

# RESTRICTED

## AN APPRAISAL OF THE WAR ECONOMY AND ITS ADMINISTRATION

5 June 1950

### CONTENTS

	<u>Page</u>
INTRODUCTION--Commander Joseph W. Leverton, USN Member of the Faculty, ICAF.....	1
SPEAKER--Mr. William L. Batt, President, S.K.F. Industries.....	1
GENERAL DISCUSSION.....	13

Publication No. 150-147

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

RESTRICTED

Mr. William Loren Batt was born in Salem, Indiana. He received the degrees of M.E. (1907) and D. Eng. (1933) from Purdue University; D. Eng., Stevens Institute of Technology; Sc.D. Drexel Institute and University of Pennsylvania and Sc.D. from Rose Polytechnical Institute. During 1907 he was assistant to Dr. W. F. M. Goss in research work at Purdue University; from 1907 to 1910 he was laboratory head at Hess-Bright Manufacturing Company. He became secretary of that organization in 1916 and remained in that position until 1919 when they affiliated with S.K.F. Industries. At this time he became general manager of the organization and in 1923 became its president, the position which he now holds. He is past president of the International Committee of Science Management; past chairman of the board of the American Management Association; past president of the American Society of Mechanical Engineers; vice-chairman of the War Production Board; member of the American Combined Raw Materials Board; Combined Production and Research Board; and the Combined Joint U.S. Canadian Production Committee. During World War II he was a member of the President's special mission to Moscow, with rank of minister, 1941, and chairman of the U.S. Inter-Agency Policy Committee for Rubber. In 1942 he received the Bok award. He is an honorary member of the American Society of Mechanical Engineers, British Institution of Mechanical Engineers, and the Engineering Institute of Canada.

RESTRICTED

RESTRICTED

2361

AN APPRAISAL OF THE WAR ECONOMY  
AND ITS ADMINISTRATION

5 June 1950

COMMANDER LEVERTON: Today's subject is a humdinger. We had three criteria for the selection of the man whom we were going to ask to present the subject. He had to be able to speak with experience and with authority, he had to have ideas about the future, and he had to have a lot of nerve to take on the subject.

Our speaker today is able to speak from experience; he was in the War Production Board and its predecessor agencies all during the war, and as each reorganization took place--and there were many--he took on many new responsibilities. He has ideas about the future; if you have been reading the papers, watching television, or listening to the radio, you have heard his name mentioned several times lately. And he has a lot of nerve, because he took on the job.

It is a great deal of pleasure to have Mr. Batt, an old friend of the Industrial College, come back and talk to this year's class.  
Mr. William L. Batt.

MR. BATT: At the risk of being personal, I would like to take a moment to identify my experience with World War II so that you may know a little more precisely the background against which I make my various informal remarks this morning.

On 1 June 1940, I came here to serve as Mr. Stettinius' deputy in the old National Defense Advisory Commission, intending, as many civilians did in those days, to stay two months, but ending with a tour of duty of six and a half years.

On about 20 December 1940, the National Defense Advisory Commission having proved to be too cumbersome for the job which clearly faced it, the Office of Production Management was formed, with Mr. Knudsen and Mr. Hillman as codirectors. Mr. Roosevelt, with his facile imagination, felt there could not possibly be any disagreement between Mr. Knudsen and Mr. Hillman, and, therefore, he thought he would have labor and management with divided responsibility. The principle was all right but the arrangement of divided responsibility would never have worked if Mr. Hillman had not wisely submitted himself, in all except purely labor matters to Mr. Knudsen. I was one of Mr. Knudsen's two deputies, primarily concentrating on raw materials,

RESTRICTED

RESTRICTED

as generally I did all through the war. OPM lasted until Pearl Harbor, although it was obvious before Pearl Harbor that its days were numbered.

The War Production Board followed and lasted through the war, with Mr. Nelson as its chairman through most of the years. Subsequently Mr. Wilson of General Electric became executive vice chairman and Mr. Krug later became chairman. I was one of the vice-chairmen of the War Production Board during the latter part. From the first of the war, we set up what was called the Combined Raw Materials Board to coordinate our materials requirements with those of our allies, Great Britain and Canada. I was the American member and the chairman of the Combined Raw Materials Board. Similarly, later, I was the American member and chairman of the Combined Production and Resources Board. Thus, my experience was not only with our own problem but with that of our allies as well.

I do not intend to make a formal address today. You gentlemen have been spending the greater part of a year studying in detail how a war economy ought to be conducted, and I am just one individual, like "One Man's Family," talking of the experiences of several years ago.

I don't pretend to be right on any part of it. But if an emergency should develop in the not-too-remote future, I think you will agree that some of the lessons we learned in World War II are lessons which you can take into account in another emergency and perhaps save some time. I would like for you to regard me merely as representative of a great group of American businessmen who came down to try to do what they could in an earlier day and whom the country would need again even serious difficulties on the front to arise.

I have tried to set this problem out in the simplest form I could devise. I think it is, in one sentence, what was your job as military men and ours as civilians: "To get out of our Nation's economy the largest amount of things most urgently needed in the least possible time."

In the doing of that job, there are four major items, that have to be dealt with, (1) manpower, (2) materials, (3) priorities, and (4) as an over-all end product, production.

You, will of course, agree with me that the mobilization of our economy in World War II was without precedent at any time in history and in any country. We amazed the world—I think we amazed ourselves—in turning out as much material as quickly as we did and, by and large, with as high quality.

