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ROLE OF THE BUREAU OF THE BUDGET IN
ECONOMIC MOBILIZATION PLANNING

9 June 1949

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COLONEL BABCOCK: General Holman, distinguished guests, and gentlemen of the College: The Bureau of the Budget in the Executive Office of the President seems to be known to most people as the agency that adjusts congressional appropriations. Many of you have had experience with hearings before Budget committees and probably think of the term "Budget" merely in terms of dollars, financing, and that sort of thing. The fact is that the Bureau of the Budget has many other activities. One of the most important of these concerns the organization and administration of the Federal Government.

Our speaker this morning was the Assistant Director in charge of administrative management in the Bureau of the Budget from 1939 until 1948, at which time he became the Director of Administration with the Economic Cooperation Administration. This morning he will speak on the subject, "Role of the Bureau of the Budget in Economic Mobilization Planning." Mr. Stone has visited the Industrial College before and addressed a previous class. We profited greatly from his knowledge at that time. It is a great personal honor and I know you will all join me in again welcoming to the College, Mr. Donald Stone.

MR. STONE: General Holman, Colonel Babcock, gentlemen: I am delighted to come back here again and join in your discussions. What I would like to do first is to describe to you some of the problems that confront the President in connection with effective planning for emergency periods. I shall speak with particular reference to the role the Bureau of the Budget plays in the process. The question which is most important, of course, is the question of how to get top-level teamwork among the different units and officials who are advising the President so that when the time for action comes, there will be the essential coordination and speed of decision which the occasion requires. I shall also talk about some of the actual problems of mobilization in time of emergency. These comments will be based on the experience of the last war and on my experience in trying to help numerous agencies get started.

There are two types of planning that must be carried on. First, there is the planning for mobilization--the planning of the actual measures, the steps and the procedures which might be activated at a future date. Secondly, there is the planning of the steps that can be taken at the present moment for making ready for an emergency. The second type of planning is the more difficult.

Both types of planning must fit into what I have often called the "unstable environment of democratic government." In a democracy we have to carry on these planning activities in an environment in which there are many skeptics, in which there is great diversity of opinion, and in

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which we are always dependent upon securing reasonably unanimous support from the several branches of the United States Government. We cannot understand the role of the Presidency, and the role of the Bureau of the Budget as the principal staff arm of the Presidency, without giving some thought to the unstable environment in which they must operate.

Perhaps I might identify first of all some of the activities in which the Bureau engages. Then we can see how it actually operates in the "unstable environment."

Colonel Babcock has made reference to the budget process, to the question of estimates and appropriations, and to the necessary adjustments which have to be made when the Executive Branch feels that appropriations are insufficient to carry out its needs. That, of course, is, in one sense, the heart of the Bureau's functions. We have in this country and in the Federal Government a particular concept of budgeting. We do not view it as a matter of adding machines; nor do we confine the talents needed to those of accountants and bookkeepers. Instead, we view the budget process as the major means through which a great variety of policy and program decisions are made. It is a process that involves the use of specialists who are experienced in the subject matter with which they are dealing. Therefore you will find in the Bureau of the Budget persons who are drawn from every field of activity in which the Federal Government engages. The Bureau tries to maintain a reasonably sophisticated staff, capable of coping with and advising the agencies with respect not only to program issues, but also with respect to the administrative policy and other considerations that inevitably arise whenever a budget estimate is considered.

But this process of developing and executing a budget in the narrower sense is only one of several major functions that the Bureau carries out on behalf of the President. In carrying out its administrative management function, the Bureau serves as the principal advisor to the President on questions of the organization of the Federal Government. These questions include the allocation of functions to important agencies, the need for securing better management, and the constant problem of obtaining better coordination among the different departments and agencies as well as within individual departments and agencies. The Bureau has a substantial staff for carrying out its administrative management function--the staff numbered about a hundred persons while I was there. Since then, congressional cuts have reduced the number somewhat. Indeed, gentlemen, the Armed Forces are not the only ones with budget difficulties; the Bureau of the Budget has many of its own.

Within the Administrative Management Division of the Bureau there is a unit that is concerned with the manner in which the United States organizes its functions abroad, and what its administrative relationships are with international agencies. You will therefore find representatives of

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the Bureau participating in the delegations to most international conferences. While I was with the Bureau I served as an adviser to Mr. Stettinius and the American delegation at the San Francisco conference; I was also a member of subsequent delegations to the General Assembly. Later I became a member of a standing committee on administration of the General Assembly known as the Advisory Committee on Administrative and Budgeting Questions. These assignments are indicative of the part the Bureau plays in bringing about better administration in the Government on a national and international level.

