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THE COUNCIL OF NATIONAL DEFENSE

by

Howard E. Coffin

OFFICE OF THE ASSISTANT
SECRETARY OF WAR
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FOREWORD

The problems of our national economy are now so inextricably interwoven one with another as to make isolated treatment impossible.

The early setting up under existing legal authority of a non-partisan and non-political national economic planning agency must inevitably again come to be recognized as a necessary prerequisite to any orderly approach for the solution of the complicated difficulties which so sorely oppress our people. I feel that the information contained in the following pages may prove helpful to those who are sincerely and unselfishly seeking the "way out."

Howard E. Coffin.

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THE COUNCIL OF NATIONAL DEFENSE

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Sept. 14, 1932.

Mr. Secretary, Colonel Quinn, Gentlemen of the Army Industrial College:

The Secretary in his letter to me suggested that I talk to you about the Council of National Defense; the circumstances which led up to its organization, its accomplishments, and its faults perhaps, in the period 1916-1920 during which it was in active operation.

The idea of a Council of National Defense, seemingly first came before Congress in 1910 or 1912, when an act was introduced but not passed. The final proposal was presented to Congress in 1916, and I will first tell you of the circumstances which led up to its enactment into law. In August, 1915, about one year after war was declared in Europe, the then Secretary of the Navy, Josephus Daniels, conceived the idea that it would be well for the Navy Department (and let me say here that I am very glad to see Naval officers enrolled here in the Army Industrial College as a very good indication of the increasing tendency of the services to cooperate) to have a closer contact with the engineering and manufacturing activities of the country. He took then the first practical step toward National economic planning and the industrial mobilization of the country for possible participation in the war. He realized that it would be a good thing to have the technical and manufacturing groups of the country more fully informed as to the Navy's problems. So he suggested to eleven of our National engineering organizations that they each select by some suitable means two men to form a part of a civilian "Naval Consulting Board." Some of these organizations, whether at the Secretary's suggestion or by agreement arrived at between themselves, decided to make this appointment an elective honor. So the memberships voted for men nominated and in due course of events twenty-two men were chosen to serve under the chairmanship of Thomas A. Edison. Dr. Hutchinson, then actively engaged with Mr. Edison as an assistant, was also appointed to the Board. There were thus twenty-three engineers and able business men connected with the manufacturing industries in this technical group captained by Thomas A. Edison. Mr. W. L. Saunders, of the Ingersoll Rand Company, served as Vice-Chairman and Thomas Robins as Secretary of the Board.

The first meeting of this organization was held in October 1915. At that meeting the Board was divided into committees, each headed by a selected chairman, to deal with the various subjects we then, in a somewhat primitive way, visualized as the problems before the country.

I happened to be on the Pacific Coast at that time and did not participate in this meeting. A wire from W. R. Robins notified me that I had been made chairman of the "Committee on Production Organization, Manufacture and Standardization." I took this to mean a Munitions Division of the Board's work. The members of this Committee under my Chairmanship were Messrs. Emmett, of General Electric, Thayer of Anaconda Copper, Saunders of Ingersoll Rand, Lamme of Westinghouse, Robins of Robins Conveyor Belt Company, and Addicks, a consulting engineer of New York. Immediately upon my return from the west, about the first of December, I called a meeting of the members of this Committee, having in the meanwhile wired secretary Robins to obtain for this Committee's purposes such data as was available relating to the contracts then existing between the War and Navy Department's technical and procurement divisions and the industries of the country.

To tell you the truth, we were quite astonished when we met in December 1915 to find the lack of effective contact -- perhaps I should say the lack of effective information -- on the part of the government with regard to the technical and manufacturing sides of the picture. After a great deal of discussion it seemed obvious that the first effort looking toward any orderly mobilization of the country's resources must be some form of inventory to determine the facilities we had to work with and how they might be organized and applied to meet the problems of the National Defense. Of course, that decision was a very logical and easy one to make; it did not cost us anything. It was like working out some very expensive mechanism on the drafting board; it was some satisfaction but it did not get us on with the job. So the question of the ways and means for doing this unprecedented thing became a very live issue. I came down and discussed the situation with the Secretary of the Navy. The first conclusion was that the Navy Department, having created this Board, could divert sufficient funds to set up the mechanism to carry on this country-wide inventory work. We did not get far, however, before we ran into one of those obstructions with which you are so familiar -- where a legal advisor somewhere along the line decides that a particular appropriation cannot be utilized for even some very essential purpose. Later in the month of December 1915 it became obvious that we were going to have to find some other means for financing this rather stupendous undertaking.

There were then in the country more than 30,000 manufacturing concerns doing a business of over \$100,000 a year. So we faced the problem of inventorying these concerns and tabulating all the special information the departments might need to know about 30,000 potential munition manufacturers -- the financing of this work not to be done by the Government. Our next thought was to discover civilian channels through which this job might be done. This brought us to the patriotic enlistment of the men who could best make these inventories and bring together this highly technical information: namely, the engineering fraternity of the country.

To make my story short, we called together the Boards of Governors of Five of the largest National engineering organizations, Civil, Mechanical, Electrical, Chemical, and Mining, and after considerable discussion and several meetings enlisted their membership, totaling some 36,000, for undertaking this work as a patriotic service. We decided to organize along geographic lines and set up in each state a committee of five, one from each of these engineering societies; these forty-eight subcommittees, under the general "Committee on Industrial Preparedness" as it came to be known, to be responsible for the organization of the states for taking this inventory. Of the 36,000 engineers in the membership of these organizations nearly 20,000 participated in the work. All financing was done by the state committees, and I suppose there was actually expended somewhere in the neighborhood of a half million dollars, and some millions of dollars in the time and devoted effort of the ablest engineers of the country (had the Government had to pay at the usual rate for such expert service).

