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ECONOMIC MOBILIZATION PLANNING: A CRITICAL APPRAISAL

8 May 1957

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Dr. Shaw Livermore, Economist, Rockefeller Brothers, New York City, was born in Wellsley, Massachusetts, 1 September 1902. He received his A. B. degree from Dartmouth, his M. B. A. from Harvard, and his Ph. D. from Columbia University. He served with the War Production Board from 1941-1945; economist with Dun and Bradstreet, Inc., 1945-1949; on staff of Economic Cooporation Administration, 1949-1951; consultant with Rand Corporation 1951-1956. Member, Mobilization Program Advisory Committee, 1954-1955; member Hoover Commission and with Rockefeller Brothers since 1953. Beginning July 1957 he will become Dean of School of Business and Public Administration, University of Arizona. Author: Early American Land Companies and Business Organization and Public Control (with C. S. Tippets) 1932. This is his first lecture at the Industrial College.

ECONOMIC MOBILIZATION PLANNING: A CRITICAL APPRAISAL

8 May 1957

DR. HUNTER: General Hollis, Gentlemen: Our speaker this morning is Dr. Shaw Livermore, economist and Dean-designate of the School of Business and Public Administration, University of Arizona. He will speak to us on "Economic Mobilization Planning: A Critical Appraisal."

Dr. Livermore qualifies for this assignment in two important respects: He has lived with and has participated in economic mobilization, having served with the War Production Board back in World War II and again with ODM in the Korean War.

In the second place, he has been for three years a member of ODM's Mobilization Program Advisory Committee, which as you may know is an organization of outside consultants set up to give ODM some measure of the objective appraisal of its programs.

Dr. Livermore, I turn over to you a ready and, indeed, an eager audience. By some strange coincidence, the subject of your remarks this morning is also a major division of the current problem on which the whole class is working.

DR. LIVERMORE: Thank you, Dr. Hunter. Members of the faculty, and students: This is a rather complex subject. I want to follow a manuscript rather closely for it, but I won't read the exact text, except on a few occasions.

I have been an interested listener in this auditorium to other speakers in past years, as a guest, and I have also known quite a number of the students in past classes. I expect I know some of those here today, too. I have always admired the standards and the objectives of the College, as I have known about it over the last several years.

This topic, I think, is one that will appear again and again on your agenda for future classes. There is a long road ahead to reach anywhere near the level of economic mobilization or readiness that we all would like to see. The scope and content of the subject, I hope, will change a good deal over the coming years, so that what we say

about it five years from today will be as different as what I am saying today is from what someone might have said in 1952. I think of 1952-1953, incidentally, because, as I look back, I can see there the real turning point toward a revolutionary change in the concept of economic readiness. I have been interested in this subject since that time; the first year as a full-time staff member in ODM, and, as Dr. Hunter said, more recently as a member of the Mobilization Program Advisory Committee. Naturally what I say today will express my own views, not those of ODM nor of our Committee as such.

The topic is described as "Economic Mobilization Planning: A Critical Appraisal." I have recently been wrestling, as a particular member of the Committee, with the problem of a title for our own subject matter. We came recently to the point of saying: What is our task? What should we call it? We had quite a discussion a month or two ago about this. "Management of Economic Resources in War" was the closest we came at that time. Notice that we are bluntly using the word "war," rather than mobilization, because we like to come right to grips with the problem of what the situation would be and what degree of readiness would be necessary with the instantaneous outbreak of a war condition. So that we rather dislike the term "mobilization," because that connotes to us too much peacetime activity. We prefer to come to grips with the problem of what would happen under war conditions.

At the heart of this subject, of course, is the management of the Nation's entire resources. In resources we include manpower, as well as physical facilities. The allocation between competing demands of those resources is the central facet of the problem. That includes the allocation of the share of national power or national resources going to the military forces; that is, the share which direct military effort would take from the total stock of resources.

The other element that we want to get into our title always is the concept of immediate readinesss, because that is where the whole subject now differs from the past experience of this country. So that we want to include in some sort of a subtitle, eventually, the idea of immediate readiness at a level far higher than we have ever before experienced.

Last year at about this time, the Chairman of the Advisory Committee, Edwin B. George, gave a talk here. He entitled his discussion "Management of a Wartime Economy." That's a slightly different title.

The title should be fluid just like the subject matter. Eventually we hope to be able to settle on a term which can be used generally in ODM and in other Government agencies to designate this whole range of subject matter that we are going to talk about.

I am going to cover a great deal of the same ground that Eddie George did. I may repeat some things, but I don't think that will do any harm. You may have seen his talk. It was printed in the College here as Document No. L56-130. It ranged over the whole area, as I hope to do today.

In the course of working as a committee, in the last three years, we have tried to organize the subject matter in the manner that I am going to follow today. I have been principally responsible for trying to furnish the committee members with this prospectus or conspectus, and I am going to follow it fairly closely for your benefit today.

We divided the subject into eight areas, the first of which is one that we call, so far, "general considerations," or "basic considerations." The other seven are what we call substantive areas, which deal with the actual problems that should be or are being dealt with by the ODM and its delegate agencies. Naturally, I can't, in this period we have this morning, go into any great detail on the seven areas, but I hope to give you a bird's-eye view.

Before I go into the seven areas, I want to point out that, in working with this material in a committee, in order to conserve our time and see where we are going, we conceive of three levels of planning, or efforts to attain readiness.

The first level is one which I think you have had discussed here a good deal in this latter section of the course. Those are the specific steps, or actions which can be taken or concluded during peacetime to strengthen the desired posture of readiness and to maintain readiness into an indefinite future. To many people this first level of planning is what is meant by mobilization. That is, it is activity or work during peacetime that is aimed toward overall readiness.

