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MOBILIZATION OF INDUSTRY
by
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MOBILIZATION OF INDUSTRY

You can have no appreciation of how grateful a former Navy man feels over an invitation to come back here for I was here a year ago. I know of no one who can extend a more gracious invitation than Colonel Miles. As he heard me last year and asks me here this year, I assume that, here as in business, a repeat order means a satisfied customer - satisfied up to now, at least.

In a very general way I know this institution, its purposes, its methods and means of preparing the military force of the nation for war. I am impressed very much by the wide scope of the course of study here. Realizing that I cannot attempt to cover my views on the entire Mobilization Plan, I have thought I might make some observations which will bear largely upon your general thinking regarding a mobilization plan. I may be able to emphasize certain points concerning which one might not be impressed except through having a similar experience himself.

I think I was at the focal point of all naval procurement work from 1914 to 1919 during the entire World War and that I saw every development of the war machinery here, and particularly the General Munitions Board and the War Industries Board over their entire operating life. I worked with all of the men at the control points in both these organizations. Both before and during the War I worked with many of your officers engaged in procurement work. It is out of that experience in war days that these rather general observations flow.

I wouldn't have you think that my experience since war days has been entirely free of the problems of war days. My peace time experience in business has had many of the aspects of war but the field of operations has been different. Every kind of attack developed in the World War has been directed at banking and business, bankers and business men, over several years, each one using its preferred weapons. Competitors, labor unions, stockholders, customers and politicians with their output of laws and regulations, have brought me to realize that the problems of the Army and Navy in war time have much in common with the problems of industry in peace time. This visit with you represents peace in comparison with my experiences during the last five years of my naval service and the twenty years since my entry into business.

I wish very much that all of the men in the procurement work during the World War had been able to have the benefit of the work you are doing here now. So far as I know no one in the military services appreciated in advance the problems of the war

While much work has been done in anticipation of war problems there had not been any realization, so far as I know, of the scope of the problem. You have a great benefit in that you are able now to build on an actual experience of other men rather than entirely upon future probabilities. Hindsight always has been better than foresight, but both are necessary in war planning. In World War days there wasn't much in the way of war experience to look back toward except as that war experience had been embodied in the every-day operations of the services.

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

It is in this segment of the problem, the wisdom to use the national resources effectively, that I can make a frank admission. Though I had no concern over my ability to work with the various civilians who were brought into positions of importance during the World War, I was somewhat concerned in advance that they might handicap me in doing what I thought I could do without their aid, but my greatest concern was that unless their authority was to be clearly defined and unquestioned in the field of operations assigned to them, the responsibility for failure might rest in large measure upon the military and naval men. My frank admission is that before I knew the men and worked with them I had these fears. As I worked with them I found that they were as intensely loyal to the cause as I. I found that there were certain fields of knowledge and experience in which they could be of great help to me, and I endeavored so far as I could to have their authority clearly and authoritatively defined and, until that was done, to surrender nothing of the responsibility placed upon my service by statute, or by the general public understanding so far as I could sense it. My war experience tells me that when the next war comes if you can secure the services of such men as Mr. Baruch, Mr. Logan, Mr. Scott and Mr. Peck - to mention only a few - you will have done the one most important thing which will aid the service in winning the war.

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

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He must sense which are the important matters and those must be handled to a conclusion promptly and soundly. These specifications are my appraisal of Mr. Birch.

