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REORGANIZATION OF THE FEDERAL GOVERNMENT FOR ECONOMIC MOBILIZATION IN WORLD WAR II

7 September 1950

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Mr. Harold B. Rowe was born at North English, Iowa, 18 September 1900. His undergraduate work was taken at Iowa State College, B. S. degree was received in 1923; his graduate work was taken at the University of Minnesota, 1924 to 1927. From 1927 to 1933 he was on the faculty of the Massachusetts State College. In 1933 he joined the research staff of Brookings Institution, Washington, D. C., and has remained with this organization to the present time except for periods of special assignment with the Federal Government mostly during World War II. He performed special work for the U. S. Department of Agriculture in 1936 and 1940. In 1940 he became consultant to the Council of National Defense. When the Office of Price Administration was created he became Chief, Food Section, Price Division, 1940; later he was made Assistant Director of the Price Division. When the rationing of materials in short supply was undertaken he was appointed Director of Food Rationing 1941 to 1943. In 1944 to 1945 he served as consultant to the Office of War Mobilization and as Assistant Director, Office of Food Programs, Foreign Economic Administration. His experience, therefore, was unique in that it covered almost the entire field of food control during the war period from the first inception and planning of the program through the actual operation and finally the administrative control in the Office of the President. Mr. Rowe is a member of the American Economic Association and the Farm Economic Association. He is the author of "Tobacco Under the AAA," 1935, and is preparing, under the auspices of the Brookings Institution, a study of World War II experience with food control.

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DR. HUNTER: This morning we have another of the background lectures on the organizational aspects of economic mobilization. Washington, I suppose, is the most organization-minded place in the country. If you spend a couple of years in Washington, you become an expert, at least a science expert, on organization and administration. Quite naturally, our thinking on the problems in this field is shaped and colored by the character of our own training and our own individual experiences, whether in military service, or in the social, academic, or business fields.

Two of our previous speakers have been political scientists, and political scientists naturally think the Federal Government and administration is peculiarly their bailiwick, as indeed it is. But there are other viewpoints and approaches, and that of the economist is especially important because in wartime the economist is just as vital to the effective prosecution of economic mobilization as the political scientist or the public administrator.

Mr. Rowe, our speaker this morning, is an economist. He is an economist who has had a large and varied experience in wartime administration. Also he has for years been on the staff of the Brookings Institution, a research agency which has long interested itself especially in the relationships between government and the economy. So we are delighted to have Mr. Rowe back with us again and to have his views on the problems of running a wartime economy from Washington in the last war. Mr. Rowe.

MR. ROWE: Dr. Hunter, members of the college:

It is a real pleasure to have this opportunity to meet with a new class in the Economic Mobilization course, even though I am appalled by the prospect of another general war in which a substantial mobilization of the Nation's economy again may have to be undertaken. During the recent conflict, I was continuously employed on certain aspects of economic mobilization with so-called civilian war agencies of the Government. But much of my most effective collaboration was, and many of my most agreeable associations were, with members of the military services. Moreover, I have enjoyed my previous participations in discussions at the Industrial College.

There is one minor problem, however, that has bothered me a little in attempting to make an appropriate selection of materials for discussion each time I have been invited to take part in this course. From the brief biographical sketch that has been distributed and the remarks Dr. Hunter has made, you understand, of course, that my background is that of an economist whose most intensive experience has been in the field of food and agriculture. In the succession of assignments which I received during World War II, I became especially interested in the economics of war, with particular reference to the problems of managing the food sector of the economy in wartime--so much so that I have continued to devote a very considerable part of my time to study in this field. Presumably, you also will have noted that my only possible qualifications for discussing matters of organization and administration arise from the fact that in these assignments I was required to assume administrative responsibilities, at times on a very large scale.

There is a further point, however, which affects my problem of making a reasonably appropriate selection of materials and which you need to keep in mind when evaluating any interpretative comments I may include in my remarks. That is, through my experience and study, it has become clear to me that the most significant issues of organization and administration can be considered effectively only on the basis of the best possible understanding of the nature of the job to be done. The way in which the task is visualized may very well determine the position that is taken with respect to matters of organization.

Conversely, the kind of organization that is established may very greatly influence the ability to identify and reliably interpret the problems to be met. Having sufficient knowledge of the task of economic mobilization and of the conditions that may influence the performance of the economy in wartime--in other words, having a reliable understanding of the economics of war--administrative experience can be of assistance when deciding upon a plan of organization for the mobilization effort. But I do not believe that there is anybody of knowledge, or established principles, of administrative organization that can be used to show one organization plan superior to another, separate and apart from consideration of the substantive character of the task to be accomplished.

