

AMERICAN EXPERIENCE IN ECONOMIC MOBILIZATION, 1919-1945

31 August 1950

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COLONEL BARNES: In this period we will have the last of our three-lecture series on the background of economic mobilization which will be given by Mr. Niklason. I want to be sure that you gentlemen understand that the purpose of these lectures is background only. I have discussed with quite a number of you in the last couple of days things that are bothering you. I have met you in the halls or down in the lunchroom and you have come into my office; I have sensed an attitude that I think stems from one of two things:

The first thing is that quite a number of you have been out on the industrial mobilization planning firing line. You have actually been on the operational end of putting into effect the present plans as they exist for economic readiness measures; you are well acquainted with many of the things that have had to be placed in this orientation lecture period and the reading assignments. You are a little restless therefore at having to repeat stuff you already know.

For the benefit of that part of the group I want to just raise this point, that we can't plan a course here that is based on everybody's coming in knowing even a certain amount of the course. The course has to be planned, laid out--just as General Holman told you the other day--progressively, so that each part will fit into the whole when you have finished it at the end of 10 months. It has to be planned also on the basis that many of you won't know anything about what we are talking about when you arrive.

The other attitude I explain this way: You have heard an alarming presentation of the international situation, people who ought to know--George Kennan, General Wedemeyer, Father Walsh--and they have painted a grim picture about the likelihood of a war. You are taking that picture into your mind and associating it with some of the things that have been included in the background--historical stories of our past experience with economic mobilization. You are coming up with questions in your minds that are puzzling you--the tempo the course will reach after Christmas or next spring. The fact that you have that gap of information doesn't give you the answer to your question and you are going around frustrated.

For that group I simply say that we do have plenty of information coming to you. Some of the questions that you are asking yourself now--trying to take a 10-month course in three lectures--you will have plenty of chance to work out the answers on and, through individual reports and

committee reports, get the information as to the things that are puzzling you. So don't be concerned now that the type of lecture you are receiving is along general lines and that you are missing detailed study and analysis of factors affecting the economic mobilization and details of programs, policies, and procedures. I assure you, you are going to get them.

Now Mr. Niklason has had personal experience with economic mobilization and mobilization controls in World War II. He headed up one of the industry committees of the Combined Production and Resources Board in 1943. Previously, he had served with the Office of Export Control and the Board of Economic Warfare. In fact, he was borrowed for that purpose from the faculty of this college in 1941. He rejoined our faculty in 1944 and has been with us ever since. Mr. Niklason.

MR. NIKLASON: All of you know that the job of mobilizing the vast economic resources of this country in the recent war was one of tremendous complexity. As Dr. Hunter has pointed out, it called for the diversion of a large part of our resources from normal peacetime uses to military purposes. This could be done only under the authority and administrative direction of the Federal Government. Many functions relating to materials, facilities, manpower, and other essential factors of production are involved in this task. These will be covered in considerable detail later in the course. Today, I shall limit my discussion principally to the organizational and administrative aspects of planning for and carrying out economic mobilization in an emergency.

To understand what happened during the national defense and war period of 1939 to 1945, we must go back to the earlier period of planning. This takes us back to the years immediately following World War I.

All wars have produced spectacular incidents involving inefficiency, waste, bungling, chicanery, and graft which, in the postwar period, precipitate sharp criticism and lively discussion by the public, the press, and Congress. The ultimate outcome is legislation designed to eliminate or minimize these shortcomings in the future. The National Defense Act of 1920 was the culmination of this procedure following World War I. Under this act the War Department was reorganized and three aspects of mobilization planning were provided for as follows, (1) the strictly military phase, (2) the procurement phase, and (3) the over-all industrial or economic mobilization phase.

The scale and character of strategic plans determine the nature and scope of the procurement job to be done, and this in turn determines the degree of over-all economic mobilization that is necessary.

The War Plans Division of the General Staff was established to do the military planning job. It developed plans for a variety of possible war situations and determined the size and type of forces required to deal with each possible situation.

The procurement phase of planning dealt with the problem of making strategic plans effective by providing the necessary supplies and equipment in the quantities needed and when needed.

The industrial and economic phase of planning was concerned with the economic and administrative measures necessary to enable the civilian economy to carry the procurement load.

Although all three phases of mobilization planning are dependent on one another, our concern here is chiefly with the economic mobilization planning phase which includes its industrial aspects.

Section 5a of the Defense Act of 1920 charged the Assistant Secretary of War with the responsibility for "the assurance of adequate provision for the mobilization of material and industrial organizations essential to wartime needs," but it also directed the General Staff, "to prepare plans for the mobilization of the manhood of the Nation and its material resources in an emergency."

It soon became apparent that this ambiguity in the law would have to be clarified before a definite and clear boundary could be established between the functions of the General Staff and those of the Assistant Secretary of War. This was accomplished by the Harbord Board and thereafter the words "and of its material resources," were eliminated from general orders describing the mobilization responsibilities of the General Staff. With this dividing line clearly established in August 1921, the Assistant Secretary was ready to analyze his job, determine its principal parts and set up an organization to carry it out. Here was a task without parallel or precedent in any peacetime Army organization, and his first move was to obtain from authoritative sources, opinions regarding the organization and methods best adapted to accomplish his mission.