It is impossible even to mention many of the men who did such important work, but in this place I feel that I should mention Mr. Baker, your great Secretary of War. I recall very sharply a meeting at which some thirty men from the services were called together to Secretary Baker's office to meet the members of the British and French missions who came over soon after our declaration of war to tell us their experiences in the hope that we might get some benefit out of them in our own planning operations. As I recall, the session had lasted about three or four hours. Mr. Ballour of the British mission, and Mr. Layton, who had been the Assistant Director of Munitions under Lloyd George, were the principal speakers. At the end of the meeting Secretary Baker asked that we stay for a few minutes as he would like to review the talks of the afternoon. Without the aid of a single note he reviewed in ten minutes every important point brought out in the entire afternoon. My own notes on the several talks were very complete and Mr. Baker discoursed the points in order as they had been presented in the afternoon. His presentation was complete, condensed, accurate, and laid itself to definite operations because of these qualities. Mr. Layton presented three points which I believe were quite new to all of us. The first related to good organization and he stressed the importance of having one man supervise and direct the work of not more than five others. His argument was forcefully made and I believe it is basically sound. His second point of emphasis was that all supplies and equipment are consumable. I think that up to that time we had been inclined to look - as an example - upon artillery as a part of our "capital assets". His third point stressed the importance of watching for 'bottle necks' - a new expression for us but made amply clear when he referred to ocean shipping as the bottle neck of the time. The avoidance of 'bottle necks' is at the foundation of all effective work in war planning and operation.

So far as I know, Secretary Daniels was the first man to speak publicly about the matter of controlling profits during war. That was a problem and will undoubtedly remain one. When the decision is made to control profits during war, the difficulty arises as to the character and the degree of the limitations. The danger I see is that public clamor will set up so much control or control of such a character as to make it impossible to win the war. I doubt there is any formula which can be set up now with certainty that it will work under other conditions at some future war. Of course, a great deal of studying

can be done, but in the end there must be men whose judgment is sound, who are entitled to and will have public confidence and respect, and that kind of man will be able to meet the future conditions, when they come, in the most efficient way if he is not hampered too much by laws fitting another situation such as the past war. I wouldn't be so bold as to say that nothing in this field should be done through legislation but I do believe that any proposed limitation upon the sound judgment of the men handling future wars should be viewed very critically.

In the broad aspects of the organization problem I think that there was a tendency in war time - now carried over into your war organization plans - to recognize too many interests and there survives a fear of giving power to some individual. The tendency has been to give representation to every one with the slightest shadow of interest in a war situation. The tendency has been to have all members of a board viewed as equal in power. The result is that large boards have tended to become mere debating societies and the responsibility for action is destroyed. This is a natural development in a democracy in peace, but it cannot long survive in war. There used to be a cynical saying in the Navy that a board is something that is long, narrow and wooden - long in session, narrow in point of view, and wooden in results. Boards and Commissions will serve better in the fields of politics and policy planning but they fail as an operating body. The need for prompt decisions in time of war is so great that there is a great danger in overdoing the democratic processes of peace. Mr. Baruch was careful to guard against this danger during his chairmanship of the War Industries Board. With the ultimate power of decision which rested in him there was always the danger that the public might view him as a dictator under the President. I believe the important thing to do is to find the men who can handle people and issues so wisely that this one argument need not arise. I want to stress the importance of having men at these control points in war planning who are viewed as both tactful and forceful, men who are never self seeking, always fair, men who support their subordinates, changing to men they can support if the need arises, men of broad experience and men used to making decisions. In picking a man from any industry for heading any commodity section the vital thing is to pick the man who has the confidence of the leaders of his industry.

I have the feeling on looking over the war organization charts that too much machinery is provided for - probably in a spirit of compromise with the existing organization. I think the need is not a lot of organization but a little of organization. The war machine must be simple so that men may

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know where authority lies and where decisions are to be made. May I emphasize that if you can find the right men from industry to take the key positions promptly at the outbreak of war, and if they can have a basic understanding of what you have been doing, and particularly if you have acquired confidence in peace times in these men who are going to work with you during war, you will soon have a much simpler organization than is now contemplated.

