

ECONOMIC STABILIZATION AFTER ATTACK

7 April 1955

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Washington, D. C.

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DR. KRESS: General Niblo, faculty, guests, and members of the class: This morning we welcome to this platform a man who has done more to acquaint the United States with the economic consequences which will face it after atomic attack than any other person. The members of study area B are familiar with his two earlier works on this subject, and all of you have had his most recent study, "Legal Planning Against the Risk of Atomic War."

But Professor Cavers is no newcomer to this field of economic mobilization. As editor of "Law and Contemporary Problems," the legal journal of Duke University, he helped bring out, as early as 1942 and 1943, special issues which had to do with stabilization, including renegotiation, price control, and so on; so it was a natural thing for him to have shaped his interest to these new phases of economic stabilization.

Another point I want to emphasize is that this lecture will wind up the Economic Stabilization Course. This lecture will serve, then, as the ice-cream-and-cake portion of this course, but will be the hors d'oeuvres of the final unit of the course, which will deal with the atomic problem.

Professor Cavers, it is a real pleasure to welcome you to this platform for the second time, and to present you to the Class of 1955.

MR. CAVERS: Thank you, Dr. Kress. General Niblo and members of the Class of 1955: I stopped off on the way over here to chat a bit with my friend, Ed Phelps, who was an associate of mine during the Office-of-Price-Administration days. I learned from Ed that he had told you that the subject of my talk this morning defied description. That has not deterred me. I am now prepared to describe the indescribable and, on further provocation, I would undertake to unscrew the inscrutable.

I may add that I do not undertake to describe the indescribable extemporaneously. I always write it down from the crystal ball.

I understand that you have had an opportunity to read my article in the February Columbia Law Review on "Legal Planning Against the Risk of Atomic Attack." That article is the product of wholesale plagiarism on my own lecture here last May. This year I have been asked to develop in greater detail one phase of the broad problem of economic defense--the stabilization of the economy after atomic attack.

Though I touched explicitly on that subject only briefly in the Columbia article, in a sense stability was its basic theme. How can wild fluctuations, both upward and downward, be prevented in a badly shattered economy?

GENERAL ASSUMPTIONS AS TO ATOMIC WAR

I have been given considerable leeway in the assumptions I may make this morning. I wish to begin by stating one broad assumption that goes to the general character of atomic war: An atomic war would be essentially two wars, at least for the victorious power. Or, to put it less dramatically, the war would be divided into two quite distinct phases.

The first of these phases would be that initiated by an atomic attack. This phase would continue until it became clear that the enemy no longer had the capability to deliver atomic weapons. Maybe the enemy could launch only a single surprise attack, an attack followed by retaliation so massive as to eliminate all capacity for repetition. If so, the war's atomic phase would be over as soon after that initial attack as it became clear that the enemy's capability to deliver atomic weapons had really ended, a matter of a week or two perhaps.

Instead of that hopeful hypothesis, let us take a less optimistic one. Let us suppose that after an initial attack on a major scale, the enemy was able to mount occasional atomic or thermonuclear raids and that, in some of these, one or a few of his planes or missiles would succeed in reaching urban targets. The first phase might be continued on this basis, perhaps for a number of months. Let us assume for our purposes that at least six months would elapse before the first phase was over, even though, toward its end, the rate of destruction had fallen greatly.

The effect on our economy, not only of these followup attacks, but also of the mere continuation of the hazard, would be severe from a

stabilization standpoint. If you will recall the classifications of communities in my article, the class B cities were those which, because they seemed likely targets, had been evacuated by their residents before they had actually been subjected to attack. Once it became clear that no further attacks would be made, then of course people would return to the class B cities and their productive facilities and markets would be reactivated. If the atomic attacks continued, however, this restoration of the B cities would be a much slower process. Some cities with less inviting targets would begin to draw back their citizens, particularly to the outlying areas, if attack experience showed the chance of escape from such areas to be reasonably good. However, confidence would scarcely have been restored to the extent that people would resume buying goods that they could not take with them in case the attackers did come their way.

The enemy's loss of capacity to deliver bombs while we retained ours might bring the war to an end at once. However, we might be confronted with the need of waging a long and distressing war against guerrilla operations. Obviously, at this point a new inflationary strain would begin. We should doubtless have to organize expeditionary forces and step up military output while at the same time we were seeking to restore at least parts of our shattered cities, transportation systems, and factories.

Though we can perhaps assume that no atomic war would be started in the wintertime, since the special horrors due to freezing weather would be grimmer for the enemy than for us, still we should have to face the prospect of winter catching up with us in the second phase of the war. In some respects our position might resemble that of Germany and Japan on V-E Day and V-J Day, but there would be one significant difference: nowhere in this world would there be the large, prosperous, and unscathed nation to take over the role which we have played vis-a-vis Germany and Japan. Whether, unaided, we could handle effectively the second phase of the atomic war and the postwar period immediately following it would probably depend to a large extent on our success in applying adequate measures in the first phase. Let us therefore turn back to that.

ASSUMPTIONS AS TO THE STATE OF THE ECONOMY

I have been asked to assume that 25 percent of our industrial productive capacity had been destroyed. Assuming the first phase of the

war to have lasted six months, we might further assume that two-thirds of that destruction would be caused in the initial raid and the rest in the intermittent raids in the following six months. (The last few weeks might be spent by an understandably nervous populace waiting for the next bomb to drop.)

