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INDUSTRIAL PLANNING

by

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I have been asked to present to you the planning work that we have been doing in the NRA, with the idea of visualizing its coordination with the planning work that you have been doing here in the War Department, and with the possible object of working out a control scheme for the maximum efficiency in procurement of materials in case of emergency.

Before plunging into the details of NRA planning, I want to bring your minds to the point of realization of the extreme need for social planning that brought the NRA into existence, and, on the basis of that realization try to show you that without such control and definite advance planning as we are trying to do here, the next war will not only mean embarrassing loss of time and possibly national prestige at the very outset, but may involve a national catastrophe that will bring about a complete overthrow of our social and political system. In the next war it is not likely that we will have a group of major nations holding off the enemy while our industrialists leisurely plan a system of production to maintain their profits.

It is perhaps needless for me to dwell on the point that with a simple agricultural community, having only simple manufactures, a simple social and political system will suffice. We had such a simple community when this republic was founded about 150 years ago. This republic was founded--or, let us put it this way--our American social system was organized, by a very small group of men, who, the records show, had studied with infinite care the Roman and Greek republican system. They based their ideas on those systems, but were aware of the many shortcomings of a republican form of government. Jefferson, Adams, Morris, and others, were well aware that the committee and commission form of deliberation was slow and tedious, and too often resulted in inane and mediocre conclusions. For that reason, they gave to the executive branch of this republic certain privileges and powers superior to the executive powers of the ancient republics; but, for the same reasons as existed in ancient times, namely, the aspirations of selfish and greedy interests, these executive powers seldom have been exercised in this republic except in time of war. The wise philosopher, Cicero, at the end of the last Roman Republic, after he had made a complete study of all the known governments of the world up to that time, said, "and so, no form of republic can endure for any length of time." At this point I shall call your attention to the fact that in this mechanical age no civilized government would dare enter a war under the unbridled capitalistic system that had been injected into our republic, and which flourished in 1929.

Since that time 150 years ago when this republic was formed, every mechanical invention has not only brought in the element of manufacture that has changed the employment of our people, but the products manufactured have caused radical changes in our social life. We know that the invention of gunpowder was a major factor in the overthrow of the whole system of feudalism; we know also that the development of the automobile changed the whole method of life of our people. A hundred thousand other products have similarly affected the life of our people; the changes in the social system made by these products have been vast, but up to the last year there has been no coordinated definite attempt to plan and adjust for these changes.

Engineers have been turned out of our American universities and colleges at the rate of more than a hundred thousand a year, and have proceeded systematically to plan improvements in mechanical products. Industrial planning, however, has been limited to more or less isolated attempts to better production methods in single factories. We have planned and budgeted and considered the various factors of operation in our individual homes and in our individual factories; but there has been no attempt to so plan for whole industries, and in too many instances there have been deliberate movements to prevent such planning. I will say boldly to you that if it had not been that this country during the winter of 1932-1933 was on the very verge of a social catastrophe, and that if we had not had staring us in the face the communistic planning of Russia, the normally weak and flabby leadership of our republic would not have attempted any such social planning movement as is now contemplated under the NRA.

It had been suggested during the depression that we adopt the form of autocratic industrial control boards such as functioned during the World War. Writing in 1930, the former Chairman of the American War Industries Board, Bernard Baruch, said that in the next war "the entire population must cease to be congeries of individuals following a self-appointed course, and become a vast military mechanism composed in our case of 125,000,000 correlated living parts, all working to the end of directing practically all our material resources." Although Mr. Baruch may not have intended it as such, and although he was referring only to times of war, there never was a more damning condemnation of the capitalistic system. It was an admission that capitalism in its individualistic form was not capable of conducting business efficiently.