Another responsibility of importance to our present discussion is the legislative coordination function of the Bureau. One division of the Bureau of the Budget serves as the arm of the President in securing coordination within the Executive Branch for executive action on legislation. No department may submit a proposed bill to the Congress or submit its views to a committee of Congress regarding any bill under consideration by that committee without prior clearance and approval by the Bureau. This is done in order to determine whether or not the proposed bill or the views of the agency are in conformity with the views of the President. All proposed Executive orders go to the Bureau for clearance before they are transmitted to the President. In this process of clearance, the Bureau consults the various agencies that have an interest in the subject matter so that when an agency is informed that its proposal is in conformity or is "in accord"--which is a standard term that is used--with the program of the President, that agency knows that other agencies are charged with supporting the proposed legislation. Of course, we all know that agencies do not always abide by the rules and that there is at times a good deal of what you might call, frankly, "insubordination," but by and large the Bureau's process of clearance produces a high degree of coordination in handling the problem of legislation for the Hill.

A bill passed by the two houses of Congress comes to the Bureau for scrutiny and report before going to the President for signature. The Bureau solicits the views of the agencies affected and determines whether the Bureau should recommend to the President that he approve or veto the bill. If the Bureau suggests a veto, it submits to the President a draft of the veto message. This is a function that is little known and little understood, but it is an important device for the coordination of agencies of the Executive Branch.

In the Bureau the principal policies of the Administration are analyzed for their fiscal and budgetary implications. For instance, the Bureau spends a great deal of time appraising the effect of programs of the military establishment upon our economy and upon the rest of the budgetary programs of the Government. The Fiscal Division serves as the connecting link between the Bureau and the Council of Economic Advisers.

There is a division of the Bureau that is concerned with the coordination of statistical and related research activities of the Government.

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This division aims to see to it that one department is not collecting information from industrial establishments at the same time that another agency is starting to collect material which may in part duplicate the first information. The main effort, of course, is to secure coordinated action among all the agencies in their fact-gathering activities.

So much for a brief discussion of the organization of the Bureau.

The Bureau is looked upon at times as an agency having great authority; I like to think of it as an agency that has influence. Actually, it has very little authority, as such. It is the President who has the authority. But even the President, while granted under the Constitution a tremendous amount of power and responsibility which in times of emergency he can exercise--when public support will undergird it, finds that in peacetime, when the programs of the farmer, or the cotton grower, or business, or other special groups become the major preoccupation of the Government, he actually may have very little authority. We tend to forget, I think, the bearing of this limitation of authority upon the processes of planning and of decision-making. The number of laws which keep the President from doing the most trivial things--things which under any sensible arrangement you would leave to the President or to a department head--is enormous. Nevertheless, the President has great residual authority under the Constitution. He is Commander in Chief. He is the Chief head of state charged with carrying on our foreign relations. And if he has public support, he can act--he can take actions which in ordinary times would bring charges of unconstitutionality, illegality, and so on.

When a program is under consideration in which a section of the public has a tremendous amount of interest, or when a specialized program is being urged by only a small pressure group, the ability of the Bureau of the Budget to influence the course of events may be narrowly limited. On the other hand, when we are at war or mobilized for a major purpose, it is relatively easy to subordinate the pressure of a particular interest to the national good. The point I want to make is that planning by the Bureau of the Budget, or by the NSRB, or the military establishment, or any other executive agency, has to be in terms of the conditions, the political instabilities, and the forces which exist in any democratic setting and which may be expected to bear at the time the plans are to be implemented.

Now this brings up several features of the planning process which I should like to comment upon briefly. Let us take as an illustration this problem of make-ready planning in connection with stockpiling, or the problem of aircraft production facilities which are to be held in a stand-by position. We immediately find ourselves involved in extremely difficult questions which ultimately are resolved not on the basis of pure analysis of facts regarding the speed with which we should be able to mobilize, but on the basis of what is achievable within the social and political setting in which we work.

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It is impossible, of course, to be fully ready for an immediate mobilization for total war. The economy could not stand it. Technological changes take place so rapidly that what constitutes being ready at one moment is outdated a few months later, even a few days later. Public opinion would not stand it. What you can do at any one moment depends on what the public will support. While we might regret our lack of preparedness at any given time and feel that our national security is endangered by it, it just happens to be a fact of life and we have to put up with it. We must therefore do our best to educate the public, educate the people in government, and educate the Congress as to the problems that do exist. Most of all, we must be realistic in what we are proposing.

Take the question of aircraft production. We cannot maintain in peacetime the productive capacity to produce within two months the quantity of airplanes which, if war did come, we would want to have produced during the first month of that war. Impossible! The question for the planners is, what is the practical degree of being in a state of readiness...

