

HOW BUSINESS CAN HELP GOVERNMENT IN WARTIME

18 December 1953

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

Mr. Leo Cherne, Executive Director of the Research Institute of America, was born in New York City, 8 September 1912. He was graduated from New York University and the New York Law School; he served on the faculty of the Georgetown University School of Foreign Service; lectured at the Army Industrial College since 1939; and was a faculty member of the New School for Social Research from 1945 to 1952. He was awarded an honorary LL.D. from Parsons College, June 1951. Mr. Cherne participated in drafting the Army and Navy industrial mobilization plans for the last war, and worked closely with virtually every military and defense agency during that period. At the joint request of General Douglas MacArthur and the War Department, he went to Tokyo in April 1946 to prepare a program for the revision of the Japanese tax and fiscal structure. He is also well known to national radio and television audiences. He has covered every national political convention, starting in 1940, and frequently serves on panels. As chairman of the International Rescue Committee, (IRC), Mr. Cherne made several trips to Berlin in 1953 at the invitation of the late Mayor Ernst Reuther to review the problems of the escapees coming across the Iron Curtain. With other members of the Board of Directors of IRC, he is presently completing plans for several major projects to aid those who seek freedom from Soviet tyranny. His writings include: "Adjusting Your Business to War," 1939; "M-Day and What it Means to You," 1940; "Your Business Goes to War," 1943; and "The Rest of Your Life," 1945. His articles have appeared in "Saturday Evening Post," "Colliers," "Look," "The Saturday Review," and "The Atlantic Monthly."

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COLONEL BARNES: Admiral Hague, General Hovey, General Greeley, gentlemen: One of the most vivid recollections that I have from my student year at the Army Industrial College 14 years ago is the outstanding lecture that we had at that time from today's speaker, Mr. Leo Cherne.

Through the years Mr. Cherne has continued to be a really top-flight guest speaker before the Industrial College. He never lets us down. His lectures have always displayed an impressive overall knowledge, and a keen and penetrating insight into the issues of the day.

His topic today "How Business Can Help Government in Wartime" is really right up his alley. He makes his living advising businessmen. The Research Institute of America, which he helped found, makes a specialty of advising industry how to prepare for war.

Mr. Cherne, I think you told us on your last visit here that that occasion marked the fifteenth anniversary of your association with the Industrial College. As of now you are on the downhill side of your thirtieth. Welcome back. It is a pleasure to present you to this audience.

Mr. Leo Cherne.

MR. CHERNE: Admiral Hague, General Hovey, General Greeley, Colonel Barnes, gentlemen: I am on the downhill side of more than the thirtieth anniversary. I have already confessed to Admiral Hague this morning my increasing misgivings about the possibility of making any significant contribution to your thinking. I think it is important that I indicate why those doubts exist, because all of my subsequent remarks must be seen in the light of what I feel may be deficiencies in my approach.

During our first contacts with planning for industrial mobilization, it was possible to some degree to anticipate the environment against which planning would be necessary. To be perfectly candid, what actually happened was this: The business community did not anticipate World War II and even resisted planning for that possibility. But at least that resistance itself was not a handicap to the planning. Now there is no substantial resistance to any necessary preparation. Nor does business resist the need to anticipate the real contingencies of warfare.

Today, with less resistance, the problem of planning nevertheless is more involved. Those of us who have only a modest contact with the military problem against which industrial mobilization planning must be

measured don't quite know what it is we are planning for. It is not easy, for instance, to undertake to answer the question "How Can Business Help Government in Wartime" without knowing precisely what is meant by the phrase "wartime." And so my remarks are going to be based on a series of speculations.

I am assuming, first of all, that "wartime" means an experience quite unlike any we have ever previously encountered. I am assuming that "wartime" means anything ranging from substantial to total involvement of the entire American society. I am assuming that "wartime" means physical destruction on the American continent, and I am assuming that substantial industrial damage, and, most likely, repetitive industrial damage, will be characteristic of what we are contemplating in the phrase "wartime."

