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**Economic mobilization for World War II and the transformation
of the American state**

Waddell, Brian Edward, Ph.D.

City University of New York, 1993

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ECONOMIC MOBILIZATION FOR WORLD WAR II
AND THE TRANSFORMATION OF THE AMERICAN STATE

by

BRIAN E. WADDELL

A dissertation submitted to the Graduate Faculty in
Political Science in partial fulfillment of the
requirements for the degree of Doctor of Philosophy,
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Chapter One Theoretical Introduction

"...industrial mobilization involved not only the unprecedented production of ships, planes, tanks, guns, and ammunition; it required sweeping transformations in the entire economic structure and fundamental changes in the Government itself."

US Civilian Production Administration, Industrial Mobilization for War.

Introduction

This dissertation examines the economic mobilization for World War II. I analyze the evolution of civilian and military authority and the politics of the War Production Board, and consider the impact of wartime state-building on the postwar era. Understanding the changes wrought by the war provides a window for understanding modern governance in the United States. And, the complexities of this case offer an opportunity to assess different theoretical approaches to state building.

World War II arrived at a significant moment in U.S. history and had a tremendous impact on the political economy of the United States. With the tensions brought on by the Great Depression unresolved, the U.S. embarked on an intensive experiment of political and economic cooperation through the War Production Board. The results of this experiment - renewed corporate autonomy, the national security state, and military keynesianism - have been centerpieces of the political economy of the United States

for over 45 years. Thus, it was mobilization for war, not the New Deal, that provided the context for the emergence of the hegemonic consensus of the postwar years.

The domestic mobilization battles are interesting because of their impact on the national government's capacity and legitimacy to intervene in market activities. Corporate executives, military officials and New Dealers relied upon the institutional resources they commanded not only to help defeat the Axis powers, but also to promote their own organizational concerns. In this way, mobilization led to the resolution of the tensions between the national administration and major corporate firms by closing off controversial New Deal options for state intervention.

Thus, mobilization would strengthen the national state in some ways, while weakening it in others. New Deal actors and agencies were submerged during mobilization while military bureaucracies gained great authority, and in large part defined the newly strengthened national executive. In addition, mobilization resulted in increased concentration of economic power in monopoly-sector firms and in the revival of their political influence.

It seems clear that state power expanded during the war in ways compatible with increased corporate power. It is not clear, however, why this occurred. Although I examine alternative methods for comprehending mobilization, I reject

the state-centered perspective. This perspective, which views state actors, state institutions and existing policies as the independent variables explaining political change, cannot explain how representatives of corporate firms were able to influence the state's response to World War II. Thus, I rely upon lessons learned from the neo-Marxist perspective in this study.

In this chapter, I review the theoretical tools available for understanding the immense changes caused by World War II. I also introduce the case through a discussion of the theoretical problems inherent to comprehending an empirical case of this complexity.

The State-Centered Approach and its Critics

World War II mobilization presents an opportunity to test various theories of the state against a case where the state has the strongest claims to autonomy. This case would seem to provide a perfect case for utilizing the state-centered perspective which predicts that states have a more or less autonomous impact based on the development of bureaucratic capacity,¹ the insulation of state personnel, and the structure of pre-existing policies.² This perspective explains government policies by reference to the state's ability to act independently, and to the impact of state structures and prior policies as constraints on policy choices.

The state-centered approach has been designed, in large part, as a rebuttal to other approaches for understanding policy making. The neo-Marxist view of the state, in particular, has been a prime polemical target.³ Skocpol, for example, notes that Marxists have merely "debated alternative understandings of the socioeconomic functions performed by the capitalist state":

at the theoretical level, virtually all neo-Marxist writers on the state have retained deeply embedded society-centered assumptions, not allowing themselves to doubt that, at base, states are inherently shaped by classes or class struggles and function to preserve and expand modes of production. Many possible forms of autonomous state action are thus ruled out by definitional fiat.⁴

Skocpol lumps "Marxists" together as economic determinists or as class reductionists. State-centered analysts, on the other hand, focus on the independent effect of state actors and institutions.

Proponents of the state-centered approach argue that they break with both the pluralist and Marxist traditions by treating state characteristics as independent variables for understanding policy making.⁵ States are peculiar organizations having unique resources and concerns, and state elites are forged from varying historical circumstances, as are their strategic interests. In this view state actors do not, and cannot, for the sake of their political survival, merely reflect the current constellation of social power. They "are also engaged in struggles among

themselves" in which they make strategic choices based on the power they possess and/or wish to enhance, choices which are not "reducible to any social-group pressure."⁶ States "are shaped and reshaped through the struggles of politicians among themselves", and this is the formative process from which policy emerges.⁷ Thus, again, states have to be conceptualized and studied as at least potentially autonomous - as the possible independent variable of policy formation.

Emphasizing the importance of state structures and the independent rationality of state actors is valuable, but not wholly original.⁸ Paul Cammack has argued that the state-centered approach is not really a substitute for, nor incompatible with, the neo-Marxist account. Rather, the difference is imposed through selective case studies, and the selective use of empirical evidence.⁹ Fred Block discerns a "hard version" of Skocpol's work in which "state-centered variables are more important than society-centered variables in explaining particular historical outcomes."¹⁰ Skocpol does articulate a desire to avoid this: "studies of states alone are not to be substituted for concerns with classes or groups; nor are purely state-determinist arguments to be fashioned in the place of society-centered explanations"¹¹ However, this caveat tends to be ignored; interrelations are usually de-emphasized as state factors are credited as the central explanatory variables.

The argument that Marxist analyses can tend toward reductionism is valid, and many who are unwilling to abandon this perspective have noted it as well.¹² Critics, however, rely upon a one-dimensional and extreme version of Marxist work, one that hinges on the active and direct involvement of class conscious capitalist actors who dominate policy, or on omniscience state managers who foresee every contingency in shaping state policy to the accumulation demands of capitalism.¹³ Then, if other inputs besides capitalists can be documented, or if capitalists exhibit insufficient class consciousness, or if policies are not perfectly "functional" in overcoming the crises of capitalism, the Marxist argument is seen as flawed. Presenting the Marxist analysis as extreme makes it easy to disparage, and presents the state-centered alternative as a more promising and reasonable alternative.

Also, stressing the importance of the independent effect of the organization of politics on societal conflict, and the independent role played by state actors and institutions is not new. Shattschneider, for instance, reminded us long ago that political structures act to regulate political conflict: "institutions do not treat all forms of conflict impartially... for the function of institutions is to discriminate among conflicts."¹⁴

An important and frustrating question, however, involves the intentions that drive the development of

institutions and policies: Who, or what, accounts for the partiality or discrimination that Schattschneider discerns? Is it internally generated, or is it imposed from outside of the state. Or does it derive from a complex relationship between state and societal forces? As Katznelson has noted, "The way the literature has been constructed asks us to choose, a priori and unnecessarily, between economy-centered and state-centered explanations. Why should we choose between them when the interrelationship between them might prove essential?"¹⁵

Others have also voiced frustration with the debate. Fred Block, for instance, has argued, "The point is that state and society are interdependent and interpenetrate in a number of important ways... The point, quite obviously, is that our analyses need to integrate societal-level and state-level factors and that arguments about which of these factors are more important tend to divert us from the more important issue of understanding the complex and changing interaction between state and society."¹⁶ And Bob Jessop, uncomfortable by the polarities raised by the debate, remarks:

First, if one posits the need to choose between the state and society as the independent variable in social analysis, one implies that both exist as independent entities which are fully constituted, internally coherent and mutually exclusive and that one always unilaterally determines the other... Secondly, whilst there may be some point in 'bending the stick' for polemical and/or heuristic purposes, polemic as such does not make for good theory and empirical research is never theoretically innocent... And thirdly, ...it is

insufficient to simply combine the two approaches. This would simply reproduce and reinforce the false dichotomy.¹⁷

The frustrations caused by the debate have been easier to articulate than are any simple synthesis of the strengths of both perspectives. Jessop and Katznelson emphasize the contingent, or uncertain, outcome of state activities, and point to the need for concrete, historical analyses. This, however, does not mean that contingency is the rule. Contingency exists within parameters defined by the prevailing institutional logics and mechanisms, although contingent events and conditions can influence the interplay of institutional forces. As regards war mobilization, there are two dominant logics - one political and one economic. To understand mobilization means accounting for the state-driven logic, while also understanding how corporate prerogatives and class conflicts influenced the emergence of mobilization institutions and policies.

State-Centered Analyses of World War II Mobilization

Although the focus of most state-centered work is the emergence of the welfare state, two analyses of war mobilization have recently been added to the literature. Amenta and Skocpol have written a short analysis comparing the effects of mobilization in the United States and

Britain.¹⁸ And Hooks has written a more in-depth treatment of the transformative effects of World War II.¹⁹

Amenta and Skocpol seek to understand why war mobilization in the U.S. did not lead to comprehensive social welfare reforms. They contrast the experience of the U.S. to that of Britain where nationalizing reforms were instituted after the war. To understand the difference the authors review some standard explanations for the decline of the New Deal, adding some noncontroversial arguments concerning the impact of the war. Their explanation includes the growing isolation of labor from the Democratic Party, the "emergency" basis of many New Deal policy initiatives, and the conservative coalition of Republicans and Southern Democrats that gained strength during the war. These factors impinged upon the development of comprehensive and nationalizing social reforms, and weakened the progressive elements of the New Deal.

The authors also consider the way that federalism maximized the ability of state and localities to resist nationalizing social programs. It is normally assumed that war increases the extractive power of central governments.²⁰ However, Amenta and Skocpol argue that World War II enhanced the finances of states and localities, strengthening their ability to resist nationalizing reform programs. Any centralizing and strengthening effect of war

mobilization was also mitigated by the weak administrative controls developed by the national government.

Certainly these factors help explain war mobilization. However, the exclusive reliance on state-centered factors limits the analysis. The analysis ignores how and why representatives of industrial firms gained influence over mobilization, and also neglects the growing military impact upon domestic governance. Considering the centrality of military institutions to statist analyses, this would seem a major oversight.²¹

Amenta and Skocpol's most developed argument contrasts the planning and goals of the National Resources Planning Board (NRPB) with those of the British Beveridge Report to illustrate that governmental differences in terms of bureaucratic capacity and policy legacies are the critical variables in understanding the limits of U.S. social policy.²² However, comparing the NRPB's Security, Work, and Relief Policies report and the Beveridge Report is a limited exercise at best. The NRPB's planning cannot be placed on the same par as the Beveridge recommendations. Amenta and Skocpol point out that the Beveridge Report was based upon existing bureaucratic strengths in Britain, while the NRPB's plans were not necessarily based upon a calculation of what was possible within the United States. The authors make an effective case, in effect, for not granting much weight to the NRPB's plans. Nonetheless, they

claim the NRPB "hoped to use the wartime period to realize their aims by adding new programs and nationalizing old ones..."²³ However, John D. Millett, a staff member of the NRPB until 1942 and subsequently with the War Department, recalls:

The report of the [NRPB's] Committee on Long-Range Work and Relief Policies was not a plan in the sense that it charted a specific course of administrative action. This report was often compared with the Beveridge Report on Social Insurance and Allied Services. The two were very different... The [NRPB's] recommendations scarcely constituted a 'rounded and integrated program,' as a member of the board once described them.²⁴

Lekachman similarly concludes:

Completely an idea agency, the NRPB had neither administrative responsibility nor control over the direction of public funds. Possibly for these reasons, it was somewhat freer in its speculations than the more conventional governmental departments. The price of its freedom was to be high, for in 1943 Congress effectively silenced it by denying it further appropriations.²⁵

The NRPB was not delineating actual policies, as were British reformers. Existing as a pet project of Roosevelt's, the NRPB could not survive tangles with on-line bureaucracies, particularly the Army Corps of Engineers,²⁶ nor the increasing conservatism in Congress. Since the NRPB did not have policy-making authority, and given its tenuous status, limited personnel, and bureaucratic competitors, it is presumptuous to state, as Amenta and Skocpol do, that "they tried to expand the New Deal employment and public assistance programs during the wartime boom."²⁷

The problem here is that Amenta and Skocpol examine war mobilization negatively by only looking at the failed plans of a small agency. This approach, in this case, allows for the best exposition of the state-centered approach, but it does not get us closer to understanding the important effect mobilization had on national governance in the United States. To do this, the issue of why the United States did not gain comprehensive social reform during the war should be placed in the larger context of the positive changes in American institutions during the war.

Katznelson, for instance, has argued that the war had a profound effect on the public dialogue about social policy: "the legitimation of organized labor and the emergence of a coherent group of New Deal intellectuals in the 1930's and early 1940's created the possibility of a politics about the structure of social policy rather than about alterations within the given structure [as] at the end of World War II."²⁸ And, the official history of war mobilization adds, "industrial mobilization involved not only the unprecedented production of ships, planes, tanks, guns, and ammunition; it required sweeping transformations in the entire economic structure and fundamental changes in the Government itself."²⁹

The important changes brought on by mobilization are, however, ignored by Amenta and Skocpol. Their analysis offers few valuable new insights into war mobilization. A

better approach would be to take seriously the enormous institutional shifts of the war, and also consider these shifts within a socio-economic framework. Hooks's state-centered analysis offers a more ambitious attempt to understand these issues.

Unlike Amenta and Skocpol, Hooks examines the transformative effect that mobilization had on the military and on major corporations. He analyzes both the emergence of an institutionalized strong military and the increasing power of dominant ("monopoly sector") firms. He argues that control over wartime investments and procurement allowed the military services to gain leverage over competitor civilian agencies and over industrial firms. However, this autonomy was tempered since "federal investment and procurement policies increased the autonomy of civilian-oriented monopoly-sector firms."³⁰ Hooks acknowledges both the significant political shift resulting in a national security state, and the related enhancement of corporate power.³¹

Hooks seeks to avoid "developing an overly politicized account" of mobilization.³² Instead, he attempts to build a synthesis of state- and society-centered perspectives. However, he refuses to abandon a perspective which assumes "the centrality of state structures and agents of the state in defining the path of state building and the logic of the enduring institutions created in this process."³³ Thus, while offering rich descriptions of the domestic battles

over mobilization, his synthesis evades the effect of corporate power on wartime state-building.

Hooks's attempt to avoid this pitfall makes it all the more glaring. He is careful to acknowledge that his approach, while state-centered, recognizes the importance of locating state building within a socioeconomic context.³⁴ His synthesis, however, is limited to identifying the political and economic consequences of mobilization: The substantial autonomy gained by the military services and the increasing power of dominant ("monopoly sector") firms. There is no analysis of how corporate prerogatives shaped mobilization.

Thus, to build a coherent state-centered account of mobilization, Hooks overemphasizes the autonomy and leverage obtained by the military through their investment and procurement authority. While he remarks, "I am interested in the relationship between the monopoly sector and state building,"³⁵ military actors and institutions tend to receive privileged status as the independent variables driving wartime institutional changes. Hooks accomplishes this by arguing that although monopoly sector firms controlled much of the policy implementation, "semiautonomous [military] bureaucrats" guided their efforts.³⁶ In fact, he concludes that mobilization "offers an example of a relatively young and weak state extending

its authority over well-established and powerful capitalist firms."³⁷

This insistence on state autonomy seems to be contradicted by Hooks's discussion of the political authority delegated to prime contractors, who "gained the economic resources and political authority to coordinate entire industrial sectors."³⁸ However, Hooks finds that evidence of increasing corporate power need not contradict the fact of increasing state autonomy. Rather, he finds increasing military leverage and autonomy while, at the same time, civilian monopoly-sector firms gained increased freedom from government interference.³⁹ Thus, for Hooks, state and corporate autonomy proceeded apace.

Hooks bases the emerging autonomy of the military on their control of investment and procurement decisions. It seems logical that these resources increase military leverage only if monopoly-sector firms need them. However, the firms dominating war production resisted converting from their booming civilian businesses, and had to be essentially bribed to do so by offering accelerated tax amortization for private investment. Even this was not enough, in many cases, to initiate expansions; the government ended up directly financing large expansions in the steel, aluminum, and auto industries (among others) who, for a token payment, took control of these plants after the war.⁴⁰

Rather than see corporate leverage over the state in these actions, Hooks argues "The state's control over industrial finance and the magnitude of its procurement program gave it leverage over businesses, including the nation's largest monopoly sector firms."⁴¹ It seems obvious that the state (in particular, the military services) needed these firms during mobilization, rather than vice versa. And as Michal Kalecki wrote in 1943, the state's ability to influence private corporations through its investment activities are constrained.⁴² What Hooks refers to as autonomy - military investment - Kalecki sees as one of the few acceptable courses of positive action left to political actors. Even Weber noted the existence of constraints on state autonomy: "authorities are held within narrow barriers when they seek to influence economic life in the capitalist epoch."⁴³

Wartime State Building and the Orientation of this Study

The state-building dimension of the domestic changes caused by World War II can only be appreciated by placing domestic mobilization battles in the context of the state-building problem in the United States. As in other countries, the U.S. state-building problem reflected the crisis caused by American capitalism's growing instabilities; 18th century political structures were ill equipped to handle 20th century problems. But also, I agree with Skowronek that

state building is not concerned with the functional adaptation of political institutions to new conditions, but rather represents a response to "an impasse... in relations between an established state and its society."⁴⁴ I disagree with Skowronek to the extent that he seeks to posit state building as the process of an autonomous state responding to outside stimuli.⁴⁵ Skowronek views societal forces as merely predatory, as involved in a pursuit "to exploit governmental power on their own behalf," but not involved in "changing the working structure of governmental power itself."⁴⁶

My research, to the contrary, demonstrates the need to conceptualize state building by considering both the important effect of state structures on societal forces, and the accompanying interest that societal forces have on the transformation of state structures. Under normal conditions, societal groups may only engage in attempts to gain advantages from government. But when governmental institutions are more likely to undergoing change, societal groups actively promote specific alternatives which they perceive as best serving their interests and resist those they perceive as hostile. Changes in the state are not observed dispassionately by interested societal groups.

Skowronek mistakenly seeks to discover and study a distilled and irreducible version of the state; a state that can be studied according to its own logic. He notes that

his approach "will permit the consideration of the concentration of state power... as a significant developmental problem in its own right and facilitate an examination of the achievement on its own terms."⁴⁷ This approach goes too far in theoretically separating state and society, and does not allow proper consideration of the impact of powerful societal interests on state building.

By the same token, Hooks's synthesis is unable to fully explain the state building of World War II. He avoids the implications of the empirical evidence he surveys by organizing his study, like Skowronek, around the principle of the autonomous state. In this dissertation, I survey similar episodes of wartime controversies to demonstrate how both the military services and corporate firms influenced wartime state-building.

Hooks seems to be swayed by state-centered expectations that war provides the greatest opportunity for political autonomy. Statist work on the origins of national states⁴⁸ has led to assumptions that wars grant these states the legitimacy and opportunity for expanding their extractive and repressive mechanisms. Skocpol, for instance, writes:

Indeed, a state's involvement in an international network of states is a basis for potential autonomy of action over and against groups and economic arrangements within its own jurisdiction - even including the dominant class and existing relations of production. For international military pressures and opportunities can prompt state rulers to attempt policies that conflict with, and even in extreme instances contradict, the fundamental interests of a ruling class.⁴⁹

Block concurs:

There are... certain historical periods in which the capitalist context changes, allowing state managers more freedom of action in relation to capitalists.⁵⁰

Block delineates how state expansion is easier in "exceptional periods" such as war and economic depression. During these periods there is both an internal push for the expansion of state activities and a relaxation of the external pressures that normally restrict state activity. Hence, "In wars that require major mobilizations, business confidence loses its sting" because of tighter national economic controls, the prominence of military production over private investment, and due to a patriotic climate that dampens business resistance.⁵¹

Despite the prediction that state autonomy increases during major wars, and despite the controls developed by the government during World War II, the U.S. state did not exercise asymmetrical power over major (monopoly-sector) capitalist firms. Thus, although Block's model seems appropriate for the Great Depression, it does not fit the experience of World War II where New Deal-state actors and institutions lost status and relevance. Block's conclusions fit only if it is specified that enhanced legitimacy fell to one sector of the state - the military. Hooks argues that the military services, through their own internal strength, were able to wrest control from New Dealers. However, I

will show that both military resistance and business hostility were required to end New Deal hopes for expanding the state's interventionist capacities during the war.

The national administration also had to negotiate with monopoly sector firms to obtain their compliance with governmental controls. Not only did these firms gain enormous concessions in the process, their actions also shaped economic mobilization and in turn shaped state building during the war. State building here signifies the permanent transformation of national institutions and a shift of authority in national institutions great enough to herald a new governing dynamic. Thus, the significant shift of the war occurred as military institutions replaced the domestic interventionist agencies of the New Deal to define the newly-strengthened executive branch just as the United States prepared to ascend to a world-wide hegemonic role.

To understand the corporate impact on this state building, it is necessary to expand on the model offered by state-centered theorists. Despite the fact that war should offer the clearest case of state autonomy, this assumption should not be used to isolate analyses of the wartime state from the societal context, nor from class power. War mobilization provided the context for a new, and stronger state, but not necessarily one more independent of societal forces. As I hypothesize, state building cannot be understood as an internal state phenomenon. Successful

state building, as well as successful policy initiatives, require alliances and negotiation between state and societal actors empowered and constrained by existing institutions and policies. And, contrary to the state-centered perspective, I consider state building bounded by both political and economic institutional processes.

Hooks's analysis contains elements of the alternative approach I will pursue. Although the goals of mobilization were certainly defined by military bureaucracies, Hooks understands that the military had to defer to the production expertise of the largest corporations who dominated prime contracting. And he recognizes that state expansions centered in military institutions represented a supplement to corporate autonomy, not a threat. Both the deference to corporate control and the increases in corporate power that defined mobilization provide *prima facie* evidence for a greater corporate role than can be acknowledged by the state-centered framework.

The largest firms accrued profound political benefits as a national security state replaced the New Deal: Keynesian interventionist strategies and social democratic objectives were sacrificed for the more limited planning achieved through the military-industrial complex. Instead of trying to awkwardly fit these results into a state-centered perspective, my synthesis considers how corporate influence combined with the bureaucratic strengths

of the military services to block the application of New Deal interventionist strategies during the war.

We need not ascribe conspiratorial activities to corporate actors to understand their impact on mobilization. I will show how corporate willingness to cooperate with the military services, and their animosity toward any mobilization effort smacking of the New Deal, were enough to shape state building during the war. Capitalists did not need to be fully conscious and organized for their preferences to be realized. New Dealers were an obvious threat, and supporting military control of the major investment and procurement decisions was an easy choice for corporate representatives.

And, corporate representatives did not need to instrumentally control government decision-making to realize their preferences. Most of the decisions resulted from their negative actions - industries stalled converting their industries to war production in order to reap increasing profits from expanding markets. And, dollar-a-year men, critically positioned within budding civilian agencies, resisted the expansion of interventionist government policies, preferring to rely on voluntaristic and non-coercive mechanisms to mobilize the war economy. This delay meant that mobilization responsibilities would fall to military bureaucracies. Corporate actors did not conspiratorially plan it this way, it emerged haphazardly

from efforts within their legitimate sphere of influence, and from the aggressiveness of the military services themselves.

By examining the critical pre-war period, which Hooks grants only passing attention, I am able to show how the logic of mobilization was defined by the activities of both corporate representatives and the military services. I will also show that the military services were simply incapable of playing the independent directive role that Hooks ascribes to them. To fully explain the mobilization of World War II, it is necessary to understand how the interests of military agencies combined with the prerogatives of capitalist firms to allow military-corporate domination of mobilization. To accomplish this, I rely upon the neo-Marxist perspective since it has sought to understand the interdependencies of the economic and political spheres. In the next section I review the nuances of this perspective as a foundation for my analysis of mobilization.

As for empirical evidence, I utilize similar sources as do state-centered analysts. Hooks, for example, has utilized secondary sources almost exclusively, including here the historical monographs of the Civilian Production Administration (CPA). Along with these sources I have reviewed congressional testimony and the judgement of congressional committees, especially that of the Truman

Committee (Special Senate Committee Investigating the Defense Program).

I have also reviewed War Production Board archival material in the form of the papers of James Fesler, historian in charge of editing the CPA materials and compiling the voluminous official history of war mobilization, Industrial Mobilization For War. Especially helpful were the analyses of the WPB Policy Analysis and Review Branch, which was set up to analyze controversies and problems relating to mobilization, and which included oral history-type interviews with key participants in the domestic wartime battles.* I have reviewed all these sources with an eye to the role of corporate executives, and to the complex interplays between state and societal actors.

Neo-Marxist Views of the State

It has become common to divide the neo-Marxists into two camps, the instrumentalists and the structuralists. The so-called instrumentalists, particularly Miliband, have focused on the social forces acting upon the state, drawing attention to ways that the state is utilized as an instrument by a capitalist class aware of its interests and organized to dominate important state posts and its policy making activities.⁵² Empirically, the focus is the

* James Fesler also reviewed major portions of this dissertation and sat for two interviews regarding the critical issues at stake during mobilization.

conscious political activities of capitalists, their shared background with, and ongoing connections to, the directorate of the state. In an often quoted passage, Miliband writes, "In the Marxist scheme, the 'ruling class' of capitalist society is that class which owns and controls the means of production and which is able, by virtue of the economic power thus conferred upon it, to use the state as its instrument for the domination of society."⁵³

Nicos Poulantzas challenged this characterization as too reliant upon the positivism of the predominant pluralist approach. He argued that Miliband was fighting the pluralists on their own epistemological ground by relying on a descriptive analysis of observable phenomena: "The analyses of modern epistemology shows that it is never possible simply to oppose 'concrete facts' to concepts, but that these must be attacked by other parallel concepts situated in a different problematic."⁵⁴ This oversight, according to Poulantzas, led Miliband to ignore less visible, or structural, reasons for the tendency of the state to reproduce capitalist social relations.

Thus, Miliband overemphasized the direct participation of capitalists, or other external constraints acting on the state, to counter the bourgeois conception of a neutral state. This neglected the state's autonomy. And, as Poulantzas and others were to infer, if the constraints were all external, the state could still be considered neutral:

"Regarded as a Thing,... the State is a passive, or even neutral, tool which is so completely manipulated by one class or fraction that it is divested of any autonomy whatsoever."⁵⁵ In responding directly to the pluralist approach, Miliband missed the underlying "objective relation" - regardless of the interpersonal connections or outside constraints - connecting the state to the support of capitalism.⁵⁶ In fact, Poulantzas argues, "it can be said that the capitalist state best serves the interest of the capitalist class when the members of this class do not participate directly in the State apparatus..."⁵⁷ Thus, Poulantzas identifies the importance of state autonomy, or rather, its "relative" autonomy, considering that the state operates as a "factor of cohesion of a social formation" that is itself capitalist.⁵⁸

For Poulantzas, it is critical to recognize that the state is not neutral - it is predisposed to support the continuation of a capitalist social order, and operates to disorganize the working class, or meet any other threat to the existing social formation to which it is committed. The state is, then, not separate and autonomous from the structure of society and the economy; the state is intimately involved in maintaining the existing class relations through its legal and repressive mechanisms.

Poulantzas sought an understanding of the state that did not present it as a "thing", as something dominated by

outside forces (the instrumentalist view), nor as a unified "subject" capable of subordinating society to itself (the state-centered view):

Contrary to conceptions that treat it as a Thing or a Subject, the State is itself divided. It is not enough simply to say that contradictions and struggles traverse the state - as if it were a matter of penetrating an already constituted substance... Class contradictions are the very stuff of the State: they are present in its material framework and pattern its organization; while the State's policy is the result of their functioning within the state.⁵⁹

Poulantzas has been criticized as a functionalist for statements like this. But the fundamental point, applicable to this study, is that contentious class interests and capitalist contradictions mark the organization and activities of the state. The state is internally divided, and these divisions are animated by societal interests. Also, much of politics in this century has been concerned with resolving problems that can easily be traced to the contradictions of advancing capitalism, just as in an earlier era politics and law involved creating the conditions for capitalist development.⁶⁰ Thus, there is a economic as well as political dimension to state organization, and by extension, to state building.

It is clear from these comments that Poulantzas would also recognize that the state is not merely "acted upon." Rather, it helps determine the relative ability of groups and classes to act within its jurisdiction - the framework of the state structures, or uniquely fashions, political

conflict. Similarly, statisticians have argued that the state is a society-shaping institution. However, the concept was not original to them.⁶¹ Political scientists have recognized the selective effect of governmental structures in the concept of "non-decision-making": "some issues are organized into politics while others are organized out."⁶²

Political institutions are therefore biased; they do not treat all societal interests equally. State-centered proponents would assume the bias is internally generated, and is, to some degree, autonomous. Poulantzas would agree, but add that even internally generated selectivity would conform in some way to the needs of the capitalistic social order; state managers cannot easily escape the boundaries set by the underlying social order. Also, regarding the debate with Miliband, instrumentalist-type penetrations of the state are obviously empirically valid and are part of any analysis of state policies. Poulantzas's motive, however, was to move beyond the behaviorism of the pluralist approach, and draw attention to the bias within the state inscribed by the class structure of society.

Poulantzas's criticisms of Miliband set the terms of a debate between neo-Marxists, and also provided ammunition for critics of the whole approach. Miliband responded by labelling Poulantzas's approach as a "structural superdeterminism" which relies upon an Althusserian conception of human subjects as reified bearers of objective

structures, and of the state as operating automatically and functionally to reproduce capitalism.⁶³ In its more outrageous articulations the structuralist view seemingly removes any contingency from human actions. These charges set the stage for a battle of whether "agency" or "structure" was more important, and also prompted critics to characterize the entire neo-Marxist approach as flawed.⁶⁴

The differences between Miliband and Poulantzas are not, however, insurmountable. Isaac, for one, claims "this debate is grounded upon two misplaced polarities - that between empirical and theoretical analysis, and that between agency and structure."⁶⁵ Miliband, in fact, refers to many structural, albeit external, sources of business power in his early work, and even refers to it using themes very similar to later critics of his approach. He identifies "the limits imposed upon [the state] by the prevailing economic system", and the "veto power of business" exercised through a "loss of confidence" and resulting withdrawal of investment.⁶⁶ The important lesson is that both structure and agency are important, since most Marxist theorists would acknowledge the importance of both.

However, Poulantzas is correct to criticize the tendency to rely exclusively on behavioral interactions to account for state activities.⁶⁷ He developed the concept of "relative autonomy" to articulate the relation between state power and class structure, while not reducing politics

to class structure, or vice versa. The dominant pluralist approach has examined visible conflicts in isolation of class structure, denying the underlying structural relationship between the state and manifestations of economic power.⁶⁸ Pluralism shares this position with the state-centered approach, which also seeks to isolate political phenomena from a thorough conception of economic power.

While Poulantzas's criticisms are helpful for transcending a pluralist or state-centered approach, his work is less clear on empirical indicators.⁶⁹ Obviously, these issues are interrelated; theoretical underpinnings point out what empirical evidence is relevant, and how it is to be assessed. As Laclau notes, "'concrete facts' are produced by the theory or problematic itself."⁷⁰

"Relative autonomy" provides a theoretical starting point that is neither reductionist nor deterministic. It points to real, though submerged relations between the economic and political spheres. Isaac has likened the status of relative autonomy to that of a magnetic field, which, while exercising force, is itself essentially unobservable; all that one observes is its effects.⁷¹ Thus, "relative autonomy" is not meant to provide an empirical description of state-societal relations. It is also not meant as a determinist position about the underlying motives of state actors, nor a functionalist

account of every state action, though some neo-Marxist accounts fall victim to this.⁷² Given its limited empirical applicability, I do not attempt to utilize "relative autonomy" as a guide for research. On the other hand, I will develop a theoretical framework upon its foundation.