I do not know how many of you are familiar with the form of inventory then used. It is of record in various hearings, and the War Department itself has some 20,000 of these completed documents stored away in the fireproof containers in which they were shipped from New York under guard to the Department in December 1916.

This work was practically completed by October 1916. The War Department assigned five able officers to the work of tabulating and classifying the inventories under general headings, such as Ordnance, Small Arms, etc. General Douglas MacArthur, now Chief of Staff, and General C. C. Williams, later Chief of Ordnance, were members of that group. The work was done in offices donated by the Engineering Society Building in New York, at 29 West 39th Street. The immediate direction of the inventory was placed under Mr. Walter S. Gifford, who was then chief statistician of the American Telephone & Telegraph Company. It happened that General John Carty, Vice-President of the A. T. & T. Co. was then president of the American Society of Electrical Engineers, and it was at his suggestion that Mr. Gifford was released for a year and his services donated by that Company for the work on which our committee of the Board was engaged. You will hear more of Mr. Gifford from me later on. This was his first appearance in the National picture, - as director of the Naval Consulting Board's Industrial Inventory of 1916.

I might say a word as to the manner in which this work was carried forward. America had not taken the War very seriously up to that time. Industry in this country was busy about its own affairs. There was very little realization as to the part industry must play in the war and a general prevalence of the idea that, since the conflict was in Europe three thousand miles away, the most advantageous thing to do was to sell the Allies something to fight with at a price that would show considerable profit.

The idea that America itself was going to be seriously involved in the affair had not yet dawned generally on the people of this country. So there was a good deal of resistance to any interference of governmental agencies in private industry, and a tendency to look upon the Inventory as just another one of those bothersome things. There was a lack of appreciation as to what it was all about, as well as of the importance of the work.

One of the first things, therefore, that we had to do was to sell the country on the advantage of and necessity for this undertaking. To do this we built up a very effective and comprehensive educational background. We called together, at a luncheon I gave at Delmonico's in New York, and enlisted for service, about eighty men who controlled the news distributing agencies of the country and who had in their hands the moulding of public opinion. We prepared letters addressed to the business men of America which we took to the White House for President Wilson's signature. I might say here, that in all this formative period of economic planning, I do not remember that President Wilson ever changed by the dot of an "i" or the crossing of a "t" any communication taken to him for signature in connection with the work. He was sincerely interested in the effort and loaned his assistance in every possible way. Neither then nor later do I remember that he ever asked the politics of any man proposed for appointment in connection with this work.

The newspapers were asked to donate space in very considerable amounts for carrying stories as to the necessities of the situation and the means being taken to meet them. The artists of the country, such as James Montgomery Flagg, Fancher and others of that calibre, twenty or twenty-five of them, were gotten together for a dinner at the Hotel Astor and told that we desired them to translate to canvas within thirty days their best conception of a visual appeal to the people of the country for support of the work of Industrial Preparedness in anticipation of a possible great national emergency. The first one of these posters I imagine you all remember. It was by James Montgomery Flagg - I have in my possession the original oil painting. It is a beautiful painting of an armless figure, the Venus de Milo, with the American Flag draped about it with the significant words "Armless" underneath. Perhaps I should also say that the Press Associations, the Associated Advertising Clubs of the World and many National advertising organizations were enlisted in this campaign, all upon a patriotic and volunteer basis.

The sign board people were gotten together. Sign boards, that is outdoor advertising facilities from coast to coast, were also donated to this campaign. Newspaper space given to the publicity or educational program of the Committee on Industrial Preparedness, given free of charge, amounted to somewhere between one and two million dollars. These figures were compiled by Mr. Grosvenor Clarkson who served so efficiently as Secretary and Publicity Director Committee of the Naval Board and later as Secretary of the Council of National Defense.

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Upon Mr. Gifford's retirement at the time of the Armistice, Mr. Clarkson succeeded him as Director of the Council and served until 1920 when, through lack of appropriations by the Harding administration, the activities of the Council unfortunately ceased.

We had thus the combination of practically all the news-transmitting agencies of the country aligned upon a nonprofit, patriotic basis for the accomplishment of the purpose in hand. I doubt if even during the war, under the Committee on Public Information set up later, there was any more comprehensive cooperation or any more unity of purpose and patriotic effort than during this inventory campaign for the benefit of the Army and Navy during the year of 1916.

I will not go into the details of the form of inventory used because that is, as I have already said, of record. It was a very comprehensive thing, going into matters of the nationality of the manufacturers concerned, details of their equipment, etc., -- everything the War and Navy might want to know about any concern supplying material vital to the Nation's security in an emergency. These inventories were classified by the five officers already mentioned, and tabulated on cards such as are used by the Census Bureau.

I should explain, perhaps, before leaving the Naval Board activity, that there were three prime objectives in its program: first, the inventorying of the country's resources, getting the production facts and classifying them; second, the education of these industrial facilities to undertake any program the government might require.

We assumed we had time for the orderly development of this scheme. The idea was to provide by law for the placing, without asking for bids, of small "educational orders" with a view to bringing into the War and Navy Department's spheres of sympathetic contact a vast number of manufacturers who had had no previous knowledge of or training in government supply and munitions work.