On the other hand, there is the problem of strategic materials. Take the question of natural rubber. There we know that the source of supply might be cut off without means of compensating for this loss. The planners might decide that we could take a less calculated risk here. The exercise of a great deal of judgment and restraint is needed in selecting those things which will keep, not only this country, but also the other democratic countries with which we are allied, in the most flexible position possible, recognizing economic and political realities so that the fastest possible action can be secured when the time comes. Much of our planning, it seems to me, should be in how to move fast when time is of the essence.

This brings us directly to the problem of planning mobilization measures. A great lesson was learned during the past war; namely, that if we try to plan the final operational steps which are involved in economic mobilization, if we try to chart or detail the organizational arrangements, and if we assume that what we are planning or charting is something that will automatically be both acceptable and applicable at the time when we have to implement it, we are starting on a very, very false assumption. As I suggested earlier, as we come closer to a period of emergency, the faster time moves and the greater the number of factors in the environment that change.

The Industrial Mobilization Plan of the Army and Navy Munitions Board, which you must have discussed at length, was developed on an impossible assumption; namely, that the President could sign his name to it and activate the plan over night. First of all, some of the assumptions in the planning no longer were true when the actual time of emergency came, and there were a number of factors which had not been anticipated. Secondly, no President or responsible official can accept something planned at a different period by a group that has never been responsible to him without being assured himself that the steps are still appropriate for the occasion at hand.

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These are the reasons why the President could not accept that plan. Unfortunately, many good things in the thinking and the planning were likewise pushed aside. As a result, there was a great deal of trial and error which need not have taken place if the planning had been not in terms of drafts of orders, specific charts, and defined functions of units, but had been more in terms of an analysis of the problems that would have to be dealt with, the factors that would have to be considered at the time the decision needed to be made, alternative approaches that might be used, and in terms of types of clearances and support which would have to be secured. There was a tremendous amount of agony in Washington, as some of you know, when it appeared that the fruits of this planning effort were refused, and there was a feeling of, "Well, this is a rejection of the planning process itself."

I found a prevalent idea during the war that if an agency goes through a series of reorganizations or adjustments, it means the initial planning was bad. That is not necessarily true. For what you can put into effect at any one moment is always restricted by a lot of factors over which you may have no control and which could not be foreseen at the time the plans were made.

Take, for example, the field of economic warfare which was one of our great headaches during the war and one in which some inept measures were taken. Very serious consequences grew out of the fact that there had not been a broad enough base in the planning. There was some exceptionally good planning, as a matter of fact, for such things as the international flow of commodities, preclusive buying, blockade, etc., but there were not enough persons in general administrative positions in the Government who understood these problems or the basic assumptions upon which economic warfare is conducted. In this case, as in others during the war, we assumed that if we had a good program and got the President to agree to it, we could put it into effect. However, if there is broad resistance to a plan and if the people do not understand it, the President cannot sign it. It took a year after the initial proposal was developed before the President was willing to issue the Executive order which finally consolidated Lend-Lease, the Board of Economic Warfare, and certain other activities, into the Foreign Economic Administration. It ought to have been done two years earlier, but the groundwork had not been done well, and unfortunately the un auspicious initiation of the agency plagued it during its lifetime.

A major problem in mobilization prior to World War II, and before the actual declaration of war, was that public opinion did not support the taking of steps which needed to be taken. Therefore, take what steps you can when you can and let the other steps go until later.

The important goal in planning this type of activity is not to have a blueprint of what the organization should look like in the first stage, and then what it looks like in the second stage, etc., but rather to have

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an analysis of what things must be done first and the process by means of which they are done. Then you will need an analysis of the preparations needed for the second step. An organization chart prepared in advance for the second phase is useless because the experience of the first stage and the new and developing factors in the situation are going to have a controlling influence on what needs to be done organizationally in the second stage. The thing to do is to have a planning staff working on the problems as you go through the various stages.

Let us now consider the planning to be done by the National Security Resources Board and the relation thereto of the Bureau of the Budget. I first came in contact with the question of the National Security Resources Board in the bill-drafting stage as a part of the unification of the Armed Forces issues. There were important issues involved in this legislation. There were those who wished to put the National Security Council and the National Security Resources Board in such a strong position that they could function almost independent of executive authority, and the President would de facto be bound by their actions. That, in my opinion, would not only have presented an intolerable situation, but would have been a blow to responsible, democratic government. Such advisory bodies should help the President make his decisions; the President should be bound neither by their actions or by any other single source of advice, nor pressured to accept them.