If you can find the right men in peace time and establish a mutual basis of confidence I believe you will be very wise to leave certain kinds of problems to them. Without trying to be all inclusive in my judgment it seems to me you should welcome the best civilian ability procurable in these fields, the securing of cooperation by industry, the means of making industry effective, the problems of economics, public morale, public financing, and the lessening of the after effects of the war. If these parts of the war problem can be handled with authority and if you are given every opportunity to express your views about the effect upon the war operations of the services, you will be free to do the particular part of the work which you can do best and you will not be diverted into a field of work in which, in my opinion, the experience you have had does not make you competent to assume the sole responsibility. These civilians of the kind I have in mind know the language of industry and they will know how to lead rather than drive, but in the event of need will know also how to drive. I wouldn't attempt to judge the men in the service today but I do know that in the World War I knew no man in the services who saw the whole problem. The graduates of this institution are going to have a tremendous advantage over those of us who were engaged in similar problems during that war, but I doubt that any possible study of the problems involved will give you that proven knowledge and security of judgment in many fields which is an all important factor in a war situation.

I would stress the point that the living facts that men carry in their minds are the useful facts in time of war. If I could say only one thing here today I would say that primarily your problem is MEN, MEN and MEN - men who have the confidence of the industries from which they come, men who have the confidences of the services with which they are going to work, and men who have won an accepted public standing.

In considering this matter of men I think there is one consideration which should be very strongly in your minds. It is difficult to characterize the types by two words, but I believe these two words, ADMINISTRATORS and EXECUTIVES, suggest

the division which I want to urge, I would think of the administrators primarily as planners of policy. I would think of the executives primarily as the men who get things done. Pressure of war time demands, in my opinion, that the executives be the younger men - the men under forty. The administrators in ordinary course will be older men. The older men can contribute far more toward policy and planning. Your executives will have to be nimble men, good open-field runners, with a lot of resourcefulness, ingenuity, and vital health, with a complete knowledge of their objectives, their needs, their machinery for getting things done in a legal way, and, above all, that human touch that makes easy the needed cooperation with other elements in the war machine.

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

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

Another danger I see is that you may seek to control so many situations beyond your capacity to control, and that in trying to do too much you will accomplish very little. From my experience I would say that as long as things will run themselves the wise course of planning is to allow them to do so.

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

I am bold to suggest that your plan of the control of purchases through corps areas will undergo a change very quickly after war starts unless you very definitely limit the items to which this control may be applied. Procurement in a major war is one function demanding careful unified operations and control.

I doubt that the problem of prices for supplies is going to be solved by any formula or rule developed during times of peace. I saw no formula which will adequately meet all situations. I stress again that the soundness of your price policies involves many factors, the essential one of which is the judgment of the person determining the policy at the time. Of course, competitive bidding is the ideal situation in peace time when supplies ordinarily are ample. In war time it will still be the best policy out in a limited field. Of course, it is easy to condemn cost plus contracts, and fixed price contracts will cure some of the difficulties, but they will only create other possibly worse difficulties. The judgment which can decide the probabilities in advance as to which will be advantageous in the end is the judgment which ought to be secured and put to work on the problem. A great deal can be done in developing the plans of procedure for the best possible flexible price contract, but it would be thoroughly unwise to provide for its use in all cases, or to prohibit its use in any case.

Unless the men in the services have changed since my day you Army men want service in the field on the outbreak of war, just as the Navy men want service with the fleet. This personal desire is too strong and the traditions are too powerful to have this fact disregarded in connection with your plans for war. My only suggestion is that the men in operations and in war planning remain on their jobs and possible this can be made easier if it is officially recognized in advance that this war planning work is more important professionally than most other active service. The transition from peace to war operations cannot be effected otherwise.

During the war there was a great deal of misunderstanding about the use of commandeering powers. Of course, the word "commandeer" has several connotations which give rise to fear. There are obviously political dangers in the way of their extensive use. I think we all recognize that if we are to commandeer

plants and facilities we put the Government into business and we assume a tremendous responsibility against the day when the war is ended. There are many situations, however, in which commanding orders serve a very useful purpose. They may well afford a protection to a manufacturer against commercial contracts. If there is any doubt about the legal power of the government to fix priorities it is only fair to protect the manufacturer through the use of this ultimate power. There are times when it is wise to show the possibility of using this power, and with some kinds of people it has to be used occasionally. I think very few cases of that type arose in my experience. I recall only two, for industry was genuinely supporting the war operations. There are times too when certain goods are required when it is difficult to determine what the price should be, where it is desirable to have production started, and to leave the question of price for later settlement. A commanding order in this case protects the contractor absolutely and enables him to start production. If a contract were to be awarded there would be delay which might be serious.

