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MOBILIZATION OF INDUSTRY
by
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Since Assistant Secretary Johnson tendered me the invitation to appear here today I have familiarized myself in a very general way with this institution, its purposes, its methods and means of preparing the military force of the nation for war. I would not presume to appraise in any absolute way the work that is being done here. All I know about it is favorable. I am impressed very much by the wide scope of the course of study here. I had thought at first that I would be able to suggest certain fields of study which could be advantageously followed by men in your positions. After a thorough review of the scope of your work and realizing that I cannot attempt to cover my views on the entire Mobilization Plan, I have thought I might make some observations which will bear largely upon your general thinking regarding a mobilization plan. I may be able to emphasize certain points concerning which one might not be impressed except through having a similar experience himself.

I think I was at the focal point of all naval procurement work from 1914 to 1919 during the entire World War and that I

saw every development of the war machinery here, and particularly the General Munitions Board and the War Industries Board over their entire operating life. I worked with all of the men at the control points in these organizations. Both before and during the War I worked with many of your officers engaged in procurement work. It is out of that experience in war days that these rather general observations flow.

I wouldn't have you think that my experience since war days has been entirely free of the problems of war days. I could say merely that the experience has had many of the aspects of war but that the field of operations has been a different one. Every kind of attack developed in the World War has been directed at banking and business over several years, each one using its preferred weapons. Competitors, labor unions, stockholders, customers and politicians have brought me to realize that to a surprising degree the problems of the Army and Navy in war time have much in common with the problems of industry in peace time. My visit with you represents peace in comparison with my experiences

during the last five years of my naval service and the nineteen years since my entry into business. It is conceivable that when you come to ask me questions about my views I may find that the war days are here again and that this short period of peace has ended.

In approaching as broad a problem as you have before you one might naturally be inclined to be vague, but it wouldn't be satisfactory to me to do that and I am sure it would be still more unsatisfactory to you. I assume that this institution seeks honest expressions of agreement or disagreement; not the rubber-stamping of the ideas of anyone else, but rather a determined effort to find the ground for a clear statement of a plan which will work in a time of stress. Of course, I am a partisan for Navy, but I will endeavor to speak frankly, sympathetically and clearly.

I wish very much that all of the men in the procurement work during the World War had been able to have the benefit of the work you are doing here now. So far as I know no one in the military services appreciated in advance the problems of the war. While much work had been done in anticipation of war problems there had not been

any realization, so far as I know, of the scope of the problem.

You have a great benefit in that you are able now to build on an actual experience rather than upon future probabilities. Hindsight always has been better than foresight, but both are necessary in war planning. In World War days there wasn't much in the way of war experience to look back toward except as that war experience had been embodied in the every-day operations of the services. May I pause to emphasize that that should be a guiding principle at all times in army and navy affairs.

The last war brought new conditions and the next war will undoubtedly bring still other conditions for the services to confront. The problem will still remain essentially as one of men, money, morale and materials, but on top of all of these the wisdom to use them most effectively.

It is in this segment of the problem, the wisdom to use the national resources effectively, that I can make a frank admission. Though I had no concern over my ability to work with the various civilians who were brought into positions of importance

during the World War, I was concerned in advance that they might handicap me in doing what I thought I could do without their aid, that they might bring in new procedures which were well adapted to commercial situations but badly adapted to the conduct of governmental affairs, and I was still more concerned that unless their authority was to be clearly defined and unquestioned in the field of operations assigned to them, the responsibility for failure might rest in large measure upon the military and naval men. My frank admission is that before I knew the men and worked with them I had these fears. As I worked with them I found that they were as intensely loyal to the cause as I. I found that there were certain fields of knowledge and experience in which they could be of great help to me, and I endeavored so far as I could to have their authority clearly and authoritatively defined and, until that was done, to surrender nothing of the responsibility placed upon my service by statute, or by the general public understanding. My war experience tells me that if when the next war comes you can secure the services of such men as Mr. Baruch, Mr. Legge, Mr. Scott and Mr. Peek, you will

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have done the one most important thing which will aid the services in winning the war. I know of the addresses Mr. Baruch has made here since this institution was established. I think I knew currently during the war exactly what his views were on all the problems of the war. I think you have been very wise to have drawn on him as fully as you have, and I know you will be the gainers to draw on him still more fully on every occasion you find possible to do so.