RESTRICTED

RESTRICTED

I want to emphasize to you men in uniform a conclusion I have that I hope you will share. It is that there was something--I hope there still is something--in the American system, quite independent of our physical facilities as such, that made this production possible. It is a fact that we had the finest body of productive equipment in the world, and I give it all due credit, but the vitality of our democracy and the competitive system in the United States were, in my judgment, greater factors than the physical equipment by itself in our production. Therefore, I hold before you as a number-one objective in any emergency that our work shall be done with the purpose of getting the greatest possible cooperation out of the civilian body.

I have said many times that a war is fought by the military, but that it belongs to the people, and it is they who make it a success or a failure. Complete cooperation between the military and the civilian is therefore more and more essential. That was more vital in World War II than it was in World War I, and it will be more essential in World War III than it was in World War II.

Now, there is always--when I say "always," again I speak from the background of the past and not of the present--a tendency on the part of some of the military to regard a war as their own particular show. They overemphasize security; they underestimate the civilian; they want to do too much too fast. I should say at some point or other, because I remember putting it in my notes, that the only thing the military sees at the beginning is to get as many people as possible in uniform because that, to them, is tangible evidence of equipment for the war organization. In my estimation, that is one of the less urgent objectives.

I am convinced that, in a wisely administered war program, the over-all control of production and use of materials is a high-level civilian job. I would never give it to the military. I agree fully--indeed I would insist--that there must be active cooperation between the military and the civilian. But I would put the final authority for the production programs, not from the point of view of strategic necessity, but from the point of view of general over-all balance, in the hands of the best possible civilian group I could put together.

That is partly psychological. In our democracy such dictation as is necessary is not likely to be so well received from the military. That is partly factual, partly emotional. I don't believe that the military can get as much out of a democratic economy such as ours as a civilian can get out of it, provided there is a proper type of civilian organizational setup and that it has the right kind of relationship with the military.

I would like to digress for a moment to tell you about the size of the initial program of World War II. We had a good many ideas in 1941 as to what the military would need in the event of a war and what the economy was capable of producing. The estimates were all far less than what was needed and what was produced. But at the end of 1941 we thought we had a pretty good picture as to how many planes and tanks the country was capable of turning out.

Pearl Harbor came. A week after that Mr. Churchill came over with his military advisers and Lord Beaverbrook. After a few days, Mr. Roosevelt called Mr. Wallace, Mr. Forrester, Mr. Patterson, Mr. Lovett (for Air), Mr. Nelson, Mr. Knudsen, Mr. Henderson, and myself over to listen, as he put it, to what Mr. Churchill thought the United States ought to produce now that we were in the war together. Churchill turned to Beaverbrook and asked if he would not outline the program, and Beaverbrook came out with that, to us, was the most shocking summary of requirements that one in his wrong mind could have dreamed up and the suggestion that the American economy was perfectly capable of producing them: 125,000 planes, 75,000 tanks, gun categories of similar extraordinary size, and so on.

When he finished, Mr. Roosevelt commented that, of course, he had to send a message to the Congress in the next week; that he would like to set us up as a committee of the whole, with Mr. Wallace, who was then Vice-President, as a sort of chairman; and that he would like us to take the next two days to come up with paragraphs for his message to the Congress as to what he ought to ask the Congress for as the objective of the United States for war preparation.

We did that. Of course, we could not conceive it possible to make 125,000 planes. In the first place, we realized perfectly well that what we could produce depended on whether we were producing 125,000 cubs or 125,000 something else. But we came up with a program of what we thought was all this country could possibly do. I think the number of tanks was 45,000, and those were tanks largely with 37-mm. guns, planes of average size—75,000, and so on.

After we did our job and wrote the paragraphs in the fashion in which we thought they ought to go into the President's message, Mr. Nelson and I took them over to the White House and left them there. We listened with keen anticipation to the President's address to the Congress a few days after that. To our amazement, when the message came out, here were those old Beaverbrook figures substantially unchanged. We were shocked beyond words. And yet this country went to work, and we were actually set up to produce 75,000 tanks.

We would have produced 75,000 tanks if anybody had been able to use that many, and larger in size than was originally contemplated. We did produce 108,000 planes in 1943, with a large percentage of heavy bombers, and we could have produced 125,000 if it had been necessary. All of that because we had misunderstood the capacity of the American economy!

In 1938 or 1939 I was chairman of the Engineering Division of the National Academy of Sciences. General Arnold then head of the Air Forces, was very much interested to know whether, in the event of an emergency, the automobile industry could produce aircraft engines, and he gave us \$50,000 to make a study. We could make a pretty good study with \$50,000 then, and we set to work. We got the best automobile people; the people who were then producing aircraft engines, Pratt & Whitney and Wright; and men out of the services. After about four months; we came up with the conclusion, "No. The automobile industry could not produce an aircraft engine to the standards required by the services." It was a unanimous report. Yet, within a year after we were in the war, they were producing some of the best aircraft engines that were ever built.

And so it went across the board. This economy did things which its own proponents had not believed possible. Machine guns, for example, were produced by Pontiac in 10 percent of the time that the Ordnance Department had set out as reasonable.

I am ready to conclude that, similarly, in another emergency, with the advances which industry has made in the last several years, what we could do would surprise all of us, if we were sure that we got the best out of industry towards that objective.

