

ECONOMIC MOBILIZATION IN GERMANY

17 March 1950

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COLONEL MCKENZIE: On the occasion of the anniversary meeting of the Old Guard in Munich in 1939, Hitler made one of his famous speeches in which most of his venom was directed towards the British. I want to quote just a paragraph from this speech:

"Thanks to our preparations we shall fight this war under far easier conditions than those of 1914. Then Germany stumbled into war blindfolded. But for years we have not only been arming the nation spiritually but above all economically. By our far-reaching plans we have ensured a plentiful supply of petrol for our German airmen. We took precautionary measures to prevent the laying waste or lavish spending of precious goods during the first year of the war, so that from the day war was declared a system of rationing came into force which will secure us against all eventualities for a very long period of time. In all other respects, too, every possibility in Germany was developed to the utmost, so that I can assure you of this one fact: They will never be able to force us to our knees, whether by arms or by economic measures. Only one side can be the victor in this war--we ourselves!"

Now, of course, there are many arguments that have gone on having to do with whether Germany was preparing for a long war, or whether it was planning on the blitzkrieg and, therefore, did not believe it necessary to make the type of plans we study for a period of major emergency.

I think as we approach our mobilization problems it is highly important that we pick up and learn what we can of the work done by other nations. And it is particularly important that we study the German economic mobilization picture because of the oft-repeated statement that in an autocracy it is so much easier to do the job than it is in a democracy.

For our speaker this morning we have gone to Columbia, the home of high-ranking Army officers, and are bringing to this platform a gentleman who has lectured here many times. It gives me great pleasure to introduce Professor John D. Millett, of Columbia University, who will discuss "Economic Mobilization in Germany." Professor Millett.

DR. MILLETT: General Vanaman and gentlemen: I am very happy to have the opportunity of coming here once more. I always come whenever I receive an invitation, even though, I must confess, I am sometimes dubious about what qualifications I have for offering any words of wisdom to you gentlemen, particularly when I see General Vanaman

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sitting down here. He spent four years in Germany just before the war and saw all of this firsthand. All I have done is look at the results, after the event, pick up some of the pieces, and try to put them together again.

It was originally suggested that perhaps I ought to say a word about the German economic mobilization experience alongside that of the British and French. Well, I think we can dismiss the French without very great difficulty. If they had a mobilization experience, nobody ever had an opportunity to notice it. With the British, however, it is another story. Someone more competent than I will have to tell you about that.

So, I am going to confine my remarks primarily to the experience that did take place in Germany in the period just prior to the war and during the course of that war. I do that partly because in a sense I feel it gives me an opportunity to emphasize the tremendous importance of what economic mobilization means in any military effort. I know you do not need anybody to stand up here and shout this theme, although I feel strongly that many people--not here--do need to understand something of the importance of economic preparation for war.

That reminds me of a little story I heard the other day of a college president who was in something of the same sort of spot that I am in. He wanted to give a certain kind of talk. So he told the story about the snap course. You know every ordinary school--I don't mean this one, you understand--and every ordinary college and university always has a snap course. That is for the football players.

It is surprising how frequently this snap course is always in the field of the Bible or religious philosophy. In this particular college it was a course in Old Testament history that was known as the snap course. Every football player took it. It was a snap, in part, because the professor always asked the same question on the final examination. As long as anyone could remember, this question had always been in the final examination: Name the major and minor prophets.

Well, on this particular occasion, this particular football player came to the final examination only to find that precedent had been broken. The professor asked a different question. He said this time he was going to ask the question about the trials of Job. Well, this boy sat there looking at his paper for awhile. He wondered and worried about it. Finally he decided it was hopeless; he knew nothing at all about the trials of Job. When the professor read the paper, he found a statement like this: I wouldn't want to say anything about the trials and tribulations of Job. After all, they are well known; besides, his afflictions were numerous. But if you would like to know about the major and minor prophets, they are as follows: * * *

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So, whether you want to know about German economic mobilization or not, I am going to proceed to say at least something about it. I have one or two statements I want to get off my chest to start with so we can immediately forget about them.

The first thing is this: I do not intend to make any moral comments or judgments about the Nazi regime. I am omitting for the moment all that phase of it. Please do not misunderstand me! I am not omitting this factor because I think it is exactly irrelevant, but simply because if we allow ourselves to get too deeply into that discussion we would forget about some other aspects which might give us more relevant information on the situation. But, lest someone misunderstand me, I will start with the disclaimer that so far as I am concerned the whole Nazi regime was a stinking regime.

With that off my chest, let us forget about that part of it and go on.

The second thing I ought to say is that it is impossible in a very short period of time to deal with the details of the subject, even though some of those details are fairly interesting.

