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A 1951 APPRAISAL OF THE WAR PRODUCTION BOARD

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29 May 1951

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Publications No. L31-159

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

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Mr. Eliot Janeway, Consulting Economist, was born in New York City, 1 January 1913. He received his education at Cornell University and the London School of Economics. From 1935-38 he was with the International Statistical Bureau as economist. From 1938-48 he served in various capacities with the "Time Magazine" organization; Business Editor of "Time Magazine"; war mobilization columnist for "Fortune"; special political writer for "Fortune" and "Life"; business consultant to Henry Luce. Since 1935 he has been consultant to corporations and trade associations on problems of political economy, business and national trends and production and merchandising problems with specific reference to problems of preparedness and war mobilization. He has been a contributor to "New York Times," "Saturday Evening Post," "Harper's," "Yale Review," and other periodicals on political and economic subjects and is retained as business trends consultant to "Newsweek Magazine." He is the author of "Struggle for Survival: A History of the War Economy 1939-45." (This has just been approved for publication in the Yale Chronicles of American Series.) Mr. Janeway has made economic mobilization his continuous professional concern since 1935.

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DR. HUNTER: One of the dangers of studying economic mobilization under normal peacetime conditions is the ivory tower attitude. In reviewing and analyzing our past experience, we get pretty good at assessing the mistakes made in the last war and we come to think that everything would have been very different and the worst mistakes avoided if only we had some person or persons who had been smart enough and courageous enough to make the right decisions at the right time.

Now we have had an enormous advantage this year in studying economic mobilization. We have not only had the past to analyze and appraise but we have actually seen economic mobilization unfolding here week by week and month by month, and we have all discovered that there is a whole of a lot of difference between talking about the past and in doing something about the present.

Now for our lecture this morning we have asked Mr. Janeway to combine these two things so far as possible within the limited time available. That is, we have asked him to give us his analysis and evaluation of World War II experience with specific reference to the War Production Board. We have asked him also if he will give us his appraisal of our progress in economic mobilization since Korea, with reference not only to production but, to the extent he can, to the over-all control program. That is quite an order, but we are accustomed to handing out these very nice orders here.

Mr. Janeway has been studying economic mobilization for a great many years. He is recognized nationally as an authority in this field. We are delighted to have him with us this morning, Mr. Janeway.

MR. JANEWAY: Gentlemen of the faculty, student body: For 30 years Americans have shamefacedly jeered at themselves for rallying, however briefly, behind Warren G. Harding's slogan, "Back to Normalcy." But our unpreparedness for today's crisis shows that, while jeering at the idea of "normalcy," we have nevertheless lived by it: We have accepted peace as normal. We recoil from war not merely as hateful and horrible, but as an interruption. This view of the world exactly inverts reality. To look about us and to see peace as normal and progress as peaceful is to be intellectually and emotionally unprepared for survival. Our problem, accordingly, must be recognized as one of growing in maturity as we grow in strength.

The test of maturity is the ability to live with uncertainty and to reckon with risk. As early as 1946 we served notice of intent to do

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just this in Greece and Turkey. Again in 1948 we interrupted our normal operations to meet the challenge of the Berlin airlift. At the time, General Lucius D. Clay noted the pressure growing upon us to learn to keep the peace by daring to run the risk of war. We are doing so in Korea. Gradually, grumblingly, still nostalgic for uncertainty, we are reconciling ourselves to the reality that preparedness, and not peace, is the alternative to war. Overseas, at any rate, we seem to recognize that policy depends upon strength and that any normal test of strength involves a routine risk of war.

At home--in the area of our demobilization, now the area of our remobilization--we cling instinctively to the traditional distinction between war and peace. Atomic bomb or no atomic bomb, we remain accustomed again to regard troubled areas overseas as theaters of war. We accept the fact of Korea and the threat of more Koreas in the making. But we hesitate to accept the fact--which is an article of faith in Russia--that there is war in Korea because there is war in the world. Current economic debate centers about the phrase "a mixed economy." But the idea of a mixed state of war and peace has not yet penetrated to the core of our thinking. We have not learned to adjust our calculations to the conditions of war-in-peace in which we live.

To correct the distortion which sees peace as "normalcy" and war as a pathological interruption is to cut through the war of words unleashed by the MacArthur incident. For while, to be sure, we are in danger of suffering bigger and worse Koreas in Asia, in Europe, and in the Middle East, no adequate sense of our danger can be conveyed by any particular danger of any particular involvement. The real danger goes deeper. It is inherent in the state of the world. Our vulnerability is not that we may be involved anywhere. It is that we are involved everywhere. Behind the appearances of peace the realities of war are constantly altering the conditions of war-in-peace (and, so far, to our disadvantage). This is a continuous process, operative on a world-wide scale; and, no matter how long America itself may remain a theater of peace, it is a process in which we are thoroughly involved. Not merely America, but the ideas and institutions of peace in every potential theater of war have become enmeshed in what the German language might well term the "crisis-process."