If one assumes that 25 percent of our Nation's industry has been destroyed, Does that mean that we have lost only that percentage of our industrial capacity? I think that would be an unrealistically hopeful view of the situation. Certainly the destruction of 25 percent would have deprived many more industrial concerns of needed supplies or equally needed markets. Moreover, transportation and power troubles would have stilled the horsepower in a good many mills. Finally, in the class B cities, lack of manpower would render most plants idle. Probably for the plants in these cities that were of crucial importance to the war effort, employees could be recruited to man them. They could be withdrawn from the exposed area during nonworking hours.

Taking all these factors into account, I should think we should be lucky if the destruction of 25 percent of the industrial potential was not followed by the incapacitation of, say, another 15 or 20 percent. We must not forget the lesson taught us by that fire at the GM transmission plant.

Not only will the stabilization problem vary between the two phases of the war I have supposed, but it will vary markedly between the areas in which there is a heavy concentration of refugees and those areas that have been able to maintain reasonably normal conditions.

If we were to look at the country as a whole, I think we should find that its economy would be in a deflationary rather than an inflationary state. There would have been a tremendous fall in disposable income everywhere as a result of the destruction and abandonment of class A and class B cities, respectively. Not only would payrolls be down, but bank accounts and other forms of liquid savings might be frozen in whole or in part. Moreover, a high degree of insecurity would prevail. Few people would wish to use whatever purchasing power remained to them to buy goods that they could not readily take with them in the event of flight. This means, for example, that, though the less bulky canned goods would be in high demand, the market for most consumer appliances would rapidly dry up, even if the producing industries were able to stay in operation.

With this condition widespread outside the refugee areas, the Government might be faced with the problem more of stabilization up than stabilization down. One of the most important measures to this end would be the rehabilitation of credit, the carefully regulated thawing out of frozen savings, and the provision of a suitable system of insurance to enable businesses to take chances in dealing with buyers at substantial distances. These are matters I touched on somewhat more fully in the Columbia article.

THE PROBLEM OF THE REFUGEE-FLOODED COMMUNITY

Within the areas flooded by refugees, the situation would be different. There would be a special kind of inflation. It would be very intense. Let us look at a community that may typify this problem.

Let us assume that New Brunswick, New Jersey, was not hit by bombs or by fallout when New York and Philadelphia were victims of an assumed attack for which we shall suppose there was considerable warning. New Brunswick is 30 or so miles south of New York City and is even closer to Newark, Jersey City, and Elizabeth, all communities that we shall assume to have been severely damaged or contaminated by the attack centered on New York.

I think it would be conservative to assume that by nightfall after the attack the population of New Brunswick had arisen from its present level of about 40,000 to perhaps a quarter of a million people, many of whom, having traveled through a fallout area, might soon be showing signs of radiation sickness. These people could not go farther south since those who had preceded them would already have encountered the Philadelphia refugees moving northward to avoid the fallout over South Jersey from the Philadelphia bombing. For some time, therefore, they would have to count on seeking shelter in New Brunswick. Here would be a stabilization problem of a most acute sort.

(I may add that this is also a jurisdictional problem. Is this civil defense or stabilization? Is it in the jurisdiction of the Federal Civil Defense Administration (FCDA) or the Office of Defense Mobilization (ODM)? This is a problem area, I think, that can be correctly located between the two. I may add that in general I am not going to concern myself with jurisdictional lines. I think our present divisions of authority between nation, state, and locality, among the civilian agencies, and, I suspect, between civilian agencies and the Armed Forces, present a

thoroughly unworkable setup which I doubt has been adequately explored and thought through.)

Most of the evacuees would have only limited supplies of money. Suppose, however, they were to let loose their wants, backed up by their cash, on New Brunswick's grocery stores, just as New Brunswick's own citizens were seeking more food to stock their own larders. The resulting pressure would break through any emergency price ceiling that might be proclaimed on foodstuffs, and hoarding would probably be widespread.

To cope with this situation, the civil defense authorities in New Brunswick should be prepared to close down all food stores and probably all department and clothing stores until an effective system of rationing could be set up. Certain items of drugstore stocks should be similarly frozen. Gasoline supplies would have to be closely controlled.

During such an acute situation as I have envisaged, probably no individual food purchases should be permitted. Like restrictions might be placed on basic apparel, blankets, and kitchen utensils. The local supplies would, of course, be grossly inadequate to the swollen community's needs. With the surrounding communities overrun by throngs of homeless people and the normal channels of transport through Philadelphia and New York thoroughly blocked and probably dangerously radioactive as well, the prospect of bringing in food in quantities would be dim indeed for some time.

Once the authorities got the situation under control, they could channel out most of the retail and wholesale grocery and meat supplies through feeding stations, perhaps allowing residents of the community to make limited purchases at the local stores. The situation might, however, grow so acute as to oblige New Brunswick's citizens to share their own food supplies with their involuntary guests. This might call for a house-to-house search and requisitioning. Before that crisis had been reached, however, it might prove possible to move a substantial segment of New Brunswick's newcomers westward.

PREPARATION FOR THE INITIAL IMPACT

I scarcely need to tell you that without careful advance preparation such an operation could rapidly disintegrate into chaos. On the other hand no vast sum would be required to work out a New Brunswick plan

for providing temporary shelter for 250,000 evacuees. Each house, school, church, loft, and factory would be assigned its quota of non-paying guests, with each feeding station designated, with each retail food store and warehouse allocated to specified stations; a like provision would be made for the allocation of necessary apparel, blankets, and the like to families that had fled with insufficient supplies or had had to discard contaminated clothing. Additional arrangements would be needed for caring for the sick and injured.