Our second level goes on to the detailed planning of actions or policies which cannot, by their nature, be carried out until an actual war situation exists. Most dramatically, that would be a war situation created by a heavy destructive attack on this country. There are several other possible war situations--I don't need to remind you--with

which we also deal, and for which the country must be prepared. Those generally are situations which do not involve a heavy enemy attack on our homeland.

If we take into account different hypotheses about the nature of a war, we immediately introduce 2, 3, 4, or 5 variables into the situation on this second level. But not all of the planning at this second level needs to be finalized in detail. Only certain threshold steps need to be actually taken during peacetime, with a following series of actions to be taken instantly upon the outbreak of war. They can thus be slangily termed war-triggered or attack-triggered plans--the things that would be instantaneously activated by the onset of war.

I don't need to tell this group that, with the possible war situations that this country now does face, we must be far readier to take those instantaneous actions than we have ever been in our past history. That, of course, lies at the heart of a great deal of our concern about this second level--the fact that we must be ready to act immediately, rather than after some reflection as we have in previous wars.

We think of this as a situation where the policies or objectives upon which those attack-triggered actions would be based must be determined in advance, or at least be reduced to simple choices. A proper preparation would be to secure, during peacetime, exhaustive examination of the probable necessary actions, so that, in the first few hours or days after war came, the civilian administrators would be able to make very quick choices, having before them what I like to call capsulized sets of alternative actions, complete with the relevant arguments on either side that had been previously explored. In looking at those capsules of possible actions, the administrators in charge, whoever they might be, would be able to make an immediate decision and put a policy into effect within a minimum time.

Our third level, within all these areas, is the prewar study of certain actions which would have to be taken in the early weeks after war came--not in the immediate period thereafter, but in the first phase. These are actions or policies which would be directed toward maximizing the country's ability to recover from the initial attack, rehabilitate itself, retaliate, and eventually achieve victory. The distinction here from the second level is that the plans would not need to be transformed into actions on the very fast time schedule of the second level. We would have a little more time on these third-level actions.

They are important, however, because many of the third-level actions taken within the first few weeks would, in the event of a severe attack, and of a very uncertain war position, perhaps sway the balance between victory and defeat. We might prejudice fatally our ability to survive and win by taking wrong actions in the early weeks or in the first few months. This has led the Committee to define or deal with this third area because of the danger that wrong policies, taken in the heat of early panic and chaos and uncertainty, might be so bad that they would prejudice the ability of the military forces to carry on to eventual victory.

Of course I am skipping over a discussion about the hypotheses on the nature of a future war, which you can argue about among yourselves. We naturally deal with a situation where the war is going to continue for longer than 10 minutes. We don't need to get into that argument here today.

Many of these third-level or ground work actions would also have to be taken without the long delays that have characterized our activity in previous wars. The problem here is also one of allocation, in that there is a very limited amount of human resources available in peacetime to do all this planning work; so that, at this third level, we have to make decisions as to which actions or policies should be studied and which could be deferred until after war came. That is, we have to allocate the planners' time in the next few years, so that they don't go off studying policies that could be delayed for several weeks after war came. We try to concentrate at this third level on the basic or critical actions which would really affect the country's ability to fight successfully after the initial period.

Now, arithmetic would tell us right away that, if I am going to talk about eight areas, and in seven of those eight there are three levels of planning, we would get into a frightening total of subheadings. We have three levels of planning in seven areas. This gives us 21 right away. Then, when we add the first category, which is an area of general considerations, it sounds like an impossible task. It is not quite as forbidding as it sounds, because today at least I am only trying to give you a bird's-eye view of the seven areas, with a few illustrative examples.

Why have we settled on seven areas in planning our own work? This is not used as a grouping by ODM at the present time, nor by any other Federal agency that I know of. It has been developed purely for our purposes, but I thought it would be helpful to you here to have my

comments organized on this basis. It just happened to come out to be the number of distinguishable major areas in the whole range of problems.

I did a little arithmetic on our material in preparing this discussion. Within the seven areas there are about 200 identifiable problems. They range from about 45 problems in one of the areas down to around 20 in some of the others. But not all of them involve all three of the levels of planning which I have described.

I shall now try to give you a brief description and appraisal of the seven areas, with a few examples of problems in each one.

First, the preliminary category that we use is the basic consideration or the basic purpose, of the whole range of work being done by the mobilization agencies. The first and most important topic in this category that we deal with, especially in discussions with the Director of ODM, is the whole purpose of trying to achieve an advanced stage of readiness during peacetime. We mean specifically the value of this work as a deterrent to a potential enemy. I think probably you understand that easily enough. We have some people in civilian life who seem to have a hard time understanding why a constantly growing strength in this area is just as important a deterrent to an enemy as is our constantly improving military ability.

Some of you may by chance have heard one of our members, General Otto Nelson, discuss this subject. Our objective should be to advertise, much more than we do now, our increasing strength in the area of nonmilitary readiness. It should be the subject of boasting, just as much as we boast about certain points of strength in our military readiness. This involves keeping potential enemies aware of our growing strength. This is our second big problem in this first section. It runs head-on into the problem of classification, the problem of secrecy, which will have to be resolved in the coming years. In other words, we've got to find some way that we can discuss certain advances or gains that we make in this area as publicly as we discuss certain advances in military weapons. That has not yet been solved or decided, because there simply has not been the realization that the deterrent value of this strength is an important factor in maintaining peace.

ODM Director Flemming, in his last year here stressed this subject a great deal in talks before various civilian audiences, in an effort to get people to understand why national strength in this area is just as important as military strength in the deterrent sense.