After a series of conferences a Planning Branch was established in the Office of the Assistant Secretary of War in October 1921. This branch, never very large, was primarily responsible for the planning activities relating to both wartime procurement and industrial mobilization. The Navy was not mentioned in Section 5a of the Defense Act. This was probably because of the belief that, since it was a going concern in peacetime, it would undergo relatively little wartime expansion.

It was soon recognized, however, that some coordination of Army and Navy procurement planning would be necessary. This was especially true in regard to the allocation of industrial facilities, in order to prevent friction and costly competition in procurement between the services.

In June 1922 the Army and Navy Munitions Board was established to meet this problem. During the twenties, however, it was relatively inactive and accomplished very little. After a reorganization in the early thirties, greater participation by the Navy was provided for, and the Army and Navy Munitions Board played a more important role in economic mobilization planning activities.

Another agency participating in mobilization planning was this college, then the Army Industrial College. It was established on 25 February 1924, with the primary mission of training Army, Navy, and Marine officers in problems of procurement planning and industrial mobilization. Before long, it too developed to the point where it was making valuable contributions to economic mobilization planning through its close working relationship with the Planning Branch and the Munitions Board.

These agencies developed a series of four Industrial Mobilization Plans, the first of which was published in 1931. There was great similarity in these plans. First, they outlined the major functions to be performed in mobilizing the economic resources of the Nation; second, they indicated the broad organizational framework required to perform these functions. Another part of these plans dealt solely with procurement planning which was intended to facilitate wartime military procurement.

In June 1930 the War Policies Commission was established by a joint resolution of Congress. Among other things, it was directed to make "a study of policies to be pursued in event of war." Many witnesses were heard, including General Douglas MacArthur, Chief of Staff, who presented the first Industrial Mobilization Plan prepared by the Office of the Assistant Secretary of War.

In its report, dated 5 March 1932, to the President, the War Policies Commission made several recommendations which in general supported the principal provisions of the War Department's Industrial Mobilization Plan and served to clarify the issues involved in mobilization planning.

With the desired objectives more clearly defined, renewed effort was devoted to modifying and expanding the first draft of the Industrial Mobilization Plan. It was at this point that the rejuvenated Army and Navy Munitions Board took a leading part in mobilization planning.

The basic Industrial Mobilization Plan, published in 1931, was destined to undergo three revisions, each as a result of congressional inquiry and recommendations or as a result of the pressure of public opinion. The revisions were published in 1933, 1936, and 1939; these revisions may be characterized as progressive retrenchments from a balanced wartime control of the Nation's economy because of pressure from special interests and fears bred of ignorance of the ultimate mission.

The 1936 revision of the Industrial Mobilization Plan was influenced considerably by the Nye Committee investigation of the munitions industry in 1934. This is an excellent example of the kind of pressure which was brought to bear against the Industrial Mobilization Plan. The spirit of this investigation differed sharply from that conducted earlier by the War Policies Commission. In its hearings, the Nye Committee was very critical of certain features of the plan. Particular stress was placed upon the inequality of the burdens imposed on capital and labor, the lack of effective safeguards against profiteering, and the inadequate protection of civil liberties.

The most important of the Industrial Mobilization Plans was that published just before the European war broke out in the fall of 1939. This final revision of the plan consisted of two distinct parts. Part I provided for the over-all mobilization of the Nation's productive resources in time of war. Part II covered procurement procedures by the armed forces. I haven't the time to discuss Part II except to say that it was used in the war to a far greater degree than many people realize. If any of you are interested in this phase of the plan, I suggest that you read a report entitled, "Use of the Industrial Mobilization Plan in World War II," which is available in our library.

Part I of the IMP recognized the fact that all economic functions which must be exercised in time of war are interrelated and interdependent. To provide for coordinated performance of these functions, a key superagency--the War Resources Administration--was proposed. It was given responsibility for the formulation of basic policies relating to "the mobilization and utilization of our resources to meet the requirements of a major war." The powers and responsibilities of the War Resources Administration were vested in an administrator, appointed by and responsible to the President. He was given direct control over facilities, materials, power, fuel, transportation, priorities, clearances, conservation, and commandeering.

Control over many other important elements of the economy which are involved in economic mobilization was given to a number of independent emergency agencies.

In this category were the agencies which would handle War Labor, War Trade, War Finance, Price Control, Selective Service, and Public Relations. The functions, organization, and administrative procedures relating to each of these agencies were developed in considerable detail in annexes to the basic plan which were not published. Since these annexes provided that the administrator for each agency would be responsible directly to the President, this question is raised: "How could the War Resources Administrator effectively exercise authority over these agencies, most of which had jurisdiction over elements essential to a war production program?"

Now we come to the 64-dollar question: "What happened to the Industrial Mobilization Plan when war came?" Although the administrative structure finally evolved during World War II resembled that of the Industrial Mobilization Plan, it is generally agreed that the plan was disregarded as a model for this structure. There has been much speculation among those interested in the question as to why the Industrial Mobilization Plan, on which so much labor was spent, was never used. I can give you no final answer. I can suggest, however, a few of the factors which influenced its rejection.

First, we have the opposition of liberal and left-wing groups. When first published, the plan was criticized by many in these groups as likely to lead to something akin to industrial Fascism. This was because of its great centralization of administrative authority which would be exercised by businessmen. This doctrine was not very alluring to many people after the depression struck and the advent of the New Deal in 1933.