The State and Capitalism

With feudalism economic and political responsibilities were merged in a single authority. With capitalism, however, there is a formal separation of these two spheres that brings with it a division in responsibilities. Issac writes:

the economy and the state differ not simply in their personnel, but in their principles of existence and constitutive rationalities. The economy is constituted by a multitude of private institutions (enterprises, corporations, banks) whose rationality is particularism and private profit. The state is constituted by a set of public institutions (executive, parliaments, courts, police, armies, administrative bureaucracies) whose rationality is the provision of internal and external order and 'security' and the 'general interest.'⁷³

While neither politics nor economics are reducible to the other, each is necessary for the other's existence. The state sustains a legal system necessary for predictable patterns of market calculations, and for securing the new forms of private property which spring up from capitalist development.⁷⁴ The state fulfills this responsibility

through legal mechanisms (law, courts) intertwined with repressive mechanisms (police, military).

The unique resources of the state help it maintain ordered relations, stability, and a sense of universality or nationhood - ends that cannot be produced from within society alone, nor by any other institution. A state regime is also institutionally separate from society. It is concerned with political control of a territory and its citizens, and acts on behalf of some sort of generalizable interest. It has available to it the ultimate resource - claims to a monopoly of the legitimate exercise of coercive force.⁷⁵

State power is thus different than class power. To study the state and its activities means to assess a different set of institutional processes than in studying the capitalist economy. Thus, "relative autonomy" is not inherently a reductionist concept.** Rather, it allows us to posit state autonomy over state concerns but locates many of those concerns in a field defined by class relations. Likewise, Isaac recognizes "the futility of any view of the state that fails to analyze its implication in the class

* Jessop explains, "it is impossible to provide a coherent account of how the capitalist economy in and of itself could determine the overall structural articulation and dynamic of the allegedly superstructural institutional orders of society. For the economic base is neither exclusively economic in its elements nor absolutely autonomous and so cannot represent the 'cause without cause' which determines all other social spheres." (State Theory, Pennsylvania State University Press, 1990, p.100).

relations, and class struggles, with which it is associated."⁷⁶

To comprehend the state building of World War II means, first, to assess a set of governmental institutions and the logic of their actions. However, full comprehension is possible only by understanding how this political logic was forced to conform to the logic of the powerful corporations that produced the munitions for war, and how the involvement of corporate executives skewed the state building of the war period. I distinguish between state power and class power, and observe state and society in terms of their separate institutional processes and logics of behavior, while observing the ways they interact and influence one another.

Synthesizing state and class power is particularly important in the case of war mobilization, which placed great stress on the relations between the political and economic spheres. A theoretical understanding of state power in a capitalist context is necessary to do this. Making sense of mobilization thus requires that we define what occurred as the result of two interconnected institutional processes, one political and one economic. State officials (military and civilian) and capitalist officials each pursued their own goals, within their respective legitimate sphere of action. And each set of actors influenced the other in the process of pursuing their own goals, and in turn influenced how mobilization would

proceed. But, these behavioral interactions took place within institutional parameters that must be assessed first.

Mobilization authority necessarily intruded upon market processes. However, capitalist officials were granted top positions in evolving mobilization agencies because their consent was necessary for much of the mobilization program to succeed. To understand the nature of the often privileged position of corporate officials we must have a working conception of how the underlying class structure affects political decision-making.

First and foremost, the state "does not engage directly in economically productive activities, and as such does not produce its own source of revenue."⁷⁷ State revenues are dependent upon the activities of private producers who respond to the market demands of a capitalist economy. This underlying reality has implications for the actions of state officials. Neo-Marxists argue that this dependency upon privately generated revenue gives capitalists an inherent "veto" over state policies.⁷⁸

If capitalists perceive that policies adversely affect their interest, they rationally can restrain their investment activities. This can, in turn, lead to economic crises that cut into state finances, and indirectly deny state officials popular support.⁷⁹ Such "investment strikes" are very powerful indicators of the indirect influence of capitalist power. Private property relations,

upheld by state sanction, imply exclusion of not only other classes, but also the state. This was exhibited powerfully in mobilization by corporate resistance to conversion of industrial plants to war production.

The state dependency this formulation implies is not only caused by the actions of capitalists. Offe and Ronge argue that the threat of a capital strike is often internalized by state officials, and produces "an institutional self-interest of the state which is conditioned by the fact that the state is denied the power to control the flow of those resources which are indispensable for the use of state power."⁸⁰ State officials's concern for reproducing the conditions of state power implies, in normal circumstances, a concern for reproducing the conditions for economic accumulation. A large measure of their own legitimacy and continued tenure is built on sustaining profitable economic conditions, thus their self-interest tends to lie parallel to the capitalist system as a whole, or more specifically with the dominant class fraction.⁸¹

O'Connor has analyzed the demands of profitable accumulation and democratic legitimation as separate and mutually contradictory imperatives driving the self-interest of state officials.⁸² The imperative of legitimation defines the autonomous political concerns that were often in contradiction to the demands of profitable accumulation.

And, applying Block's argument, this should be particularly salient during crisis periods, such as war. However, it is Offe and Ronge's view that even the legitimacy of the state and its officials depends to some extent on meeting the requirements of accumulation, or the demands of capitalists.

This is not to say there cannot be a differentiation between the interests of state and capitalist actors. On the contrary, as Poulantzas has argued,⁸³ and Offe has demonstrated,⁸⁴ there must be. Block refers to this as a "division of labor" between state and capitalist actors, in which the structural position of state "managers" allows them, or rather forces them, to consider the long-term reproduction of the social order.⁸⁵

This division of labor also conveniently separates exploitative class relations from political governance. The coexistence of procedural political equality with substantive economic inequality helps to mask the very contradictions upon which political rule is based. But it is not all illusion; conflicts between capitalists, and between capitalists and other classes or interests can be "socialized" by taking them to the political sphere.⁸⁶ The politicization of economic conflicts can have the effect of changing the balance of power between competitors. According to Schattschneider, "It is the function of public authority to modify private power relations by enlarging the scope of

conflict."⁸⁷ Thus, capitalist fears of a popularly interventionist government are real.

What is considered "public", versus "private", marks out a field of struggle over the legitimate areas for government intervention.⁸⁸ Claims that an area is private is essentially an appeal to the structural barriers to state action. Thus, ideology plays a powerful role in regulating political conflict by providing relatively uncontested arguments backing the claims of the powerful. The competing claims of "public" and "private" are also manifestations of what Bowles and Gintis see as the competing logics of capitalist production and personal rights.⁸⁹ While Bowles and Gintis see that the political sphere offers the space to counter private power, they also realize, following Poulantzas, that this sphere, and the rights inherent to it, serve to isolate and disorganize such attempts. As Poulantzas remarked, "this ideology of individualization not only serves to mask and obscure class relations..., but it also plays an active part in the divisions and isolation (individualization) of the popular masses."⁹⁰

These two different views of the role of politics are not contradictory. Rather, they define the limits and possibilities of political democracy in a capitalist society. Legal equality obscures fundamental societal inequalities, while also securing the space and legitimacy for those hurt by the economic system to seek political

redress. Thus, liberal democracy involves continual negotiation of the substantive limits to procedural citizen rights.⁹¹

The State and Corporate Power

Relative autonomy is primarily valuable for identifying the structural relation between politics and economic relations. To understand particular policies it is necessary to identify the economic and political institutions that define a particular time and place.

This more immediate level of analysis coincides, at least internal to the state, with those features that the state-centered approach normally focuses upon: existing government institutions and their administrative capacity, relations between institutions within the government and between the national and subnational governments, policy legacies (or, the independent impact of institutions and policies), motives of various state actors, etc. Thus, in analyzing any U.S. policy attention is paid to this nation's unique political and institutional structures: the absence of pre-existing bureaucratic structures or an independent civil service, the maintenance of a decentralized political system through federalism, the decentralizing effect this had on party development, and fragmented authority within the national government.

These characteristics allow easy politicization of societal interests. This has been particularly true for business and southern sectional interests (the two most powerful elite interests in the U.S.).⁹² The power of capitalists have impressed analysts of American politics, who refer to their "privileged position" within the American polity.⁹³ Lindblom, sounding like a neo-Marxist, criticizes analyses that ignore the multidimensional nature of business power:

One of the conventional insensitivities of contemporary social science is revealed in scholarly works on interest groups. By some unthinking habit, many such works treat all interest groups as though on the same plane, and, in particular, they treat labor, business, and farm groups as though operating at some level of parity with each other. Business interest-group activity, along with its other electoral activity, is only a supplement to its privileged position."⁹⁴

Two sides of business power are referred to in this statement. First, not all groups are equally able to organize effectively - corporate firms have an easier time organizing (the larger the firm, the more resources that can be devoted to political activity). And second, firms occupy a "privileged position" by virtue of their structural economic role, and the state's corresponding dependency upon private decision-making.

These two sides to business power correspond to two agendas that corporate firms pursue. Capitalists have an economic agenda based upon their market judgements, and it is these that Block refers to as the "business confidence"

constraints upon state managers. Purely through its economic decisions capitalists can destabilize governments since economic downturns negatively influence voter preferences.⁹⁵ Or, as in the case of war mobilization, economic decisions can influence policy directions and institutional changes. Capitalists also pursue a political agenda, in which they become more directly involved in the political arena. Capitalists' political activities are separate from, but linked to, their economic activities. As Lindblom noted, "Business interest-group activity... is only a supplement to its privileged position."

Capitalist interests, especially those of larger firms, are more easily organized than other interests in society. Large firms, especially, have internal resources that can be committed to making their voice heard in public policy.⁹⁶ And, the larger firms have more extensive ties to other large firms through interlocking directorates, trade associations, and through large policy organizations (e.g., the Business Roundtable, National Association of Manufacturers, U.S. Chamber of Commerce) which give particular firms, industries, and, in some instances, business as a whole, advantages in the policy process. As Lindblom reports, "no other group of citizens can compare with businessmen, even roughly, in effectiveness in the polyarchal process."⁹⁷

Block refers to the "instrumental" methods of attaining influence as "subsidiary structural mechanisms," which include, "all the techniques by which members of the ruling class are able to influence the state apparatus directly."⁹⁸ This input is supplemented by the prevailing ideology, or, "bourgeois cultural hegemony," which Block defines as "the widespread acceptance of certain unwritten rules about what is and what is not legitimate state activity."⁹⁹

Lindblom, too, notes the importance of hegemony in defining the relatively uncontested constants of political discourse and decision making. A sampling of these include "private enterprise, a high degree of corporate autonomy, protection of the status quo on distribution of income and wealth, close consultation between business and government."¹⁰⁰ Government officials are willing collaborators in maintaining the "grand majorities" who support these ideological constants: "Since theirs is the task of seeing to it that business performs, they do not want the fundamentals of private enterprise to become lively political issues."¹⁰¹ Partly, this is the result of conscious direction ("businessmen use their disproportionate influence to try to create a dominate opinion that will remove grand issues from politics"), but it is also an indication of the structural composition of rule in capitalist societies. Challenging "private enterprise" is

essentially a revolutionary proposition, or at the minimum, it runs against the grain of all accepted public opinion.

A derivative of this hegemony can be found in the correspondence between business self-interest and the national interest. Other groups do not have the same ideological advantages. Miliband writes,

labour, as a pressure group, always appears as a very much more 'sectional' interest than business. Its demands, however worthy in themselves, are easily capable of being construed as detrimental to economic and financial viability, as inflationary, ...as dangerous to the maintenance of 'confidence'... - in short, as clearly against the 'national interest'.

The demands of business, in contrast, are always claimed to be in the 'national interest.'¹⁰²

There is a linkage between these two mechanisms of hegemony and direct influence. Capitalist firms have organizational advantages which are supplemented by their hegemonic position - business's voice is both louder and more legitimate. And, both of these "subsidiary" mechanisms are linked to business's structural position. Not only is, as Lindblom noted, "business interest-group activity... a supplement to its privileged position", but its privileged position complements and reinforces its interest group role. Government officials are more tuned to the voice of capitalist firms, whether this voice is projected in the marketplace or in the political process.

Corporate Power in the United States

Corporations have advantages due to their structural control of investment decisions, their enormous organizational advantages over other "interests" within the pressure system, and their preeminent place in the prevailing hegemony. In the United States, corporate power is particularly salient and conspicuous. Culturally and organizationally, the modern corporation dominates political life.¹⁰³ And, as Vogel reports, this domination is jealously guarded:

The most characteristic, distinctive and persistent belief of American corporate executives is an underlying suspicion and mistrust of government. It distinguishes the American business community not only from every other bourgeoisie, but also from every other legitimate organization of political interests in American society.¹⁰⁴

Vogel, in an argument derivative of Hartz, finds that while state support was critical to expanding industrialism in the United States, there was never the same need for a strong state as in Europe: "There was no aristocracy to overthrow, no foreign armies to mobilize against and, most importantly, only one nation that had previously industrialized with which it had to compete."¹⁰⁵ The powerful corporate firm thus predates a strong state, and corporate political consciousness is shaped by this reality.¹⁰⁶ Since capitalist development in the U.S. proceeded relatively free of a strong European type state, corporate executives have a highly developed sense of

autonomy. They tend to "distrust their state." The result is that corporate actors in the U.S. are much more protective of their autonomy than elsewhere.¹⁰⁷ They are anti-statist because they have experienced government growth as "the mobilization, organization, and institutionalization of a wide diversity of nonbusiness and anticorporate interests."¹⁰⁸

Thus, corporate officials seek to limit extensions of government authority: "government policies that merit business approval do not interfere with management prerogatives. They do not strengthen the power of government."¹⁰⁹ This presents a critical dimension for understanding war mobilization. Vogel notes that the central issue of the New Deal for business executives: it "spawned institutional and organizational sources of power outside direct corporate purview."¹¹⁰ Because of the New Deal, corporate actors had a heightened antipathy to further expansions taking place under the cover of war. This corporate antipathy must be factored into any analysis of the state-building of the war. However, there are variations of sentiment within the business community. Some segments of the capitalist class, often referred to as corporate liberals, sought to utilize the changes wrought by the war to instill a new type of cooperation between monopoly corporations and the state which would ensure corporate autonomy.

A caveat is important at this point. The emphasis I am placing on the efficacy of corporate prerogatives should not obscure the central role the state occupies today, and during the Second World War. The point of this discussion has been to recognize the two sides of business power - their inherent economic veto and their positive political activities - and to reintegrate state and society as complementary spheres. However, the inherent advantages that corporations enjoy over other groups and classes does not displace state officials from their position as policy makers. And while corporate executives seek to limit state growth, state officials are themselves self-interested seekers of expanded power with tremendous popular support for activities that threaten corporate executives.

Also, as Poulantzas has emphasized, relative state autonomy is a necessary precondition for the generation of hegemony and for the attempted resolution of the chronic tensions generated by capitalism. State actors retain, on the one hand, a more global perspective of the problems to be resolved. I will show how this was manifested during mobilization when state actors (especially New Dealers and their allies) mediated the worst abuses of the military/corporate-dominated mobilization process that developed during the war. On the other hand, the unique perspective of state officials is normally geared toward maintenance of a system whose underlying rationality is

defined by capitalist social relations; the rationality of individual firms may be neglected for a time, but political instability can result from neglecting the general health of the economic system.

Conclusion

A central purpose of my examination of mobilization is to connect the study of the state to an understanding of the power wielded by corporations. Considering the integral role of major corporations in the mobilization effort calls into question state-centered analyses that view state building as an intra-state process. To fully investigate mobilization means to accept that two separate logics and institutional processes are at work interacting and mutually influencing one another. How the state responded to the challenge of modern war depended on its interactions with the corporate institutions ultimately responsible for producing the armaments for war. It also depended on the pre-existing institutional administrative arrangements, the legacy of policy tools, and the relations between actors located in competing state institutions.

Critics of those positing business involvement in policy making and state building often see proof as requiring conspiratorial networks of corporate actors. In my approach, it is not necessary to show direction of state activities by a corporate cabal, although the presence of

corporate officials is easy to document. Rather, it is only necessary to show the various ways, direct and indirect, in which the activities of corporate actors influenced the decisions made by public officials. For example, business hostility to the New Deal meant that certain mobilization programs were sure to be resisted. Successful resistance was certainly possible given privately-controlled productive enterprises, and the preeminent position of corporate representatives in early mobilization agencies.

Business resistance was matched by military resistance to New Dealer intrusions upon what the military saw as their own bureaucratic turf. The effect of this intra-state and corporate resistance was the atrophy of New Deal control over mobilization, and the redirection of state power in ways that placed limits on state intervention that challenged corporate autonomy. When substantial state control became necessary with Pearl Harbor, the military services were positioned to control important mobilization powers and thereby to augment their bureaucratic position. It is necessary to understanding both state and capitalist institutional pressures to comprehend what occurred.

Chapter Organization

In the next chapter, I examine the experiences of World War I and the interwar period to provide a context for analyzing war mobilization. Chapters 3, 4, and 5 examine the

"defense", or pre-war preparations leading to mobilization; Chapter 3 reviews the evolution of civilian authority, Chapter 4 considers the evolution of military authority, and Chapter 5 looks at the various ways that capitalist interests were integrated into mobilization and why, and the fate of organized labor. Chapter 6 demonstrates how the patterns of administration from the pre-war period led to an institutionalized strong military, a state-building development that privileged the input of corporate officials. In Chapter 6, I also offer an alternative to Hooks's analysis of war mobilization. I show that the military services were incapable of providing the direction necessary to organize war production. Instead, authority was delegated to corporate firms, and oversight was exercised through strategically positioned civilians. Chapter 7 explores reconversion and the long-term impact of the transformations caused by mobilization, and Chapter 8 provides the conclusions of this study.

Chapter One
Endnotes

1. In this perspective, the determining factors are state administrative structures, whether "weak" or "strong." Robertson and Judd offer a definition of government capacity as "its ability to entertain a variety of responses to social and economic problems, to enact or reject authoritative solutions, and to implement its decisions." (David Robertson, and Dennis Judd, The Development of American Public Policy: The Structure of Policy Restraint [Boston: Scott, Foresman, 1989], p.9). Capacity then is tied to the independent resources, structure, personnel, and legitimate sphere of action that a state enjoys. Skocpol, drawing consciously from Weber and Hintze, relates any state's capacity to the nature of the inter-state system, the need to retain order and control within the state territory, and whether or not there exist career officials insulated from society. (Theda Skocpol, "Bringing the State Back In: Strategies In Current Research," in Evans et al., eds., Bringing the State Back In [London: Cambridge University Press, 1985], p.6). For an in depth discussion of U.S. state "capacity" see G. John Ikenberry, Reasons of State (Ithaca: Cornell University Press, 1988).

2. See, for example, Theda Skocpol, "Bringing the State Back In: Strategies for Current Research," op cit. For criticisms of the state-centered perspective see, for example, Fred Block, Revising State Theory (Philadelphia: Temple University Press, 1987); Paul Cammack, Review Article, "Bringing the State Back In?" British Journal of Political Science, Vol. 19 (1988), pp.261-290; Frances Fox Piven, Review of Weir et al., The Politics of Social Policy in the U.S., in American Political Science Review, Vol. 83 (1989), pp.1040-42; Patrick Akard, "Bringing the Economy Back In (Again): Conceptions of the Capitalist State and Their Relevance for Public Policy," Mid-American Review of Sociology, Vol. 11, pp.75-100; Goran Therborn, "Karl Marx Returning: The Welfare State and Neo-Marxist, Corporatist and Statist Theories," International Political Science Review, Vol. 7 (1986), pp.131-164.

3. For a penetrating review of the strengths and weaknesses of neo-Marxist theorizing on the state see, Bob Jessop, State Theory (University Park: Pennsylvania State University Press, 1990).

4. Theda Skocpol, "Bringing the State Back In: Strategies in Current Research," in Peter B. Evans, Dietrich Reuschmeyer, and Theda Skocpol, eds., Bringing the State Back In (London: Cambridge University Press, 1985), p.5.

5. See, for example, Eric Nordlinger, "The Return to the State: Critiques," American Political Science Review, Vol. 82 (1988), pp.875-85.

6. Margaret Weir and Theda Skocpol, "State Structures and the Possibilities for 'Keynesian' Responses to the Great Depression in Sweden, Britain, and the United States," in Peter B. Evans, Dietrich Reuschmeyer, and Theda Skocpol, op cit., p.118.

7. Theda Skocpol, "Political Response to Capitalist Crisis: Neo-Marxist Theories of the State and the Case of the New Deal," Politics and Society, Vol. 10 (1980), p.200.

8. For example, this observation is made by Gabriel Almond, "The Return to the State," American Political Science Review, Vol. 82 (1988), pp.854-74.

9. Cammack, p.167.

10. Block, p.20.

11. Skocpol: 1985, p.20.

12. See, for example, Jessop, op cit; Therborn, op cit; Block, op cit; Piven, op cit; and, Ira Katznelson, "Lenin or Weber? Choices in Marxist Theories of Politics," Political Studies, Vol. 24 (1981), pp.632-640.

13. See, for example, Skocpol: 1980. For criticisms of this portrayal of neo-Marxist theory see Cammack, op cit; and, Steve Vieux, "Containing the Class Struggle," Studies in Political Economy, Vol. 27 (1988), pp.87-111.

14. E.E. Schattschneider, E.E., The Semi-Sovereign People (Hinsdale, Illinois: The Dryden Press, 1975), p.72.

15. Ira Katznelson, "Rethinking the Silences of Social and Economic Policy," Political Science Quarterly, Vol. 101 (1986), p.316.

16. Block: 1987, p.21.

17. Jessop: 1990, pp.287-8.

18. Edwin Amenta and Theda Skocpol, "Redefining the New Deal: World War II and the Development of Social Provision in the United States," in Margaret Weir, Ann Shola Orloff, and Theda Skocpol, eds., The Politics of Social Policy in the United States (Princeton, NJ: Princeton University Press, 1988).

19. Gregory Hooks, Forging the Military-Industrial Complex (Urbana: University of Illinois Press).

20. For this view see Charles Tilly, "Reflections on the History of European State-Making," in Charles Tilly, ed., The Formation of the National States in Western Europe (Princeton, NJ: Princeton University Press, 1975).

21. See Skocpol: 1979, p.29.

22. Amenta and Skocpol, pp.82-3.

23. Amenta and Skocpol, p.106.

24. John D. Millett, The Process and Organization of Government Planning (New York: Columbia University Press, 1947), pp.13-14.

25. Robert Lekachman, The Age of Keynes (NY: Vintage Books, 1968), pp.156-7.

26. Otis Graham, Toward a Planned Society: From Roosevelt to Nixon (New York: Oxford University Press, 1976), p.56.

27. Amenta and Skocpol, p.108.

28. Katznelson: 1986, p.318.

29. United States Civilian Production Administration (hereafter USCPA), Industrial Mobilization for War, Volume 1, Program and Administration, (Washington: Government Printing Office, 1947), p.xiii.

30. Hooks, p.5.

31. For criticisms of Hooks see, G. William Domhoff, "American State Autonomy Via the Military?: Another Counterattack on a Theoretical Delusion." Critical Sociology, Vol. 18 (1992), pp.9-56; and, Brian Waddell, Review of Gregory Hooks, Forging the Military-Industrial Complex, in The Journal of Politics, Vol.55 (1993), pp.290-292.

32. Hooks, p.26.

33. Hooks, p.14.
34. Hooks, p.26.
35. Hooks, p.27.
36. Hooks, p.140.
37. Hooks, p.161.
38. Hooks, p.150.
39. Hooks, p.37.
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57. Ibid; cf. Offe: 1974.

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97. Lindblom, p.194.

98. Block: 1984, p.36.

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104. David Vogel, "Why Businessmen Distrust Their State: The Political Consciousness of American Corporate Executives" British Journal of Political Science, Vol. 8 (1978), p.45.

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108. Vogel, p.63.

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110. Vogel, p.63; this is similar to Schattschneider's formulation that politics represents the socialization of conflict. Also see John Bowman, Capitalist Collective Action (New York: Cambridge University Press, 1989), pp.62-68, for the view that capitalists see state involvement in their affairs as necessary but also as threatening.

Chapter Two
World War I and the New Deal:
The Search For Economic and Political Order

Introduction

World War I was, in many ways, a nightmare for the United States. The attempt to organize the war economy came close to being wrecked on the shoals of the bureaucratic anachronisms of the U.S. state. Competitive buying between independent military procurement bureaus overwhelmed the economy, the executive branch exercised little central coordinating control over military practices, and even the business community was only beginning to find its collective voice. Thus, World War I represented an experiment in institutional transformation - both political and economic - in response to crisis.

The problems of mobilization raised questions about the proper relationship between the state and private firms. The executive branch expanded rapidly in the face of war¹, while the business community sought to reorganize itself politically as a strategy to prevent permanent state building. The reorganization of the War Industries Board (WIB) in early 1918 resolved the most critical questions in a way that pleased corporate leaders; its successes made increasing state development unnecessary. Also, the relative effectiveness of the WIB convinced many business

leaders that political intervention could serve their interests. As I will show in this chapter, business leaders sought a continuation of limited political intervention in the form of support for their trade association activities and through modification of the antitrust laws.

However, the Great Depression occasioned a different type of political intervention. Early responses to the Depression followed the pattern of the WIB and the 1920's. The national government acted to stabilize markets primarily by sanctioning private remedies through such mechanisms as the Reconstruction Finance Corporation and the National Recovery Administration; it remained illegitimate to propose more interventionist policies. Government intervention, combined with continuation of the economic crisis, encouraged the articulation of popular demands for further and more substantive government programs. The "second" New Deal would be a response to the popular mobilizations of the early and mid-1930's, as well as a recognition that broad reliance on market forces could no longer ensure economic and political stability. Auxiliary state capacities, aside from repressive mechanisms, were necessary. A precedent for expansive government intervention had been set, accompanied by an increasingly powerful executive that could act quickly in responding to crisis and overcome the constitutional limitations of the U.S. political system.

In addition to expanding interventionist capacities, military planning had received legislative sanction at the end of World War I. This planning enhanced military institutional capacity and provided a boost to the military's efforts to direct mobilization in a future war. Military planning, and accompanying institutions, developed slowly, but took on greater urgency in the mid to late-1930's, ensuring that if war came the military would be more capable of projecting a central voice in mobilization.

The developments within the national government - military and civilian - meant that the state was better able to handle a potential war emergency, with more tools at its disposal than during the First World War. The question, however, remained: how would such an emergency be handled? Would there be a replay of World War I, with the predominance of businessmen, or would the government itself take a stronger role, whether through the military services or through a recently strengthened or created set of New Deal agencies? To understand the alternatives available for mobilizing the economy in the Second World War, it is necessary to understand these previous mobilizations.

In this chapter I present the historical and institutional background necessary to understand World War II mobilization. First, I examine mobilization in the First World War, since there was an attempt to replicate that experience in the next war. In addition, I discuss interwar

military planning inspired by the failures of mobilization for the First World War. Second, I will review the changes instigated by the Great Depression.

The institutional innovations of the first New Deal can be summarized by understanding the politics surrounding the creation and implementation of the National Industrial Recovery Act. In turn, the initiatives of the later New Deal will be explored, with an eye to the implications for the mobilization that was to follow. A discussion of executive reorganization will complete this review of the institutional mechanisms with which the U.S. faced the Second World War. I look at the period between the wars to uncover the state building forces (both state and societal) in the United States on the eve of World War II.

World War I and the War Industries Board

World War I stimulated and disrupted the U.S. economy. Between January, 1915 and April, 1917 \$5 billion of purchases were injected into the U.S. economy creating distortions in regular patterns of business activity.² Problems became apparent as raw materials became unavailable, as prices inflated and as labor relations soured. The scramble by contractors and producers for war-induced profits resulted in severe production problems and difficulties in delivering war supplies.

Early recognition of these difficulties initially spurred private ameliorative efforts. This was natural, since the national government had few mechanisms of its own to tackle these problems. Administrative strength was not a characteristic of the U.S. state. A few regulatory agencies had been created, but no overall philosophy or coherent administrative structures existed to guide the type of regulation needed.

Corporate management, however, was not as undeveloped as government administration.³ In fact, major corporations had developed efficient national administrative capabilities by World War I. Skocpol and Finegold find that "America's first... involvement in a modern international war came only after the emergence of a national capitalist economy in which capitalist corporations had taken the lead in the development of bureaucracy and in the employment of trained experts."⁴ Cuff, historian of the War Industries Board, too finds that "big business outdistanced all others in organizational achievements, and provided the model for bureaucratic developments among most other... groups, including the state itself."⁵ The weakness of state administrative structures was a crucial aspect of the development of mobilization for World War I since as Weber made clear long ago, private advantages in administration will be jealously guarded:

the expert knowledge of private economic interest groups in the field of 'business' is superior to the

expert knowledge of the bureaucracy [of the state]. This is so because the exact knowledge of facts in their field is vital to the economic existence of businessmen. ...[information] as a means of power, is after all, more safely hidden in the books of the enterpriser than in the files of the public authorities. For this reason alone authorities are held within narrow barriers when they seek to influence economic life in the capitalist epoch.⁶

The U.S. state was at an organizational disadvantage compared to emerging corporate empires, and so it was dependent upon voluntary corporate action for effective economic regulation. Any regulation had to rely on societal mechanisms - businessmen, their firms, and their industrial associations. As Cuff reports, "at this point in it's historical development the state remained particularly dependent upon outside talent and administrative mechanisms to fulfill the demands of modern warfare [since it was] unable to generate and administer its own plans."⁷ Thus, Cuff and others⁸ have focused on the organizational disparities between state and society to explain the state building (or lack thereof) of World War I and the 1920's. But this was not the only variable at work. It was also important that political elites were committed to the status quo. Wilson and the Congress willingly followed and supported the path championed by so-called corporate liberals.

Corporate leaders and spokesmen spearheaded the development of government efforts to oversee economic mobilization. The first concrete step toward business-

government cooperation, however, was taken by Secretary of the Navy Daniels, who asked for private industrial and engineering assistance in expanding the navy.⁹ The Naval Consulting Board, as it was called, operated through its subcommittee, the Industrial Preparedness Committee, and completed important groundwork for both the Army and Navy by providing an inventory of industrial facilities in the United States.¹⁰ Legislation, drafted by the War Department in cooperation with business leaders, creating a Council of National Defense (CND) was passed in August 1916.¹¹ The CND, staffed by members of President Wilson's cabinet, would operate through a National Defense Advisory Commission (NDAC) which itself was officially advisory; it had no powers of enforcement. The NDAC represented a continuation of the practices developed under the Naval Consulting Board; namely, utilization of private experts to guide any mobilization initiatives.