American production of the materials of war was then restricted to a very limited field; the arsenals on one hand and the manufacturers such as Bethlehem Steel, Baldwin, Savage, etc., busy on Allied orders, on the other. The great mass of American industry neither had contact with governmental problems nor knew anything about the munitions business. They were not even interested because they looked upon government orders as not only unprofitable but more or less flavored with political influence and, in general, undesirable. The third major objective of the Naval Board's program had to do with the human equation - with our skilled mechanics. We had seen the disastrous experience of England, in somewhat lesser degree of France, and even in some measure of Germany with all her years of industrial preparation for war. We had seen sudden calls to arms, whether by volunteer or by draft, break up the highly trained technical and production organizations built up by industries over a long period of years. It seemed an acute danger that, in the event of our call for a volunteer army, which was all we were then daring to consider, a large number of the most aggressive and most able of the skilled executives, technicians and workers of the country would rush into the service and be thereafter lost to the highly specialized processes of munition production and the making of other supplies necessary to the War and Navy Departments.

So the third point in our industrial preparedness program was a classification of personnel, - especially the skilled technical personnel in all of these industries, - with a view to keeping vitally needed men on the job and preventing their being drafted or voluntarily entering the fighting services. We thus in 1916 developed the plans for holding executives, toolmakers and other skilled technicians on the job. You remember that the toolmaker soon became the much sought after artisan because it was upon the toolmaker of the country that the production of all jigs, gauges, and highly accurate production mechanisms depended. Without jigs and gauges throughout this ramified field of industry, quantity munition production was impossible. This was peculiarly true in this country because of the fact that we had so extensively developed quantity production by machine tool methods.

In the course of this work, as Chairman of the Committee on Industrial Preparedness, I came in contact with two men here in Washington working under the then Secretary of War Garrison along a closely related line. It may occur to you from what I have been saying that here was an activity set up by the Secretary of the Navy for the benefit of the Navy Department which had already transferred some measure of its affections, if you like, to the War Department. There were rather obvious reasons for this. Battleships obviously cannot be improvised overnight or a fleet quickly augmented, and the Navy is therefore, constantly more nearly on a service footing as the first line of defense. As soon as we began to study the needs of the two services it became quite obvious that while the Navy Department would benefit greatly through acquisition of this industrial information, and the execution of the program based upon it, it was really the Army that required the maximum amount of attention.

The two men I mentioned, Dr. Hollis Godfrey, then president of Drexel Institute, and Dr. Henry E. Crampton, had been working with Secretary Garrison in the analysis of the government's probable raw material needs and tracing sources of supply. They had drawn up a series of charts which carried munition materials down into geographic sources, the whole idea being to determine a policy in the event of an interruption of our sea-going traffic and to safeguard production in the event of any such emergency. You can see that this activity fitted in very closely with the work which my committee of the Naval Board had initiated. Close contact was thereafter maintained between these two lines of study.

By the spring of 1916 all of us engaged in this work had realised that there was a very great weakness in our governmental mechanism in so far as any continuity of program and long-distance planning of our national economic affairs was concerned. We perceived that if all of this work of the Committee on Industrial Preparedness was to be made of continuing effect over a period of years some responsible agency must be set up to adequately "carry on." At that particular time the policy of the Administration was one of "keeping us out of war."

So there was a distinctly pacifist attitude. None of us, of course, could foresee the events which led to our declaration of war. We were thinking rather in terms of a continuing economic need and while we had the possibility of war in mind, it was a remote contingency and did not seem pressing at the moment. We did, however, sense the complete lack of any economic planning agency in our scheme of government and we got our heads together to see what might be done about it.

You can readily visualize the difficulties of the situation. We had on one side the industrial or civil forces, including the productive capacities of the country, the forces of public opinion, and all of the other agencies which I group under the term "civil forces" and which obviously must be organized if they were to be made effective in any "time of need." We had on the other side a group of executive agencies which had grown up during the life of the nation, some of them represented by executive heads known as Cabinet members; others of an independent nature, some of them directly responsible to the President. So we had the civil forces on the one side and the executive authorities on the other, all to be coordinated like a football team to insure success in any concerted national emergency effort. It was obvious to all of us that there was just as much need of organized coordination on the one side of the picture as the other. Also that we must provide a "clutch" for linking the civil forces directly to the executive powers. In no other way could we hope for an effective and speedy determination of issues and actions with avoidance of disastrous delays.

This then was our problem. How could we set up by law an agency sound in character, a commission, if you like the term, which could bring the organized civil forces into an immediately effective contact with coordinated executive authority. It was obvious that any such agency must be of civilian character in order to hold the confidence and whole-hearted cooperation of an industrial and democratic people of widely diversified interests. It was equally obvious that if any such commission were set up without executive power it would be useless in emergency and a waste of time. It was even more obvious that if such an institution were set up with independence and given direct executive authority it would immediately come in conflict with the normal agencies of executive government already functioning in the everyday conduct of the nation's affairs. The solution seemed a very difficult one.

There are perhaps a half dozen proposals now before Congress for setting up Economic Councils. One of these, introduced by Senator La Follette, sets up a National Economic Council. It can hardly become effective because it attempts to combine under this statute many of the executive authorities already in existence and actively functioning in other branches of the government. It has also been proposed to add five new members to the cabinet, serving without portfolio and responsible for national economic planning, a plan certain to be partisan, political and unworkable.