Control boards will never again serve in the form in which they were used in 1918. Those controls over food, munitions, and materials, lauded to the skies in books by men who administered them, but each one exceedingly inefficient, did not represent the whole people, as properly constituted industrial control boards should, but they were dictated by one class alone. The scandalous inefficiency of much of the work was caused by the greed of the manufacturers. It is the story of sensational personal advertising, manufacturers deliberately holding up production until they obtained the terms they desired, manufacturers and financiers planting their agents in strategic positions in the government to manipulate orders, billions of dollars lost in profits on products that were not needed and were never used for the prosecution of the war. Labor was handed lures in increased wages, but neither the workingman nor the soldier had a share in the scramble for wealth. Four meat packing houses alone during the war period pocketed \$140,000,000 in excess profits, and eighteen steel companies harvested more than \$1,000,000,000 in profits. Such controls will never again be permitted.

We started at the outset of the war to spend \$2,000,000 per day, and at the time of the Armistice, the curve of the expenditures had risen to \$2,500,000 per hour, with a steadily rising curve that would have wrecked the country at \$4,000,000 per hour. If the war had continued to the fall of 1919, it is absolutely certain that there would have been a complete seizure of all industrial control by the soldiers and workingmen at that time.

We do not need any change in the Constitution for the American Government to assume control of business and industry, nor does such control set aside any part of the Constitution. The United States Supreme Court has already ruled that "when the owner of property devotes it to a use in which the public has an interest, he in effect grants to the public an interest in its use, and must, to the extent of that interest, submit to be controlled by the public for the common good." Not only does this apply to the direct regulation of utilities and great corporations, but, strictly interpreted, whenever an individual starts any business with the purpose of selling to the public and taking the money of the public under promise of service, and which business hires the work of other free citizens, then it becomes something in which the public has an interest. Furthermore, Article I, Section 8, of the Constitution, "to establish post offices and post roads," has been interpreted

in practically every civilized country of the world to include those means of communication not known in the days when our Constitution was written, namely, the telegraph, the telephone, the railroads, the commercial airplane lines, and the radio. The same article of the Constitution gives to the Congress the power to regulate commerce with foreign nations, which in this modern day means that private companies should not and cannot float loans in foreign countries without full regulation from the government.

Regarding the authority of the President as a control executive, the United States Supreme Court in 1926 sustained the position for which Presidents Washington, Madison, Johnson, and Wilson had fought, namely, that a President has the right of removal of administrative officers without the approval of the Senate. This decision of 1926 opened the way definitely for the first time in peace times to the strong executive powers declared by George Washington, John Adams, and others of the earlier republic to be essential for the continuance of a republic.

No national planning can be formulated unless complete control of the industry or business to be planned is under one national head. National planning is hopeless if it is done by one class only, as was done during the World War. To say that a government should not "interfere with business" in such regulation and supervision is absurd. Government exists for the people, not the people for the government. Industry exists to produce for the people certain products. The people do not exist for the purpose of giving profits to a few who manipulate industry. The government is the factor set up to see that no injustices are done on either side. If a government assumes the right in war times to conscript its working classes to risk their lives to protect its property, then it is in duty bound to regulate matters in peace time so that these working classes may have an opportunity to maintain themselves and families in such a manner as to insure their health and well being. Industrialists and political leaders during the World War demanded that workingmen with no property to defend should be conscripted and sent out to sacrifice their lives to defend the state; these industrial and political leaders must now accept that principle in its reverse application.

The code system set up under NRA is an arrangement by law of complete industries into groups for the planning of production and distribution, and for the care and regulation of

the workman in those industries. It was a national catastrophe in the form of a bad business depression that forced attention first to the regulation of hours and wages of these workmen. The theoretical requirement under the code system is that each industry apply uniformly a maximum hour schedule that will not be oppressive to its workmen, and which will be sufficiently low to keep the maximum number of men employed. The code system also aims to set a minimum wage for common labor that will give the lowest workman enough to support himself and his family decently.

Under the code system, each industry is set up with an administrative body which is usually termed a Code Authority, composed of members of the industry elected by the industrialists themselves, added to which are from one to three government members appointed by the NRA Administrator. These code authorities are, in theory, boards of directors for the industries, and the management of each industry is left in the hands of its code authority, the Administration Member having merely the power to veto any inordinate acts of the code authority and to act in an advisory capacity.