Parenthetically, I got to know Lord Beaverbrook very well. One day after the war was over, while we were chatting in London about our experiences, I told him that I thought he had made a very serious mistake in persuading the President to up our figures; because we actually used up a great deal of manpower, material, and plant capacity providing for things which we didn't need. We were, as I said, prepared to build 75,000 tanks and had plant facilities and machine tools for that purpose. The surpluses, of course, would have been relatively wasted. I said to Beaverbrook, "Aren't you ready to agree now that you made a basic mistake?" He said, "Yes, of course, I am. But it came out in a way much different from what I had anticipated." He said, "We always thought you Americans were subject to discounts on everything. We would have been tickled to death to get 45,000 tanks, but we thought the only way to get 45,000 was to ask for 75,000, and I convinced the President of that. We thought that when a person asks you fellows for twice as much as he expects, he

RESTRICTED

gets half as much and thus about what he needs." He said, "I learned something about the American people," and I agreed, "I think we all have, and that is that in peacetime the democracy we have over there is likely to be, in some respects, a fairly inefficient thing, in the sense that there is a lot of crosscurrent and a good deal of wastage, but in wartime that democracy produces something that no other form of government ever has produced." I submit to you again--it will be a theme that runs all through my remarks--that there will be plenty of you who will be good strategically, but there will be only a few who will be able to get the best out of the economy of the country. They may be relatively unsung heroes, but they are the ones who ought to be cultivated in any military setup.

Now I want to talk a little about manpower. That is my number-one item. It is the first thing you have to deal with, and it seems to be the easiest thing to deal with. The country has lots of men around doing a great many things that seem to be unessential. Ergo, put them into uniform at once. I suppose there always will be a tendency on the part of the draft machinery to take too many people too quickly, as I said a little while ago, and an anxiety on your part to get men into uniform so that you can see them, count them, and start marching them somewhere. I watched all the training phases of World War II intimately, and, as a layman, I would conclude that men can be trained faster than they can be equipped. If I were running another war program, I would make the enlistment of men a somewhat secondary operation.

There is, of course, the great danger of drawing too many skilled men from industry in too short a time. Skilled scientists and technicians don't belong in uniform at any time unless, in the services, they are used in those particular capacities.

In our business in Philadelphia, where we manufacture ball and roller bearings, my associates tell me that they were constantly in the uncertain position of not knowing whether and when to promote a young man, because the chances were that they no sooner would get him broken into a new job than the military would put a uniform on him. That problem ought to be looked at because some of these men--such as those who run four-, six-, and eight-spindle automatics--won't seem to you to be highly skilled men, but they are, for their particular function, very highly trained. In so far as practicable, their qualities ought to be used where they make the greatest contribution to the final objective.

So I say again that I would put manpower in the hands of a very high-level civilian, with the best possible military liaison.

RESTRICTED

Now I turn to resources, in which field I speak with a little more direct knowledge. We always overlook the contribution of private stockpiles, not government stockpiles, and the general pipelines in American industry when we are trying to decide how self-sufficient we are. The resources that lie in this great stream of American production are tremendous in amount, and they must be used to the maximum.

New sources of critical materials, of course, have to be encouraged at home and abroad, and it is inevitable that you will run into proposals for subsidies for less efficient production. That immediately becomes a great stamping ground for political pressures. The politician who sees a chance of getting something for his district with Federal money, under the pressure of war, if he is a good, smart politician, will be out working for it. So there will be on every hand, this pressure for subsidies for inefficient production.

We got some additional production out of such subsidies during the war, but not in very large amounts. There are huge volumes of many low-grade raw materials in the United States. Those raw materials generally are not being commercially utilized in peacetime because they are low-grade and thus make a great demand on both equipment and men for their utilization. But still in the emergency, they must be used in order for the public to feel, among other things, that it is making its contribution. It is a good psychological step, even if its net results are not too large.

Of course, the biggest gold mine is in conservation and particularly thorough simplification and standardization. The thing that makes our domestic economy so great, this competitive force--in which the customer is king and competitive industry makes all kinds of things it thinks the customer wants; there is nothing like it anywhere else in the world--results in an enormous amount of material not being used most efficiently in an emergency. We were a little slow with this in the last war, but next time we ought to be much quicker in demanding that industry simplify, conserve, eliminate waste, as a first operation, and the type of specification that is a part of our competitive economy, that is, the lush type of specification--gold-plating a thing if you think you can sell it--ought to go out quickly.

Substitutions must be made. Conspicuous savings in the last war were such as these: We ended with a quarter as much chrome in armour plate as the services had been confident was vitally necessary; a third as much tin in tin plate, and so on.

Scrap collections must not be underestimated, because, again, while they don't yield much, they are part of the psychological approach to public cooperation. If I keep emphasizing that, it is because I want you, if you will, to agree with me that you have to bring the public along even if much of what it does is not so efficient as you might like to see. Scrap collection is one way of bringing that about.

## RESTRICTED

As to requirements, just as there was a tendency to underestimate the productive capacity, there was a great tendency to underestimate requirements. We underestimated everything at the beginning. Then, when we got into stride, we overestimated everything. There was padding at all levels. Everybody who touches a requirement in any of your services, if a check is not put on him, will pad. That is because he will conclude that being on the safe side is wise and that he will get no particular reward for being economical. You know better than I do how those things go.

I hope that competition between the services has been more or less eliminated. During the last war we spent too much of our time settling squabbles between the services. The competition between them was shocking. I have no reason to doubt that great strides have been made in that direction.