In the past, the plan of work for the course in economic mobilization has focused considerable attention upon the objective of designing an appropriate organization, as I assume it will again this year. I believe that I am reasonably familiar with the reasons for this approach and I know I am in general agreement with the decisions it reflects. But, because of the point of view I have just stated, when invited to discuss some aspects of administrative organization, I usually find it necessary to devote most of my time to relevant features of the economic

mobilization task rather than to organization as such. I have feared that this might cause the directors of the course to feel that I had digressed rather far from the specific topic assigned to me.

The subject I have been asked to discuss today is "Reorganization of the Federal Government for Economic Mobilization in World War II." In view of what I have said, you can see how this could present me with an additional difficulty. Not only does my subject relate exclusively to matters of organization, but it rather effectively precludes anything more than a passing reference to food and agriculture--the one area in which I might perhaps claim some special qualifications. However, I understand that today's lecture is intended to provide only a brief sketch of the main pattern of organizational development during World War II as a background for your later, more detailed study of particular features of that experience. For most of my time, therefore, I shall attempt to stay quite close to the subject assigned me. Only the most significant developments can be mentioned and none can be examined at all fully. As you require more detail on particular parts of this experience, it will be provided no doubt in subsequent discussions or in your reading.

In this connection, I suggest that you may find two volumes especially useful. One is "The United States at War," compiled under the guidance of the Committee on Records of War Administration of the Bureau of the Budget. The other is "Industrial Mobilization for War," Volume I, issued by the Civilian Production Administration as the first--and only one published--of three planned volumes on the history of the War Production Board and predecessor agencies. Although these two volumes aggregate some 1,500 printed pages, they are by no means complete. Nevertheless, from their chapter and section headings you should be able to dip in at appropriate points for almost any amount of further detail you may require on those developments I shall be able to mention this morning.

I am advised that your lecture last week covered developments during the interwar period and considered the principal organizational provisions of the Industrial Mobilization Plan of 1939. I also have the impression that it gave at least some attention to the explanation for rejection of this plan by the Administration. If you desire a further interpretation of the circumstances which appear to have influenced this rejection, I suggest that you read the transcript of Dr. Hunter's excellent discussion of the topic in this course on 9 September 1946.

I would supplement the analysis that Dr. Hunter contributed at that time only to the extent of suggesting that two particular points have been stressed in the official histories which appeared to have somewhat more influence upon the administration decision than Dr. Hunter's treatment would necessarily indicate to you. One of these was the view clearly held in the Executive Office of the President that the 1939 plan was not so complete or comprehensive as its proponents argued--in fact

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that: " ... it was a document dealing only in generalities with the problem of governmental organization for war and it was formulated for conditions unlike those which actually arose."

The other point was the view that creation of a superagency under a single administrator having the vast powers over governmental organization and policy contemplated in the provisions of the M-day plan would have required such unreasonable delegation of power as to make it difficult for the President to control broad strategy and policy. Again I quote: "Such action would have constituted virtual abdication by the President and would have made him less able to meet his constitutional responsibilities." Both quotations are from "The United States at War," pp. 23-24. I quote them as reflecting the extent to which I think those views were held in that very important division within the Executive Office of the President. Whether one agrees or disagrees with these two arguments, I think it must be conceded that in the circumstances at the time they constituted important factors in the administration decision to disregard or reject the M-day plan.

The alternative course selected by the President was that of taking only certain limited or moderate organization steps that were deemed to be feasible and appropriate in view of all the circumstances at that particular time. These steps initiated the sequence of action through which the final pattern of wartime governmental organization was finally evolved. It is to be noted that this early decision amounted to, among other things, an effective transfer of the responsibility for planning the course of economic mobilization and the organizational machinery through which it was to be accomplished away from the military services and into the Executive Office of the President where it remained throughout the war. These first steps were taken under authority provided by existing statutes.

The Reorganization Act of 1939 authorized the President, with the approval of Congress, to reassign certain government functions among departments and agencies. One part of the reorganization plan initiated under this legislation was the creation of the Executive Office of the President. In this office were grouped the Bureau of the Budget, the National Resources Planning Board, the Office of Government Reports, the Liaison Office for Personnel Management, and the immediate White House Office. The activities of the Bureau of the Budget were considerably enlarged to include study "in the development of improved plans of administrative management."

The Executive order issued 8 September 1939, establishing these internal divisions of the Executive Office also provided that there should be in that office "in the event of a national emergency or threat of a national emergency, such office for emergency management as the President

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shall determine." On 25 May 1940, the President issued an Administrative order formally establishing the Office for Emergency Management. This action provided the President with assistants for the coordination and direction of emergency agencies and also established authority for the establishment of such new agencies as were to be created. Most of the new organizations later established originated as units of the Office for Emergency Management. William H. McReynolds, Administrative Assistant to the President, was designated as Liaison Officer for emergency management with the function of directing this new agency.

