involved in the development of rubber--the Rubber Branch of WPB, the Board of Economic Warfare, the Office of the Petroleum Coordinator, OPA, and so forth. There was a great deal of confusion and slow progress in meeting the goals set. The situation became critical.

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So the Office of the Rubber Director was established in the middle of September 1942. The Rubber Director was given full power, subject to certain limitations, over rubber. Other agencies were directed to carry out various aspects of the rubber program under the direction of the Rubber Director. However, technically at least, the Rubber Director's office was set up in WPB and he got his power by delegation from Mr. Nelson. Also OPA's authority over rubber prices was not interfered with.

Again take the examples of oil and solid fuels. Here we have a good many agencies involved, some twenty in the case of oil. The Interior Department had certain peacetime responsibilities with respect to both oil and solid fuels; so there was a certain measure of excuse for placing control over them under the Secretary of Interior. Ickes was first made Petroleum Coordinator in May of 1941, with only advisory and coordinating powers. Then the Petroleum Administration for War was set up in December 1942 under Ickes. Technically it was an independent agency reporting directly to the President. Actually it functioned in many respects as an industry division of the War Production Board and was subject in some respects to the policies and directives of Nelson. It was subject also to OPA with respect to prices and rationing.

Similarly the Solid Fuels Administration centralized policies and planning in this field under Mr. Ickes. Actually, it was no more a free agent than was the Petroleum Administration for War.

The case of the Department of Agriculture and the Food Czar is somewhat more complicated. It is unnecessary to go into the details here. The defense problems of agricultural production were handled for a time under the old Advisory Commission in its Division of Agriculture. With the breakup of NDAQ, this division was transferred to the Department of Agriculture. For some months in 1942 a Food Requirements Committee was set up which reported to the chairman of the War Production Board. Finally in December 1942, full responsibility and control over food was transferred to the Secretary of Agriculture. The Food Requirements Committee was abolished and all WPB activities and personnel concerned with food were transferred to the Department of Agriculture. In the War Food Administration we had something approaching a separate War Production Board for food.

In the short time remaining I want to touch briefly upon the organizational aspects of two phases of wartime control which cut across the whole field of economic mobilization--economic or price stabilization and the over-all coordination of the war agencies.

No aspect of the war economy aroused more concern and received earlier attention in World War II than price control. Experience in the First World War had demonstrated without any question that the price system

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operating through the free market simply cannot in wartime perform its usual peacetime function of adjusting supplies to meet demands. The reason for this is plain. During war, we are faced in many areas with limited supplies and what is, in effect, unlimited demands. The result is a quick upward spiraling of prices which in turn, if it is not checked, will spread confusion and demoralization throughout the economy.

For lack of a practical substitute we retain the price system in war, but we try to keep it under control. But, since prices touch the lives and interests of most of us at what is our most sensitive point, they are particularly difficult to control. There are tremendous pressures brought to bear upon price and against effective price control. Nearly all of them are upward pressures.

All this has generally been recognized, so that from the beginning price control had a prominent place in all the thinking on economic mobilization. The Industrial Mobilization Plans gave a great deal of attention to it. The War Resources Board of 1939, as I pointed out, had made preliminary studies with respect to price control measures. Price Stabilization was one of the seven major divisions of the Defense Advisory Commission.

As a result of our practice in both world wars we are accustomed to take for granted that price control would be handled by a separate agency. But, as The United States at War points out very effectively, it doesn't necessarily follow that price control should be so administered. Some consideration was given during the defense period to the feasibility of placing price control in the production agencies, since prices form one of the principal means of controlling production. The decision was against such an arrangement on the ground that a production agency would be primarily production-minded and largely staffed with industry men. With producers in control, how could you possibly keep prices from inching upward?

With the passing of the Advisory Commission, OPACS was the first major agency set up after OPM. The civilian supply end of OPACS, as we have seen, was later transferred to OPM. Rationing in turn was delegated to OPA by the production agency primarily because of the elaborate field organization of OPA which could be readily used for rationing.

Under OPA, price control went through three broad phases. First we had what Leon Henderson called the "jawbone" method of control in which producers were worked on by a combination of wheedling, persuasion and near-threats. This was followed by selective price control, applied to commodities of particular importance. Finally we came in the spring of 1942 to the general price freeze method.

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The story of OPA's struggle to hold the line against the price increases is a long and complicated one, too long to be dealt with here. A major difficulty arose from the fact that while OPA was keeping the front door closed against the pressure for increased prices, price increases were working in through the back door of wage increases and the side door of food prices, which were only in part subject to the influence of OPA. There was pressure for price increases not only from industry and business groups and for wage increases from labor but from the various production and procurement agencies in the Government. OPA slowly lost ground and there was danger that the stability so essential to maximum production could not be maintained.