The third big consideration we have here in our first section is the problem of acquainting the American public itself with the importance and value of this work, and, even more than that, of acquainting the public with the true scope of this work. The public has various worm's-eye views of what economic readiness means. Some of them think of it only as civil-defense preparations. Others have vague ideas about plants converting to war production, and various other minor or partial views. We believe in the Committee that there must be an effort in the next few years to tell the American public what the true scope of nonmilitary readiness is. They certainly don't know what it is today.

The fourth and last big consideration in this first area is the fact that this is a very low-cost program. This characteristic would have been particularly popular in recent weeks on the Hill and elsewhere in budget-cutting time. We are astonished ourselves, sometimes, to find how nearly costless are many of the measures that we are working on in this Committee. There are many things that we talk about which would not cost anything in terms of public appropriations. This we feel is extremely important in the United States. We need to acquaint people with the fact that this is not some great new spending program that we are talking about. It is one where the cost in effort can be contributed or given to this work by people, by industries, by organizations, right along with their regular work.

There are some phases of this which do cost money, particularly in the civil-defense area, but even these in military spending terms are a very small amount.

I am now going to go rapidly through the seven areas. I purposely want to leave time for you to ask me about some of the things that I omit or questions that I raise.

Area I, we conceive of as the structure of organization for war and the tools of management that would be used in war. I understand that you have had some recent discussion of the problem of the top war organization and how it would be converted from peacetime. Of course the first problem here is one upon which ODM has spent a great deal of time in the last three years. It is in many ways the simplest problem of all. That is the problem of how you are going to exist and have continuity; where you are going to operate from; the physical problem of sites and headquarters for the civilian side of war management; the relocation sites; the communications; and the initial staffing of the

wartime agencies. This problem has, of course, appealed to administrators who have come into the Government in recent years. This is something they can get their teeth into, and it has occupied a disproportionately large amount of time in the last three years.

There are some much more difficult problems in this first area. I will give you just a few examples. This is a big problem upon which a considerable amount of work has been done--very effectively, incidently--involving an essential tool of war management. That is the problem of damage assessment: the knowledge of how badly we have been crippled, on the assumption of an attack situation. This, of course, has become a specific action area in the Office of Defense Mobilization. The National Damage Assessment Center has been established and is just about to be activated out in the hills, and part of the job has been very well done.

The problem there is that the initial survey of the damage could be made successfully, I think, with the present machinery that is contemplated. But the followup in the early weeks, to appraise accurately, and on a plant-by-plant basis, what our survival index was and our rehabilitation potential--if you want to use those technical terms--would have to be done quite separately. That is, we could not get, just by mechanical methods, a true appraisal of our rehabilitation ability or of our survival potential without a great deal of fieldwork and actual examination of plants. How that is going to be done, or should be done, is one of the problems that remains to be tackled in this area. It would need engineers, production men, and industrial construction experts who might survive the attack. They would have to be organized and directed in this national survey of where the country stood, if it had been attacked. We often term this the "vertical chain" problem, incidentally. Mr. George talked about this last year--the problem of reestablishing the long lines of production up from raw materials through parts to finished products which could not be accomplished without this detailed assessment.

I don't need to add, also, to military men, that the value of this tool of management would be equally great on the military side, because you would have to have some knowledge of the country's remaining capacity in order to determine the grand strategy of military effort after the initial phase. That is, you have to rest military planning on the remaining foundation of national capacity.

There is a natural second problem here in the case of no attack, which we sometimes forget. It was brought up in the Korean War. It

is the exact level of mobilization or the exact degree of interference with normal civilian activity that is necessary for brush-fire war, or peripheral war, or protracted war--you can take your choice of those hypotheses. But, for all these other kinds of war situations, there should be a matching idea of just what level of mobilization is necessary, and what kind of war organization is necessary, to meet the particular level of war that we might face. That has been only sketchily studied, so far.

Another problem in this first area is the war-gaming technique, which has been a favorite subject in our Committee. We take this old military device and aim to apply it to many of the problems in the seven areas. It is a tool of the peacetime or first level of planning, you might say, belonging in this first area. I estimate that about one-fourth of all the distinguishable problems in the seven areas, somewhere around 40 or 50, ought to be subjected to the pooling of brainpower, imagination, judgment, and experience that can be obtained only through the use of the war-gaming idea. We have hammered on this subject for 2-1/2 years in the Committee. It takes a lot of time, it takes a lot of staff and budget, and a lot of organization time; and only the barest beginning has now been made in the last year in ODM in adapting this idea. We feel, of course, that this is the only way we can get to the ultimate objective, particularly in the second-level and third-level problems.

There are two other examples I will mention in the first area. One, of course, I think is quite obvious to you, from listening to other speakers. We want to have ready a war organization. The peacetime agencies will constitute the principal source of that kind of war organization. If you are going to take peacetime agencies for this purpose, they have to be cannibalized, cut apart, and broken up. Even some of the big Cabinet departments will have to be broken apart and some of them put into the war organization and other parts left out. This is all on paper and laid out quite well. I think you are going to hear about it in another few days. But the real problem is to get a firm adherence to the plans by all the affected agencies. They say "this is a good idea," but whether they would actually agree to instantaneously give up their peacetime status is another question. The President supposedly could force this by Presidential power, after the war started, but we take a very dim view of that solution. We prefer to have the agreements all down in writing, and ironclad, before war comes.

The other problem here, of course, is a very large one. It is the whole problem of regional and local autonomy, or czardom, as we term it.