May I suggest that, in my opinion, the men in the services ordinarily give too little attention to the attitude of Congress. The same charge lies against men in business. Admiral MacGowan, who was my chief during war days, recognized the need and the opportunity, and the result was that we spent no time attending Congressional investigations and so we were left free to do our work. It is very disconcerting, I am sure, to have to go to Capitol Hill on the defensive. Good tactful procedure would certainly suggest that you go there at the right time and in the right manner with a program that deserves consideration and approval, and that you do not wait until war to recognize that the Congress must have faith in the services and they are not going to get it in a hurry in the welter of war. The time to do this is in peace time and over a long enough period to have been effective before war starts.

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

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

I would like to tell you one of the very interesting experiences I had during the War for it illustrates an important point. We had made a contract for the purchase of a shipload of shellac for delivery in Calcutta, India. Due to the shortage of commercial shipping we had to send a naval collier to Calcutta to bring the shellac to this country. While our collier was en route to the Orient carrying a cargo of coal to Manila we were dismayed to learn of an embargo by the Indian Government upon the export of shellac. Following the advice of officials in the State Department I went to see Mr. Broderick, the commercial attache of the British Embassy. He gave me a very interesting statement of the reasons why he could do nothing in the matter. The essential part of his argument was that the Indian Government was a colonial government, was anxious to exercise its own sovereignty, and that the Home Government was reluctant to interfere and might lose if it attempted to do so. When I left him I started walking down Connecticut Avenue on the way to the old State, War and Navy Building. I tried to think of a check mate. Having been five years on the Asiatic station I know that the British Navy could not live twenty-four hours without Manila hemp. At once I saw Secretary Baker, who generously assumed that I carried the authority of my secretary, and at my request a cable was sent to the Governor General of the Philippines asking for the placing of an embargo upon the export of Manila hemp. A very few days afterwards a young man from the British Embassy wanted to talk to me about the situation and I told him that I preferred to have relations with Mr. Broderick with whom I had had other dealings. When Mr. Broderick came to see me I did not admit my part in the sending of the cable, though he had very definite work that the initiative had been mine. I told him in almost his own words that the Philippine Government was an insular government, and they were anxious to assert their own sovereignty and do what they could to aid in winning the war. Mr. Broderick quickly saw the point and, of course, the shellac embargo was promptly released, and equally promptly the hemp embargo released. For full measure I asked for and secured a cancellation of the embargo on the export of airplane spruce from Canada. I cite this illustration out of many experiences of war days for I am convinced that a thorough study regarding all of the essentials of war, particularly the essential raw

materials, will give information and power of tremendous value - power for our own advantage and for the enemy disadvantage. It will implement you with a tool we did not possess. We were able to depend only upon our own limited experience in the field but after the civilian experts were here we had a great deal of help from men such as L. L. Summers - a veritable encyclopedia - who know the way to put pressure on every such situation

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

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

Discussion following lecture by
Comdr. John M. Hancock
Partner, Lehman Bros.

May 26, 1939

Colonel Miles: Knowing Commander Hancock as I do, it is not at all strange that he has chosen that last short sentence as rather an epitome of the way we should approach this thing. I certainly agree with him very heartily. I also agree with him that most of our executives of Government ought to be young men, and I certainly agree with him that we have to find means of making decisions. We had a discussion here yesterday in which that question of making decisions came up, and I think we came to the same conclusion you did.

Are there any questions?

Q In continuation of our discussion of yesterday, I would like to ask Commander Hancock what he thinks about the desirability of having an administrator of national defense to coordinate and direct the policies of the Army and Navy Departments in peace and in war.