In trying to refresh my own memory of the work done by this little group that was sent to Germany by the War Department in the summer of 1947, I have gone back and looked at the report we gave to the Secretary of the Army in the autumn of 1947. I trust that this report is in your library and available to you in ample quantities in case any of you get the courage to look at it. I will wave it in the air just to prove there is such a report. (Dr. Millett held up a copy of the report.) It is entitled, "Foreign Logistical Organizations and Methods: A Report for the Secretary of the Army," and dated 15 October 1947.

You know, much to my surprise, as I read back over this report last evening, I find it isn't bad at all. I didn't realize it was as good as I believe it is. Maybe the fact that time has intervened makes it look better than it is.

But I have been rather surprised at two things: First, to see how in such a short period of time we acquired as much information as we did; and, secondly, to see how so few people, apparently, have thus far bothered to read it. Maybe they are not interested. I think it has stood up very well. Certainly there is no information I know about that has come to light in the intervening period which would change the analysis in any way.

As a matter of fact, if you want to get a story of the personalities in the Nazi regime of this period, I think by far the most superb book is H. R. Trevor-Roper's "The Last Days of Hitler." I strongly

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recommend that book to you. But I want to mention the fact that this book was published after we made our report. Trevor-Roper was a British intelligence officer who, you will recall, was given the assignment of running down what happened to Hitler in the last days of the regime, of finding out whether he was dead or alive. What he found, confirmed what we had already found. There was no discrepancy in his account of the personalities or in our account of some of the details of economic mobilization.

At this point I would like to tell you what the principal sources of our information were. All of the footnotes, which as a college professor I put into this report, believe it or not, were omitted when it was printed. The sources of information were primarily threefold:

First of all, the Strategic Bombing Survey provided a great deal of information and particularly a considerable amount of statistics on the functioning of the German economy during the war. That survey was done on a very large scale, with a sizable staff. I think, on the whole, it is quite thorough. You will get a very good picture from the various parts of that report, those that have been printed and those that are in mimeograph or multilith form. The point of view of the Strategic Bombing Survey report was not how the whole economy was organized and mobilized, but primarily what happened to the economy under the impact of strategic aerial attack. But, even so, there is a lot of very general and useful information contained in it.

A second source of information which, in some ways, gave us a more thorough picture and in other ways a more fascinating kind of information, was available to us through the documents of the Nurnberg trial, at the Nurnberg center where the war crimes were coming to an end in 1947. I believe most of these papers are now in Washington. They were all boxed up and sent at the conclusion of the trials in the spring of 1948 to either the Department of Commerce or the Department of Justice. I don't know what has happened to them. There has been some attempt made to get them placed in some university library where they could be indexed and made available to any person who wanted to do some research. I think the last thing I heard, they were still in their boxes. But while they were still in active use at Nurnberg, we had an opportunity to go over them and that gave us a lot of information.

Then the other source of information was some interviews of the individuals who were still alive and left to talk. The most interesting of all these was Speer who at that time was still being held in the prison at Nurnberg, but who has since been moved to the Spandau Prison, I believe, outside of or near to Berlin, where he can be watched over by all four Powers.

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As I said a moment ago, I simply cannot go over all the details of this story. I do not propose to give you the whole sequence of events, important as I think they are. But I am going to pick out three main aspects of the German mobilization experience and comment briefly on those. I hope these remarks of mine will encourage you to read some of this story because I am sure you will find it fascinating.

The three things I want to talk about are, first of all, the difficulties of governmental organization that the Nazi regime experienced. Secondly, I want to talk about the relations with industry which were developed by the Speer Ministry. And in the third place I want to say something about the concept in planning which underlay all the economic mobilization aspects of the German war effort. But all I can do in each of these cases is just simply to give you a very, very brief sketch of what actually happened.

On this first matter of experience with governmental organization, the Nazis had lots of difficulties. I think that is one of the most interesting aspects of this entire story. There were no easy solutions to the problem of how to mobilize the nation economically for war, either in an organizational sense or in a policy and programming sense. I will speak about that in a moment or two.

There were the usual elements involved in the organizational situation so far as the government was concerned. Let us roughly divide these into two categories: the military agencies on the one hand, and the civilian agencies on the other hand.

On the military side, there were three armed forces in the German organization: the army, navy, and air force. Each was separate from the other. There has been some confusion on this score. I think some people have the idea that there was a High Command in the German armed forces and that it was very influential. After all, didn't we hang Keitel and Jodl at Nurnberg when the war was over? The two men hanged at Nurnberg were nothing more than errand boys for Hitler. While maybe they deserved it--I won't comment on that--I think the hanging suggested they were more important than they actually were.