To ask New Brunswick to work out plans to serve as a receiving center for evacuees is to expect it to undertake a planning job that is contingent only in the sense that, fortunately, atomic war is conjectural. If atomic war did come, then attacks on New York and Philadelphia would be almost certain, and probably simultaneously. Perhaps New Brunswick would be reached by blast or contaminated by the fallout, but it might well escape. If so, then certainly it would be overrun by refugees, even though the number escaping from the attacked communities was smaller than one might hope. (Incidentally, one hazard the evacuees would probably bring with them would be the dangerously radioactive auto. Plans for intercepting, decontaminating, or disposing of such cars would have to be worked out.)

New Brunswick is only one of a large number of readily identifiable communities standing in much the same relation to the target areas. These are small and medium-sized cities on which we should have to depend to take the first inundation of evacuees. In these communities, during the initial impact of evacuation, I see little chance that price control would operate as an effective restraint on otherwise free markets for food and other goods needed by refugees. The type of operation I have outlined would depend on requisitioning and allocation. A price freeze setting ceiling prices might be advantageous ultimately to the Government in so far as it set the limit of just compensation. However, direct controls over the actual sale of goods would be necessary to assure equitable allocation. This makes the problem possible of solution but not easy. Requisitioning all the food supplies of a city of 40,000 is itself a major task and on top of this must be added the problems of billeting.

Adequate procedures prescribed in advance, in detail, or in general, at least, adequate arrangements for keeping information current, adequate supplies of decently simplified forms, and, last but not least, personnel that had received some basic training in running these operations,

all these would be necessary. I confess I am unfamiliar how fully the Federal and State civil defense administrations have worked out plans of this sort, but I am prepared to place a few small bets that New Brunswick, New Jersey, is not ready for an experience of the sort I have outlined.

PROBLEMS AS EVACUEES ARE REDISTRIBUTED

Of, say, 2 million hungry and perhaps sickly refugees clustering in central New Jersey, certainly most should be moved out of that area into less-congested communities as rapidly as practicable. Even if this were done, perhaps double the normal population of central Jersey would remain there. The refugees would have to be moved and those remaining fed despite the fact that the normal avenues of access to central Jersey would be closed for at least a considerable time. How this is to be done is a problem in logistics with which this audience is far better equipped to cope than I am, and it is not essentially stabilization.

I do believe, however, that the stabilization problems of both these and other communities would be advanced if substantial stores of processed foods now in surplus could be maintained in areas into which it is clearly predictable that large numbers of evacuees would move. I refer to processed commodities because I mean, for example, that flour should be stored and not wheat. By revolving these supplies, they could be maintained in this form without spoilage and not at intolerable cost. Commodities like dried milk, eggs, and butter could be stored about as well in these class C areas as in the places they are now kept. If this were done, we should have the comforting thought that the ill wind of agricultural surpluses was blowing the Nation some good.

After the initial masses of refugees had been moved out into more distant class C communities, stabilization problems would promptly arise in these new class C communities into which the refugees had been spread. Here, perhaps, control over market transactions could be substituted for requisitioning and allocation. This, of course, would mean reliance on price control and rationing.

Localization of Controls

The systems of price control and rationing which would be used in these communities could not be centrally administered in the way the Office of Price Administration and the Office of Price Stabilization administered price and rationing controls. The reason is that inflationary pressures and shortages of supply would not work out relatively uniformly over a nationwide market, and, of course, communications would be gravely impaired. The inflationary pressures would be due to the reduced volume of supplies flowing into a community and the increased number of people there to consume them. This combination of forces would vary greatly from place to place and, so far as the supplies were concerned, probably from week to week, if not from day to day.

Within each community, therefore, a local body would have to determine the level at which basic supplies would be rationed and probably the level at which prices could be set. Even localized in this way, however, the technical problems of control would be difficult. How, for example, would the stabilization board in Wilkes-Barre, Pennsylvania, determine what Wilkes-Barre's supplies of basic food-stuffs were on any given date and how would it gage the shifting numbers of mouths that Wilkes-Barre would have to feed?

Probably some form of registration machinery would be essential, perhaps with controls at the principal highway entrances to the city. But inside the city, how would the natural temptation to hoard and to extort be overcome?

Identity Cards and Ration Books

As to this, I believe two mechanisms could be developed by the Federal Government for use in such emergencies. One would be an identification card, a civil defense card, if you will, numbered by an appropriate numbering system, and adorned by thumbprints. This would be issued in time of peace, to be carried along with the Social Security card to remind the citizenry not to feel too secure. Along with these cards might be printed some billions of ration books.

These books should be put in safe custody with the municipal authorities of all communities except the big ones which are likely to be hit, distributed with a view to the probable patterns of evacuation. The books

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should be designed to be adapted to as many control schemes as possible, so they could be adapted to various local emergencies. When a book was issued, the recipient's identity card could be punched. General directions to guide local authorities in the use of the books, aiding the varying types of schemes that might be conceived and outlined and distributed in advance, would be worked out by the Federal authorities in terms that allowed local boards leeway to adjust to local needs.

If access to the city is to be policed, if it is found to be necessary to exclude movement, or at least to check the volume of it, and the direction, if a system of rationing is to be set up, and if important prices are to be controlled, three questions still suggest themselves in cases like that of Wilkes-Barre. First, how does Wilkes-Barre, with its population doubled, replenish its supplies? Second, what do the people use for money? Third, who runs the Wilkes-Barre operations?