If these assumptions are accurate, then there is little in any past experience that is clearly relevant. Even the resistance that occurred prior to and during World War II, resistance to controls, resistance to integrated industrial mobilization, would of necessity be clearly impossible in the face of the reality I am assuming.

The problem, in my judgment, will not be one of conditioning business to the acceptance of controls or any aspect of mobilization. The problem shifts to an entirely different level, the much more complicated aspect of industrial mobilization; how to keep industry functioning so that it performs the vital role it must play in modern community life, and in support of whatever the nature of the military effort in which we are involved.

I have been asked to make some comment about the contribution that business could make in partial mobilization. I do it with no great enthusiasm because I do not believe we will ever again seriously confront the necessity for partial mobilization.

The Korean War, following as it did a period of intensive demobilization and demilitarization, was nevertheless an occasion in which the obligations were met with virtually no mobilization of industry. I am certain that the obligations could have been met less expensively had there been partial mobilization. But the fact is they were met.

It is unlikely, in my judgment, that we will again have to make an effort even as large as the Korean War in which we will have need of partial mobilization. If we face any emergency requiring the mobilization of industrial resources, it is almost certain to be one involving total mobilization.

Nevertheless, let's assume the need for partial mobilization. These are the five principles which must govern in any military contingency less than total war:

1. We must in that partial mobilization convert whatever industry is required to make arms, regardless of the difficulty or dislocation in that industry or to the economy.

2. We must expand resources which prove to be inadequate, whatever the temporary deprivation to other industries.

3. We must control whatever inflation is produced by the first two dislocations during that interval with whatever restraint is necessary on American consumption.

4. We must pay the giant cost of even those limited undertakings, whatever the sacrifice to our standard of living.

5. We must expand our available military manpower, whatever the wrench to the heart of America.

Curiously enough, these prescriptions for partial mobilization are infinitely more difficult to fulfill than the far more costly and complex tradition-destroying requirements of total mobilization. The reasons are fairly visible. We can avoid facing up to partial necessity; total necessity, however, is inescapable. The American people are not highly equipped to make modest efforts. We are, however, willing to make total efforts. We are inclined to resist and avoid what appears to be avoidable, whether it is or not. Total warfare is unavoidable and there is no visible or arguable escape from it.

I would like, therefore, to spend the balance of my time on the contribution which business can and must make in a mobilization which is more than partial. If we are faced with the requirement of total mobilization, if we are engaged in warfare in which the American continent is subject to attack, the entire role of business changes. As a matter of fact, even the wording of the question does not make quite as much sense as it first seems to, because we can no longer ask "What can business do to help Government?" Business becomes part of Government!

In total warfare there is no distinction among the separate functions performed in a community. They are all functions of society; they are limited by necessity; they are established by the urgency of the hour.

Business must perform three fundamental roles:

1. It must supply the military need, whatever its dimensions, whatever its character.

2. To the extent permitted by the first, it must sustain a survival economy, and probably, no more than a survival economy.

3. It must, to an extent permitted by these first two, maintain employment and morale.

Curiously enough, the problem of maintaining employment may prove more difficult than the problem of maintaining morale. Morale will be sustained by emergency; employment may, for the first time in our military experience, prove to be difficult. It is conceivable to me that total warfare could mean that military and essential industrial manpower needs would not be met without at the same time absorbing all of the manpower disemployed by the limitations placed on business through the curtailment of nonessential industries and as a result of wartime industrial damage.

If these three are the basic functions of business in total warfare, there are a series of steps that business can take to facilitate the satisfactory performance of those functions.

First, it will be urgent that the business community understand completely the wartime procurement role each business is capable of, and it must have that knowledge before the emergency. We learned during World War II of the extraordinary flexibility of even commercial enterprise and the enormous capacity of the American industrial inventive mind. Although it seems remarkable that businesses can shift their total character to meet military needs, in the event of total warfare this quality becomes indispensable. We cannot rely on only a limited number of available sources for vital military items. The presence of the threat of industrial destruction makes it urgent that the widest possible number of industrial firms be prepared to assume a substitute role in supplying military need that may not be called upon until the regular suppliers are crippled or destroyed.

