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THE DEVELOPMENT OF THE ORGANIZATION
OF THE
WAR INDUSTRIES BOARD

by

Mr. George N. Peek

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Colonel Jordan's Remarks introducing

Mr. George N. Peek

It gives me a peculiar pleasure to welcome the speaker this morning. He is a personal friend of long standing and is one of the outstanding men in our country today. He had charge of and has left his impress upon one of the largest agricultural manufacturing institutions in the world.

I know of no better way to pay to Mr. Peek the tribute which is his due for the unselfish work he has done for his country than to read the citation given him when he received his Distinguished Service Medal, which reads as follows:

"Commissioner of Finished Products, War Industries Board. In connection with the operations of the War Industries Board during the World War. As a member of the Board he rendered, through his broad vision, distinguished capacity, and business ability, services of inestimable value in marshaling the industrial forces of the Nation and mobilizing its economic resources - marked factors in assisting to make military success attainable. As Commissioner of Finished Products, it was largely through his untiring efforts and devotion to duty that the supply bureaus of the War Department were able to maintain a constant flow of munitions as well as supplies of a general character to the Army."

Gentlemen, Mr. Peek

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When Colonel Jordan asked me to come here today I wrote him a note which I am going to read to you to plead an alibi for my shortcomings this morning: "Your note of October thirtieth reached me just as I am leaving the city for two or three days. You extend your invitation in such a manner that it is very difficult to decline, since you say: 'I do not want a formal talk, and I want you to let us ask you questions'. I could not make a formal talk on this subject without extensive reference to my files, which are in Moline, and perhaps I cannot answer many of your questions. With this understanding of what a flop I may be, if you still want me to come down, I will undertake to do so on the date you specify."

So I am here. I left home in response to a telegram in March 1933 and I have been back there only two days since, two weeks ago. My files on the war are in my house in Moline. Naturally, I am going to be compelled to rely quite largely upon your questions, which I shall answer if I can. I think, in order to get started and present my point of view I had better go back to the time I became associated with the War Industries Board and trace its organization as best I can.

In the summer of 1917 I was on an agricultural implement committee seeking priorities for steel for use in the manufacture of farm implements, as we had been impressed with the fact that food was going to be necessary in very large quantities. My distinguished competitor, and a really great man, Alex Legge, who passed away a few months ago, had been called to Washington as business manager of the Allied Purchasing Commission and when I ran into him in the capacity of a committee member for the industry he said he had spoken to Mr. Baruch about my coming down here. When I asked him what all the shooting was about, he said nobody knew. Mr. Baruch said that Legge would not stay unless I agreed to come because he was afraid I would steal his business.

As you will recall, the Council of National Defense had been formed and so far as active assistance in getting supplies was concerned it had not accomplished very much and there was the greatest confusion in the supply departments of the Government as well as in business generally throughout the country. When the War Industries Board was formed with Mr. Willard as its chairman, it made some progress in raw materials, particularly, but there was no general plan for operation until after Mr. Baruch became chairman of the Board in the spring of 1918. Mr. Legge was vice chairman.

The only suggestion I received from Mr. Brookings, who was my predecessor as Commissioner of Finished Products, was that I should run around Washington to the different departments and find out what they wanted and then see where we could get it. I never liked running very much anyway and I could not see that. So a few of us made up our minds to see if we could not get the programs for industrial requirements brought in. At first, we were assured that that was such a military secret that it would disclose the program for the Army and other departments, and that it was not possible. Finally we did get them coming in through the Requirements Division. The question of how to place those requirements became extremely important because at that date most of the available facilities in the industrial sections had their capacity taken by the Army, Navy, Emergency Fleet or some of the other supply departments. We had made several surveys of facilities and one day in the early summer of 1918 Hugh Johnson and Gerard Swope (who was then Special Assistant to General Goethals) came into my office and asked me if I would make a survey of available facilities. I asked what for and they said that demands were so very great that they had to know where they could get material. I said "Why don't you use some of the surveys that have been made already?" But they said they were obsolete, to which I replied that the new one would be by the time it was completed. Orders were placed so fast that from week to week available facilities disappeared because one branch of the government or another was absorbing the facilities, and from that grew our intensive effort in the development of our commodity sections.