On 28 May 1940, the President announced the re-establishment of the Advisory Commission to the Council of National Defense, an agency that had been authorized during World War I. Theoretically, this Commission was the operating arm of a Cabinet-level Council of National Defense, consisting of the Secretaries of War, Navy, Interior, Agriculture, Commerce, and Labor. In practice, however, it was agreed that the Council itself would meet and act in meetings of the Cabinet with the President and that the Commission would deal with the Council solely through the President himself or his administrative assistant, who had been designated to have charge of the Office for Emergency Management and who also was designated as Secretary of the Council and of the Advisory Commission. This abdication of the Council, together with the President's repeated refusals to nominate a chairman to the Commission and his retention of final authority in his own hands, meant that the Commission was actually established as a group of independent advisers to the President.

The Commission was made up of an adviser designated for each of the following fields: industrial materials, industrial production, employment, farm products, transportation, price stabilization, and consumer protection. Each of the advisers was to aid, if necessary, in getting the current job done. In addition, he was expected to make studies and plans about what would have to be done if the country got into war. Moreover, at least some of the Commissioners appear to have been expected to "represent" their field of interest in the sense of seeing that it was not unduly disadvantaged by the steps that were taken in preparation for defense. For example, the consumers' commissioner certainly was expected to represent consumers' interests in this way. Moreover, it seemed clear at the time that part of the function of the agricultural commissioner was to see that agriculture obtained as large a share as possible in the "benefits" that were anticipated from the expansion of activity for defense. Each of the advisers built up a small staff and later these staffs furnished an important nucleus of personnel around which more elaborate organizations were developed.

In practice also the theory that each adviser would function independently in his own sphere was not maintained. Each of the advisers was interested in all phases of defense policy and they considered themselves to be a commission, not just presidential assistants. This viewpoint was shared by Congress and the general public.

Although the Commission was created with little or no power, in operation it attained a number of powers of considerable importance. Among these were enumerated contract clearance, tax certification for defense facilities, antitrust certification, and priorities. Moreover, the prestige of the Commission increased sufficiently so that it exerted important advisory influences in areas far too numerous to enumerate. Clearly, it could not become an effective administrative organization. But this is not surprising since it was specifically designed to prevent its becoming such an agency. Collectively and individually, the advisers did expedite the production and procurement programs authorized at the time, brought new and needed personnel into the Government, initiated important studies and contributed much toward the clear definition of the kinds of problems that might be expected to arise in the event of war.

By December 1940, there had become no doubt that a stronger defense organization would have to be established. The greatly enlarged British aid program had been received, which forced attention to the inadequacy of existing arrangements. Members of the Defense Advisory Commission were unanimous in asking for a change. Labor organizations, dissatisfied with the handling of defense contracts, were demanding an equal voice with management in administration of the defense program. Other criticisms were advanced from many sources.

During December the principle of Lend-Lease was formulated, and in his annual message on the state of the union, delivered 6 January 1941, the President requested Congress to pass legislation incorporating that principle. The bill was introduced on 10 January 1941, an amended version of which was subsequently approved and enacted on 11 March 1941.

After considering several alternative proposals for the administration of this program, the President on 27 March 1941 designated Harry Hopkins to advise and assist him in carrying out the Lend-Lease program, and on 2 May 1941 established by Executive order in the Office of Emergency Management a Division of Defense Aids Reports headed by an executive officer. Thus, the initial general system for the administration of Lend-Lease again provided for retention by the President of control over policy. Operating authority, however, was freely delegated. Not until 29 August 1941 did the President issue a much broader authorization to the executive officer of the Division of Defense Aids Reports and not until 28 October 1941, was the Office of Lend-Lease Administration formally established with a delegation of power that enabled it to handle many matters which, until then, had required the signature of the President.

Concurrently with this development of Lend-Lease, the organizational arrangements for direction of the defense program were under review. Again, the President declined to create an organization of the War Resources

Administration type under a single head because he was unwilling to delegate so much power to any one individual. Instead, on 20 December 1940, he announced that one organization, the Office of Production Management, would be established to handle what were deemed to be the most pressing problems. Other phases of the defense program were left to incubate in the Office of Emergency Management. Thus, there began a splintering of authority which, as shown clearly in the volume, "Industrial Mobilization for War," p. 93 forward, to which I previously referred, prepared the way for the later emergence of the idea of the commodity czars during the hectic time in 1942.

The President described the Office of Production Management as a new organization in which all three elements of the defense program--management, labor, and the purchaser-user--would be equally represented. These elements were to be brought together in the OPM Council, on which William Knudsen represented management, Sidney Hillman represented labor, and the Secretaries of War and Navy represented the purchaser-user, or all consumers of the defense product. This Council was to be a policy group. The OPM itself, however, with Knudsen as Director General and Hillman as Associate Director General, was to be the operating body.

The activity of OPM would be concentrated in production, purchasing, and priorities--considered to be the three most important areas. Organization was to be along functional lines, with the Division of Production headed by John D. Biggers, who had been Deputy Director of Production under NDAC; a Division of Purchases under Donald M. Nelson Coordinator of Purchases in the NDAC; and a Defense Priorities Board, the personnel of which might shift from time to time.