The story of the German High Command is an interesting one of ineffectiveness in many ways. Those of you who were around Washington, and who may have at various times felt that the Joint Chiefs of Staff was not exactly one of the most efficient organizations, might find some comfort in the fact that our organizational and administrative problems during and immediately preceding the war were nothing compared with what went on in Germany.

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But it is interesting to note historically that the Armed Forces High Command came out of the Ministry of Defense, which was a single ministry under the Weimar Republic and which remained a single ministry up until 1935 when Hitler transformed the Ministry of Defense into a High Command. It was about this time that the High Command began to take an interest in some of the economic mobilization problems of the German Government. You see, in the period preceding the war there was no agency corresponding to our National Security Resources Board today.

Now, the armed forces did have one officer who was quite interested in this whole problem. This man came up from the army. He had been in the "technical" end, as the Germans called it. He had been in what was something corresponding to the Ordnance Department in our Army. He had held that kind of responsibility during World War I. He had been kept on in the army after the defeat of World War I. His name was Colonel Georg Thomas. Colonel Thomas preached to all of the military forces the importance of economic preparation for war. Finally, he was given the opportunity to move up to the high staff and to continue to preach this gospel. That was about all the opportunity he had--to preach the gospel--because he couldn't do much about it.

This High Command did try to influence what was being done for the economic mobilization of Germany. True, it did not have much actual impact upon it, as I will show you in a moment. But at least there was an office in the Armed Forces High Command; it was originally called the War Economy and Armament Office, as set up in 1934. After 1935, however, it was called the War Economic Staff. Later it was renamed the Armed Forces Economic and Armament Office. This office, I think, did have some impact upon the thinking of the armed forces.

This office did a great deal of good for German production--again from the point of view of the army, navy, and air force. Especially was this true from the army's point of view. The office was constantly pressing for all types of additional industrial preparedness in the event of war. Actually, of course, the Germans were expecting war.

This War Economic Staff was limited in its influence upon the High Command and upon the army especially, because of the old Prussian aristocratic tradition. This "aristocratic tradition" looked upon all matters economic as beneath its dignity. After all, the people who worked in industry did not come from the old Prussian aristocracy or from the aristocracy of the other component parts of Germany. They came from the middle classes. An engineer was someone who wasn't good enough by birth and training to get a top-ranking position. The German system of higher education drew a sharp distinction between its universities and its technical schools. In Berlin itself was one of the largest of

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these technische hochschulen, as they were called. The universities did not have anything to do with the engineering colleges, or colleges in which engineering was included in the curriculum. It was considered beneath their dignity.

I think this aristocratic tradition is an important element in the German story. We found out, for instance, that the corps of officers--the leaders in the armed forces--was chosen, particularly the General Staff, by a very highly selective process, a system geared purposely to keep out of it engineers and people who were not quite good enough in family background to get into the really elite elements of the German Army. I think if it had not been for someone like Colonel Thomas, who was constantly harping away at the importance of economic mobilization, the High Command officials--the General Staff--certainly would have given less and less attention to the subject. (Maybe that would have been a good thing for the rest of the world. But, anyway, let us look at this thing now from the point of view of Germany.)

The High Command office got into a good many controversies with the civilian agencies from 1935 on. That is not an unusual story, as you may have heard elsewhere. That office never was able to influence or back up the policies of the Ministry of Economics, or, after 1936, the Office of the Four-Year Plan. Eventually, most of this military staff during the war was absorbed by a civilian ministry. Most of the personnel, including General Thomas (he was then), was brought over from the High Command office and put into the office of the Ministry of Armaments and War Production. General Thomas stayed there a few months, then went back into the High Command.

There was a great deal of difficulty in defining what was the relative sphere of activity of this High Command office and of the civilian offices. I will tell you about that in just a moment.

There were also units in the army, the navy, and the air force handling the procurement of direct military supplies. Each force had its own separate procurement organization. Each had its own research and development program. Each had its own procurement machinery. Each let its own contracts with industry. Each had its own depots and its own supply system. Only at the end of the war was there actually a movement made to draw all of these supply parts out and create a single supply and procurement machinery for the armed forces.

I think that movement was largely promoted by factors of personality rather than anything else. But, anyway, the order was issued in December 1944. But it was too late ever to go into effect and have any real impact. But it is interesting to note that Hitler did take steps at the very tail end of the war to create a single supply system which would

exist alongside but not be a component part of the army, the navy, and the air force. However, as I say, I do not think that is very important because it came too near the end of the war. It may have been an act of desperation, or it may have been just a kind of final success for one particular member of the Palace Guard. In any event, most of the war effort and all of the prewar supply effort was made through the procurement machinery which existed in each of the forces, separate and distinct from one another.