Business advisors within the NDAC, rather than cabinet officials, would exercise the discretionary mobilization authority granted by the president. The NDAC developed mechanisms to secure voluntary compliance by business, and built up a rudimentary structure of working subcommittees that could be expanded upon when conditions warranted. Representatives of major firms - "dollar-a-year" business advisors - were recruited from industry to provide the NDAC with expert help. And, each industry organized "cooperative

committees of industry" which would serve as centers of contact between government and business.¹² By relying upon the personnel and networks of private industry, the NDAC helped secure industry cooperation. With little statutory authority, this was critical.

Bernard Baruch, a Wall Street financier, was central to private efforts. Baruch and other "businessmen in government" recognized the need for the coordination of production during war, yet they wished to avoid expansive government regulation. Cuff finds these men entered an "organizational vacuum"; they had to open "channels of communications with those who controlled the kind of economic power and expert knowledge required in modern war" - the leaders of industry.¹³ However, they also realized that only the state would have the authority necessary to carry through any centralized coordination; they knew that industrial cooperation and voluntarism was, in the long term, suspect. Experience of the cutthroat competition of the preceding two decades would have easily confirmed suspicions concerning the limits of industrial cooperation.¹⁴

Baruch and others knew they had to convince corporate leaders to accept voluntary controls in order to keep any regulation limited to the needs of the emergency, and to prevent extended and permanent government intervention. In this, Baruch had the support of President Wilson, who "did

not simply abdicate to big business in the evolution of the War Industries Board." Rather, Wilson had "a commitment to the basic structure and prerogatives of corporate capitalism and an aversion to the growth of an extensive and powerful state bureaucracy."¹⁵ As Koistinen concludes, "there was the widespread desire to avoid permanent political and economic change during the war."¹⁶

The businessmen who were to supervise mobilization sought a mechanism that would close the distance between business and government, while not disrupting private management prerogatives. These men, with Baruch foremost among them, knew that in an emergency the state's role would necessarily expand, but they were unwilling to countenance any fundamental disruption in the political economy of the U.S., nor the creation of an independent bureaucratic power that could be used for future intervention. Cuff identifies two contradictory, yet complementary goals pursued by these men; they wanted "formal, rational authority ...embodied in a properly bureaucratic organization", but they feared "a trend toward central bureaucracy, independent state power, and public planning which by implication admitted the failure of privately led, capitalist organization to perform adequately in a national crisis."¹⁷

An early solution to this dilemma was found in Baruch's simple, yet effective, tactic for gaining the cooperation of the nation's industrialists. He simply brought the

acknowledged leaders of each industry to Washington to work out mutually agreeable prices and production schedules.¹⁸ Knowing that large producers had the most experience with price controls, industry cooperation and planning, not to mention their potential domination of an industry, Baruch sought their participation first. Baruch remarked that "the plan itself was one of decentralization [to industry], so that, as long as we got cooperation we left the interior organization and control of the particular industry to the leaders of that industry."¹⁹ If cooperation was not forthcoming, Baruch's cheerleading could turn to threats. The result was that "a real ambiguity pervaded the relationship between big business and central business administrators..., even while these men [such as Baruch] excused the intransigence of their colleagues in industry, they sought more power to save some of them from the folly of their own short-sightedness."²⁰

The difficulties of organizing the private sector corresponded to efforts to overcome the anachronisms of the U.S. state. The most daunting hurdle was the disorganization of Army supply bureaus. When war was declared in April, 1917, the army began a fivefold expansion. Not only were their demands in excess of available supply, they were completely uncoordinated.²¹ In addition, Secretary of War Newton Baker fought desperately to maintain military control of procurement, resisting

civilian coordination despite his own inability to coordinate the activities of fragmented and independent army bureaus.²²

Decentralization of army procurement also meant that the cooperative committees of industry had to work separately with each army bureau, who were themselves competing with each other for scarce resources and available plant space. As Skowronek has reported, "Business leaders found it difficult enough to make voluntary cooperation work among themselves, and they quickly discovered that a government unable to control itself was also unable to focus and stabilize business efforts."²³ The underdevelopment of the U.S. state actually hindered the emergence of collective capitalist action.* However, Koistinen reports that during this interim period industry committees were able to facilitate army contracting within their respective industries. But the costs were high: "Actually, if not nominally, industrialists awarded contracts to themselves and their colleagues."²⁴ This may have quickened the distribution of contracts, but it did little to resolve the coordination problem and the economy spun toward chaos.

Top business advisors, including Baruch, now pressed for an authoritative mechanism to control army procurement

* The problem of inadequate political institutions with which to "focus and stabilize business efforts" points to the important independent role of the state in helping to organize capitalist unity, or mediate capitalist conflict.

and to coordinate industry. In July, 1917 a War Industries Board was created to consolidate the efforts of industry committees. However, it was, like the NDAC before it, placed under the Council of National Defense (chaired by Secretary of War Baker), and so was in no position to resolve the problems of uncoordinated procurement. Resistance to the attempts to rationalize procurement was also compounded by what Skowronek calls a "paranoia in the War Department" towards businessmen, which underlines the distance separating these ostensible partners in mobilization.²⁵

The WIB took some firm steps nonetheless, primarily in response to growing public alarm over the chaotic state of mobilization, and sensational accounts of large profits.²⁶ The discredited cooperative committees of industry, at the center of the profiteering scandal, were disbanded. To replace them, the WIB turned to the U.S. Chamber of Commerce for help, since it was direct government sanction of the cooperative committees that had spurred public and congressional scorn.

The Chamber of Commerce, as the peak organization of business, organized industries into units capable of formal and open cooperation with the WIB. These "war service committees", unlike their predecessors, were privately organized bodies, and ostensibly were more representative than what they replaced, although they remained dominated by

the largest firms in an industry.²⁷ Not all industries were organized, however. Thus, the Wilson administration was put in the position of encouraging, if not demanding, organization of each industry into trade associations.²⁸ With the Wilson administration's blessing, industries attained association status through the efforts of the U.S. Chamber of Commerce, with the result that "the modern trade association movement began to come of age."²⁹ Again, one observes the state facilitating the political development of a fragmented capitalist class.

War service committees officially served as industry advisors for newly organized WIB Commodity Sections. This more formal and distinct relationship between public and private agencies was more palatable to Congress and the American public, despite the de facto continuation of the old system. It helped that the new system also began to resolve the most pressing economic problems. Nonetheless, more effective control was held up by the WIB's lack of authority, and by the continuation of independent and fragmented army procurement. Under its first chairman, Frank Scott, the WIB could do little to halt the momentum of chaos. The economic situation completely deteriorated by the winter of 1917-18 sparking a political crisis.

In the face of imminent economic collapse, business leaders pressured Congress, whose leaders began to discuss separating procurement from the military's independent

bureaus, and creating a civilian ministry of munitions.³⁰ Congressional pressure, with business support, led to late concessions from Secretary of War Baker, and gave Wilson the space he needed to push through a reorganization of the mobilization apparatus.

Congress, instead of acting on its own, responded to Wilson's demand for greater discretionary authority by passing the Overman Act, which as Soule reports, "gave the President wide powers to rearrange governmental bureaus or special administrations."³¹ The crisis of war stimulated the transformation of political institutions, but not in the direction of granting political officials more autonomy. Rather, political institutions were transformed to facilitate private direction of economic mobilization. Wilson, acting under his new authority, reorganized the WIB and installed Baruch as its new chairman.³²

Wilson placed the WIB under his own authority, independent of the obstructive force of the CND. The WIB received power to clear all government purchases, to implement a program to prioritize production, to fix prices, and to conserve materials and industrial plants by eliminating wasteful production.³³ Military procurement stayed in military hands however, partly through military stubbornness and partly because Wilson, the Congress, and the American public distrusted the disinterestedness of business control.³⁴ Army procurement was steadily

reformed, but the war ended before these could be completed.³⁵ WIB business coordinators never managed to actually control army procurement; rather, they had to settle for a "perilous organizational compromise" that mediated its worst aspects.^{36*} However, limited WIB control does not negate the reality of business dominance over mobilization.

Under the new system, a semblance of order was enforced by coordinators within the WIB (who operated through WIB Commodity Sections) working in concert with industry war service committees. The WIB, a supposed state agency, embodied an organic relationship of top business leaders inside and outside of government. The war service committees were guided by the leading producers within an industry, who faced, in the WIB, a sympathetic counterpart. Cuff reports that in choosing WIB commodity section chiefs, "the WIB had to comply with the industry's desires, for without trade cooperation the section would be unable to function at all," and "at all points the industry set the limits within which WIB officials could move."³⁷ Businesses were encouraged to collude on such matters as pricing and labor costs in the name of organizational efficiency and production effectiveness. In the process,

* Army autonomy - if one could call it that - had more to do with bureau organizational insulation that stymied outside coordination. The bureaus were better at protecting their turf than they were at organizational efficiency.

antitrust enforcement obviously had to be abandoned. As the editor of Baruch's manuscript on the WIB adds in a note, "In World War I, it was constantly brought to the attention of Mr. Baruch that the war service committees were an infringement of the law."³⁸ The easy departure from the law seems to be a fundamental characteristic of the relation between the state and the hegemonic capitalist class segment.

Cooperating with the WIB was good business policy; it meant government assistance in overcoming production problems, and state sanction for associational activity: "joining the WIB coalition...offered access to public sanction and the tools of public planning which could be used for private purposes."³⁹ McConnell notes that in such cases "the compulsive force and authority of the state have been joined to the informal and social power of... private groups."⁴⁰ Neo-Marxists would argue that this is the normal condition of state power in a capitalist society, although it is especially visible in this case.

By delegating to societal agencies the exercise of discretionary power to resolve production and distribution problems, the WIB prevented the expansion of state interventionist capabilities. State capabilities had to be developed to facilitate the success of this relationship, however. This points to the fact that a more prominent state is not necessarily more autonomous.⁴¹ The WIB

allowed businessmen to exhibit their ability to handle emergency situations "through voluntary effort and decentralized administration."⁴² The seeming success of this effort provided a model for resolving economic and political instability by wedding state power more formally to the power of private corporations.⁴³ State authority was utilized to sanction activities agreed to by powerful private actors; state power was transformed in order to sponsor the coordinating activities of "business politicians."⁴⁴

With the ending of the war came the dismantling of the emergency agencies. Predictably, the wartime expansions were not to be a permanent additions to the state. A fear of permanent state regulation of the economy underlay the effort, so it seems logical that these emergency structures would be dismantled after the crisis passed. But given the WIB's success in securing for corporations the right to fix prices - and with this, access to high profits - many businessmen, not surprisingly, wished to see the system continue. They had become used to government sanction for associational activities, and the related de facto suspension of the anti-trust laws.⁴⁵ Political conditions warranted otherwise, however - antitrust sentiment remained high - and Wilson quickly discharged the WIB.⁴⁶

Also, Baruch knew the efficacy of the WIB was limited even during wartime; he had experienced first hand the difficulties of keeping industrialists in line under the most optimal conditions of high profits. To continue industrial coordination after the emergency had passed would risk exposing the weaknesses of business voluntarism. Cuff continuously cites the tenuousness of the arrangements Baruch supervised; the system was built upon private cooperation which could, at any moment, cease to exist.⁴⁷ And, the war had hidden many of the realities of wartime planning from the public and Congress. As Cuff concludes, "only a national emergency could sustain the momentum and mask the inadequacies of a mobilization program so fundamentally dependent upon voluntary administration and private cooperation of corporate interest groups."⁴⁸

Despite the mobilization for war, demobilization left the state as weak as it was before the war. The national government remained reliant on societal-centered tools of power - mainly the voluntary efforts of large corporations - to meet emergency situations.* These mechanisms would be relied on again to meet the next major emergency, economic depression. In hindsight, however, the mobilization effort was successful only in a relative sense. It struggled just

* One major exception to this was the creation of the executive budget and the accompanying executive agency, the Bureau of the Budget, with the Budget and Accounting Act of 1921.

to keep the economy from collapsing; few American armaments reached the battlefields of Europe.⁴⁹ Baruch and others claimed successes in reported German fears of armaments to be shipped,⁵⁰ although more likely it was the infusion of one million fresh troops in a war-weary contest that made the difference.

The effort to sustain the industrial self-government of the WIB would not succeed. Kolko has found that "the political environment and business divisions proved uncongenial to sustaining the wartime bodies."⁵¹ However, agitation for a friendlier government attitude toward business self-regulation (albeit with government assistance) encompassed the decade of the 1920's, and involved the Justice Department, the Federal Trade Commission, and the Commerce Department under Herbert Hoover. These agencies encouragement associational practices, helping associations grow in scale and significance.⁵² Many of the emerging practices became entrenched in the National Industrial Recovery Act of 1933. Indeed, Himmelberg has found, "the political agitation which led to the American lapse into governmentally approved cartelism, the NRA, began, not during the years of the Great Depression, but during the later 'twenties..."⁵³

The National Defense Act of 1920 and Military Planning

In response to the problems of World War I mobilization the Congress passed the National Defense Act of 1920.⁵⁴ The Act sought to reorganize the War Department, as well as the reform of military, especially Army, procurement. Many have decried the confusion manifested in this act - it strengthened the President's and Secretary of War's authority over the army, while bowing to pressure from the Army's independent bureaus by reaffirming their independence from any central authority.⁵⁵ The Act also provided for an Assistant Secretary of War who would organize and oversee planning for future war mobilizations. Basically the Congress wanted mobilization planning to be directed by a civilian, presumably an industrialist.⁵⁶ The Office of the Assistant Secretary would facilitate the development of the informal alliance of the war years by integrating industrial know-how into military planning, and by closing the distance between the industrial community and the military services.⁵⁷

Despite challenges to the authority of the new Assistant Secretary of War by those in the General Staff and in the Secretary's office, the inheritors of this office pursued mobilization planning throughout the 1920's. After an initial scuffle with the General Staff over jurisdiction, an Office of the Assistant Secretary of War (OASW) was established to serve the Assistant Secretary.⁵⁸ A Planning

Branch was created within that office which would serve as the focus for mobilization activities until World War II. It was the Planning Branch which initiated the major activities of War Department planning between the wars, and sponsored the mechanisms which would operationalize these activities.⁵⁹ These mechanisms included the Army-Navy Munitions Board, the Army Industrial College, and the basic plan for implementing the next war mobilization, the Industrial Mobilization Plan.⁶⁰

These mechanisms of army planning were gradually given operational shape during the 1920's. The Army-Navy Munitions Board (ANMB) got a late start due to Navy indifference over cooperating with the army.⁶¹ The Navy, being the nation's first line of defense, was maintained at a greater state of readiness than the army, and so foresaw less need for in-depth planning for quick expansion. Thus, most of the planning activities during the 1920's and into the 1930's became the responsibility of the army.⁶²

In 1924, the Army Industrial College (AIC) was established as a way of developing a cadre of trained military procurement and mobilization officers. World War I procurement problems were studied with an eye to preventing them in a next war.⁶³ Baruch had a hand in the creation of the AIC, and he and others from finance and industry formed an advisory board to ensure that the lessons of World War I, especially the central role of voluntary business

participation, would be remembered.⁶⁴ Baruch also urged the drafting and updating of an Industrial Mobilization Plan (IMP) that ostensibly would guide mobilization in another war.⁶⁵

Businessmen played an important role in army planning: "Thousands of industrialists, most of whom had participated in wartime mobilization, guided and assisted the [War] department's efforts in various ways."⁶⁶ Businessmen helped army officials introduce more business-like ways of conducting their operations, while army officers introduced industrialists to army procurement.⁶⁷ Koistinen concludes that businessmen participated in interwar planning for patriotic reasons, and because of their experience with the business-government cooperation of World War I. Intense associational activities within industries during the 1920's must have reinforced the war experience of intra-business and business-government cooperation, and made cooperation with the army more natural.

Industrial mobilization planning gathered momentum after 1929. The first of four IMP's was drafted by the Planning Branch at that time, and subsequent congressional investigations examined army plans through the early 1930's.⁶⁸ The first congressional examination of these plans was undertaken by the War Policies Commission in 1932, which investigated the type of wartime controls being devised.⁶⁹ This public scrutiny was hardly critical, but

it did instigate closer Navy cooperation with future IMP planning, and resulted in a reorganized and revitalized ANMB.⁷⁰

The second investigation, undertaken in 1934 by Senator Nye's Special Senate Committee Investigating the Munitions Industry, began in 1934 and was much more critical of the cooperative relations between the military and large industrialists. Hearings focused attention on the profiteering by so-called "merchants of death" during the First World War, and examined the IMP's implications for organized labor.⁷¹ The Nye Committee recommended legislation that would curb excess profits and provide the president with powers to draft industry. This effort, however, was unsuccessful.

The Planning Branch ostensibly took the Nye hearings into account when revising the IMP in 1936.⁷² However, the 1936 version gave an even more prominent place to cooperation with industrialists and other businessmen.⁷³ The 1936 plan called for a War Resources Administration, staffed by military officers and businessmen, as the key controlling agency for industrial mobilization. And, reflecting the experience in World War I, it would work in concert with trade associations organized into War Service Committees.⁷⁴ And, like the final 1939 version, the 1936 plan envisioned that the ANMB could serve as an interim mobilization agency, and thus would be the foundation for a

successor agency.⁷⁵ The military services were obviously gaining confidence in their abilities, and were positioning themselves for a central role in the next mobilization. This new role for the ANMB, however, raised objections. Baruch, for instance, strenuously resisted the implications of this move: "No Army man should be entrusted with the direction of civilian activities."⁷⁶ And the 1939 plan would specifically call for "positions of responsibility" to be filled by "patriotic business leaders of the Nation."⁷⁷

These plans are not noteworthy because they provided a solid institutional and planning base upon which to build the mobilization apparatus of World War II. Quite the opposite. The plans, as will be explored in the chapters to follow, were deficient on a number of counts. Interwar planning was important, however, for closing the distance between the military and the business community, and reducing the mutual suspicion that had marred their relationship during World War I. It was also important, then, because it allowed the military services, especially the army, to claim that the development of civilian mobilization authority would disrupt ongoing mobilization activities. The "policy legacy" of already constituted military plans and agencies, along with their close connection to business interests, acted as both an ideological and institutional barrier to other alternatives for organizing mobilization. This was extremely important,

as I shall show, in limiting the influence of New Dealers and their institutions over mobilization.

Hoover and the Growth of Associationalism

Interwar military planning found a natural point of departure in the use of trade associations as a tool for the voluntary participation of industry. This planning mirrored, in many ways, the trend of associational development in the 1920's.⁷⁸

During the early 1920's the political climate turned increasingly hostile to any revision of the anti-trust laws. Hoover, as Secretary of Commerce, sought to circumvent the letter of the law by institutionalizing associational practices. In this effort, Hoover sought a central role for his Commerce Department. As Himmelberg relates, Hoover sought to "reorganize, and secure increased appropriations [for the Commerce Department]... and to develop an efficient system for collecting and disseminating leading economic statistics."⁷⁹ Skocpol and Finegold claim that Hoover's moves mark "a distinctive way of extending government influence - an anti-bureaucratic strategy of state building."⁸⁰ Here again, as with the WIB, we observe a desire to avoid centering authority in the state that may prove detrimental to private prerogatives over economic decision-making, while obtaining state sanction for private activities.

Hoover sought to institutionalize the benefits of associationalism by sponsoring industry meetings designed to create standardized and simplified product lines and to create more rational methods of accounting and management.⁸¹ Hoover did not want to sanction cartelism, however; he thought that "intelligent" competition could spur stabilization of industries. But he did see a need for a more rational competitive environment for industries.

At the same time, the Justice Department and the Federal Trade Commission were intent on making a legal issue of associational practices. The Justice Department won a victory over associations through the Supreme Court decision in the *Hardwood* case,⁸² which ruled open price associations illegal.⁸³ The decision was vague, however, and Hoover argued for a "soft" interpretation that would allow some basic associational practices to continue. The Commerce Department also began to advise associations in advance on the legality of any proposed cooperative arrangements. And Hoover was able to obtain Justice Department concurrence on a plan to publish economic statistics from contributing associations in a "Survey of Current Business."⁸⁴

As the Harding and Coolidge administration's personnel assumed positions within the Federal Trade Commission (FTC) and the Justice Department, these institutions also came to sanction associational activities. The Anti-Trust Division of the Justice Department began to interpret Supreme Court

decisions very loosely, so to favor the cooperative rights of trade associations.⁸⁵ And the FTC, after reorganization under Coolidge in 1925, began to sponsor a series of trade practice conferences, where industries could, in effect, decide on codes of behavior to regulate their competitive practices.⁸⁶ These conferences increased rapidly as industries became aware that the conferences were much more than places where proper business ethics were discussed.⁸⁷

Associational activities flowered during the 1920's, and seemingly provided the basis for the growth and prosperity of that decade. However, increasingly monopolistic trade practices combined with the free-wheeling speculation of Wall St. to create what Hawley describes as a system that "accentuated maldistribution, encouraged speculation, piled up excessive savings, destroyed its own markets, and plunged the nation into... depression."⁸⁸

The Great Depression and the New Deal

Hoover's philosophical predilections, especially given the context of America in the late 1920's, prevented him from pursuing positive state action to relieve the depression. As Hoover himself said, "the sole function of government is to bring about a condition of affairs favorable to the beneficial development of private enterprise".⁸⁹ Nevertheless, Hoover was forced to take action in some areas such as propping up large financial and other business

institutions by extending government loans through the Reconstruction Finance Corporation.⁹⁰ This agency was utilized to stabilize many banking institutions during this period, and though the RFC was given sanction to disperse aid to states and localities for the relief of the unemployed, relatively little was distributed and states were subject to strict tests to determine eligibility.⁹¹ RFC loans to banking institutions fit into Hoover's philosophy, while moves to protect the unemployed and to assist those urban areas most negatively affected by the depression were avoided. Still, with the RFC came a dramatic shift in how the state power would be used. As Romasco comments, "it demonstrated that Hoover was prepared to use the power of the federal government in a direct manner."⁹²

In part, a governmental response was necessitated because American business leaders themselves were befuddled by the economic crisis.⁹³ They were, however, able to turn to the successful experience of World War I, and the associationalism of the 1920's. Thus, the most coherent business plan for recovery, offered by Gerard Swope, president of General Electric, and Henry Harriman, president of the Chamber of Commerce, emphasized the suspension of the anti-trust laws in order to allow industry-wide planning through trade associations.⁹⁴ This plan, as Leuchtenberg reports, "drew on the experience of the [WIB] because it

offered an analogue which provided a maximum of government direction with a minimum of challenge to the institutions of a profit economy."⁹⁵ Kolko finds the "Swope plan" devoid of substantive proposals, and reports on the inability of capitalists to "consciously save their own system."⁹⁶

These efforts, however, also represented an effort to prevent increased political interventionism that threatened as the depression deepened. Himmelberg relates: "the new eagerness to assume the role of guarantor of employment and welfare which the Chamber of Commerce and leaders such as Swope demonstrated resulted, too, from the fear that Congress might begin to move toward putting the national government in that role".⁹⁷

Roosevelt, having taken office did not immediately pick up on the plans for revision being sought by business interests; he was busy pursuing a program of fiscal conservatism, seemingly to convince financial and industry leaders that he was no economic radical. Roosevelt came to office because of a massive electoral shift, providing him with a large popular base and broad congressional support upon which to assert his authority. And he sought to augment this support by increasing the scope of his authority by requesting enhanced powers from Congress. Leuchtenberg reports that "after studying the wartime authority Congress had granted [Wilson], Roosevelt decided to ask the new Congress to renew those powers in order to

enable the President to balance the budget".⁹⁸

Obviously, Roosevelt was initially at a loss for a plan of action. Only after several initiatives in the Congress began to gain ground - the passage of the Black Thirty Hour Bill by the Senate served as the immediate prod did Roosevelt seek a positive recovery plan, the first of many congressional bandwagons the president would seek to ride.⁹⁹ According to Himmelberg, Roosevelt found the Black Bill "dangerously inflexible", although very popular. Because of its popularity opposition was not possible, and the only alternative was to propose something of his own - this was the National Industrial Recovery Act (NIRA).¹⁰⁰

The NIRA was, in many ways, a culmination of the 1920's search for economic stability through trade association development. Although economic planners, such as Rexford Tugwell, thought the NIRA would provide an opportunity for government management of the economy, there were few administrative mechanisms to implement such a program.¹⁰¹

Combined with bureaucratic weaknesses, however, were the conscious efforts of major capitalists to shape the legislation to meet their fears of expanding government intervention, and their expectations of government reliance on trade associations to implement any recovery program.¹⁰² One commentator reports: "Business... was in a surprisingly strong political position in 1933. Its skills were in short supply and it was sufficiently well organized to be able to

lobby effectively in favour of using trade associations as the basic structure of New Deal planning."¹⁰³

Although the NIRA was an amalgam of divergent and contradictory remedies, its centerpiece was the suspension of the antitrust laws and reliance upon trade associations to formulate "codes of fair competition." Under the direction of a National Recovery Administration (NRA), each industry would design codes that regulated prices and limited production with the aim of increasing profits.¹⁰⁴

The NRA, like the WIB, was dominated by trade associations and their officials.¹⁰⁵ And the codes themselves reflected the preeminent position of the largest producers in every industry. Hawley has shown that the definition of industry codes was left to individual administrators in government, who became involved in a bargaining process with industry. Many of the key government officials in this bargaining process were from the industries themselves, reproducing the industry men-in-government oversight of industry actions that had occurred through the WIB. Also, trade associations were the only organizational means readily available for implementing industry codes. Reliance on them revealed the same industrial self-government displayed during World War I. Hawley concludes, as Cuff did in relation to the WIB, that the process "reflected a willingness to entrust business with broad governmental powers", and that "under the

circumstances, business domination of the code-writing process was... inevitable."¹⁰⁶

The NIRA was also notable for legitimizing collective bargaining. Section 7a, which guaranteed collective bargaining, was a bone thrown to labor to solidify support for the bill and as recognition of the increased voice of labor in Roosevelt's electoral block, the rising agitation of the employed and unemployed, and the growing congressional support for labor concerns, especially among urban liberals like Senator Wagner from New York.¹⁰⁷ Labor's actual participation on the fashioning of industrial codes was minimal, due to industry's predominant role under the NRA system.¹⁰⁸ However, the NIRA's seeming sanction to the organization of labor helped to revive the labor movement.¹⁰⁹

The significance of Section 7a can be appreciated by noting the fate of labor during the 1920's. In the decade after World War I, government policy recognized labor concerns only to the extent of granting legal sanction to repressive business practices. Among these practices were the use of "yellow-dog" contracts, scab labor, injunctions against strikes enforced through the courts, industrial espionage and munitioning of industry, and the use of local or private police and federal troops to forcibly end strikes. Bernstein finds that most of these activities were ruled legal by the courts: "the manipulation of the Sherman

and Clayton Acts to restrict union activities... reached a climax in the twenties."¹¹⁰ Although the implementation of the NIRA demonstrated the economic and political hegemony of monopoly firms and their representatives, inclusion of Section 7a represented a radical break with the recent past and can be counted as offering the greatest long term impact of the NIRA.¹¹¹

Given the magnitude of the economic disruption of the late 20's and 1930's, the national state began to address problems of a different nature than those generated by war. With increasing state intervention to prop up the private economy came the enhanced legitimation of state intervention generally, and the demystification of free market as a self-correcting and inviolable mechanism.¹¹²

Also, as argued by Piven and Cloward, severe disruptions in a social fabric, such as with economic depressions, can have the effect of transforming the expectations and demands of previously docile groups.¹¹³ As Reueschmeyer and Evans explain, in a formulation reminiscent of Poulantzas on the one hand and Schattschneider on the other, state intervention does not do away with societal conflict. Rather, "the state apparatus becomes an arena of social conflict...; as a consequence of state intervention, then, the antimonies of civil society tend to reproduce themselves within the state."¹¹⁴ Hawley captures the nature of this shift when he comments, "The

programs of the early New Deal... had generated a new organizational consciousness among previously weak and relatively unorganized groups."¹¹⁵

During the 1920's, working class and poor people's interests were ravaged because of the hegemony enjoyed by capitalist forces in close relationship with friendly Republican administrations. While business prosperity continued this hegemony was difficult to disrupt. Economic crisis heralded an unraveling of the ideology of laissez-faire and at the same time produced severe fractures in the hegemony of monopoly capitalists.

Workers and the unemployed began to perceive the efficacy of political remedies as the national government offered remediative programs for bankers, industrialists, farmers, and even home owners. As long as economic concerns had, at least superficially, been off limits to political intervention, they could be considered private. In fact, it was the ostensibly private nature of economic relationships that provided the basis for many court decisions denying basic rights to labor in disputes with employers.

In the first New Deal, the shift in public policy could be measured by the inclusion of Section 7a in the NIRA, and by emergency measures designed to relieve the suffering caused by the depression. Many of these policy initiatives dramatically asserted a more direct role for the U.S. state in the lives of the general public. In direct response to

public need came the Federal Emergency Relief Administration which was to provide relief through localities, followed by the Civil Works Administration which, at its height, publicly employed 4,230,000 persons.¹¹⁶

Other initiatives that reversed traditional notions of the role of the state included the Emergency Relief Appropriations Act which, as Leuchtenberg reports, "was the greatest single appropriation in the history of the U.S."¹¹⁷ Yet the "emergency" nature of these early acts were meant to forestall constituency building and the institutionalization of these programs; Leuchtenberg cites an "alarmed" FDR, who was fearful of creating a "permanent class of relievers."¹¹⁸ Even so, these policies initiated government intervention on behalf of groups previously denied government assistance.

The failure of the NRA to generate improved economic conditions changed the calculus for Roosevelt and the New Deal. Abuses under the NRA system had brought increasing protests from small, non-monopoly businesses, and from labor and consumer groups; concern was focused on the corruptive collusion that increased the power of the largest firms.¹¹⁹ Even the large firms began to grumble about the expansion of labor rights and the extension of government control.¹²⁰

Thus, few mourned when the Supreme Court declared that the NIRA represented an unconstitutional delegation of congressional authority to the president. Organized

business interests viewed the Court's action as a check on what they interpreted as Roosevelt's dangerous political expansionism into their domain.¹²¹ And capitalists increasingly moved into opposition to Roosevelt and the New Deal.¹²² Roosevelt, responding to this pressure, to the failure of the NIRA, and to increasing pressures from an activist Congress and public, allowed himself to be pushed into a new series of legislative initiatives that have been called the "second" New Deal.¹²³ As Williams has concluded, "Had the NRA succeeded in restoring a significant momentum toward recovery, Roosevelt's conservatism might very easily have blocked many reforms that were finally written into law."¹²⁴

The second New Deal was a response to the failure of Roosevelt's initial program to revive industry. Or, more accurately it was a recognition of the failure of traditional market mechanisms to provide economic stability for the mass of individuals. Old habits die hard, however, and this shift required as a spur the growing progressive coalition of forces within society and within the Congress. Goldfield reports on the fears bred by growing insurgency within the ranks of organized labor and in growing political movements represented by such figures as Francis Townsend, Huey Long, Upton Sinclair, and Father Coughlin.¹²⁵ Williams adds that "the most important and influential uprising came from labor."¹²⁶ Levine agrees with this

appraisal because it was labor disruption (and the threat of continued disruption) that forced the policy transformations necessary for the resumption of stable accumulation by monopoly firms.¹²⁷

Roosevelt moved to the left to head off these movements, although he opted to support more conservative versions of reform measures for much the same reason. Thus, many of these measures had ambiguous results; they represented a conservative compromise of legislation under consideration, while also intensifying the government's responsibilities to greater numbers of persons. For example, the Social Security Act of 1935, notwithstanding its essentially regressive and conservative functions, meant a permanent extension of state responsibility toward ordinary citizens. Leuchtenberg refers to this legislation as "inept and conservative", while also recognizing that "it reversed historic assumptions about the nature of social responsibility, and it established the proposition that the individual has clear-cut social rights."¹²⁸

The Wagner Act, another far-reaching legislative enactment, also changed the status quo while attempting to safely channel labor militancy. The Act itself was a product of the recognition of labor's rights in the NIRA. Although capitalist domination of NRA codes limited the role of labor, in certain industries labor made substantive gains. In the coal and garment industries where unions were

strong, the codes were successful in stabilizing wages in relation to profits.¹²⁹ In many other cases, especially in heavy mass-producing industries, company unions were utilized as the vehicle for labor representation, and closed union shops were systematically resisted.