Any man who is going to have the power of decision as the head of any board or group has to have an unusual combination of the best qualities of a negotiator, a conciliator, a wise selector of men, a salesman, and a judge. He must be a good listener but must not permit immaterial things to divert his attention or take his time from the most important things, and he must be able to carry conviction to his associates that the course he advocates or finally decides upon is the best course for all concerned. These specifications are my appraisal of Mr. Baruch.

It is impossible even to mention many of the men who did such important work, but in this place I feel I should mention

Mr. Baker, your great Secretary of War. I recall very sharply a meeting at which some fifty men from the services were called together to Secretary Baker's office to meet the members of the British and French mission who came over soon after our declaration of war to tell us their experiences in the hope that we might get some benefit out of them in our own planning operations. As I recall, the session had lasted about three or four hours. Mr. Balfour of the British mission, and Mr. Layton, who had been the Assistant Director of Munitions under Lloyd George, were the principal speakers. At the end of the meeting Secretary Baker asked that we stay for a few minutes as he would like to review the talks of the afternoon. Without the aid of a single note he reviewed in ten minutes every important point brought out in the entire afternoon. My own notes on the several talks were very complete and Mr. Baker discussed the points in order as they had been presented in the afternoon. His presentation was complete, condensed, accurate, and lent itself to definite operations because of its qualities. Mr. Layton presented three points which I believe were quite new to all of us. The first related to good organization and he stressed the

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importance of having one man supervise and direct the work of not more than five others. His argument was forcefully made and I believe it is basically sound. His second point of emphasis was that all supplies and equipment are consumable. I think that up to that time we had been inclined to look upon artillery as a part of our "capital assets". His third point stressed the importance of watching for "bottle necks" - a new expression for us but made amply clear when he referred to ocean shipping as the bottle neck of the time. This expression should be expanded in your thinking for it is at the foundation of orderly thinking and effective work in war planning and operations.

So far as I know, Secretary Daniels was the first man to speak publicly about the matter of controlling profits during war. That was a problem and will undoubtedly remain one. When the decision is made to control profits during war, the difficulty arises as to the character and the degree of the limitations. The danger I see is that public clamor will set up so much control or control of such a character as to make it impossible to win the war.

I doubt there is any formula which can be set up now with certainty that it will work under other conditions at some future war. Of course, a great deal of studying can be done, but in the end there must be men whose judgment is sound, who are entitled to and will gain public confidence and respect, and that kind of man will be able to meet the future conditions, when they come, in the most efficient way if he is not hampered too much by laws fitting another situation such as the past war. I wouldn't be so bold as to say that nothing in this field should be done through legislation, and I would not be so bold as to urge an outright delegation of power entirely free of all possible limitation, but I do believe that any proposed limitation should be viewed very critically.

In the broad aspects of the organization problem I think that there is a tendency to recognize too many interests and a fear of giving power to some individual. The tendency has been to give representation to every one with the slightest shadow of interest in a war situation. The tendency has been to have all members of a board viewed as equal in power. The result has been that large boards

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tended to become mere debating societies and the responsibility for action was destroyed. There used to be a cynical saying in the navy that a board is something that is long, narrow and wooden - long in session, narrow in point of view, and wooden in results. Boards and Commissions will serve better in the fields of politics and policy planning but they fail as an operating body. The need for prompt decisions in time of war is so great that there is a great danger in overdoing the democratic processes of peace. Mr. Baruch was careful to guard against this danger during his chairmanship of the War Industries Board. With the ultimate power of decision which rested in him there was always the danger that the public might view him as a dictator under the president. I believe the important thing to do is to find the man who can handle people and issues so wisely that this one argument need not arise. I want to stress the importance of having men at these control points in war planning who are viewed as both tactful and forceful, men who are never self seeking, always fair, men who support their subordinates, changing to men they can support if the need arises, men of broad experience and men used to making

decisions. In picking a man from any industry for heading any commodity section the vital thing is to pick the man who has the confidence of the leaders of his industry.