At the time OPM was announced, the President indicated that the Advisory Commission would remain substantially as it was. The Commission continued to meet until 22 October 1941, and, indeed, was never officially abolished, but its functions were gradually transferred. By the end of January 1941, the production, purchases, and priorities functions had been assigned to OPM. The small business activities that had been handled by Nelson as Coordinator of Purchases also went to OPM as a defense contract service. The Bureau of Research and Statistics and the Administrative Services groups likewise went to OPM in February.

The Division of Information and the Office of the Coordinator of National Defense Housing were transferred to the Office of Emergency Management, where they eventually grew into independent agencies. The Labor Division functioned as a part of OPM from the beginning and was transferred officially on 17 March 1941.

The Divisions of Price Stabilization and Consumer Protection were merged to form the independent Office of Price Administration and Civilian Supply, established on 11 April 1941. Plant location functions of the Commission were absorbed by the Plant Site Board in March; the Agriculture Division was ~~replaced~~ by an Office of Agricultural Defense Relations in the Department of Agriculture on May 6, and the Division of State and Local Cooperation was absorbed in the Office of Civilian Defense on May 20. In the summer of 1941, NDAC clearance for certificates of necessity, certificates of government protection, and certificates of nonreimbursement, was eliminated by an amendment to the Second Revenue Act of 1940.

The Transportation Division of the Commission, after remaining for a time in OEM, became the Office of Defense Transportation in December 1941. Other residual functions of the Commission were gradually absorbed by other agencies, such as the Office of Petroleum Coordinator, the Office of Defense Health and Welfare Services, and the Economic Defense Board.

I have enumerated these transfers of NDAC functions to indicate the range of organizations which germinated from that modest and presumably powerless agency. Each of these furnished a line of development that would be interesting to follow up in detail. Such treatment is obviously impossible within the limits of one discussion. However, since I am assuming that you are primarily concerned with the main evolution of the principal agencies for industrial mobilization, I shall make no further reference to these other important parts of the wartime pattern of organization and reorganization. Instead, I shall review very briefly the principal changes which succeeded the establishment of the Office of Production Management.

The Executive order specified the power to:

"formulate and execute in the public interest all measures needful and appropriate in order, (1) to increase, accelerate, and regulate the production and supply of materials, articles, and equipment, and for the provision of emergency plant facilities and services required for the national defense; and (2) to insure effective coordination of those activities of the several departments, corporations, and other agencies of the Government which are directly concerned herewith."

In practice, of course, such powers proved to be insufficient. Besides this, the diffusion of leadership in the organization, resulting from the attempt to represent "management, labor, and the purchaser-user" elements in the policy-determining council, constituted an obstacle to effective coordination at all levels. Moreover, by the time OPM was

three months old the duplication of commodity branches, necessitated by the basic functional pattern of organization, was threatening to result in an impossible overlapping of functions, multiplication of liaison groups, delays, contradictory programs, and general confusion. As industries were brought under priority control, increasing numbers of individual industry representatives were required to go to one division after another in search of concrete information.

Further difficulties arose out of the division of functions between the Office of Production Management and the Office of Price Administration and Civilian Supply, the two largest agencies to grow out of the Advisory Commission. The functions of the OPM were in certain respects limited. It was concerned primarily with direct defense requirements and had received, by delegation at the time of its creation, the priority power vested in the President--the power to compel priority and delivery for Army and Navy orders over orders for private account or export. At that time these narrow priority powers were all that were authorized; hence, responsibility for civilian production constituted a gap in the administrative machinery. The chief operating authority of the OPM was this narrow priority power. This was not used extensively until late in 1941. On other matters the office stimulated, advised, planned, and coordinated by methods not greatly different from those that had developed in the NDAC.

By statute approved on 31 May 1941, the President's priority power was greatly broadened. This made it necessary for the President to delegate further powers for detailed administration which, in turn, precipitated the issue of a real definition of relations between the Office of Production Management and the Office of Price Administration and Civilian Supply. OPACS had been assigned responsibility for directing production of civilian goods in a manner not dissimilar to that in which it was expected OPM would function with respect to production for direct military uses. Was it, therefore, to be given the delegation of priority and allocation power so far as these were to be applied to the so-called civilian segment of the economy, or was the OPM to be given this responsibility? Differences and rivalries over this and many inter-related issues created much friction. Some of the issues took the form of OPACS' criticism of OPM and pressure for acceleration of the defense program, in which other independent agencies not infrequently joined.