The National Labor Board was created to handle abuses, yet it became impotent due to employer pressures.¹³⁰ What the Board did achieve was recognition of labor's right to contest their grievances through a government agency. Roosevelt responded to the weakness of the NLB and the resulting disruptions in labor relations by instituting a new board - the National Labor Relations Board (NLRB). The NLRB inherited many of its predecessor's weaknesses - especially the lack of authority to enforce its decisions - and failed to make much headway.

Responding to the ineffectiveness of administrative solutions and rising labor disruption, pressures built within the Congress, coordinated by Senator Wagner, for a bill that would establish any union with a majority as having exclusive right to bargain with an employer. Roosevelt swung reluctantly over to this view as the anti-NRA Schechter decision nullified the core of his earlier programs, and as strikes increased.¹³¹

The Wagner Act was the result. It reconstituted the basis of the bargaining position of capital and labor by effectively outlawing the company union and legitimating the

organization of labor. Vittoz finds that the Act was "clearly anathema to the industrial employer", even though some corporations preferred industrial-type unions "primarily on considerations of managerial efficiency and desire to rationalize and streamline the collective bargaining process."¹³²

The economic depression of the 1930's thus mandated expansive government intervention. Policies could not be strictly tailored for the needs of capitalists given the conflicts within the ranks of business, the more progressive intentions of many in Congress, and the social movement pressure. The structural environment of the state, as noted by Reueschmeyer and Evans above, was exposed to a wider spectrum of societal influences. Also, the national state was quickly gaining the bureaucratic means and institutional expertise to oversee major policies with more independence from the corporate elite.

These policies, however, were designed to preserve the legitimacy of the political regime, and to augment the stability of the capitalist system; Roosevelt was no radical. Although it is difficult to draw definitive conclusions about the second New Deal, it is easier to identify the expansion of the state's bureaucratic resources and its legitimacy to more autonomously (in a Poulantzas-ian sense) pursue major policies. As Vogel has concluded, "It is not surprising that the reforms of the second Roosevelt

met with far more hostility than those of the first. The former were less under their [corporate executives'] control and thus resulted in a relative strengthening of the authority of government."¹³³ While the shift in popular expectations represents one aspect of the change, executive reorganization represents yet another.

State-Building and Executive Reorganization

Executive authority had been enhanced through the years of the economic emergency. Roosevelt had begun his first term with a demand for emergency power: "I shall ask the Congress for the one remaining instrument to meet the crisis - broad Executive power to wage a war against the emergency, as great as the power that would be given me if we were in fact invaded by a foreign foe."¹³⁴ And Roosevelt had used these ill-defined emergency powers to reorganize the federal executive, and expand the scope of his personal authority. Leuchtenberg reports that "Roosevelt confronted a stupendous task in state-building... The President had to create an entirely new government."¹³⁵ This coincides with Wolfe's assessment that the Roosevelt presidency represented "the locus of modernization" of the American state.¹³⁶

Roosevelt's second term was marked by attempts to remake the national state. These attempts were directed to the three branches of national government - Roosevelt sought to "pack" the Supreme Court to make it more hospitable to

his program; he sought to reorganize the national executive, and, when both these failed, he sought to purge the Democratic Party of its most conservative members.¹³⁷ His attempts to remake the Democratic Party failed, illustrating the constitutional, normative, and special interest barriers to party reform.¹³⁸

The court packing plan had brought failure and derision, and managed to taint Roosevelt's plan for executive reorganization.¹³⁹ Nonetheless, Roosevelt's court plan achieved the desired results. Although the Supreme Court had countenanced some of the emergency measures of the early New Deal, the conservative majority of the court began to lash out by 1935 at the enhancement of executive power, and at the regulatory threat to private property.¹⁴⁰ But, just as the "Dred Scott" decision could not resolve the tensions that culminated in the Civil War, so too would the Court's decisions not halt the ongoing changes in state-societal relations nor the expansion of the executive.

The trail to modern executive reorganization began with the First World War. President Wilson, in World War I, relied upon the discretionary authority delegated to him through the Overman Act to reorganize and shift responsibilities within the executive branch. Roosevelt too had been granted vague, emergency authority to battle the depression, and, as wartime leader, had access to

"continuous reorganization authority" granted by the 1939 Executive Reorganization Act.¹⁴¹ Congressional legislation supplemented the president's reorganization authority by delegating substantive authority to regulate the wartime economy.¹⁴²

Roosevelt had sought reorganization as a way to rationalize his much criticized management style during his first reelection campaign in 1936.¹⁴³ Reorganization plans were forwarded to the Congress early in his second term but there they were tripped up because of resistance to the court packing plan. A reorganization act was finally passed in 1939.¹⁴⁴ With the creation of the Executive Office of the Presidency (EOP) presidential authority was enhanced and centralized. And included in the Executive Reorganization Act was a provision for the creation of an Office of Emergency Management (OEM) in the event of a national emergency.¹⁴⁵ These moves ensured that Roosevelt would have the independent authority to reorganize administrative offices relating to mobilization.¹⁴⁶

Creation of this reorganized executive apparatus was timely. In fact, one member of the Committee on Administrative Management (Brownlow Committee) staff recalls that "The Reorganization Act of 1939 became possible in part because of the coming of the war."¹⁴⁷ The idea for an office of emergency management was first announced on September 8, 1939, in response to the Nazi offensive against

Poland, at the same time Roosevelt had proclaimed a state of limited national emergency.¹⁴⁸

The OEM was subsequently activated on May 25, 1940, after renewed Nazi offensives in Europe. The OEM, created as a liaison office, was to "maintain coordination between the President and whatever defense agencies would be established" but, as the number of wartime agencies increased, it became more an administrative holding company.¹⁴⁹ Creation of the OEM also allowed Roosevelt to avoid criticisms of his management style. Seemingly, lumping diverse emergency agencies under a single umbrella organization would avoid the appearance of chaos that marked earlier spurts of administrative expansion.¹⁵⁰ Also, for present purposes, the EOP and OEM are important for the ways they enhanced presidential power, creating the potential of a different mobilization process than during the First World War.

Hooks misinterprets the 1939 Reorganization Act by thinking it "entrench[ed] the New Deal in the executive branch."¹⁵¹ First, the New Deal in 1937 was an eclectic potpourri of policies and programs.¹⁵² And, second, the Reorganization Act concerned the tools of presidential power, and not the substantive goals directing how these tools would be used. Luther Gulick, one of the three leaders of the reorganization committee, reports that "we were not responsible for dealing with policy. Rather, we

dealt with the structure of government and the location of responsibilities."¹⁵³ It was because of this separation between administrative tools and policy goals that Roosevelt could so easily shift from the emergency of depression to that of war.

Hooks also reports that Roosevelt had problems in overseeing the executive branch: "with no staff to oversee and coordinate the actions of diverse federal agencies, the president's actual control was quite limited."¹⁵⁴ But Hooks does not credit Roosevelt with finding innovative solutions to this problem. In fact, presidential scholars have held Roosevelt up as a standard to judge later presidents. Roosevelt did not trust the holdover personnel inhabiting the existing on-line departments.¹⁵⁵ He tended to divide responsibility, disregarding both jurisdictional boundaries between departments and proper lines of authority, and he maintained an ever shifting core of personal staff that he used as either personal assistants or as intermediaries to the permanent departments.¹⁵⁶

Also, he utilized the emergency authority delegated in the critical early period of his first term to create temporary agencies staffed by his personal appointees. Partly, this was a response to the enormous authority delegated during the "first 100 days", but also, as Hess reports, "when the President felt most strongly that a job was important... he often simply ignored the departments and

created a new agency."¹⁵⁷ Roosevelt's experimentation led him to augment his Cabinet with a cadre of personal staff.¹⁵⁸ To coordinate the growing administration, Roosevelt created first a Temporary Executive Council (June, 1933), and then a National Emergency Council (November, 1933), until both were merged into a new National Emergency Council in October, 1934.¹⁵⁹ In effect, Roosevelt had built up an effective, although informal, White House Staff.

The Reorganization Act reconstituted presidential governance by granting this ad hoc system legislative recognition and legitimacy. It, of course, went beyond Roosevelt's informal system by making the Bureau of the Budget directly responsible to the president, and creating a new layer of bureaucracy that was the president's own. Just as George Washington had defined the office of the presidency through his actions as the first president, Roosevelt defined the modern presidency by his actions during the critical depression years.

Karl notes that a new administrative style and form emerged from Roosevelt's pragmatism and willingness to experiment.¹⁶⁰ And when Roosevelt acted to formalize his changes in the presidency, he steered the Brownlow Committee toward conclusions that fit his own conception of what the presidency needed.¹⁶¹ The committee, in turn, defined a new ideal for presidential administration that mirrored Roosevelt's innovations. Karl notes how the Senate

expressed concern that the Committee's recommendations "seemed... to have accepted too much of the 'temporary' structure of government as permanent - indeed had recommended making it permanent by fitting it into the regular structure of government."¹⁶² Reorganization, Janeway reports, gave Roosevelt "the essential power he wanted", including, most importantly, the power "to coordinate military and civilian functions in the White House."¹⁶³ This power was supplemented with congressional legislation soon after the attack on Pearl Harbor. The first War Powers Act granted Roosevelt "vast authority over areas ranging from production controls to censorship."¹⁶⁴

It is obvious, then, that the national government was much more prepared to deal with any potential emergency than it had been when faced with the First World War. Thus, a greater range of options were available for mobilizing society; and seemingly the state could proceed more autonomously. However, as the next three chapters will show, internal bureaucratic strength combined with emergency conditions are not sufficient conditions to permit the emergence of state autonomy. Capitalist control of industrial facilities combined with their great political strength meant that representatives from monopoly firms infiltrated the mobilization process fairly easily and acted as barriers to autonomous state actions.

The New Deal: Ascendant, or Retrenched?

Many have argued that the New Deal was being rolled back by 1938, with the defeat of many liberals in Congress and the growing strength of a conservative coalition antagonistic to progressive legislation.¹⁶⁵ On the other hand, Hooks, for one, has argued that this characterization is too simple. Although the Congress became distinctly hostile to new initiatives, Hooks reports that by the late 1930's "the New Deal no longer depended on the active consent of Congress."¹⁶⁶

Hooks is correct to focus on the permanent expansions in the state caused by the New Deal.¹⁶⁷ The objective conditions of advanced capitalism required an expansive state presence, congressional antagonisms notwithstanding. Hooks is also correct that the war is the more likely culprit in understanding the ultimate demise of the reform movement within the New Deal.¹⁶⁸ Yet even this claim is problematic since mobilization would demonstrate the effectiveness of keynesian spending policies as a spur to the economy and the efficacy of government economic controls.

Moreover, as I seek to demonstrate through the rest of the dissertation, Hooks is incorrect to argue that the national security state absorbed the administrative strength of the New Deal.¹⁶⁹ Rather, the New Deal was superseded by a national security state, and the part of the New Deal

which threatened corporate-capitalist autonomy was lost. Correspondingly, one neo-Marxist analyst of the New Deal declares that the policies of the 1930's "did provide the political conditions and the structural mechanisms for a renewed phase of capital accumulation in the post-World War II period."¹⁷⁰ This result was not secured by the New Deal, however. It was through war mobilization that U.S. national political institutions came to be neatly merged with the requirements of profitable accumulation.¹⁷¹

It is difficult to accept the idea that the New Deal was inexorably tied to the fate of the largest corporations. The "third" New Deal, characterized by attempts to regulate the behavior of monopoly corporations and calls for a coherent program of keynesian spending policies, offered a more publicly-guided alternative to this fate, although this alternative would, of course, still have had to seek economic stability through some concessions to monopoly corporations.¹⁷² This progressive alternative was negated, however, by the way that mobilization for war marginalized New Dealers and benefitted both the military services and monopoly corporations. It was wartime controversies involving New Dealers, the military, and representatives of monopoly corporations that sealed the fate of the New Deal. Because of the objective possibilities granted by the now chronic fear of economic crisis, and through the necessity

for state guidance of wartime mobilization, this fate was not a certainty in 1939.

Jessop has argued that the state is both non-determined (the state is "an emergent, contradictory, hybrid, and relatively open system") and yet determined (state discourses are determined by "the framework of a given historic bloc and hegemonic project").¹⁷³ In 1939 the United States was in transition. It could be said that it was in the process of finding a relatively stable historic bloc and hegemonic project. From the First World War through the New Deal, attempts to modernize US political institutions had failed. In World War I, the weakness of the national political administration led to reliance on a War Industries Board dominated by business leaders. This was replicated in the National Recovery Administration of the early New Deal. In both cases, however, conflicts between capitalists and their fear of expanding governmental power, and popular misgivings about the surrender of public authority, had ensured that the experiments failed. But for World War II mobilization conditions were propitious for expanding state power in ways that did not threaten business prerogatives. The patterns of public and private governance (a "historic bloc") initiated during the war proved to be stable and enduring, initiating an important new hegemonic project.

Chapter Two
Endnotes

1. See George Soule, Prosperity Decade: From War to Depression, 1917-1929, (New York: Torchbooks, 1968), p.42, for a listing of the wide array of executive agencies created to handle the problems associated with the war.

2. Soule, p.7; also Bernard Baruch, American Industry in the War (New York: Prentice-Hall Inc., 1941), pp.73-5.

3. Alfred Chandler, in The Visible Hand (Cambridge, MA: Belknap Press of Harvard University Press, 1977), argues that corporate managers today would feel quite at home with the management structures in place at the turn of the century.

4. Theda Skocpol, and Kenneth Finegold, "State Capacities and Economic Intervention in the Early New Deal," Political Science Quarterly, Vol. 97 (1982), p.262; see also Ellis Hawley, The Great War and the Search for a Modern Order, (NY: St. Martins Press, 1977).

5. Robert D. Cuff, The War Industries Board (Baltimore: Johns-Hopkins University Press, 1973), pp.8-9.

6. H.H. Gerth, and C.Wright Mills, From Max Weber: Essays in Sociology (New York: Oxford University Press, 1946), p.235.

7. Cuff, p.41.

8. See, for example, Skocpol and Finegold, op cit; and, Louis Galambos, Competition and Cooperation: The Emergence of a National Trade Association (Baltimore: Johns-Hopkins University Press, 1966).

9. Paul A.C. Koistinen, The Military-Industrial Complex in Historical Perspective (NY: Praeger, 1980), pp.24-34.

10. See Ibid; Baruch, p.17; and, James Weinstein, The Corporate Ideal in the Liberal State (Boston: Beacon Press, 1968), p.217.

11. Baruch, pp.18-20.

12. Baruch, p.20.

13. Cuff, p.44.

14. For an essay on the limits of corporate cooperation to prevent cutthroat competition and other forms of intra-capitalist rivalries see the first chapter of Gabriel Kolko's Main Currents in Modern American History (NY: Pantheon, 1984).

15. Cuff, p.269.

16. Koistinen: 1980, p.29.

17. Cuff, p.4.

18. Baruch, pp.109-110, 117.

19. Quoted in Cuff, p.57.

20. Cuff, p.130; see also, Weinstein, p.223.

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23. Skowronek, p.237.

24. Koistinen: 1980, p.32.

25. Skowronek, p.238.

26. Cuff, p.154; Koistinen: 1980, pp.32-3.

27. Baruch, pp.391-3; Cuff, p.158.

28. Cuff, pp.154-61.

29. Koistinen: 1980, p.33; see similar sentiment in Cuff, pp.160-2; and Ellis Hawley, The New Deal and the Problem of Monopoly (New Jersey: Princeton University Press, 1966), p.11.

30. Cuff, pp.113-5, 135-42; Koistinen: 1980, p.36; Skowronek, pp.239-40.

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33. Tyson, pp.7-10.

34. Koistinen: 1980, p.37; Skowronek, p.241.

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36. Cuff, p.165.

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41. See Harland Prechel, "Conflict and Historical Variation in Steel Capital-State Relations: The Emergence of State Structures and a More Prominent, Less Autonomous State," American Sociological Review (1991), Vol. 56, p.695; also see Ralph Miliband, "State Power and Class Interests," New Left Review (1983), Vol. 138: 57-68.

42. Cuff, p.148.

43. See Cuff, chapter 6

44. "Business politicians" is Cuff's term.

45. See Weinstein, p.230-3.

46. Congress has been portrayed as the place where the political efforts of non-monopoly capital are concentrated. The wartime concentration of contracts and termination of the antitrust laws inspired political action by this class segment to resist the postwar continuation of these practices, although concentration and centralization of industry and banks, at least partially inspired by government actions, continued nonetheless. (See Jill Quadagno, "Welfare Capitalism and the Social Security Act of 1935," American Sociological Review, [1984], Vol. 49: 632-47; and Rhonda Levine, Class Struggle and the New Deal [Lawrence: University Press of Kansas, 1988]). For views of the concentration and centralization of banks and industries see Soule, pp.131-157; Gabriel Kolko, Main Currents in Modern American History, op cit, pp.19-22; and, Economic Concentration and World War II, Report of the Smaller War Plants Corporation to Special Committee to Study Problems of American Small Business, 79th Congress, 2d Session, Senate Doc.206 (Washington: Government Printing Office, 1946), pp.8-20.

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Chapter Three

The Defense Period: September 1939 - December 1941 Part I: The Evolution of Civilian Authority

"We certainly don't want to start out here thinking that defense is an end in itself: The defense program is a means to an end, and the end is the preservation of our democratic way of life, and if, in trying to secure the end, which is preserving our democratic way of life, we destroy it through the means we choose, we will have been very shortsighted."

Marriner Eccles, Chairman of the Federal Reserve Board,
testifying before the Truman Committee, 1941

Introduction

The War Production Board (WPB) became in January, 1942 the primary wartime mobilization authority. It inherited, however, weaknesses in authority and administration from its pre-war predecessors that restricted its ability to guide mobilization. During the two year period leading up to the creation of the WPB, mobilization authority was being indelibly formed and defined. Although mobilization would continue to evolve after the war began, the pre-war distribution of responsibilities and authority greatly influenced this evolution. My examination of wartime mobilization begins with the development of civilian authority during this pre-war period.

In this chapter I examine the peculiar political climate that shaped the evolution of pre-war mobilization agencies. Mobilization was riven by internal struggles that, combined with external pressures, resulted in weak civilian

controls and in military ascendancy. My account directly challenges the state-centered assumption that state building is an evolutionary process dependent on past policies and pre-existing administrative structures. Instead of positing that weak mobilization authority was determined by the pre-existing weakness of the U.S. state (in which internal state characteristics are the independent variable), my study of pre-war and wartime mobilization seeks to uncover the linkages between weak mobilization authority and the hostility of external capitalist forces.

Mobilization was defined by struggles involving civilian-state, military-state, and corporate capitalist forces. These struggles were spurred on by the state-building opportunity presented by the Second World War. War invariably leads to the enhancement of a state's capabilities; this is even more true during the intense societal mobilizations that are part of modern warfare. In addition, the United States was at a critical juncture in terms of the development of governmental institutions; there had been no real political resolution to the economic crises of the 1930's. It was felt that the war would, one way or another, provide the context for such a resolution.

Consequently, the conflicts of the late New Deal came to be focused on the evolving mobilization apparatus. Mobilization was shaped by these conflicts, although the pre-existing administrative strengths and weaknesses of the

competitors provide a necessary starting point for comprehending what occurred. To paraphrase Schattschneider, pre-existing institutional mechanisms delineate the parameters for political conflict. Yet, these parameters are never, once and for all, secure. For many, war mobilization represented an opportunity to either establish new institutional confines for conflict, or to reestablish old ones. World War II offered an opportunity to either reconstitute corporate hegemony, or provide a more independent framework for political action.

The pre-war period provided a particularly fertile environment for clashes for how mobilization would proceed. Lodged between the emergencies of depression and war, this period was defined by ambiguities. Ill feelings from America's participation in World War I combined with the enormous unsolved domestic problems to nourish isolationist sentiment. With 1940 an election year, these sentiments were magnified, especially since Roosevelt was positioning himself for an unprecedented third term. Roosevelt, true to his nature, proceeded cautiously on all issues relating to possible involvement in the European war; he waited for public support to build before committing himself to any course of action.¹

Presidential caution allowed military and corporate leaders full reign over the structure of mobilization policy. On the one hand, corporate antipathy to further

growth in governmental authority was intense, and finding increasing support from a conservative congressional alignment of southern Democrats and Republicans. On the other hand, the New Deal was finally gaining a firmer identity as support solidified for a Keynesian spending program combined with increased regulation of monopoly markets.²

Since the U.S. economy was mired in what seemed to be a perpetual depression, faith in a naturally correcting free market waned, and support for permanent state intervention increased, even amongst some corporate leaders.³ At this point, then, there were two competing visions of how state power should be utilized to stabilize the economic environment. Although both alternatives were supportive of monopoly capitalist accumulation, the more social democratic alternative was perceived with great hostility by most capitalists. Early mobilization would become a battleground between these two visions.

The terrain for this conflict was the agencies - civilian and military - that marked defense period mobilization. The battle lines pitted New Dealers against an alliance of military and corporate personnel. Within the state, civilian and military agencies competed for control of expanding mobilization responsibilities. But the civilian mobilization agencies were themselves internally divided between New Dealers and corporate personnel

(employed by the government on a dollar-a-year basis). These divided civilian agencies had to confront the intransigence of corporate firms, who resisted surrendering any of their autonomy to a state-led mobilization effort.

The shift to war mobilization strengthened monopoly corporate participants because the use of their industries was at stake. Mobilizing industrial facilities for war meant confronting the limited reach of the state's authority over private industry. Also, the military services jealously guarded their own prerogatives, presenting intra-state resistance to a New Dealer-led mobilization policy.

Roosevelt's reluctance to centralize authority in a civilian agency left plenty of room for military agencies and corporate firms to expand their pre-existing influence and prerogatives. The result was a halting mobilization process, stalled by corporate resistance and by military competition for expanding governmental authority. Because internal battles limited the efficacy of civilian agencies, much of the responsibility for economic mobilization would fall to military agencies.

These conditions provided the foundation for a military-industrial alliance, whose catalyst was the shared hostility to strong civilian authority which threatened both military and corporate prerogatives. The informal alliance between the military services and major firms represented a

nascent "hegemonic bloc" that dominated domestic mobilization policy. Military and business actors had separate agendas and different bases of strength, but they combined to dominate wartime policy.

Preparation for War and the New Deal Inheritance

The war dramatically shifted the agenda of American politics. Roosevelt, for instance, came to relish his transformation from "Dr. New Deal" to "Dr. Win-the-War", just as later presidents would prefer the world stage to bruising domestic battles. Domestic concerns began to be measured against the more pressing imperatives of mobilization and foreign policy. These new priorities spawned an environment hospitable for the emergence of military and corporate leaders as central policy makers.

Depression-inspired demands had been met with growing intervention by the national government into affairs previously left to the states and to the prerogatives of businessmen. However, Roosevelt had pursued contradictory paths in responding to the dilemmas of the 1930's, leaving New Deal policies and institutions vulnerable to shifts in congressional and public sentiment, and to business counterattacks. Also, since the 1930's initiated "a process of building institutions where none existed," these institutions were vulnerable.⁴

The military and corporate forces swept by the war into the vortex of state power initiated a politics different from that of the New Deal, and in the process altered some important goals underlying the use of national power. The shift to mobilization planning heralded the use of institutional mechanisms dominated by military and business actors, who were not part of the New Deal coalition, and who threatened the domestic reforms of the New Deal.

Representative Tolan's Committee Investigating National Defense Migration noted this trend early in 1943:

Certain spokesmen for the administration have expressed the view that one of the guarantees to the American people after the war will be the assurance that their Government will bend every effort to maintain full employment... It is the belief of this Committee, however, that many of the most important decisions regarding the post-war world are being settled daily by those in charge of our organization to wage this war.⁵

Needless to say, Representative Tolan viewed the mobilization process as hostile to postwar social goals such as full employment.

Tolan's concerns can be compared to the sentiment of Under Secretary of War Robert Patterson, who noted to Senator Truman's Special Committee Investigating the National Defense Program that "preparation for defense is the worst possible vehicle for relieving economic and social conditions."⁶ This stands in contrast to historian David Brody's comment that the "war possessed immense potential as an agent for social reform."⁷ Observing the wholesale

shift to social democracy in postwar Britain is enough to convince one of the truth of this statement. While the Tolan and Truman committees' views reflected the New Dealer belief that war mobilization could further social reform, Patterson, speaking for the military, believed that war would dictate the sacrifice of domestic reform.

These two positions broadly lay out the alternatives available to the national government in mobilizing for war. Mobilization could either further the social reforms of the later New Deal by building the capacities for a more popularly directed civilian-state management of the economy, or threaten social reform by relying on forces (military and corporate) who resisted greater civilian-state authority.⁸ The choice depended on who exercised the authority. Patterson, as spokesman for the military services, thought military planning and institutional capability, combined with the expertise of corporate representatives in and out of government, were not only perfectly capable of handling mobilization, but had the advantage of already operating as a team during the pre-war period.⁹ But the Tolan and Truman Committees, among others in Congress, remained critical of military and corporate actors throughout the war, precisely because of their willingness to sacrifice hard-won social gains.

It was not a question of whether or not sacrifices were necessary. Rather, the issue in any national emergency is

how the sacrifices would be distributed, and who, if anyone, would gain from the war. And it was not merely a matter of immediate losers and winners, but also of the long-term impact of wartime institutional shifts, since both the national government and the political economy were transformed by the war.

Obviously, the burdens of mobilization were not shared equally. The largest corporations gained enormous profits, government-financed plant expansions, and a predominant voice in the administration of national politics. Organized labor, attacked by the military throughout the war as hindering all-out war production, lost most of its momentum as a social movement, and had to fight a rear-guard action to protect the gains it had made during the 1930's. Within the state, mobilization resulted in the destruction of many New Deal agencies and the retrenchment of the reformist "Second" New Deal, while the military services gained inordinate amounts of power.

The New Deal alternative to military ascendancy was defeated due to its internal weaknesses combined with the ambiguity of the pre-war period which resulted in increased reliance on military and corporate personnel and institutions. The New Deal state was itself administratively weak, superimposed on a divided governmental scheme, and its party base was increasingly in flux. Thus, it did not seem to have the institutional

strength to carry its reform program into the postwar period, especially in the face of intense military and corporate pressures. However, Roosevelt's temporizing over mobilization authority was a critical factor since it translated as ambivalent support for New Dealers, and so provided the room for military and corporate actors to press their existing institutional advantages. In fact, support for an alternative to military and corporate control would primarily come from liberals in Congress.¹⁰

The war exposed the reformist New Deal to intense pressures just as it was already weakening, as Roosevelt shifted his attention and congressional conservatism grew, but also as a new generation of New Dealers were trying to carve out a Keynesian role for the state. Brinkley has argued that the New Deal by 1939 was being rejuvenated by a new generation of planners and economists who were becoming converts to Keynesianism.¹¹ Hooks has also shown that the New Deal was not dead at the start of the war, and that New Deal expansions in executive authority survived, although primarily through expanded military authority.¹² Thus, World War II provided the context for a dramatic shrinking of the domestic potential of the New Deal. The shift to increased military authority augmented corporate autonomy, both by reducing the threat of a domestically interventionist government, and by ensuring America's hegemony abroad.

Barriers to State-Building in the Defense Period

For the reform-oriented New Deal to survive, it would have been necessary for mobilization authority to be centralized early in a civilian agency. In this way, New Dealers could have more effectively battled military and business pressures. However, there were barriers to state-building during the defense period which limited the options of those desiring a strong civilian authority.

To explain the absence of a strong, centralized civilian agency requires that we consider both the political and economic factors operating during the pre-war period. We can begin with Roosevelt's personal governing style, and the particular political pressures of the time. These personal and political contingencies would provide an environment which privileged military and business forces.

First, Roosevelt had always been reluctant to delegate broad powers such as those relating to mobilization.¹³ He adamantly preferred to retain personal authority. He also preferred, as a matter of managerial style, to split up responsibilities between advisors recommending contradictory policy directions. This way, others did the spade work for creating new policies, while Roosevelt could choose the position with the most support and claim credit for its passage or success.¹⁴ Thus, Roosevelt did not so much lead

policy development, as wait for momentum to build for a initiative before committing himself.*

Secondly, as noted, Roosevelt's alternatives were restricted by broad isolationist sentiment.¹⁵ The impact of isolationism was even greater given the election year of 1940. Roosevelt was positioning himself for an unheard-of third term, and the demands of building an electoral coalition meant he had to proceed cautiously on the issue of mobilization. On one side he was criticized by isolationists, and on the other the Republican candidate, Wendell Willkie, gained alot of attention criticizing the slow movement toward preparedness.¹⁶ As it turned out, business leaders became the critical constituency to be placated if Roosevelt was to make a successful run for the third term, and a successful stab at mobilization.

Hostility to a third term, combined with isolationist sentiment, meant that Roosevelt inched his way toward preparedness, doing what was politically expedient versus

* Millis, for one, admires this style: Roosevelt's "working habits opened up to him more lines of access, more points of view and interest, than presidents ordinarily allow - or enjoy. They balanced off rivals who competed for his support, and they kept him exceptionally well informed." (Walter Millis, with Harvey Mansfield and Harold Stein, Arms and the State [NY: The Twentieth Century Fund, 1958], pp.44-5). However, Hart has criticized Roosevelt's style, saying it was "at times... inexcusable. He seemed reluctant to delegate power except in many and zig-zag lines. By thus supposedly keeping the reigns in his own hands, he has ignored the inherent limits of his span of control." (James Hart, "American Government in Wartime," APSR, Vol. 37 [1943], p.31).

what may have been best for mobilizing the nation. However, it was the two sides of business power (their political and economic clout) that most limited his domestic options. One side of business power was their willingness to politically support the isolationists. Koistinen reports that "business in general did not seem to hold strong isolationist views [and] it tended more towards intervention than anything. However, if the industrialists became convinced that mobilization was to serve as an instrument of social reform, in self-defense it might be forced to support the isolationists."¹⁷ The other side of business power was American industry's ability to resist any mobilization process they saw as threatening their legitimate management and ownership prerogatives. Thus, corporate leaders could project their interest politically while also enjoying a reserve of authority by virtue of their stewardship over the nation's industries.