The services themselves ought to decide the relative merits of their programs and come up with a final need. They ought to know whether tanks, landing craft, or something else is going to come first and not leave it to the President and political pressures and to the War Production Board to settle, which is the way many of those programs were handled.

I must not fail to emphasize again the general reluctance of the military to recognize valid civilian needs. You are charged with winning a war, and your immediate reaction is likely to be that anything that does not directly contribute to the winning of that war is needless and ought to be stopped. That is what happened before, and I suppose that is what will happen again. It is very difficult to draw a line. But it does not do much good to stop making something which does not use critical materials and which uses men for whom, at the moment, there is no other particular need, just for the pleasure of stopping it.

There I think you make maximum headway through the generous use of industry advisory committees. A great part of the accomplishment of the War Production Board was due to its rather good use of civilian advisory committees out of industry. Those men have to be brought in, not to be lectured to, but with a high sense of moral responsibility to bring their expert knowledge, which you cannot possibly have, to bear to the end of doing whatever at the moment needs to be done. Through them you can make the most effective use of whatever materials you have, because they are just as patriotic citizens as you are—if they are led to water instead of driven.

One of WPB's great problems, of course, was control of materials and the flow of allocations. I have no reason to doubt, as I indicated at the beginning, that an agency like the War Production Board—perhaps NSRB—is the proper way of exercising that authority. It is an extraordinarily difficult job. Our Requirements Committee, set up very soon after Pearl Harbor, had some tough going, as some of you may remember.

I think one mistake we made--I know one mistake I made--was in moving too fast and too roughly. One could see an answer quite clearly, but there I quickly found that the military cannot be driven any more easily than can the civilian. We made the mistake of thinking that, because they were in uniform, they would take orders from us, the same as they were accustomed to taking orders from each other. But it did not work that way, and we had to learn that we had to sell the military before a program could finally be adopted with any possible likelihood of acceptance.

Then there is the big question of priorities, who gets what, when, and at what rate? You may have an answer to that, gentlemen. I haven't. We tried everything. Sometimes it worked. Sometimes it didn't work.

There is one piece of machinery that can be used for critical programs that can be isolated. I will take just a moment to tell the experience with the landing craft program. When the Channel invasion was beginning to shape up in the middle of 1943, somebody awakened to the fact that we did not have nearly enough landing craft. It was one of those things that had fallen between the cracks. It wasn't a Navy job; it wasn't an Army job. I don't remember the details, but the fact is that the plans for that invasion were well along before it was discovered that there would not be enough landing craft to move the troops which would be ready to be moved on D-day. So, by the President's order, landing craft took number-one priority over everything, including aircraft, for a short period.

Then the Navy thought it had a field day, because anybody can go places with an overriding priority, and the Navy proceeded to try to exercise it. Well, there was a very wise Navy fellow, Admiral Mike Robinson, who headed production for the Navy. He asked me for an overriding priority, and I refused to give it to him. He had a Presidential directive. I tried to convince him that there was a method we had not tried so far that I would like to experiment with for 60 days. If it didn't work, then he could have his overriding priority.

Here I say, parenthetically, that the trouble with an overriding priority is that it gets applied to everything. It is applied whether it is needed or not. It will go for toothpicks in the restaurant and for every conceivable thing that any of these plants want, and haven't been able to get.

I said to Admiral Robinson, "I'll tell you what we will do. We will take the smartest man we have in the War Production Board and detail him to your office, if you will take the smartest man you have and put the two of them opposite each other at a table; you will agree with me that

RESTRICTED

for 60 days you won't ask for an overriding priority on anything that you don't need. If it is a bottleneck item in any one of these plants building landing craft, then you can have an overriding priority against everything. But if they don't need it, they don't get it."

He didn't feel very happy about it, but he agreed to see how it would work. It worked perfectly. The production of landing craft reached extraordinary figures and did not particularly hurt anything else, because they really needed only a few items. They needed those desperately. They did not antagonize other programs; they did not incur ill will across the board. If he had been given his way, everybody in Washington would have been shooting at him in 60 days because he would have been ruining every other program. In this way, it did not particularly hurt any other program, and the job went ahead.

So I would suggest that one of the partial solutions to the priorities problem is isolating specific high-level programs, putting them in the hands of just a few first-class fellows, both civilian and military, and giving them all the authority they need to expedite those programs.

In the field of production some extraordinary things were done simply because of one quality, good management. You will find that the bag-loading statistics of World War II are amazing, if you ever have time to read them. Do you know who loaded most of that powder? Such people as soapmakers and cameramakers. Why? They did not know anything about the job, but they knew management. Procter & Gamble, as an example, who completed one of the first bag-loading plants, had a fine top-level management group, and it was big enough so that its people could take off all they needed, without hurting the soap business, and throw it into this job, the requirements of which were about the same as those of anything else, from a management point of view. Management speaks a common language, just as the military does, and once it can identify its problem, it will find the quickest way of dealing with it.

You will run against the headache of small business in any war, partly because, again, it is the desire of the small fellow in the community to do his part, and, second, because it is a fine political football. I think it has to be aggressively taken up earlier than we took it up, and without fingers being crossed as they were in the last war, because, again, while it won't yield a great deal, in my judgment, it is a necessary part of enlisting the rank and file of the people of the country.