You will recall that the Commodity Sections were made up of, for instance, textiles, rubber, cotton, cotton linters, wool, foreign wool, silk, etc., each of these sections being manned by the representative of the War Industries Board acting as chairman, with representatives from each of the different divisions or departments of the government interested in the particular commodity. They would take these programs of requirements and then get hold of the war service committees of the industries and put those committees on the job, and give them the task of bringing in available facilities where goods could be secured. I think I may say that when the war died on us we were "going pretty good". We were getting stuff about as rapidly as could be expected and in plenty of time.

If there is any one impression I would like to leave with you today it is this: it is not the plan, it is not the moves that are laid out in advance that do the job, but it is the man -

just common, everyday men that you must rely upon in fighting a war. It is exactly so in getting your supplies in time of war, and if you can keep alive the principle of those commodity sections and the war service committees, plus those studies of facilities for the more technical supplies you require, such as Ordnance, aircraft, etc., I think you will be in a position to get into action very rapidly, but all the plans you may have in advance for supplying an army in a nation of one hundred and twenty million people may be of no value unless they take into consideration the human element and the support of the hundred and twenty million people back of the program of the war, because unless you have popular opinion back of your prosecution of the war then your morale is gone and you haven't the necessary support. I want to emphasize the very great importance of keeping that human element alive in your preparations for emergency action later on.

Having determined and placed the orders for the various materials, (and the War Industries Board itself placed no orders - it provided facilities for getting material and the regular supply departments placed their orders) then it became the responsibility of some one to determine the order in which the supplies should be furnished, starting with the raw materials and going through to finished products. That led to the organization of the Priorities Board and the Priorities Committee. The Commissioner of the Priorities Board was Judge Parker and he was also chairman of the Priorities Committee. As you know, that was an extremely important activity of the War Industries Board in the prosecution of the World War - to get the things that were needed first and to get them on time. Judge Parker, as you all know, passed away several years ago. I never knew a man who was more conscientious in the performance of his duty. He didn't know the difference between day and night; he was on the job at all times and great credit is due him for his active administration.

Then of course, there was the normal division of raw materials and finished products. Mr. Legge, as vice chairman, was in general charge of raw materials and I was in charge of finished products. There was never any effort on the part of either of us to see what we could grab from the other, but rather to see what we could push off on the other. He claimed wool was a finished product and I said it was a raw material. He said, "No, the sheep is the raw material". We had the same kind of argument about hides. It required the closest cooperation to get any results at all.

I discovered very early that I could not possibly keep

track of a fractional part of what was going on. Everything was moving so rapidly that it was just a question of taking up one commodity at a time as the need became apparent, and putting somebody in charge of it, and if they made good they were smart and if not, they were stupid and got out. I appointed three or four assistants. Mr. Crawford had been with Mr. Brookings as his assistant and knew very well all that had gone before. Then I gave Mr. Ritter certain commodities, John W. Scott some, Crawford took some, and Walter Robbins had certain ones. The idea in that was merely to have somebody who was familiar with the whole general program, perhaps more than with the technical commodities, who could assist the commodity section people in cooperating in line with the general program, and that worked pretty well.

When Mr. Baruch assumed the chairmanship all the authority was in him. This authority, as you probably recall, was a letter from the President which you no doubt have in your records. If you have not, I urge that you get it because that was our authority. I used to carry a copy of it around in my pocket until it wore out and then I would get a new one. Whenever we were asked what authority we had for proposing or requiring certain things, I would pull it out and say that was it. They would say: "I don't see anything in this to cover this particular point", and I would say, "Well, if you want to make an issue of it I will tell Mr. Baruch and he will take it to the President for decision". I don't recall that that was ever necessary. There was a distinct feeling of cooperation throughout all of the agencies.

I had a great deal to do with General Goethals, General Williams, and General Wood. I want to say in passing that if I had a dozen boys I should want them all to go through West Point. I have never come in contact with men in my life who had a better point of view than those whom I call the "Old West Pointers". The fellows who made us the particular trouble were the business men called in and given a uniform - men who had the authority of the Army and some knowledge of business.