The many diverse ingredients of this situation led to a decision that one agency or body should be established in which all matters of supply and priority should be settled and in which there would be one channel for dealing with industry. This led to the reorganization of both OPM and OPACS and to the establishment of a new Supply, Priorities,

and Allocations Board on 28 August 1941. This Board consisted of a policy group superimposed over the Office of Production Management and other defense agencies. The general theory was that these chief officials of the principal agencies with stakes in the allocation of resources would be brought together for consultation in order, as the Executive order specified, "to assure unity of policy and coordinated consideration of all relevant factors involved in the supply and allocation of materials and commodities among the various phases of the defense program and competing civilian demands."

The functions of the Office of Price Administration and Civilian Supply which related to priorities and allocation in the civilian area were transferred to the Office of Production Management in which a division of Civilian Supply was established. But this division was headed by Mr. Leon Henderson, who, in his capacity of Price Administrator, also became a member of the Supply, Priorities, and Allocations Board, where he could participate directly in the highest policy deliberations. It will be noted that this transfer made final the separation of price control from production control that created so many limitations but which appears to have been inevitable in view of the basic decision of the administration to organize along functional lines. Numerous other changes were made in the internal organization of OPM to overcome the many difficulties that had developed.

The major contributions of SPAB have been summed up on page 111, "Industrial Mobilization for War" as:

1. Its emphasis on all-out mobilization of the economy for the meeting of direct defense and essential civilian requirements; 2. Its assembling and appraising of total requirements for the munitions production program; and 3. Its careful review of the supply and demand situation of strategic and critical material and tools."

Probably its actual accomplishments were less significant than the fact that it paved the way for the powerful Requirements Committee of the War Production Board with its allocation approach to the materials problem.

Actually the lines of authority had become tangled to too great an extent to permit these arrangements to work satisfactorily for any appreciable length of time. With the attack on Pearl Harbor came the need for all-out industrial mobilization. Civilian industry had to be converted to war production on a more extensive scale, less-essential production had to be curtailed, and full-distribution control had to be established. Surveys were made, recommendations formulated, and some internal changes were initiated, but within a month OPM and SPAB were

both replaced by the powerful and centralized War Production Board. At last there was a decision to at least partially abandon the slow process of debate, consultation, board action, and the inconclusive influences of advisory interdepartmental agencies and to substitute administrators with authority to act with dispatch, together with the power to command both public agencies and private enterprises.

On 16 January 1942, the War Production Board was created with all the President's powers over industry, production, raw materials, factories, machine tools, priorities, allocations, and rationing. These powers were vested in one man, Donald M. Nelson, as Chairman. The Board itself was purely advisory and served to bring into weekly consultation the top production representatives of the War, Navy, and Commerce Departments, the Boards of Economic Warfare and Price Administration, and the White House. The WPB personnel initially was mostly the same as that of SPAB. OPM and SPAB were abolished. Thus, the WPB became established as the main core of the wartime organization. Supplementing it for the balance of the war were several other agencies of real importance.

The Office of Price Administration, which had now received a measure of statutory authority to stabilize prices and to which Mr. Nelson, as Chairman of the WPB, delegated the administration of rationing, was, of course, the largest of these. Others included the War Manpower Commission, the War Labor Board, the Office of Defense Transportation, the War Shipping Administration, and the National Housing Agency. Time does not permit me to consider these agencies or to review organizational developments in two other important areas-- food and agriculture and foreign economic programs. It is impossible also to discuss the subsequent efforts to achieve coordination at the top level through review and adjudication of the differences that arose by such agencies as the Office of War Mobilization and the Office of Economic Stabilization, both of which were established in recognition of the need for more effective over-all coordination.

Subsequent organizational developments in the particular line of evolution with which we are concerned today pertained to the internal organization of WPB and to its relations with other agencies. I have found it impossible to include within this one discussion any real summary of these or interpretations of their significance. For one thing, in order to adequately describe such changes, it would be necessary to first present a comprehensive summary of the Board's complex internal organization, an undertaking which obviously would require considerable time. For another thing, even more time would be required to examine the origin of the conditions that developed, in order to provide a basis for any meaningful statement regarding the reasons for these changes. Finally, controversial issues would be involved and the influence of personalities is by no means absent.

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While I should be perfectly willing to make my own conclusions on any of these issues available for whatever they may be worth to you, I should not like to do so except as they could be adequately elaborated and the reasons which led me to those conclusions rather fully stated. Any attempt to do this would carry me far beyond the scope of my assignment. For the most part, therefore, I shall limit myself to an even more sketchy treatment than I have accorded to developments up to this point. It may possibly suggest leads that will be useful to you in the later, more detailed study of the WPB--I assume you will undertake such study.