It is the problem of decentralizing authority under severe war conditions. We also often term this the establishment of "power islands" throughout the country, where local administrators would have almost dictatorial powers. Everyone agrees that something like that would be necessary in a severe war situation. But the question is: Who would be the local czar? Some people think it would be the local Army commander, who usually doesn't want the prospect of being the czar of, say, the San Francisco area; or the Fifth Army doesn't want it in another area; and so on. Other people think we could use the civil-defense regional chief to be the local czar over everything, over the whole range of economic matters. Then, lastly, the ODM, which would be converted into a war resource agency, thinks that its own regional man would be the proper person to be the local czar. The choice among those three possibilities has not really been resolved. The public hasn't even heard, I think, of the idea that there might be a regional chief or a local czar representing the new top war-resource agency that would be established. They probably have no idea that there is any such idea cooking, and therefore they are completely ignorant of the whole problem.

I won't take any time, unless you want to ask questions, to discuss the actual top organization itself. I think that is going to be covered in another talk here.

Area II, in the minds of many people, is by far the most important area. It is the area of human resources. It is the problem of protection for the population and of assistance and succor to victims of attack. It is the whole problem of safety and survival of the population. By a curious process of evolution, since World War II and since Korea, this area, which is closely synonymous with civil defense, has unfortunately come to be thought of by many people throughout the country as coextensive with the whole area of nonmilitary readiness. I run into people all the time who talk about this subject as though this second area were the whole thing. Obviously, that, to our minds, is a grievous mistake, because this is only one of seven great areas of readiness. There has also been the tendency in Congress, and elsewhere, to start with this human resource problem, this civil-defense problem--if you want to call it that--and say, "Well, as long as we've got a Civil Defense Agency, we ought to add all these other problems onto their responsibilities, and make them the single agency responsible for all the readiness measures."

To us in the Committee the idea of making one of the claimants for the resources of the country the judge of all the other claimants is almost ridiculous. You would have one agency charged with operating

responsibility in only one of the areas of readiness becoming the judge and the master of all the other claimants, including the military, for the total fund of resources that we would have to allocate.

In this area there has of course been a lot of progress which I won't stop to discuss. After all, FCDA has had some staff and some budget for a good many years, and there are surprising pockets of progress, you might say, in the civil-defense area which can be built on in the next few years very well.

There are some very challenging problems in this area. One of them is, in case of attack, the problem of how you would treat people in the nonattack areas, that is, in the undamaged areas. Would you suddenly subject those people to Spartan rationing, and other measures, or would you concentrate all your efforts on the damaged areas? The whole question of how to deal with the population as such, in the undamaged areas, has been almost wholly untouched. For instance, the problem of ejecting people from hospitals in undamaged areas in order to make room for victims of an attack is one that strikes us as needing a great deal of study.

Another big subarea here is to us the whole question of manpower, the manning of industrial plants. I think you will recognize right away that this is not a civil defense problem. It is basically an ODM problem. There is a split in this area in responsibility. The responsibility for getting labor forces, skilled labor, back on the job, or of assigning them to jobs during war is something that is handled by ODM, and of course its delegate agencies, primarily the Department of Labor. We feel optimistic in this case that these problems of how to reestablish labor forces, labor staffs, after an attack has been very forcefully tackled in ODM, and some very good work has been done.

Area III. This is the area where the Committee likes to believe that the most progress has been achieved. Some of our members I think would put this first in the degree of progress attained. This area we term material resources and industrial production. This of course is meat and drink to many members of the Committee who worked with these problems in previous war situations. I have some misgivings about this optimistic assessment, because, although many things have been started and many problems have been recognized here by the ODM people or by the delegate agencies, there is a somewhat disturbing lack of completion of plans. A lot of things are under way, but not many things have reached a final conclusion, partly due, in this case, to the

lack of the war-gaming method. In this area this approach is particularly essential, because many of the problems are extremely difficult and complex.

This third area is the one that has the most recognizable subproblems in it. There are something over 40 in our outline. One of the major things that we are disturbed about in this area is the national stockpile. We always term the stockpile as lopsided. It is good for one kind of war, but is very badly lacking as a stockpile preparation for another kind of war. That I think you can understand. We may have some discussion about that afterward. The problem here is: Why can't we get some action? We see very clearly as a committee what ought to be done. We think we do. But we are frustrated by a number of obstacles in getting action.

Another thing that appeals greatly to our Committee as highly essential is the question of instantaneous leadership for agricultural, industrial, and mining producers right after war started. This illustrates almost perfectly what I mean by the second level of planning. You have to be ready with policies, actions, and directives immediately, because there would be thousands of producers all over the country, particularly the undamaged ones, who would ask: What shall we do? Shall we go on doing what we are doing? Shall we shut down? Shall we turn our labor over to Federal Civil Defense? Shall we tell the labor to move, or shall we keep them on the job and keep them making what they are making, for good moral reasons? Shall we just go on the way we were, in order to calm the panic fears of people? Shall we say: You come to work on the first post-fallout day just like you did before the attack? There is a deep split here in the psychology or attitude that should be taken immediately after a serious war began, which has only barely been discussed. This has been partly tackled in the Business and Defense Services Administration, but it is by no means completed.

Another illustration in this area that I want to mention is on the third level of actions to be taken soon after the war began, but not immediately. That is the problem of rebuilding or replacement of destroyed plants, in a potentially serious war situation. Local pride and local American attitudes would obviously lead people to say, Let's reestablish Milwaukee the way it was before, or Let's reestablish Omaha the way it looked before; which might be the worst kind of mistake to make. To let resources be diverted to a complete restoration of any destroyed city would simply drain away the resources that you would need for selective rehabilitation and for gearing the country to enter

what might turn out to be a long-drawn-out and very tight military struggle. Yielding to the clamor for restoration of destroyed plants would be one of the most serious errors that might occur in the first few weeks after the attack. There would be a great demand to bring labor and construction crews into the area after the fallout period, which might be exactly the wrong investment of the Nation's resources.