At an earlier date than we did it, the production of some of the big consumer items--automobiles, refrigerators, and so on--ought to be stopped cold in their tracks. I would not propose to stop all civilian

RESTRICTED

RESTRICTED

2371

production, but some of these big consumers of critical materials, steel sheet particularly, and at the same time people with large manufacturing organizations ought to be stopped pretty quickly and put to work on something else.

The military representatives in the last war always underestimated the value of transportation. They are likely to underestimate it again. Cars and locomotives have to be maintained and built. You should keep your eye on our transportation system.

But I would certainly stop traveling at a rate that we did not attempt before, partly because we were in the hands of very strong political pressures. It seemed a shame not to stop people from traveling. That is one of the first things that ought to be done, because people who travel use up a lot of transportation and a great many other things needlessly.

You will run into the power problem. I expect that you will underestimate the amount of power. Certainly we did. You will find great social pressures. Mr. Lokes may have told you something about that when he spoke to you, but he may not have told you the story the way I would. The opportunity to build public power out of a war budget is a temptation that no politician can overlook. Some of it will be wise, and some of it won't be wise, but there will be heavy pressures you will have to contend with.

Incidentally, you will find your own engineer group in that same position. If there is a military engineer here in the room, I want to tell him that they have now a lot of stuff that does not have any sound foundation. But they get wonderful pork barrel help—and war is an even better opportunity than peacetime. They are human like everybody else, and they go to town.

As to procurement, some items of procurement ought to be, in my judgment, civilian, but all common civilian-type items ought to be pooled between the services. Shoes, for example, ought to be bought by one person. I am not very much concerned about who buys them, so long as shoes are bought for all the services by one person. Blankets are another example.

Your relations with labor will be more difficult in another war than they were in the last one. I sympathize with the fellow who has to deal with that problem in another emergency. The big union leaders are going to come in and demand participation. I shall be surprised if they don't. However good they are as leaders of organized labor, they will not be useful in planning and executing a war program, except in so far as they carry the morale of the workers and the unity of the workers, and so forth.

RESTRICTED

RESTRICTED

The Union leaders will demand participation, I suspect, in detail planning. I think, in the interest of the war effort, that should be denied to them. But they should have a substantial place on broad planning boards, on training, and on civilian defense. They should have a participation that makes them feel they are a part of the program, but it ought to be applied to the things they can do and do well, and not to the areas which they will be looking upon as a means of enlarging their personal prestige as such.

I talked briefly of the desirability of a "phantom" order. I would like to see the National Security Resources Board get that off dead center and go somewhere with it--not necessarily in the form in which it has been used, but in such a way as to substantially eliminate what would otherwise be the inevitable lag between the beginning of an emergency and the time when wanted requirements can begin to flow--down to a point where factories are actually cutting metal. If something is not done about that lag, the result will be a tremendous loss in materials and manpower.

I have just one suggestion for the National Security Resources Board. I don't think you will get a satisfactory list of requirements from the services for critical items such as ball and roller bearings. What the services will be wanting two years from now may, and probably should, be very much different from what they want today, and so forth and so on. But you could go to us, for instance, and we could give you a list of the standard things that were wanted in the last war and to which we could quickly shift over, or which we might perhaps be running on emergency day, and so avoid the loss of our manpower. Then, as quickly as you get to us the items of "square" balls and "rectangular" rollers, and all that sort of thing, which the services are sure to want, we will have a going organization to deal with them. But I urge you that something needs to be done to fill that gap; otherwise, it will represent a long, painful loss.

I would like merely to touch on one of the successes, as I see it, of the War Production Board; that is, if it could possibly be avoided, we never permitted men to run a division of an industry out of which they came. Of course, we paid a certain price for that in lack of experience. We did not mind staffing a division with experts out of a particular field, but we wanted to have the head of a division not dealing with the problems of the industry from which he came. I never touched a ball or roller bearing problem during the war. That gave us a certain independence from attack, and, whatever it was, I think you will agree that the War Production Board came through the war history with a comparatively clean record, so far as personal bias is concerned.

RESTRICTED

I urge you again that you cannot win the kind of war we are going to face, without the maximum cooperation of the civilian economy. You will do the strategic job in your stride—you are trained for that, and you won't have any competition from the outside, except the Monday-morning quarterbacking that you always get from Congress—but don't overlook the fact that most of you will not be production men, and most of you will not be public relations men, and you must bring the civilian along with you in such a way that he feels this is his war as well as yours and that you are fully conscious of the fact that you must have his support.

Now, gentlemen, I would like to have an opportunity to answer some questions. I took a little more time than I had intended, because, as you realize very well, it is a long and involved subject, and an older man has a great temptation to roam. If I said some things that annoy you—I think I have—or raised questions in your minds, I would like very much to have you shoot questions at me. It does not follow at all that I will have an answer in every case.

COMMANDER LEVERTON: Let's have the questions now.

QUESTION: Mr. Batt, you made a point of stating that the military underestimated the need for transportation. That may be so, sir, but, inasmuch as you made a point of that, I would like to compare what you said with something I read last night in "The United States at War," a publication prepared by the Bureau of the Budget. In that book it is said that, despite the fact that the ODT was down on bonded knee, it was the WPB that stopped the production of freight cars and passenger cars.

MR. BATT: Yes, we did—because of military pressure. You see, we were very short of sheet and plate; and tanks, landing craft, and ships made a tremendous draft on our supplies. Every time we talked about approving another thousand freight cars, we encountered vigorous protest from the military.