Although the powers initially delegated to the Chairman of WPB were very great and subsequently were enlarged from time to time, by no means all were administered within that agency. Mr. Nelson himself said that he regarded one of his major functions to be that of "assigning all parts of the big job to particular agencies and individuals, and delegating authority where that is necessary for the carrying out of responsibilities." It is my own view that very little criticism can be made of this conception or of the way in which it was carried out. But such assignment and delegation necessarily carried with it the obligation to review, and, in some measure, control, the actions of agencies to whom assignments were made. It was this supervision of other agencies which Mr. Nelson apparently found to be very difficult. Difficulties of this character were particularly great with some elements of the military services, but they extended to the WPB relations with civilian agencies. Ultimately, somewhat similar problems arose among different parts of WPB itself.

As one might reasonably expect in view of all the circumstances at the time, the "honeymoon" for the new WPB did not last long until criticisms began to be heard. The task was enormous, experience limited, and previous preparation and planning had been all too inadequate. Naturally, frictions developed at different points in the program and not all were attributed to their real cause. Criticism of various types developed within the WPB, the military services, and the Congress. While I cannot undertake to review the merits of these criticisms, I suggest for your later consideration a view held by a number of observers; that is, for the most part the criticism in this period helped rather than hindered the WPB and on the whole the alleged exposures enhanced rather than reduced the stature of its chairman.

Undoubtedly, the most noteworthy accomplishment of the agency in this early period was the decision to proceed with the Production Requirements Plan. This is not to say that the PRP was perfect by any means. But it represented the first large-scale effort to introduce a horizontal control of materials for each plant--control of a type that can really contribute toward effective mobilization of the economy.

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An impossible situation had developed during the first half of 1942. Pursuant to his policy of assigning and delegating responsibilities, the Chairman of WPB had insisted that actual conduct of procurement should remain with the services, the War Shipping Administration, and other established procurement agencies. With the substantial removal of all limitations on appropriations and programs that occurred immediately after the attack on Pearl Harbor, numerous procurement orders were placed. It was reported that orders placed in the first half of 1942 totaled over 100 billion dollars--in other words, in that six-month period they amounted to more than was produced by the Nation's economy in its most prosperous prior year.

Quite obviously it was impossible to produce everything that had been ordered within any reasonable time. Inevitably, there were collisions between the various programs and the men responsible for them in their demands for materials. Very soon all semblance of balance in the production program began to disappear. In the resulting scramble there were, of course, terrific wastes. It was at this point that the elaborate system of priorities revealed its inappropriateness for any program of really large-scale mobilization. As this system of vertical priorities broke down through its own inherent deficiencies, the inauguration of a measure of horizontal control constituted a long step in the right direction even though there were other steps that still needed to be taken.

Early in July 1942, a reorganization of WPB was made. Although this was comprehensive and systematic, it represented chiefly an attempt to fit a very large and rapidly growing organization to its work load and would not be profitable to examine here.

During the year 1942, the slack disappeared from the Nation's economy. No longer could the production of needed items be obtained by employing previously unemployed resources. Instead, something else had to be cut back. In such circumstances, for example, the supply officer who succeeded in placing orders for, and obtaining the delivery of, items that would go into storage for use perhaps two years later might believe that he was doing an effective job. Actually, of course, he would be obstructing true economic mobilization, because he would be diverting materials and other resources away from items that were needed immediately.

In such a situation, the systematic review of all programs in relation to each other and the delicate integration of all demands upon the economy became of dominant importance. After all, this is the real problem involved in effective mobilization planning.

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As would be expected, this caused much friction and controversy. Naturally, officials gave first thought to the particular segment for which they were responsible. Perhaps few understood, and many did not care about, the complex interrelationships between their particular programs and the over-all success of the total economic undertaking. Many of these situations produced personal conflicts. From experience, we know that shortsighted overloyalty, or perhaps ambition, with respect to their own programs did sometimes bring out the worst characteristics of the individual. But I personally share the view that behind most of these conflicts--whether they were between economists and business executives, or between military and civilian points of view--lay difficult and inadequately understood problems of integration and adjustment to economic realities.

This seems to me to characterize the situation during the remainder of 1942. By fall the maintenance of better balance among the conflicting programs had become a major necessity. In response to this, the second and last major reorganization of WPB was carried out. Again, I cannot undertake to interpret the precise character of the internal changes that were made. These are explained quite fully in the references which I suggested at the beginning of my discussion. But in general they represented what I should consider not only a logical but somewhat inevitable extension and development of the principle of horizontal control to implement the kind of planning the situation really required. When you have the opportunity to go into this experience more carefully, I suggest that you consider whether or not the general view I have tried to express does not furnish a somewhat better basis for understanding the events that took place than will any attempt to construct an explanation in terms of personalities, military and civilian rivalries, controversy regarding the advantages of commodity czars, or other alternative schemes of organization.

Thank you.

QUESTION: Was the Controlled Materials Plan accepted by industry or the procurement agencies?

MR. ROWE: Yes. I wouldn't say that it was accepted in the sense of every individual being completely happy about it, but it was accepted in the sense of, for the first time, providing the mechanism for control of the scope and character that was required to deal with the situation.