In an attempt to keep the price and wage situation from getting out of hand, the Office of Economic Stabilization was established in the Executive Office in October 1942, together with an Economic Stabilization Board. The various agencies with control over prices and wages were made subject to the authority of the Director of the Office of Economic Stabilization. His staff, however, was very small and he was obliged to rely principally on other agencies to get the job done. His Office had only very limited success, yet to some extent it served as a coordinating agency in the field of prices and wages and helped to check the forces making for instability in our war economy. Despite the inadequacy of OES for the job to be done, it continued to serve as a stabilizing influence.

From the beginning, some attention had been given to the problem of over-all coordination of the various agencies concerned in war production. The idea of a central super-production agency to do the job, as provided in the Industrial Mobilization Plan, was not followed. To some extent in the early planning period the Bureau of the Budget, provided a certain amount of coordination. The Advisory Commission, by bringing together all phases of the defense program (except procurement) in a single agency, effected a loose kind of coordination. The splitting up of the Advisory Commission following the establishment of OPM was a step away from centralization and in some respects increased the problems of coordination in the defense program.

The creation of SPAB was an attempt to bring about more effective coordination. But SPAB operated chiefly in relation to materials and production, and the other aspects of economic mobilization were not taken care of adequately.

With the broad authority that Nelson was given over production and procurement, he might have undertaken an over-all coordination job. But by temperament he was inclined to reduce rather than to use fully his authority. It may well be that the man charged with responsibility for production should be given the additional burden of over-all coordination.

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The situation became especially critical in 1943 with the completion of the preparatory phases of economic mobilization. Expansion and conversion had been pretty well taken care of by this time. The problems of material allocation were fairly well in hand. The various war agencies had built up their staffs, had gotten their jobs under control, and by so doing developed strength and self-confidence. Accordingly, they became more and more difficult to handle. Nelson, operating simply and primarily through materials control, was not able to get the job done. Increasingly the problem was one of getting the various war agencies, production and otherwise, to operating more closely together. The whole war organization had tightened up. Any looseness of operation, any friction, which in the early period would not have added up to much, became a very serious matter as we got to the point where our production objectives were set in terms of strategic goals and we had at all costs to meet those objectives.

Finally the Office of War Mobilization was set up at the end of May 1943, and Mr. Byrnes was elevated from Director of Economic Stabilization to the new position. He continued to operate pretty much as he did in his previous office, reluctant to assume an aggressive role. But again he had too small a staff to accomplish much in a positive way. For the most part here, as in the Office of Economic Stabilization, he served chiefly as a referee and a court of appeals in controversies that came up between various agencies. The problem of over-all coordination was never solved very effectively. Here was a major weakness in our wartime organization.

Now, just a few remarks in conclusion.

As we review our recent experience in organizing and administering a war economy, it is difficult to pass anything approaching a firm judgment upon it or upon any major aspect of it. It is easy, of course, in our swivel chair post-mortems to draw up a bill of particulars in which we make our complaints. We can argue that Mr. Roosevelt should have done this, or that Mr. Nelson should have done that in such and such circumstances; that if only this or that official had done so and so at such and such time, all the grief we had with prices, with manpower, or with materials could have been avoided. We can go ahead and draw up our nice organizational charts. We can go ahead and make all the corrections that are necessary to give us a smooth-working setup for running the next war economy based on the mistakes we made with this one.

And yet, as I have indicated, I think there is a very real danger in this type of analysis and this type of criticism, essential as it is. We must avoid the natural tendency to view wartime organizational developments simply in terms of what is logical, in terms of what is desirable, instead of in terms of what is possible and obtainable at the time, viewed in relation to the political situation, the state of the public mind, and all the pressures of numerous interested groups.

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After all, many of the weaknesses and the defects in our war organization simply reflected the conditions, good and bad, in our society, in our culture, and in our economy. We are not likely either to change these conditions or to get around them simply by some neat organizational device contrived on the basis of our experience with the previous war or simply pulled out of the air. We have continually shaped and corrected our thinking in this field in terms of the developing realities of American life, the realities of our political economic and social life. To do this of course, we must understand these realities through careful and continuing study. We must, above all, keep our thinking flexible, both in planning and in dealing with conditions when the emergency comes.

COLONEL NEIS: I think you will agree with me that Dr. Hunter's talk was a great fund of valuable information. I hope you take this opportunity to ask him questions in any areas in which you are interested.