I understand the problem of priorities. I merely want you, as military people, to see that when you take something away from the transportation requirement for something else, you ought to be quite sure you know what you are doing. There will be times when it has to be done, but don't underestimate the transportation need. That is the point I want to make.

QUESTION: Sir, you have stated a principle that was followed throughout the war in the War Production Board; that is, not to allow a man to head up, at least, a division involving his own industry.

RESTRICTED

MR. BATT: There is one exception that I remember.

QUESTION: Yes. I think we heard about that the other day. Standard Oil.

MR. BATT: No. I did not have anything to do with that. That was Ickes' problem. It was the steel industry. Ickes brought all the oil people right in and turned the oil business over to them. I think he was absolutely wrong.

QUESTION: While it may not be strictly comparable, the principle you stated seems to fall, to some extent, in the same category as having the Army, Navy, and Air Force during peacetime, and then, when war starts or we get into an emergency, putting the Navy in the Army, the Army in the Air Force, the Air Force in the Navy, and scrambling them all up.

Now, if production and these relationships are so exceedingly important—and they probably will be even more so in the next war—why should we not allow the men who have the greatest experience within any given field to take care of that field during the emergency and then, after the war has been won, if possible, settle the differences and the upheavals that were caused during the war? It looks to me as though we are actually in an area in which we cannot afford to waste.

MR. BATT: That is reasonable. The British did it your way. There are two reasons, in my judgment, why it is not the best way.

First, that man is always subject to great political and public criticism. We had some difficulties. We almost broke the reputations of two or three very fine men at the outset, before we ourselves had become oriented to what we subsequently adopted as a principle. If a man does something favorable to his industry, he is very vulnerable on the "Hill" and in the newspapers. Have experts available, of course, but don't have a man making top-level decisions about his own industry, if you can avoid it.

Second—and this reason is equally valid—that man knows too well what cannot be done. You must have at the head of a division someone who does not know enough about the thing to say it cannot be done, but who has an objective, as farfetched as it might seem, and who will say, "You fellows say you can't do it, but we are going to do it." It is amazing how many times the estimates of the technical experts in an industry were exceeded just because somebody said they had to do it.

RESTRICTED

## RESTRICTED

QUESTION: I would like to carry that a bit further if I may. I think your second reason is much more important than the first. But, viewing it that way, do you think the British failed?

MR. BATT: Yes. They did not do nearly so good a job as they could have done. I say that with great affection for the British and considerable knowledge of what they did accomplish. In my judgment they could have accomplished more, with our principle.

QUESTION: As contrasted with the objectives that were being worked on by the WPB, what do you consider the single greatest problem that you had to solve in production?

MR. BATT: Priorities and allocations of materials. As Americans we can produce pretty well. I tried to summarize that in my opening sentence—to get the most possible out of the economy in the quickest possible time. I regard this as the big job—the best use of materials, decisions as to programs, both civilian and military, and within the military, and then the flow of materials to those programs in the most efficient way.

COLLANDER LEVERTON: Was it because the problem was bigger or because you had to fight with more people?

MR. BATT: I started by saying one of the handicaps was the competition between the services themselves, much of which competition we had to fight through. Each service, of course, went out for its own program with generally very little regard for what anybody else had to do. They would come over to our place, and they would work at all kinds of levels—you know how that is done. We used up a lot of our time trying to keep them in the best possible line. I know this is a cloudy answer, but the question was not too dear.

QUESTION: It has been verified by all the speakers who have appeared here that our system of allocations initially was too complicated, somewhat confused, and changed too rapidly, so that a priority issued one day would not amount to anything the next day. How do you think that should be handled in the future?

MR. BATT: There is a good deal of substance to that, but part of it arose from the fact that our programs did vitally change. Then in March 1943 we lost 13 out of 15 ships carrying bauxite from the Caribbean, and our whole aluminum program looked as if it were shot to sixes and sevens, naturally something drastic had to be done, and there was a change in programs immediately—an enormous plant in Philadelphia

## RESTRICTED

to build aircraft from stainless steel aircraft; our projects, which were huge in size, for getting aluminous clays outside the country to replace bauxite, with high priorities; and then the building of ships at an enormously accelerated rate. We lost 500,000 tons of shipping in the month of March 1943. If the enemy submarine campaign had not been so successful in that month, we would not have had those changes in programs. That was the basic element in the situation.

But we had within the War Production Board a good deal of competition as to kinds of programs. There are personalities in any organization as big as that. And the services were pulling and hauling at us. They were trying to get control over priorities, and they were trying to get allocated to themselves blocks of material which they could expend at their own discretion. That kind of thing went on. So that the picture presented to the historian is a very confused one.

That is why I said I don't think we had a clear enough experience over a long enough period to justify me, at least, in saying, "This is the way you ought to run priorities." I gave you merely one example of a method of handling a strategic program, which I think is basically good management, and which I think will work. But, obviously, you cannot do that for every program.

QUESTION: Mr. Batt, in what sense was the War Production Board a board? I understand it did have pro forma members, but it seems to me it was a straight line organization that operated that way—and it should have been. Or was it a board, and, if so, in what way was it a board?

MR. BATT: It depends on what a board is. When you have the Under Secretary of War, the Under Secretary of the Navy, and men like Mr. Hopkins on your board, without a vote, you know you must walk pretty gently. You have to be sure that you operate, actually, with a more effective majority than you would need if you had a voting board. With a voting board, you can settle each issue by counting the number of chips that fall on one side or the other when the vote is taken. It is true that sole authority rested in one man, the chairman of the War Production Board, but he had these other high-level brass sitting around his table, and he had to take a lot of time to be sure that he was not going to step too hard on any important toe.