Set up in this way under the National Industrial Recovery Act, the code authorities or boards of directors for the industry may be granted powers of control over the industry which heretofore have been illegal, provided that such powers are definitely set forth in the code and approved by the President or the Administrator. In industries where the set-up of the organization has appeared to be complete enough and the type of men elected by the industry appear to be broad-minded enough, powers have been granted under the code system to allocate production, limit the production equipment, control the price levels, and do other things previously forbidden under the anti-trust laws but now considered in many cases absolutely necessary for real economic planning of industry.

Industries were asked to get together through their trade associations, and present codes. About 4,600 codes were presented in this way to the NRA. It was soon apparent that trade associations were not well organized. Very few of them represented any appreciable percentage of their industries, and, furthermore, very few of them had any real idea of the boundary lines and limitations of their industries. The very word "industry" was found to have little or no meaning. There was overlapping of jurisdiction to a tremendous extent. There were claims and counter claims, and the factional fights between sections of various industries were found to be as great or greater than the contentions between management and labor.

Finally, amalgamations were made to an extent where about 1,000 industries were recognized as being of sufficient national importance for codification.

Between four hundred and five hundred industries have been codified and the codes set up as national law for the respective industries. This means that for the first time in history these industries have been defined specifically by having had written for them specific definitions that would not be overlapping. This means that for the first time in history a real attempt has been made to group the industries and trades of this machine age for control through central bodies, such control contemplating definite and specific reporting of statistics that would be well defined and not overlapping and confusing.

An attempt is being made at the present time to have these codified industries elect men of the highest type and broadest vision to act as their code authorities or boards of directors. These code authority members have been asked to become public spirited enough to act in their deliberations in the interests of the entire industry instead of merely as individual members.

The establishment of an industrial system of this kind is simple in theory but is tremendously complex in practice. It is mechanically complex because of the fact that through one hundred and fifty years of an unbridled individualistic system, the manufacturing has been set up indiscriminately with single plants manufacturing huge varieties of products, and psychologically complex because the peculiar individualistic doctrine of our system permitted men to buy and sell and finance as they pleased, without regard to the public interest. This resulted, naturally, in hundreds of thousands of uneconomically placed industrial units to which are attached financial burdens that involve the whole populace and are almost hopeless to untangle. Moreover, we find increasingly that because of the peculiar worship of financial profit of the whole system, that our American business man is usually a specialist without a broad enough view to assume the industry-mindedness necessary for real industrial planning and coordination. Our American system has been such that although we have a democracy politically, we have been buried deep industrially in an economic feudalism. It would almost seem that a new generation may have to arise before this theory of control of industries through boards of directors both for management and for labor, for the industries can be fully realized.

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One thing that thwarts attempts at reasonable planning in this country is the popular addiction to grand-stand playing on the part of newspapers and politicians. A "patriotic" appeal in favor of that mysterious being, the consumer, or against the great bug-a-boo, monopoly, always gains the headlines. Take for example: In New York City, where cheap milk is needed for the millions of people on small incomes, there are often ten to fifteen separate milk dealers delivering through the same street, and because of excessive handling charges, milk that brings the farmer fifty miles away only one and one-half cents a quart costs the family in New York sixteen cents a quart. But if the industry set up to control its distribution eliminate the inefficient duplication of small handlers, and give an organized, single delivery service, it would be pounced on for monopoly and for driving the "small fellow" out of existence. We have the same thing throughout our manufacturing industries. Something must eventually be done about it, or the day will come when one single agent--the government--must take over these trades. The present inefficiency is appalling. A development of the chainstore idea, and of the vertical manufacturing trust, supervised and watched by the government through its Administration Members on code authorities may be the means of saving us from the commissary system of radical socialism.