A I don't know, I haven't thought about it. That is verging, I suppose, on the idea of a merger of the Army and Navy during peace time. I don't think we are going to settle the question by what we say about it. That is going to be a question for Capital Hill to wrangle over for at least ten years. I don't believe you can settle it on principle. I could conceive of a situation being so bad in the personnel at the top of the Army and Navy that in order to save faces of all parties concerned I might put somebody over them, and I doubt that you will find that kind of

reorganization except in that situation.

I think there are definite benefits of having a competitive spirit between the two services, with some way to watch that they don't fall into clinches, and so on. I can crystallize it by my own experience in business. Some of you know General Bob Wood at Sears. A good many years ago the suggestion was made and urged very strongly that Sears Roebuck and Montgomery & Ward should merge. At that time I happened to be on the board of Sears and had been since I left the service. The argument from our point of view was that we had the management in Sears that could make the Ward business profitable, and Ward knew they didn't have the management to make their business profitable. In the discussion about the idea of a merger, the governing point that deterred me from going through with it was this. I thought that Sears was a better organization, but I thought that one of these days Ward was going to get a good management, and then you would have a beautiful race between the two companies. It has been for the consumers' good and the stockholders' good. I very much fear that had the two been merged they both would have gone soft over the period of years. That is only an argument, it has no force. As a practical matter, I doubt if you are going to get a consolidated War Department proper, except in a political situation where either service loses public confidence.

That is not a complete answer to your question, I will admit.

Q I wasn't suggesting a consolidation in any shape or form.

A That is inevitable to come from it.

Q In a possible set-up of two organizations without actually merging functions?

A It is possible, yes. Maybe I could make a comment on the other point, as you suggest it there. I think it would be a great move for the War Department and Navy Department to pick a skeleton organization of the top men for a war industries board in peace time and have them know your objectives and know your men at the top of your organization, not try to make it an operating organization, but have it an organization that knows what is going on. You would have a chance to gain familiarity with the men and they to gain familiarity with you in advance of coming under pressure. I don't know that it would be wise to attempt to go further than that, but I think certainly that should be done.

Colonel Miles. How far in advance do you think?

Comdr. Hancock: I'd start this morning.

Colonel Miles: Then you wouldn't have started yesterday?

Comdr. Hancock: No, it hasn't be done. I would start it right now. I think it is an important matter that shouldn't be allowed to await the development of war.

Q Commander, you have just about answered my question, but in the Industrial Mobilization Plan it is contemplated that in this transition period from peace to war the Army and Navy Munitions Board will function until the War Resources Administrator is appointed. During this period do you think the military men could handle the mobilization of industry?

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A Well, I don't know the military men who would be doing it. I would doubt it. If it is a two by four war, yes; if it is a twelve by twelve war, no.

Q A great debate has been raging in the class in the last few weeks relative to the question of using the peace-time agencies of the Government as against the creation of new agencies for these war-time jobs. I believe in the last war the President himself made a very definite decision on that point. Do you think the recent changes in the Government, the creation of the new agencies and instrumentalities, would change the situation materially over that during the World War, and over that we would perhaps not need as many new agencies as were created in the last war?

(Answer off the record)

Q I am not so certain that Major Longino has stated the proposition exactly. Those of us who are for using the existing agencies don't believe that they should be given control, ^{but} that the control should be set up at the top in the War Resources Administration. To take the worst example, it is just the question of the Administrator of War Labor telling the Department of Commerce to do thus and so, simply using those agencies that exist in the Government to carry out certain orders and not by any means leaving controls in their hands.

A If the Labor Department had an efficient territorial organization for handling its problems, I would have no question about it, being willing to utilize them to carry out an established policy. I wouldn't create a new machine to duplicate their machine but I would not depend

upon the Labor Department to shape their policy.

Q I might say that the opponents of using the existing Government agencies always shift the issue. They have an old Emerson plan which was going to turn over the war-time control, lock, stock and barrel, to the existing Government departments. Those of us who believe in the controls at the top as being in the War Resources Administration don't contemplate that idea at all. It is to let the power and the control be in the War Resources Administration, the President tells the existing agencies, what they say goes. Madam Perkins or not, regardless of her ideas, if the War Labor Administrator wants something done, maybe in the Labor Department employment system, the order is given for them to control employment.