I have the feeling on looking over your organization charts that you have provided for too much machinery and that you have done this in a spirit of compromise with the existing organization. I think you need not a lot of organization but a little of organization. Do keep it simple so that men may know where authority lies and where decisions are to be made. I fear you are keeping the operating men, particularly in the procurement field, too far removed from the co-ordinating agency. I venture that if you start the war with such a plan you will change it very quickly. I believe that problem warrants further study and I emphasize that if you can find the right men from industry to take these key positions promptly at the outbreak of war, and if they can have a basic understanding of what you have been doing, and particularly if you have acquired confidence in peace times in these men who are going to work with you during war, you can make a much simpler organization than you now contemplate.

If you can find the right men in peace time and establish a mutual basis of confidence I believe you will be very wise to leave certain kinds of problems to them. I appreciate that a great deal of work here is being done in a field quite outside the usual experience of the services, but the information you are gaining in certain fields will still be academic learning. You will not have that hard experience which alone will result in security of judgment, so I think that particular field which is outside of the experience of the services should be left to the wisely chosen civilians. Without trying to be too particular in my judgment it seems to me that the securing of cooperation by industry, the means of making industry effective, the problems of economics, public morale, public financing, and the after effects of the war, suggest the field in which you should welcome the best civilian ability procurable. If this part of the problem can be handled with authority and with you given every opportunity to express your views about the effect of the planning upon the operations of the services, you will be free to do the particular part of the work which you can do best and you will not be diverted into a field of work in

which, in my opinion, the experience you have had does not make you competent to assume the sole responsibility. These civilians of the kind I have in mind know the language of industry and they will know how to lead rather than drive, but in the event of need will know also how to drive. I wouldn't attempt to judge the men in the service today but I do know that in the World War I knew no man in the services who saw the whole problem. The graduates of this institution are going to have a tremendous advantage over those of us who were engaged in similar problems during that war, but I doubt that any possible study of the problems involved will give you that proven knowledge and security of judgment which is an all important factor in a war situation.

When you first began your planning for war preparedness I think too much emphasis was placed upon index cards covering the facts about industry. I think the preparation of these cards is a fine thing for training the men in the service. It will educate them in the problem but I doubt very much that the cards themselves will provide much usable information for war. I would stress the point

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that the living facts that men carry in their minds are the useful facts in time of war. Records will provide a collateral aid. I would not discard them but I would attach very little importance to their usefulness in time of need. If I could say only one thing here today I would say that primarily your problem is MEN, MEN and MEN - men who have the confidence of the industries from which they come, men who have the confidences of the services with which they are going to work, and men who have won an accepted public standing.

In considering this matter of men I think there is one consideration which should be very strongly in your minds. It is difficult to characterize the types by two words, but I believe the two words, ADMINISTRATORS and EXECUTIVES, suggest the division which I want to urge. I would think of the administrators primarily as planners of policy. I would think of the executives primarily as the men who get things done. Pressure of war time demands, in my opinion, that the executives be younger men. The administrators in ordinary course will be older men. The older men can contribute far more toward policy and planning. Your executives will have to be

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nimble men, good open-field runners, with a lot of resourcefulness, ingenuity, and vital health, with a complete knowledge of their objectives, their needs, their machinery for getting things done in a legal way, and, above all, that human touch that makes easy the needed cooperation with other elements in the war machine.

I hope there will not be too much of an attempt made to set forth in statute the whole war powers of the president.

Without attempting to go into the legal aspect of this question it seems to me clearly established that the President has whatever war powers he chooses to use and for which he can secure public support.

It may be argued that a specific statute proves that he has the support of Congress and therefore the people. The danger in the situation is that, just as many of your officers in the World War endeavored to find specific authority for their acts and hesitated to do anything when they could not find the authority, you may find yourself hampered in a time of need. It seems to me that any specific grant of authority must be understood as not in limitation of the war powers. I see in a general way what you have done for settling your

own problems between the army and navy. I think it is wise to recognize that this is worth while. I wouldn't try to create the impression that there were no conflicts between the services in the last war, but I am convinced that when any conflicts arose they were magnified very much by people who liked to criticize the conduct of war. One of the difficulties you are going to have in these fields of operations is that it is going to be very difficult for the representative of either service to accept the entire responsibility for yielding in any situation to the other service. I know that we in the Navy during the war thought first of our own responsibility, and those who were not kindly said we thought only of our own responsibility. I wouldn't attempt to say how true the charge was, but so far as I know there was never a situation in which the navy was accused of grabbing things first unless the War Industries Board was plainly told that if the decision was made by responsible people after a showing of facts, and if the Navy then had to surrender its advantageous position it would do it with a smile.