Replenishment of Supplies

The first question is a tough one. (I might add, the others are, too.) Wilkes-Barre's dairy, poultry, and egg supplies, and some vegetables, probably are produced in the vicinity in quantities that would be insufficient to meet the increased new needs, but enough, if spread around equitably, to assure an important continuing inflow. Probably the farmers would continue to produce and sell and to do so without very sharp price increases until the cost of their feed grains began to run up or the supply to run out.

Dangers would arise if city people began country shopping in order to bypass the regulations. But perhaps the control of gasoline, doubtless in very short supply, would guard against that. (Very few people remember how to walk, and the cutting off of gasoline may immobilize large numbers of them.) Where would the other food supplies come from? To what extent could Wilkes-Barre's wholesalers count on their usual suppliers, excluding those in Philadelphia? If the supplies could get through, what prices would be charged and what credit terms would be available?

All these questions depend on many factors, particularly as to the location of other bombed communities, the density of refugees in the areas through which the supplies would have to pass, and the extent of traffic bottlenecks, rail and highway. My guess is that, for a time at least, there would have to be centralized purchasing by pools created by local food wholesalers and large distributors. This would be still more

effective if the pools' orders could be placed with regional purchasing agencies set up at gateway transportation points for the region they served. The local pools would undertake to allocate goods received among the cooperating stores. Obviously, this is not a type of operation to be improvised after attack, yet it could not be fully taped down in advance. Standby organizations would be needed, with considerable flexibility in their operating plans which would have to extend to arrangements for handling the financing of new purchases.

Money

How about money? This fits into the problems of banking and credit with which I dealt briefly in my Columbia article. Probably Wilkes-Barre would be suffering from a good many shutdowns in plants and shops. Probably its banks would be operating under a qualified moratorium, allowing only limited funds to be released. Almost certainly, many of the newcomers would be penniless or close to it when they reached their haven. In such a population, few could bid up prices, and only acute shortages of needed goods would give rise to inflationary prices.

If adequate plans had been worked out for evacuating New York City bank accounts along with New York City residents, quite a few of the refugees would, in the course of, say, a week or two, be able to draw limited funds from their refugee bank accounts. So would refugees from other target cities. But the Federal Government would have to face the necessity of a great deal of direct relief. What form should it take?

If the rationing problem were acutely serious, the allocation to refugees of their shares of commodities in short supply would kill the two birds of rationing and relief with the one operation. However, some relief in money would be needed. To whom would that money go, from where, and in what amounts, and upon what showing of entitlement?

These are questions that can scarcely be left to the discretion of local boards. We need to know in advance the way these questions would be answered, if not the precise dollar amounts. The problem is difficult, but far from insuperable. Money is much easier to supply than groceries.

Stabilization Staff

Where does the staff for these multitudinous operations come from? Quite clearly its nucleus must come from the citizens of Wilkes-Barre in order to assure some advance training and familiarity with the local situation. This is not a job for the local government officials, most of whom would find their normal duties already multiplying at a rapid rate. A special staff is called for.

For this purpose, we should be able to count on a substantial number of citizens who would be unemployed as soon as the enemy struck or soon thereafter and who would know in advance that they would be unemployed. One such source, for example, is the community's real estate agents. With billeting in nearly every house, there would be little or no buying and selling of Split-Level Ranches or Garrison Colonials. Yet no group in the community would be better able to administer the system of shelter allocation that would be called for. The life, health, and accident insurance people would also be at liberty, except for the office staff which would have to handle claims and loans to the extent these were permitted. The salesmen would be able to aid in the retail rationing process. A good many other occupations would be at a standstill and could be drawn upon. Moreover, recruitment among the refugees would be desirable, if only to maintain morale.

So much for the consumer price and rationing situation in a class C city. We need not worry about commodities other than food, gas, and refugee items such as apparel, blankets, and utensils. The community would as a whole be very hard up. I cannot believe that general price controls would be worth the administrative manpower they would cost.

PROBLEMS OF THE AREAS ESCAPING BOTH BOMBS AND EVACUEES

As we move from the class C communities into those in class D which would be far enough away from target cities to escape the initial deluge of evacuees, or the second wave, the problems with which I have just been dealing would be much less acute. Deflation would be their real hazard; the question how to keep their local industries running would be their primary concern. There would be buying flurries for the kinds of goods that hoarders amassed during the last war, and also for what might be termed refugee and shelter specialities. However, this would die out with the exhaustion of local supplies and would scarcely be worth policing. Prostration of local industry and a good many distributive and service trades would be the main danger.

Some industries would be sustained by Government orders for military goods. As I argued in my article, the Government should also place standby orders of needed civilian goods both for the emergency period of atomic attack and for the second phase, and for the postwar construction period thereafter. Goods made in wartime in cities not damaged or seriously threatened would be a very important counter-inflationary factor once the atomic hazard had been removed.

Supply Bottlenecks

Despite the lack of a general inflationary pressure, serious problems would probably arise out of specific supply shortages which threatened to close down industries. Although enemy action had cut the supply of steel by at least 25 percent, on our hypothesis, probably the overall demands for steel would have been cut still more. Nevertheless, some makers of products using steel might find themselves with an insufficient supply of a particular fabricated or semifabricated item. For example, the fortunes of atomic attack might have been particularly hard on tubing works. This would create pressures on tube supply and hence a price that would be wholly out of line with the general state of the steel industry, assuming no control. A like difficulty over a wider range of products might be caused by transport problems in a region like New England. No controlled materials plans could be adapted to this situation since past experience and needs would no longer be a guide. The situation would be perfect for the emergence of the character who in 1947 we called the gray-market operator.