World Wars I and II, as we call them, were not world wars in this deep and disruptive sense. On the contrary, the lines in both had been drawn before the phase of American participation began. Thus, by the time we found ourselves involved in each of these foreign wars, its limits had been defined, its problems (however tortuous) had been posed, and its objectives had been determined. But this war threatens to become all-engulfing. Certainly it cannot be a foreign war to any country on any battlefield. By contrast with World Wars I and II, the limits of the

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war endemic in the world today cannot yet be defined, nor can our objectives in it be determined; but we are already in it. The who of the next war is all too clear. What remains unclear is the how and the when and the where next.

Modern war consists of three phases--production on the home front, shooting on the fighting fronts, and strategic range-finding to determine objectives on the political front. World War I, even by 1917 standards, was as simple for America as a modern war can be: It burdened us with some production, with less shooting, and with no practical policy-making. The preliminaries of World War II found us divided in our own minds. We recognized our new role as a principal in the struggle for position in the world, but we shrank from its responsibilities.

Our reactions to World War II were more muscular than mental. Suffering the disadvantages of growth, not ready to assume our future leadership and no longer able merely to follow British leadership as in the First World War, we defaulted not only on our responsibilities but on our opportunities as well. We failed to take the strategic initiative, which we hoped our allies would use and which in fact our enemies seized. The result was that by the time we were pushed into the war its pattern had been set and all that was wanted from us was the wherewithal of victory. The fact that we supplied this should not blind us to the equally impressive fact that we supplied nothing else. As producers we were superb, as shooters we were adequate, but our efforts at policy-making were disastrous.

This time we are clearly on notice to fashion the strategy as well as the sinews of victory. Memories of the ease and speed with which we solved World War II's production problem should not make us complacent now. Our task then was simplified by the fait accompli of Axis aggression. Pearl Harbor, while putting us temporarily on the defensive in the shooting war, gave us a ready-made policy objective which reduced our production problem on the home front to a question of arithmetic. The mission of the War Production Board, fundamentally, was one of bookkeeping. No matter what may be said in criticism of Donald Nelson's administration of the War Production Board, and a great deal can and should be said, his failures by definition were merely quantitative. His job was to count requirements and to balance them against needs. Consequently, again by definition, even when he failed, he knew what he was supposed to be doing.

Not even a platonic prototype of the perfect production administrator could know as much today. What is he to produce? Where is it to be used? How? When? In concert with which allies? And in spite of what damage inflicted by enemy attack upon our own productive facilities? Extrasensory perception may tell him, but his military customers cannot because their policy-making superiors are not yet in position to make policy.

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Every defense production decision assumes a military requirement, which in turn assumes a diplomatic--or strategic--objective. Interallied cooperation supplied this doublegearing of production to military and diplomatic operations in World War II. But we have at last come of age as principals--as the principal acting for the free world in its struggle for survival. No allies can again spare us the necessity of supplying the strategic objectives required to be met by our military planners and production administrators. Precisely because the challenge to our political leadership is so clear, the premises perplexing the organizers of American strength are obscure. Clouded by essentially qualitative (because political) uncertainties, the problem of production administration is now nearly ready for reduction to the quantitative analysis which alone can solve it.

Meanwhile, of necessity we are mobilizing "by guess and by God." The doublegearing which reduces high policy to military requirements and military requirements to production schedules should work from the top down--policies should establish purpose and purpose should measure need for strength. But the very circumstances which have jeopardized us have also jammed the gears. To free them, we shall have to throw the gearing process into reverse. Because policy cannot define the minimum objective of mobilization, mobilization by default will define the maximum objective of policy.

Obviously, if production administrators are not free to function as professional arithmeticians, they must worry along by picking assumptions out of the air, like so many amateur diplomats and armchair strategists. Sometimes this makes for realism and sometimes for opportunism. When, for example, an individual production administrator opines that defense production will meet emergency quotas by the end of 1952, and that civilian supplies will return to normal by 1953, he is talking not as an arithmetician, but as an intuitive numerologist. Production decisions presuppose diplomatic decisions. Production decisions adopted in a vacuum tend to fill it.

In the absence of diplomatic decisions, in the absence of military requirements flowing from them, production administrators are confronted with a frustrating dilemma--to overmobilize or to undermobilize? To state this as a dilemma, however, is not to reduce these alternatives to clear, simple, and opposed lines of policy. For so long as the wisest and most competent production administrators must work in the dark, unable to know what they are doing, they must shuttle back and forth between the horns of the dilemma, never sure when any decision or series of decisions may represent a tendency to overmobilize or to undermobilize.

The objective of mobilization is not to create the contemporary American equivalent of a static Maginot Line. It is rather to equip us to deal with the dynamic workings of the "crisis-process." A static

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mobilization would commit us to a fixed preparedness objective along a fixed line by a fixed time on the assumption, conscious or otherwise, that business-as-usual is as normal as peace, and that preparedness is as temporary and unusual an interruption as war. Thus to say, as is being said, that we will be prepared by the end of 1952 and that emergency restrictions will be behind us in 1953 is to assume that we know for exactly what test of strength we are now preparing, where and when we propose to take the initiative in bringing it to a head, and how quickly and cheaply we can expect to resolve it in our favor. This of course is less a line of reasoning than a retreat to what Santayana calls "animal faith."