We believe that this is the kind of problem that should be hammered out in peacetime and the considerations clearly laid out so that a warning would be erected to the wartime administrators: Don't do this unless this is true. In other words, give them all the considerations why this should be done on a selective basis, rather than on an overall basis.

Area IV can be dealt with very rapidly. It deals with the essential supporting services. That's as good a title as you can get. You are familiar with what those services would be: Transportation, electric power, natural gas, fuel, water supply, sanitation, health services.

In this area I believe we have the keenest awareness in Government agencies of the true problems of mobilization planning. Men engaged in these industries and in the Federal agencies that are the sponsors, you might say, of these services (either regulatory agencies or an agency such as HEW) are accustomed to thinking in terms of emergencies and disasters, for obvious reasons in their past experience. Furthermore, they don't shrink from contemplating disaster in very heavy doses. This is true of many men that I have talked to in these industries. They are perfectly willing to look at a very serious war situation--much more so than people in the ordinary run of industry or in the ordinary run of the population. There is also a strong tradition or experience in these industries of dealing with disaster.

The problems are also somewhat simpler in this area. The problem of restoration is simpler. The problem of transportation is quite clear, in both attack and nonattack situations. The problem in electric power and fuels can also be fairly well defined. The worst problem, of course, in this fourth area is transportation. That is due to the split direction over transportation in the Government itself, with great rivalry among the regulatory agencies--air, highway, rail, oceanborne, and internal waterway transportation. They are rivals in a competitive business sense, and they are also rivals in the sense of having different sponsors at the top levels of the Federal Government. It is therefore difficult to get a combined plan or an overall integrated plan. I don't envy the people who have to work on that particular subarea.

Area V is the area of economic stabilization--price control, rent and wage control, rationing, the whole banking and credit system, and the insurance industry. In these last three areas very little has been done. You will note as I discuss them rather sketchily, that we are in areas that are quite badly removed from the current work of ODM and other Federal agencies. They are areas that have not really been explored. But we feel that in a serious war, a really tough war situation, these last three areas that I am going to talk about now would be far more important than anyone now realizes.

The problem in the economic stabilization area is that it is conceivable that we might be fairly well prepared in the physical sense, and might be able to deliver a strong military retaliatory blow; but the economy as such might die under us. It might wither away because of the smashing blow to the whole idea of credit, banking, and money payments. It is a fearsome prospect and one that gives rise to a lot of gloomy predictions, but one that I think could be cured if enough work is done on it. Some people say that we should "go primitive" in a serious war, forget money and credit, and go to oldtime simple measures. I believe that's like telling a grievously wounded man that he can survive some crippling injuries if he forfeits his blood supply or if he gives up his central nervous system. Our kind of economy simply can't go on unless it has some mechanism for exchanges and for conducting business.

The banking and money problem is in the forefront here. This is a wholly novel problem, one that the country has never even had to think about before, except for a short period in the Civil War. It is one that gives people a great deal of concern, particularly in the banking industry itself. But the degree of progress is distressingly slight, I would say, so far, because only one or two of the Federal agencies concerned have as yet done any serious work.

The whole range of problems about emergency cash, about using something other than money, giving some kind of automatic purchasing power to every surviving person, freezing all bank accounts or guaranteeing them all--those are two opposite ways of attacking it--is a great nest of problems that need to be threshed out, probably by something like the war-gaming technique. The whole fiscal policy of the Federal, State, and local governments, and the collection of taxes, is involved here--also a major problem upon which very little has been done. These things will arise the very first day after war starts, if it is a serious war. This is again a beautiful case of the second level of

planning. We must be ready with some positive policy that can be laid down flatly, arbitrarily, instantly. To get that, we've got to do a great deal of peacetime arguing. We must do all our arguing in peacetime, and then settle on a solution, which then can be immediately applied after war comes.

The insurance industry is another case where intensive second-level planning is needed. There will be thousands and thousands of death claims and injury claims. The life and accident insurance companies would go broke in 24 hours, which they fully realize when they discuss this among themselves. They are naturally very anxious for some policy to be worked out by which their status, their obligation to pay claims, would be defined. There is the collection of premiums, on the opposite side. Would they go on collecting life insurance premiums?

One difficult problem also is that, if you allowed claims to be paid, there might be a very serious, inflationary, and damaging effect. If you gave damages for destruction of property, people would have a lot of cash in hand which they would promptly try to spend for some of the scarcest resources under allocation.

One of the worst obstacles in this area is the whole problem of regional or local control--over rationing, price control, all the structure of stabilization. These devices would have to be administered by somebody, and those somebodies would be local people in local towns and cities. Well, who would they be? Would they survive, or would they be the very people that you would be using in civil-defense work, or would they be called up as reserves into the military forces, leaving nobody to administer the essential decisions which would have to be made, particularly in partly damaged parts of the country?

Of course this area involves some of the most delicate problems in a nonattack war, in a peripheral or partial war. The whole question of stabilization is the very worst problem under those hypotheses. The degree to which you mobilize or regimentize the country in a part-war or a protracted struggle outside our own land is something we have muffed in every one of the last three wars. Price control and all the rest of it has always been unsatisfactorily handled. It needs a great deal more work in preparation for the less serious types of war.

Area VI is an easy one. It is like the Washington Senators. It's in last place among the eight areas. This is called "Civil Government and Public Morale." It is the whole area of courts, administration of justice, martial law--how you handle the day-to-day machinery of the

police power and the courts under a chaotic war situation. This is an area in which Associate Dean Cavers and Professor Fairman of Harvard Law School are deeply interested, who I believe have been down here this year.