A STUDENT: Dr. Hunter, I think you made this clear, but in the preliminary part of your talk and also at the end you gave those excellent reasons for not considering what happened during World War II as an indication of what may happen in a future emergency. Do you mean that there is no use in making any formal plan? I would just like to draw you out a little bit on that. It seems to me you criticized the possibility of good coming out of a nice organizational chart, a formalized plan for the future. I agree with you, but it seems to me that is what we are doing. I just wondered if you would mind explaining.

DR. HUNTER: When I talked on planning for industrial mobilization last fall, I was pretty rough on the planners. I have modified my thinking since then somewhat. I have come to feel that within the limits in which they had to operate it seems to me the job was not too badly done.

However, I see no objection to, and I see many reasons for, continuing to draw up paper plans and working with them. But I think there is a very real danger of placing more reliance on such plans than should be placed on them. I think they can be valuable. But I think that, essential as plans are, we must avoid the feeling that we have all the answers in the plans. I stress again the importance of keeping in touch with the essential factors of a dynamic situation, a situation which is continually changing, in order to make our planning effective.

We can plan to exercise and develop skills and ability to deal with unexpected situations. That is the most important thing. We might assume as a matter of course that the chances are perhaps ten to one that the particular plan may never be put into effect and that the war organization as it develops under the realistic conditions may be radically different from the blueprint. But if in preparing paper plans we are able to develop facility in thinking through a new situation, in dealing with changing conditions, then it doesn't matter if the paper plan is thrown aside.

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A STUDENT: The organization that was set up in the Division of Civilian Supply in SPAB appeared to be sound. I wonder what the reason was for the establishment of the various czars that were set across the functional organization.

DR. HUNTER: I think the difficulty there was perhaps in part organizational. But I think another element that enters into the picture was that the Division of Civilian Supply had its origin first in the Consumer Protection Division of the Defense Advisory Commission, that is, the civilian supply end of OPM.

Whom did you have staffing this outfit? You had a lot of university professors and career civil servants. They were non-industry-minded, non-business-minded people. They didn't get along well with industry-minded people, who naturally and inevitably and desirably were brought in to staff the production outfit. As to the industry branches, later the industry divisions, their concern was to look out for their particular industries. They weren't concerned with civilian supply as such unless it happened to pinch the toes of their particular industry.

Also another element present was this: The Division of Civilian Supply, transferred from OFACS to OPM, had been pushing from the very beginning for rapid curtailment and conversion. Curiously enough, an organization dedicated to taking care of civilians, spent most of its time for the first few months trying to curtail civilian production. Instead of demanding more for civilians they urged less. This rubbed OPM and the industry divisions in OPM the wrong way. So when Civilian Supply was transferred over to OPM, they had a rather unhappy time of it.

I don't know whether I fully met your question or not. Later on there was a movement to set up an independent civilian supply agency. Mr. Nelson himself gave a great deal of moral support to the Office of Civilian Requirements, as it was called, but he didn't give it much authority. The tendency was to concentrate authority in the industry divisions.

A STUDENT: I think you have skirted around everything but the meat of the matter here in getting ready for war production. It seems to me that the remarks in your first lecture can be brought right over here. But Americans like to skirt around. They don't like to get specific.

Now, your war organization thinking always was a compromise as the people in control met the conditions facing them at the time. But whatever your war organization turns out to be, it will have to work with one thing, and that is this matter of statistics, the maintenance of documents by which priorities, production and purchase are controlled. I think that that is the greatest weakness in the United States preparation for production for war. I believe that it deserves more attention than we have given

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it. And I believe that we can presume that this type of planning will be maintained; but that the specific type of planning which gives data on which these people will work will not be available when we need it.

DR. HUNTER: Your point is well taken there. Of course, today I was trying to confine myself as much as possible to the organizational aspects rather than with the substantive. It is difficult to deal with one without the other, and I have continually gotten over into the other.

Of course, the key fact-finding agency that ran throughout the defense and war program was the Bureau of Research and Statistics set up originally under Stacey May in the Defense Commission and then carried on down through OPM into WPB. But that handled only one of the most important parts of the statistical job.

A STUDENT: I would like to put in a further plug for the technical services specialty concept. It occurs to me from your lecture that they got along all right as long as everybody wanted to be on the functional or general staff level. When they got down on the commodity basis, in the industry divisions, they didn't work so smoothly.

DR. HUNTER: So far as WPB is concerned.

COLONEL NEIS: Dr. Hunter, we want to thank you again for this very fine contribution.

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