Retreat to any such chain of premises is as absurd as it is reckless. Nevertheless, the familiar public relations pressure to practice a conspicuous "activism" has been tending to commit us willy-nilly to preparedness now for a short-of-war crisis in 1952 and for a return to business-as-usual by 1953. The pernicious habit of thinking in the sloganized and outworn opposites of peace and war is at the root of our failure to adjust the mobilization process to the "crisis-process." To defend us against the elusive likelihood that the present precarious balance of war-in-peace will continue to develop into a state of more war and less peace where and when it suits our enemy, our mobilization process must exercise flexible and forehanded control over the routing of our resources into military and civilian channels and uses. To gamble on any given portion of our present resources being enough to support preparedness by 1952 and a return to "normalcy" in 1953 is an invitation to disaster.

Granting that the mobilization load must be reckoned in relative terms, the question is relative to what--to our convenience or to our danger? Reckoning the mobilization load relative to nothing but our present resources exposes us to the danger of ignoring the reality that our present resources are inadequate. On the other hand, reckoning the load relative to the pressure which the "crisis-process" is capable of imposing upon us obliges us to admit that at least for the present we are balancing equations dominated by unknowns.

Preparedness can never rest upon a fixed inventory of strength. To ask how much preparedness is enough is as pointless as asking how high is up. Immeasurably more dangerous than permitting the enemy to follow congressional cross-examination of the Joint Chiefs of Staff is any proclamation of what constitutes preparedness for us where and when. Such fixed quotas, met by limiting and indeed depleting our reservoir of resources, invite the enemy to permit us to overmobilize for the short term while we undermobilize for the long term. In the perspective of this very real danger, it is apparent that decisions which may at first blush seem to err on the side of overmobilization may in the end put us in the position of having started a mile run as if it were a hundred-yard dash. "Too much too soon" is the obverse, not the opposite, of "Too little too late."

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A war economy cannot function subject only to its own rules and to the drafts made upon it by the war machine and the war policy to which it is geared. It is supported, it is replenished, it is expanded, and it is recreated technologically by the civilian economy. Concern with gearing the war economy to the war machine and the war policy it must support should not be permitted to distort or conceal the other end of the process, which must gear the war economy and the civilian economy where its roots grow. It is the sum total of our resources--mobilized and unmobilized--which must be measured against the "crisis-process," and which must be expanded in time to anticipate mounting danger. A civilian economy saddled with a fixed mobilization load, tailored to suit the psychology and convenience of a passing mood or situation, cannot expand either the war economy or itself. War production, in order to be relative to the dangers it must anticipate, should accelerate when the "crisis-process" indicates more war and less peace, and it should decelerate when the "crisis-process" indicates less war and more peace. The need to fit cycles of deceleration into the mobilization process is fully as important as the more obvious need to accelerate. A model illustration of deceleration to protect us against short-term overmobilization is provided by current emphasis upon aluminum expansion rather than upon plane production.

The distinction between today's emergent crisis and the situation presented us by Pearl Harbor is more than academic. The initiative of others having set the limits and objectives of World War II before we had to begin fighting it, we had no alternative but to mobilize as fully and as fast as possible. In that situation, it was necessary to arm by drastically throttling down the civilian economy. Given a longer war, this might have proved even more dangerous than a slower rate of war production. As it happened the errors of our enemies and the initiative, the resources, and the sacrifices of our allies implemented our own achievements in time to give us the quick victory required by our forced commitment to maximal war production and to minimal civilian production.

How thoroughly our pre-World War II lack of political initiative ended by depriving us of the initiative in production planning is illustrated by the fact that we never did program civilian production. Before Pearl Harbor the civilian officials in charge of protecting civilian needs were the ones who took the initiative in pressing for an accelerated rate of conversion of durable goods facilities to war production. For the duration the civilian economy was regarded as a bottomless grab bag from which to pick the ingredients of war production when and as needed. At no time were civilian requirements budgeted on either a rock-bottom basis--to prevent a decline in war production--or on the expanding scale required to support a longer and bigger war than we actually won. As it happened, the civilian economy was more than adequate to support the load thrust upon it. This does not mean that it can support the immeasurably greater load that is

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likely to be thrust upon it this time. Nor does it mean that we should again mobilize as if the requirements of war production could be calculated with no concern for the supporting or reciprocally expanding requirements of the civilian economy. On pain of undermobilizing for the long struggle ahead, we must be wary of rushing into crippling commitments to overmobilize for immediate psychological relief.

Mobilization today presupposes an intense and professional study of the experience of World War II for the twin purpose of clarifying what wants to be repeated and what wants to be avoided. Inescapably, every decision discussed today is being considered in the light of policies and experiments adopted last time. In the main this reflects a healthy effort to profit from experience by applying it to new problems. But it also exposes us to the temptation of operating blindly and narrowly by the "experiential fallacy," which can be quite as mischievous as the opposite error of ignoring experience. In no area is it more important to study the experience of World War II in order to avoid following it than that staked out by the civilian economy.