The job of the President is a type of job totally different from that of the head of a particular department. We have to think of the President not only as the Chief Executive, the general manager, and the Commander in Chief, but also as the national leader, the head of a political party, the person responsible for foreign relations, and the only person elected by all the people. He is the final point on which the democratic forces and pressures of the Nation converge, and every decision which he makes has to be made in the light of all these considerations. Any other person making the decision would make it from the viewpoint of his special interest.

In making the Presidency effective it is necessary that the President be able to mobilize adequate sources of advice and information. While the planner may say and feel that he has the right answer--at least from a technical standpoint--it cannot be the right answer so far as the President is concerned without being put into a broader context. He has to reconcile it with all the other decisions that have to be made.

Fortunately, the final terms of reference of the National Security Council and the National Security Resources Board were not too bad. The President, as you know, is now taking steps to improve them. In actual practice what counts is the way the President breathes life into the mechanisms which depend on the way he uses and develops them.

But the National Security Resources Board, it seems to me, got started off on the wrong foot. As you all know, this job of planning is a tough one.

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The easiest thing to do is to take action on the tangible and immediate things, but that is the action which, most of all, corrupts staff work. Generally, planning gets frozen out by the tendency of staff people to review documents and to approve things which are passing over their desks. It is difficult to try to think about the future and to try to analyze abstract things. It is much simpler to take a piece of paper reflecting an action of current importance, look at it, and decide whether it looks all right or whether somebody else ought to review it. That human tendency existed in a good many persons in the National Security Resources Board, and the Board began to make the mistake of preoccupying itself with the operating actions of the current day.

There was also an assumption by the Board--and I had numerous discussions with the members in an attempt to dissuade them from the assumption--that the NSRB would become the nucleus for operating the agencies to be established in time of emergency. Such an assumption will both wreck planning and obstruct creation of a dynamic operating agency, because if staffs are concerned with the position in which they will find themselves at the time of transfer from the planning stage to the operations stage, they are going to be thinking about operations rather than planning. The kinds of persons needed for planning are usually somewhat different from those required for operations. Of course, the unrealistic part of it is that when the crisis comes the decision as to who is going to handle operations becomes a matter of personalities and other forces which exist as of that day. As a rule, it is not the planning person who has been working on the development of ideas who is chosen, or who can be chosen. If he has done a good job, he usually will have disqualified himself. I have often chafed, as have others with whom I have been associated, under the feeling that not enough recognition was given to us and our plans. It is the man with a sense of public leadership, the man who can be identified in the public eye, who will inevitably be selected, and we might as well recognize that from the start.

Another factor which indicated that the NSRB got off on the wrong foot was its interest in exercising controls. When questions of selective service and manpower were coming up in legislation, NSRB wanted to become an operating agency with control functions. This kind of control is inimical to the planning process. Because of the Board's preoccupation with all sorts of details, it did not come to real grips with the job of developing the plans which were necessary and which would be useful in time of stress. While I have not followed the NSRB very closely in these past months, I have noted a considerable shift in thinking, and I hope that it will spread throughout the entire organization.

Part of the problem, of course, is getting the participation and support of the civil agencies of the Government. In times of peace it is hard to get them to concentrate on the need for planning for war. When they do, they sometimes operate in an unrealistic way. I recall one agency which

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made a proposal involving the employment of about 2,000 individuals before it even had a plan of action or program of what it was going to do. It just wanted a lot of money to engage in this work because it didn't want to be caught short again. That is one reason why it is often necessary to set up new agencies rather than use old ones when war comes.

The Bureau of the Budget has a number of responsibilities in connection with mobilization planning. First of all, it needs to give the fullest possible support to worthy planning efforts which are going on in the NSRB, in the military establishment, in the civilian agencies, and to programs such as this training course here in the College. That means that it has to make its support tangible in the form of approval of budget estimates.

The Bureau can be useful in building the relationships between civilian agencies and the NSRB. The Bureau, of course, is far closer to the President than the NSRB is. The NSRB and other similar agencies have important roles, but unless they work together they will work at cross purposes. The problem is how to get them to coordinate their efforts.

The Bureau can help define the mandate of the NSRB and of the various agencies. It can help bring about joint staff work in connection with the organizational and administrative questions which arise. The NSRB staff should be in constant consultation with that part of the Bureau of the Budget staff which is working on plans for the general structure of the Government. When I left the Bureau we had a program which looked ahead for a considerable period of time and which attempted to identify some of the future problems, so that we could plan for an appropriate Federal structure to meet these problems. We found that we had to change a lot of our thinking about every six months and that, as we identified new factors, we had to take them into consideration.