Regarding labor, our progress so far has been slight. Labor in this country is organized into unions that sweep horizontally across many industries. This organization is functional and does not correspond to the vertical groupings of industries which we have attempted to set up. Labor knows that every step of progress it has made in the past century has been forced, through these organizations, from unwilling hands of industrial managers. It refuses to abandon these unions in favor of the vertical set-ups offered by the great industries such as the Steel Industry, because its experiences in the past with industry-formed unions have been bad. The records of company unions in the United States have well merited the name given them by labor--Yellow Dog Unions. No honest man who desires to see fair play and progressive planning would advocate the abandonment by labor of the position gained by it until there is assurance of substantial organizations to free labor from the domination of management.

The set-up of a labor adviser to the Administration Member of a code authority must be considered by any far-seeing man as a temporary expedient. Nevertheless, there must be a recognition that management and labor are separate and distinct functions, and for that reason labor should not sit as members

of a code authority in the management of an industry. But the time must come, and that soon, when the labor of every great industry must set up a labor authority for the industry equally as powerful as the code authority in matters in which labor is interested. Article 7(a) of the National Industrial Recovery Act is not fulfilled, and never can be fulfilled by the company union. The workman must have appeal outside of the company and beyond the industry, if necessary, just as management has. How can management complain against the principle of outside organization when management itself organizes into manufacturers' associations and such group bodies as the National Metal Trades Council? No provision in any code can set aside the principle stated in the Clayton Act--"Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled . . . that the labor of a human being is not a commodity or article of commerce."

The charts which I am showing you here represent a grouping of these industries into related headings. There are a few more than a thousand industries in the groupings. The master chart includes every industry, trade, service, and profession of the country, and the development of each group on sub-charts shows the relation between these industries and trades.

I still maintain that the American system of assimilation of new ideas is slow, tedious, and often discouraging to men who want to see progressive action. But we have accomplished much in this year, and if we can maintain the cooperation of industries so that they will not throw aside the progress made at the first signs of recovery and again hurl themselves back to unbridled profit-making, we hope that we can within a reasonably short time obtain a coordination and grouping of related industries so that procurement, design development, statistics, and general planning can be traced and controlled through well-defined channels.

So far we have actually been too modest in telling of our accomplishments. Politicians always dwell on the wonderful things that they will do without telling or even planning how they are to be done. We have not been good politicians, but have plugged along working out methods by which results can be obtained. If the average man in the street were told what we planned to do to benefit him, I think we would have the people behind us to a greater extent than we have today. It would not be difficult to set forth the benefits to be derived from a planned society - the benefits in freedom from uncertainty of family livelihood, and the benefits in better distribution of the products of this machine age.

To plan for procurement under the code system, once it has been fully set up, means that it will be necessary only to call in the code authorities who will be equipped with complete information on their industries. They will be the central boards that will have in hand data on the production and other matters pertaining to each plant in their industries. They will know the capacity and facilities of each plant. In some industries the code authorities already have this in hand. In the glass industry, where a provision of the code permits allocation of production the secretary of the code authority has an elaborate check on every piece of equipment in every plant in the industry. Under the code administration the machine tool industry has increased its control over three times the number of plants which the association had figures on previous to last year, and the industry is now setting up a system of checking facilities that will be of infinite value in case of emergency.

Regional control as now being set up by the code authorities will not correspond to the district control planned by the various procurement divisions of the Army and Navy because each code authority has been setting up in accordance with its own ideas of trade areas. It is a difficult matter to coordinate, and the only way it could be handled if uniformity is not obtained is for each code authority to designate someone in each procurement office as the agent of the code authority for that area when the emergency arises.

When the day of the national emergency arises, the organization of code authorities, controlled and guided by the government, should be in a position to prevent industrialists from running wild on production as they did in 1917. The code authorities could be the agents used to limit production for civilian requirements, and allocate the designated total requirements of commercial articles. They might further be used as the agents to allocate facilities for the production of purely military articles. But the Army and Navy, in the present stage at least, cannot hope to shift its burden of facility studies to the code authorities. They must continue to study facilities and earmark the needed factories which they can then designate to the code authorities in emergency for allocation to military production.