Now, let us turn for a moment to the civilian agencies that existed and see what they were inclined to do to end the conflicts that arose with the military machine I have just briefly sketched.

There had been a Ministry of Economics in the German Government under the Weimar Republic, from 1919 to 1933. It was continued after Hitler came into power. The man who took it over was Hjalmar Schacht, with whom I presume most of you are familiar. He became the Minister of Economics in 1933 and was a very powerful personality. But he had some very definite points of view about the German economy. Schacht came up out of the Deutschbank--the German National Bank--and had a great deal of the financial or financier point of view. He was primarily interested in trying to cure some of the defects of the basic economy as it had operated especially from 1929 to 1933. He wanted to build up civilian production as much as possible. He was very little interested in any of these ideas about an increase in actual military procurement, or in the construction of basic facilities for military expansion. Schacht was constantly trying to increase civilian production in the German economy. I think it is interesting to note here, by the way, that the great leaders of the Nazi Party--the politicians, the Gauleiters or district leaders throughout Germany--were constantly on Schacht's side in this controversy. They were not on the side of the military. Their point of view was one of "bread and circuses," I guess you would call it, for they wished to prove that the Nazis were so much better than the preceding regime in solving the problems of poverty and unemployment. They wanted tangible evidences of this to be constantly in the view of the civilian population.

So, all the time that Thomas, after 1934, was talking about the expansion of steel capacity, and talking about the expansion of raw material resources of various kinds, and talking about the actual expansion of plants to make end items of military equipment, Schacht wasn't interested at all. Schacht was expanding the economy, but he was building up the civilian end. I will give you one illustration.

There was a great deal of expansion in the civilian automobile industry. You remember Hitler said he was going to provide a family car for every garage in Germany. One big plant outside of Berlin built to manufacture this passenger car was still not converted to war production

as late as 1942. There never had been any study made to decide how this plant might be converted to the production of end items of military equipment. I think that is a rather good indication of what the prevailing tendency or belief was in the German economy clear up to December 1941.

Another part of this story had to do with raw material resources. Schacht was greatly concerned about increasing the imports of raw materials, but he wanted them to be used primarily for civilian end items of production, not for military production. There was a considerable increase in imports and some stockpiling of raw materials. To this extent, Schacht could always claim he was meeting one of the needs of economic preparation for war. That was about the only aspect of it he was willing to consider at all favorably.

At the same time he introduced a great many controls over German industry, as a result of which a system of controls was built up. He had to introduce an allocations system for steel, a system which began in Germany as early as 1937. This allocations program, and the machinery which was developed for it, was expanded later and became the basic method of controlling steel distribution. But even so, while Schacht was there he was primarily concerned with making sure that the raw materials went to those industries which he favored as against the industries which might be favored by the army.

In 1936 a new element of confusion was introduced into this whole organization by the creation of the Office of the Four-Year Plan. At the Nurnberg Party Congress in September 1936, Hitler announced the Four-Year Plan, which was a program to make Germany more self-sufficient in its raw materials, especially by the production of synthetic oil and synthetic rubber. But so far as we could find any evidence, there never was any plan. The whole scheme came as a great surprise to Schacht and the Ministry of Economics, who apparently had never been consulted about it beforehand. Probably Goering, whom Hitler appointed plenipotentiary general of the plan, had urged the need to expand the supply of gasoline and rubber, both of which were essential to his air force procurement program.

The Office of the Four-Year Plan did go to work in various ways to expand and develop production methods for synthetic materials. That was about all it did. But it was a constant thorn in the side of Schacht's ministry.

Now, one reason why Schacht took considerable interest in these problems of military preparation was that in 1935 the Hitler regime passed a secret defense-of-the-Reich law, which provided for certain machinery in case hostilities actually should develop. One of the elements of this war-time machinery provided for in this secret law was the creation of the position of plenipotentiary general for the economy. When it became

necessary for that system to be activated, that position would be filled by Schacht. Schacht acted, however, after 1935, as if the position was already in existence, and that he was, of course, responsible for the direction of the war economy was constantly to press for expanded civilian production rather than for expansion of military production.

A still further development took place shortly afterward. In 1937, about a year after the creation of this Four-Year Plan, Schacht and Goering clashed head-on over the control of the civilian economy. Schacht was compelled to resign in November 1937. For a while Goering took over the work. In February 1938, the position was taken over by one of Goering's underlings, a man named Funk.

That was, in general, just about all of the machinery that existed up until the actual declaration of war in 1939. There was the Ministry of Economics and the Office of the Four-Year Plan. The Ministry of Economics controlled most of the industrial resources of the nation. The Office of the Four-Year Plan was primarily concerned with the development of synthetic raw materials and with a few other items, such as the production of steel from low-grade ores.