I am going to tell you just one incident to show how things went during the war. General Goethals came down here at the end of 1917 as Director of the Purchase, Storage and Traffic Division. He had in his New York private engineering company two or three old associates of mine and they told him that perhaps I could be of some help to him. He called me up on Sunday noon before New Year's and asked me to come down to the Metropolitan Club for luncheon. I told him I was just sitting down to the table with my family and would drop down after luncheon. He said that would not

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do, so I went down. Those of you who knew him will appreciate that that was an order. He said he was in a terrific amount of trouble; that perhaps no man had more trouble than he, and possibly I could be of some help. I told him I did not know that I could but I would see when he had communicated his troubles. He pointed out that as Director of the P. S. & T. he had to have someone from business familiar with the general work of the Quartermaster General; he had to have someone familiar with storage; someone familiar with transportation, overseas shipping and reclamation.

So we went over the various possibilities and agreed upon the kind of concerns from which these men should come, selecting large concerns where the executive was used to giving general direction from a central office, particularly with reference to the concerns which had active businesses in the United States. We got along pretty well until we came to reclamation and I did not have anything to offer on that and neither did he. He had been putting me through my paces for about two hours and I started to leave. He said, "wait a minute; there is one thing more I want to know. I want to know why this Army has no uniforms." I asked, "You want me to find that out for you?" He said, "Yes." I said, "When do you want to know", and he said, "Tuesday." I told him that Tuesday was New Year's Day and that Monday the office would close at one o'clock. He said, "Wednesday at five o'clock."

I thought he was kidding but I went down to the office early the next morning and made a little inquiry, and found that the only information in Washington that was worthwhile was in the hands of the Rosenwald-Eiselman committee then being investigated by Congress for supplying shoddy uniforms. I knew that if I went to that committee and asked for their records they would invite me to go some place I was not quite prepared to leave for, so I telephoned over to General Goethals and said he would have to send me an officer and he wanted to know why. I told him that the committee might give the information to an officer, but not to me. He sent over one of his officers but he really knew less about it than I. I talked to him a few moments and told him that was all. He said General Goethals had said that he would be required for a few days. I said I would send for him if I needed him further. Then I recalled that someone had been making an investigation of clothing styles. They had taken the patch pockets off of coats and the cuffs off the trousers to save wool, so I telephoned Mr. Shaw who was in charge of our Conservation Division and asked him if he had made that investigation, and he said he had. I asked him who did the work for him and he said a young chap by the name of John Cutter. I

told him I wanted to borrow that fellow for a day or two. He was very curious and I related my problem. I asked Cutter if the wool dealers had a war service committee and he said they had, and he knew them. I asked him if the woolen manufacturers had one and he said they had, and he knew them. The same reply was true of the clothing manufacturers and I told him I wanted him to get those different committees together in New York City the next morning, that was New Year's morning, and to find out if the wool was in the country, if the capacity was in the country for making cloth, if the capacity was in the country for making clothes, the name of the leading man in the woolen manufacturing business, and to telephone me in the afternoon. That is exactly what he did do. The people met him in New York on Tuesday; he came back Wednesday morning and I wrote up a little report for General Goethals about six lines long.

I was over at his office at five o'clock. I went in and he said, "Have you that information for me?" I told him I did not know whether what I had was what he wanted, and a scowl went over his face as only he could scowl. I said, "I have made a little report which you need not take time to read, but in short, the wool is in the United States, the capacity is here for making the cloth and the uniforms, and the trouble is lack of distribution. The man to do the job is Colonel John P. Wood, who is in the Army and awaiting assignment at Camp Hancock, Augusta, Georgia." He called The Adjutant General on the phone (The Adjutant General was then General McCain), and said "Billy, I am sending a telegram to Colonel John P. Wood, Augusta, Ga., to report to Washington at once. I want to put him on this uniform job. May I sign your name to it?" He then turned to me and said, "Now we can go on to the next job."