Second, we have the delicate state of the international and domestic political situation. With a general election approaching and strong isolationist sentiment asserting itself, the President faced a difficult congressional situation. He was attempting to have repealed certain neutrality legislation which would then permit giving greater aid to Great Britain and its allies and thus better the chances of keeping the United States out of war. Any attempt to implement the Mobilization Plan at that time would have jeopardized the political strategy which the President was then attempting to apply to the situation.

Third, there was the antagonism of other government agencies toward the plan. The Industrial Mobilization Plan did not take into account the large number of New Deal agencies which were established before the outbreak of war. Generally, the policy-making positions in these agencies were filled with liberals who already were suspicious of the Mobilization Plan, and, furthermore, they were jealous of their prerogatives. This situation soon led to great confusion in the jockeying for position which occurred when each agency attempted to build, on the basis of national defense functions, an administrative empire for itself.

The battle of the bureaus increased in intensity as the problems of industrial mobilization increased. Since only a relatively small group of officers in the War and Navy Departments were in a position to sponsor, even cautiously, the Industrial Mobilization Plan in this maelstrom of bureaucratic maneuvering, it is not surprising to find that they were unable to make any progress.

Finally, and perhaps most important of all, the Industrial Mobilization Plan assumed that the transition from peace to war would occur within a short period of time. Actually in World War II, the transition was made very gradually and it is this factor which logically would appear to be the chief reason for the failure to implement the Mobilization Plan. Prior to Pearl Harbor many defense measures had been taken, extending over a period of more than two years. Various means were employed to carry out these measures, but it was on a piecemeal basis. It did not appear either necessary or desirable to establish a war agency, such as the War Resources Board, while still entertaining the hope of staying out of the war. By the time Japan attacked Pearl Harbor, many phases of industrial mobilization were under way and the administrative functions involved were vested in a number of agencies. Each of the agencies intended to hold what it had and to expand its operations by aggressively seeking additional functions and power.

There seems to be a very pointed lesson to be learned from this experience. The plan was sponsored almost exclusively by the military, and the public knew little or nothing about it. If civilian government agencies and a representative cross section of business and labor organizations had been properly organized to participate in preparing the plan and keeping it up to date, it seems unlikely that it could have been cast aside even under the very unfavorable conditions that prevailed prior to the attack on Pearl Harbor. The preparation of a mobilization plan must be done in such a manner as to assure the active support of the plan by all the major segments of the population which have a direct interest in this problem.

Now we shall consider briefly the sequence of events and the principal agencies which were involved in getting the war production program under way.

No effort was made by the President to create an organization which could take charge of the defense program until the fall of France in the summer of 1940. He then re-established the Advisory Commission to the Council of National Defense authorized by Congress during World War I. The Commission was not an industrial mobilization agency. It consisted of a group of individual advisers who had no duties other than those the President saw fit to assign to them individually. It lacked organizational unity; it lacked the legal powers essential for full mobilization of the economy; but it was not then thought necessary to place industry on a full war basis.

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It was apparent as 1940 drew to a close that the defense program had expanded to the point where its execution required more than a heterogeneous group of advisers operating without a coordinated organization and unable to function effectively as an integrated unit.

The establishment of the Office of Production Management in January 1941 was the President's answer to the insistent demand for a stronger defense production agency. He was still unwilling to place a single individual in charge of the whole defense program. In announcing the establishment of the Office of Production Management, the President described the new organization as one in which all three elements of the defense program--management, labor, and the military--would be equally represented.

These three elements were to be brought together in the OPM Council, on which Wm. M. Knudsen represented management, Sidney Hillman represented labor, and the Secretaries of War and Navy represented the consumers of defense production. The OPM Council was to be a policy group; the OPM itself, with Knudsen as Director General and Hillman as Associate Director General, was to be the operating body. It was authorized to take full charge of the defense production program and to coordinate the activities of the several government agencies concerned.

By the time the OPM was three months old, the duplication of commodity branches necessitated by its functional pattern of organization threatened to result in the same overlapping of functions, multiplication of liaison groups, delays, contradictory programs, and general confusion that had hastened the end of the Advisory Commission. In addition, as civilian industries were brought under priority control, it became necessary for OPM to deal with an increasing number of individual industry representatives who were required to go to one division after another in search of concrete information. As the Production Planning Board put it in a report to the OPM Council on 10 April 1941:

"Confusion exists in the defense production effort due to the plan of organization and therefore the present OPM organization should be promptly readjusted so as to approach as closely as may be practical the organization contemplated in the Industrial Mobilization Plan."

Somewhat later, the Production Planning Board, having already pressed with reasonable success for commodity sections and industry advisory committees similar to those called for in the Industrial Mobilization Plan, proposed a wholesale reorganization of the Government, formally recommending on 18 June, "that the OPM Council advise the President to put into effect immediately the Industrial Mobilization Plan, Revision of 1939."

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A controversy had developed between OPM and the Office of Price Administration and Civilian Supply, headed by Leon Henderson, regarding the curtailment of civilian production and the division of responsibility for civilian priorities. The President referred the whole problem to his personal adviser, Judge Samuel I. Rosenman, who later reported that all concerned agreed that there should be one agency or body in which all matters of supply and priority should be settled, and one channel for dealing with industry. Judge Rosenman believed that OPM was the logical agency. It was finally decided, however, to reorganize both OPM and the Office of Price Administration and Civilian Supply, and to establish a new Supply Priorities and Allocations Board, generally referred to as SPAB. On 28 August 1941, SPAB was established as a policy-making and coordinating center for the whole defense program. The chairman was Vice-President Henry A. Wallace and the Executive Director was Donald Nelson. The members were Knudsen, Stimson, Knox, Hillman, Hopkins, and Henderson.