Second, it will be essential that each plant have the most detailed knowledge of its entire work staff and of its work capabilities. It seems quite clear that there will be a much more rapid drain of technologically trained manpower for military purposes from civilian industry, and even from essential industry, than ever before. Business must be prepared to replace that talent.

Just as machinery must be repaired and replaced, just as plants must have their substitutes, so too, in the event of physical damage to the American industrial apparatus, there must be substitute talent to replace the dead and injured if the wheels of industry are to remain in motion. It cannot begin to replace the talent without knowing what talent is available. An inventory of talents, of skills, and of capabilities is therefore essential if business is to meet both the drain on its manpower and the necessity for its continued functioning.

Individual firms should each have a detailed program for replacing manpower. I cannot exaggerate the importance of this aspect of preparation. We know that within the last few years the shortage of certain skills has seriously embarrassed some industrial operations. Can you visualize what would happen in the absence of a detailed program for

the replacement of manpower if, in addition to the shortage of certain technical skills, a substantial drain of those skills occurred for military purposes, and an additional loss occurred because of injury?

A detailed program for replacing manpower must also involve a detailed program for applying the principle of interchangeable skills and staff. We learned during World War II that the most detailed, technical, and difficult operations can be broken up and, with a minimum amount of training, be assumed by relatively untrained manpower or "womanpower." In the emergency we are planning for, it may be necessary for every company to have a program for near-total replacement of its personnel.

Third, there must be the most detailed inventory of essential equipment with an underlining of the word "essential." Most industrial firms are accustomed to operating on a great deal more than is essential. In damage to the plant, the difficulty of repair and replacement may make it necessary within a matter of hours to repair or replace only the minimum, the essential, the required base needed for continued functioning. This cannot be done unless there is an inventory of all equipment made in terms of the essentiality and dispensability of the machinery found within the plant.

In advance of possible attack, there must be a full program for industrial defense against bombing. Here may be the weakest link of our present preparation. At each of my lectures in the last few years I have said that the Soviet Union can certainly look at us with some amusement and has every justification for not taking our preparations or protestations too seriously. It seems quite obvious that on the one hand we talk of the possibility of war and build military strength as part of that possibility, while on the other hand we make it so patently clear that we don't believe for a moment there is any real possibility of war. How else can we explain our total lack of preparation for the possibility of atomic attack upon our industrial heart?

Sweden, which has succeeded in remaining, and expects to continue, neutral, has already engaged in the preparation for the possibility of atomic attack far more intensively than the United States has. We here have talked the language of possible war, but we act with the emotional certainty that it cannot occur.

Industrial protection against atomic attack cannot be effective after the atomic attack. At best, hurried preparations can be taken against a repeated attack in areas which have not been totally destroyed. We have learned how much industrial equipment, and life itself, can be saved if certain steps are taken in preparation for the possibility of damage. Perhaps the one most substantial contribution business can make is the one it should make now. It must, with whatever government planning and subsidy is required, take the steps needed to protect itself against the possibility of injury or destruction.

As a companion to those steps, every essential business should explore fully its maximum capability of repair and survival after attack. One of the most impressive aspects of German industrial mobilization during World War II was the German capacity to bounce back after destruction. Although the heaviest firepower was concentrated on the German bearings plant, at the end of the war Germany had more bearings than its industry actually required. In most areas of German industry, Germany showed that it had learned the technique of survival, of repair, of rapid resumption of industrial activity better than any other nation involved in World War II.

A policy we have been following in recent months makes this requirement all the more acute. Our present procurement policy is one which leaves us dependent in vital areas on only one supplying facility. I recognize that in the past 16 years of preoccupation with industrial mobilization, certain approaches would have to change. But, if this is realistic industrial preparation for the kind of war we are talking about, then I have lost contact with reality.

I think you can now better understand why it is I am hesitant to address myself to the subject; because there must be some basic flaw in my understanding of the kind of war we are anticipating. Should war occur while that is still the policy, then it is of desperate necessity that there be a program of protection against attack and provision of repair and resumption of production after attack, or there will be no mobilization.