I think it was five years before he ever mentioned that incident to me. We met one day at a reunion of the War Industries Board, where we sat next to each other at luncheon. I said, "General, you did me more good in five minutes in Washington than any other man or group of men ever did in my whole life before." He said, "That is interesting, but I don't recall the incident. What did I do?" I replied, "You taught me that nothing counted but the essentials", and referred to the incident.

I tell you this to illustrate what I have been saying about the importance of the human support as well as the technical information when you really need help in getting your supplies. I recall many other incidents of the same kind in my relations with him that I shall always cherish. I never had an interview with him that I

did not learn something, and he was certainly refreshing in his directness.

The War Industries Board itself, as you will recall, and as indicated by this chart, in addition to the Chairman, was made up of Judge Parker in Priorities; Mr. Brookings in the Price Fixing Committee; myself as Commissioner of Finished Products; Admiral Fletcher representing the Navy; Hugh Johnson representing the Army for General Goethals in the P. S. & T.; Replogle, steel; Frayne, labor; Summers, technical adviser to Mr. Baruch; and Mr. Legge, vice chairman. Later others were added, as shown by the chart.

All of the work of the organization passed through the members of the board and it was remarkable to find how few things came up before that Board that some member did not have information about, or knew somebody who did. So we got action quickly and got to the bottom of things. Of course, there were a great many mistakes made by everybody. It would have been impossible to develop an organization as rapidly as that was developed without mistakes, but I think there was a minimum of them and I don't recall a single incident where there was a charge made of graft or crookedness or disloyalty against any member of the organization, and we had, in Washington and out, about twelve hundred people altogether.

One other feature of our activity was the district committees we had working with the Board so that as the various problems came up we could telephone or telegraph out to the districts and ask what the situation was. You may recall that the congestion in the northeastern section of the country, say from the eastern part of Ohio straight east to the coast and north, was so very great that we had to forbid the placing of orders in that section. That was due to the fact that there was no plan of procedure such as you are formulating, and that being a large industrial section it was quite natural that orders should be placed there first, and the business men took more orders than they could possibly digest. Power was not sufficient, transportation was not sufficient, the supply of labor was insufficient, in fact there was a complete breakdown in the section which was only remedied when we quit placing orders there and gave them a chance to clear the situation. If additional facilities were required they were placed in some other section. I believe that diversion saved us a tremendous amount of trouble.

I don't think of anything else, gentlemen, that I can

say except perhaps to refer to the question of freezing prices, which Mr. Baruch has discussed with you a number of times. I don't know any man who I think could have gotten away with the job as chairman of the War Industries Board as he did. If I were asked his particular qualifications I should say, in the first place patience, and in the second, uncanny intuition. I think every man who was associated with him and saw him through those troublesome times formed a lifelong respect and affection for his very great personality. In the study which he presented to the War Policies Commission (I think that is what it was called) of which Secretary Hurley was chairman, I took exception to one thing in connection with the freezing of prices, and that had to do with agricultural prices. My position has been for a good many years that in order to enjoy economic security and prosperity as a nation, we must have agricultural prices which will afford the farmer an opportunity to make a living, educate his children, and leave a modest competence which, after all, is about all that most of them ask. For a dozen years or more he has not had that, and in my humble judgment that is responsible largely for the situation in which we have found ourselves for the past few years. I made the suggestion to Mr. Hurley's committee that agricultural prices should not be frozen until they had reached a parity price; then I would be perfectly willing, as long as there was a fair exchange value between what the farmer receives and what he pays for what he buys. The thought behind the whole idea of freezing prices is to prevent the kind of runaway markets we experienced in the early stages of the war which resulted in the exploitation of the country generally and the creation of a lot of new millionaires. I am very much in sympathy with the idea of trying to preserve a reasonable level of prices generally in the event of war so as not to make profit the motive for continuing a war. We should discourage profits rather than encourage them under such circumstances.

If any of you have any questions I shall be glad to try to answer them.

Q - You have said nothing about the Labor Division. Will you please tell us something of your relation with labor in the War Industries Board?