Fortunately, one of the most penetrating and altogether virtuoso students of our home-front experience in World War II happens to have played a strategic role in setting the pattern of production planning in 1950 to 1951. Manly Fleischmann has already proved himself to be a wise and effective production administrator. But if he had not taken hold as Administrator of the National Production Authority, he would still have made a place for himself as an expert on the subject by the definitive contribution he published at the time in collaboration with John Lord O'Brian, his chief as General Counsel of the War Production Board. "The War Production Board Administrative Policies and Procedures" (George Washington Law Review, December 1944) is at once a comprehensive review of recurring fundamentals and a searching evaluation of experience and expedients to be remembered, not least in respect of the need for inter-gearing between military and civilian requirements.

Fleischmann's own summary of his past and present experience on this score should be taken as a model of practical wisdom. "If I had to choose between an allocation for the hundred-thousandth tank in a Detroit arsenal," he says, "and the same allocation to maintain the New York water supply, I would divert the allocation from the arsenal to the water works." This should be taken as axiomatic come the terrible day when such administrative dilemmas may be upon us. The equally compelling corollary is that we must pursue a course now which will minimize the pressure upon us to make such crippling choices.

Such pressure is being felt already. The critical list of strategic materials in short supply is a long and ominous one. It begins with rubber, tin, tungsten, nickel, copper, lead, manganese, chrome, wool, vegetable oils, chemicals; inevitably and monotonously, the shortages have

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appeared where they will always appear unless and until stockpiling and preventive expansion combine to anticipate them. Here, no more than on the eve of Pearl Harbor, has experience sufficed. No more urgent problem confronts mobilization today than that of expediting an expanding flow of strategic imports and absorbing it into the broader flow of production. On the one hand, Price Administrator Michael DiSalle recognizes, and has told the State Department, that the domestic price structure cannot be stabilized in the absence of effective international price stabilization. On the other hand, importers, harassed between shortages of these critical items and domestic price controls, are understandably reluctant to contract for the shipments the country needs. Altogether, shortages of strategic imports are imposing an unanticipated and intolerable ceiling on American production while, at the same time, they are frustrating all efforts to impose ceilings on American production costs.

This is precisely the kind of pinch upon the economy which we have not learned to anticipate and from which we must now free ourselves if we are to cope with the "crisis-process" during the years to come. Only a multiplicity of world-wide expansion projects, undertaken as a part of a parallel program to negotiate intergovernmental stabilization of the cost of strategic goods and services, will enable us to do so. But such offshore expansion projects, elaborate and expensive as they must be, will have the effect, at least over the short term, of sharpening the present pinch on both military programs and civilian supplies. For, if these shortages have been strait-jacketing production below the level of requirements, the job of breaking foreign production and financial bottlenecks and insuring an increasing flow of imports will load an additional burden upon domestic capacities set aside for essential programs. We shall have to pay for these imports with exports of equipment and goods already under allocation; and, in every case, we shall have to make the investment in exports long before we can expect to receive the return.

The import pinch and the inescapable export burden on requirements needed to ease it between them cut across the delicate area connecting the war and civilian sectors of the economy. The changed status of lead illustrates how the import pinch is increasing the dependence of each sector upon the other. During World War II we managed without auto production and with gasoline rationing. Also, we were not under serious pressure to divert capacities into civilian defense installations. Accordingly, radical curtailment of civilian demand for gasoline and storage batteries reduced lead requirements, while our freedom from attack avoided any need for its use in shelters.

Today, by contrast, our vulnerability to atomic attack gives us every incentive to keep the country on wheels if only because we cannot indefinitely avoid shifting installations to areas relatively remote

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from target centers. We also need tremendous new supplies for shelters in target areas. In addition, lead--for insulation--has emerged as a prime requirement in atomic programs. Finally, the lead load is being increased by the pressure to reduce the still more critical tin load, which means that effective measures of tin conservation must provide for no less effective measures of lead expansion. Thus, to protect the integrity of our military and atomic programs, we must guarantee significant increases in lead supplies to the civilian economy; and this we can only do by depriving present military programs of materials and machinery needed to expand lead production here and abroad.

In this respect, we will do well to copy the procedure adopted by the War Production Board during World War II. Its Controlled Materials Plan (to be differentiated sharply from the loose term used nowadays to describe more or less planned ways of imposing more or less control on any and all materials) gave allied military allocations full and equal priority with American military allocations, and also guaranteed civilian exports as much protection as any domestic civilian claimants upon the economy enjoyed. We have yet to adopt this procedure.

The reason why we have not is inherent in the evolution of our remobilization. We are still in the stage corresponding to the long and costly seige in World War II before the collapse of the priority system forced the adoption of the Controlled Materials Plan. The priority system, as introduced before Pearl Harbor and operative until the end of 1942, builds requirements up piecemeal by the process of recognizing individual pressures. Its weakness is that it exposes administrators to the temptation to issue priorities as fast as claimants press for them, while it gives the manufacturers of everything from electric locomotives to slot machines a practical competitive incentive for seeking priority status as more or less essential to more or less essential functions.