There is a curious situation here, which I can just briefly refer to. There is no home in the Federal Government for this area. There is no pinpoint of responsibility. There is no Federal agency that could be tagged with the job of working in this sixth area, unless ODM itself expanded and created a new section. There are of course some people in the DOD who could be brought in on this area very profitably. But this lack of a base accounts for the lack of work, I think. Underlying this vacuum is the curious statutory situation which I want to take just one minute to discuss. You may have found out this year that the present ODM inherited responsibility under the National Security Act, the great basic act, which not only set up the Security Council and the Department of Defense, but also established the National Security Resources Board. That Board is now part of ODM by Executive order, This is the only statutory source that anyone can point to as creating responsibility for this sixth area, because it is a general responsibility for the country's welfare in war, which the old NSRB had. But no one has ever defined what the 1947 act covered, and there was a very different concept of nonmilitary responsibility in war when that statute was written.

In the Defense Production Act, or in the Federal Civil Defense Act, you will look in vain for any words or authority that would authorize work to be done in this great sixth area. You can imagine what this area covers. How would the American people react under heavy damage, under chaotic conditions? Would they react well or badly? It involves psychology. It involves the whole structure of local machineries of government, and the response of people in authority, the lack of police protection, and so on.

Area VII. The last area is the Baltimore Orioles. It is next to the bottom in the league. It is the great area of our relations with friendly nations, or with our allies, and with the probable bloc of neutral nations. Lack of progress here is not so much due to the novelty of the problem, because we did have quite a little experience with this in World War II. But it is again due to the fact that there is no single Federal agency, except the State Department, which could take on the responsibility of planning in this area. Until some focal point is established, either in the State Department or outside, I don't think much progress will be made.

The first approach here, of course, is the revolutionary one that in another war this country would be more severely damaged than, presumabley, our friends and allies would be. That might be reversed under a different hypothesis. We prefer to work on the hypothesis that we would be severely damaged and some of our remaining friends would not be. Therefore, the lines of assistance and trade would be the reverse of what they were in World War II. In other words, we would be looking for help, rather than giving it.

There would also arise here at the second level of planning the panicky desire to stop all outgoing shipments from this country. For instance, ships loaded in New York Harbor would be immediately subject to the panic demand that they be stopped and that the cargoes be unloaded, because we had suffered great damage and we needed the stuff a lot more than did other nations. The damage caused by that panicky embargoing of the outgoing flow of trade might be very serious a month or three months later. It necessitates a policy. What would you do about the normal outflow of goods--which is tremendous, of course, on any given day in this country?

There would be another problem of people moving. What would you do about people wanting to leave this country to go to Canada or Mexico out of panic? Would you let them cross the border freely or not?

Arrangements for payment is another problem. Many countries after World War II were quite disgusted with many of the payment arrangements that were made. We have to have some instantaneous policy of payment to foreign suppliers of essential food, such as coffee. How are we going to pay for imports? What arrangements will be made for maintaining a two-way flow?

The problem of standards of consumption, the exchange of goods between us and our friends, would have to be instantaneously handled; that is, the degree of sharing commodities between us and other nations. This area has had a little attention in NATO, by the way, and some little attention in this country. But some of the big, deep issues here in serious war have not even been scratched as yet.

Still another example of what needs to be done in this area is the question of sustaining some degree of military activity on the part of, or on the territory of, allied or friendly nations. It may be part of our long-range military strategy to depend heavily on foreign strong points

from which to sustain a final retaliatory attack after six months or a year. I cannot speak with any authority on the state of military planning for such a contingency, but I think you will recognize that if such strategy is envisaged it will require corresponding planning on the economic side to assure an uninterrupted flow of the necessary resources for the sustenance of the several economies which would have to be functioning in order to permit any military activity on their soil.

A final problem I want to mention in this area is that of the flow of information and propaganda around the world, or, more properly, what will be left of the free world. This really cuts across the whole range of planning because it may be much more important to our survival as a nation to have the leaders and populations in other countries thinking or believing a certain way about our ultimate situation, our rehabilitation potential, and our will to seek victory, than it will be to have them know exactly what the current situation is. In other words, our intentions and our will-to-victory may be the vital factor, translated into the conception that other nations have of that will and those intentions in the framework of our remaining capacity to carry them out.

This creates a serious problem of planning. We must instantaneously be able to present to other nations the picture that we want them to receive before the enemy has an opportunity to insert into foreign minds a distorted and damaging picture. It would obviously be quite a feat to convert existing public and private channels of information over to this war-required objective. If it is done in a slow and leisurely manner, it will be of no value whatever. Here again, then, is another highly difficult and complex problem in planning that requires a vast amount of thought and attention before the event occurs--attention which is certainly not being given to it as of today.

This discussion has been very sketchy, but I think it gives you an idea of the range of material that we try to deal with in laying out problems and areas of work in our advisory capacity.

I will stop right here, because I have simply been trying to give a broad picture of what we conceive to be the total range of problems involved.

I believe we will have some time for questions.

QUESTION: As I understood you, you said that your group felt that the greatest progress had been made in Area II, that portion of it

relating to control of the labor force, plans for the labor force and all, after the outbreak of war. I wonder if you could elaborate in some detail as to some of those steps. What accomplishment has been made?

DR. LIVERMORE: Accomplishment in all these areas is hard to define, I think, because you are dealing with whether a plan or an idea is ready to be acted upon when war comes. That's the nearest definition you can get of progress. I said that partly because one of the very toughest problems in this area of labor-force management is the problem of compulsion; that is, arbitrary direction of labor to leave their jobs, their homes, their home cities, and to go somewhere else under semimilitary control. This has been very much discussed, somewhat along the lines of war gaming, with labor leaders and with union executives. This has all been rather hush-hush, rather quietly done, but they are ready, to a degree that people dealing with some of these other problems are not. We could put into effect a nationwide system of labor battalions, or directives, particularly in the construction industry; this problem of compulsory direction of labor would center in the building trades.