Roosevelt needed both the political and economic cooperation of the corporate community during the ambiguous pre-war period, since he was faced with both reelection and mobilization concerns. His try for an unprecedented third term meant rebuilding his ties to corporate leaders, whose support in the face of congressional conservatism and isolationism was critical. This coincided with the need to cultivate the cooperation of key industry leaders if mobilization was to move forward. To jump start

mobilization without causing concern to isolationists meant relying upon the existing networks and capabilities of private industries. Certainly, Roosevelt was more than willing to shift ideological gears to secure a political victory; he had displayed this willingness in his first reelection campaign when he shifted to the left to head off increasingly radical demands from various labor and social movements.¹⁸ Roosevelt was, in short, the quintessential political, versus intellectual, pragmatist.¹⁹ "Dr. New Deal" could be retired with little compunction or regret.

Thus, the necessity for rapprochement with business was a key factor in the administrative design for pre-war mobilization. Amenta and Skocpol explain that, "Roosevelt relied heavily on businessmen to staff emergency [mobilization] agencies, partly because the U.S. state lacked sufficient administrative capacities and partly because he wished to avoid re-creating the political divisions of the late 1930's."²⁰ The latter part of this explanation is more compelling, however. As Somers reports, "some people thought expansion of existing agencies, the Department of Commerce and Labor, for example, would be sufficient to take care of the defense effort."²¹ It was the "political divisions of the late 1930's," marked by hostility between Roosevelt and "big business", and between labor and capital, that led Roosevelt to rely on corporate representatives to staff the emerging agencies.

Thus, while the depression had exacted a toll on business prestige, state dependence on private management and production experience in the pre-war period provided the conditions for a resurgence of business power, especially of monopoly capitalists. To obtain the cooperation of industry Roosevelt had to defer to their expertise and intransigence on critical issues. However, manufacturers (such as the automobile companies) were hot in pursuit of the increasing profits of war-inflated markets. They resisted converting their now profitable industries to war production, while raw material processors (such as the steel and aluminum companies) resisted expansion of their processing capability out of fear of disrupting peacetime markets and prices. Also, industry's reluctance to take risks based on the vague threat of war combined with their antipathy to the New Deal to constrain the political development necessary for a state-guided mobilization process.²² As Bruce Catton, a participant in mobilization, explains:

A key point in the adroit leadership which was lining up as the ultimate foe of the Axis was the necessity to bring into the defense effort, as active co-operators, the proprietors of the nation's chief physical assets. The job couldn't be done without them, but their fears and suspicions - which, where Franklin Roosevelt was concerned, were deep and beyond number - had to be allayed. For the duration of the prewar defense period, therefore, the game had to be played their way; whatever preparations the nation made had to be made within the bounds of territory that was familiar to these men. This meant the rules were not to be changed.²³

Defense preparation took place under these severe constraints. The demands of rapprochement with business led Roosevelt to limit both the utilization of existing government agencies and the development of new administration. Instead, he relied upon temporary agencies heavily staffed with business representatives.²⁴ This voluntaristic route maximized business input. Defusing potential business resistance by making these concessions was easier than attempting to proceed autonomously, although with obvious costs. Roosevelt's managerial predilections, and his distrust of business, did lead him to limit the authority exercised by business personnel within the civilian agencies.²⁵ However, instead of ensuring limits to business input, the use of temporary agencies with limited authority, such as the Office for Production Management (OPM), gave industries maximum discretion over how mobilization would proceed. Limited state authority left the initiative with industry, and with military agencies whose plans also relied on industry direction.

Notwithstanding Roosevelt's management style, and the impact of business power, if the war had come sooner we can assume the isolationism would have disappeared, and major firms would have had less leverage to resist civilian authority. Since the U.S. could mobilize at its leisure - it was not under direct attack nor engaged in hostilities until December, 1941 - Roosevelt could follow an ad hoc

route to mobilization. The official history of war production provides a dramatic instance of the pre-war ambivalence about the possibilities of war; it reports that Congress resisted increasing appropriations for war preparation as late as May, 1940 - a week before the German army overran the Low countries:

it was evident that Congress had lost the sense of urgency that had moved it to grant increases in the Army the summer before. Repeatedly, Congressmen reported that the aggressors were pretty much occupied with their wars, that they had been exhausting their resources for a year, and that to grant the requested appropriations when our national debt stood at \$41 billion would mean ultimate chaos.²⁶

Obviously, if the threat of war were more imminent, and Congress and the public were behind him, Roosevelt would have been willing to hasten the development of authoritative state agencies. Roosevelt, however, let himself be carried by events more than he shaped them.²⁷

Since the environment was particularly hostile to the building of new institutions, the pattern of previous government interventions, as with the War Industries Board (WIB) and the National Recovery Administration (NRA), were followed by default. Defense period mobilization came to depend upon the tools of persuasion and informal contacts within each industry. Civilian agencies such as the Office of Production Management relied on the prestige of their corporate representatives, informal mechanisms such as Industry Advisory Committees, and industry trade

associations. These mechanisms were, in turn, dominated by representatives from the largest firms in each industry. The difference from the earlier WIB and NRA experiences, however, was that government institutional development - in the military services - proceeded alongside the use of informal societal mechanisms.

Preparation for War and the Military-Industrial Alliance

War is often considered a great spur to state building,²⁸ but it is clear that World War II favored certain types of state building in the United States. The war had a peculiar effect on the national state: it enhanced military authority while simultaneously eroding civilian authority. Corporate power is the intervening variable which explains this result. However, corporate pressure was successful only because a state alternative to New Deal control - through the military services - was available.

Civilian-state authority, especially as articulated through the New Deal, was perceived by corporate leaders as a threat to business prerogatives. Fortune magazine, in November, 1941, cited "a pervasive fear of and antipathy for the New Deal", amongst top corporate leaders.²⁹ The military services, however, were aloof from the New Deal coalition, and were sympathetic to business interests.³⁰ As noted, cooperation between business and the military began during the First World War and continued through the

interwar period because of mobilization planning.³¹

Mobilization for World War II wedded industrial and military capabilities, bringing this relationship to fruition.

In addition, military and corporate agendas naturally dovetailed during the pre-war period. Interwar military planning provided two planks upon which the alliance would grow. First, the military services planned for a powerful civilian agency, but one dominated by corporate leaders.³² Military direction of mobilization, unlike that of New Dealers, did not threaten business autonomy. From the military's viewpoint, little interventionist state authority was needed. They did not contemplate displacing corporate prerogatives through their management of mobilization. In fact, their planning called for complete reliance on the largest firms's expertise in production and management. America's participation in World War II would necessitate the development of government institutions able to oversee the huge productive effort, but since control by military institutions would not interfere with corporate autonomy, corporate representatives were willing to support the military agenda.

Second, military planning was premised on fighting a war similar to World War I. Military officials were locked into the assumptions of their 1939 Industrial Mobilization Plan which contemplated a short war, requiring relatively limited disruption of the civilian economy.³³ This was

consistent with corporate unwillingness to expand their industrial base, or convert from civilian to war production. Based on military plans, corporate representatives could confidently state that their current raw material processing and manufacturing plant capacity were sufficient to supply any emergency.

In the absence of a tangible crisis or actual shortages, New Dealer warnings about materials and plant shortages could not easily penetrate the institutional barriers of pre-existing military and corporate prerogatives. Major firms could fall back on their ownership and managerial rights to easily thwart what they portrayed as dictatorial extensions of the state's authority into the productive process.³⁴ And the military relied on their pre-war plans and established mobilization agencies to claim a legitimate monopoly over the slowly emerging mobilization authority. Although both military and corporate forces acted on an independent calculation of their interest, both of them were opposed to New Dealer initiatives (for different reasons), and both of them had the institutional means to pursue their interest without trampling on the prerogatives of the other.

This cannot be understood simply as a case of corporate domination; the military had separate concerns that could not be fulfilled simply by reinforcing corporate power. The military services had suffered through the interwar years

with lean budgets and damaged prestige, and were determined that the humbling demobilization of the First World War would not be repeated.³⁵ Moreover, corporate power alone may not have prevented the emergence of New Dealer control; the extent of the mobilization required a large state administrative presence and the development of military capabilities was critically important if New Deal control of mobilization was to be avoided.

Thus, military and business forces had separate and unique reasons for participating in the informal alliance. The military sought to expand their bureaucratic strength by controlling mobilization, and major corporations sought to minimize state regulation. New Deal agencies and personnel got caught in the squeeze; few non-statutory New Deal institutions survived the war. And, the civilian mobilization agencies that did develop had only emergency status, and were themselves dominated by corporate representatives. They were destined to survive only the length of the emergency. Thus, the war did not enhance the state's interventionist capacities, although it did permanently expand military authority. The military establishment received the enhanced legitimacy that Block sees as a natural product of crisis periods.³⁶

Prior to World War II the military services were one of the more autonomous state institutions, if by autonomy we mean isolation from society.³⁷ Except for the Army Corps

of Engineers, the military services were not directly part of the state that aided the accumulation needs of the capitalist economy. While this isolation began to change between the two world wars, it was dramatically reversed by World War II. On the one hand, the military services learned that their isolation translated into bureaucratic weakness. Without societal allies, government institutions are vulnerable, and in a sense, unprotected. The military learned, by necessity, to cultivate its relations with societal allies, whether indirectly through Congress or directly through their relations with corporate firms. Even though enormous authority was thrust upon the military during the Second World War, the services remained reliant on business allies to help win domestic battles and retain control over the home front. Thus, we cannot focus on the military's successful expansion in isolation of the important corporate support that made it possible. State building is an interactive process of negotiation and alliances between state and societal actors. Focusing only upon internal state administration ignores the important link between successful policy initiatives and societal support.

In the second half of this chapter I detail the evolution of defense period mobilization agencies in order to link administrative developments to the argument as it has been developed so far.

Building the Mobilization Apparatus

The first step toward creating a civilian mobilization authority was taken with the creation of the War Resources Board (WRB) in August, 1940. The WRB, whether intended or not, allowed Roosevelt to test public opinion about defense preparation, and signalled his willingness to embrace business leaders.³⁸ The Board also articulated the organizational compromise that would define defense period civilian authority; authority would be decentralized among separate agencies, and would be limited in order to emphasize voluntary participation by the nation's industries. Edward R. Stettinius, Jr., the Chairman of the Board of U.S. Steel, was named chairman of the WRB. He and the Assistant Secretary of War, Louis Johnson, chose the other members, albeit with clearance by Roosevelt.³⁹ The group, as they constituted it, "consisted of four prominent industrialists, a banker, the head of an economic research organization, and a scientist."⁴⁰

The WRB never became operational; it did not survive the storm created by its selective membership. Roosevelt himself acted as though he were unsure of what to do with this agency; it seemed he was going through the motions of carrying out the mobilization plans as already constituted by the military. At least, that is, until New Dealers and public opinion reacted so violently to the WRB that he

allowed it to quickly disband. This incident, on the one hand, sent out a conflicting message; its creation seemingly showed business he was ready to defer to its leaders on mobilization, while its dismantling seemed to illustrate his commitment to the New Deal.⁴¹

On the other hand, the organizational proposals articulated by the WRB laid out how mobilization would proceed. It was thought, by the military and business representatives at least, that the WRB would be the heart of any mobilization effort. The WRB, dominated by business leaders, was more than willing to accept the military's 1939 Industrial Mobilization Plan (IMP) and its recommendation that mobilization rely upon the "patriotic business leaders of the nation" to "secure the voluntary cooperation of industry" in the production effort.⁴² Koistinen reports that business representatives and the military were essentially in agreement about the delegation of czar-like powers to a single agency headed by one man.⁴³ However, the WRB report stated, "We... do not recommend concentration of power in a new super-agency."⁴⁴

The WRB, with Bernard Baruch's advise, recommended against concentrating mobilization authority in order to placate Roosevelt's reluctance to surrender his authority to a super-agency dominated by corporate and military personnel.⁴⁵ Business leaders thought centralization of authority was fine if they controlled the administrative

process. Roosevelt, however, balked at this; he feared the threat represented by military and business domination of mobilization, and so was unwilling to concede the IMP plan to them.⁴⁶

Since the businessmen of WRB could not gain centralized authority, they opted for a decentralized and voluntaristic scheme that would maximize business input. This fit in better with Roosevelt's managerial predilections, and would also provide a check upon the development of strong, independent administrative authority which business feared. As the WRB reported to Roosevelt:

It is our considered judgement that coordination [ie., decentralization] offers the only effective means of converting American industry to the purposes of war. American business men, like all Americans, are accustomed to democratic procedures. More effectiveness can be obtained through voluntary cooperation than through force.

We recommend that wartime powers be vested in specially-created wartime agencies which will be automatically demobilized when war is over. Should wartime powers be granted to existing executive or quasi-judicial agencies of the government, it will be next to impossible at the end of the war to separate the wartime from the peacetime functions of the government.

We therefore do not recommend centralization of power in a new superagency or the delegation of power to existing peacetime agencies.⁴⁷

This was a dramatic statement of business preferences. They display here a hostility to the use of existing or "quasi-judicial" agencies they feared would permanently add to the national government's interventionist capability.

They preferred the use of "emergency" agencies which could be more easily dominated by business personnel, and would be easily dismantled at the end of the war. Also, voluntarism, versus any centralization of authority, was preferred.

Roosevelt's distrust of business domination implicit in a WRB-type of agency convinced business representatives that voluntarism and decentralized authority, through temporary agencies, was the preferred organizational option.

Roosevelt's style of avoiding the delegation of power was reinforced by the desire to avoid public misgivings about the creation of a powerful mobilization organization in advance of a real emergency. The obvious choice for building a mobilization program while appearing not to, lay in relying on the existing capabilities of business and of the military. Roosevelt's political calculus meshed with the anti-state building agenda of business representatives and resulted in a strategy of slow and limited mobilization guided by private actors, and by increasingly assertive military agencies.

The early course of mobilization was now set. Defense preparation would not substantially increase the civilian capacities of the national state. New Deal agencies would be left to atrophy as the emergency they were designed to fight faded into history. Mobilization would occur through temporary agencies dominated by corporate advisors and by expanded military agencies.

The National Defense Advisory Committee

Roosevelt's halting progress on mobilization was to begin substantively with the revival of the First World War's Advisory Commission to the Council of National Defense. This agency seemed to fit Roosevelt's needs perfectly - it was still authorized under its original World War I statute,⁴⁸ which precluded the need for Congressional action and a public debate.⁴⁹ Also, the agency had very limited powers and had no chairman, which left the president in control.⁵⁰ Since the Council of National Defense were essentially the president's Cabinet officers, they did not meet as the Council and did not exercise any independent authority.⁵¹ It was the Advisory Commission to the Council that was to house Roosevelt's first stab at mobilization.

The National Defense Advisory Commission (NDAC) was revived in May 1940, in response to renewed Nazi offensives in Western Europe, and was housed in the recently activated Office for Emergency Management (OEM) of the Executive Office of the President (EOP). To the extent that Roosevelt was interested in centralizing authority, it was his own. In July, 1939, before the creation of the OEM, Roosevelt issued a Military Order - "a presidential power rarely invoked" transferring, among other agencies, the Army and Navy Chiefs of Staff and the Army-Navy Munitions Board from the authority of the War and Navy Departments to his own

direct supervision as Commander-in-Chief.⁵² Thus, the President engineered it so the military reported directly to him, bypassing his own Secretaries of the Army and Navy, and also ensured that his would be the final word on any mobilization issue. Together with the soon to be passed Executive Reorganization Act, this order cemented Roosevelt's wartime authority.⁵³

These actions also exhibit the type of state building that was open to Roosevelt. As I have noted, economic and political forces constrained Roosevelt's ability to act. Also, the presidency, especially at this juncture, was an extremely personal tool. Given these limits and opportunities for presidential action, it was probably necessary for Roosevelt to pursue a strategy of centralizing and enhancing his own authority, instead of seeking the centralization of authority in an agency specifically set up for the purpose. Thus, Roosevelt achieved centralization of his own authority, while settling for fragmented and weak mobilization agencies.

The NDAC was staffed by a heterogeneous group of seven individuals with no provision made for coordination or centralization of authority.⁵⁴ Notable among this group was William Knudsen, President of General Motors, in charge of industrial materials; Sidney Hillman, President of the Amalgamated Clothing Workers of America, for employment issues; Edward Stettinius, who had earlier headed the WRB,

responsible for industrial production, and who, as the official history of mobilization reports, "represented, through his own affiliation with the United States Steel Corporation, and family connections with E.I. Dupont Nemours, Inc., and J.P. Morgan & Co., the 'big business' of the Nation."^{55*} Also notable was the appointment of Leon Henderson, a staunch New Dealer, who was placed in charge of price stabilization. Henderson had most recently served as a key member of the Temporary National Economic Committee investigations of monopoly economic power. Other members were put in charge of transportation, agriculture, and consumer issues. Donald Nelson, an executive vice-president of Sears, Roebuck & Company who had been on loan from Sears to the Treasury Department as a purchasing expert, joined the NDAC as Coordinator of National Defense Purchases to help streamline military procurement.⁵⁶ Nelson, who would figure prominently in mobilization as head of the War Production Board, had experienced government service before,

* Harold Ickes, Secretary of the Interior, expressed some interesting sentiments about the choices in his "secret" diary: "I regard the Knudsen appointment as particularly bad. General Motors has a very heavy investment in Germany, which might conceivably be a hostage to fortune so far as the president of General Motors is concerned. Moreover, General Motors is a du-Pont-controlled corporation and the du Ponts have vast interests in all parts of the world, including munitions. I don't believe anyone ought to be on this commission or in a position of authority with the Government, in connection with the whole rearmament campaign, who has financial interests in Germany." (The Secret Diary of Harold L. Ickes: The Lowering Clouds, 1939-1941 [NY: Simon and Schuster, 1955], pp.195-6).

as resident director of NRA's Industrial Advisory Board; he was also a key member of the Business Advisory Council, "big business's" advisory voice in the Roosevelt administration's Commerce Department.⁵⁷

Despite being officially advisory to the Army and Navy, and operating without an administrative head, the seven Commissioners began to exercise authority in some key areas. First, they gained responsibilities for clearing defense contracts, although the military could easily sidestep their review. The Commission also prepared the way for industrial expansions by developing a program to speed tax amortization for the construction of defense related facilities. However, their attempt to advise the military on the issuance of priorities (orders ensuring access to scarce materials) was stymied by the military themselves.⁵⁸ They were similarly unsuccessful in their attempt to press the military to expand its projected requirements.⁵⁹ One important move, however, was the creation of a Bureau of Research and Statistics to fill the desperate need for information.⁶⁰ The NDAC remained handicapped by its advisory status and by the division of operations between seven commissioners essentially by the reluctance to delegate real power. As Somers reports, "on the all-important production front, Knudsen depended almost entirely on exhortation and encouragement."⁶¹ And the official history of mobilization noted sarcastically, "the

prestige of the Advisory Commission and their staff's was to make up for all that they, and the whole defense effort, lacked in statutory authority for controlling the economy; personal contact was to substitute for legal power."⁶²

During this same period the military was busy entrenching itself in mobilization by monopolizing procurement and priorities responsibilities, despite NDAC's attempts to rein in their misuse of these powers.⁶³

Military resistance was facilitated by the divisions within the NDAC, and benefitted from a powerful group of industrialists within NDAC who normally sided with the military on important controversies,⁶⁴ while gaining military support in return:

Knudsen, who was responsible for clearance of ordnance contracts [in NDAC] felt, with some justification, that the procurement of such purely military equipment was the responsibility of the Services, and he interfered as little as possible.⁶⁵

Millis adds:

NDAC attained no great popularity with the War and Navy Departments. The civilian heads [of the War and Navy Departments] were accustomed to men like Stettinius and Knudsen, but Henderson, [Agricultural Commissioner] Davis and Hillman were outside their ken as working partners. The reactions of uniformed officers tended to be even more emphatic. Some of them stood in unreserved awe of executives of companies like U.S. Steel and General Motors; but there was far less community, on both sides, between the military and the representatives of other segments of the economy that were included in NDAC.⁶⁶

Roosevelt, ever conscious of isolationist sentiment, did little to expand NDAC's authority over the military.

Thus, the gains made by the NDAC were small. It represented a halting start, though it is important for the track it set mobilization upon: reliance on the prestige of businessmen on the civilian side, and unsupervised military control of procurement.

The logic and events of the European war offered intense pressure for more action on the mobilization front. But it was not only according to that timetable that Roosevelt responded. Rather, change in the mobilization apparatus awaited the outcome of the 1940 election.⁶⁷ Mobilization and the politics of war dictated that Roosevelt make his peace with business, and also with the political opposition. Toward this end, he appointed two prominent Republicans, Henry Stimson and Frank Knox, as the new Secretaries of the Army and Navy. These appointments, along with the businessmen already serving, made for the "national unity" front that Roosevelt wanted entering the campaign, and in preparing for war.⁶⁸ Two even more important appointments were announced for the undersecretaries for the Army and Navy. These positions held the real mobilization responsibilities, and they went to Robert Patterson and James Forrestal, a Wall St. financier.

Once the 1940 election was out of the way, and with mobilization problems mounting, Roosevelt was able to turn his attention back to the mounting international crisis and to designing a new administrative set-up for

mobilization.⁶⁹ He was, however, still cautious due to the depth of continued isolationist sentiment. Isolationism would continue to haunt Roosevelt. The clearest indication of its strength would come in the summer of 1941 with the battle over the Selective Service Act. This measure would pass the House by a margin of one vote (203 to 202).

The pressures for action on the mobilization front were increasing, including the demands of an British aid program and restlessness of organized labor over the course of mobilization. And, more than \$11 billion in prime contracts had been awarded in the period from June through December 1940.⁷⁰ The letting of these contracts, combined with the influx of British orders, began to expose the weaknesses of NDAC, particularly due to the lack of central controls. Also, as had happened so many times in the past, members of Congress began to propose their own plans for centralizing authority, prompting a response from Roosevelt.⁷¹

The Office of Production Management and Office of Price Administration and Civilian Supply

The President responded by creating a new agency, the Office of Production Management (OPM) on January 7, 1941, which would concern itself solely with production problems, with the aim of increasing defense production.⁷² In the OPM, Roosevelt replicated the division of power in NDAC by assigning two directors, Knudsen, the industrialist, and Hillman, the labor leader, although Knudsen was the

spokesman for the agency. These two, along with the Secretaries of the Army and Navy were to make up an OPM Policy Council, responsible for overall policies.

Roosevelt was willing to delegate powers to OPM that would help them increase production. However, the emphasis on divided authority and reliance on voluntarism remained central problems. The OPM was divided functionally into three divisions which each operated separately from the others: the Division of Production under John Biggers, a Division of Purchases under Nelson, and a Priorities Division under Stettinius. The three divisions were organized on commodity lines up to June, 1941, meaning they were all engaged in the problems relating to any one commodity.⁷³ Such replication of agency functions and responsibilities is indicative of OPM's problems. OPM suffered from its internal divisions, and from the assignment of oversight for the civilian economy to a separate organization, the Office of Price Administration and Civilian Supply (OPACS). OPACS, headed by Leon Henderson, was created on April 11, 1941, and was to be responsible for controlling prices and overseeing the civilian economy.⁷⁴

OPM itself was granted expanded responsibilities; it was to measure military requirements and industrial capacity, coordinate government procurement, regulate production, plan for the conversion of existing industries

and stimulation of new facilities, and establish priorities for the delivery of raw materials and finished goods.⁷⁵

Roosevelt delegated to OPM his priority power under Section 2(a) of the National Defense Act of June 28, 1940, and his power to place compulsory manufacturing orders under Section 9 of the Selective Training and Service Act of 1940.

However, though its grant of authority and stated mission seemed broad, its statutory power was not much greater than that of NDAC. As the Executive Order states, OPM

does not negotiate, award, or execute contracts. Nor does it finance, build, or operate plants. All this work is done by the War and Navy Departments and other operating defense agencies.⁷⁶

OPM's responsibilities under this order were reported to the Truman Committee by William Knudsen, ostensible head of the new organization:

We took over priorities and purchases so that we are set up as what you might call an expediting agency. We make no contracts with anybody; we can't sign a contract. The contracting is purely under law invested in the Secretary of War and the Secretary of the Navy, so all we can do is engineer or act as salesmen... to find sources where you can place a certain thing.⁷⁷

And as Donald Nelson wryly commented:

I have said that OPM, with its lack of any police power, inherited all the troubles of NDAC. In some instances we were like a judge who, after listening to elaborate testimony, orders an injunction which is blithely ignored by the defendant. Such a judge would feel that he might have spent his time to better advantage picking beans or working crossword puzzles.⁷⁸

Thus, the OPM presented more bluster than any substantive development of authority. Somers notes that Roosevelt was "wary... of permitting OPM independence."⁷⁹ While Congress expanded the president's priority authority on May 31, 1941, it took Roosevelt three months to pass it on to OPM.⁸⁰ Congress also expanded the power to place compulsory orders to allow for the seizure of property for purposes of national defense, but this authority was not delegated until the creation of the War Production Board.⁸¹

OPM's limited authority also made it vulnerable to predation by competitor agencies. Existing federal agencies resisted OPM's attempts to secure control over the home front, and Roosevelt further undermined OPM's authority by establishing the precedent of delegating to a "czar" (in this case, Secretary of the Interior Harold Ickes) control over petroleum. Control over a critical part of the home front had been lopped off and given to a separate agency.⁸² But, as Somers reports, "The armed services presented a far greater problem to OPM. The War and Navy Departments were not eager to concede much power."⁸³ Military agencies retained authority over procurement and priorities, and they resisted any intrusions into what they considered, by this point, their exclusive domain.

OPM also ran into problems because of its shared responsibilities with OPACS. Disputes between these two agencies could be expected since the lines separating

military from civilian production were unclear, especially since military production was ultimately dependent upon critical civilian needs such as transportation and housing.⁸⁴ However, the tendency towards conflict due to competing jurisdictions was exacerbated because the agencies were staffed respectively by dollar-a-year men and New Dealers. These personnel differences reflected two different paths for mobilization, with growing antipathy between the two as the result. These agencies fought over the reach of each others authority, over the speed of converting civilian industries, and over how much power was needed by a civilian agency to direct mobilization.⁸⁵

Mobilization authority was divided between these two agencies in a way that maximized their ability to do battle with one another. Besides having competing jurisdictions, the OPM-OPACS institutional cleavage represented a division of production control (OPM) from price control (OPACS), with both agencies sharing authority to issue priority orders. OPM assigned priorities for essential defense production, while OPACS controlled how the remaining supply would be distributed between competing civilian demands.⁸⁶ In addition, OPACS relied upon OPM to enforce its priority orders. The result of two feuding agencies sharing responsibilities was to make "the system administratively unworkable."⁸⁷

By the middle of 1941 scarcities in critical materials (steel, aluminum, copper, etc.) had become the greatest problem facing the defense program. The military services had indiscriminately released priorities orders for access to these materials, under the mistaken assumption there was an endless supply available. Both the military and raw material processors were responsible for this attitude.* The processors, who did not want to expand their capacity anyhow, exaggerated their capacity. And, as noted above, the requirements submitted by the armed forces were relatively low, since they were based on the assumptions of a World War I-type conflict. It was becoming clear that the military's methods of handling procurement and priorities had to be reigned in. In May, 1941 Roosevelt declared an unlimited national emergency, and asked the Congress for more substantive priorities power to control the distribution of raw materials. Congress granted this request by amending the Priorities Act.⁸⁸

However, Roosevelt delayed interminably in releasing the executive order delegating the new powers, spurring even more OPM-OPACS conflict. During the summer of 1941, OPM and

* Luther Gulick reported in 1946 that "Up until December 7, 1941, in spite of tremendous proddings from the White House, the military leaders could not bring themselves to envision even remotely the extent of the prospective supply needs of a total war waged all over the world. This lack of imagination was duplicated by the industrial leaders..." (Administrative Reflections From World War II [University, Alabama: University of Alabama Press], p.46).

OPACS each sought the expanded priorities authority, exacerbating an already troubling situation. Thus, during this critical period, "the entire field of priorities procedure was one of confusion and ambiguity."⁸⁹ The executive order ended up delegating the priority power to OPM; however, OPM's victory was more apparent than real since decision making power was transferred to a new agency, the Supply Priorities and Allocations Board (SPAB).

V.O. Key, then an administrative analyst for the War Supply Administration Section, reported that the creation of SPAB did not resolve the controversies between OPM and OPACS. Rather, it "transform[ed] the problem... from an interagency problem to an intra-agency matter."⁹⁰ The old conflicts thus were replicated within this new agency, and again in the War Production Board; mobilization would continue to be driven by internally contentious relations between competitors with very different conceptions concerning the use of state power.

The Supply Priorities and Allocations Board

Civilian supply responsibilities were merged with OPM by breaking up OPACS and placing within OPM a Division of Civilian Supply (DCS). OPACS was partly reconstituted as a price control agency, the Office of Price Administration (OPA). Donald Nelson was elevated to executive director of SPAB while gaining another position in OPM as Director of

Priorities. Leon Henderson too was given mixed responsibilities in the new set-up: He was made head of the Division of Civilian Supply, while also becoming the first director of OPA, and by virtue of this a seat on SPAB too.

Many commentators have noted the confusion caused by this reorganization.⁹¹ Nelson and Henderson both had responsibilities as members of SPAB to make decisions that OPM was to follow. Then, as members of OPM, they were to follow these directives, and act under the direction of Knudsen, who was their equal on the SPAB. Nelson relates, "As Executive Director of the new board I gave orders to OPM; as Director of Priorities I received orders from OPM."⁹² The confusion was legendary. Floyd Odlum, Director of Contract Distribution for OPM, related to Senator Truman at one point, "I haven't tried to figure out the relationship between the various agencies in Washington." And Truman responded, "I haven't found anybody who has been able to figure that out, and if you do it, you are a genius."⁹³

There was a certain logic to Roosevelt's actions, however. Besides Nelson, who was assigned directorship of SPAB, there were seven members: The four members of the OPM policy council (which ceased to function), Knudsen, Hillman, Stimson, and Knox, representing the military services, industry, and labor; Harry Hopkins, head of Lend-Lease; Henry Wallace, Vice President and chairman of the Economic

Defense Board, who became vice chairman of SPAB; and Leon Henderson, head of OPA and Director of Civilian Supply in OPM. Jesse Jones, Commerce Secretary and director of the Reconstruction Finance Corporation (RFC), would later join SPAB also. Roosevelt obviously still sought that elusive balance of competing interests, here joining together representatives of the major claimants on the nation's resources. However, the Board also represented a shift from the conservative OPM council, toward the "all-outers" position with a majority represented by Wallace, Hillman, Hopkins, and Henderson.⁹⁴ The SPAB was also important for Roosevelt since it included a majority supporting increased aid to Britain and the Soviet Union, which the military opposed as their own demands increased.