Another question referred to above is whether you should use existing agencies or set up new agencies. Theoretically, you should use existing agencies. Sometimes, unfortunately, the old agencies cannot move fast enough; therefore, you have to set up new agencies. This is an important question in the planning process, and the Bureau of the Budget is probably in the best position to advise on it.

Let us assume that a period of crisis comes; a great many new measures have to be instituted and new organizations set up. We have to start the process of getting agreement as to what will be set up, and we have to make adjustments in the previous plans in order to meet the situation as it actually exists at the period of crisis. It seems to me that in dealing with this kind of subject during this period there would have to be almost complete unanimity between the staff working in the Bureau of the Budget and the National Security Resources Board.

This is how it worked during the past war. The Bureau often identified an area in which some type of action needed to be taken or some type

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of administrative machinery needed to be set up. In some cases this happened as a result of an analysis within the Bureau; often it would come from outside--the military establishment or some civilian agency. Which ever the case, we usually worked up the plan and drafted the necessary Executive order. When the new head of the agency was selected, we turned over to him, if he wished, the appropriate staff member of the Bureau to assist him in carrying out the initial steps in the organization of the agency.

It seems to me that the National Security Resources Board could give a great deal of help of that kind. On the other hand, I think it is a question of selectivity. In one situation it might be somebody from the Bureau of the Budget who could help; in another situation somebody from the NSRB, or the right person might be found in some other agency. I do not think that there is any single pattern by which we can approach that type of problem.

One of the most valuable assets in preparation for planning is the availability of persons who know how to do things when the time comes for doing things. Perhaps the most valuable contribution of advance planning is that, as a result of it, persons exist who have already thought through these problems; they know the difficulties. They have analyzed the things which have to be coped with, so that on the day for action they are in a position to give good advice as to what is timely and appropriate at that particular moment. Indeed, the availability of good advice in a crisis is the most precious asset you can have.

The experience of starting the Economic Cooperation Administration was quite interesting in this respect. Sometime during the thirties--I was not in the Government then--I headed a consulting organization which re-organized city, state, and county governments, as well as Federal agencies. During that period I served as consultant for about a dozen staff agencies and helped to establish them. The difference between that period and the period when we were organizing ECA was tremendous in that we had a reservoir of persons who could be drafted overnight to help get ECA on its way.

I recall how, when the Social Security Board, the Work Projects Administration, the TVA, and other agencies were starting, I talked with Don Bell, who was acting director of the Bureau of the Budget. I said, "Don't you have some staff members whom you can assign to work with these agencies? Where can we find some good persons who know how to help them on matters of organization, who will help them avert the mistakes of other agencies, who know what it takes to get a program going, who can work out the whole scheme of internal communications within the agency, who know how to get the budget prepared, who can set up the internal arrangements, and who can do all the 101 other things which need doing?" The answer was that those persons just did not exist. The Bureau of the Budget had starved itself and was unable to supply a staff for such work. As a result, the agencies floundered and each one made almost the same mistakes which the others had made because they did not learn much from one another.

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With the growth of the Bureau of the Budget and departmental administrative management work just before and during the war, a tremendous amount of experience was gained. When we started ECA, the cumulative experience paid off and, as a result, within 24 hours after Mr. Hoffman took office we were able to get going. In addition, there had been some advance planning which was very useful. As a matter of fact, we used those advanced plans to help us make major organic decisions on that first day. However, we did not try to freeze anything. We were careful to leave nearly all major organizational arrangements open for the first month. Before we stabilized any part of the organization, we mobilized the planning staff by calling upon the advice of persons experienced in the planning and administering international economic activities who were glad to help ECA for the first weeks. As a result, we have not had to go through the customary series of reorganizations.

In setting up ECA, we moved gradually. We tried to refrain from making decisions which were postponable--particularly when we knew that conditions surrounding that decision might change and that any decision made at the moment would have to be changed too. We are now in the process of making an analysis of the whole ECA operation and we are in a solid position to make substantial changes, if they are needed, as we move into the next phase of our operations. The important point is that within 24 hours after starting ECA we had people working with us who could, under their own steam, launch a planning staff, set up the budget, engage in preparatory work, activate administrative services, establish a personnel program, and work on other problems of this sort which require specialized talent. It seems to me that this is a process which you people here at the Industrial College should emphasize so that duties such as these may be performed effectively when the occasions actually arise.

The final thought which I should like to throw out for discussion--I see the time has gone by so I cannot elaborate on it--concerns an area which I feel to be of the utmost importance. To my mind, the most crucial issue in the world of today--a world which is so largely concerned with ideological battles--is the problem of psychological effort, and the problem of building into all our operations the fundamental moral and spiritual qualities that will enable the things we are doing to endure.