Does that answer your question.

QUESTION: Then was it a board in the corporate sense of the word?

MR. BATT: Oh, no. In the corporate sense of the word, a board votes and has power. Each individual member of the board of directors has as much power as any other one.

RESTRICTED

## RESTRICTED

QUESTION: The people you mentioned did not share any administrative responsibility, did they? The chairman of the board was the guy who was stuck and the guy who acted.

MR. BATT: That is right.

QUESTION: Where would you put Selective Service--where it was in the last war, or under the over-all manpower control?

MR. BATT: I think I would put it under the over-all manpower control. But, as I said, my contact with manpower was more from the point of view of men needed in production rather than with the active administration of manpower.

I would start training-within-industry programs at the outset--or I would have industry start them--to produce men of the skilled training such as is required for great numbers of inspectors, and the like, for which we don't have an adequate training facility in the United States, even in peacetime. I will say parenthetically to you that we graduated too many bachelors of engineering, and not enough masters and doctors, and not enough men in the intermediate grade--good electricians, good builders, good gauge men, and the like. That is a type of training that American industry needs badly. It is a sadly neglected part of our education, and it is the first thing that ought to be taken up as one of the manpower control operations in another emergency. We were desperately short in World War II. We trained 1.7 million men in this sort of thing, but were slow to organize. In my opinion, it was not fully appreciated by industry until toward the end of the war.

QUESTION: What do you believe could have been done during the war that would have been most effective in improving the over-all coordination between the various war agencies, to minimize differences among them and to settle quickly the differences that would arise?

MR. BATT: I have an answer to that, and it applies in peacetime just as well as in wartime. We ought to adopt the British practice of a cabinet secretariat as nearly as we can constitutionally. I have advocated that many times. It is something that would have saved us a great deal of trouble in wartime. This briefly, is the way it worked:

You know, our Cabinet is like a wheel without a rim. The hub is the President and the spokes are the Cabinet officers, and no high-level device ties them together except the President's office, which is substantially a political operation. I would hope that the President would set up a very high-level man in the White House and each Cabinet officer would pick a man who is very close to the Cabinet head, the selected men constituting a Cabinet secretariat. They would clean out a lot of the dirt

RESTRICTED

## RESTRICTED

their bosses got mixed up in and about which most of the time they didn't know anything. That is the best way—the only way—I know of for ironing out that friction between agencies.

We had much less of it at the end of the war because we did have a great many more so-called interagency groups at that time than we had at the beginning. We have the British to thank, in part, for that, because, for the first two or three years, they conspicuously out-organized us in dealing with programs as between governments. Any of you who sat in on those thousand-and-one meetings with the British know that, when the meeting was begun, the British know exactly what they wanted and who was going to carry the ball for them. Most of us came into the meetings much of the time not having much idea what the subject was about, let alone what line we were going to take. And the chairman, who would almost always be an American, would spend too much of his time talking about yesterday's golf or the weather, or answering the telephone, and it would take us a long, long time to get an answer. Later on we became better organized, we would hold our meetings in advance, develop a line, and go into the meetings with the British knowing something about what we could deliver.

QUESTION: Mr. Batt, assuming that the services do get together and coordinate reasonably well on requirements and on their priorities, what change, if any, would you recommend in the actual procurement responsibilities during war, and what type of coordination between the military and a WPB setup?

MR. BATT: Not being a procurement expert, I touched on that only very briefly. I said that I thought all common items ought to be procured through one source. I doubt very much if you would want strategic items to be procured except by the specialists in each branch of the service.

In the War Production Board we had some of the most experienced purchasing people in the country in the last war. Someone ought to have them again. That was the way Nelson, Harrison, and Folsom, as examples, came into government service.

Barring the overlap between the services, I don't have any basis for complaint as to the actual physical procurement by the services once the item itself was decided upon. I think that is one of the procedures that was not very much subject to criticism in the last war, possibly because as a profession it is about the same in war as in peace.

QUESTION: Under what status would you bring in key civilians? Would you bring them in as dollar-a-year men, or would you bring them in at a government salary of, say, \$15,000 to \$20,000 a year, and require them to sever their connections with industry?

MR. BATT: There I think the British were much wiser than we were. They insisted on paying a man the salary of the job, but—and I think I quote them correctly—they did not object to his company making up the difference. But they made it a matter of public record.

## RESTRICTED

I think it is unwise—I think it is practically impossible—to ask a man in normal civilian life voluntarily to give up his "X" dollars a year and come down here at what the Government will pay him. You may say that is a great unfairness because that is what is done to you. Well, that is one of the problems that has to be recognized. But the man in private life has large private commitments. He may have an expensive home, insurance, and the like, and unless you actually draft everybody they won't come at the salary of the job.

If you try to hold them to that, you get the kind of thing that happened in OPA. When Leon Henderson set up the Office of Price Administration, he would not have any part of the dollar-a-year business. He was going to have men quit their connections and take the pay of the job. Period! They were to be fine, unselfish public servants. What did he get? He got just exactly what he could pay for. He started them out at \$3,000 or so and I think his top job carried a salary of about \$7,600, which only a handful of people got. He got youngsters graduating from school, he got teachers who were not making much and felt here was a chance to learn something and get a little more pay, he got young lawyers on the make—he got a heterogeneous collection of inexperienced people who were worth just what they were being paid.