I think I have given you the picture of our problem as of August 1916. There was then pending in Congress the Army Appropriation Bill, later passed August 29, '16. We were particularly interested in this Act because we were bringing into being for the first time, under one provision of this bill and in a somewhat camouflaged way, the practical application of "industrial planning" on the part of the War Department through the placing of "educational orders."

I refer again to that problem of setting up an agency for effectively organizing the civil forces on the one hand, for "clutching" directly with the executive authority, and insuring the cooperation and coordination of governmental executive agencies on the other. We finally hit upon the plan of associating the executive heads of the governmental departments through what we called the "Council of Executive Information." Seven Cabinet members, Treasury, War, Navy, Interior, Agriculture, Labor, and Commerce, composed this Council in which these officers sat ex-officio. Thus, when in session they ceased to be Cabinet officers for the moment and became members of the Council of Executive Information. We then attached to this Council, by an amendment to the Army appropriation bill, the "clutch of the machine," - a group of seven expert civilians or able business men who were designated as the "Advisory Commission of the Council" and made responsible for economic planning and the marshalling of the civil resources of the country.

The Council itself, composed of Cabinet members, was the agency through which the Executive Departments were actively coordinated, and through which the recommendations of the Advisory Commission were given executive force after acceptance by the Council. We could not then conceive of a more drastic means of meeting the national economic planning problems involved, nor has anyone even yet devised a better method. I am doubtful, in view of the complexities, red tape, and slowness of the normal channels of government, whether a more effective plan can be devised.

We have on the one side, through the Commission, the ability and the authority to effectively organize the civilian activities and brains, and on the other the power to translate the conclusions or recommendations of this civil planning agency into immediate executive action through a Council composed of seven members of the Cabinet and under the immediate direction of the President himself. We have thus a quickly responsive and sympathetic contact between the civilian activities of the country headed into an Advisory Commission, and the executive side of the government represented by the seven Cabinet members.

For nearly four years these two groups, the Council of National Defense and Advisory Commission, met at such frequent intervals as were necessary, either on call of the Director or by understanding. They met regularly twice a week during the war period of stress. It was not infrequent for the Director, on an hour's notice, to call a joint meeting of the two groups, the one representing the coordinated civil forces of the country and the other the executive authority. The recommendations of the civil Commission presented in due form to the

Council sitting under the chairmanship of the Secretary of War went, if accepted by the Council, immediately into the executive mill. It was not unusual that the Secretary of War, the presiding officer of the Council, might leave the joint meeting with a recommendation of the Advisory Commission, go to the White house, obtain the President's reaction, and return to the chair. This shows clearly how quickly responsive to the emergency needs of the moment this set-up was.

A few minutes ago I said there were to have been seven members of the Council and that it was to have been called the "Council of Executive Information." This was then intended to be a planning -- a fact-finding, and a recommending body which, over the period of the years ahead, would study the problems of the national security and welfare, - dealing particularly ^{with all} long distance views and policies that might lie outside the normal daily routine of political government. It was to provide the mechanism or vehicle through which national problems, policies and plans might be given orderly nonpartisan, nonpolitical consideration and through which necessary immediate executive action might be obtained. You can see for yourselves what a powerful agency of leadership this then was and could continue to be both with the people and with Congress. Here was an economic planning group (the Advisory Commission) with no axe to grind, whose stated duty was to "coordinate the industries and resources for the national security and welfare," and, to use the broad phraseology of the act, "for the creation of relations which will render possible in time of need the immediate concentration and utilization of the resources of the nation." We could not then conceive of any combination of words within one sentence that would give a broader blanket of authority for undertakings related to the national security and welfare. I doubt if anyone, even now, can with the same number of words, draft a clause which Congress will pass providing a wider authorization.

This act was passed as I have indicated as an amendment to the Army Appropriation Bill on August 29, 1916, with only two changes -- one before it went to Congress and one by Congress itself. The first was the omission of the Secretary of the Treasury from the Council. If any of you gentlemen can conceive of setting up a planning agency for the furtherance of the "National security and welfare" without including the Treasury, you have certainly different ideas than we then had. But it happens that in the creation of the Departments of the Government the Treasury had precedence over War and Navy. Also at this particular moment the then secretary of the Treasury had been critical of the War and Navy Departments in connection with the war program.

Anyway, when the bill went to Congress it included six Cabinet members only -- and the War and Navy Departments having been originally created as a department, the Secretary of War became by precedence Chairman of the Council. Had the Secretary of the Treasury been included as originally intended, ^{he} and not the Secretary of War would have become Chairman or President of the Council.

The second change was made by Congress itself. Our legislators at that time were thinking along lines of defense and you will remember a great deal of criticism just then to the effect that the administration was not making adequate provisions for any war emergency. So when this proposal came before Congress under the title "Council of Executive Information," the name was changed by it to the "Council of National Defense." This was unfortunate because there thus became tagged with the label of war and defense an institution that was in reality set up for continuous peace-time service as a comprehensive planning agency of government. The Secretary of War has well said, in the fall of 1916, in a speech before the Cleveland Chamber of Commerce: "I regret this name has 'defense' so prominently in it, but when we were discussing names we decided on the 'Council of Executive Information' . . . we sent that down to Congress and they provided by law for a Council of National Defense. And they are to have an Advisory Commission of citizens appointed by the President because of their peculiar eminence in and understanding of the commercial undertakings of the nation."