A There are things they can do, I have no doubt of it. I haven't been close enough to it. You will recall in my remarks about the Labor Department that I said in principle I wouldn't object.

Q Along that same line, I would like to hear your opinion of the feasibility of utilizing the Securities and Exchange Commission for the type of work done by the Capital Issues Committee during the War.

A That is pretty close to home plate. I think it is a waste of time to think about it. I will tell you why. Coming back to my argument that it is the men again - let us look at our Commission over there and afterwards you can check me and see if I am right or wrong. Mr. Frank, the Chairman, is a lawyer, has done some corporate law work on the side lines of financial problems but never any more than on the

side lines. I don't think he ever even played in the scrubs.

Mr. Mathews is a very competent accountant, knows accounting procedure from top to bottom better than anybody I know in that field of that work.

Mr. Leon Henderson is the man - he has been a college professor, spent ten years at the Russell Sage Foundation trying to work out a good social plan for handling small loans and loan companies.

Judge Healy was a Vermont lawyer, thoroughly honest, fine character.

Mr. Eicher was a congressman and I think a lawyer from Iowa.

Now, as a serious question, I ask you if you had a bank and monetary control problem, would you put it to that body as presently constituted? I wouldn't. Now, I mention the particulars here, not for the sake of being personal to those men at all, but I feel quite deeply on other questions related to it. I question very seriously whether those are the kinds of men who should be administrators of the kind of job they have, but I certainly would fight on the point about having a financial control in time of war in the hands of lawyers and men who have had no more experience with the realities than those men. Please don't quote me - I have to live with them. I have had several fights with them before.

Q During the war did you ever find a really important matter where the law stood in your way?

A No, not during the war. I have a different philosophy than some of your Quartermaster gentlemen had in the war. There was a basic

philosophy entirely different. Two Quartermaster gentlemen in the early day purported this belief. They were not given specific grant of power in statute to do certain things and therefore they wouldn't do them. Well, I was young - certainly young and probably responsible, and I said, "I take a different philosophy entirely. I have read all I can read about the war powers of the President and I am satisfied that I am going to do anything that I believe is sound unless it has been prohibited." I think they took the stand that this problem is divided into white and black zones. Either they were authorized to do it or weren't and couldn't do it. My field was that here was a white zone and here was a black zone and also a gray zone where I would act if I thought I could get by with it. If I were doing a sound thing I had no doubt about my power being questioned. We did things as long as we felt the President had the confidence of the country. The question of what his powers were never arose. I don't believe they ever will. Maybe you can help define what the war powers are.

Q There is one basic thing which is frequently overlooked, and in time of war you can fall back on it and do a lot. In the Eighteenth Century they created a War Department and the Congressional directive was to conduct the business of the War Department as the President shall direct. Since that time there has been limitation and if they apply you have to be governed accordingly.

A I never had any question about legal support either in theory or practice. I do know that operations of a friendly service were handicapped

because of that fundamental difference of approach. It arose in the question, foreexample, when we found that early in the war there was not enough condensed milk to go around. Competitive bidding was the established procedure. The War Department was frightened to death - the facts were perfectly clear and they felt they still had to have competitive bidding. I have forgotten the statute - it is twenty-two years back in memory - but I knew it then. I had the feeling that you can always do what is sound and safe and stand on your own judgment, if you are ready to take the consequences for being wrong.

Colonel Miles: I know exactly what you mean. I will also say one thing, to emphasize the necessity for getting men of high caliber. My experience, which is much more limited than the Commander's during the war, was that unless men were broad enough that it is very easy for those men who came in from civil life to get into the black zone and stay there, afraid to get out of it because they felt that by associating themselves with the service there might be a tremendous number of inhibitions and if there were they couldn't do anything, and they didn't do anything. So I heartily subscribe to the idea of getting broad men to correct the others. Otherwise they just bog themselves down.