Perhaps the best way to minimize dependence on successful allocation would be for the Federal Government to build up stockpiles, not of raw materials, but of fabricated goods of standard types that are widely used in manufacturing. The existence of such supplies, well distributed, might prevent bottlenecks from arising. Their net cost need not exceed interest and storage; probably their cost would be much less than the construction of additional plant facilities to manufacture them. By placing orders for them in times or areas of low business activity, the Government might contribute to a balanced peacetime economy and get some of its costs back in taxes.

Localized Handling of Priorities Problems

Whatever precautions of this sort were taken, some shortages would be inevitable. A system of priorities tends to break down because more

orders are given priority ratings than can be filled. This is partly due to the broad criteria on which priorities are based in a system that is expected to be operated more or less mechanically on a nationwide basis. In a postattack crisis, however, the number of commodities in short supply might be small enough so that a system relying on the good judgment of localized administrators might be utilized. Thus, suppose that, for each major plant or for each producing area that made a commodity in short supply, a priorities panel for the commodity was named with authority, subject to quite broad directives and standards, to allocate the output of that commodity by that plant or region. A panel might be composed of an industry man, a civilian without connections in the industry making the commodity, and a military officer. To the extent practicable the members ought to be identified in advance of attack and indoctrinated in their powers and the principles that should guide their exercise. Of the many panels that might thus be provided, only a fraction would actually be called to serve.

At first, reliance would have to be placed chiefly on the panel's common sense in evaluating orders received. As things began to settle down, regional supervision could be set up with power to override manifestations of local bias or favoritism, or plain bad judgment. Some panels would do stupid things, but, by and large, I think the system would function better than a nationwide plan that attempted to apply uniform rules to widely varying facts.

The Pricing of Goods in Short Supply

Such panels should have power to requisition goods and to order production, if need be. Just compensation would be payable in due course. Probably, moreover, most plants would be willing to fill orders and to produce if their prices were right. How would this be determined? This is difficult to answer. It would be the main price stabilization problem not arising from refugee needs.

Past price control experience would not be very helpful. It built on each industry's peacetime pattern of costs and earnings. It was regulating industries which were mostly producing and earning more than they had in peacetime. Atomic war would present just the opposite picture for most industries. For example, overhead cost would rise sharply per unit as volume dropped. Moreover, the situations of companies would vary greatly. Industry cost and earnings data would be very hard to get and ordinarily would be meaningless.

To approach this situation with the strictness needed when general inflation threatens would be folly. Because most industries would be in a deeply depressed state, we could tolerate some price increases in others without much danger. What we could not tolerate would be cessations of production due to supply shortages that price relief could cure. My belief is that we could let prices in D areas take their course up until the point was reached where a plant or area panel had to be set up to allocate output. At that point, price control might be set up for the products controlled. This might begin with a freeze, perhaps followed by a rollback. But the standards could be loose. Cost increases could be covered, with some authority to spread overheads more widely to avoid sharp distortions in product prices. Profit margins might be allowed to rise proportionately with rises in direct costs.

The Wage Problem

If I am correct that price increases would not be general outside the class C communities, the pressure on wage rates would not be severe. Even in the C cities, many of the local industries would be crippled by loss of supplies and markets. The resulting labor surplus, coupled with the inroads of the evacuees, would keep wage demands from mounting and perhaps allow wages to be freely set, even in the distributive and service trades that would feel the pressures in class C cities built up by the influx of evacuees. Moreover, as evacuee labor began to filter into the D areas, this would tend to chill any urge to push for higher wage rates there. The real problem in wages would be, I suspect, chiefly in the B cities and in the construction industry. I shall consider each briefly.

Wages for Work in Class B Cities

Since B cities would be largely deserted but unbombed, there would be a need to reactivate plants in them that produced essential goods. Their stores of goods needed by refugees should also be moved out. To do both would require the services of workers who would be willing to risk their lives in B cities in working hours, though they would not stay in their old homes overnight. Moreover, to work on this basis would probably mean separation from families at a time of great peril and distress. Perhaps this should be recognized by some form of bonus. Possibly this could take the form of fringe benefits, for example, extra insurance and preference for the worker's family in getting

quarters. Certainly the cooperation of unions would be an important factor in inducing service in these conditions.

Wages in Construction

Construction would be a grim necessity in some areas and a completely paralyzed industry in others. The necessary construction would take two forms: First, emergency housing and hospitals for refugees, additional shelter, and cover in threatened areas; second, the restoration of highways, railways, water, gas, oil pipelines, and electric systems, and the rebuilding of vitally needed plants that had been damaged in areas not likely to be bombed again.

To meet these needs would require construction labor to be mobilized and shifted from the doldrums into the areas of acute need. In these new employments, they would almost certainly work long hours of overtime. Without any major increase in rates, their prospect of earning high pay would therefore be bright. The chief problem might be the effective allocation of labor supply. Fortunately, labor in the construction industry is unusually mobile, but, perhaps for the purpose of facilitating allocation to emergency needs, some paramilitary labor organization might be created on a standby basis with the prior consent of the unions and administered with their cooperation.