SPAB was more powerful than the OPM Council, over which its authority was specifically extended. It was empowered to "determine the total requirements of materials and commodities needed for defense civilian, and all other purposes"; and to "determine policies and make regulations governing allocations and priorities of commodities among the various claimant agencies." The Supply Priorities and Allocations Board derived such effectiveness as it had primarily from the fact that it remained a top-level policy group, without operating functions. Its decisions were implemented by OPM, OPA, and the armed services; and even for staff functions it relied on OPM.

The significance of SPAB was that it paved the way for the powerful Requirements Committee of the War Production Board with its allocation approach to the materials problem.

At the same time that SPAB was set up, the Office of Production Management was reorganized, in September 1941, so that it might better fulfill its function as an operating agency for SPAB. The lines of authority were too tangled to work satisfactorily for any great length of time, and, within a few days after Pearl Harbor, OPM was reorganized again. The feasibility of this organizational move was never tested as both OPM and SPAB were replaced within a month by the War Production Board.

The purpose of the WPB was to assure "the most effective prosecution of war procurement and production." The Chairman of the WPB, with the "advice and assistance" of the Board, was directed by the President to: "Exercise general direction over the war procurement and production program." The order proceeds to set forth in detail all the powers necessary for the Chairman to control every important phase of procurement and production and concludes as follows: "The

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Chairman may exercise the powers, authority, and discretion conferred upon him through such officials or agencies and in such manner as he may determine; and his decisions shall be final." On 7 April 1942, the President further reinforced the powers of WPB by delegating to the Chairman the President's allocation authority under Title III of the Second War Powers Act.

With this tremendous grant of authority vested in one man, it was thought that the war production program could be pulled together into a more effective administrative group.

Unfortunately, this objective was not achieved. This unprecedented grant of authority came too late and Donald M. Nelson, who was appointed Chairman, either was unwilling or unable to challenge the interests already vested in several other agencies.

The Special Committee Investigating the National Defense Program, usually referred to as the Truman Committee, had this to say in its report of 11 March 1943:

"Mr. Nelson appeared before the committee shortly after his appointment. The committee publicly urged Mr. Nelson to exercise vigorously the authority which the President had vested in him. Mr. Nelson informed the committee that he had sufficient authority to take any action that might be necessary and that he proposed to exercise his powers and get the job done.

"Had Mr. Nelson proceeded accordingly, many of the difficulties with which he has been confronted in recent months might never have arisen. Instead, Mr. Nelson delegated most of his powers to the War and Navy Departments and to a succession of so-called czars. This made it difficult for him to exercise the functions for which he was appointed. At the same time, none of the separate agencies had sufficient authority to act alone.

"Today, discussion of the over-all legal authority of the War Production Board is mere pedantry. Although the authority may exist, it has not been exercised."

The WPB was destined to undergo two major reorganizations in 1942, and during the interim periods many lesser reorganizations took place in its offices, bureaus, divisions, and sections. The confused situation which existed within the WPB, combined with its perplexing maze of relationships with many other agencies--most of which also were subject to frequent reorganizations--left businessmen utterly confused and disgruntled.

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The more important agencies, other than the WPB, which had jurisdiction over essential elements of the war production program were the War Manpower Commission, Office of Price Administration, War Food Administration, Office of Defense Transportation, Petroleum Administrator for War, National Housing Agency, and the Office of the Rubber Director.

The division of authority relating to the essential factors of production resulted in a vast amount of lost motion in the process of reconciling the conflicting views of the various control agencies. Industrialists, from whom large production was expected, often found it necessary to spend days and sometimes weeks in Washington trying to get definite answers to questions which were necessary to avoid holding up production. The indefinite language of the authorizations, under which the various control agencies operated, fostered a very decided tendency to "pass the buck"--particularly when a difficult decision was faced.

Mounting criticism of this situation forced Presidential recognition of the need for coordination of the war effort at the top level and resulted in the establishment of the Office of War Mobilization on 27 May 1943. It was given authority over all the functions that had been originally entrusted to WPB and control over manpower was added.

An interesting appraisal of Mr. Byrnes's position as Director was made by John M. Hancock in an address before this college in January 1946. He said, "Mr. Byrnes had to settle debates in the atmosphere of a judge in a debating society; and I say, frankly, that is a hell of a way to fight a war. Somebody has to have the information flowing up to him on which to make a judgment in advance so as to prevent friction points from developing, rather than to try to cure them after they have torn the Nation to pieces. That was not the concept here. It was the best that could be done, and Mr. Byrnes was a grand citizen; but it is the wrong idea to subject even as capable a man as Mr. Byrnes to that job."