Commander Hancock: I may have emphasized the point too much. I hope you will keep it clear and certain that this war planning organization is a planning not an operating organization. I think that is correct but there is a little fog about one or two words in this last draft I saw. The operations must be left to the Department. It must

not be gotten out in the hands of the strangers, not because they are strangers but because they don't know how to do the job, that is all.

Commander Dunham: I hinted at my question coming down in the car this morning. I will state it very briefly. How much of our industrial war planning should we make known to the public at large, and how much should be kept under our hats?

A I can answer that in as general terms as your question is asked. If you start getting specific, it will be difficult. I think the important guideline or principle, I would call it, in that would be this. I would tell as much as I had to tell to gain the country's confidence that the services were on the job and I wouldn't tell them one thing more. If I were setting a broad principle, I would start on that. That still leaves you a black and a gray zone to work in. I would tell them enough to be satisfied, to satisfy the country, that the services were on the job and recognize the problem and had a plan for working it out, - that is the white zone. The black zone I certainly would not reveal any plans in so much detail that a sharp shooter would be able to take commercial advantage of knowing what your plans were.

Now, to try to make that general observation a little more concrete. When you come to handle this allotment of funds for buying materials, and your Secretary has asked you to be one of a committee of ten to pass upon it, I would be awfully cagey - I wouldn't tell a soul what I was going to do because if it is known that you are going to buy X tons of tin or Y tons of rubber, or what not, you are going to be gypped. You are going to create a situation that will gyp you unavoidably, so I would

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try to cover it in a very broad, general way. Don't get your plans down to plant locations, geographical details, for example, so sharpshooters may take advantage of the situation - there are men who live by their wits, you know, and you will find that kind of a man taking a commercial advantage of plans that get too definitive.

If the question were asked me by a business organization, I would say you draft for me what you think you ought to tell, and I will tell you where you have gone too far or not far enough. I can't quickly tell you off-hand the limits. I wouldn't have any hesitation commenting on a defined draft. I wouldn't try to arrive at the principle first, I would find the actual documents and see the effects through and see where the spots are.

Q You just said that you would not publish plans to make public information relative to geographical details. Did you have in mind allocation information when you said that?

A I don't know how specific your allocation information is.

Q A plant is allocated for certain production of a definite item of equipment.

A No, I meant in a case like Muscle Shoals, or a new plant, not existing facilities. I wouldn't bind myself to an allocation to anybody. I wouldn't let any contractor know in advance of the actual allocation that when war comes he can count with certainty, regardless of price or other conditions, upon a continuation of War Department orders.

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I would keep the control back in my own hand if I were running the job.

Colonel Miles: All of these allocations are tentative absolutely, depending upon conditions existing at the time.

Q You certainly touched on price control as to the difficulties that are going to be encountered. Would you mind expressing an opinion as to a possibility of when price control is going to have to be made effective? Of course I know the situation is going to control that considerably too.

A I think that question ties back to the other question, when I answered that I would start today. I would get your top organization men that you can trust, and I would have them watching that problem currently and be ready to shoot just the minute and not delay a minute, ready to shoot just as soon as they can. What their plan should be, I don't know. It will be a changing situation and, sad to say, it will be partly political.

The only basis I can see that has a chance of holding public support is to recognize that you probably, for a blanket order moving fast will attempt to freeze all prices at the outbreak of war, and then you will have to get a heat on to get them thawed out very fast afterwards. You will be thawing individual segments of it awfully fast, if you don't, you will lose the war. I think psychologically you will help the public attitude and morale by freezing or jelling the price structure at the same, but you will have to recognize that it will have to get heated up quite quickly.

Q When Colonel Scott was here he very much emphasized the point that during the last war it took quite a long while to get the really big men to be interested enough to sever their peace-time, commercial affiliations and come down here and take off their coats and put their shoulders to the wheel. At the present time, tomorrow, will you anticipate having any difficulty in getting the caliber of men you would want?