SPAB was made responsible for determining the total defense requirements of the nation - the first stab at this critical task. It was also put in charge of allocating and placing priorities on all commodities, which meant dividing scarce supply between competing claimants. Military, civilian, defense aid, lend-lease, and any other major demand was placed under their authority.⁹⁵ SPAB, however, was not an operating agency; it was a policy-making body whose decisions were to be implemented by OPM, OPA, and the military services. It was reliant on OPM staff, whose members were already engaged in, and burdened by, other important activities. Somers concludes, "the Board itself

could hardly be anything more than advisory on general policy..."⁹⁶

In spite of this shortfall, SPAB's tenure was marked by important gains. SPAB provided an opportunity for New Deal planners to finally gain a foothold within mobilization administration. Although they would never gain a central directive position (under the War Production Board they would come to reside in the Planning Committee), their activities were critical in restraining the abuses implicit to control by military and corporate elites. For the first time a central planning viewpoint was being developed, and emphasis was being placed on quick mobilization. Actually, the successes of SPAB and its planners have been attributed to the fact that the agency was not burdened by operating responsibilities.⁹⁷

SPAB did not supplant the military services's control over procurement, nor dislodge the influence of corporate advisors over implementation of mobilization policy. But it did provide a central point for the development of longer range plans; it brought together those who were anxious and determined that an overall program for mobilization be devised. The planners were free to articulate a vision for mobilization. At this point there still was no comprehensive idea of what the military might need for fighting the various scenarios for war. The military procurement offices merely contracted blindly, as they would

throughout the war, piling up orders for contingencies they had not yet planned for. Planners within the SPAB began the task of devising overall requirements for war, while also developing a way to analyze whether the U.S. economy could handle the huge demands about to be placed on it.⁹⁸ Planning for requirements and allocations of materials for the disparate needs of a wartime economy was begun, even though these efforts were, for the time, disconnected from actual operating authority.

SPAB's successes included the development of the Victory Program, an articulation of the basic production requirements - military, civilian, and allied - to defeat the Axis. It injected a healthy dose of planning into mobilization by forcing the military to increase its estimated needs, by planning how to convert from a priority-based materials distribution system to one based on allocations, by seeing the need to protect the civilian economy in the event of all-out war, by restricting the use of critical and scarce raw materials, and, by surveying metals production facilities and expanding this critical sector.⁹⁹ These accomplishments - a critical beginning if mobilization would be successful - were the result of handing policy responsibilities to a group dominated, for the first time, by "all-outers" more committed to thorough preparation, and less concerned about the consequences for private corporate interests.

The declaration of an unlimited national emergency gave Roosevelt the statutory powers and political climate to delegate greater authority for war preparation, and the creation of an agency like SPAB, dependent though it was, gave this semblance of a statist group the room to maneuver unhindered by operating responsibilities, and allowed the outlines of a responsible program to emerge.

Unfortunately, war interrupted its progress after a few short months; it never really had the time to assert itself, and an opportunity was lost. SPAB and OPM were to be replaced in January, 1942 by the War Production Board. In the end, defense period reorganizations provided minimal advantages for the development of a strong civilian authority. As Koenig reports, "There rarely was a reorganization of the agencies in the sense that some agencies were abolished and their useful functions transferred. Agencies were multiplied; they were not consolidated. The labyrinth always became more complex."¹⁰⁰

Creation of the War Production Board

The surprise attack on Pearl Harbor coalesced the forces agitating for the administrative reorganization of mobilization, spurring Roosevelt to finally assign full powers to one agency, responsive to one man. Roosevelt created new agencies and reorganized old ones under the auspices of the Office of Emergency Management in the EOP,

and under the authority granted him by the First War Powers Act of December 18, 1941.¹⁰¹ Roosevelt chose Donald Nelson to head the new War Production Board, and allowed him to define his authority by writing the executive order.¹⁰² As written, the executive order of January 16, 1942 assigns enormous powers to "exercise general direction over the war procurement and production program."¹⁰³ Nelson had authoritative final authority over the actions of the WPB, which was initially staffed by the same personnel as the SPAB.¹⁰⁴ SPAB and, within a few weeks OPM, were abolished, their functions going to the WPB and Nelson.

Finally there was concentrated power in one agency, at the direction of a single administrator. However, in what has been described as an "almost impossible task",¹⁰⁵ Nelson, constrained by the already existing distribution of authority, was pressured to delegate much of his authority to the military. Thus, the pre-war barriers to effective action limited the alternatives for administrative development once war was underway.

Much of the burden for Nelson's delegations of authority has been placed on his shoulders. He was described as a master conciliator, who sought ground for compromise between the disparate interests engaged in defining mobilization policy.¹⁰⁶ Yet this very virtue made him slow to act when quick decisions were needed, resulting in lost powers and implicitly encouraging predatory actions

by bureaucratic competitors. As the official WPB history reports, "Nelson was not aggressive about his jurisdiction and his powers."¹⁰⁷

Someone other than Nelson may have been able to do more, but he was chosen because of his propensity to find compromises between the intensely differing visions of what mobilization should entail. He was not an industrialist, and was acceptable to labor, industry, and to Congress.¹⁰⁸ Also, Nelson was constrained by the pre-war accumulation of authority, and by the expectations of major corporations and the military. As the WPB history concludes, "His [Nelson's] authority was not fully exercised...over production and procurement, for that would have required his shouldering aside powerful agencies and officials already well entrenched and well staffed."¹⁰⁹ Since there were no developed alternatives available by January, 1942, Nelson had little choice but to submit to the military's de facto control. He was reliant on other agencies besides the WPB for execution of his powers,¹¹⁰ and this magnified his weaknesses as an administrator.

Although Nelson received full authority over the war program, his first acts were to delegate important authorities to other agencies. The WPB history explains that in fact Nelson was not supposed to exercise all mobilization authority: "the WPB Chairman's authority was only over production and procurement, not over all phases of

mobilization of the economy."¹¹¹ However, "even in this restricted area, the WPB Chairman shortly lost to autonomous or semi-autonomous units the bulk of his authority over manpower, food, smaller war plants, and rubber."¹¹² Nelson began by delegating his authority over rationing to the OPA.¹¹³

His more important delegation, however, involved leaving procurement authority with the military services. He justified this decision as necessitated by time constraints on setting up a new purchasing organization, the conflict of interest criticisms expected to accompany bringing in hordes of dollar-a-year men as purchasing experts, and the natural connection between procurement and the specific, and ever changing, needs of the armed services.¹¹⁴ Thus, since the military services had ongoing procurement operations and the legitimacy for handling this responsibility, Nelson agreed to leave procurement with them. Nelson believed that the ends of civilian control of military procurement could be attained through alternative mechanisms such as the placement of WPB personnel in the Army and Navy procurement offices.

Nelson thought he could exercise effective oversight of military procurement by placing his hand-picked assistants in the responsible military agencies to oversee their operations.¹¹⁵ Although Nelson thought this constituted adequate oversight, he had in fact given up administrative

control, and his assistants were quickly assimilated into the military agencies they were supposed to oversee. Of Nelson's attempt to infiltrate the services, the history of WPB reports, "Nelson was still trying to control procurement in a situation in which his top deputies in the procurement agencies were vested with the authority but did not retain their WPB identity."¹¹⁶ And W.L. Batt reported that "As soon as they got into uniform, there was no question as to where their [Nelson's deputies] allegiance had to go."¹¹⁷

Nelson's delegation of procurement powers to the military, however necessary, made civilian coordination of mobilization increasingly unlikely. Military control of procurement resulted in military intervention in other phases of mobilization. Procurement authority, by its nature, included oversight of other connected responsibilities. As Somers reports, "For one reason or another the military establishments were thus involved in every facet of the home front war program."¹¹⁸ And Bruce Catton, an assistant to Nelson, charged that, "The War Department, retaining the power to buy the munitions it needed, promptly translated that power into an assertion, endlessly repeated, of the right to say how the munitions should be produced and how the civilian economy should be operated..."¹¹⁹

Resistance to Civilian Mobilization Authority

Mobilization for war is a good test case for analyzing the nature of the restraints on state building in the United States. War provides an opportunity for expanding state administrative capacities at a point when the state should be most autonomous, and with the greatest claim to societal deference. However, even when faced with war, U.S. state actors, themselves divided, were forced to proceed cautiously and deferentially when it came to making demands upon private industry. Thus, successful buildup of administrative mechanisms depends heavily on whether or not societal elites perceive the expansions as hostile or not.

The building of civilian agencies with independent authority was resisted because of an expressed fear of independent and unresponsive power. As noted above, Amenta and Skocpol argue that pre-existing government administrative capacity was not up to the demands of mobilization, thus reliance on temporary agencies, corporate personnel, and the military services was necessary. This would have to assume, though, that effective administration could not have developed before the onset of war. Since the pre-war period was defined by a continual battle over the extent of civilian authority, it is at least possible that a different type of mobilization could have occurred, affording greater civilian authority. Amenta and Skocpol, however, characterize domination by the military services

and corporate personnel as the natural result of deficient civilian-state administrative mechanisms. This would be true only if we exclude the possible alternatives that were resisted by both military and corporate representatives. Ad hoc civilian structures with limited authority were relied upon not simply because there was no other alternative, but due to the hostility to this alternative by state and societal actors who relied on their institutional advantages and took advantage of an ambiguous situation.

The reliance on divided and weak civilian agencies reinforced a dependency on corporate and military officials. Though ultimately the responsibility for this situation was Roosevelt's, there is plenty of evidence to indicate resistance to expansions of authority by those in charge of the pre-war agencies. This resistance was articulated as opposition to dictatorial or non-democratic methods being utilized to regiment American industry and society. The issue was framed as voluntarism over compulsion. However, as one observer notes, a key issue was the extent to which mobilization would "begin a program of national economic planning that might limit the profit potential or curb the autonomy of corporate enterprise."¹²⁰

The OPM, as did the NDAC, remained advisory and subordinate to the military services. Secretary of War Stimson, commenting on the role of OPM, echoed the skeptical business sentiment from the WRB report. Here he answers

Senator Brewster's queries about whether more concentration of authority is needed:

I do not say that a time might now come under the spur of war where the functions might have to be concentrated further for the purpose of increased speed, but that is always a matter of very great caution in democratic government in taking such a step. ...the whole purpose of the operation of that body [OPM] has been to avoid rigidity and formalism...

That is why I say that I don't see just at present yet the need for any concentration [of authority] in a sole head...¹²¹

Just as the business representatives of the WRB decried the creation of unresponsive bureaucratic structures, Stimson worried about creating "rigidity and formalism." Yet the need for more authority was becoming critical. Philip Reed, a dollar-a-year man with OPM's Materials Division, answered Senate charges that OPM was falling down on the job:

You recognize the limitations on OPM's authority to act, don't you? ...We have no way by which we authoritatively can increase the supply [of lead, in this case]... except by encouragement, managing, persuasion... OPM has no authority over industry; it has nothing it can do to industry to command them to do this or to do that.¹²²

The obvious solution would have been to enhance civilian authority, and interested congressional observers promoted just that idea. The Senate Small Business Committee under James Murray struggled with the situation in these terms:

further study made it plain that a change in administrative personnel in [OPM] would not alone

provide the answer to our problems. There have been fundamental weaknesses in the whole organizational set-up. Too many disjointed agencies have been trying to handle different parts of the same program... In effect, we observe, the Division of Contract Distribution [designed to spread war work to small business] was an advisory agent to an advisory agent [OPM] to procurement divisions which were independent and showed little willingness to accept advise.¹²³

The Murray Committee and others (Senator Truman's and Representative Tolan's, for example) were well aware that basic problems resided in the character of the administrative agencies. Civilian agencies were administratively weak and dependent on (or reactive to) military agencies, who themselves were dependent on the largest corporations. In order to achieve independent authority over industry there was a need to first overcome the independent authority of the military procurers.

The remedy, which the Murray committee put forth in a bill, was the proposed creation of a superbody called the War Mobilization Board, with the authority and independence to pursue policies independent of military incompetence and corporate intransigence. Senate pressure for changing the ground rules of mobilization combined with the attack on Pearl Harbor to instigate Roosevelt's creation of the War Production Board. But, as we have seen, this agency's authority was surrendered to the same forces the Senate blamed for past failures. It remains somewhat speculative whether an independent state authority could have been developed. It was not, however, a concept made impossible

by any pre-existing administrative weaknesses. Rather, military and corporate resistance to the idea stymied it's realization.

Military spokesmen, such as Under Secretary of the Army, Robert Patterson, repeatedly testified that the military services were more than adequately handling their mobilization responsibilities, and so there was little need for increased civilian authority. In the following exchange, Senator Brewster of the Truman Committee questioned Patterson about the inadequacy of the OPM set-up and the need for more authority:

Senator Brewster. Would you indicate whether or not since the hearings began (you discussed at that time the matter of the industrial mobilization plan) you still feel that we may now prudently continue without putting that into effect?

Mr. Patterson. I didn't catch that.

Senator Brewster. Do you still feel that we may now, in view of what has been recognized as the full emergency, proceed without putting our industrial mobilization plan of the War Department into effect?

Mr. Patterson. You mean the War Resources Administration? [the name given to the top mobilization agency by the military in their IMP]

Senator Brewster. Yes

Mr. Patterson. We have practically the equivalent of that. It has a somewhat different set-up. It hasn't got full powers...

Senator Brewster. ... Why is it that the War Department is now, with the crisis on us, departing from the studies of 20 years? Why is it?

Mr. Patterson. I don't think they are, in any major feature.¹²⁴

Patterson, chosen to be the civilian voice in Army procurement, was a life-long officer in the Army reserve. Donald Riddle, in his study of the Truman Committee describes Patterson in the following way: "Absolutely selfless in his devotion to the national interest as he saw it, he tended to identify this interest with the Army's interest. ...Patterson became an advocate of the Army right or wrong..."¹²⁵ Any increase, or enhancement, of the civilian authority of OPM would obviously interfere with, or supplant, the military's role in mobilization. Patterson's defense of military control is understandable in this context.

Why the OPM itself did not push for enhanced authority is another issue, though related. Part of this question can be answered by noting the military's representation within OPM; Stimson and Knox, Secretary's of War and Navy, represented two out of the four votes on the OPM Council. Though civilian heads of their respective departments, Stimson and Knox brought a decidedly military viewpoint to these issues. Koistinen adds to Riddle's comments above by noting that they, and their immediate subordinates, Patterson and Forrestal, "did not serve to bring a civilian point of view into the Army and Navy, but rather served as agents either for protecting their department from the control of civilian agencies or extending the influence of their department's over civilian administrations."¹²⁶

The other two top members of OPM, Knudsen and Hillman, both supported a voluntaristic route for mobilization. Knudsen, as a corporate man with definite views concerning the extent and limitations of government authority, did not want any New Deal-type of interference over industry. Therefore the powers of compulsion needed to be kept at a minimum. And Hillman, responding to increasing demands for a labor draft and/or restrictions on recently won bargaining rights, also emphasized a voluntaristic approach. As Hillman testified to the Truman Committee, "In all our activities, whether in training... or in dealing with industrial relations, we have adhered strictly to a course of voluntary cooperation and sympathetic teamwork. No compulsion has been practiced; no regimen ... applied."¹²⁷

In many ways, Hillman, and labor in general, was forced on the defensive after years of aggressive and successful organizing battles in which they had been able to rely on political recognition, more or less, of the legitimacy of their struggles. At the minimum, the state was much less hostile to organized labor during the 1930's than it had been. Hillman's willingness, by this point, to rely on voluntarism was a defensive posture made necessary by an increasingly hostile political environment, which very quickly could result in a punitive government policy toward labor. Philip Murray, President of the CIO, told his Executive Board in March 1942:

I have told the President of the United States - and I am going to tell this Board the same as I told him - that I am positively opposed to the formalizing of any national policy designed to definitely freeze wages, or union security, or that will render inoperative the processes of true collective bargaining... I think the minute that labor moves towards the formalization of national labor policies designed to effectuate controls that labor will initiate regimentation in America; it will be solely responsible for policies which might very well mean either its immediate or eventual destruction...¹²⁸

Thus, organized labor, a natural ally to New Dealers, and friendly to increased regulation as a means of enforcing fairer bargaining relations between themselves and industry, feared growing regimentation in the changing political climate.

But as important, corporate and military representatives had institutional advantages that were extremely difficult for New Dealers to overcome. Precious time was lost in attempting to make the OPM structure adapt to the demands placed upon it. But, in an important sense, this structure was never intended to resolve the basic mobilization problems, since this would have meant confronting the entrenched prerogatives of corporations and wrenching responsibilities away from the military. In lieu of this, the U.S. entered the war with a patchwork of relatively ineffective military and civilian-state authorities, both reliant on the voluntary cooperation of the largest corporations.

The Truman Committee recognized what was going on. In a Committee report responding to the early difficulties encountered in the mobilization effort they lay blame on the inability of OPM officials to exploit the situation whether by utilizing fully the authority they had or in demanding more. The Committee reported:

Apologists for the Office of Production Management have stressed the lack of authority on its part to require the other agencies of government with whom it must deal to follow through on its decisions. ...

But, fundamentally, the disappointing record of the [OPM] is not so much due to its lack of power as to its failure to perform the functions for which it was created. ...

The [OPM] was properly given a very great amount of freedom to determine its own organization and the interrelations between the various departments and divisions of that organization. This freedom ... carried with it a corresponding duty on the part of the responsible heads of the [OPM] to see to it that an efficient, workable organization was created. If the powers given to them were not sufficient to accomplish that end, they had a plain duty not only to call attention to the lack of power but themselves to present a carefully prepared request for the Executive orders or legislation which they needed...

In those instances where it has failed, the failure has not been due so much to the lack of power as to the ineptness of the officials of the [OPM] and their unwillingness to use the weapon which they had. ...

Instead of doing this, the usual procedure was to refrain from raising the issue and to avoid responsibility by claiming lack of authority...¹²⁹

The experience of World War I and interwar planning provided sufficient guidance for the administrative solution needed, but the partnership of military and corporate

resistance both inside and outside of OPM limited that institution's ability to meet the demands of mobilization in a coherent manner. The reformist phase of the New Deal had ushered in a more interventionist version of state power and disrupted the military's interwar planning for military-corporate partnership during wartime. Both the military and corporations sought to achieve their goals anyway, by retaining in their respective institutions the authority and control over mobilization. They resisted concentration of authority since this represented a vehicle for a different type of mobilization program.

Chapter Three
Endnotes

1. See especially Robert Dallek, Franklin D. Roosevelt and American Foreign Policy, 1932-1945 (NY: Oxford University Press, 1981).

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3. David Eakins, "The Development of Corporate Liberal Policy Research in the United States, 1885-1965" (Unpublished PhD Dissertation: University of Wisconsin, 1966); and, William Steinert Hill Jr., "The Business Community and National Defense: Corporate Leaders and the Military, 1943-1950" (Unpublished PhD Dissertation: Stanford University, 1980).

4. Brinkley, op cit, p.86.

5. U.S. Congress, House, Special Committee Investigating National Defense Migration, Final Report, 77th Congress, 2nd Session, (Washington: 1943), p.17.

6. U.S. Congress, Senate, Special Committee Investigating the National Defense Program (hereafter, Truman Committee), Hearings, Part 6, 77th Congress, 2nd Session, (Washington: 1941), p.1516.

7. David Brody, "The New Deal and World War II", in John Braeman, Robert H. Bremner, and David Brody, editors, The New Deal: The National Level (Columbus, Ohio: Ohio University Press, 1975), p.268.

8. Bruce Catton, The War Lords of Washington (NY: Harcourt, Brace, and Company, 1948), pp.121-2.

9. See Patterson's testimony in Truman Committee, Hearings, Part 1, 77th Congress, 1st session, (Washington, 1941), pp.20-38, 60-86; and Part 16, 77th Congress, 2nd Session, (Washington, 1942), pp.6676-91.

10. See Donald H. Riddle, The Truman Committee (NJ: Rutgers University Press, 1964); and, Hooks, op cit.

11. Brinkley, op cit; see also Lekachman, op cit.

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13. Many commentators have noted this propensity of Roosevelt's. In relation to defense mobilization see Herman Somers, Presidential Agency (Cambridge: Harvard University Press, 1950), pp. 1-10; Eliot Janeway, The Struggle for Survival: A Chronicle of Economic Mobilization in World War II (New Haven: Yale University Press, 1951), pp.51-2; United States Civilian Production Administration (hereafter USCPA), Industrial Mobilization for War, Volume 1, Program and Administration (Washington: Government Printing Office, 1947), pp.9-10.

14. See *ibid*; also, James MacGregor Burns, The Lion and the Fox (NY: Harcourt, Brace, & World, Inc, 1956), pp.372-75).

15. See for example, Dallek, p.227; also, Mark Skinner Watson, Chief of Staff: Prewar Plans and Preparations, U.S. Department of the Army, Office of the Chief of Military History (Washington: Government Printing Office, 1950), pp.164-66.

16. Janeway, pp.193-4.

17. Paul A.C. Koistinen, "The Hammer and the Sword: Labor, the Military, and Industrial Mobilization, 1920-1945" (Unpublished PhD Dissertation: University of California, Berkeley, 1964), p.560.

18. William Leuchtenberg, FDR and the New Deal (New York: Harper and Row, 1963), pp.95-117; see also Alan Brinkley, Voices of Protest: Huey Long, Father Coughlin, and the Great Depression (New York: Vintage Books, 1983).

19. See Paul Conkin, The New Deal, Second Edition (Arlington Heights, Illinois: Harlan Davidson, Inc., 1975), pp.9-12; Burns, pp.284-88.

20. Edwin Amenta and Theda Skocpol, "Redefining the New Deal: World War II and the Development of Social Provision in the United States" in Margaret Weir, Ann Shola Orloff, and Theda Skocpol, eds., The Politics of Social Policy in the United States (NJ: Princeton University Press, 1988), p.111-112.

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22. see USCPA, pp.75-6.

23. Bruce Catton, The War Lords of Washington (NY: Harcourt, Brace, and Company, 1948), pp.29-30.

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26. USCPA, p.40.

27. See Dallek, for example.

28. See Charles Tilly, The Formation of the National States in Western Europe (Princeton, NJ: Princeton University Press, 1975); Theda Skocpol, States and Social Revolution (London: Cambridge University Press, 1979); Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," in Thomas Ferguson and Joel Rogers, eds., The Political Economy (Armonk, NY: M.E.Sharpe).

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31. Paul A.C. Koistinen, The Military-Industrial Complex: A Historical Perspective (New York: Praeger, 1980), pp.57; see also, R. Elberton Smith, The Army and Economic Mobilization (Washington: U.S. Department of the Army, Office of the Chief of Military History, 1959).

32. See USCPA: 1947, pp.3-11; see also, Koistinen: 1964, 1980.

33. See Memorandum, "Relations Between the Armed Services and the National Defense Advisory Committee", from James Fesler, Chief of the Policy Analysis and Records Branch, to G. Lyle Belsley, WPB Executive Secretary, November 5, 1943, James Fesler Papers, Yale University, Box 1.

34. See David Vogel, "Why Businessmen Distrust Their State: The Political Consciousness of American Corporate Executives," British Journal of Political Science, Vol. 8 (1978), for portrayal of corporate executives's hostility to growing state authority because of the New Deal.

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39. see Ibid; also, Millis, p.53.

40. Somers, p.6.

41. See Janeway, op cit.

42. Quoted in James McAleer, Dollar-A-Year and Without Compensation Personnel Policies of the War Production Board and Predecessor Agencies, August 1939 to November 1945, U.S. Civilian Production Administration Special Study No.27 (Washington: Government Printing Office, 1947), p.3.

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44. WRB quote in USCPA, p.11.

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46. Janeway, p.79; McConnell, p.256.

47. Quoted in USCPA, p.11, emphasis added.

48. Military Appropriations Act of August 29, 1916 - 39 Stat. 649.

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51. Harold L. Ickes, The Secret Diary of Harold Ickes. Volume III: The Lowering Clouds, 1939-1941 (New York: Simon and Schuster, 1955), p.194; Louis William Koenig, The Presidency and The Crisis (New York: King's Crown Press, 1944), p.84; Janeway, p.117.

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62. USCPA, p.20.

63. See Chapter Four.

64. See Koistinen: 1964, p.564.

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67. Arthur M. Schlesinger, The Coming of the New Deal (Boston: Houghton Mifflin Company, 1958), pp.107-110.

68. See Brownlow: 1958, pp.433-55; Janeway, p.125-45.

69. See Dallek, pp.256-8.

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71. Koenig: 1944, pp.86-7.

72. Executive Order No.8629.

73. USCPA, p.98.

74. Executive Order No.8734; see USCPA, pp.102-3.

75. Executive Order No.8629, reprinted in Truman Committee. Hearings, 77th Congress, 1st Session, Part I, (Washington, D.C., 1941), pp.374-383; see also USCPA, pp.95-6.

76. See *ibid.*

77. Truman Committee, Hearings, Part 1, 77th Congress, 1st Session, (Washington, D.C., 1941), p.104.

78. Nelson, *op cit*, p.124.

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80. 55 Stat.236.

81. 55 Stat.740; USCPA, p.96.

82. See Truman Committee, Third Annual Report, 78th Congress, 2nd Session, Report 10, Part 16, (Washington, D.C., March 4, 1944) p.10; also, Somers, p.16.

83. Somers, p.16; see also, Truman Committee, *ibid*, pp.2-10.

84. USCPA, p.103.

85. See Nelson, pp.125-7.

86. U.S. Bureau of the Budget, p.74.

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89. Drummond Jones, The Role of the Office of Civilian Requirements in the Office of Production Management and the War Production Board, January 1941 to November 1945, U.S. Civilian Production Administration Special Study No.20, (Washington: Government Printing Office, 1946), p.25.

90. Quoted in Jones, p.36.

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92. Nelson, p.159.

93. Truman Committee, Hearings, 77th Congress, 2nd Session, Part 8, (Washington, D.C., 1941), p.2457.

94. USCPA, p.110; Koistinen, 1964, p.626.

95. Ibid; Nelson, p.156.

96. Somers, p.21.

97. Somers, p.22; USCPA, p.110-11; U.S. Bureau of Budget, p.79; John Brigante, The Feasibility Dispute (Washington: Committee on Public Administration Cases, 1950), pp.12-13.

98. See Brigante: 1950 for the most comprehensive overview of the planner's activities.

99. Koistinen, 1964, p.628.

100. Koenig, p.96.

101. See U.S. Bureau of Budget, pp.104-5.

102. See Nelson, p.196.

103. Section 1, E.O.9040, quoted in USCPA, p.208.

104. USCPA, p.207.

105. Riddle, p.69.

106. USCPA, pp.209-12.

107. USCPA, p.211.

108. USCPA, p.581.

109. USCPA, p.972.

110. See Riddle, p.68.

111. USCPA, p.972.

112. Ibid.

113. Somers, p.27.

114. Nelson, pp.199-201.

115. See USCPA, pp.522-525; Nelson, pp.369-371.

116. USCPA, p.524-5.

117. Minutes of Policy Analysis and Records Branch Staff Meeting, May, 4, 1945, p.4; copy in James Fesler Papers, Box 2, Yale University.

118. Somers, p.110.

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120. Nelson Lichtenstein, Labor's War At Home: The CIO in World War II (New York: Cambridge University Press, 1982), p.39.

121. Truman Committee, Hearings. 77th Congress, 1st Session, Part 1, (Washington, D.C., 1941), p.37-38.

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123. Senate Special Committee to Study the Problems of American Small Business, Additional Report, Senate Report No.479, Part 2. 77th Congress, 2d session, (Washington, D.C., 1942), p.9.

124. Truman Committee, Hearings, 77th Congress, 1st Session, Part 3, (Washington, D.C., 1941), p.1398.

125. Riddle, p.157.

126. Koistinen: 1964, pp.557-8.

127. Truman Committee, Hearings, 77th Congress, 1st Session, Part 1, (Washington, D.C., 1941), p.126.

128. Quoted in Koistinen, 1964 p.165-6.

129. Truman Committee, Additional Report, 77th Congress, 2nd Session, Senate Report No.480, Part 5, (Washington, D.C., 1942), pp.6-7, emphasis added.

Chapter Four
The Defense Period, Part II:
The Evolution of Military Authority

Introduction

In this chapter I examine the evolution of military agencies¹ from the defense period to the early war years. I argue that military assertiveness, in combination with the weaknesses of civilian authority, skewed the state building of the war years. Since civilian authority remained weak and divided through this period, the military's domestic mobilization agencies began to exercise important mobilization authority themselves. I have examined Roosevelt's reasons for keeping civilian-state institutions limited during the pre-war period. The military's earlier claim to important powers, and the weakness, division, and limited authority of their civilian counterparts, propelled the military agencies into a central operating role in the war. With mobilization authority so constituted, it was inevitable that wartime state-building would result in permanent gains for military bureaucracies.

This would seem to fulfill a state-centered prediction that pre-existing bureaucratic strength greatly influences the direction of state building. However, this was not a process in which prior bureaucratic strength was determining. First, this formula disregards external

factors that impinge upon state building. Roosevelt's temporizing was, in great part, due to corporate resistance. And corporate representatives preferred military control to that of New Dealers. Civilian state authority was hamstrung by Roosevelt's indecision, and by military and corporate resistance.

I will also demonstrate that military preparedness was deficient. It was not their superior administrative talents that led to bureaucratic successes of the war years. Rather, their ascendancy was partly a by-product of Roosevelt's indecision and corporate hostility towards New Dealer control, as well as a conscious, although not conspiratorial, alliance between military and corporate representatives.

Interwar planning had enhanced the military's understanding of mobilization. The Army and Navy developed administrative mechanisms to facilitate both their internal relations and their relations with industry. World War I had exposed the military's anachronistic administration of procurement, which had almost wrecked the economy. As far as the military services were concerned their procurement agencies were more coordinated, and had established relations with an important network of industries. And, plans had been devised for sharing responsibilities with civilian agencies. However the changes were illusory; the

incompetence and bureaucratic rigidity of the military services would reemerge in World War II.

The military, as it had in World War I, began to exercise its procurement authority in ways disruptive to the civilian economy, and threatening to the ongoing production of war materiel. They stacked up contracts in the largest firms, who often stalled production until new plants were built to separately house this work; these firms wanted little interference in their now booming civilian production. Military agencies distributed priority claims for increasingly scarce raw materials and components in a similarly irresponsible manner, and resisted civilian oversight designed to rectify their ineptitude.

Although interwar military planning had assumed that a civilian superagency would quickly emerge to which the military would turn over its built-up capacities, this did not occur. The military services were utilized by Roosevelt as a way of proceeding with mobilization without having to build up strong new institutions, or rely on controversial New Deal agencies. Although this was an opportunistic path for Roosevelt necessitated due to isolationist and corporate constraints on his autonomy, the military services came to think of themselves as the legitimate holders of central mobilization powers.²

Because Roosevelt patched together a civilian mobilization effort with either too little or crossed lines

of authority and with contending actors, military agencies acquired greater authority by default. Roosevelt never allowed early civilian agencies to develop directive authority. Instead, their mission was to be advisory to ongoing military programs. Thus, instead of civilian stewardship, the opposite began to occur: the military services asserted their independent control of important mobilization powers. Seemingly, the services' interest in accelerating the production of military hardware should have led them to cooperate with the New Dealers and planners in the early civilian agencies. However, their disposition and interwar connections led them instead to rely on, and implicitly support, corporate advisors.³

Civilian Abdication, Military Assertiveness, Or What?

Because of their interwar planning, the military had what it thought was a coherent program and a central agency to assume responsibilities for mobilization. The Army-Navy Munitions Board (ANMB) was, in fact, the first economic mobilization agency. The fact that Roosevelt placed it under his direct authority in 1939 attests to its importance.⁴

Rather than performing advisory functions to civilian institutions and keeping to their narrow function of coordinating military procurement, military personnel found themselves in policy areas normally reserved for civilians.