Another big thing that they have spent a lot of good time on is the registration or canvassing of what kind of labor is left, the method of getting lists, numbers, and names of surviving skilled labor.

The third problem, the one of the critically needed technologists and scientists, has been tackled. I don't know whether you have had in this course this year a discussion of that subject. I think it was discussed a year or two ago in another class. It would take a long time to argue it. I made that comment because I think people in that area have come to grips with the big central issues that would rise, much more bravely or definitely than has been the case elsewhere.

QUESTION: Sir, several times you mentioned that "somebody" would do something after things happened, regionally or locally. We have run through that all year, the idea that somebody is going to do something; yet, every time we ask who the somebody is, we find that he has not been named. Even the areas of responsibilities have not been defined. I would like to ask: Who is this somebody, and why don't we name him now?

DR. LIVERMORE: I would agree that this is one of the worst lags in the whole program. It is one of the first things that ought to be done, and it is lagging badly. I referred to it in connection with the problem

of regional or local responsibility, the complete confusion that there is as to who would take over czardom or dictatorship in Atlanta or San Francisco.

I suppose the answer there is that it is a very very difficult thing to do, because of public apathy and because of the necessity of bringing it out into the open. You have to go and discuss it with people in the local areas, the governors, the mayors, and all the leading citizens, and say, Here is the way we want to handle this if war comes. Well, that necessitates a great deal of discussion and meetings, and a good deal of time-consuming work, to reach an arrangement that would have the support of the people that would be most affected in the area. It is a lot of drudgery; diplomatic work is also needed to solve this question of regional authority.

Another answer is, at the top Federal, or National, or central level there is a top-echelon problem of who would make decisions. That has been approached by shadow designees, as you may have heard here, men who are named and who know today that on 24-hours' notice they would be in charge of some of the major wartime agencies. The problem there, of course, is to keep up their interest and to give them something to do, to make them understand that they would have this little skeleton staff of Federal employees who might be moved to a relocation site. But the connection between the shadow designee and his staff, and how they would start issuing orders, is still something that hasn't been really worked out.

QUESTION: May I pursue that a minute? One thing that bothers me is, you said that one of the greatest problems is to overcome public apathy, to get them informed, and what not. I think the easier way would be to do what you said was hard, to get the mayors and the governors together to thrash this out. I don't understand it. If it is political I don't understand that either. I don't understand why we cannot overcome the initial block in getting to the people to tell them that we have this problem and what we plan to do about it.

DR. LIVERMORE: Well, this gets into what some old ladies like to call a "delicate" problem. There are several elements in it. One is saber-rattling. The top political command of the country naturally doesn't want to rattle the saber and appear to be too ready for war. I think we have to recognize that. If you want to call that a political element, it is. The other really serious and actual problem is that, if we are aiming to be successful in deterring war, people jump over all

the things that have to be done to get there. They say, "We are on a path, as a nation, dedicated to the deterrence of war. All of our efforts are directed toward holding the peace." They then say, "Therefore, if that is successful, none of this will ever have to be done." You get a contradiction, a paradox, which is not realized in many people's conscious minds. They jump right over the hard work and say that, if we are going to be successful in deterring an enemy from ever attacking us or ever bringing on a war, all of this preparation won't be necessary. If you pin people down, they will usually agree that, in order to achieve the deterrent position, we've got to do all this. But they resist that conclusion. It is a natural human psychological attitude to push it away on the ground that we are going to be successful in deterring enemies. I think that's the fundamental answer.

QUESTION: Dr. Livermore, would you please expand your statement about the stockpiling program appearing to be lopsided?

DR. LIVERMORE: We have had a project in the Committee of what we call survival requirements; that is, what we would have to have in a severely crippled nation to survive and carry on to victory. That is in terms of basic things like food, clothing, house-heating, and whatnot. We have had quite a little success. ODM has done a lot. Many Federal agencies are now working on that program. Out of that would come a certain proportion of what you would need in the first six months or a year. That would be in the stockpile. That would be on hand to carry you over a period after a severe attack. Many of those things are commodities or products, rather than raw materials, and ought to be in the stockpile just as much as magnesium or manganese, or any of the things that are actually now in the stockpile.

Our great problem here is that we in the Committee believe that the present raw-material stockpile is all right for certain kinds of war. It might be a very excellent thing to have, especially in what is known as a protracted war. Therefore, we would not think of discarding the present stockpile. We want to see it added to or amended. Incidentally, the amount of money involved is very slight; but the thinking involved in what ought to be added to the stockpile is very great. The problem of what commercial stocks would survive is a very difficult one to assess in many of these areas.

We say it is lopsided in that there is a heavy investment of 7 or 8 billion dollars in prospect for certain kinds of raw materials good for a certain kind of war, but there is missing a very small added segment that might be vital to survival in another kind of war.

A few of these things FCDA already have in their own little baby stockpile. They have a little stockpile of their own, you know.

QUESTION: Mr. Livermore, within your own committee, in the first area you have a group working on management organization. In the other areas you have a definitive group. Does the first area draw its members from the other six areas, or do they rise above the mundane considerations?

DR. LIVERMORE: The Committee doesn't divide itself. Did I give that impression?

STUDENT: You gave me the impression that within certain areas you had certain members working.

DR. LIVERMORE: Oh, no. We have about 15 members. They are busy people, and about 8, on the average, can attend each meeting. We have no lines among ourselves. We are interested in all these areas. Some of us, by nature or training, are more interested in one area than in another, but there is no such division. We skip around among all seven areas in planning our agenda.