What part did the Army and Navy Munitions Board play in mobilizing the Nation for war? The 1939 Industrial Mobilization Plan specifically provided that the ANMB should assume the responsibility for guidance of industrial mobilization during the transition period from peace to war. Upon creation of the War Resources Administration, however, the plan provided that the personnel and records of the ANMB were to be used to assist in forming the nucleus of the new body. Because of the gradual entrance of the United States into the war effort, there was no clear-cut M-day as contemplated by the Industrial Mobilization Plan, with the result that by 7 December 1941, several emergency agencies had been established which were already performing the functions that otherwise would have been performed by the ANMB as the interim agency. Although

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the ANMB had no opportunity to fulfill its designated function, it remained in being. Its principal function during most of 1942 was the establishment of schedules of preference ratings, or priorities, relating to contracts and orders of the Army, Navy, Maritime Commission, Coast Guard, several other government agencies, and certain categories of Lend-Lease contracts.

During this period the ANMB served as the agency by which the Army and Navy presented a united front in submitting their requirements to the War Production Board. On 11 November 1942, the WPB was reorganized and Ferdinand Eberstadt, who had been Chairman of the ANMB, became Program Vice-Chairman of the WPB. A large part of the personnel of the ANMB was transferred to the Industry Divisions of the WPB and, thereafter, the requirements of the Army and Navy were presented separately to the Requirements Committee, along with some 13 other claimant agencies. As a consequence, there was no longer a status of military requirements, on the one hand, represented by the ANMB; and the civilian demands, on the other hand, represented by the WPB. The Army and Navy representatives in the WPB acted on behalf of their respective services and not on behalf of the ANMB. In effect, then, the function of the ANMB as the representative of the military services in the WPB was abolished, except with respect to matters involving the Priorities System. On 28 July 1943, the President approved another reorganization plan for the Munitions Board which left it with only one major activity, that of directing the work of the Strategic Materials Committee under the provisions of Public Law 117, 76th Congress.

It's quite clear that one of the principal shortcomings of the prewar planners was their failure to obtain general public acceptance of the mobilization planning program. In the first place, they failed to bring into the planning program representatives of several of the major economic groups--especially labor and agriculture. Furthermore, very little use was made of existing government agencies.

In the second place, and closely related to the point just made, the little public relations work they did was principally limited to certain industry and business groups. The result was that almost the only knowledge of mobilization planning that the general public obtained was from the sensationalized accounts appearing in various publications in the late 1930's. It is not surprising therefore that attempts made in Congress to pass enabling legislation for economic mobilization got nowhere.

The success of our economic mobilization planning today will depend in large part on the readiness of the planning agencies to face and solve these problems of public participation in and acceptance of the planning program.

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In conclusion, I wish to emphasize a few of the most important aspects of our economic mobilization experience in World War II. I realize that what I have said portrays a series of dismal delays and failures, particularly in the area of organization and administration. Nevertheless, that is what happened. If we hope to survive as a free people, we must learn from our mistakes; and unless they are pointed out for study, we have no sound basis for making improvements in our approach to planning for a future emergency.

Perhaps the most important points to keep in mind are these:

1. Prewar economic mobilization planning was done under the direction of, and largely by, military agencies. This fact appears to have been one of the chief reasons for the failure to obtain widespread public acceptance and support of the mobilization plans which were prepared.
2. The plans were not developed in sufficient detail to meet the requirements of a modern, global war.
3. They were predicated on the M-day concept and were not flexible enough to be adjusted to a gradual involvement into war.
4. After we entered the war, the tendency was to improvise the organizations and procedures to meet the needs of the moment. This resulted in a host of autonomous agencies, each dealing with one or more of the essential factors of production. An effective means for integrating or coordinating the activities of these agencies had not been found when the war ended.

Some of you may say, "Well, we won the war--why be so concerned about our past mistakes in preparing for a future emergency? All we have to do is re-establish the agencies which won World War II for us and everything will be all right." The trouble with this viewpoint is that it fails to take into account the long time it took to get production going, and to get our administrative machinery functioning. No one can deny the great production achievements that eventually were made.

We produced 87,000 tanks, 300,000 planes, 80,000 landing craft, 17 million rifles, 2.5 million trucks, and 4.5 million tons of artillery shells. But we had to fight a delaying action in the Pacific until a piecemeal build-up permitted us to go on the offensive many months after Pearl Harbor. In Europe, we were protected by an advance base, the United Kingdom, which we used for building up millions of tons of equipment and supplies before we were ready to undertake the assault on the continent, more than 2 years and 6 months after Pearl Harbor. In the light of present world conditions, it would be foolhardy to believe that our

allies again can hold off the enemy for 2 years while we develop the organizations and procedures required to marshal the resources of this country in support of a major war.

The question of what we have done, since World War II, to prepare for the next emergency is not a subject for this discussion. You will have other lectures and seminars before the orientation period is completed which will give you an adequate background on the current status of planning so that you will be in a position to embark on your detailed branch studies with a comprehensive understanding of our national security organization, its responsibilities, and current status.

Thank you.

QUESTION: I think Colonel Barnes said you were with the Board of Economic Warfare and you mentioned SPAB and all the confusion it went through before we came up with the War Production Board. Can you give us anything on your organization before it ended up with ANMB?

MR. NIKLASON: That is an embarrassing question.

QUESTION: How about the confusion in BEW?

MR. NIKLASON: Yes, there was confusion in BEW--confusion, period. That is a short answer. But, as you know, there were several agencies involved in our foreign activities. The Board of Economic Warfare was one; Lend-Lease; there was a part of the State Department, the name of which I cannot recall just now; and two or three others. They were finally brought together under FEA.