The question today is whether the treachery of corrupting techniques and the totalitarian methods of communism are going to survive, or whether the concept of life which we have in our democracy will win out. This democratic philosophy holds that individuals possess a personality which is sacred. It is based upon the concept of freedom and upon recognition of the fact that there are certain requisites for human relationships which are built into the nature of human beings. It holds that these relationships must be built on the foundations of tolerance, integrity, generosity, love, and all the other moral qualities which we have learned from experience and religion. It recognizes that man is not God but that men are brothers under God. Unless we build these qualities into all our actions, we are not, in

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the world of today, going to establish plans that will be effective or adequate for the conditions with which we have to cope. The morality of the methods is far more important than the goals because if methods are right, proper goals will be established. The Communists never criticize or attack democracy or the moral concepts that lie behind it.

If we would talk less about goals, less about the economic aspects of democracy, and more about the integrity of the methods we use, we would have ammunition which I think would be far more effective in coping with the forces which are opposed to democracy today. Thank you.

COLONEL BABCOCK: Well, gentlemen, Mr. Stone had already thought about this "freezing" remark before he passed the bulletin board in the hall and noticed that our organization is frozen, but of course we very often have to unfreeze things to maintain the flexibility he mentioned. Some of your questions may apply to this point.

QUESTION: Sir, you stirred up a question in my mind with your closing remark. I don't know whether I can ask it or not, but greed for power is perhaps one of the most corrupt influences that man has been subjected to. It has been said that this greed may lead to hidden subversion in high places in this Government and it possibly has in other governments in history. Do you have any formula or idea how this hidden subversion may be combatted?

MR. STONE: Well, that suggests two things to my mind. The first is this: That any effort to set up controls over the Executive, which are other than the normal and natural legislative and political and public opinion controls that are in existence, will ordinarily end up by putting particular groups in a position to thwart the general public interest. I have come to be little worried about this question of too much power in the Presidency--this also applies in state and municipal governments. I spent a number of years inaugurating reform programs where people were always worried about power. They would say, "It puts him in a position of too much authority. He will become a dictator." The main requisite, however, for preventing a person from becoming a dictator is to make clear that he is in a position of responsibility and accountability. If you try to take away the responsibility that belongs in a position, you actually build up "subversive" arrangements, which provide authority that cannot be held accountable. Therefore, we need to be concerned only as to the adequacy of arrangements which hold the President accountable, and which hold department heads accountable. However, these arrangements may not violate the normal relationship of accountability in the organizational hierarchy.

On the other hand, we have to understand that in the long run the only thing that will prevent what you are talking about is the realization that all of us play our parts in building democratic concepts and processes, and in building the kind of moral leadership which is needed. We have to

drop our reticence and our modesty in talking about the moral and spiritual problems which exist in human relationships, including government organization. When as a nation we build moral and spiritual considerations into our official life, the kind of thing you are mentioning will not find a very healthy climate.

QUESTION: I was very much impressed with your account of the sphere of authority and, perhaps to use your word, the influence that the Bureau of the Budget exercises. Now if you will pardon my saying so, it has always appeared to me that the Bureau of the Budget has strayed far afield from the purely dictionary definition of "budget," and I am just wondering, are there any controls at all that are imposed upon the Bureau of the Budget that will prevent it from becoming--if it has not already become--a small supreme court? I ask that question because the remark about freezing our organization was passing through my mind as you were speaking, and it seemed to me that the best way to head up an economic mobilization control would be to use the spheres of influence and authority that the Bureau of the Budget is now exercising.

MR. STONE: Well, when I was with the Bureau the thing that I worried about as much as anything--and now, being out of the Bureau and on the receiving end of the Bureau's activities, I can look at it, of course, with a different perspective--was what the individual staff members could do if they exercised their influence improperly. Granted; the person who is a representative of the Bureau and working with a department on some program can press for one thing or another. His position is such that the officers in the department want to gain his favor. If he functions in a way which is inimical to the best interests of the Government, and if he tries to impose his personal views, instead of trying to help bring forth the best judgment that the Bureau--carrying out Presidential policy--has, then I think he can function very improperly. I have seen examples of that sort of thing. While I was with the Bureau I often had to chastise some of the staff for moving in too closely on things with their own views. On the other hand, the processes of accountability were and are always at play. Even though something might have been done for a short time which was not quite healthy, it was not very long before this thing came to light and remedial action was taken. If the Bureau makes a mistake the agencies protest, and the Bureau's authority is so thin that it can't stand lack of confidence. Thus, in a real sense, its authority is equal only to its accepted influence.