There is a necessity that every essential business have the fullest knowledge of every source of potential supply, because the supplier the particular business was accustomed to look to yesterday may not be in existence tomorrow.

There must be maximum readiness in every plant to repair damaged equipment on the premises, a procedure not now typical in American industry. We cannot assume the luxury of replacement parts; we cannot assume the availability of machine shops elsewhere. We cannot assume anything other than the necessity to get going again after attack. Maximum readiness to function solely with the resources in the plant at the earliest possible moment must be achieved.

These are all things business can do. By and large, most of them must be done prior to the dreadful occasion we hope will never occur. With, I think, no more than two or three exceptions, each of these should be in process today; but I'm afraid that virtually none of them are.

What is the possibility of their being applied? Without the most aggressive and repetitive executive leadership coming from Government,

there is no possibility. There are few businesses in the United States today which regard the possibility of attack seriously. There may be some businessmen who accept that intellectually; there are none who believe it emotionally. The restraint of habit and of profit operates against emotional acceptance and appropriate action. We don't normally run to make adjustments of this character unnecessarily. And no business will take these steps without a realization that every last one of them involves substantial elements of cost that may never be needed.

That atmosphere can be changed in only two ways. Atomic attack would change it very rapidly overnight. The only other possibility is for the President of the United States to apply the techniques of education, orientation, persuasion, and conviction upon the total American community. A speech such as President Eisenhower delivered at the United Nations, if followed by another, and another, and another, each one detailing additional aspects of the reality we face, will, in my judgment, pave the way for the necessary steps that will be pursued by other Government agencies and by private advisory agencies, such as the Research Institute of America with which I'm associated. Without that orientation, without that emotional condition, there is not a ghost of a chance that any Government agency or any private institution will have any impact.

I told Admiral Hague earlier that the Research Institute in 1950 prepared a study on which we worked for some six months, a study for 30,000 of the Nation's top business organizations which are members of the Research Institute. This was a study on industrial planning against atomic attack. I don't think we have ever prepared any study that was of less interest to those who received it. Of the 30,000 top management groups which received the study, we were unable to find five that took even the most modest recommended steps. And to our knowledge, not one that took all the steps recommended in the study.

I now can add something we didn't know at that time. We didn't know then that the steps recommended to management in that report would prove, even if followed completely, inadequate to meet the dimensions of atomic attack described by President Eisenhower in his speech before the United Nations.

I have indicated a number of things that business could do and would do, in some measure, if properly directed, conditioned, and encouraged. There are certain things that business must do in the event of the emergency we have been discussing. It must accept the fullest application of all mobilization controls. I think there is no doubt that it would. It must prepare for the deepest drain on its manpower by both military and civilian agencies of Government, without resistance. It must be prepared for the suspension of the profit or market motivation in business. It is inconceivable to me that the military environment I have described is one which will permit the normal functioning of any normal incentive.

Business must accept the inevitable cessation of all nonessential activities. Business must accept the requisitioning of plant equipment, machinery, parts, warehousing space, repair facilities, and even executive talent, because all of American industry will have one vast pool of interchangeable pieces that will have to be moved and applied as damage requires.

There are three steps without which none of this can be accomplished:

First, a realistic anticipation of the nature of the military problem we face. It does not now exist in the United States. Yet it is basic; without it, there will be no industrial preparation for the kind of warfare that is most probable.

Second, an inventory of all aspects of readiness; everything that enables business or industry to function must be inventoried if it is to be understood, applied, or sacrificed; and, most of all, if it is to be replaced.

Third, only after there is a realistic anticipation and detailed inventory can we then move to the final steps, which are training and preparation. None of these areas of cooperation by business with Government will occur in any significant degree without training and preparation.

Happily, the Industrial College represents precisely that approach to the problem. Unhappily, the knowledge that exists here, the reality that is and has been faced here, is not characteristic of Government, of business, of labor, or of any significant segment of the total community. I know something of the frustration all of you must feel to know something, to feel it emotionally, to understand its desperate importance, to know the consequences of others not knowing it, and to be unable to convey that knowledge.