But in the meantime we had a terrific duplication of effort in those agencies. I can recall looking for reports on certain items--take metal, for an example. You could get a report from the BEW, one from Lend-Lease, one from the State Department, and usually the Armed Services Intelligence agencies also would have one. When you picked up the reports and read them, they were all based on essentially the same information and were almost exactly the same kind of report--very little variation. There was a great deal of useless duplication, it seemed to me, and to a lot of other people. All the work on reports was finally centralized in FEA. There was a lot more to it than that.

QUESTION: At what level or in what committee were competing requirements of the services resolved?

MR. NIKLASON: Well, the Munitions Board attempted to do it and did do it during a phase of the war. But then, as I explained, after Eberstadt went to the WPB and the Munitions Board people were taken along, they were assigned to the industry divisions. Then the Army, the

Navy, and all the other requirements were presented to the top-level requirements committee--all on the same basis--and that committee was the one that finally made the determination as to who got what.

COLONEL BARNES: The material allocations flowed through that same committee so that the claims, the requirements, and the resources, if I recall correctly, were merged in that Program Planning Committee.

DR. HUNTER: May I throw out a question? Nik, you give a picture of organizational and administrative confusion that seems to have carried on through a large part of the war period. Do you think it is possible to eliminate that sort of confusion by simply sound planning, preplanning in a prewar period?

MR. NIKLASON: My own personal view is that to a very considerable degree it can be eliminated. Now certainly you are always going to have new situations arising for which you will have to make adjustments, but I think if you once set up your organization properly that organization can make those readjustments without fundamental changes in the organization itself. I think that involves this whole question, "How do you do your peacetime planning?" That is a story that you people will get into later on in the year.

QUESTION: The question I have is more or less along the same line but may be stated this way perhaps: The lack of a central economic mobilization head caused a large delay in our conduct of the war. Has anyone made a study or estimate of the amount of time that would have been saved if that thing had been initiated at the proper time?

MR. NIKLASON: Well, I have heard various estimates made from this platform by people who knew a great deal about what went on and in whose judgment I have a great deal of confidence. Certainly they did not agree on the exact amount of time, but it would vary, I would say, from 6 months to 2 years. I think there was a lot of time wasted because of the deficiency in the organizational structure. Just how much time could have been saved is something that would be pretty difficult to measure.

QUESTION: I understand Dr. Hunter made the statement that he understood that prior planning would be essential, in which you concurred. I understood you to state in your lecture a little while ago that planning, while important, won't be too effective until we can sell that plan to the people. Do I understand that future planning will contemplate the selling element to be included in the plan or is that just a periphery element that you throw off as essential to sell the plan? In other words, it seems to me, no matter how good the plans are, unless we get this selling game going, we might as well toss the plan out the window. If the plan is as important as you say it is, then the selling element of it should be incorporated as part of the plan.

MR. NIKLASON: I don't know whether the term "selling" is just exactly the right term, but certainly your plan must be accepted and supported by the general public; otherwise, you are licked before you start. Now the question as to how you can accomplish that, I think, is the central theme of this whole peacetime economic mobilization planning. I have some personal ideas about this. If you will come to my room, I will give them to you.

COLONEL BARNES: I would just like to say that this period is not understood correctly if your understanding is that there can be only questions to the speaker. I hope that the talks will stimulate comment from yourselves among yourselves. You don't have to just frame a question. If you have some comment you want to make, just rise and make it; take issue with each other. That is how to derive the greatest benefit from these conferences.

QUESTION: Is there any present indication that our present plan will be any better accepted now than the plan before the Second World War?

MR. NIKLASON: I would say that the present status of our peacetime economic mobilization planning has not gone far enough to carry with it this thing that you must have, which is public acceptance and support of that plan. But, of course, we haven't any plan yet that has been publicized. I mean the National Security Resources Board, which is responsible for peacetime planning, was without a chairman for a year and a half or two years and it was pretty well stymied. The NSRB has done a great deal of piecemeal planning but it certainly hasn't brought this thing together so that you have an integrated plan. I think that is the thing which remains to be done and that is the thing that has to be sold to the public.

COMMENT: It is a fact that whatever planning has been accomplished in the National Security Resources Board has been attempted by representative groups from labor and other minority or majority groups in the country so that, in one way of speaking, there has been a free-sounding board which is doing part of this job of selling that we don't seem to be reading about in the newspapers?

MR. SWAREN: I want to ask Nik if he didn't think the reception the Hopley Report received from the public wasn't a pretty fair indication of how far we progressed with the selling of our plan?

MR. NIKLASON: Well, the Hopley Report is so long ago I have forgotten what kind of reception it got.

MR. SWAREN: Well, it killed him. You go out around Omaha, Nebraska. The people who knew him will tell you he worked his heart out. He proposed an excellent plan for civil defense. It was probably as good as

any that has ever been made--differed slightly from the one NSRB is trying to put out--and the columnists in the papers just jumped all over him. He was accused of trying to put the economy of the Nation into chains. I think that is about as good an answer as we can get. Personally I wondered what your opinion is on it.