Now, Hitler himself was not too much interested in these economic problems. That is what makes this story of intrigue all the more interesting. Hitler's idea was short campaigns. He wanted sufficient supplies on hand as of the moment when war began. He was not interested in what Thomas was always calling "armament in depth." There were very few reserve supplies on hand for the campaign in Poland. Of course, the campaign lasted only three weeks and reserve supplies were not needed.

Right here, I might tell you an interesting little story. I got hold of one military officer in Germany who told me the General Staff made two great mistakes, as he saw it, from his point of view, in the conduct of the war. The first mistake was the timetable they gave Hitler for the campaign in Poland. The second one was the timetable they gave him for the conquest of the Lowlands and France.

In the first place, they told Hitler it would take about three months to defeat Poland. It actually took three weeks. The General Staff then told Hitler it would take five or six months to conquer the Lowlands and France, whereas it took six weeks. Thereafter, Hitler was always sure he knew more than his General Staff. He could build up a better timetable than the General Staff. As a result, he refused to listen to any of their ideas of the Army General Staff.

A six weeks' campaign obviously consumed a considerable amount of supplies. The fronts moved so fast a depot system could not keep up with them. Hitler thought he had the solution to this problem. If you could build up adequate supplies, put them in the hands of the troops, let the

men fight like hell for a very short period and then stop and recoup, that way everything would work out all right.

He thought exactly the same thing was going to happen in Russia. Well, the troops did get started off on time in June 1941 and for a while it looked as if the timetable for the Russian campaign was going to be realized. It was not until December that Hitler admitted to himself that this concept of war which he had held from 1939 to 1941 and which had been so successful for two full years had come to an end.

As I mentioned to you before, it was not until 1942 that efforts were actually made to organize effectively the economic resources of the country. I have put more time on this than I had meant to, but I must tell you what happened after February.

As early as 1940 there had been an additional ministry set up—the Ministry of Munitions, with Fritz Todt as head. Todt was the great construction man, the great builder, in Nazi Germany. He was the man who had built the autobahnen and the Westwall. He was looked upon as a great construction genius. Todt was given the job primarily to help build some ordnance plants for the army; he did build several. But the supply of machine tools and of some construction materials was getting pretty tight. So he began to worry about what could be done to improve the utilization of existing plants. He was given some expanded authority and immediately started suggesting to Goering and some of the army people that they should get more use out of the plants already in existence. That, of course, meant controls and restrictions on the civilian economy and civilian output, which had not been in effect thus far.

Now, Todt was killed in an airplane accident in February 1942. His successor was one of his associates in the Organization Todt. His name was Albert Speer. Speer was, by profession, an architect. He did some designing of buildings around Munich; as a matter of fact, he designed several types of buildings that appealed to Hitler.

Speer had a very pleasant kind of personality. He was one of the few people who went up to the Eagle's Nest with Hitler. Interestingly enough, Goering was never as intimate an associate as was Speer. He was a political associate, but was never in the intimate circle of the family. Upon the death of Todt, Hitler made Speer head of the Organization Todt. He gave all of Todt's responsibilities to Speer.

Hitler was absolutely fascinated by Speer as a personality. Speer was a big man, broad-shouldered. He was a very dynamic individual, a very decisive sort of person. In a short period of time he became a key personality. It just happened that a man in that intimate family circle of Hitler's should have been an organizing genius and a person of great drive.

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In effect, he was the "man on horseback," if you want to say something of that sort. It so happens they--the men on horseback--are the kind of people who get things done. All the rest of us easy-going people are the kind that do not ride horseback and don't get as much done.

Speer built up a very strong ministry. Its title was changed later on to the Ministry of Armaments and War Production. Speer took over most of the Ministry of Economics.

Now, Speer had a marvelous little device for winning Goering's friendship. He fixed up an organization chart that showed Goering on top and himself underneath. That is exactly what Goering wanted. Speer himself did not care anything about organization charts. He put Goering in as head of the Office of the Four-Year Plan and took a title which placed him under Goering. So Goering went back to wearing his flowing robes and playing with his electric trains while Speer ran the economy. It was a nice arrangement.

Speer also pretty much took over Walter Funk through this device. In October 1942, Speer arranged the creation of a new agency nominally within the Office of the Four-Year Plan. This was called the Zentrale Planung, or Central Planning Board. While Speer was in charge of it, it still looked as if it was under Goering. So that made everybody happy. Yet Speer ran it. He ran it in a vigorous fashion.