By contrast, the Controlled Materials Plan, as formulated and pioneered by Ferdinand Eberstadt, proceeds from the general to the particular, from the budgeting of over-all requirements to the scheduling of indicated end uses. We have it on the authority of Eberstadt--who, be it remembered, was maligned as a "militarist" prejudiced against the civilian function in a war economy--that civilian requirements, with special emphasis on civilian foreign trade and foreign trade expanding requirements, be budgeted for as prime war-economy claimants. To do so, however, assumes that military requirements can be calculated and have been calculated.

The priority system, which is the only alternative open to us at this stage, grants claims upon the economy in response to pressure. While it remains operative, it is probable that civilian exports will continue to be by-passed in favor of domestic claimants scrambling for

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at least all the supplies in prospect. Not until this round robin of pressure has collapsed into priorities inflation, as it did after Pearl Harbor, can the budgeting process (always granting that military budgeters know for what to budget) ration disappointed claimants down to a level at which allowance can be made for foreign trade to be protected and for the import flow to expand.

Our economy, meanwhile, instead of expanding in the wake of increasing imports, is suffering severe dislocation and is being threatened with actual contraction in sensitive sectors for lack of imports in sufficient volume. This threat has precipitated a new force onto the management of mobilization. It is the "Watch-Dog" Subcommittee of the Senate Committee on the Armed Forces, whose Chairman is the junior Senator from Texas, Lyndon Johnson, and whose counsel is the forceful and erudite Vice-Chairman of the Securities and Exchange Commission, Donald Cook. A sevenman subcommittee, whose best known Democrat is Senator Kefauver, includes representatives of all wings of both parties and is thoroughly and effectively bipartisan, as its unbroken record of unanimous action indicates.

The Johnson Committee, in short, is a reactivated Truman Committee. Our wars give the power to use blank checks to the Executive arm of our Government, and the power to audit them to the Legislative arm. In the easiest and shortest of wars the most efficient Administration must reckon with a rush of bargaining power to Congress. In a long and uncontrollable crisis, the age-old institution of constitutional checks and balances is subject to significant modification by a governing law of mobilization--as fast as administrators fail, investigators take over.

The workings of this law go far to explain major shifts in the balance of power along Pennsylvania Avenue during World War II and today as well. World War II is immeasurably less ominous by hindsight than the crisis ahead can seem to any group of men responsible for preparing us to meet it. We were able to fight that war, phase by phase and theater by theater pretty much at our convenience. First, the Navy won its defensive fight in the Pacific. Then, thanks to the holding operations of our Navy and our allies, we won the time to mount the war of production which was to prove our decisive weapon. Finally, when our production had equipped our forces and made us ready, we mopped up in Europe.

These successive achievements, scored without loss at home and with much less loss abroad than originally feared, made an already impressive Administration invulnerable--as the political campaign of 1944 showed. Of all the wartime successes credited to the Roosevelt Administration, none relieved more pressure on the free world, and none put more pressure on the Axis, than the war the Navy fought. Of all the men the Administration relied upon to staff the high command of the home front, none accomplished more or won it more prestige than Forrestal and the remarkable group of men he gathered around him. Indeed, as is well known,

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the accomplishments of the Forrestal team led to the drafting of Eberstadt to solve the problem of production control and thus to win the war on the home front, where it had to be won before it could be won in Europe.

Nevertheless, while the war administration's performance was strengthening its position in connection with naval affairs in particular and on the home front in general, the Vinson Committee on Naval Affairs in the House and the Truman Committee in the Senate were accumulating prodigious power. Vinson, balanced on the Executive side by men as able as any in the country and by a Commander-in-Chief who fancied himself in the role of a former naval person, participated as a principal in Navy councils. Truman, as administrative receiver for a weak War Production Board, fell heir to the political receivership as well.

The powers accumulated by the Truman and Vinson Committees (Senator Johnson served as chairman of the "Watch-Dog" Subcommittee of the Vinson Committee and Cook was his counsel), after a strong President had demonstrated his capacity for organizing victory with relative speed and economy, explains the gravitation of initiative to the Johnson Committee now. In a series of brilliant and constructive reports, each doing double duty as an overdue expose and a guide to executive programming, the Committee has successively established supervisory rights over such fundamental sources of strain as rubber, tin, nickel, tungsten, and manpower. It prevented--it is still preventing--a first-class scandal in the rubber program. Its supervision has achieved a pattern-making success in the administration of the tin program: Shrewd exploitation of the stockpile's bargaining position has pared the world price without sacrificing world production, thus saving the RFC something like half a billion dollars a year, while the revolving stockpile has enabled tin processors to operate at a maximum rate with minimal inventories. This assumption of responsibility for international negotiation, for market management, and for administrative planning and supervision represents an unprecedented and highly symptomatic extension of the normal function of senatorial committees, and it provides leadership altogether lacking on the Executive side.