For the first two years, OPA was the worst fouled-up program in this town. When Prentiss Brown, who had been a Senator and was head of a big Detroit utilities company, and later Jim Brownley were brought in to head it up, they found the system so frozen, partly because of the Civil Service machinery which had been used in connection with it, that they could hardly budge. I say, with all intent to be fair, that the OPA was one of the least realistic of the agencies in wartime.

On the way down Commander Leverten asked me whether I thought there ought to be a larger use of the old-line agencies in conducting the civilian aspects of a war, or whether new agencies ought to be created. I believe that question was touched on here by Mr. Ickes. Of course, the old-line agencies ought to be used for their functional facilities, but generally speaking, I think new agencies have to be created, and they ought to be kept just as far away as possible from the requirements of the Civil Service System as it is at present. That is an institution which seems as if it were designed to protect inefficient people, and you don't win a war that way. You must be able to bring people in quickly. If they are no good, send them home with some kind of certificate of appreciation. If you are frozen into Civil Service, you cannot do it; new agencies can.

QUESTION: I was much impressed with your way of handling labor. You apparently feel that is a problem that is going to give us great concern. So you are going to give the labor leaders a rightful place in your high-level decisions, recognizing that they rather than the managers of industry control the laborers. In other words, if they go along with you on any program, they can convince the people they control.

## RESTRICTED

MR. BATT: That is right.

QUESTION: That, to me, is basically sound. How will you get the Congressmen in on this? Would you bring in certain ones who represent certain parts of industry, say, convince them your program is good, and let them go back as missionaries to Congress?

MR. BATT: I am convinced there ought to be a common group in both the Senate and the House that will be freed from their ordinary legislative duties so far as possible and will devote sole attention to coordination with the military effort. If that group were created by the Congress, so that it spoke for the Congress, it would be an enormous time-saver.

I happen to be one of those who say that the Truman Committee was, by and large, a very useful institution. It made a lot of trouble for us, but it was generally fair. Once we had a going over and received a clean bill of health from the Truman Committee, we did not have to bother on that particular thing again. So far as I know, the committee never reached a formal finding that we did not have an opportunity to look at privately and say wherein we thought it was unfair and perhaps persuade the committee to change its finding. At least we know what the committee was going to say before it shot at us. I think Mr. Truman did a worthwhile job.

You must have Congress in any military show in some way or another.

COMMANDER LEVERTON: We will have one more question from the students. I would like to let the visitors know that I will then entertain a question from one of them if they have one.

QUESTION: In reading the history of World War II, one gets an impression that a great deal of the time that was lost—perhaps as much as two years before we really started production—was due to the fact that there was very little comprehension of either the job to be done or what we had to do it with. In other words, just as you mentioned, there were underestimates of requirements as well as of capacity. However, after we got that more or less in balance, it seems to me that the job of the War Production Board boiled down, to a great extent, at least in so far as things that hit one in the eye are concerned, to breaking bottlenecks on specific items.

If, from the beginning, we do have a fairly clear conception of the capacity and the requirements, do we need such a tremendous, sprawling organization, encompassing every branch of every industry? Wouldn't that be too cumbersome? Couldn't we have a series of ad hoc committees to

RESTRICTED

break bottlenecks? Of course, there must be some organization to tie the whole thing together, but only on an industry basis, with a top-level organization that supervises the whole works.

MR. BATT: That is quite possible. We had organizations down here dealing with gloves and all kinds of odds and ends. Some part of the industry feels that it has to have representation, and something gets set up. That is one of the troubles with bureaucracy.

But I want to remind you, apropos the way programs change, that the military, who ought to have known in December 1944 about what the potentialities of the enemy were, started on a whole new program again just because we had experienced a bad setback below Antwerp. Those of you who participated in it will remember we had a tremendous machine tool program and gun program, as if we were starting another war, and most of that was completely wasted.

Whether that was bad intelligence or bad use of good intelligence, I have no way of knowing. But nobody can get more hysterical than you military fellows when the going is rough. As I said at the beginning, I suppose it is human nature, but you want everything at once. And because we had that setback at the Bulge, you felt the Germans were not going to be licked for another four years and that we had to have a new mobilization of the American economy. Subsequent facts indicated that this could have been avoided if there had been a better strategic evaluation.

But I didn't come here to make an issue of that. I am not qualified to do it. Your training is to evaluate strategic necessities. But I use that as an example of the way programs change suddenly.

QUESTION: You spoke of scrap drives as being useful things to tie in with the civilian housewife, among other things. I have been told the aluminum scrap drive was pretty much of a farce and took an awful lot of good pots from the kitchen and threw them on a pile that nobody ever touched.

MR. BATT: There is some truth to that conclusion. The trouble was that the aluminum pot was likely to have either a steel handle or steel rivets, and any impurity in the aluminum melt ruined it, so far as primary aluminum requirements are concerned. I recognized that right at the beginning.

But the thing that brought the aluminum campaign criticism was that those pots women were giving up were allowed to lie in City Hall Square week after week, and it did not look as if the sacrifice was appreciated. If the pots had been taken away promptly—I don't care

## RESTRICTED

whether they were then dumped in the river, if nobody saw that being done—the public would have felt they were helping to win the war. That is the thing I stressed in the beginning and will stress to the last.

COMMANDER LEVERTON: Thank you very much, Mr. Batt, for your very interesting discussion.

(1 Aug. 1950—350)S.