COLONEL BARNES: I would like to kick that around a little bit. I will come back to it in a minute. I want to go back and finish what I started. The point I was trying to present was that we do have evidence that there was general public interest, and public opinion must get interested first in order to become opinion; there is more public interest now in economic controls--which are economic mobilization plans--than there was before the Korean incident, and the interest is measured along expanding lines rather than contracting lines. The President asked for just one or two simple controls. Congress is coming up with a bill--which you must admit in our system of government probably stems from a surge of pressures from back home--for price controls, allocations, and rationing, to give the President authority to put those in effect when he wants to. But the President never asked for such a bill. That to my mind is evidence of public interest, therefore, public opinion, stemming from it. So far as certain other evidence, there has to be a public law finally on the subject.

Now on the Hopley Report, I have just one comment, Mr. Swaren: that is a good case study, I think, of public opinion. It was timed at the wrong time for public acceptance of it. But right now what is happening? When the public interest is stirred by international events and they are brought closer home to the risk they are confronted with, General Clay gets a job with the New York State Government for being head of Civil Defense; the governors all over the country are clamoring for NSRB's civil defense guidance document that is due out in October. This guidance document you will hear about later. So the timing of public opinion is the thing.

To get back to the original question that raised this whole discussion, the plan itself has to include provision for informing the public or you won't get public support. It may take the form of letting nature take its course. If we have a war thrust on us overnight, the information is in the hands of the public and it is easy to feed them the arguments for the need of control.

QUESTION: I take it from what you say that the thing to do is to indicate that we really don't have much of a plan. If you have just the beginnings of a plan so that everybody gets after you because it is not a plan, you get fresh guidance and psychology.

MR. NIKLASON: That is one of the political tactics that Roosevelt used to call the "trial balloon."

QUESTION: The President has publicly stated it is his desire that any necessary economic controls be administered by the old-line government agencies. Is that consistent with the thinking of NSRB?

MR. NIKLASON: Well, I am not too sure that we know what the NSRB does want, but I believe that it contemplated--or has contemplated up to the present time and apparently Mr. Symington is continuing the policy--using old-line government agencies so far as possible in peacetime mobilization planning. Now, of course, we are getting into a war situation and it is quite easy to move some of those agencies into operating in a partial mobilization. Apparently, the President is following that lead. As you know, some of the old-line agencies have already been designated to handle certain things. Commerce, for example, is handling priorities and allocations.

I might follow that up. I don't want to give the impression that I am subscribing to this because, it seems to me, as soon as you get into a little tougher situation than we are in now, you are going to have to bring this whole thing under one tent and the agencies that are now performing these various functions will simply have to be brought together under top direction. That is a long story. I will be glad to discuss it with you if you want to come to my room.

COLONEL BARNES: You have to remember that the NSRB is a staff of the President. It has no executive status. It is only subject to the President. It advises the President. So you can't say, "Does the NSRB disagree with the President?" The NSRB studies and recommends to the President. The President announces his decision. Now the decision in this case was governed by the current conditions. He said at this time the Department of Commerce was adequate to place into operation any controls that he wished to put into effect. So it is a good question. However, what you are really driving at is: Are the old-line agencies adequate to take over all the economic controls and their over-all coordination? That is a little bit ahead of our course at this time.

COMMENT: I hesitate to get on my feet for obvious reasons, but in talking about how we determine public opinion, the suggestion has been made that we would learn of it through enactment into public law, in the newspapers, and by means of the radio. I would like to offer for your serious consideration a redefinition of what we call public opinion. You conceive of it as the citizenry of the commonwealth. I would like to include in it what we call ordinary Federal bureaus, government bureaus, and state bureaus. If we enact legislation in response to the pressure of public opinion, one or another of the various state, county, and Federal organizations will have a finger in the pie even if we go to something like the War Production Board. There is a certain degree of complacency and self-satisfaction in all government bureaus that somehow should be destroyed. There ought to

be some way of having them realize the seriousness of the situation or profess to realize it and ask for appropriations, and then when the appropriations are made, to go on their merry way. I don't mean that as an indictment of all bureaus, of all government agencies, but there is enough of it obviously to be alarming and to constitute a problem.

COMMENT: This is more or less the same thing, but I feel that the opposition to that type of legislation or administration is due primarily to the fear of the American people of government organizations. The American people suffered quite a bit at the hands of the economic mobilization departments during World War II and stood in line on many occasions when they could have been making a lot of overtime pay or maybe doing their regular day's work. The whole thing was set up in such a complicated way that the average person doesn't even like to think of it.

I feel that, if, at this stage of the game, we could write an economic mobilization plan that would be simple and would least inconvenience the average citizen and could be understood by the average citizen, you would get popular acceptance of it. I don't know whether it is possible to prepare such a plan so that the average citizen can understand it. That is probably the big problem. But I think a big effort should be made to construct it on command pattern with the Chief of Staff under the President to control the entire program, with heads of departments or command agencies, as needed, operating agencies to fit various components of mobilization planning. People can understand the pyramid with somebody at the top, but I don't believe one-tenth of the citizens of the United States understood the departments that operated economic mobilization during the war.

MR. NIKLASON: I would like to take just a minute to throw out two or three ideas for your consideration on this public acceptance of a mobilization plan, which I think is the essence of this whole business.

I agree that the Army, Navy, military, and government departments cannot go out and sell this mobilization plan. I don't think it is in the cards. They are suspects right off the bat.