I have mentioned the matter of rigidity in plans - the

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inflexibility that hinders ready adaptation to new situations. I well recognize that in your Mobilization Plan it may not be wise to emphasize the flexibility of plans. I believe I can stress this point now for I am convinced that unless your plans are flexible they will break under the pressure of war. Some of them will break of their own weight, and many others will be broken.

One point to which I think your attention should be particularly directed is in the field of allocation or the division of resources of the country. Of course, this plan of allocation will meet the requirements of the army very easily. It will solve for the army the problem it met in the last war. If it is administered without regard for or with slight regard for the interests of the civilian population or of other governmental requirements you may be sure in advance it will break down early. Another danger I see is that you may seek to control so many situations beyond your capacity to control, and that in trying to do too much you will accomplish very little. From my experience I would say that as long as things will run themselves the wise course of planning is

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to allow them to do so. I have seen several attempts at regimentation of industry and, forgetting all about the other arguments that arise in connection with this problem, my main difficulty is that I do not find the men who have the ability to plan widely extended operations with a full knowledge of the ultimate results.

I am bold to suggest that your plan of the control of purchases through corps areas will undergo a change very quickly after war starts unless you very definitely limit the items to which this control may be applied. There are many things that can be done in the corps areas which need not conflict with broad objectives but I believe these actions are ordinarily limited to using existing personnel and material and that you cannot permit them to create new facilities and material. While I am a believer in decentralization in business situations I am convinced that you cannot withstand the complaints that will be made from the operation of a plan without limitations upon the range of activities of the corps area commanders. Procurement in a major war is one function demanding careful unified operations and control.

Unless the men in the services have changed since my day you Army men want service in the field on the outbreak of war, just as the Navy men want service with the fleet. This personal desire is too strong and the traditions are too powerful to have this fact disregarded in connection with your plans for war. If the men who have been working on these problems at the outbreak of war are to be allowed to serve with the fleet and with troops I think you are running a very grave risk. My only suggestion is that the men in operations and in war planning remain on their jobs and possibly this can be made easier if it is recognized in advance that this war planning work is more important professionally than other active service. The transition from peace to war operations cannot be effected otherwise.

There seems to have crept into the thinking of some that it would be good to eliminate all competition between the services. I am quite ready to agree that competition in procurement might well be narrowed or shortened, but if there is not to be competition at all I think it will be bad for both services. Having

a high standard of performance attained by either service is probably the best incentive for a good performance on the part of the other, but this competition must not go so far as to multiply demand and raise prices.

I doubt that the problem of price for supplies is going to be solved by any formula or rule developed during times of peace. I saw no formula which will adequately meet all situations. I stress again that the soundness of your price policies involves many factors, the essential one of which is the judgment of the person determining the policy at the time. Of course, competitive bidding is the ideal situation in peace time when supplies ordinarily are ample. In war time in a limited field it presumably will be the best policy. Of course, it is easy to condemn cost plus contracts, and some of the difficulties arising under them will be cured by fixed price contracts. The judgment which can decide the probabilities in advance as to which will be advantageous in the end is the judgment which ought to be secured and put to work on the problem. A great deal can be done in developing the plans of procedure for the best possible

flexible price contract, but it would be thoroughly unwise to provide for its use in all cases, or to prohibit its use in any case.

During the war there was a great deal of misunderstanding about the use of commandeering powers. Of course, the word "commandeer" has several connotations which give rise to fear. There are obviously political dangers in the way of their extensive use. I think we all recognize that if we are to commandeer plants and facilities we put the Government into business and we assume a tremendous responsibility against the day when the war is ended. There are many situations, however, in which commandeering orders serve a very useful purpose. They may well afford a protection to a manufacturer against commercial contracts. If there is any doubt about the legal power of the government to fix priorities it is only fair to protect the manufacturer through the use of this ultimate power. There are times when it is wise to show the possibility of using this power, and with some kinds of people it has to be used occasionally. I think very few cases of that type arose in my experience. I recall only two, for industry was genuinely supporting the war operations. There are times too when

certain goods are required when it is difficult to determine what the price should be, where it is desirable to have production started, and to leave the question of price for later settlement. A commandeering order in this case protects the contractor absolutely and enables him to start production. If a contract were to be awarded there would be delay which might be serious.