QUESTION: Dr. Livermore, I am interested in foreign relations, specifically foreign aid. Would you comment on foreign aid today? In these plans and preparations, was it included in your last category on our relations with friendly nations?

DR. LIVERMORE: Yes, there is some little technical discussion on that. Perhaps the way to answer your question is to say that we are now aiming our foreign aid at some degree of military ability on the part of 8, 10, 15, 20, or 30 countries--whatever number you want around the world. We try to get some level of military ability scattered around the free world, and we give military equipment and supporting economic aid with that longtime objective in mind.

Now, the question would arise, in a severe life-and-death struggle in which this country might be engaged, of whether we would try to sustain that minimum level of military ability among our friends and allies after we, ourselves, got engaged in war. Would we suddenly cut off any military help to them? That is a military problem, as to whether you try to keep a foreign army in the field after we are engaged in a terrific struggle ourselves. Would we send them replacements, equipment, and so on?

On the economic side, the problem would be maintaining some degree of strength and viability in certain of our friendly neighbors and among our allies, so that, later on, in a long war, we could conduct successful military operations on their territory; that is, move our military bases into those countries and work from there, in a counterattack. If you felt you wanted to do that, after a year or two, you would have to meanwhile sustain those economies so that they would not go to pieces under you before the time came when you wanted to move a half-million men onto that territory. You would have to hold them in readiness as an economic entity pending the time when you wanted to operate out of their territory.

This gets into the area of military planning a great deal, of what the ultimate policy would be after war began, in terms of sustaining some military strength and economic strength in the economies and territories of friendly countries. But it is also a big issue, which has not been touched, on the economic side.

QUESTION: Sir, you touched on the problem of splitting up existing Government agencies to make the wartime organization. We all know that also the mobilization will have to proceed much more rapidly, possibly, than ever before. You also mentioned that. What should we do toward establishing these agencies in peacetime, even in skeleton form, so that we could have them in existence? Perhaps we could have some top executives on a temporary basis and man the agencies and really have the organization ready to go. We could have it in much better shape than it is today.

DR. LIVERMORE: That's an excellent question. I think it is a line of progress that could be followed very successfully. It could be done. I agree with you that it is one of the most feasible ways to approach this problem of getting an instantaneously activated organization, to work with nuclei of Federal employees, who are on the job every day, and who are in the Government, to take some sort of training or adaptation during peacetime in their capacity as a war agency. They could have much more frequent exercises, by the way, than just a single annual Operation Alert. They could do it at their desks.

I found in New York last year in the New York Regional Headquarters that the group of Federal employees in the New York area were enthusiastic about doing this, of thinking of themselves not as employees of the Lighthouse Service, or Steamboat Inspection, or the Customs Service, but as members of a New York regional war administrative group. They

would love to do some work on it, if the time can ever come around when they are given some detailed direction.

That is what you would have to do. The people would have to think of themselves as members of a war administrative group, irrespective of their particular peacetime Federal agencies. They would suddenly turn over and become the nucleus of one or more of the war agencies.

QUESTION: Dr. Livermore, there are at least two parts to this question--maybe three. Previously ODM had the policy of not asking the Congress for standby legislation. I would like to know whether the Committee either recommended this or concurred with it. In that regard, has the Committee met since Mr. Gray became Director? Would there likely be a change in this attitude?

DR. LIVERMORE: We have met with Mr. Gray, and we plan to continue operating for him just as we did for Dr. Flemming.

On the question of standby legislation, I do not regard that as a terribly important issue. I believe we can get along in all these activities without that particular kind of legislation. I believe we need another kind of legislation much more badly, which is a redefinition of the old National Security Act clause that set up the NSRB. I would like to see that expanded in certain ways. I would also like to see the Defense Production Act abolished as a separate statute. I would rather have ODM's power come entirely from the National Security Act, amended, than from the Defense Production Act, which, as you know, was and is a "temporary" piece of legislation. I think that the basic statute is much more important than a particular standby statute.

QUESTION: Sir, you mentioned in your beginning remarks that you sense a considerable evolution in the thinking on this whole subject. Do you feel that there is a major shift away from what they call the emergency management to preparedness, or some other shift in emphasis that is detectible at this time?

DR. LIVERMORE: I can't be very optimistic in answering that. We who are working in the Committee often feel that we are off in a dreamworld up in the stratosphere with no companions. Again, sometimes we feel that there are many hundreds of men in industry who, if they were only told about some of these things, would do an immense amount of work. I, myself, belong in this second group. There is a great, untapped reservoir of interest and concern, and a very deep

patriotism about swinging over to this range of problems that I described today, out among industrial leaders, and certainly in the academic world, and among the scientists. But they are not being given any particular go-ahead sign to participate. So we are torn between two feelings, as to whether there is a real shift.

Certainly, among many groups, including Congress, there has been very little change since the Korean War. They simply regard the FCDA and ODM as something that we started during the Korean period, and we've got to keep them around; there are certain things they do, such as running the stockpile, and a few other little housekeeping duties, such as worrying about oil imports, which is one version of the true duties of ODM. They say, "Well, they don't cost much; we'll keep them going." That's the opposite end of the spectrum of public feeling.

On the other hand, in Congress there are some men who are deeply worried about the lack of breadth in the approach to this subject on the scale on which I have described it today. They want to see something done to broaden the whole approach from these rather narrow Korean-born agencies that we now have.

DR. HUNTER: Dr. Livermore, I am sorry that we have to cut off the questions here. You have been particularly helpful to us this morning, and we appreciate it greatly. I think you may have very well gained that certain form of immortality represented by being bombed in footnotes. Thank you very much.

DR. LIVERMORE: Thank you.

(12 July 1957--3, 950)O/ljt