Speer built up many close relationships with the army, navy, and the air force. He first got his hands on the procurement program of the navy, interestingly enough. He convinced Admiral Doenitz, in the spring of 1943, that he could get a lot more submarines built than the navy was getting. By rationalizing the shipbuilding industry he could realize the submarine construction goals of the Admiralty. Now, Speer had an interesting story to tell me about the manner in which he won over Doenitz. He told this to me personally. It seems Doenitz had this list of submarine construction goals he wanted to meet in order to step up submarine warfare. He showed it to Speer. Speer looked it over. He then looked over the existing program, that is, the actual production output. It was obvious that with the present rate of production it would be completely impossible to construct more shipbuilding facilities. Speer said to Doenitz, "Give me a month to study the shipbuilding program. I'll tell you at the end of the month whether the goals can be realized with present facilities."

Speer told me he spent two months going to Hamburg, Bremen, and Lubeck, I think it was, to study the organization and production loads of the shipbuilding industry. He came back and told Doenitz that if Doenitz would turn over the whole procurement machinery of the navy to

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him, he would turn out the submarines on schedule without any additional facilities. Doenitz gave it to him and said, "If you can do that, God bless you. Here's the machinery." And Speer did it!

In the spring of 1944 the Speer Ministry assumed responsibility for the production of fighter aircraft. In June 1944 all aircraft output came under the jurisdiction of the Ministry. In fact, in July 1944 Goering is supposed to have told Hitler he regretted he had not turned over the entire aircraft production program to the Speer Ministry two years earlier.

There are several activities, however, which Speer never succeeded in getting hold of. For instance, he never succeeded in getting hold of the whole field of labor supply. After the war, he could thank himself for that, because that was what men got hanged for. You remember they hanged Fritz Sauckel at Nurnberg. He was the Gauleiter in charge of the labor force program. As it was, Speer could point to the organization chart and to the relative responsibilities and say he did not have anything in the world to do with forced labor; and that was partly true. He didn't refer to the memoranda that he had written to Hitler asking for it. But, anyway, he did not get his hands on labor supply.

Sauckel was a Gauleiter. He was one of the party officials and, of course, hated Speer. He was determined he was going to control the war effort and not let Speer get his hands on it. Even though Speer was an intimate of the immediate Hitler entourage, I think Hitler still thought it was safer for his own power to have competing centers of administrative authority in the whole governmental structure. I don't think Hitler was ever really seriously interested in giving the labor supply ministry to Speer. And Speer never got it.

There were other things that Speer did not get control of: The problem of financing new construction facilities, price controls, and the general control of the financing of the government, including taxation programs, borrowing, and all that sort of thing. Speer never got that; it was entirely in the hands of the Ministry of Finance and remained there throughout the war.

In addition, he never succeeded in getting hold of the ministry for the exploitation of economic resources outside the limits of Germany. He did get control of some of the plants in Italy and France, but he never got control of the plants in Poland or Russia. That also saved him from the hangman's noose. I guess he could be thankful for that when Nurnberg came around. (I don't suppose he was worrying about that in the days when he was trying to get hold of it.)

Now, Speer wrote several memoranda against the racial extermination program. He protested that he needed workmen; that this program of exter-

minating Poles was interfering with war production in Poland. He told Hitler if they would soft-pedal this racial extermination program--not just of the Jews, mind you, but also of Poles--he could get more production out.

Hitler was not in the least bit interested--another indication of what Hitler was like. Speer would have liked to use a lot of the facilities of the Ukraine that were available following the German conquest of that territory; but, of course, Hitler thought he knew more than Speer, and so he strongly resisted. This action on Hitler's part later on caused a great deal of difficulty in the economy and to the military forces.

At this time I would like to say a little something about the relationship of Speer's Ministry to industry. Speer had quite a unique idea on this score. As early as 1934 the leadership principle had been introduced in the organization of German industry under the Ministry of Economics. There were industry groups, trade groups, and other smaller organizations set up. Actually, all these were the trade associations of industry given an official kind of governmental status. Although they were not used to make any important decisions, they existed at least.

Speer took over this arrangement, but interestingly enough he took it over on a different basis. He got a pledge from Hitler to the effect that the relations with industry would be regarded as a nonpolitical proposition. I think that, in itself, is interesting. Speer's own slogan throughout the war was the "self-responsibility of industry." He organized that "self-responsibility" by means of a system of committees both for the end product producers and for the raw material producers.

Speer did not bring the top personnel of corporations into these committees. Speer was suspicious of them. He did not like financiers. He shared the general hostility of the Nazi politicians toward financiers. So he brought in the engineers, the technicians. He brought in young men. He insisted that every representative of an industry serving on these committees should be under 45 years of age. Speer himself was under 45 years of age. But, if for various reasons they could not get a technician under 45, he insisted there be a deputy, under 45 years of age, to the man who was the representative of an industry.