Thus we have here, set up by legal statute, the beginning of National Economic planning in so far as our day is concerned. Nowhere can be found a more direct implication as to the broad scope of the duties of this organization than can be had from President Wilson's simple statement at the time of the passage of the act, he said:

"The Council of National Defense has been created because the Congress has realized that the country is best prepared for war when thoroughly prepared for peace. From an economical point of view there is now very little difference between the machinery required for commercial efficiency and that required for military purposes. In both cases the whole industrial mechanism must be organized in the most effective way. Upon this conception of the National welfare, the Council is organized in the words of the act for 'the creation of relations which will render possible in time of need the immediate concentration and utilization of the resources of the Nation.'

"The organization of the Council likewise opens up a new and direct channel of communication and cooperation between business and scientific men and all departments of the government, and it is hoped that it will, in addition, become a rallying point for civic bodies working for the National defense.

The Council's chief functions are:

- "1. The coordination of all forms of transportation and the development of means of transportation to meet the military, industrial, and commercial needs of the Nation.
- "2. The extension of the industrial mobilization work of the Committee on Industrial Preparedness of the Naval Consulting Board. Complete information as to our present manufacturing and producing facilities adaptable to many-sided uses of modern warfare will be procured, analyzed, and made use of.

"One of the objects of the Council will be to inform American manufacturers as to the part they can and must play in national emergency. It is empowered to establish at once and maintain through subordinate bodies of specially qualified persons and auxiliary organizations composed of men of the best creative and administrative capacity, capable of mobilizing to the utmost the resources of the country.

"The personnel of the Council's advisory members, appointed without regard to party, marks the entrance of the non-partisan engineer and professional man into American governmental affairs on a wider scale than ever before. It is responsive to the increased demand for and need of business organization in public matters and for the presence there of the best specialists in their respective fields. In the present instance, the time of some of the members of the Advisory Board could not be purchased. They serve the government without remuneration, efficiency being their sole object and Americanism their only motive." *****

You will notice that the President himself chose to quote from the Act the one sentence he considered a broad authorization to attack any problem that had relation to "the National security and welfare." You will remember also that in the phraseology of the Act this significant statement of purpose appears in the opening paragraph: "That a Council of National Defense is hereby established for the coordination of industries and resources for the National security and welfare."

This statement of objective plus that above quoted by the President, were the only authorities needed throughout four long years of active operation during the most critical emergency period in the history of this country. There was not the slightest question as to this authority under which the Council and Commission functioned because it was then considered broadly adequate.

I leave this thought with you as it bears upon the attitude of the present administration toward this statute which is still in full effect. The Council is still a going concern as you will find by reference to the last Congressional Record. On page 345, (77th Congress) we find the words: "The Council of National Defense, Room 2046 Munitions Building, Telephone National 2520, Br. 1021," consisting of the six cabinet members named in order - also the name of the Council's Secretary. On page 475 the serious duties of the Council are expressed in brief and here again we find quoted the "meat of the cocconut" from the Act. "The Council of National Defense composed of members of the Cabinet is charged by the Act of August 29, 1916, among other things, with the coordination of industries and resources for the National security and welfare and with the creation of relations which will render possible in time of need the immediate concentration and utilization of the resources of the nation. No appropriations have been made for the Council since the fiscal year 1921."

Quoting still from the Act: "The Council of National Defense shall nominate to the President, and the President shall appoint,

an advisory commission consisting of not more than seven persons, each of whom shall have special knowledge of some industry, public utility, or the development of some natural resource, or be otherwise specially qualified, in the opinion of the Council, for the performance of the duties hereinafter provided."

Notice particularly the mandate of Congress that the "Council shall nominate" and the "President shall appoint." Why has not the present administration met the obvious national need for comprehensive economic planning under nonpartisan and confidence-inspiring leadership in accordance with this already existing mandate of the Congress?

The 1920 hearings of the Second Deficiency Bill contain a prophetic statement by Mr. Grosvenor B. Clarkson, then Director of the Council. He says: "I repeat that there is nothing more needed now, either by Government or business, for national defense or for economic considerations, than the correlation and interpretation of the figures of our industrial production. The business and Federal problems of the future in this country are economic problems and they cannot be solved without not only the required facts but that sentient interpretation of the facts which makes them dynamic and of practical use. It should be obvious that the Council, as the largest interdepartmental unit under the government, and because of its intimate and cordial association with business during and after the war, is the logical and proper place for this work, not only for the purposes of the business world, but for the purposes of the national defense.

"Finally, if the foregoing matters, than which none are more vital to the welfare of the people in this country, are not translated into fact by the Council, which is the agency authorized by Congress so to translate them, where under the government will they be taken care of? H. H. R. E."

It seems to me that we have here in the creation of this new agency of government, the real foundation of the War Department's industrial planning activity and the initiation of a far-reaching national economic program. We find here a well-tested and proven agency of successful emergency accomplishment which might very well have been functioning to great advantage during the past months of our economic crisis. From every quarter now there is discussion and pressure as to the need for economic planning in this country. We are hearing much about the Russian activities in this direction. We may think of economic planning as of the dictation of a "War Industries Board" or of some radical program under which industry may be nationalized and the individual fitted into his particular place where by rule he can most effectively serve. That sort of thing is repugnant to our conception of industrial opportunity and of free government. But somewhere between the extremes of our happy-go-lucky devil take the hindmost, unrestricted and now destructive competition which we have through anti-trust statutes been fostering in industry (to our present very disastrous experience), and our popular understanding of the drastic Russian scheme, we must find a middle course which will bring the necessary beneficial results - results far in advance of any that could come to a people of our temperament under the more rigid plan.