The consequences would be so much more devastating now than they were in 1938 and 1939 when the same things were true, and when it was possible, after some 19 years of peace and some industrial mobilization planning, for the President of the United States to decide that the M-day plans would not be used. But there were then certain luxurious elements in our lives which made even that dreadful mistake possible. We had time. We were not attacked. We had a three-year conditioning period. The American people participated in the "Great Debate" as they adjusted themselves to a new reality. We functioned as the tool shop for others before we prepared ourselves. And we were finally propelled into total action by an injury, not to our main body, but to Pearl Harbor.

How likely are we to be saved by such a composite of circumstances again? I can only guess. It seems impossible to me; and even if it were possible, our planning must be determined by the most serious

prospect we face. If the most serious prospect involves sudden, physical injury of major degree, then not a single step, which business must take, can be deferred much longer.

It has always been a very great privilege for me to participate in your work. "Privilege" this time is not the right word. This is not the happiest discussion to get into a week before Christmas; but this time in which we live is not the happiest either.

I had the opportunity to spend several days in Bermuda during the Big Three Conference. My activities as Chairman of the International Rescue Committee have kept me preoccupied in Berlin for a good portion of this year. I have seen certain things happen on the European continent and certain other things develop throughout the world which give point to our preoccupation with these problems.

I have seen our political strategy fail. I have seen our military effort diminish. I have seen our friends grow weary. I have seen escapism, neutralism, and pacifism creep across the face of the earth. I have seen the ready acceptance, in country after country--and ours is also included, though in lesser degree--of the new concept that maybe the Soviet Union has changed, and perhaps it will now be peaceful, pleasant, and reasonable. I have seen us move in a direction in which we will increasingly delude ourselves that none of this has to be done after all. I see us following the will-of-the-wisp called "easy peace," and sacrificing in the process the industrial and military strength without which secure peace is impossible.

I am concerned especially with the rate of the Soviet buildup of its industrial and military apparatus. Their rate of production increase is so great that not many years will pass before even the timely application of these steps may prove inadequate. Your work involves preparation and planning for it. I have known of no interval of recent years when the planning for the most unhappy possibilities was more acutely needed than at this moment in which complacency grows.

I value the opportunity to have made these observations to you. Thank you.

COLONEL BARNES: I have been told by several members of the class that I made a complete understatement in describing Mr. Cherne's ability as a lecturer. However, we are now ready to proceed with the questions.

QUESTION: Doctor, you have underscored very vividly the need for what you might call disaster planning or mobilization preparedness in industry. How can we reconcile that, however, with the need for paying for it, in addition to the initial cost that these measures are bound to incur? It is going to interfere with the efficiency of operation, which is, well, the very way of our operation. Industry thrives on efficiency

and its competitive way. How are industries going to be reimbursed for this? How are they going to be convinced that they must operate in such a fashion?

MR. CHERNE: That well may be the most difficult question of all to answer. I think we must approach it this way. It is up to Government to articulate precisely what it is it wants basic industry to do. Having articulated the various steps that must be taken, I think, first of all, you will be surprised at how many of those steps will be undertaken at private expense. I wholly agree that there are certain steps that cannot be taken at private expense if one competitive business is free to avoid the cost. If that proves to be true, and I think it would be true, it may be necessary for Government to assume the total costs.

I think it is thoroughly understandable that these steps, taken in the national interest, particularly in basic industry, are as vital to the total military strength as any steps taken by the military. If that is so, a good case can be made, and one which I am certain the American people would accept, for Government's assuming certain costs involved in this process. I don't think you can even approach the question of costs, however, before you have a precise articulation of what it is you want industry to do.

QUESTION: Mr. Cherne, it is the first time in my experience here that we have had two such magnificent lectures in one morning, though almost diametrically opposite concepts and equally convincing. I happen to buy your concept, which reminds me very much of the President's policy in 1948 in this same area.