DR. HUNTER: Mr. Rowe, would you develop a little bit a point made at the beginning of the period. Perhaps you might do it with specific references to the area of your direct, immediate knowledge--food and agriculture. You stressed the importance of understanding the area

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under consideration, the phase of the economy, if one is to do a really satisfactory job in organization and administration in that field. Could you point that up a bit for us?

MR. ROWE: I will try, Dr. Hunter. The trouble with that topic is that when you get started it is awfully hard to let go of it within any reasonable period of time. Perhaps I can point it up this way. In economic mobilization on anything approaching a full scale, the most fundamental primary task is that of evaluating the alternative uses to which the resources of the Nation might be put. This is the same job that the economy performs in peacetime. The difference is that in peacetime each of us spends his money for the things most desired, and the aggregate demands from those expenditures hit the markets and show which are the things that would be more profitable to produce. In this way the automatic mechanism of the market places a valuation upon the different uses for available resources that reflects the decisions of individual users of goods as to whether a bottle of beer is more important than a glass of milk, or whether an automobile is better than a new rug for the living room, and so on.

Now when we look into a condition of all-out war where we talk about full-scale mobilization, the difference, of course, is the basis of value. Individual wants are no longer very significant. The consideration is: "Will further production of the item increase the effectiveness of the national effort for defense more than would the additional supply of any other items that could be produced with the same resources?" In economic mobilization on any large scale this is a matter for most careful evaluation by the most expert people operating with full authority.

One of the difficulties in talking about these things is in getting at the real meaning of the word "important." It does not necessarily follow in a condition of all-out war that an item that is to be used, let us say, directly in a military operation is more important than some other item that is never going to get anywhere near the front. The reason is that the thing most important is the item that you don't have. If you have guns but no ammunition, the production of ammunition is a much more important use for resources than is the production of more guns. If you have plenty of immediate supplies but are hampered in the production of equipment for later phases of the war because of inadequate civilian housing, transportation, food, or even recreational facilities, then production of such goods for the civilian economy may become most important. All of which is, of course, merely an expression of the economist's principle of marginal analysis. The objective that you are trying to attain is to so direct the use of manpower resources, plants, equipment, tools, and what not that you can achieve a situation in which it would not be possible to take a single unit of effort out of any one line and move it over into another without weakening the war effort.

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Now that perfection, of course, is not attainable. But the first decisions that have to be made are those of "How shall resources, which constitute the economic potential of the Nation, be employed as among their different uses in order to approach such an ideal as closely as possible?" This cannot be accomplished through any system of priorities based upon valuations which say that some items are inherently more important than others. Instead it must be done through allocation decisions as to the amount of resources to be employed in each use so that the importance of these uses will be as nearly equal as possible. It is this notion I was trying to convey by using the word integration, and by stressing the importance of getting the right combinations for most effective resource use. Such integrated decisions would be possible only for a unified agency having full information and authority over all economic aspects of mobilization. Hence, consideration of the nature of the job to be done leads to the very important conclusion that effective administration requires a unified economic high command. Incidentally, I repeat that it is nonsense to talk about total war and at the same time mention any distinction between military and civilian segments of the economy. Under definition of total war, all criteria of value disappear except those of effectiveness in prosecution of the war effort.

Let us suppose that the high command has to make decisions on such matters as basic allocations of resources. In order to make those decisions rational and intelligent, it has to have information as to what those resources will produce in the various competing uses. It must have information as to what can be produced in the way of food, let us say, with given amounts of manpower, farm machinery, and chemicals for fertilizers made available to agriculture. Therefore, the basic plan of organization needs to be one in which a subordinate agency will be responsible for each major area of economic activity that competes for the resources available. Each of these agencies can then be in a position to supply information as to what will result from alternative decisions with respect to allocation to its field. Without this information for all areas, the high command cannot possibly approach the best decision.

After the basic decisions are made, they are best implemented through operating programs under the direction of these same subordinate agencies.

This may suggest to you the kind of reasoning which leads me to say that the most outstanding deficiencies of the wartime organization were attributable to the absence of unity of command at the topmost level. From this there resulted much of the inability to perform as effectively as would have been desirable in this most basic function that there is in planning for economic mobilization.

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Next, it indicates not only unified command, that is centralization of the whole economic authority both military and civilian at one point at the top, but an organization below on what I have come to call--- I am a little at a loss to find words that convey this notion---"organization on the job basis" as opposed to the arbitrary functional type of setup. I have no patience whatever with arguments of principle as to whether a functional or a commodity type of organization is universally superior. That is begging the question. The way out is to see what kind of decisions have to be made and then consider in the circumstances, including such considerations as the capabilities of people that you have to staff the different jobs, how you can organize to provide the needed flow of information upward and effective implementation of those decisions downward through appropriate operating programs.