I had the pleasure last winter of spending a month in contact with Colonel Hugh Cooper, who is handling the vast Russian project at the Dnieper Dam. Here a city for 250,000 inhabitants is to be built for facilitating the application of the power developed to the ultimate purposes of the Soviet Government. His view of the Russian situation is a very interesting one. While the Russians may not accomplish all they are setting out to do because of the many centuries of precedent and a too radical reversal of their economic experience, it is obvious that we may well carefully observe their progress and learn some valuable lesson therefrom. Colonel Cooper feels that the "five year" program is progressing in a very material way and that there are able and fanatically patriotic men at the helm of this great economic endeavor in that country of such vast potential possibilities.

The Council's duties as interpreted by the members of both Council and Commission were in general two-fold. Upon the one hand was the needed marshalling of the Nation's material resources organized by industries. On the other, there were millions of restless people with fears to be allayed, confidence maintained and energies given organized outlet through purposeful community activities. This vast mobilization of the human elements involved was obviously best accomplished through a decentralized plan along geographic lines.

Where legislatures were not in session in May 1917, at the time of the request by the Federal Council of National Defense that each State create a Council by statute, such Councils were set up by Executive authority. Thus through the decentralized States' Council method, the entire country-- all the way down into its county and even its most remote community units -- was welded into a quickly and effectively responsive team work, for an intelligent unity of action in the National interest. Never before in America had there been even remotely attempted so comprehensive an organization for the nation-wide dissemination of dependable information for the maintenance of our people's confidence and morale; and for the direction of community thought and action along constructive lines for the common public good. The successful achievements of the Nation-wide Organization, acting under both Federal and State authority during this critically dangerous emergency period, form a record in which our people may well take pride. (See letter of transmittal and the "Second Annual Report of the Council of National Defense, 1918" by Walter S. Gifford, the Council's Director, and "The Naval Consulting Board of the United States" by Captain Lloyd Scott, pages 26 to 47, on file in Library, Army Industrial College.

There has been some criticism of the work of the Council. Its directors have said that it was not an effective agency of government; that things could have been done differently; that the War Department should have handled its affairs for itself instead of invoking civilian aid. I can only say that the finest of all compliments was paid the Council by Congressman Graham in an attack upon it during that period of 1919-1920 when muck-raking investigations became popular. I was, by the way, a Republican serving in a Democratic administration as were also about three-fourths of the other members of the Advisory Commission.

Graham said, in effect, that these fellows who served on the Advisory Commission were planning to put this country into the war long before its declaration and that the proof was in the record. Otherwise why did they make all these plans; why did they take this industrial inventory in 1916; why were they getting industry organized; why were they working on a universal draft plan? They made all the preparations for this war and sure enough it came along just as scheduled!

I think this attack voiced unconsciously the highest praise we of the Advisory Commission could have received. I will introduce and extract from the volume "Industrial America in the World War" by Clarkson:

"In the nature of things the Advisory Commission of the Council of National Defense became the real executive branch of the Council. The Council proper was made up of the Secretary of War, who was elected chairman, the Secretary of the Navy, the Secretary of the Interior, the Secretary of Agriculture, the Secretary of Commerce, and the Secretary of Labor. It is true that the Council early distinctly affirmed that the duties of the Advisory Commission were advisory and that the power of decision lay with the Council, thus conforming to the letter of the law; but the initiative lay with the members of the Commission and the Council inevitably came to accept its advice, and it was then charged with the execution of the things decided upon. Counsel and action united usually have their way under any executive. Hence it is true that in effect the seven members of the Commission, continuously occupied with the business side of war, were really the men who primarily shaped and directed the illimitable and multitudinous contacts of the government with industry, business, and the daily life of all the people.

"Perhaps the most striking, concise account of the Advisory Commission in the first three months of its existence was made by a partisan critic, The Honorable William J. Graham, who, after examining the minutes of the Council and of the Advisory Commission of the Council, which up to that time had been regarded as confidential, but which the writer turned over to him on request, reported to the Select Committee of the House of Representatives on Expenditure in the War Department (of which he was chairman) what he called a 'startling disclosure' of the 'secret government of the United States.'

"An examination of these minutes (he said) discloses the fact that a commission of seven men chosen by the President seems to have devised the entire system of purchasing war supplies, planned a press censorship, designed a system of food control and selected Herbert Hoover as its director, determined on a daylight-saving scheme, and in a word designed practically every war measure which the Congress subsequently enacted, and did all this behind closed doors, weeks and even months before the Congress of the United States declared war against Germany

"It appears from the minutes of the Advisory Commission and the Council, which were kept separately, that practically all of the measures which were afterwards considered as war measures were initiated by this Advisory Commission,

adopted by the Council, and afterwards acted upon by Congress. In many cases, a considerable period before the actual declaration of war with Germany, this Advisory Commission was discussing matters which were thought to be new legislation by reason of the necessities of war. For instance, on March 3rd, over a month before the war declaration, the Advisory Commission endorsed to the Council of National Defense a daylight-saving scheme and recommended a Federal censorship of the press...