My specific question has to do with what business can do, or why it is doing what it is now doing, and that is, to what degree it is possible now to have the support, which is the national policy of our Nation, in acting in an unrealistic way with regard to future war. Is it because of the vested interests, or is it because of the defense budget, or is it the conventional products demand on industry, or is it a conviction that the realism of the military and the Government will prevail, in its slow way, for a future emergency?

MR. CHERNE: If I understand all the dimensions of your question, and there are many, my only answer would have to be that business is certainly at least as reluctant today as Government to face what seems to me to be an ugly but inevitable reality.

The reasons for business being reluctant are quite clear. Business will not rush to take any expensive steps or steps which alter habitual process unless compelled competitively or by market incentive to do so. Business accepts the reality of total war even less than Government. Business will fight to the very last moment against certain devastating disruptions involved in this process, disruptions brought about by the necessity to disperse certain facilities in less vulnerable areas or lesser concentration.

It is thoroughly understandable that business should prefer to place the plant as close to the market and as close to the market and as close to communications and transportation centers as possible.

I didn't hear the first speech this morning. I gather that the first speaker had a better night's sleep than I did, and conveyed a more promising picture of the world. I sincerely hope he is right. But I think the job of planning and preparation must always be one measured against the darkest possibility. I was asked this morning if I believe war is probable within the next three to five years. No, I don't. I am not even sure that the existence of these extraordinary absolute weapons does not make war permanently improbable.

I am willing to speculate on that, but I am not willing to gamble a nation on it; and preparations must be measured against the existence of the gamble; not against the probabilities.

QUESTION: Mr. Cherne, if business ever got that precise definition of requirements to which you refer, it is obvious that during the compilation of that data, labor would be involved to a great extent; and it is obvious that the steps involved after the attack would sound a death knell to the great power wielded at the present time by many labor leaders. I was wondering whether you would comment on the cooperation we might expect from labor itself in this respect.

MR. CHERNE: I think you will meet with the most active resistance from labor prior to the dropping of the atomic bomb or any other destruction on the American continent. We are confronted with unpalatable necessity. The reason President Roosevelt junked the Industrial Mobilization Plan of 1939 was because they were unpalatable. But we have no other feasible alternative. We must do our best to convey to business and labor the reality of the problem we face. There is no certainty in a democratic community that you will achieve the measures needed for security in advance of disaster, but there is no alternative to our trying it. My complaint is we are not trying. If we are not trying, you can be certain you will not run into resistance of either business or labor. But you will also have preparation.

QUESTION: Mr. Cherne, I was reading in the paper last night about the permanent modern miracle of the replacement of the hydramatic plant in, I think, four months and four days. As I understand it, it was done by bringing together the efforts and resources of a great many facilities. Do you think that is an argument against each facility being able to repair or replace or sustain itself?

MR. CHERNE: No, I don't think it is an argument against it, for two reasons I can think of right at the moment. It was possible to do this today by the combination of facilities and equipment in a number of places because there was no destruction of facilities or equipment in any of the places involved in the reconnection of all the links. There was merely

the destruction by fire of the one plant. In the environment we are facing or planning against, we will face the possibility or probability that there will not be available all the other industrial facilities to compensate for the total destruction of one facility.

Secondly, it may be possible to do this where you are dealing with one area of destruction, but where you are dealing with multiple areas of destruction you will be forced, particularly in less essential enterprises, to fall back on the resources that are available directly within the injured plant.

I think we give ourselves an added measure of safety if a company plans on operating with whatever is available in the plant. If that proves inadequate and there is the military or community need to continue the function, you may be sure someone else will be stripped to provide what is lacking. But someone else should not be stripped until every last resource is exhausted within the one destroyed area, in my judgment.

QUESTION: One of the things you said, Mr. Cherne, was that business should be prepared to inventory skills, equipment, and manpower. Now, it seems to me an individual business just can't approach that problem. That is something for which maybe there ought to be a national inventory and not an individual business inventory. Business needs to know how it can prepare to solve that problem. I can't understand it. There's a problem there, but I don't see a solution.