More important still, the Johnson Committee has taken the leadership in hammering out the most vital policy of all--one for manpower; and it is proceeding on the educated assumption, learned from close study of a major World War II failure, that manpower scheduling must be continuously coordinated with production scheduling. The Committee sees clearly that manpower looms as our most serious strategic shortage, while it is our enemy's corresponding strength. It recognizes that our chance of victory hinges upon our ability to learn how to fight our enemy's manpower with our productive power in order to conserve our manpower. Meanwhile, our enemy has not had to begin using his manpower, but we are sacrificing our in Korea and wasting it at home.

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The Johnson Committee's effective concern with mobilizing manpower-- Senator Johnson himself sponsored the Senate's Universal Military Training Bill--and with breaking the critical bottlenecks threatening our productive power is establishing it as a combination receiver, principal, and partner of the administrative agencies. Its determination to audit the investigations and its ability to insure the adoption of its recommendations-- the President acted quickly to make its rubber program his--must inevitably broaden its function in all three roles. At any rate, the Johnson Committee with its tough-minded staff must be counted as an integral part of the mobilization program it is investigating and supervising.

The Johnson Committee, then, has been using its impressive new powers to raise the ceiling which strategic shortages have imposed upon our productive capacities. But while this ceiling is pressing down upon our economy, the demands of the military are squeezing it at the other end. Military requirements by definition always tend to be inflated. This is by no means as bad as it sounds, if only because inflation of military requirements invariably spurs necessary expansion of steel, aluminum, and other basic productive facilities. In any case, there are many reasons why, in such a situation as the present, they should be inflated. First and foremost is the overriding pressure of uncertainty. The halfway house between peace and war which we inhabit inevitably makes for exaggeration and duplication of requirements. The circumstances of our mobilizing for what Roosevelt would have called a very "iffy" war are understandably resulting in a process of bargaining between the civilians and the military over no less "iffy" requirements.

A vicious circle, therefore, has been set in motion and must be broken. Because the armed forces are working from no strategic plan susceptible of quantitative reduction to requirements, requirements are inflated at a time when the economy is dislocated by shortages. But because the economy is dislocated by shortages, any level of military requirements too high to permit the economy to expand is an inflated level. How radically military requirements must expand in order to convert America into a relatively defensible theater of war is indicated by the fact that virtually all new military and atomic installations are being concentrated in "target" areas in order to keep supporting civilian requirements at a minimum; while no serious start has been made of relocating installations for the purpose of diversifying existing targets; and even the Atomic Energy Commission is obliged to locate its developments within economically transmittable reach of existing power facilities-- that is, in target areas. Clearly, any serious reorientation of requirements to prepare America's productive machinery for war is bound to multiply the mobilization load upon the civilian sector of the war economy.

Meanwhile, however, because military requirements (inflated or not) are "iffy" we are muddling along with a priority system. To be sure,

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it has begun to evolve towards the Controlled Materials Plan technique. But here's the rub--before our admittedly transitional priority system can evolve into a revived Controlled Materials Plan, military requirements must be reduced to measurable production schedules which are supportable by a civilian economy obliged to expand basic resources--extractive, utility, manufacturing, distributive--at home and abroad. The Controlled Materials Plan technique is the indispensable tool we need to deflate military requirements at the rate needed to program the expansion of basic resources. Unfortunately, however, a priority system, such as that we are improvising, is a most inefficient tool for this purpose. Says Manly Fleischmann of World War II's pre-CMP priority system; "(its) principal defect ... and one which eventually hastened its demise, was that it provided no mechanism for compelling the Army and Navy and other procuring agencies to reduce their production programs in accordance with the allotments given their prime and subcontractors."

Fleischmann, then, like Senator Johnson, is being afforded a rare opportunity to apply a formative experience of World War II to today's crisis. He saw and studied closely the processes by which a hopelessly inflated priority system was converted into an efficient Controlled Materials Plan--under conditions clarified by a simple and definite strategic plan. As he noted in his article, a major obstacle in the way of this transition was the difficulty experienced by the civilian administrators of the inflated priority system in deflating military requirements down to controllable proportions.

Today, the priority system he is administering with such eloquently prophetic and prayerful misgivings is not hopelessly inflated, but inflation is in prospect for it. Professionally skillful and persistent bargaining has squeezed a great deal of water out of the military budget but not enough. The question is whether a supportable schedule of requirements can be settled upon before priority inflation aggravates present dislocations and while we have the time and the mobility to substitute civilian expansion of basic resources for requirements inflation. Fundamentally, the basic military requirement is the maximum reservoir of civilian resources. Certainly, any deflation of military requirements which supports an expansion of the over-all reservoir sets in motion a cycle of expanding military requirements. The most obvious illustration is a deflation of the primary military requirement--manpower--which grants small and temporary draft exemptions for the purpose of installing productive facilities able to support larger permanent draft schedules without risking curtailment of production.