Incidentally, I have one more point. In a situation where it is patently impossible to anticipate all the conditions that will arise, there is something to be said for considering, in the development of a plan of organization, how this definition of the job can be shaped up so that all aspects of it will impinge upon some one person in authority who will be able to see its many sides. That was not true under the functional assignment that was basic to our last wartime organization. Leon Henderson had the responsibility of keeping prices from going up and for rationing supplies to the consumer; Secretary Wickard in the Department of Agriculture had responsibility for obtaining production of those items; and various other independent agencies had authority for other functional aspects.

Now, quite obviously under such arrangements there is no organizational necessity for either of those fellows to look at the other's problem. But if you bring these responsibilities together, put one person in charge somewhere up the line so that he becomes responsible for the way the food sector of the economy works, then the situation changes. He is no longer going to have any difficulty in resolving these arguments as to whether the food administrator's difficulties all arise because the price administrator won't set a high enough price, or, conversely, the price administrator has problems because production is inadequate, and so on. When one official is responsible for both aspects of the problem he no longer can alibi his lack of progress on one at the expense of the other and must strive for integrated effort on both.

That is inadequate as an answer to the question, but it is the best I can do in the amount of time you can afford to devote to it.

QUESTION: The other day we had a slight discussion on the question of whether it is possible to create, in advance of a national emergency, an organizational plan which will adequately meet the problems once that emergency takes place. Would you care to comment on the possibility of having such a plan in advance?

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MR. ROWE: I can't go very far in commenting on it. I think I made perfectly clear in the introduction to my remarks that I am a little biased in my approach. To me, working toward an understanding of these exceedingly complex economic relationships that have to be dealt with in accomplishing any degree of mobilization is one of the most important areas to work on.

A great deal of effective advance work can be done in putting in shape for the most systematic use the maximum information there is available with respect to these relationships. But, presenting this information in a specific rigid plan does not give you the basis for a quick decision with respect to a plan which would be appropriate to the particular situations that you may encounter. Some situations might require a more intensive mobilization effort than others. Then, I think that some progress can be made in considering this question: By what sequence of organizational development might you move into a plan that would ultimately be satisfactory or effective to handle, let us say, a very high degree of mobilization?

I am more or less stating something which I read in Dr. Hunter's lecture, in which he said very well that there is considerable question whether in this country, with its system of government, with the beliefs and more's that we have, whether it is possible to go immediately from no plan to a complete one. There is the problem of transition, in this matter of planning--how and when to install the controls you must have is an important part of the planning task.

Of course, with the present sentiment of the country very significant steps can be taken. I happen to be one of those whose experience in World War II revealed many instances in which the people were ahead of the Government. Without passing any judgment on whether they are right or not, the people are eager to go right now; most of them are ahead of the Government. So you can proceed by steps of different lengths, depending on the circumstances. But, I am very skeptical of being able to devise a plan that will be complete and have it so satisfactory that when the emergency arises we can put it into effect all at once.

COLONEL BARNES: I am sure you will find no quarrel with this mostly military audience on your views that the way to organize is to measure your job and then organize up to it. That is a job that all of us as military men are doing all the time and that is about the only principle we follow. It is a practical one and we don't know too much about the academic principles of public administration and organization. Do you find in looking back now on the experiences that you went through in World War II that the principle of measuring the job first and then organizing accordingly really was followed much; or do you think perhaps the troubles and the confusions that were encountered were because they didn't follow that principle?

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MR. ROWE: Most of experience during the war, Colonel, was in areas and with problems that had not received much consideration in the general plan of organization. However appropriate this plan may have been for dealing with some segments of the economy, it was quite inappropriate to the food area with which I was most directly concerned. Hence, my experience involved a more or less constant struggle to force problems into an organizational mold--that had been created with little regard to the nature of those problems. The understanding I had of the position today's discussion occupies in the plan of your course led me not to say anything about the food area. I would now say, don't be misled by the fact that I indicated in my remarks that, although there was not good organizational planning in advance, successive changes in response to the inevitable emergence of economic realities brought about and evolved on the whole not too bad a set of arrangements--so far as the War Production Board's general industrial area was concerned.

If you look at the food area, you will find an appearance of the same trend in organization. For example, there is the same structure of allocation machinery, including requirements, materials, and commodity committees, with representation from other agencies. I am taking a chance saying this because somebody is going to demand that I support my statement, but I will say much of this was window dressing. Programs in the food area didn't work that way at all. How did the operation really work? That is the thing that you have to probe into. In the food area, allocation decisions too often were determined by the procurement officer going out and buying what he elected to buy and telling you to ratify it afterwards.

In short, my answer to the question is that the principle was not generally followed in the areas with which I had experience.

COLONEL BARNES: We will have to bring the discussion to a close. On behalf of the faculty and the students I thank you very much for coming down here. I am sure that the work you have put into this will be of great help to the class later on. They won't have to go to all the sources you have been to since you have put it in one little package.

Thank you very much.

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