The construction problem would grow still more difficult when the first phase of the atomic war had ended, and with it the fear of atomic bombing. With winter coming on, the inadequacy of emergency shelters would be apparent, and pressure would mount for the rehabilitation of damaged but undestroyed housing in the environs of class A cities. This would be the beginning of the great push that would continue into the postwar period for the reconstruction of destroyed cities, so far as practicable. Incidentally, this push would vary directly in force with the success of the evacuation.

STABILIZATION IN THE SECOND PHASE OF AN ATOMIC WAR

Stabilization in this second phase of the war, when hostilities had ceased, would be difficult because fear of bombing would no longer deter purchases. What would prevent a scramble for the shrunken supplies of goods which a war-damaged economy could not soon increase? At this stage, I think we could employ two types of controls that would be more effective than direct price controls.

First, the Government would be able to control the rate at which partly or fully frozen savings (bank accounts, insurance policies, savings bonds) could be liquefied and so prevent a sudden access of purchasing power. At the same time, it could administer a plan for compensating owners of destroyed or damaged buildings with a view to adjusting the flow of compensation to the Nation's capacity to rebuild.

Second, the Government would be able to impose heavy taxes on those parts of the country that had escaped bombing. This would prevent the squandering of surplus funds there in ways that would cause inflationary pressures. Actually, "heavy taxes" could still be normal taxes. Normal taxes then would seem heavy taxes. At the same time, such taxation would help to equalize the position of the lucky residents of the unbombed areas with the lot of those who had borne the brunt of the attack. The latter would have to be forgiven tax liabilities, nice allocations having to be worked out by the corporations with plants in both areas.

PREPARATION FOR POSTATTACK STABILIZATION

In terms of present cost, the preparation for stabilization activities of the type I have tried to outline would be very small when compared with the military defense budget or with the dispersion of industry. The storage and stockpiling programs suggested would be more expensive, but not huge. Even meeting the demands of stabilization work during the war would not be costly, especially since the feeding and sheltering of refugees could not be thought to be a cost of stabilization.

Some legislation would be necessary and a considerable amount of administrative reorganization. However, I am pleased to see that measures toward these ends are coming to be seriously discussed even though they are not yet close to realization. In time attention may be shifted from the need for statutory authority and the creation of adequately staffed agencies to the concrete problems of how to work out plans for places like New Brunswick and Wilkes-Barre. At this point, I think no more knowledgeable group can be found than those in the Armed Forces who are concerned with logistical problems. Their guidance will be needed.

Thank you.

DR. KRESS: Mr. Cavers is ready for the inquisition.

QUESTION: Mr. Cavers, you said you had seen Mr. Phelps. Did he talk you into taking that job back?

MR. CAVERS: I have a theory that for a time at least there is more need for people who are not involved in actual Government planning, but who are involved in getting people concerned with actual Government planning. I suspect also that there are certain kinds of ideas in this field which are obviously derived from imagination and which have some rather unpleasant implications that can be presented more easily by somebody who has no Government responsibility than by somebody who has. So I am not convinced that I ought to leave this area of science fiction in which I have been engaged.

QUESTION: Mr. Cavers, under the assumptions that you gave in your talk, to what degree of vantage do you envision labor conscription for essential war work?

MR. CAVERS: I should think there might well be emergency situations immediately following an attack where jobs had to be done and manpower had to be obtained, whether it was the kind of manpower that was ordinarily employed in that kind of work or not--clearing highways, getting supplies moving, and jobs of that sort, for which I should think there would be need for short-term conscription.

I think it is the New York Act which has a provision in it for a 48- or a 72-hour period of conscription. Where you have problems of the sort that I have suggested might arise when a city had been evacuated because it seemed a likely target area and there were plants in that city which were vitally needed for the war work, I hope we would find it possible to get the needed staff of employees for those plants by voluntary methods. There is, I think, a great deal to be accomplished toward that end by working out the problems in advance in consultation with the unions, so there could be some method set up that would seem equitable and would prepare the men for that kind of hazard.

If, however, you did not succeed with that kind of a program and you still needed the plants, it seems to me that clearly a conscription of labor would be needed. If you were in the construction industry, obviously you would need to pull in people from safer parts of the country to work in more hazardous parts of the country. Whether that industry would need conscription or not is another problem.

My suggestion that there might be some paramilitary organization of labor did not necessarily imply a conscripted organization, but I can conceive that you might have to fill out the rolls in that fashion. Certainly I think that the freedom to choose one's own occupation in times of this sort would not be unlimited, and the compulsion should not certainly be limited to the military; but I think the effectiveness of work on a voluntary basis, the ease of organizing it, would be greatly enhanced if we did apply our minds to the subject in advance and had various plans worked out to that end, not necessarily in detail.

QUESTION: Professor, you touched on the subject of who effects control in the areas following nuclear attacks. The Federal Civil Defense Law is based on the assumption that state and local communities will assume that function. Would you care to expand a little bit more on your thoughts as to what part the military organization, as such, should take in effecting controls?

MR. CAVERS: Well, there would seem to me to be a very obvious and serious need for reliance on the military arm to keep a basic degree of order in the communities under great stress and probably to assure the flow of goods in areas where there would be considerable difficulty in relying on ordinary processes. If it became necessary to have a widespread requisitioning of privately owned foods, taking goods out of pantries, cellars, and attics, the situation might call for a degree of compulsion which could not be exerted simply by local police or civil defense authorities, even though they might have governmental authority to exercise such power.