In these committee meetings--there were subcommittee meetings, too--production scheduling programs were arranged and an interchange of production information took place. The German economy, in terms of output, expanded about one-third from 1939 to 1944. The production of end items of military equipment expanded (from 1942 to September 1944) by three times, which was a considerable achievement. This achievement was realized through Speer's rationalization program and through his slogan of "self-responsibility of industry." It took industry out of the control

of the financier and put it in the hands of the technician. The Ministry kept pretty careful central records. It did primarily the job of troubleshooting--the job of controlling the allocation of raw materials in accordance with these end item programs that were set up.

That is all I can say on this subject of relations with industry. The structure of the committees; the names of these committees, how they were set up, their organization, size, and so on, you will find in this report if you are interested in it (referring to "Foreign Logistical Organizations and Methods").

The third thing I want to say a word about is the whole concept of planning in the German Government. This statement by Hitler that Colonel McKenzie read to you in the introduction is another illustration, I think, of the misconception many of us have about German planning. There never was any such thing as a "master plan" for the German economy, either before or during the war. If you try to find some document or some set of documents you cannot find them. They were not evident in any of the files of the government ministries. Fortunately, the Ministry files fell into our hands rather than those of the Russians.

There were many different kinds of activity going on. Everything in the Central Planning Board, set up after 1942, consisted in large part in laying out the broad, general directions in which the economy was to go. It had to plan, or program--whatever you want to call it--on the basis of the information that came up out of industry and on the basis of the information that came out of the armed forces. The primary job was one of adjusting the two, which was done through the machinery of this Central Planning Board which Speer set up.

But what impressed me about this was very much the same way I was impressed by our own actions here in Washington during the war years. You know, just at the time the Japanese capitulated, we learned a great deal about how to control the American economy. Of course, the Japanese quit about that time, so we quit, too.

I am not so sure about the possibilities of setting all this down in a blueprint beforehand. Only out of experience were the Germans able to develop their planning techniques, as well as appropriate planning machinery.

Now, what are the lessons for us which we may gain out of all this German experience? I think the lessons are twofold, basically. One of them is a sort of negative lesson; the other, I think, somewhat more positive.

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One satisfaction I get from reviewing this German experience is to realize that they were not so efficient at economic mobilization. Take, for instance, the very question Colonel McKenzie raised in the beginning: Can dictatorships plan and operate more effectively and more efficiently than democracies? Well, if you are to use the German case history as an answer to that question, it seems to me the response is obvious. They weren't so successful at it. The essential reason, it seems to me, apart from the broad politics of the situation, was personalities. Hitler was afraid of competing centers of power. He was not going to vest absolute authority over the economy in any one man. And he never did vest absolute control over the German economy in Speer, although Speer got control over more of the economy than anyone else had up to his time. And I think he acquired that control partly because of his own dynamic personality, and partly because of the serious circumstances of the times.

The Germans thought that the war effort had to advance primarily through collaboration on the part of many different individuals. That collaboration and cooperative effort was just as hard--if anything, harder--under the Nazi regime as under our own experience. There were at least in Germany no newspapers to turn the spotlight of publicity upon these conflicts. What went on never got into the press, so the people did not know about all this intrigue that was going on around Hitler.

The second big lesson that I got out of all this experience is that a great deal necessarily must depend not just upon the individuals but upon the policies and circumstances of any particular time. I am not sure all the planning in the world could have cured the German deficiencies in the absence of clear-cut policies and decisions about objectives. Those were missing. True, Hitler did have a general sense of what he wanted to accomplish; but he was pretty deficient in understanding the means necessary to the accomplishment; or, let us say, he underestimated the means. For a long time his "means" did prove effective, though in the end they proved to be disastrous.

Now, I am not very sanguine about the possibilities of developing fancy organization charts and detailed plans of organization for a war effort. But I do feel that what we can develop is a sense of the broad complexities of the subject of economic mobilization. I think we can develop a sense of what the various needs are. I think we can do a lot to clarify what the desirable relationships between agencies in wartime should be.

What I think we can do is to cultivate a sense of general understanding of both the importance of what is to be done and the relationships in economic mobilization. Then I think we can develop some of the techniques of operation--especially along the lines where we were deficient in 1941 and early 1942. But I doubt very much if we can ever hope to anticipate all the circumstances or all the personalities that will come

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to play in any particular situation. I think in the end the broad elements of a situation are going to be determined by these personalities and certain other factors that you and I cannot anticipate.

What I am really pleading for is flexibility; a sense of adjustment; a sense of expediency, even, in war plans and preparation. These are terribly important. Plans and preparation can be harmful, I think, if they are gone at in a sense of inflexibility; in a sense of the "last word"; or in the sense of being the answer to any and all circumstances that may arise.