World War I had exposed the new face of war in which warfare involved the entire panoply of a society's resources, and thus involved the state in all aspects of society. However, planning for the contingency of war was, shortsightedly, placed on military shoulders alone. Military planning expanded from concerns about field tactics to matters of economic expansion. As Huntington explains:

This was due primarily to the lack of interest in the nonmilitary aspects of war by the civilian branches of the government, and the absence of civilian institutions equipped to perform these functions. As a result, the War Department assumed the job of mobilization planning. The civilians imposed a civilian war function on a military agency. In this sense, the national mobilization planning of the War Department in the thirties was a forerunner of the vast abdication of function which was to take place during and after World War II.⁵

It is interesting that despite Huntington's focus on the expansion of military and prestige during the war - "The power of the professional military leaders reached unprecedented heights in World War II" - he is careful to point out that even this power is overshadowed by societal influence: "powerful civilian interest groups rivaled the military."⁶

Huntington goes too far, however, when he concludes: "When war came, the American military did not reach out after power...Instead, power was unavoidably thrust upon them. They were given no choice but to accept it."⁷ My review of the military's relationship to civilian agencies challenges the view of a reluctant military ascendancy

during the war. Huntington is correct to understand that military assertiveness resulted from the weakness of the civilian-state alternative. But the weakness of this alternative itself needs to be explained, and military aggressiveness must be recognized. The military tenaciously fought extensions of civilian authority that competed with their own, even when they exercised their authority irresponsibly. These two characteristics of military mobilization authority - aggressiveness and incompetence - can be demonstrated through examination of their exercise of the priorities authority.

Large-scale military procurement began in June, 1940 with the adoption of the Munitions Program, which was instigated by the fall of France. This began the enormous expansions which ultimately resulted in a "gigantic organization" with about two million civilian employees, "the largest of all U.S. governmental agencies and greater in size than the entire federal government at any time in all its previous peacetime history."⁸ Although the National Defense Advisory Committee had been formed at this point, it was military agencies - the ANMB, the independent procurement bureaus, and the Office of the Assistant Secretary of War - that had stewardship over the expanding procurement programs. The NDAC, as noted, was created as a weak and divided agency. On the other hand, the ANMB, as part of the larger effort involving the Office of the

Assistant Secretary of War, expanded its existing operations, and prepared to coordinate all military procurement and to exercise priorities control, the heart of any governmental economic control.

The military's interwar planning responsibilities did not lead functionally to civilian abdication. It had been Roosevelt's indecision in the face of corporate resistance that prevented the emergence of definitive civilian authority. And increases of military control over mobilization followed from this weaknesses in civilian authority. Robert Connery, historian of Navy mobilization, points out that the military's top mobilization agency, the ANMB, was not superseded by NDAC, or even placed under its authority. Because of this, ANMB officials came to view the Advisory Commission as, indeed, merely advisory to them.⁹ This spurred military officials to seek a greater role in mobilization than called for by interwar planning. The historian of Army mobilization echoes Connery's assessment, and notes the consequences:

the Army and Navy moved in to fill the vacuum left by the absence of decisive action on various issues and went ahead with specific programs without waiting for the formal approval which NDAC often felt should have been obtained in advance of action.¹⁰

This does not sound as though, in Huntington's terms, "power was unavoidably thrust upon [the military]." Rather, because of Roosevelt's indecision, the services came to view themselves as the legitimate holders of important

mobilization powers. And they moved to aggressively resist attempts by civilians, essentially New Dealers, within the state to control their activities.

Military procurement had a long tradition, but even this supposed reserve of military prerogative was supposed to come under the purview of a civilian agency - the Army and Navy decide what they would need, and civilian agencies would coordinate production and contract placement to see that these needs were filled with the least disruption to the civilian economy. However, the military rejected this scenario and resisted all attempts to interfere with their authority. For example, Donald Nelson, a purchasing expert from his days at Sears, Roebuck, observed how military purchasing violated all standard business practices and tried to help out. The army accepted his advice but would not tolerate any formalization of this relationship. Fortune reported in 1941 that Nelson prepared a formal memorandum outlining a plan to reorganize army procurement: "The next Nelson heard of it was a letter from Biggers [Director, OPM Production Division], informing him that the army did not like his scheme, that it was rejected, and that his advisory powers on purchasing would be somewhat curtailed henceforth."¹¹

The military extended its reach by expanding its traditional authority over procurement to include the granting of priorities (by which the government stipulates

the priority of goods to be produced, and the ratio of military goods to civilian goods). World War I had shown the priorities power to be critical for central coordination of the economy.¹² The services grasped this authority for themselves, as an adjunct to their procurement responsibilities, and refused to give it up. The ANMB hurriedly created a Priorities Committee before Roosevelt even had the authority granted to him by Congress.¹³ And they developed a policy directive to govern their distribution of priorities, claiming responsibility for military-related priorities. A wartime memo confirms the extent to which the military unilaterally asserted expanded authority over priorities:

The statement of functions [for a military Priorities Committee] clearly established an autonomous area within which the ANMB and the Services could determine: (a) relative military (i.e., strategic) priorities of procurement items; (b) relative industrial priority ratings...; (c) the system of applying priorities to actual production orders; and (d) the resolution of inter-Service conflicts over industrial priorities... ANMB was prepared to exercise the maximum powers that might come its way as a result of Congressional or Presidential favor or Advisory Commission weakness.¹⁴

The effect of this action was clear: "This move anticipated the apparatus the Defense Commission was bound to create to do the same job; and therefore, it put the civilian administrators in the position of being interlopers the moment they tried to meet their obvious responsibilities."¹⁵ For the time, however, Roosevelt kept the priority powers to himself. The situation did not yet

call for priorities, which would have raised problems for the President because of isolationist sentiment.

Because priorities authority remained undelegated the NDAC did not bother to challenge the ANMB's actions. Rather, an ad hoc and voluntary relationship dividing priorities authority between the ANMB and NDAC was developed that sufficed for a few months. By October, 1940, however, the first crisis due to insufficient industrial capacity occurred in the aircraft industry, exposing the growing need for priorities control. Both the Army and Navy, along with the NDAC, now sought this power from the president, who delegated it to a NDAC Priorities Board headed by Nelson later that month.¹⁶ Even a de facto grant of authority to the civilian NDAC did not discourage the military from pressing their claim however. Struggles between the military and Nelson remained until a White House sponsored compromise was reached which effectively left the Army and Navy the power to set their own priorities.¹⁷

This pattern of military aggressiveness continued after OPM was created. Since the services thought the days of ANMB might be numbered with OPM around, they sought and received membership on the civilian Priorities Board, which had been transferred from NDAC to OPM's Priority Division.¹⁸ Military representatives were able to obtain substantial representation within civilian agencies throughout the war, without having to reciprocate to the

same extent. OPM lacked the personnel, however, to administer a priorities program, resulting in an expansion of military influence over priorities: "The inadequacy of the OPM staff, and its complete lack of a field organization, were the primary reasons why so much of the priorities power was thus surrendered to the Armed Services."¹⁹ Again, weaknesses of civilian-state institutions led to surrender of critical authorities to military personnel. One OPM official described the resulting military independence over priorities to Senator Mead of the Truman Committee:

Senator Mead: Isn't it Mr. Stettinius [Director of Priorities] who issues the priorities when new machines and new equipment are needed?

Mr. Biggers [Director, OPM Production Division]: Yes, but the military authorities, through the Army and Navy Munitions Board..., determine the ratings of all military items and machine tools. ...The relative urgency of different items is determined by the military.

Senator Mead: So that in all cases Mr. Stettinius doesn't have the say insofar as priorities are concerned.

Mr. Biggers: I would say that on military items the determination of precedence and urgency is... by the military. He [Stettinius] issues priorities in accordance with that determination.²⁰

And, with military orders increasing dramatically, the determination of priorities for military goods gave the services great de facto authority. Since priorities were utilized primarily to give preference to military orders (versus civilian orders), in effect the military now had

power to influence the entire civilian economy, from end products to raw materials.²¹ However, the services's success in retaining priority authority was not merely a matter of administration and staff advantages, since the military themselves did not have the staff and organization to rationally handle priorities.

The military services had no plan for distributing priority claims, especially in the face of increasing scarcities. They exercised the priorities power with brutal inefficiency, creating a chaotic situation reminiscent of World War I.²² The services flooded the economy with priority orders without restraint (up to 25,000 a week), quickly negating any controlling effect these orders might have had.²³ With so many priority claims outstanding, they became little more than an invitation to scour the markets for scarce materials, and then to hoard whatever could be found. Their value as a guarantee to access scarce materials was lost. And because priorities went to those with defense contracts - contracts that were quickly becoming concentrated in the largest firms - it led to a slow death for smaller firms unable to get materials and machine tools. The military's abuse of this power also interfered with civilian production critical to defense needs.

The military's disastrous use of priorities was exacerbated by the reliance on the largest producers in

procurement of war materiel. Under Secretary of War Patterson explained to the Truman Committee why this reliance was necessary:

I realize that to many it seems of great importance that the expenditure of funds for our military effort should be distributed widely over the country and that small manufacturers, as well as large, should be given a chance to share in the program. But the prime need has been to acquire the necessary equipment as speedily as possible where it could be obtained.²⁴

For the services, the easiest method of procurement was simply to turn over big ticket military items to the largest producers. This contractual reliance solidified the tie between the services and the largest producers, and, as noted, actually slowed the nation's preparation for war. Military resistance to expanding civilian authority increased the need to rely on the voluntary efforts of private corporations. Yet, industry advisory committees were busy providing optimistic surveys of industry production capacities, slowing the imposition of priorities. Industry representatives, believing if war came it would be of short duration, had faith in their optimistic surveys. But their myopia was reinforced by an intense antipathy to increasing government controls.²⁵ When priority orders became inevitable they were granted first to military prime contractors (likely to be the largest corporations) who used scarce materials to build new plants and factories for war work. The evidence is clear that the net effect of military

ascendancy within the state was abdication to large corporate interests.

The military agencies, shortsightedly, thought that all defense orders could be handled by merely digging deeper into civilian production.²⁶ Yet they implicitly contradicted themselves by contracting with industries that refused to cut into their civilian business for fear of losing market position and war-revived profits. As noted, corporations receiving priority orders used them to obtain materials and machine tools to build and fill new plants; they did not use this governmental grant for preferential access to materials for war work in their existing plants. Thus, production of war materiel during the defense period suffered, waiting for the completion of new plants. This practice was connected to the way the military handled procurement by one OPM official, who complained:

we must have the greatest cooperation from the military services, and in my judgement, they must come to decline to give new tools to any proposed defense manufacturer until he has demonstrated... his inability to use his existing facilities or spread the load [through subcontracting].²⁷

Unfortunately, the military services were not in a cooperative mood, and they were internally unable to provide the initiative and imagination necessary to spread war work around, and break the pattern of reliance on the largest firms. While the military had engaged in procurement planning during the interwar period, this planning was not

sufficient for the enormous effort that World War II required, although military spokesmen insisted that it was.

Military claims of autonomy, then, masked their own dependency on private corporations. Military authorities were all too willing to acquiesce, in procurement and other policies, to the largest producers. Military production planning relied almost exclusively on larger corporations, because these firms could relieve the services of most responsibilities relating to production. Though the services fought for substantial authority, they had little idea of how to rationally exercise it; rather, their "planning" simply espoused reliance on large corporations, who in turn rationally pursued profits first.

This is not a case of a state institution displacing societal mechanisms - the military did not supplant control by the largest producers so much as they relied upon them exclusively. The tensions of the war period were played out according to the norms of American capitalism, and according to a logic which privileged the largest producers. The state logic was dominated by the military drive for autonomy, yet this activity remained essentially subordinated to the capitalist logic of the largest firms.

Military "Capacity": Planning, Staff and Administration

Military planning, as noted in chapter 3, remained committed to fighting a war similar to World War I. The services's

mobilization planning did not take into account the lessons of the German blitzkrieg, nor the contingency of a two-front war which increasingly threatened during the late 1930's and early 1940's. However, in a reoccurring pattern, military representatives testified that the services's interwar planning ensured the effectiveness of their role in mobilization. Here, Secretary of War Stimson defends military planning to the Truman Committee in April, 1941 - eight months before the United States entered the war:

I state here again the capacity of the country to make munitions was studied in peacetime. Throughout these twenty years potential manufacturers were spotted and listed; prototypes were developed and built. That painstaking work is now reflected in the speed and efficiency with which requests for appropriations were presented to Congress and the orders placed once Congress appropriated the necessary funds.²⁸

And, Assistant Secretary of War Patterson echoed his chief's comments before the same committee:

When it became evident last summer [1940] that the procurement program would greatly accelerated and that the supply services would be called on to produce vast quantities of equipment, the supply services drew up programs of procurement outlining their plans for speeding up the normal procedures. The programs that were submitted conformed to the industrial mobilization plan, developed by the Army-Navy Munitions Board and based on years of study.²⁹

However, the historian of the Army Service Forces reports that the 1939 Industrial Mobilization Plan

was a 'plan' only in a limited sense. It was not a substantive program dealing with details of operations or with estimates of magnitude; rather it set forth a proposed organizational plan for agencies to be set up

in order to accomplish industrial mobilization.³⁰

And, an internal War Production Board memorandum directly contradicts the testimony above:

The realization that the Industrial Mobilization Plan had become inadequate from a strategic viewpoint was eventually joined by a realization that the Plan was never technically adequate insofar as its calculations of military requirements were concerned. Its estimates of requirements were for a two year maximum effort and were supposedly based upon bills of materials. But for many end items there were no such bills and in many cases the bills were out of date. There were gross errors in estimating the supply requirements position of certain critical materials. As late as Fall of 1940 the ANMB was still insisting, conformably [sic] to the Industrial Mobilization Plan, that under no circumstances could copper become critical [i.e., scarce]. The figures of requirements were also inflexible, as the requirements were not cast in unit terms such as to enable them to be applied to the program authorized and appropriated for as of a particular date. Nor was adequate time schedule of needs developed. By the Summer of 1941 the OPM had abandoned all reliance on estimates contained in or derived from the Industrial Mobilization Plan.³¹

This extensive quote illustrates the limitations of the military planning that was touted as providing all the necessary organizational and logistical planning necessary to mobilize the U.S. economy effectively. Yet, military spokesmen (whether civilian or not) pleaded for limited civilian interference over their activities based on the interwar planning.

Not only was military planning suspect; the military procurement agencies were also incapable of providing the guidance and initiative required to direct mobilization autonomously. For one thing, the internal organization of

military procurement decentralized large amounts of authority to individual procurement officers.³² These procurement officers were in no position to overcome the military's organizational reliance on the largest corporations. They preferred to contract with the largest, and "safest" firms.³³ William Batt, who had worked for civilian mobilization agencies from the NDAC through the WPB, commented on "the deep sense of responsibility of each procurement officer for obtaining scheduled delivery of items contracted for, [that] led the individual officers to place contracts with the large and therefore supposedly 'sure' companies."³⁴

Military procurement officers were not well prepared and were certainly not in a position to develop innovative contractual mechanisms for the distribution of contracts. First, any procurement failure fell heavily upon the officer himself. By relying on the largest producers, an officer was placing his faith in proven corporations, which involved the least risk to himself. This is a simple case, on the one hand, of relying on the established capacity of large corporations. But the state's dependency was exacerbated by putting the military in charge of procurement. Pearl Harbor, and other early military setbacks, only reinforced the tendency to pile contracts with the largest companies.³⁵ Senator Murray's committee reported in early

1942 on the restrictions which military procurement officers operated under:

There was a wealth of testimony that the training and experience which Army and Navy procurement officers have had... has incapacitated them from forthright and effective action in wartime. They have learned that a single mistake is liable to wreck a career... Consequently, they feel that the only safe thing to do is to give contracts to big companies with a reputation for performance.³⁶

This description provides an indication of the rigid bureaucratic constraints of military procurement. Individual procurement officers were not prepared to act independently; their training and the emergency conditions pushed them inexorably to trust in the largest producers. The committee also identified the functional relationship that developed between the military procurement agencies and the largest corporate firms because of military deference. Military procurement did not, in any way, challenge or interfere with the hegemony of the largest firms. Instead of procurement shaping, or having an independent effect, upon, the economic system, the services's administrative weaknesses translated into a deference to the largest contractors.

Also, procurement was not a high prestige position, and traditionally did not attract quality personnel. Millett reports that one of the problems of Army supply in the immediate pre-war period was the low esteem of officers assigned to the Office of the Under Secretary of War, the

"business side of the War Department": "The officers assigned to [the Assistant Secretary's Office] sometimes felt that they had reached a blind alley in their careers. Often their military rank was too low to permit effective performance of duties."³⁷ And Smith, historian of army economic mobilization, notes that this attitude "made it difficult to get and retain the most capable officers in OASW."³⁸ This difficulty would have been even more profound at the lower levels of army procurement.

Patterson compensated by recruiting civilians, who reportedly had an "important and often decisive influence... in the Under Secretary's office, as well as elsewhere in the War Department."³⁹ Most of these civilians would be transferred to Lt. General Somervell's Army Services Forces with reorganization of the War Department in early 1942: Somervell's command "absorbed all but a handful of the office and staff formerly attached to OUSW."⁴⁰ If Somervell's ASF needed civilian help, the army procurement bureaus needed even more. Millett judged these bureaus to be "mere skeleton organizations" up to 1940, and even during the defense period "they had been slow in building up their internal organizations by commissioning or hiring top-ranking civilians for key positions."⁴¹

Despite the shortcomings of the army procurement system, we find Under Secretary of War Patterson again

defending military independence by providing glowing accounts of military procurement capabilities:

The officers of the armed forces are the persons best fitted by experience to direct the production of weapons... They have the background to decide where manufacturing can best be carried on... They have been engaged for years in surveying industrial plants and in instructing them in military production needed in the event of war...⁴²

But again we have congressional rebuttal with the judgement of the Truman Committee:

Since the procurement officers of the Army and Navy failed to make adequate plans in time of peace, it was quite obvious that they would have the greatest difficulty in making over-all or comprehensive plans... in the midst of the emergency itself. Instead of... a planned program, the various procurement offices... indulged in a mad scramble.

Each procurement officer desired to place contracts for his needs with responsible contractors as soon as possible. To that end he naturally preferred to deal with the largest manufacturers...

This not only resulted in favoring large manufacturers over small manufacturers, but resulted in delaying the production of defense articles... Thus we sacrificed present production in order to create facilities for future production... [And]...by and large such expansions are unnecessary duplications of existing facilities.⁴³

The Truman Committee also commented on the consequences of relying on ill prepared military procurement officers:

The procurement officers of the Army and Navy found that [due to a] lack of advance planning they were unable to do much more than state their needs and then examine carefully the proposals of the large manufacturers. They did not have sufficient knowledge of the manufacturer problems... and of existing facilities available... to insist that certain parts be manufactured in existing plants of the large manufacturers or in the plants of small manufacturers

...through subcontracting. In all too many instances the procurement officer took the line of least resistance.⁴⁴

Again, the "line of least resistance" was heavy reliance upon the personnel and capacities of the largest firms. There would be little interference with private prerogatives from military agencies.

The unplanned nature of military procurement conflicted with the emerging plans of many in the civilian agencies. New Dealers and labor advisors such as Hillman thought, especially in this early period of mobilization, that contracts could be spread to those areas still suffering from depression conditions. Contract could have been distributed so as not to inundate certain areas and regions with war work while others went begging. Also, it was thought that contractors should be required to conform to all federal labor and social regulations.⁴⁵

However, the Army and Navy retained independent control of procurement and were unwilling to consider these issues when placing contracts: "The Army... had already evolved their own criteria for negotiating contracts, chiefly strategic location, speed of production, and cost, and hesitated to add to these the Commission's [NDAC] principle that the effect of the proposed contract upon all resources be considered."⁴⁶ Though they did compromise on some issues, they did not take into account the capacity of smaller businesses (they left it up to prime contractors to

spread war work through subcontracting), and they successfully resisted adherence to social and labor legislation as a prerequisite for corporations to receive contracts.⁴⁷ The main consideration for placement of contracts was essentially quickness of delivery, with the consequence that most contracts gravitated to very large firms, and to regions already bogged down with work. In the very critical early period of the war, May through September, 1942, 80% of all contracts went to labor shortage areas.⁴⁸ This was the sort of initiative that the services sought to protect from civilian interference.

Military procurement was reviewed by civilians in the NDAC and OPM, who had authority to clear all contracts over a certain dollar amount. The clearance function was instituted to bring coherence to military procurement, and to coordinate the buying of the War, Navy, and Treasury Departments.⁴⁹ But this power only applied to contracts over \$500,000, it was divided between Knudsen and Nelson, and the extent of the authority was never clear. Knudsen and Nelson usually had only 48 hours to clear contracts, and they were handed contracts in their final form, after they had been negotiated. Their role, in most cases, was reduced to one of rubberstamping a fail accompli, or risk shouldering the blame for holding up production: "To exercise a veto [over a contract]... would be to assume the responsibility for a protraction of the defense effort."⁵⁰

And after clearance by the civilians, nothing stopped the services from changing the terms of the contracts, effectively nullifying any effect that clearance may have had. Thus, there was little substantive input by the civilians over procurement.

Despite the manifest incompetence displayed by the military services, they were able to retain control by arguing that war strategy could not be separated from control of production. Donald Nelson, for one, acquiesced to this demand:

I consider that it is vitally essential for the services to determine themselves on a strategy basis what comes first. I don't believe it is our job to try to tell them that you should have airplanes...first and tanks later. I think that is a pure strategy question and it should be left to the experts to determine.⁵¹

Koistinen cogently summarizes the dilemma: "Civilians were always at a disadvantage because military personnel cloaked their contentions in terms of military strategy, of which civilians were always kept in the dark."⁵² Military representatives successfully employed this argument to cripple any opposition to their control throughout the war. Yet, Koistinen notes that the British had civilians in charge of military procurement with little ill effect.⁵³

And, this tactic masked the fact that the U.S. military did not evolve their procurement requests from their strategic planning. The historian of Army economic mobilization reports, in defense of military control of

procurement, that strategic and tactical planning was the first step in the War Department's procurement process.⁵⁴ However, earlier in the same book, he states that the "sequence of... planning ran from requirements to strategy," which meant that the Army waited for supplies to accumulate before developing strategy, rather than programming procurement on a preexisting strategy.⁵⁵ Eliot Janeway substantiates this point:

So preoccupied were the civilians with their running feud with the military that they failed to realize that the Joint Chiefs of Staff had little more reliable current information about strategy calculations than Nelson and his staff. ...General Marshall himself finally revealed [this] in his definitive Report of June 30, 1945, which states that discussions about grand strategy were not translated into 'firm commitments' until May, 1943. Until then, consequently, we were mass-producing munitions not for scheduled operations but blindly...⁵⁶

The military services stubbornly insisted that they retain autonomous control over articulating their own needs and assigning contractors to fulfill these needs. However, the services contracted for items with no tactical war plans to guide them. They had little idea of the overall requirements needed to prosecute the war, and they failed to be impressed with attempts by civilian agencies to gather such information. Nor were they impressed with the estimates gathered by the WPB Planning Committee that showed that military procurement would lead to severe disruptions in the U.S. economy, eventually handicapping the production of war materiel. "The Armed Services... were prone to

regard the civilian economy as an inexhaustible reservoir from which materials might be drawn at will, and many military experts, in consequence, saw no reason for a high degree of accuracy in figuring requirements."⁵⁷ Thus, the effort of major industries to resist expanding their capacity was compounded by the unwillingness of the military to expand its estimates of what it required to fight the war.

Although the services retained the ability to procure as they wished, it was to be subject to the coordinating influence of the civilian agencies. The ability to "advise" the services in their procurement activities was intended to inhibit abuses that were common in World War I; thorough and tough use of the power to advise should have resulted in civilian stewardship of mobilization. However, the military services continually blocked extension of civilian advisory functions during the defense period in order to protect their own autonomy, making it very difficult for the civilians to recoup their authority when war began.

The NDAC had been created with too many weaknesses to effectively control the military services, and the OPM was headed by a council heavily weighted (Knudsen, Stimson, and Knox) toward allowing unrestricted military procurement activities.⁵⁸ Not until the creation of SPAB was there sufficient authority in place for the civilians to begin taking the initiative back from the military services. But,

the SPAB relied on the OPM for implementing its policies, and its tenure was so short that it was not able to get the necessary leverage over the services. With the creation of the War Production Board finally came the requisite civilian authority to control the services, but, as we have seen, Nelson quickly delegated procurement authority to the services since he felt to do otherwise would upset an ongoing system at the height of the emergency. Thus, the pattern of the defense period carried over to the war itself.

Army Reorganization

The army and navy were also reorganized in the early months of the war. These reorganizations were important since they provided a measure of centralized control over the procurement activities of the various independent bureaus of each service. In this way the extreme breakdowns in military procurement of the First World War were avoided. Also, the reorganizations enabled the services to present a stronger front when dealing with civilian agencies, especially the WPB. And while the autonomy of the independent procurement bureaus within each service was not overcome, enough of a united front was attained by the reorganizations as to stave off the need for extensive civilian intervention into military affairs.

Army reorganization was dramatic. One military historian reports that it was "the most thorough reorganization of [Army] top command since the establishment of the General Staff in 1903."⁵⁹ Reorganization was directed toward establishing greater military control over procurement and mobilization responsibilities by redefining relations within the Army and between the Army and its civilian Secretaries.⁶⁰ Reform of the Army structure had been sought since the turn of the century.⁶¹ The older issues had been the command structure of the Army, although issues of Air Corps autonomy and supply control became the predominant issues of the 1942 reorganization.⁶²

At the time of Pearl Harbor, the command structures of the Army were in disarray, as were the organization, and lines of authority, for procurement and supply.⁶³ As Hammond has concluded, by February, 1942, "Army and industrial mobilization had revealed the weakness of the system which the National Defense Act of 1920 had established."⁶⁴ The 1920 Act had been intended to resolve the problems of command and supply that had hamstrung the Army's efforts in World War I. However, a dual command structure had been initiated: a General Staff as a central command post, and an Office of Assistant Secretary of War for procurement and economic mobilization activities. The existence of the two commands had led to crossed lines of command authority, which enhanced the independence of

separate commands and procurement bureaus within the Army.⁶⁵ The General Staff, under George Marshall, and the Under Secretary of War, Robert Patterson, oversaw chaotically expanding empires. The reorganization of March, 1942 was intended to bring coherence to this system.

The reorganization created three separate Army commands ground, air, and service forces (including supply, procurement, and logistics), which left the General Staff free from operating responsibilities and able to exercise the general coordination originally intended by its creation.⁶⁶ This was a dramatic transformation of internal Army command, which was accompanied by an equally dramatic transformation in the organization of Army procurement and economic mobilization, and provision, for the first time, of separate air force command and procurement responsibilities.⁶⁷ The Office of the Under Secretary of War (OUSW) had grown from a staff of 181 when Patterson took over the office on July 1, 1940, to 1,200 at the end of 1941.⁶⁸ The official history of army economic mobilization refers to this period as the "hegemony of the Under Secretary of War."⁶⁹ With reorganization, however, this civilian hegemony was to end.

Up to the 1942 reorganization, procurement and mobilization authority was formally under the authority of the Under Secretary of War. The Army counterpart to this civilian authority was the General Staff Supply Division or

G-4. Relations between the two organizations developed chaotically, according to no clear plan; both sides were confused about their relation to the other.⁷⁰ Lt. General Brehon Somervell was placed in charge of G-4 in November, 1941, and proceeded to plan for a reorganization which would transfer the staff and responsibilities of the USOW to an organization under his own authority.⁷¹ Somervell would come to figure prominently in the wartime controversies between the Army and the WPB; he was a forceful advocate of independent military procurement authority.⁷²

Somervell's efforts to define reorganization acquired an urgency as it became clear that the air corps and General Staff advocates of reorganization had not taken into account the great need for reorganizing supply authority.⁷³ As the search for a revamped administration proceeded, Patterson, the Under Secretary of War, was purposefully left in the dark; the plan was shown to Patterson only immediately before it was offered to the president. Hence, Patterson "was practically faced with choice of accepting a *fait accompli*, or delaying the much needed reorganization."⁷⁴ The plan worried Patterson's staff since it created a situation where the officer inheriting Patterson's authority would owe his first loyalty to the Chief of Staff, thereby disregarding the lessons of World War I.⁷⁵ Patterson, although concerned about fulfillment of his own responsibilities under this new scheme, considered only

small changes in the proposed reorganization.⁷⁶ The Bureau of Budget did object to transferring the civilian authority to military hands, however, "the President ignored the warning."⁷⁷

Roosevelt established the new Army organization through executive order on February 28, 1942,⁷⁸ and Somervell became the commanding officer of the new Services of Supply (within a year its name was changed to the Army Service Forces). The powers of the new organization were inherited from the civilian Under Secretary of War: "The bulk of the Office of the Under Secretary of War, because it was concerned with procurement and industrial mobilization, ...became part of the new organization."⁷⁹ As Hammond, a military historian, reports, "In every case the [reorganization] pattern was to transfer functions and responsibilities out of the civilian offices to staff or command units of the military...[and] The most extensive transfer of functions went to the Army Service Forces."⁸⁰

Both Millett, historian of the ASF, and military historian Hammond, are quick to point out that civilian control was adequately maintained.⁸¹ However, as Koistinen concludes, "War Department supply operations had once again reverted to military control, despite the intentions of Congress after World War I and over twenty years of effort to bring procurement under civilian control."⁸²

Navy Reorganization

The Navy also reorganized in early 1942, although superficially change was less dramatic than in the Army. Reorganization was undertaken first to achieve unity of Naval command, and second to achieve unity of procurement and supply operations. Command was centralized by merging the post of Commander in Chief, United States Fleet (COMINCH) with the post of Chief of Naval Operations (CNO).⁸³ The merged post went to Admiral Ernest J. King.⁸⁴ Hammond reports that King was more interested in logistics and command of the fleet, granting less attention to the material supply functions of CNO: "In fact, CNO suffered thereafter from the reputation of being King's castoff."⁸⁵

Under Secretary of the Navy, James Forrestal, a Wall Street financier, recognized the problems already caused by the lack of planning for Naval munitions and supplies. Procurement was also a mess: "Forrestal was frustrated and surprised at finding... archaic precepts and procedures in the navy's contracting system, for he recognized procurement as the area of absolutely decisive consequence for naval expansion and the whole national defense effort."⁸⁶ He acted quickly to create an organization specifically charged with balancing requirements, coordinating the independent bureaus, and facilitating long term planning: He was "determined to end the irrational procedures he had uncovered in his new domain."⁸⁷

This organization, the Office of Procurement and Material (OP&M), was created on January 30, 1942, and placed under Forrestal's supervision.⁸⁸ Although a naval officer, Rear Admiral Samuel Robinson, was named to head OP&M, it immediately ran into jurisdictional conflicts with the naval command of Admiral King, who regarded OP&M as nothing more than the Navy's representative before the WPB.⁸⁹ OP&M did not actually procure - this responsibility remained with the independent Bureaus. Rather, its role was to coordinate bureau procurement. CNO, under King, had responsibility for developing material requirements, which loosely guided bureau procurement. Obviously, the best method for utilizing the new OP&M organization would have been to pass requirements from King to the bureaus through the OP&M. This indirect control of procurement would have maximized the planning ability of OP&M.