"On February 15th, about two months before the declaration of war, Commissioners Coffin and Compers made a report as to the exclusion of labor from military service, and the draft was discussed; the draft was also discussed on other occasions before any one in this country except the Advisory Commission and those who were closely affiliated with the Administration knew that a declaration of war was to be later made. At a meeting on February 15th this same Commission of seven men (none of which had any official authority except as advisors) recommended that Herbert Hoover be employed by the government in connection with food control. It was generally understood, as appears from the minutes, that Mr. Hoover was to be in control of the matter, although the war was two months in the future --- Almost the first thing the Commission did was to take up the matter of arranging an easy method of communication between the manufacturers and the government.

"In several meetings long before the war was declared this Advisory Commission of seven men met with the representatives of the manufacturing industries and formed an organization of them for selling supplies to the government, which organization was well perfected before the war was declared. This method consisted of having the representatives of the various businesses, producing goods which the government would have to buy, form themselves into committees so that they might be able to sell to the government the goods direct, which their industries produced. In almost every meeting that this Advisory Commission held before the declaration of war, they discussed and recommended to the Council (which consisted of six Cabinet members) these plans for fixing prices and selling to the government.

"When war was declared on April 6th the machinery began to move, headed by the Advisory Commission of seven men, who were, in effect, as shown by these minutes, the active government of the United States so far as the purchase of supplies was concerned. So far as I can observe, there was not an act of the so-called war legislation afterwards enacted that had not before the actual declaration of war been discussed and settled upon by this Advisory Commission."

"It is an interesting commentary on the responsibility of statesmen in a democracy that a distinguished Congressman should affect to think that he was making a startling sensation out of a presentation of the obviously necessary preparations for a war that was apparently inevitable months before the formal declaration. According to Mr. Graham, while it was reprehensible enough to have done anything a day before Congress formally decided that there was to be war, the iniquity of the proceeding was that the Advisory Commission,

in addition to advising, took steps to see that its recommendations, after approval by the Council, were put into execution.

"The only fault, aside from its bitterly depreciative tone, to be found with Mr. Graham's summary of the achievements of the Advisory Commission before and in the early days of the war, is that, broad as it is, it does not tell the whole story. And it might be added that the only cause the Nation has for regretting what was then done is that it was not even more inclusive, specific and compelling."

There has been criticism that the Advisory Commission did not organize itself upon a more comprehensive scale at the beginning of 1917. I must here say something that may seem critical of the military establishment. Please try and put yourselves back into the frame of mind of that period and think as the country and the Departments were of necessity then thinking. There was very grave doubt on the part of our visiting foreign military advisors then more or less unofficially representing the Allies as to whether we could actively participate in the War. It was their conception that we might best concentrate upon the supply of materials and mechanics to permit them to release their munition workers for fighting service. The prevalent conception of the maximum size of an army to be raised and trained by the United States was one million men. The Advisory Commission requested from the War Department, not once but many times, an estimate of the probable material requirements in the event of outfitting and maintaining an army of a million men. The information was not forthcoming because no such data was available. The army itself did not have such information in any up-to-date and reliable form. Finally a group of us met in consultation with Army officers and more or less decided for ourselves the probable needs of a million men for service equipment and supplies.

I have here a report I made to the Council on March 23, 1917 relative to aviation equipment. It is based on an army of one million men. At that very time our foreign advisors were urging us to supply material, furnish mechanics, and develop a training program in this country, but under no circumstances to attempt the building of combat planes here. They said that it would be impractical because we were so far from the front; that it would take a year to obtain and bring to America the rapidly changing designs, and produce the material certain to be obsolescent or out of date before we could get it to the front. That advice was probably sound, but there was behind it another undercurrent of motive. Our Military Intelligence intercepted copies of communications showing that the French, with their competitive experience in motor car manufacturing in mind were not desirous of aiding America in getting into the production of aircraft because of our possible commercial competition after the war. They visioned a great development of commercial as well as military aviation later on and feared that we might then take from France the leadership she then enjoyed. I am instancing some of the retarding influences found. We perhaps were the only nation not looking for selfish commercial advantage after the war or toward getting something else of material benefit for ourselves out of it.

entirely incapable of assuming that load. When I remember the industrial organizations set up, the industrialists brought in and commissioned, and the agencies created subsidiary to the Council, I feel that the Commission took the strain of that vitally critical period in a manner never yet fully appreciated. Had no such body been in existence at the time of the emergency we would surely have been months longer getting our "house in order" and in creating agencies for dealing with the many difficult aspects of an otherwise unplanned for and dangerous emergency. It was fortunate for us that under the Council of National Defense Act by authority of law we were permitted to set up a comprehensive form of organization in advance of the actual crisis. We may in the future be precipitated into some conflict without able Allies to hold the lines while we take the necessary time to study our problems and improvise new machinery to meet them.

I would like to say a word about what is happening industrially in this country.

The work of the War Department in "industrial planning" has now become, because of the changed economic situation, a part of a much bigger picture. The work on which you gentlemen are engaged has broadened far beyond anything of your immediate horizon as officers of the War Department. We have now come to realize that industrial or economic planning is going to have to be aggressively undertaken upon a National scale. We have on the statutes the Sherman Anti-trust law, the Clayton Act, and other that in some manner discourage agreements by industries within themselves or one with another. I do not think there is any doubt but that our past conception of the relationships of industry must now be modified. It ought also to be obvious to all of us that if we are to have an effective war time industrial mechanism we must by prearrangement provide in advance that it may be functioning in a manner applicable to war during times of peace. To insure against dangerous delays we must avoid the necessity for a hurriedly improvised and untried mechanism to meet the emergency needs of war.