The last thing which the Bureau can do is to act capriciously. We may need action in order to get things done, but it cannot be capricious action. Nor can the President act capriciously. If he were to act capriciously, just think of the number of newspapers and persons in the opposition who would pick up such action. Why, everybody except his direct supporters are just waiting for something like that to happen so that they can catch him at it. And that is all right. That is healthy.

Sometimes, however, I wish there was a little more consideration given to the bureaucrat, that he was not thought to be guilty of great crimes before they were demonstrated, and that there was better opportunity for fair play in the whole process of congressional-Executive relationships. The great remedial force is that system of everything being really open to public view, with clear penalties for wrong action. If the Bureau once moved in and took a strong position with respect to some measure which the President did not support, its prestige would suffer. The one thing which has enabled the Bureau to be effective in these last ten years is the fact that there has been practically no occasion when the President has had to overrule the Bureau. That is because the Bureau was making sure that it was doing what the President wanted. For example, suppose the question of rivers and harbors development was under consideration. This is an area of interest where all potent forces in our public life are brought into play. The Bureau may be viewed as the place where that favored project was dropped. The Bureau did not do that capriciously. It studied the problem. It checked back and forth with the parties concerned. As a result of the findings, the President came to the conclusion that he would not recommend it. The Bureau then supports his decision. Congress, however, has the final word. This process, although cumbersome, prevents arbitrary action. Sometimes it prevents any action.

QUESTION: Mr. Stone, you said, I believe, that the National Security Resources Board could never be as close to the President as the Bureau of the Budget is. You haven't said very much about the National Security Council, of which the President is a member. It would appear to me that the Council should be assuming many of the authorities, or at least the influences, that you described as functions of the Bureau of the Budget. Would you care to comment on that?

MR. STONE: The Bureau of the Budget does not attempt to make any assumptions as to strategy. It does not try to determine what our general security policy should be or the fundamental types of actions or programs necessary in order to carry out these policies. It does try, however--and it has this function on behalf of the President--to see that there is coordination in the working out and developing of these policies and that the machinery for doing it is good. It aims to see that there is adequate review and consideration by all interested parties in the process of resolving these policies. It reviews financial implications of proposals.

For example, take the European Recovery Program. After a great deal of work we submitted the 1950 program to the Bureau of the Budget. Technically, we submitted it to the President, but on its way to him, it goes through the Bureau of the Budget. In analyzing our estimates, the Bureau did not question the fundamental policies we were charged with carrying out. They were determined and already fixed. The Bureau did, however, raise a great many questions about whether or not what we were proposing would actually best implement these policies and objectives. As a result

of that process of questioning, we found that improvements could be made. One proposed change was taken to the President for final decision. As you can see, the National Security Council is dealing with quite a different pattern of questions from the questions with which the Bureau of the Budget is dealing, but when it comes to implementing policy decisions the Bureau of the Budget must play a considerable part.

Now just one word about the National Security Council, of which the President is a member. If that provision were being redrafted, I would recommend elimination of reference to the President's being a member. That very provision, you see, assumes a watering down of the Presidential position under the Constitution. If you think it through, you will see that. The Security Council is an arm of advice and assistance to the President which is to help him in carrying out Presidential responsibility. The President is the only executive officer in the Government who has any real final accountability. As a result, the Security Council, the Bureau of the Budget, and any other of these agencies which advise and help him, have a mission to perform which must stem from the function of the President and which, in the final analysis, must be delegated by the President to that staff arm. It cannot be imposed by any authority. The Congress may legislate that such and such a body may advise the President what to do, but if there is any requirement that the President must follow its advice, it runs in direct conflict with the very fundamental nature of our Government. If carried very far, it would undermine the whole democratic process which we have built.

QUESTION: Sir, you emphasize the importance of environment in planning. In the present world environment, doesn't it seem foolhardy for our Government not to have some pretty fine plans as to how the national economy would be mobilized if war should break out tomorrow, next month, or six months from now?

MR. STONE: It certainly does, and that is one reason why I have been so concerned about the fact that our National Security Resources Board and some of these other agencies have not been more active. I feel that there may be a need for a better staff. It seems to me that the NSRB has not proceeded in quite as sophisticated a way as the situation requires. I am heartened at recent progress, however, in that I think there is a great deal more understanding now as to what needs to be done than there was a year or two ago. I am constantly disturbed, however, by the number of obstacles that are put in the way of these establishments each year.

QUESTION: Does the NSRB have authority to make such a plan as the Industrial Mobilization Plan?

MR. STONE: It has all the authority that any planners have, but it does not have authority to implement or control plans at the present time, and in my mind it should not have.