Who do you turn to then in time of war? Who do you depend upon to get your production? You have to go to industry. There are 185,000 manufacturing plants in this country. They divide themselves up into about 1,100 industry groups. As a matter of fact, in the War Production Board there were over 1,100 industry advisory committees set up to help the WPB. Now in another war you are going to be up against the same thing or even probably something greater than that. How are you going to get 1,100 industries tied in so they are going to do this job for you? I think they should have something to say about the conditions under which you require them to get this production. So it seems to me you must inevitably have industry mobilization planning committees set up.

I say "industry." It is more than industry. You can't turn the job over to industry and let it go at that. But I conceive a mixed committee where you have industry, the Government, the military services, all represented and working together in peacetime. A specific industry can do its job in time of war. If those people who are carefully selected to advise come in here on a part-time basis and develop the plan, certainly they are sold on the plan; they are the people who will come from each of the United States and are encouraged to go back and sell their own community on this plan. With a planning base broad enough and enough people wrapped up in it, that is the way you will sell this plan and keep it sold. That is very sketchy. There are a lot of trimmings to that, but I haven't time to go into it now.

COMMENT: I would like to make a short observation on that. I do not think that the situation we are confronted with today can in any way compare with the situation we had or which existed prior to World War II. I think the public, and it has been said before, is far ahead of our politicians and our Government today. Stimulated by the Korean crisis, I have made a little one-man survey during the last 30 days out in California and the Midwest; there are many plumbers and bricklayers who are ready and eager for universal military training, for all-out mobilization. I haven't talked to the president of Standard Oil or anyone like that, but I have a feeling--and I had a finger on a small pulse there--that the people don't have to be sold too much. They are wondering when it is going to happen. They are not going to object very much to standing in line and having rationing put into effect, and that sort of thing. They are getting a little tired of having that sword out of Moscow hanging over their heads wondering when it is going to drop. They would like to go all out and get rid of that sword and have a peaceful way of living again. To go even stronger, I think the great majority of the people with whom I have talked--again the bricklayers, the grocer, and the plumber--would even countenance a preventive war if we should go ahead, contrary to the general opinion that in a democracy we cannot strike the first blow.

COLONEL BARNES: Thank you. That is a good contribution to the orientation.

DR. HUNTER: I would like to throw another viewpoint into the picture on that planning story. There are, broadly speaking, as I see it, two general approaches--maybe you can think of two or three others--to planning for economic mobilization. The one which Nik has stressed today, as he pointed out at the beginning of the lecture, is the organizational and administrative approach which recognizes--I am quite in agreement with it in many respects, as I pointed out in one of my previous lectures--the difficulty of the management job in wartime. You have this organizational-administrative approach to planning, but you recognize that these managerial plans are of extraordinary difficulty

and complexity. If you are going to sell either approach, there is a certain tendency to feel that if we can only set up this organizational structure, if we can get these agencies laid out in a coordinate manner with clear-cut channels of command, and a beautiful organizational chart set up, it is all logically arranged and everything is clear-cut; then, if the public and the Congress will only accept it, our problems are over--it is adopted, it goes into effect, and everything rides according to plan.

Let me put up an argument against that just for the sake of putting the picture of what the possibility is before you. For one thing, would it go according to plan? Suppose Congress would enact it; suppose you did have this coordinated scheme of agencies set up--whether they are old-line or new wartime agencies--to handle these various functions, is that going to stop the pressure groups in the country from attacking this thing and taking that and undermining this and the other thing? I think it would help a great deal to start out in that way, but we can't count too much on that for carrying through for any length of time.

There is another approach toward the planning problem and I think on the whole this approach has been followed by many over in the NSRB--although in NSRB, as in other agencies, there are different viewpoints and approaches. I know some of those active in NSRB in the first couple of years of its operation were inclined to play down this organizational approach to the planning problem. They were inclined to feel that the great mistake--whether they were right or wrong is another question--was concentrating on the organizational chart and getting these functions all set up beautifully; that the thing to do--a rather important thing in planning--was to decide what you have to do in a war economy to get your production, your control of the economy as a whole, to keep these inflationary forces under control, and to get all the factual data you must have. In other words, make the approach from the point of view not of organization but of jobs to be done or functions to be performed. Try to get as much know-how as you can on those functions and how to reckon with them, and you don't place all your money, according to this point of view, on any particular organizational scheme. You know that the Congress may upset any scheme you may plan on the organizational side and tear the thing to pieces, grind it up; and come out with something radically different. From that approach, the emphasis has been on function; therefore, I think that is one reason why the NSRB hasn't come out with, and placed much emphasis on, an organizational plan, although I believe there has been some controversy as to whether it had such a plan or not. But I believe the NSRB has had some kind of plan along that line, at least in the past year or so, which it thought it would fall back on if an organizational plan really had to be delivered. But you have two widely different approaches to the planning problem. I call attention to this other one just to give you the picture.

MR. NIKLASON: I would like to have just a minute in rebuttal. Dr. Hunter accuses me of emphasizing organization. That is not the idea at all. I am not concerned about organization, I want people. I want men who are going to be called upon to do this job to participate in the planning. They will be available to man this agency or agencies when the war comes, and they will know what it is all about. That is quite a different concept, I think, from what you were presenting.

COLONEL BARNES: This is a good note to adjourn on. You have two concepts there, one the problem approach and the other the administrative or the organizational approach to the solution of planning. Several other things will have occurred to you. We will adjourn now. Thank you very much, Mr. Niklason.

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