I quote you again President Wilson's words in setting up this Council as a planning agency: "The Council of National Defense has been created because Congress has realized that the country is best prepared for war when best prepared for peace." While the War Department is planning for the creation of an effective agency for serving its purpose in war it should give equal thought at the same time to perfecting our commercial mechanism of peace.

If you gentlemen will study your war problem from the present viewpoint of peacetime industry and with a sympathetic understanding of those who are seeking stability and economic salvation for our dangerously disorganized industrial system, you will build a far sounder foundation for your whole scheme of industrial preparedness than you can hope possibly to achieve through setting up solely a War Department picture of your own.

Five years ago one could not have conceived of the American Federation of Labor advocating the amendment of the Sherman "anti-trust law to permit of economic planning and industrial agreements, and yet that is exactly what it is now doing. All potent commercial influences of the country are now for the modification of the existing laws restricting cooperation between competitive units of industry.

You must realize that there is no more unfair or disastrous trade practice in the world than the continued marketing of any commodity at less than its legitimate cost. The effect is cumulative, far-reaching and wholly destructive. It brings on receiverships, is ruinous to capital, oppressive to labor, bankruptive to government through failing revenues and false to the ultimate common public good.

Yet just as soon as it is known that the heads of these units of industry have gotten together with the idea of intelligently discussing their problems and trying to apportion the decreased and still further diminishing amount of business equitably among themselves so that they can proceed under some even program of productivity and thereby maintain an existence with continuity of labor employment, just that soon are they called upon by representatives of the Department of Justice, subjected to inquisition and threatened with prosecution. This is not theory; it is fact.

I have just seen George Sloan come into the room. Mr. Sloan is president of the Textile Institute which is to the Textile Industry what the Steel Institute is to the Steel Industry.

Here in this field which he so ably represents is an example of the handicap we are now inflicting upon industry just at the time we should be giving it every possible encouragement for keeping labor employed and governing itself in an orderly and efficient manner. We are preventing cooperative agreements, and yet wondering at unemployment, low wages and cut prices. All our industries are going into the red, and in consequence the country cannot hope to recuperate until such handicaps can be definitely removed.

This is a situation with which you gentlemen are immediately concerned because you are going to some day need all of these industries, and their problems must, therefore, in some measure, be yours.

You have, for instance, in this Textile business one of the largest industries in the country. Founded in 1793 it has been and still is our biggest single employer of labor. The livelihood of some twelve million people is dependent upon it. This business has gone steadily ahead, increasing its production and employment until about the year 1926. Since that time the industry has lost ground and the end is not yet. Productive capacity is now far greater than current consumption and there must be some orderly adjustment permitted if business health is to be preserved. You may say that we should abide by the law of the survival of the fittest and that the fellows who cannot keep up with the procession ought to fall by the wayside. But when a mill fails it does not necessarily go out of existence. It goes to the auctioneer and to a new owner who may put it back into production with little or no initial investment.

There is thus now in all American industries a necessity for economic planning on a broader scale than any with which we have had experience in the past. You can readily see that the work in which you are interested is directly related to this greater pressing problem and that you must go outside the War Department with a view to fitting your program into the now needed peacetime economic plan so that when war does come you will not have to improvise a complicated new machine. Any industrial planning mechanism should be so designed that it may be converted to the purposes of war without undue friction and disorganization. You here in the War Department are just as much concerned about the congressional proposals for a "national economic planning" agency as are our civil industrialists. You are in this responsible position for life and are far more directly interested in these measures than is the average American citizen. You must now help study these new developments in industry and aid in devising a mechanism that will effectively meet the needs of the nation in times of peace as well as of war.

I have asked permission from Colonel McCain to extend these remarks.

I am delighted to have been able to meet with you. Good luck to you all!

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Q. At the time the Council was formed you say there was some disagreement between the Cabinet members (it was composed of six of these members). There would naturally then be occasion for disagreement between the six now composing the Council. Would it not then be better to have an agency responsible to the President as well as the real coordinating agency rather than have the heads of these departments?

A. We did not then think so. It is good psychology where one has a complex situation to control, to tie into the responsible directorate the people who might prove unsympathetic if left on the outside, and who might not be enthusiastic in carrying through any program arrived at by other authority. An incident in point that comes to my mind was the food situation. The Department of Agriculture, of which Mr. Houston was then head, felt that the rationing job, or the control of food, was distinctly a Department of Agriculture function. The Secretary of Interior came in some measure in contact with the resources of the country and felt that he also had some interest in that direction -- as did also the Secretary of Commerce. The Advisory Commission had been much impressed with the manner in which Mr. Hoover had handled the food problem in Belgium. We decided it wise to put him in charge of our own food situation. The President was, by vote of Commission and Council, therefore asked to recall Mr. Hoover to take over this job.

Meeting your specific question I think it better to have a meeting of minds within the executive body rather than have policies originate with a superior agency, such as an assistant to the President, if you like. Furthermore, the President of the United States, in peace or in war, is a very busy man. President Wilson himself said to the members of the Advisory Commission when we were first called to Washington, not perhaps in so many words, but by inference, - "You gentlemen are supposed to know about the industrial affairs of this country. If you need any additional authority, or if there is anything I can do to facilitate the work, come and tell me of it. I am a busy man, and this is an activity beyond the compass of one mind. I am giving you gentlemen this job and I expect you to do it."