My hope would be that situations would not be so chaotic as to make it necessary, except very close to the damaged areas, to give up civilian responsibility. It seems to me that we need in the planning for that problem, however, to study the ways in which the two forms of governmental authority could best be coordinated. I think the problems are foreseeable to such an extent that some basic division of responsibilities could be worked out.

One of our great difficulties with this type of planning is the fact that we have had a legal structure set up which I don't think was very good to begin with, and which has been pretty badly obsoleted by subsequent atomic developments. We are pretty well set for the old-fashioned or nominal A-bomb, but we are not prepared jurisdictionally to work out problems over an area of disturbance such as would be created by radioactive fallout.

For example, I have seen recently amendments to the District of Columbia Civil Defense Act which were designed, I think, primarily to relieve persons of legal liability for persons entering their homes in the event of an atomic attack or drill operations. They were designed to meet problems arising under an almost totally obsolete law which continues the responsibility of the District of Columbia defense authority to the area bounded by the District of Columbia lines. It seems to me to be pretty clearly unrealistic to think of an agency having a jurisdiction of that sort coping with the fallout problem. You must start with the assumption that most of the District would be evacuated and probably destroyed soon after.

That is getting a little beyond your question. It is a part of the complex which is particularly messy.

QUESTION: Mr. Cavers, outside the A and B types of cities, there will be a great amount of manufacturing capacity left. Do you think there's any possibility for advance planning by these manufacturing firms, or an organization to conduct advance planning for alternate sources of supply, of particularly hard goods? Most of their sources of supply now are in the large central A and B type cities.

MR. CAVERS: That, it seems to me, is highly necessary. It would certainly also aid in the stabilization problem, because, to the extent that you had prearranged sources of supply, you would diminish the scramble. To be sure, that scramble would be less intensive because of the general depression that I think would be existing outside the Government-procurement area.

But I think it not unrealistic to assume that industry needs predictability; that sources of supply, identified with alternative arrangements, could be worked out with a considerable number of contingencies. Certainly it could be done more easily in advance than after the event.

QUESTION: Mr. Cavers, in recent years all our wars have been fought in the other fellow's back yard; but this atomic concept would change that. Do you visualize that there is a possibility of necessity for declaring martial law in those areas that have been hit? In other words it might be construed as a home-combat zone. Then you run into the problem of the State National Guard, for example, which is a force in being, and to an extent under state control, before it is federalized. It seems to me there would have to be some definite line of demarcation drawn of responsibilities to tie in with the civil people.

MR. CAVERS: I think that, in the areas within a fairly substantial radius of ground zero, there might not be need for martial law, but, as you go around the peripheries of those areas, I suppose it is quite possible. How wide a band of that sort would have to be drawn I am not prepared to say, but certainly I think we need to consider that as one of the possibilities. I would hope that we wouldn't have to proceed clumsily by statewide communities but could demarcate the areas where that type of control was essential, and would also work out in advance both the standards that would govern these determinations and also the provisions for withdrawing martial law within a reasonable period, where the need began to diminish. Of course, the more inadequate is our planning on the civilian side, the greater the area of martial law will have to be.

One of the interesting elements of this whole problem of how you utilize your resources in this area is the problem of the National Guard. It seems to me there might be a possibility for placing on them some rather well-defined and considerable responsibilities which would not necessarily have to be worked out through martial law. In other words we may find ways of utilizing the Guard in maintaining law without necessarily converting the areas fully to martial law.

QUESTION: You mentioned toward the end about the need for some legislation and an administrative organization. I wonder if you will elaborate on your views as to what is really needed.

MR. CAVERS: I am afraid I can't. I think what is needed, and this is not elaboration, is a rethinking of the problem. I am convinced that the present division of responsibilities is not right, and, even if you had more authority and more funds granted along the present lines, we would have difficulty. On the other hand I am not at all inclined to underestimate the difficulty of the legislative problem, and I am by no means prepared to suggest an operating setup. Basically, I think we cannot continue to have a French and Indian War type of organization. Back in New England in those days, we would let communities look after themselves. If they got into difficulty and needed help, they might be able to get help from the next community. I think there is greater need for national planning and national responsibility and, at the same time, need for ways of utilizing the local authorities and local citizenry in carrying out the plans.

That is a very general answer, but I do think we need to tackle the problem afresh.

QUESTION: In these days of keeping prices where they belong, there is one item which does not seem to be brought up very often. This is in making available supplies. Take for example gasoline. We are building automobiles--I have a Ford that gets around 11 miles to the gallon. It seems to me it would be very simple to force, maybe by taxes, a vehicle which would give 30 miles to the gallon, and to put those taxes up a little bit higher by way of looking ahead to having a pool of vehicles of high efficiency rather than high horsepower.

Is there thought given to such legislation at this time, do you know?

MR. CAVERS: I think I can answer that with confidence. I would say no. Has anyone taken this up with the Secretary of Defense? What you have done in that very imaginative and creative contribution to this problem is to jump several stages ahead of where we are now; but, if you get people seriously studying our difficulties in organizing for an atomic attack, then a good many of the arrangements that we now take for granted, I think, would have to be reexamined.

One of the basic things is more widespread recognition that the running of the cold war adds to the cost of doing business in a cold war. That fact has been largely ducked except in so far as higher taxes have been imposed to meet defense expenditures. Planning for major changes in peacetime arrangements, moreover, always evokes considerable pessimism on my part. That is one of the things that troubles me about dispersion.