MR. CHERNE: There has to be both; there has to be the national inventory, particularly a national inventory of scientific and professional skills. I think it would be a good thing if there was an inventory of technical skills as well. The job of individual business or industry inventorying its skills is by no means as complicated as you say, in my judgment. Most businesses are in the habit of doing this to a certain extent. An incredible number of businesses found themselves doing it of necessity during World War II. The necessity will be far greater in the event of a world war III.

What I am suggesting is that every individual company needs to have a detailed knowledge of several things: Just what are the total available skills now being employed--X, a man; and Y, a woman? May both be employed at a job today which does not reveal the areas of activity or potential performance and of which both are capable? It is not difficult to determine what the potential capabilities are of the individuals who are now on the work force. Outside the work force we are facing the necessity of Government inventory to know what the total skills are in the community, what the available capabilities are.

QUESTION: Mr. Cherne, you made the assumption that we would have serious atomic destruction and probably repetitive destruction. On the

basis that our industry has several vital so-called requirements concentrated in major centers, we can assume they would be probably destroyed completely or nearly so. Do you recommend that we break these industries down into so-called smaller pieces and disperse them over the country? Is that the approach?

MR. CHERNE: I think you are asking someone who can in no sense be considered a specialist for an answer which must be a specialized one. I can give you only a logical answer which may not be true. The decentralization of industry seems necessary. The decentralization can be accomplished in a substantial number of ways. It need not involve the breaking up of a large plant into a number of large or small pieces, but it would indicate certainly that such cities as Pittsburgh, Detroit, or Philadelphia should not be encouraged to attract one large plant after another.

Decentralization has been recommended by even the most modest studies conducted since World War II, and it was recommended to a substantial extent by studies conducted in World War II, before the knowledge of the existence of atomic warfare.

I think there is no argument possible against decentralization. I also agree it is the most difficult of the protective steps. Resistance against it will be enormous. As a matter of fact, since the atomic bomb has been common knowledge, there has been even further concentration of key elements of American industry.

QUESTION: In view of your remarks, Mr. Cherne, do you believe in, or do you desire to discuss, the desirability of a "national service act" for this country in the time of a national emergency?

MR. CHERNE: I don't even think we are discussing a question that can be debated in terms of desirability or undesirability. You will have it within twenty-four hours of the emergency. All of the debates that we have gone through in the last 20 years on every aspect of mobilization will be mighty academic twenty-four hours after world war III begins, in my judgment. The dreadful thing is, we are likely to wait until that time. The dreadful thing is that a bill giving standby power, and recommended by the most conservative sources in Congress, was not encouraged by the Administration. Once that event occurs, anything that we previously thought of in terms of a national service act will look modest indeed in contrast to what will be applied.

QUESTION: You have been talking so far, Mr. Cherne, about destruction to the physical plant. It would appear that one very important resource is the managerial ability, which is even more heavily concentrated than the plant in places like Manhattan Island and Detroit. What should be done to prepare against the destruction of that asset?

MR. CHERNE: I wish I knew. It is an easy prescription to make to say that junior executive training must be enlarged enormously, that alternative executive talent must be prepared and trained. I can't conceive of many companies doing it, not because of the cost involved, but because there is nothing more debilitating to the potential junior executive than to be trained as a junior executive and work in the shipping room until an emergency occurs.

All personnel reasons motivate against training any more alternative executive talent than we are likely to use. We are actually more deficient in that respect. We don't train enough alternative executive talent now to make up for those who are dropping out of industry. I don't know how we go about doing it or how we go about motivating it. Doing it is not difficult, but motivating it in this case is extremely difficult.

COLONEL BARNES: Mr. Cherne, there are many questions still unanswered, but we try to keep to our schedule pretty well. On behalf of the college I thank you for this really outstanding, timely, objective analysis. Once again your visit here is one of our red-letter days. Thank you very much indeed.

MR. CHERNE: Thank you, Colonel.

(26 Feb 1954--1,000)S/fhl