A - We had the usual outbursts over the country that come in a time like that - when labor felt it was not getting its share - and numerous strikes. We were fortunate in having Mr. Frayne who was for years associated with the American Federation of Labor, and then there were some committees organized by the direction of the

President - one, the War Labor Policies committee, and one or two others. I think there was, relatively speaking, very little trouble. I think it was only natural with prices going up as they did and wages not reacting proportionately, that labor should feel it should have more than it was getting. I would say that we got through very fortunately, with very few labor disturbances, under the circumstances.

One thing in connection with labor: I think it is well to bear this in mind - we did not attempt to direct the industries; we did not try to run their businesses; we depended upon our ability to check what they were doing and to leave the management to them. That was the exact reverse of what Germany did. As you will recall, she controlled and directed her industries. Shortly after the Armistice the Frankfurter Zeitung commented editorially upon the manner in which American industry had been handled during the war, in a spirit of cooperation with the industries rather than one of control and direction. The substance of it was that had Germany at the beginning of the war inaugurated a similar policy the result of the war might have been different. I think that was quite a recognition of the manner in which the industries were handled but I think we need not take any credit. It was not foresight or a question of policy; it was a case of doing the best we could under the circumstances and that was it. Sometimes it was proposed that the Government take over this or that industry but by that time we had learned, or at least we felt, that Government direction was vastly superior to Government operation, because the management and the men had their understandings - there were the relationships which existed from contact and it would have been upsetting to change over during the period of emergency when we could not afford delays.

On the other hand, some of the Ordnance shops did magnificent work. In my own community, where we have the Rock Island Arsenal, the force was expanded from two or three thousand to about seventeen thousand men within a few months and that was accomplished without disturbance to the industries in the community. There again was evidence of cooperation - cooperation between the commanding officer and the industries. Orders would come in to put on so many men and the officers would solicit the assistance of the manufacturers in getting them in a manner that would not disturb the whole situation in the community.

Q - The War Industries Board contacted industry through the various trade associations -

A - Not trade associations, but trade committees, and I want to distinguish between them. We would ask the industry to appoint a committee. We might contact the trade association - usually did. As a matter of fact we asked the U. S. Chamber of Commerce as a rule to see that committees were organized and sent to us, but we reserved judgment as to whether or not they were representative, and if they were not we solicited help.

Q - Today we have somewhat of an analogous case in connection with our code authorities. Do you believe that growing representation or organized labor is going to be an aid or a detriment in the next war?

A - That question presupposes the fact that we are going to continue this so-called regimentation of industries, and I do not believe we are. I think that the practical results and beneficial results from the organization of industry with the government must be a cooperative endeavor and limited to a few of the larger industries, particularly those dealing with natural resources, so I do not believe you will find that that situation will exist. If it does, I should think it might be helpful to have everybody understand what the problems of the government are.

Q - If, when the Board was first organized, it had been vested with the authority it obtained from the Executive on March 4, 1918, could it have controlled and administered the various agencies appointed for the purpose of controlling the railroads, fuel, etc.?

A - There was no one wise enough at that time to foresee what the different problems were. I do not believe I can answer that question. The Board was human and only human and probably would have made a great many mistakes if it had had that authority. The Council of National Defense had that authority and if it had been effective in doing what your question suggests there never would have been any War Industries Board. But the problems were so vast, almost beyond comprehension. I do think, however, that we learned a lot of things in connection with human contacts, and possibly errors, which should not be lost sight of in your consideration of the subject from year to year. And I repeat again, that I put the human element first.

Q - May I hold a little conversation with you? A few years ago a speaker on this very platform was asked a question something like this: "Did the fact that the manufacturers of the United States were engaged in producing large orders of munitions for foreign governments help us in getting supplies for our own Army, or hinder

us from getting them?" I believe that Mr. Benedict Crowell was the speaker on that day and I was amazed at his answer. He thought the fact that we were engaged in munitions manufacture in this country was detrimental to our purpose. He stated that we were not able to put the factories to work on our own munitions because they had to finish orders for the Allies. It seems to me that you were in a fine position to have information on that question.