QUESTION: Sir, in the military department there is an inspector general, and his job is to make regular investigations and also to conduct special investigations as the need may arise. There is not, ordinarily, any individual with that title, or it is hard to find such an individual or job in most civilian organizations. Would you discuss whether or not there should be one in an organization such as we are setting up, where he should fit in, and what his functions should be? In other words, in a matter of investigating graft and that type of thing, are they simply looking at compliance, or organizational structure, and things of that nature?

MR. STONE: Well, that is a function that is very important and useful. The task force report of the Hoover Commission on Departmental Management represents one of the most important and useful jobs which that commission undertook, and I think it would be of interest to all of you to look at the report. In it there is some recognition of the function which you have mentioned.

There are various ways in which that part of the function concerned with reviewing organization and operations is performed. Generally, the Finance Officer is charged with the audit phase of this work. In many of the civilian agencies the Budget Office performs a considerable amount of investigative activity. Many budget offices, however, are not well staffed and the job is not done too well. In some cases, the personnel office performs a part of the activity. In many agencies administrative management or organization and methods units have been established. When you add it all up, however, the inspection and appraisal job is not done very well, nor is the constructive staff work for remedying difficulties.

QUESTION: We have had considerable discussion on the pros and cons of utilizing existing agencies of the Government in a wartime activity, versus setting up specific agencies. In considering the problems of both mobilization and reconversion, I would like to get your idea on whether there should be more utilization of existing agencies than we had during World War II, or less?

MR. STONE: That is a very good question and it is a difficult one to answer. During the last war that question arose again and again. When the time came to take action on such questions as civilian production of machinery, civilian defense, economic defense and warfare, price control, etc., the question was always asked, "Can we give this to X Department? What will that department do with it? Can we set up an independent unit within the department?" Time after time, from the standpoint of orderly administration, we would decide that the function ought to go into an established agency but we would end up with this conclusion: "This agency won't give this problem the dynamic attention or energy which it needs." As a result, in most instances, a new agency was set up.

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Social welfare services and some of the activities dealing with community projects and development were fitted into existing agencies. The whole housing field was worked out by consolidating existing housing agencies into the NHA. But in some of the other fields, the functions did not fit into an established agency. In many cases the type of action to be carried out was quite different from anything that had ever been done. Possibly, this was a good thing from the viewpoint of the agency because it saved a permanent agency the necessity of readjusting its functions when its emergency responsibilities were over.

I think we need a great deal of study and analysis of that question. I hope that you folks and others are studying that problem and that you will have all the factors pro and con--not just in general, but by specific fields--which need to be considered when the decision is made, if the decision ever has to be made.

I might go on to one other point that General Holman and I were discussing during the intermission. It will perhaps cast a little more light on the reference I made to the Industrial Mobilization Plan. I do not know all the moves within the Government at the beginning of the last war although I saw many of them and was in the backwash of others. The first thing I would like to say, however, is that the Government was very badly equipped from a planning standpoint to cope with the problems of the emergency when the emergency came along. The Army and Navy Munitions Board was functioning in its own orbit. There was no real staff work going on close to the President. Most of the departments were not engaged in any activities which would enable them to understand and tie into the work which the Board was doing. A part of the problem was the lack of persons who had been educated to the point where they could participate in an intelligent way in considering at successive stages the Industrial Mobilization Plan.

It seems to me that this situation was due, in part, to the thinking behind the plans themselves. One thing which contributed to the initial rejection of these plans was the fact that when they were laid before President Roosevelt there were two or three things in them which were questionable. There were some assumptions that all the President needed to do was to sign his name and some persons would be appointed to run the situation. Granted the President would presumably make the appointments, but the individuals who would run these things would consist mainly of industrialists and military men working together. The President and others came to the conclusion that there was an idea in the minds of some persons who were advocating the plans that the less the President had to do about managing this whole undertaking, the better. From this I think you can see what might have occurred at that point.

Any good planner would know the necessary sensitivity of any President on this point merely by a study of American History. During World War I

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there was considerable discussion as to whether Congress should pass an act that would take the control of the war out of President Wilson's hands and have it administered by a joint committee of the Congress. You will recall reading about the difficulties of Lincoln both with his Cabinet and the Congress. Well, that kind of threat to the position of the Presidency has been constant and continuous, and FDR was no amateur in that area.

In conclusion, I feel that if we view our planning process from the over-all viewpoint, and if we give consideration to the nature of the environment, the nature of Government, and the nature of the position of the Presidency, we will have better success in implementing plans at the time the crisis comes.

COLONEL BABCOCK: Gentlemen, I know you have many more questions, but I think it would be unfair to keep Mr. Stone after his lunch hour. I wish to express the thanks of both our faculty and the student body for a most interesting and informative presentation, Mr. Stone.