If our mastery of the imponderables of war-in-peace permitted us to formulate objectives translatable into military requirements, solution of the corresponding home-front problem of balancing guns against butter would be a matter of arithmetical, or administrative, routine. But we

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have no such mastery over the "crisis-process." Consequently, if we are to protect our home from from disruption, if we are to mobilize our economic resources to fight our way towards this mastery of the "crisis-process," we must begin with the only weapon at hand--our economy. We must deflate procurement requirements in order to inflate over-all capacities while there is still time to enlarge our remobilizing economy against the day when its military customer may finally see the strategic objective to be won. We must, in short, accept the challenge of political uncertainty with a campaign of economic expansion aimed at resolving the over-all strategic equation in our favor. Security lies in strength, and our strength can only grow with our reservoir of resources.

To the typical businessman these interlocking uncertainties are as baffling as they are exasperating. Up and down the country, inflation of military requirements is seen as a procurement monopoly enjoyed by relatively few favored corporations to the exclusion of the majority. The fact is that only companies equipped to participate in atomic, electronic, jet, and such technologically advanced programs can hope to share in the (definitely mixed) blessings of procurement. Uneven distribution of defense contracts is only one reason why remobilization is multiplying dislocations much faster than it is at all likely to take up the slack. Price inflation has been interrupted, but cost inflation is still accelerating.

Altogether, therefore, business sees remobilization developing into a system of costly and disjointed restrictions offering no compensating benefits. Washington stipulates what may not be done, but does not guarantee the wherewithal to do what is still permitted. Alternately enraged and depressed by this combination of the inefficiencies of socialism with the risks of capitalism, little wonder that businessmen feel themselves suffering from the worst of both systems. Little wonder, too, that business and government are playing turnabout: Business, on the one hand is anxious to submit to total regulation by a Controlled Materials Plan which will guarantee production schedules, while government, on the other hand, has been trying to limit the area of certainty to what it wants to buy (hence priorities) and to what it does not want business to sell (hence limitations).

These are transitional troubles. We will outgrow them as fast as we bridge the gap still separating the priority system from a revived Controlled Materials Plan. No doubt military requirements will remain incalculable so long as policy remains indeterminate. But uncertainty as to requirements should not be taken as a reason for deferring the revival of the CMP technique. For we can calculate the requirements of expansion, and we will need all that we can get to prepare us against the day when our fears turn into facts. I thank you.

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GENERAL HOLMAN: I think it would be quite appropriate to get this word "requirements" clear. We have a whole subcourse on it during the year and we know it means different things to many different people.

MR. JANEWAY: Sometimes, I think that in order to be a general or an economist, one must start out being a student of language. That is the most helpful question I could be asked because I don't mind saying that, in wrestling with this difficult paper, the greatest difficulty I have had has been in fighting these blasted familiar words. I have had to fight these words as I hope we will be able to fight the enemy.

Perhaps the best illustration I can give for what is in my mind by the word "requirements" is to illustrate it this way. Certainly the military establishment over-all, the armed forces, will begin the computation of their requirements with manpower. In Stamford, Connecticut, there is a nonferrous foundry which must be regarded as a prime fundamental production source in what you would call the civilian economy. It does not have a railroad siding although it is in walking distance of a railroad station. Your requirement may be for manpower in that factory in that work force. Suppose your requirement is deflated for 30 days so that manpower can be kept there for the purpose of putting in the required siding. You give the allocations and priorities for the wherewithal to put that siding in. That siding may then enable you to multiply economically a hundred times the drafts they planned for support of your manpower permanently by reducing the manpower load needed in that work force. That illustration I take to mean to support the viewpoint that all of us must begin disciplining ourselves--and I want to confess that I want to begin with myself--we must discipline ourselves against ever using the term "mobilization" to mean purely or narrowly, distinctively military requirements, because I believe we must use mobilization in the sense of the sum total of the entire reservoir of resources within our reach within the continental United States and within the reachable or even reclaimable area. Do I clarify that?

GENERAL HOLMAN: Yes, sir.

MR. JANEWAY: I beg forgiveness for having at one or two places fallen into the habit here of using mobilization or requirements as if we were not to be considering the entire potential resources.

QUESTION: I would like to ask a question right along that line, sir., In your talk you said a decrease of military requirements should result in an increase of production capacity, or words to that effect. It seems to me unless we take requirements as being--talking about manpower--that is not true at all. I have the impression that inflated requirements are actually responsible for our having inflated production capacity where production capacity would not have been expanded otherwise.

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MR. JANEWAY: That is a shrewd question because I believe it to mean that in practice no matter whether anyone ever planned it, what might be called a deflatable requirement has the effect on the economy of setting in process expansion of facilities. I think you are right; I know you are right; I observe you are right. My concern is not so much where you have demonstrably been right but where from here out you may be no longer right because of what I regard as the governing shortage of these critical items; where now it is not a question of market demand as, say, in the steel business or in the railroad business, but where probably the so-called military requirements may already be taking up more than the visible supply of whatever the critical items may be. Nickel is a particularly cruel example. I am told, for example, by technicians that we could increase our nickel supply by improvising certain methods of reclamation if they were to be adopted and were to be acceptable from an objective standpoint. But industry would then need equipment to enable nickel production to use materials now discarded as waste. That equipment might itself, and probably would, involve a nickel requirement. The blunt arithmetic of the situation would have you obligated to deflate the present nickel-using requirement in order to get the wherewithal from such a new process to expand your nickel for what admittedly must be a tremendously expanding and accelerating cycle of requirements. Do I make that clear?