Suppose one were to propose that Pratt and Whitney move a few hundred miles away, up in the Adirondacks, for example. How about the reaction of the residents, the Connecticut citizenry, and the citizenry of Hartford? I think it is predictable. Now, multiply that reaction by one state, or two, or by a great many important communities. I think you would come to the conclusion that our industrial pattern is going to change rather gradually. Our hope will have to be that we shall have plenty of time--infinity, I hope.

COLONEL BARTLETT: Professor, as I recall it, last year you said you did not advocate that the planning job be done solely by the executive branch of the Government, by ODM, FCDA, or any of the sections of Commerce, and so forth. You felt that a great contribution could be made by the local citizenry advancing ideas and getting the civic or civilian and business viewpoints. A year later, have you checked to

see if there is more interest on the part of the bar associations and the medical associations? Is there some talk about it? Has anything been done about it?

MR. CAVERS: I think I can answer that affirmatively without suggesting for a moment that the dimensions of the change are at all comparable to the dimensions of the problem. I used to feel like a rather lonely crackpot when I discussed this subject in public. Now I don't have quite that feeling. At least I don't feel lonely. For example, the National Planning Association in Washington has a special committee on nonmilitary defense which was created for a rather broad examination of this field, with a view to identifying the things needed. It is, I think, a very strong and well-balanced committee, and its report will be out fairly soon. It deals, again generally, with the problem but represents an unofficial, private means for collecting the views of business and labor in a way that I think will be stimulating to more thought.

The Life Insurance Association also has a report by a committee which made a careful study of the planning problems, and at least a part of that report has been made public.

The legal profession has not risen as a man to meet this challenge, but I do get correspondence here and there to indicate a growing amount of thought and experimentation with these problems.

A greater sense that there is a job that actually could be done is needed in order to bring out a greater response from the grass roots and to get a degree of leadership. I think we would be surprised at the extent to which people would begin to take these problems into account.

The kinds of jobs that are called for are more likely to evoke public cooperation than the kind of job which a fire warden or a block captain was given to do in World War II or more recently, by the Civil Defense Administration. There is relatively low concern with personal survival, yet that has been given the emphasis. People are fatalistic as to that; but, if they see the work of economic and governmental organization that can be done, they are, I think, more likely to do it. There is considerably more to it than to assume simply private planning by industry.

QUESTION: Has any attempt been made yet to inject this sort of thinking into the university courses, on national and city planning, for the people who are going to have to do this in a few years from now?

MR. CAVERS: I regret to state that there seems to be a cultural lag in the universities. We are currently quite excited in the Law School, the Government Department, and the Business School at Harvard by a Defense Policy Seminar which has been introduced there this year. I think this is going to do a great deal to alter the atmosphere of the university world. Study of civil defense problems could be an offshoot of that seminar, along with the problems of planning for atomic war. Also there may be some possibility of interesting foundations in helping some of the basic planning and research.

At the present time, about all our learning in this field comes from survey articles written by people like myself. There is need to have resources and organized attention devoted to the subject to provide the kind of material required for close thinking and instruction. A university would seldom have a group of knowledgeable people like you people in the Industrial College. Over time, however, I suppose the universities will, to a rather small degree, make this matter their concern.

QUESTION: Mr. Cavers, I remember reading two or three years ago that, during a strike in the Commonwealth of Virginia which involved some utilities, the Government invoked an old law, dating back, I think, to colonial days, which stated that every male Virginian was automatically under Government orders and part of the militia and was subject to law. I believe also in Switzerland there is a provision whereby every male Swiss is automatically part of the armed forces and therefore subject to immediate call. I wonder whether you would care to comment on your opinions--whether you think this might or might not be one method of insuring a certain amount of order in the case of atomic attack, rather than when ordinary customary rules have broken down.

MR. CAVERS: I am not so worried about the basic legal authority of the Government to call on its citizenry to meet crises as I am with the problem of how you can get it done in ways that are likely to produce effective results. Take the type of provision in the New York law which I mentioned a moment ago, allowing the citizenry to be conscripted for brief periods of time to meet civil defense hazards. That's the kind of thing I can imagine might be required quite generally, but it would not be an effective instrument unless people were authorized to use it and knew essentially what the use would be. You might also have rather special problems where you were imposing obligations to stay on the job in certain types of occupation under hazards that were not shared by most of the population. For example, a powerplant might

have escaped destruction in an area where the likelihood of a new attack was substantial. The importance of maintaining that power plant in operation would be great.

You don't have people in the citizenry who can volunteer to step into a powerplant and operate it. It is a matter of using the people who are employed in that plant, and I think that, if necessary, compulsion could be used to keep them on the job. But, it seems to me, far better would be a situation where they had understood fully their special responsibilities and the degree of dependence of the community on them, so that they would do it voluntarily. This I think would in all probability be true in most cases if there had been some preparatory work done. Perhaps this has already been done in the electric industry, which I suspect is pretty well ahead of most industries in planning to meet this emergency-- they so often do have to meet emergencies.

DR. KRESS: Mr. Cavers, I think you have exhausted their questions. I thank you on behalf of the Commandant, the faculty, and the students themselves. We have had some difficulty here and there with speakers not sticking to their scope, but you have done that most admirably, after the difficulty of having written it out a day beforehand. I know you would be the first one to say that you are not an economist, but I don't think there is an economist in the country who could have given the description you did this morning.

Thank you very much.

(9 May 1955--250)S/ekh