A - I will say yes and no. That leads me into an angle of the subject which I was not going to discuss but which I am compelled to. If we had adopted the designs we were then manufacturing for use abroad, unquestionably the experience would have been helpful; but we started out to go them one better and changed the designs, and then in our organization of the Ordnance Department in the spring of 1918 we had a number of almost unrelated divisions. We had personnel, design, procurement, inspection and shipping running along horizontal lines, so that the manufacturer out in the country might be working on an order and the inspector would stop him, yet the people in the Department charged with placing the order might not know it. That was later rectified but it was one of the confusing incidents. For instance, there was a concern out in Minneapolis or St. Paul - I think it was called the Twin City Forging Company - making 6" shells for the British. They were told to throw them out - our Government wanted their capacity. Several months later they had not received a finished drawing for the shells they were to make, so I can see how Mr. Crowell would give the kind of answer he did. To answer that question in the abstract I would say that I would not agree with him at all. I think that the experience and training of men in making shells or any new product would be valuable in making a similar product although the design was somewhat changed.

Q - I wonder if you will speak about the work of the Requirements Division. A good many people think such a division will not be necessary in a future war because requirements will be handled right in the commodity committees, and I would like to know a little more about the work of that division.

A - I think that would not be the situation - one requirement might be so closely related to another that there would be conflict between two commodity committees. I think it would be better to have a general clearing house such as a requirements division. There is another thing about it which is helpful - because of the human contacts. These men met every morning, I

think, certainly several times a week and they had a complete understanding which contributed to harmonious procedure. That was very helpful. I think my original suggestion was that the requirements be mailed in and sifted by a technical requirements committee but we never did that. We had a general requirements division and then the commodity sections. The technical work was done by the commodity sections.

Q - Would not the priorities take care of any conflict between the commodity committees?

A - Even if they did they should have advantage of the best presentation they could get on the subject from the time it came into the office. Of course, those were wild, feverish days. There was never any question about orders - there were more orders than there were facilities - the exact opposite of what it is today. Everybody was making money and recently everybody has been losing it.

Q - If you had it to do over again what changes, if any, would you desire in the organization or operation of the War Industries Board?

A - Well, as I said a while ago - we were going pretty well when the war died on us. There were plenty of mistakes earlier. If the regular departments of the government and the Council of National Defense could have done the job there would have been no War Industries Board. We were thrown into the situation under the circumstances and asked a lot of questions about which we knew nothing. For myself, I had a terribly tough time making a living in my own business to say nothing of knowing about everything manufactured. I tried to keep in my mind all the time the fundamentals which were necessary in the conduct of my own business. I found that worked pretty well with almost any business. If you got lost in the technical details of any commodity, why of course you were hopelessly lost. We had to have specialists. I think the principles which were in effect when the war ended were pretty good. Perhaps the only suggestion I would make in connection with that would be one of the closest kind of coordination. Perhaps the Fuel Administration, the Food Administration, the War Trade Board and others could have been associated with the activities of the War Industries Board, or the other way around, but we had very complete cooperation.

Q - There is one question I would like to ask. You appear here (on chart), here, and I see your name again down here. How did you do all those jobs at once?

A - I attempted to explain in the beginning that I tried to divide these different duties up among some of these different assistants I had who just came to me occasionally when they were up against it. I usually told them to use their own judgment.

Q - Mr. Baruch appears a number of places ex officio, but your name is down as the representative or commissioner of Finished Products in each case, and I was wondering if, on the Conservation Division or the Requirements Division you had someone to take your place.

A - I always sat on the Requirements Division myself and all of my assistants attended. We regarded that as a very important thing. We were able to get an expression of the point of view between the different branches of the Government and the allied purchasing in this country which would come from the cross-fire discussion, which was all very helpful. Some of my assistants acted for me in other cases.

Q - In our set-up of the Planning Branch now the Requirements Division was left out and I would like to know if that would be an important division in a set-up of this kind?

A - If you were to go into a war well organized, possibly not. Usually when we get into war we are not organized for it and there is immediate confusion. Anything that will contribute to an understanding in such a situation should be helpful.

Colonel Jordan: Mr. Peek, on behalf of the faculty and class I want to express our sincere thanks for this talk. It has been very elucidating and explains many points on which we all needed information.