A Yes, to have a plan effective tomorrow, you would. But if this plan were worked out on the line of, at the President's approval, putting somebody to go ahead, and if you were to pick the man, the chairman, I venture in three months he would have a skeleton organization of men who would be willing to come down on twenty-four hours' notice, maybe less, able to tackle the job. But you will never do it unless you prepare them for the condition in advance of the need. To be concrete, I don't doubt myself that if I were to go to twenty men today, twenty men I would like to have in that kind of an organization, and talk to them about it in generalities, - "Will you be willing to come down here if you are called, in the event of the formation of this board" - they probably would say, "I believe I could do it, that sounds very interesting," but when they got up against the emergency they wouldn't be able to do it. But if you got them into it, with meetings, got the objectives defined, got them interested in the problem, they would be interested in the job, and I think you would get them on very, very short notice, but I don't think you will ever get them except in a few cases otherwise. The men here during the World War on the whole, of course, are not going to be

very effective because the men who were in the War Industries Board during the World War who did the best work I would say were men forty to fifty, and I am taking the outside figures pretty much. That means that those men on the whole are gone today. There are a few of them left, who come to the War Industries meetings every year and they might help to carry over the war-time experience to a new experience, but they wouldn't do for operations. You can't think seriously of picking those persons to prepare operations, with three or four exceptions, so far as I know. There are about three or four that could serve a very valuable function for carrying over a period of six months, to get whom they could trust. I would get this organization a good deal more than skeleton if I were the Mussolini of this organization.

Q Another question which has bothered the class is in the case of the war administrations, there will also be war labor agencies, war finance, and war trade. There seems to be two sides to the thing, that war labor, war finance, and so on, people should be appointed and report direct to the President. The other side thinks they should be under the War Resources Administrator. I believe you said that one man should have not more than five reporting to him. You also said that the War Resources Administrator should be a planner and not an operator. I wonder whether all these specific war agencies should report and be appointed by the President or the War Resources Administrator.

A You have a lot of questions involved in that. I think I am going to have to separate them.

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I would not have our present Government organization if I had the say about that. The present Government organization is a denial of every principle of organization I ever heard about. The number of men reporting to the President is just beyond any possibility of having an operating machine. That is bluntly put but perfectly frankly put. So I wouldn't have anybody else reporting to the President, in addition to those now reporting. I would try to narrow the points of contact in the present organization if I had anything to say - luckily I haven't. I would be wrecked politically. When it came to a war planning group, I would put every one of these planning organizations under the War Administrator and I would give him enough assistants so he wouldn't have over five men under him. I would not give any man a great multiplicity of men reporting to him. I would have three or four vice-chairmen, if necessary, or five, if you like, maybe six, but I wouldn't have a plan of a great number of men reporting to anybody, and I wouldn't have too many men in the group. You get a debating society, which is an interesting thing to have, but doesn't help.

Q In connection with these organizations reporting to the Administrator, you have already mentioned that price control would probably be a good deal of political trouble.

A It would be, certainly.

Q Do you think that the President should have control of prices or the War Resources Administrator should also control prices?

A A lot will depend on who the President is. The President will have control in the end - there isn't any doubt. He will have a man there whom he will trust, who will carry out his views. I think that if the

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President were thoroughly wise he would try to insulate himself from the political impacts and turn the job over to the War Resources Administrator, as Wilson did. I have no doubt Wilson told Baruch a lot of things, and I have no doubt that Mr. Baruch didn't tell us that Mr. Wilson told him. I would have no doubt about the President being able to make his thinking effective if he picked the chief, but I think also the President would be very wise to leave the operation of the war in the control of that War Administrator. Now, behind the scenes what they might do and agree upon themselves is another matter. Outwardly, that ought to be the result.

Colonel Miles: There seem to be no further questions. I think you will all agree with me that this talk has been very much worthwhile and very much down to the ground. I hope we will all carry away a great deal as a result of this talk.