It seems to me what we have to do constantly is to think in terms of the best available knowledge at the moment, gained both historically and from reasonable expectations of the future. And then, we must always preserve a certain amount of flexibility and adjustment in human relationships and in the circumstances that may arise, realizing these are going to be controlling in the end. It seems to me the whole German experience underlines some such lessons as these.

Thank you, gentlemen.

QUESTION: Dr. Millett, in the course of your talk you used the term "rationalizing industry," would you explain that a little, please?

DR. MILLETT: Yes. I'm sorry I could not go into that in a little more detail.

What that really meant was that an awful lot of German industry--and this applied even up until 1942--was still operating on a handicraft basis. Mass production techniques--certainly those with which we are familiar in this country--were not widespread in German industry at the time of World War II.

The "rationalization" program was primarily a program to introduce mass production techniques into German industry generally. Of course, I should point out, they learned most of those techniques from some of our own factories located in Germany. The production we had built up and the machine tools we had provided during the twenties afforded a considerable amount of precedent for a "rationalization" program during the war years. In essence, that was what the whole program was--one of introducing the best available production techniques on a wide basis throughout German industry.

QUESTION: You pointed out very patently that this man Speer was a great asset to Germany during the war; that he might have been called "a man on horseback." Would you comment as to whether you think we have today "the man on horseback" or "the organization on horseback" to take advantage of the lessons pointed out in the German economic mobilization experience to be sure we are forging ahead on economic mobilization?

DR. MILLETT: You really want me to cut my throat. Well, I'm going to pull a sneak trick and run out from under that one.

I will say no. I think it is probably a little early for him to emerge.

GENERAL VANAMAN: Do you confine that lack of mass production technique to the aeronautical industry?

DR. MILLETT: To a considerable extent, I would say. You see, they had a terrific problem with design throughout the period of the war. I always had the impression--gained mostly from some inside sources of information--that the Germans standardized their planes at an early period. However, the evidence which we accumulated in Germany was the exact reverse of that. Speer had some trouble with the air force officials in getting them to standardize. They were, it seems, constantly changing types. That was one of the reasons why the production was no greater than it was.

QUESTION: Doctor, do you feel that if the Germans had established the fourth service early in the war it would have materially helped the military?

DR. MILLETT: I wish I could tell you that story about Buhle and Fromm. I didn't have an opportunity to do that.

The army had a very interesting arrangement whereby they had a zone of the interior commander--a commanding general of the Replacement and Equipment Army is the way we translated the title; that is the best translation we could think of. This fellow ran replacement and training functions inside Germany. He also ran all the procurement program for the army. But Hitler simply hated the guy. He was Colonel General Fromm.

I was told--this is gossip--by some people that after about February 1942 Hitler refused to speak to Fromm who, it seems, had sent a memorandum to Hitler saying the war was lost. From that time on (February 1942) Hitler refused even to see Fromm; wouldn't have him around; wouldn't let him come to his headquarters.

Now, General Buhle was the man who eventually got control. This is what happened: Fromm was implicated in the 20 July 1944 assassination effort. I was simply amazed when I discovered from the intelligence documents that over 5,000 high officials were executed at that time. Fromm was one of these.

Incidentally, I can tell you a nice story on that. Admiral Canaris, the intelligence head in the IKW High Command, was implicated

in this same effort. He was hanged nine times: They strung him up, cut him down, strung him up for nine times before they killed him. (That was just to show what Hitler thought of the navy.)

I think Hitler's creation of a fourth service under Duhle was an act of desperation in the end. I do not take it seriously.

You asked me about this fourth service. My old boss is a great believer in the idea of a fourth service; he seems to be the only one who is. I just read the bible yesterday on the subject. It seemed you "ain't" going to have a fourth service. All I will say is, I guess it is out.

COLONEL CLADAUGH: My question has been answered in part. I was going to ask if you would comment on the increase in production from 1942 to 1944, percentagewise. You spoke of reaching the peak in September.

DR. MILLETT: I have it in this report for the various fields. It shows an increase, as I said, of three times from February 1942 to the peak in September 1944. That is in end items of war munitions, understand. It is not for the economy as a whole. That meant, you see, there was a terrific contraction of civilian production after February 1942.

COLONEL MCKENZIE: I regret, gentlemen, we will have time for no more questions. We must put Professor Millett on a plane. I am not going to call him a professor any more. I am not going to call him a colonel. After this morning, you are just "John" to all of us.

May I reassure you that your report is in our library. It will in all probability be included in our Mobilization bibliography. However, after such complete coverage this morning, I do not know that it will be necessary for us to read it.

Thank you very much for coming.

(16 May 1950--350)s