At the risk of laboring the point, may I advance this illustration from my reading of what is in store for the economy this summer? I think the auto people should be encouraged to make all the cars possible while the making is good to fill up the reservoirs against the day when a radical cutback may be required overnight. The auto people may find themselves literally unable to continue absorbing available supplies in a surplus of flat carbon steel or fender steel; they will be governed and limited by the critical shortages of oils for engines and components like bearing parts. You see what an imbalance that will create, and the task of the NPA then would be to see to it that the steel industry is expanded at a fast clip. It is not enough that requirements are being expanded but incentives must be provided. You have to expand much faster for end uses, for ingot, which will break that bottleneck at the lowest common denominator.

QUESTION: You said that we are now in a period of a continuing crisis where the terms "complete war" and "complete peace" take on less meaning. I am in agreement with that particular generalization, but I wonder if you would care to express an opinion as to when that crisis started. Is it 21 June 1945, the Berlin airlift, or does it go back to 1917?

MR. JANEWAY: I was going to reach for some dates like 1917 or 1905, but certainly you know the old saying from the days of the English coffee houses journalism, "Would that mine enemy had written a book." We have an enemy which, as we can clearly see, reads, but we have a strategic

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weapon we have never grasped, that is that our enemy writes, and I think that what our enemy writes ought to become compulsory reading. If we read what our enemy writes, I think we probably would be obliged to go back to 1905.

QUESTION: I am interested in the political and public opinion aspects that you hinted at. You dwelt heavily, I believe, on the concept that we are working up to a period of preparedness by 1953. That concept has been probably stated several times by Mr. Wilson. Among mineral men Mr. Wilson is accepted as a very sophisticated man in mineral matters so he hasn't arrived at that by political or diplomatic considerations.

MR. JANEWAY: I would say one of the disciplines all of us must learn to accept is that discipline which obligates us to question every assumption. I think your second statement I must take as an assumption. I don't like ever as they say in politics, to rise above the issues to the level of personalities but I would question the assumption that the gentlemen you name is regarded as essentially a mineral technician in the sense in which we consider others.

QUESTION: He is accepted as knowing more about mineral matters than most laymen.

MR. JANEWAY: I am inclined to feel that I must question that assumption in reverence to the Gallup Poll. I think there is a division. I know certainly if you are talking now in terms of mineral men's opinion, a well-known Chinese American has been devoted for years to these matters and has served two administrations well as an adviser, takes the grimmest possible view of what our enemy is in a position now to do because of the bargaining power it has won with tungsten in China. He doesn't think we can begin to approach the bottleneck, much less break it, by 1953, and unless we can anticipate a beatific vision of Harding normalcy in 1953, if we are going to think in terms of a world war, on the one hand minimum preparedness, and on the other hand limiting that preparedness would then imply peace and normalcy; would then imply passive war existing with communism. That would obligate us to maintain full employment. Given these capabilities and this productivity of ours to maintain full employment in depressions, an unrestricted economy would mean either we would need radically multiplied sources of tungsten available to us without paying the political price or that we would be paying blackmail to Russia for such things as tungsten and manganese.

QUESTION: My thesis was that Mr. Wilson knows that.

MR. JANEWAY: I concern myself merely with what I read in the papers.

COLONEL BARNES: I wonder if you would buy this viewpoint as an explanation as well as justification for that which you say cannot be defended.

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Granted that economic mobilization must have public support, granted that in World War II we had automatic support given by Pearl Harbor which we lack now, as a stimulant, do you think the present policy is a good one from the standpoint of giving the public something to look forward to, among other things as a sort of partial mobilization effort now to get everybody behind the wheel pushing? Then, at the end of this time, our folks will be aware of defense and it can be explained. In the meantime it creates public support to get behind the program to get things started.

MR. JANEWAY: I couldn't disagree more. This is a week in which that arm of the Government which is closest to the people, the Congress, is passing what is obviously a desperately indicated Universal Military Training bill, which has always been predicted to be impossible in time of peace in this country. You have the Congress doing that, being away ahead of your mobilization expeditors. I think you have a situation in which resistance and resentment to what is necessary, including restrictions, uncertainties put upon business, and labor and consumers, gets sharpened and becomes irreconcilable when the impression spreads that you are being fed the truth through an eye dropper and you cannot be trusted to accept the fact that your appendix may burst at any moment or that a bomb might be dropped. We are at war and we have to live with the thing. We have to learn to live with things until the time for full mobilization is reached.

COLONEL BARNES: Mr. Janeway, on behalf of the college, I thank you for this very fine analysis from a fresh and stimulating viewpoint which will be helpful to the class at this time.

MR. JANEWAY: Thank you. I am glad I had the opportunity to do my duty.

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