May I suggest that, in my opinion, the men in the services ordinarily give too little attention to the attitude of Congress. It is not difficult to have many friends in Congress who know what you are doing, who are convinced of its soundness, and who are ready to defend you against any unfriendly or unfair attacks. I wouldn't want to see the services get into politics but I do believe there is a very definite field of work for both services with Congress. Admiral MacGowan, who was my chief during war days, recognized the need and the opportunity, and the result was that we spent no time attending Congressional investigations and so we were left free to do our work. It is very disconcerting, I am sure, to have to go to Capitol Hill on the defensive. Good tactful procedure would certainly

suggest that you go there at the right time and in the right manner with a program that deserves consideration and approval, and that you do not wait until war to recognize that the Congress must have faith in the services and they are not going to get it in a hurry in the walter of war. The time to do this is in peace time and over a long enough period to have been effective before war starts.

Another matter of procedure of war days deserves serious criticism. There was an attempt made to bridge over defects in organization through liaison officers. In my opinion, this plan providing some contact and some knowledge was better than doing nothing, but it was not much better. So many men in such positions had limited knowledge of the operations of their own office and had no authority to do anything on its behalf. They provided a channel through which information might flow both ways but they served no other purpose. The experience of war days argues strongly that operating men should represent authority on boards and committees and be a constituent part of such groups. Unless operating men are members of the coordinating group and have authority, time will be

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lost and uncertainty will persist. A group of liaison officers meets the cynical Navy definition of a board more adequately than any other group the human mind could design for thorough ineffectiveness.

I would like to tell you one of the very interesting experiences I had during the War. We had made a contract for the purchase of a shipload of shellac for delivery in Calcutta, India. Due to the shortage of commercial shipping we had to send a naval collier to Calcutta to bring the shellac to this country. While our collier was en route to the Orient carrying a cargo of coal to Manila we were dismayed to learn of an embargo by the Indian government upon the export of shellac. Following the advice of officials in the State Department I went to see Mr. Broderick, the commercial attache of the British Embassy. He gave me a very interesting statement of the reasons why he could do nothing in the matter. The essential part of his argument was that the Indian Government was a colonial government, was anxious to exercise its own sovereignty, and that the Home Government was reluctant to interfere and might

lose if it attempted to do so. When I left him I started walking down Connecticut Avenue on the way to the old State, War and Navy Building. I tried to think of a check mate and I knew that the British Navy could not live twenty-four hours without Manila hemp. At once I saw Secretary Baker, who assumed that I carried the authority of my secretary, and at my request a cable was sent to the Governor General of the Philippines asking for the placing of an embargo upon the export of Manila hemp. A very few days afterwards a young man from the British Embassy wanted to talk to me about the situation and I told him that I preferred to have relations with Mr. Broderick with whom I had had other dealings. When Mr. Broderick came to see me I did not admit my part in the sending of the cable, though he had very definite word that the initiative had been mine. I told him in almost his own words that the Phillipine Government was an insular government, that they were anxious to assert their own sovereignty and do what they could to aid in winning the war. Mr. Broderick quickly saw the point and, of course, the shalloe embargo was promptly released, and equally promptly the hemp embargo

was released. I cite this illustration out of many experiences of war days for I am convinced that a thorough study regarding all of the essentials of war, particularly raw materials, would give information and power of tremendous value - power for our own advantage and for the enemy disadvantage. It would implement your officers with a tool we did not possess. We were able to depend only upon our own limited experience in the field but after the civilian experts were here we had a great deal of help from men such as L. L. Summers - a veritable encyclopedia - who knew the way to put pressure on every such situation.

If you will forget the purely personal part of this story and absorb its lesson fully and then realize the possibilities in wise and extended operation you will have one of the greatest powers in the next war.

Above all, have these words of President Wilson to the Atlantic Fleet, become a part of your habit of mind: "You will win by the audacity of method when you cannot win by circumspection and prudence."

Thank you, sirs.