However, tradition, and Admiral King, worked against utilization of this channel: "In practice the Office of Naval Operations presented its requirements to the bureaus and was hostile to any review of them."⁹⁰ The bureaus themselves operated with a large degree of independence.⁹¹ King, like his counterparts in the Army, resented what he perceived as civilian interference in military affairs, and wished to minimize any oversight.⁹² He offered a plan in May, 1942 which mirrored Army reorganization by subsuming under military command the Under Secretary's efforts to

coordinate naval procurement through the OP&M.⁹³ As Hammond concludes, "Several elements in King's conception of his office, ...trod on the toes of civilian control,"⁹⁴ Roosevelt, however, rejected this plan.⁹⁵

In spite of attempts to shortcircuit civilian oversight and coordination, Forrestal was able to develop "a remarkable amount of effective control over the Navy supply bureaus by which he could supervise and coordinate their activities."⁹⁶ The bureaus submitted to this external control only since their individual independence was assured in a system which focused only on centralized oversight of decentralized activities.⁹⁷ This system also ensured bureau autonomy from WPB oversight. Admiral Robinson of the OP&M shielded the bureaus from WPB requests for information in order to avoid internal strife that might threaten OP&M's role.⁹⁸ Civilian oversight was thus wedded to continued bureau independence.

Forrestal was able to impose an impressive system of coordination upon a haphazard and confusing system of independent bureau procurement. The mechanism for achieving this control was the use of outside civilian experts, who oversaw contract negotiations and pressed upon the bureaus sound business practices.⁹⁹ Forrestal built up a cadre of civilian professionals, and this outside, "societal" coordination professionalized and rationalized naval procurement.

It is ironic that as the civilian Under Secretary of the Navy is achieving this notable oversight of naval procurement, his Army counterpart, Patterson, was losing his to a military command.¹⁰⁰ As Albion and Connery report, "In the War Department, the professional military pretty much had their own way. In the Navy, thanks to Knox and Forrestal, there was a division of tasks based more on skill and a larger degree of civilian leadership throughout."¹⁰¹ The result was that the WPB had much less trouble with the Navy than with the Army; but with Army procurement so much larger than the Navy's, this meant that problems would haunt mobilization. Nelson himself judged that the Navy stayed within the limits of its procurement responsibilities while the Army under Somervell expanded its responsibilities to an extent where they competed with the WPB.¹⁰² The implications of the Army's drive for independent control were great since the Army had "the greatest needs in number, size, and cost."¹⁰³ Millett adds, "In terms of money spent... the War Department overshadowed all other government agencies."¹⁰⁴

The reorganizations of the Army and Navy did leave them both stronger internally to deal with the immense procurement effort required, and in a stronger position from which to deal with the War Production Board.¹⁰⁵ With the WPB granted broad authority over coordinating and supervising mobilization, some sort of working arrangement

between the WPB and the military services had to be decided upon. Agreements concerning civilian-military coexistence were arranged between the WPB and each service individually. For the most part the agreements were general statements of the role that the WPB would play in relation to the existing responsibilities of the two services.¹⁰⁶

However, the agreements were also an important first step in verifying that the distribution of responsibilities developed during the pre-war period would be retained. Koistinen reports that "the War Department, fearing that Nelson might try to take over its supply functions, took the initiative in arriving at a signed agreement in which the Army's procurement function as worked out during the two years of defense production was secured."¹⁰⁷ The history of the War Production Board concludes that "Despite Nelson's high hopes, the agreements did not solve the major jurisdictional issues of 1942."¹⁰⁸ In other words, the agreements did not ensure WPB authority to do its job.

Somervell used the agreement to secure the pre-war accretion of authority of the Army over mobilization, while also extending that authority under the cover of the agreement. When Nelson would assert WPB's powers Somervell would continually argue that it violated this agreement.¹⁰⁹ Any ambiguity in the agreements worked to the advantage of Somervell since the weight of precedent was on the side of the military. With these agreements, the services received

important ratification of their existing authority over procurement.

The reorganizations and agreements had left undefined the role of the Army-Navy Munitions Board, although the WPB was established as its superior. While the ANMB was ostensibly to be dissolved upon the creation of the WPB (under the terms of the military's IMP), Somervell acted to ensure its continuance by bringing it under the jurisdiction of the ASF.¹¹⁰ Prior to the army and navy reorganizations, Patterson and Forrestal had brought Ferdinand Eberstadt, an investment banker and personal friend of Forrestal's, to Washington to study the possibilities for reorganizing the ANMB.¹¹¹ In spite of the fact that the military services eyed the ANMB as a civilian interloper to their authority,* Eberstadt, following the lead of Patterson and Forrestal, envisioned a role for the ANMB as the advocate for military demands before the WPB, while also coordinating Army and Navy material requirements.¹¹²

Somervell seemingly also saw the value of having the ANMB represent the military's interest before the WPB, although Millett argues that the ANMB was never an independent force for coordinating requirements between the

* Connery reports: "Neither the material bureaus in the Navy nor the Supply Services in the Army liked the idea of a strong ANMB. In a sense, the ANMB was a means by which the civilian Under Secretaries intended to exercise greater civilian control over military procurement." (Robert Connery, The Navy and Industrial Mobilization [Princeton, NJ: Princeton University Press, 1951], p.160).

Army and Navy; rather, Eberstadt, according to Millett, "became a spokesmen on raw materials problems" for the military.¹¹³ These two views need not be inconsistent. Eberstadt and the Under Secretaries (Forrestal and Patterson) most likely viewed the ANMB as potentially an independent force for coordinating military procurement and materials policies. And while the military distrusted the civilian character of the ANMB, Somervell, at least, saw the desirability of utilizing the ANMB to stave off more intensive WPB control.

Under Eberstadt, the ANMB seemed to have two roles. First, the Board played an aggressive role advocating military authority and stymieing civilian oversight; in these functions it acted as a front for Somervell. However, Eberstadt could not be anyone's patsy altogether. He strove to implement responsible materials and priorities programs for the military, and to provide a venue for relieving competition between the services's procurement agencies.¹¹⁴

Roosevelt granted administrative responsibilities to the ANMB and Eberstadt on February 21, 1942, and Nelson delegated the ANMB authority for granting priorities shortly thereafter.¹¹⁵ As with the delegations to the military services, the delegation to ANMB followed the pattern of pre-war responsibilities: "Nelson was persuaded by Knowlson [WPB Director of Industry Operations] to permit ANMB to extend priority ratings to military contracts, it being

Knowlson's opinion that the WPB lacked the organization necessary to perform this task."¹¹⁶

Nelson did not resist or reverse the pre-war distributions of authority. Rather, he ratified them. Nelson also ratified extensions of authority by Somervell and the ASF that occurred during 1942. He wrote Somervell in September of 1942 to defend existing WPB responsibilities: "the functions now being performed satisfactorily by either of our agencies should not be disturbed regardless of how logical it may seem to do so from an organizational or jurisdictional standpoint."¹¹⁷ But by then it was, for the most part, too late, and this plea merely provided more support for Somervell's own growing authority.

Military Autonomy, Capitalist Control Or What?

The military reorganizations of the early war period combined with the military's existing authority to submerge civilian control of mobilization. Hooks, for one, has concluded that these reorganizations signalled the emergence of a strong military capable of directing the activities of capitalist firms. The thesis of this dissertation is different. I have found military strength to be largely a by-product of corporate hostility to the New Deal, and not a simple reflection of the internal coherence and strength of military mobilization agencies.

In order to build his state-centered case, Hooks characterizes corporate executives as the tools of the military services: "The military bureaucracies retained control despite the presence of corporate executives in civilian agencies: the executives helped implement a program defined by the military, not vice versa."¹¹⁸ Elsewhere he states:

the unprecedented expansion of industrial capacity was not directed by business executives; nor did dollar-a-year men exercise effective control over it. Rather, it was semiautonomous [military] bureaucrats in pursuit of national security goals and insulated within the increasingly powerful Pentagon who directed this effort.¹¹⁹

This baldly overstates the autonomy the military were able to achieve, since they continued to rely upon businessmen to staff the growing bureaucracies for procurement and supply. And, as I have documented above, their reliance on business personnel was necessitated by the military's administrative weaknesses. As Hooks is well aware, it was the major firms, along with industry men in government, that exercised much of the discretionary authority over the mobilization program.¹²⁰

However, it is military control of procurement which proves, for Hooks, that military officers, not corporate executives, guided and shaped the mobilization of World War II: "The [military] buildup was set in motion, and its logic defined, by the procurement process, which was controlled by the military."¹²¹ It is undeniable that the

military managed to retain control of the procurement process, and by extension they were able to influence much of the coordinating controls that the WPB sought to implement. However, military control of procurement does not, ipso facto, translate into military guidance authority over corporate firms.

Mobilization is not a case of autonomous military dominance over civilian competitors, whether business or New Dealer. Rather, businessmen held important positions in the WPB and in the military, as well as operating from a strategic position outside of the government. Any analysis of mobilization needs to be sensitive to this prevalence of business personnel in different parts of mobilization.

The military impact on mobilization is comprehensible only if we consider the pre-war corporate hostility to civilian state alternatives, such as those posed by New Dealers. Since some kind of wartime state control was necessary businessmen often preferred to deal with the military services, who were organizationally dependent upon prime contractors and who did not threaten business autonomy. One wonders what the response would have been had corporate executives perceived military guidance as more of a threat.

Instead of a threat, military control of procurement led to stewardship over the mobilization program by the largest firms, who themselves relied upon industry men in

the WPB industry divisions, and on industry advisory committees. Thus, the ascendancy of the military within the state only heralded the increased control by the largest firms and their representatives over mobilization.

What can be gleaned from a state-centered account is that military agencies triumphed over an alternative set of actors who sought an expanded interventionist role for the state. But this would still bring us back to the question of how this occurred, and to the enormous and defining role played by private corporations, who helped to enhance military authority.

An alternative understanding of what occurred rests on evidence that the military did not provide coherent direction through their procurement authority. In fact, their actions threatened the ability of the nation to adequately produce the required munitions and equipment. As the Truman Committee reported:

The War Production Board in the early days [of the war] had practically no control over the War Department and the Navy Department, both of which ran roughshod over the entire war production program, preempting materials, changing production schedules from day to day, and setting up facilities without regard to the obvious fact that the things they were accomplishing would be entirely useless unless in balance with the portions of the program in which they showed little interest, since these portions were outside of the military jurisdiction.¹²²

Because of their incompetence, the military services were forced to delegate much of their authority to the largest corporate firms. These firms, in turn, ensured that

mobilization would proceed in some sort of coherent fashion. However, corporate executives operating through their firms and industries could only hope to provide a portion of the planning required for the war program. There was need for a planning mechanism to ensure adequate raw materials, feasible goals, and scheduled production. The military services could not offer such planning; their practices, in fact, made planning even more difficult to achieve. The military services had limited and inadequate information about their own material needs. Their requirements were supposedly based on strategic planning but were really planned in a vacuum. And, internal restraint on the contracting practices of the procurement bureaus was imposed through the use of external mechanisms, such as the OP&M in the Navy, or the ANMB, or internally through the use of trained civilians, whether in uniform, or not.*

Despite being overwhelmed by the military-industrial alliance arrayed against them, New Dealers and their allies, including labor representatives, university-trained personnel and some corporate liberals (including Nelson),

* Hammond, for instance, verifies the independence of even the trained civilian experts who became uniformed military officers for the duration of the war: "they were in very much the same position as were the lawyers [who advised the services] because their careers and financial positions did not hinge on the good graces of the bureau personnel [in this case, of the Navy]." (Paul Y. Hammond, Organizing For Defense: The American Military Establishment in the Twentieth Century [Princeton, NJ: Princeton University Press, 1961], p.154).

still played an important role in restraining the excesses of military procurement. Their influence ensured that the program proceeded with a modicum of coherence. The "battle of Washington" was played out between military agencies and civilian mobilization agencies, with the civilian agencies split between New Dealers and corporate representatives. This battle did not end as the military gained independent control of procurement.

Nelson and others affiliated with the War Production Board were engaged in a running battle with military officials over military handling of mobilization. The civilians of the WPB often lost, but even in defeat managed to salvage gains measured by the enhanced coherence of the mobilization program. For the purposes of this dissertation, however, it is more important to understand that this restraining force was all that remained of the interventionist hopes of the New Dealers and their allies. Wartime state building, influenced as it was by the actions and nonactions of corporate firms, privileged the development of military bureaucracies. The military were not themselves autonomously responsible for their bureaucratic successes of the war years. Rather, the external influence of corporate-capitalist forces provided the context for military ascendancy within the state.

Chapter Four
Endnotes

1. The military actors in question are the procurement and supply agencies that engaged directly with civilian mobilization agencies. These include the independent bureaus of the Army and Navy (to a much lesser extent the Maritime Commission) as coordinated by the Army-Navy Munitions Board.

2. See, for example, Bruce Catton, The War Lords of Washington (NY: Harcourt, Brace and Company, 1948), p.201.

3. Paul A.C. Koistinen, "The Hammer and the Sword". Unpublished PhD Dissertation (University of California, Berkeley, 1964), pp.563-71, pp.629-30.

4. The National Archives lists the functions of the ANMB as follows: "It served as a war-procurement planning agency, 1939-40; as a review and clearance authority for munitions bought by foreign purchasing commissions in the United States, 1939-41; as a priority-rating agency for munitions production, for the expansion of industrial facilities, and for the allocation of machine tools to industry for war production, 1940-42...; as the controlling authority for stockpiling critical and strategic materials, 1939-40; as an advisory body for determining military requirements for such stockpiles, 1944-5; and as a planning agency for postwar munitions production, beginning in 1943." See, Federal Records of World War II, Volume 1, Civilian Agencies (Washington: The National Archives, 1950).

5. Samuel Huntington, The Soldier and the State (NY: Vintage Books, 1957), p.309.

6. Huntington, pp.315-6.

7. Ibid.

8. R. Elberton Smith, The Army and Economic Mobilization (Washington: U.S. Department of the Army, Office of the Chief of Military History, 1959), p.105.

9. Robert Connery, The Navy and Industrial Mobilization (NJ: Princeton University Press), p.87.

10. Smith, p.110, emphasis added.

11. Fortune, (April 1941), p.36.

12. See Bernard Baruch, American Industry in the War (New York: Prentice-Hall Inc, 1941).

13. See Memorandum, "Relations Between the Armed Services and the Advisory Committee to the Council of National Defense," James Fesler to G. Lyle Belsley, November, 5, 1943, pp.6-7, James Fesler Papers, Box 1, Yale University; also, Connery, p.92.

14. Fesler to Belsley, op cit.

15. Eliot Janeway, The Struggle for Survival: A Chronicle of Economic Mobilization in World War II (New Haven: Yale University Press, 1951), p.179.

16. Connery, pp.92-5.

17. Fesler to Belsley, op cit, pp.18-23; United States Civilian Production Administration (hereafter USCPA), Industrial Mobilization for War, Volume 1, Program and Administration, (Washington: Government Printing Office, 1947), pp.67, 172-3; Koistinen: 1964, p.565.

18. USCPA, pp.117-8.

19. Ibid.

20. U.S. Congress, Senate, Special Committee to Investigate the National Defense Program (hereafter Truman Committee), Hearings, 77th Congress, 2nd Session, Part 6, (Washington, D.C., 1941), p.1610.

21. David Novick, Melvin Anshen, and W.C. Truppner, Wartime Production Controls (New York: Columbia University Press, 1949), pp.28-30, 48-51.

22. Koistinen, p.566; Janeway, p.195.

23. Fortune, November 1941, p.150.

24. Truman Committee, Hearings, 77th Congress, 2nd session, Part 6, (Washington, D.C., 1941), p.1515.

25. See Chapter Five.

26. See USCPA, p.151.

27. John Biggers, Director OPM Production Division, testimony in Truman Hearings, op cit, p.1609.

28. Truman Committee, Hearings, 77th Congress, 1st Session, Part 1, (Washington, D.C., 1941), p.11.

29. Ibid, p.23.

30. John A. Millett, The Organization and Role of the Army Service Forces (Washington: U.S. Department of the Army, Office of the Chief of Military History, 1954), p.186, emphasis in original.

31. Memorandum, "Abandonment of the Industrial Mobilization Plan", James Fesler to J.A. Krug, Chairman of the WPB, (September 10, 1945), p.3, in James Fesler Papers, Yale University.

32. Richard Polenberg, War and Society: The United States, 1941-1945 (Philadelphia: J.B. Lippincott, 1972), p.218.

33. Irving Brinton Holley Jr., Buying Aircraft: Materiel Procurement for the Army Air Forces (Washington: U.S. Department of the Army, Office of the Chief of Military History, 1964), p.495; also see Truman Committee, Report 480, Part 3, Report Concerning Priorities and the Utilization of Existing Manufacturing Facilities, in Appendix 2, First Annual Report, 77th Congress, 2nd Session, (Washington, D.C., 1942), pp.191-4.

34. Minutes of War Production Board Policy Analysis and Records Branch Staff Meeting, (May 11, 1945), p.2, in James Fesler Papers, Yale University.

35. Holley, p.499.

36. Truman Committee, Additional Report. Senate Report No.479, Part 2, 77th Congress, 2nd Session, (Washington, D.C., 1942), p.13.

37. Millet, p.27.

38. Smith, p.111; the Office of the Assistant Secretary of War (OASW) became the Office of The Under Secretary of War (OUSW) by Congressional legislation passed on December 12, 1940. The shift was necessary to unify the civilian command in the War Department. Previously, the Secretary and Assistant Secretary had separate grants of authority resulting in, prior to the naming of Stimson and Patterson, a tense and competitive relationship between the two officers.

39. Smith, p.111.

40. Smith, p.112.

41. Millett, p.283; a few pages later Millett quotes one of Somervell's statements defending the procurement organization and personnel the army entered the war with and offers his own argument against civilian interference: "To supplant these proven men and methods with untried personnel and unproven methods would be bad enough at any time; in wartime it would be disastrous." p.286.

42. Truman Committee, Part 16, 77th Congress, 2nd Session, (Washington, D.C., 1942), p.6689.

43. Truman Committee, Report 480, Part 3, Report Concerning Priorities and the Utilization of Existing Facilities, reprinted in First Annual Report, Appendix II, 77th Congress, 2nd Session, (Washington, D.C., 1942), pp.193-4.

44. Ibid.

45. See memorandum, "Relations Between the Armed Services and the Advisory Committee to the Council of National Defense," James Fesler to G. Lyle Belsley, op cit, pp.34-41; also, USCPA, pp.56-8.

46. USCPA, p.58.

47. Fesler to Belsley, "Relations Between the Armed Services and the Advisory Committee to the Council of National Defense," op cit, pp.29-30.

48. Koistinen: 1964, p.363.

49. USCPA, p.24.

50. Minutes of National Defense Advisory Committee, quoted in Fesler memo to Belsley, "Relations Between the Armed Services and the Advisory Committee to the Council of National Defense," op cit, pp.29-30.

51. Truman Committee, Hearings, 77th Congress, 2nd Session, Part 8, (Washington, D.C., 1941), p.2449.

52. 1964, p.695-6.

53. 1964, p.698.

54. Smith, p.239.

55. Smith, p.211.

56. Janeway, op cit, p.204; Bureau of the Budget, The United States at War: Development and Administration of the War Program by the Federal Government (Washington: Government Printing Office, 1946), pp.130-1.

57. USCPA, pp.151-2.

58. Koistinen: 1964, p.572.

59. Paul Y. Hammond, Organizing for Defense: The American Military Establishment in the Twentieth Century (Princeton, NJ: Princeton University Press, 1961), p.113.

60. Ibid.

61. See Huntington: 1957; Hammond: 1961.

62. see Millett, pp.18-26.

63. Millett, p.24.

64. Hammond, p.113.

65. See Millett, pp.23-26; Hammond, pp.118-122.

66. See Millett, pp.36-37; also see Ray S. Cline, Washington Command Post: The Operations Division (Washington: U.S. Department of the Army, Office of the Chief of Military History, 1951).

67. Hammond, p.117; Holley, p.476.

68. Hammond, p.113; also see Millett, p.26; and Smith, pp.106-109.

69. Smith, p.106.

70. See Hammond, p.114; Millett, pp.25-6.

71. Millett, pp.28-36.

72. See Millett, pp.2-8 for short biography and character essay of Somervell.

73. See Millett, pp.32-33.

74. Millett, pp.32-4.

75. Millett, p.35.

76. Millett, p.34-35; Koistinen: 1964, p.200.

77. Koistinen: 1964, p.199; also see Millett, p.35; Hammond, p.116.
78. Executive Order No. 9028.
79. Millett, p.38.
80. Hammond, p.123.
81. Millett, pp.38-39; Hammond, pp.124-128.
82. Koistinen: 1964, p.199.
83. Hammond, pp.136-7.
84. For a biographical description of Admiral King, and of his new post, see Townsend Hoopes, and Douglas Brinkley, Driven Patriot: The Life and Times of James Forrestal (New York: Alfred A. Knopf, 1992), pp.169-175.
85. Hammond, pp.137-8.
86. Hoopes and Brinkley, p.142.
87. Ibid; see also Connery, pp.143-152; Hammond, pp.146-150.
88. Connery, p.146.
89. Hammond, p.138.
90. Hammond, p.139; see Connery, pp.150-1.
91. See Hoopes and Brinkley, pp.135-8.
92. See Hammond, pp.138-9.
93. See Hoopes and Brinkley, pp.174-5.
94. Hammond, p.144.
95. Hammond, p.140.
96. Hammond, p.145.
97. Hammond, p.157.
98. John Brigante, The Feasibility Dispute (Washington: Committee on Public Administration Cases, 1950), p.65.
99. See Hammond, pp.150-156.

100. See Connery, p.160 for similar sentiments; see Hammond, pp.122-8, for the argument that civilian control, however tenuous, was retained over ASF in spite of the draining of USOW functions.

101. Robert Albion and Robert Connery, Forrestal and the Navy (New York: Columbia University Press, 1962), p.108.

102. See USCPA, p.523.

103. Brigante, p.45.

104. John D. Millett, "The War Department in World War II." American Political Science Review, Vol.40 (1946), p.864.

105. See Riddle, p.74; Connery (p.143) notes that "the emergence of the War Production Board gave impetus to changes in the Navy."

106. See Connery, p.142; Millett: 1954, pp.190-193; text of agreement between Nelson and War Department in Donald Nelson, Arsenal of Democracy (New York: Harcourt, Brace and Company, 1946), pp.372-76.

107. Koistinen: 1964, p.639.

108. USCPA, p.214.

109. See, for example, Millett: 1954, pp.221,225.

110. USCPA, p.215.

111. Connery, p.157; Hoopes and Brinkley, pp.166-8.

112. USCPA, p.217; Connery, pp.158-161; Hoopes and Brinkley, pp.166-8.

113. Millett: 1954, p.291; see also U.S. Bureau of the Budget, op cit, pp.129-30 for another portrayal of Somervell's attitude toward ANMB.

114. See Connery, pp.168-9; 173-5.

115. USCPA, pp.217-8; U.S. Bureau of the Budget, p.111.

116. USCPA, p.218.

117. Nelson to Somervell, September 11, 1942, quoted in USCPA, p.216.

118. Hooks, p.165.

119. Hooks, p.140.

120. Hooks, for example, states that "monopoly-sector firms dominating prime contracts gained the economic resources and political authority to coordinate entire industrial sectors." (p.150).

121. Hooks, p.165.

122. Truman Committee, Fifth Annual Report, 79th Congress, 2nd Session, Report 110, Part 7, (Washington, D.C., 1946), p.11.

Chapter Five
The Defense Period: Part III
Societal Factors Shaping the State Response to War

"The whole basis of the nation's war production program was - in spite of the innumerable orders and controls - willing co-operation by industry."

Bruce Catton, The Warlords of Washington

Introduction

Up to this point I have discussed the state building of the war period by examining the development of civilian and military administration. I have proposed that changes in the state were heavily influenced by corporate activities, and that contingent political factors greatly enhanced the leverage of corporate actors. In this chapter I specifically address the deliberate and unintended effects of corporate power upon the emergence of mobilization authority. An examination of the impact of corporate power provides the final piece of the state building puzzle of World War II.

While war is often considered a spur to state-building,¹ it is not unproblematically so. Contingent political factors such as Roosevelt's bid for a third term and the prevailing isolationist sentiment made preparation for war episodic and reliant on the private capacities of industrial firms and their representatives. Internal state divisions between civilian and military agencies provoked

conflicts over jurisdiction and authority that enhanced the already existing leverage of corporate firms over the state. And external societal forces (corporate and labor) acted both upon and through emerging civilian agencies to protect their interests.

In this chapter I examine the heavy reliance on corporate representatives during the early war preparation. This reliance skewed wartime state building. I find that the structural and instrumental bases of corporate power were enhanced in the pre-war period, allowing corporate personnel privileged input over mobilization. Both the direction of mobilization and the transformation of internal state structures were impacted by corporate participation. Correspondingly, with the turn to war organized labor's input was weakened. Labor had only a slight impact on mobilization compared to the intense role of corporate officials. I will look at why labor's influence declined during mobilization, and contrast their limited impact to the great authority gained by corporate firms.

Corporations enjoyed an advantage over those anxious to expand the national government's wartime control of the civilian economy. First, the industrial capacity necessary for any successful mobilization program was privately controlled; corporate leverage was enhanced in direct proportion to the state's need for their services. Second, the structural position of these firms (the exclusive

ownership and management rights guaranteed by the liberal capitalist state), combined with the relatively underdeveloped bureaucratic capacity of the state, meant that Roosevelt had to rely extensively upon the expertise and experience of corporate representatives if mobilization was to proceed. State weakness was only accounted for by internal bureaucratic characteristics, but this any weaknesses were exacerbated by Roosevelt's reluctance to assign unequivocal mobilization authority until the U.S. was already at war.

Corporate representatives were more than willing to aid the government in defense preparation, but not at the cost of losing their autonomy, and any New Deal-type mobilization program elicited corporate nightmares of lost autonomy. Corporations were able to effectively resist government intrusion into their affairs during the defense period. The period of delay (under investigation here) maximized the opportunities for corporate actors to intervene in the developing administrative process to further their own interests. This chapter explores the conditions which enhanced the leverage of corporate firms, and the mechanisms (dollar-a-year men and industry advisory committees) through which corporations influenced early mobilization.

Reliance on Private Capacity During Early Mobilization -
Reinforcing State Dependency

In the absence of a clear-cut war emergency, state officials had to rely upon established methods of dealing with private industry. These "policy heritages" harkened back to the War Industries Board experience of World War I, and more recently to that of the National Recovery Administration. Turning to powerful private actors for help in the implementation of controversial policies was a viable way of meeting emergencies, especially given the recent origin and controversy surrounding existing state mechanisms. The national state had few legitimate alternatives to this kind of strategy before the New Deal. But in the ambiguous pre-war period, use of New Deal agencies and personnel was controversial. Thus Roosevelt relied on a form of cooptation; corporate personnel that could be counted upon to resist growing government capacity were integrated into temporary mobilization agencies.

But who coopts who in this scenario? Government coopts potential obstructors of its policies by integrating them into the policy process. Thus, corporate officials by virtue of their structural position gain privileged access to the determination and implementation of policy. McConnell recognizes this: "in the organization of the [wartime] economy it was essential to enlist the cooperation of industrial leaders... Whoever had power that could

obstruct had to be coopted. There was no time to discover and train new managers of industry."²

McConnell defines the effect of the structurally privileged position of industrial leaders. They could veto or obstruct mobilization policies through their ownership and managerial prerogatives, and also, they had the positive ability to aid the mobilization process. This illustrates the two sides of the structural position of large corporations in American society. Corporate officials not only had an implicit veto over mobilization, they also had the managerial expertise and industrial connections necessary for mobilization to proceed without having to rely on extensive state intervention.

Statists generally understand state capacity by a state's internal ability to act - so if government lacks capacity to act in particular ways, it will be weak in those areas. Thus, a state-centered view might argue that since state managers and government control mechanisms could not be developed quickly, it was necessary to rely on existing private experts. However, this only recognizes one side of a state's ability or inability to act - the "state" side. What is missing is the environment within which states act - the societal context.

One of the criticisms against the statists is that they reduce society "to an untheorized environment."³ A state may be prevented from acting in particular ways because of

internal, administrative reasons, but there still has to be reference to a context greater than the state itself. This is implicit in any discussion of the state's capacity to act autonomously, as in act against what, or whom. However, state-centered proponents have proposed that state autonomy "hinges on the state's internal features."⁴ As the policy heritage of the U.S. illustrates, the state's internal features often reflect the ability of powerful private actors to coopt public power, as in World War I (through the WIB), and the Great Depression (with the NRA). A state's "relative dependency" (versus "relative autonomy") is the result of its own internal development. But internal state development is itself not an autonomous process. While the state and social processes are distinct and driven by autonomous institutions and actors, neither exists in isolation of the other. State building is a process defined by interested state and societal forces, and cannot be considered an autonomous process.

Thus, in the case of defense mobilization, industry leaders had to be relied upon because they had the know-how and capacity, but also because they controlled the way that their industries could be used. If mobilization was not to their liking they certainly had the ability to resist. This normal capacity to obstruct became even more compelling given political contingencies such as isolationist sentiment, the general misgivings about Roosevelt's campaign

for a third term, the changing composition of Congress, and due to the tenuous nature of the New Deal state.

Also, this interactive view of state building allows us to see that it was not only internal state weaknesses that limited Roosevelt's choices. He had shown early in the New Deal his willingness to build new emergency agencies where none had existed, to grasp the initiative on critical issues and to circumvent the old-line agencies that were beyond his influence. Roosevelt's choices were constrained at this point due to political contingencies that left him more vulnerable to the structural constraints of a privately-directed economy.

Conditions of depression had increased the space within which political actors such as Roosevelt could maneuver. However, the war in Europe stimulated depressed markets, and this meant that corporations had preferred alternatives to government contracts, while a rebounding economy left corporations less vulnerable to, and dependent upon, government interventions to prop up the economy. The liberal conception of laissez-faire had never been totally abandoned, even at the height of government intervention to ameliorate the depression. Expanding private markets gave new life to the ideology of the separation of politics from economic decision making, and strengthened corporations hand in its negotiations with government personnel over how mobilization would proceed.

State actors had the authority under existing statutes to force business compliance with mobilization. For example, the Selective Service Act of September 16, 1940⁵ authorized the government to requisition industrial facilities if there was resistance to their use for defense (an industrial draft to match the military manpower draft). A later Act gave government agencies the power to seize any property considered necessary for national defense.⁶ And Kim McQuaid reports that "FDR was more than capable of proceeding on his own in the event that business cooperation in the mobilization drive was not forthcoming."⁷ However, the path of compulsion was not followed.

McQuaid may overstate whatever autonomy Roosevelt may have had and was willing to use, especially since McQuaid relies on Roosevelt's offensive against business in the aftermath of the 1936 election as proof of the President's combativeness. 1940 was much different than 1936, with the popular movement pressure replaced by a more conservative milieu. McQuaid, however, himself recognizes this: "Roosevelt, always the realist, did not hesitate to eschew socialism as an aim of his third-term administration. Had he chosen a more romantic or ideological alternative, Congress ... would have run right over [him]."⁸ The ball was not in Roosevelt's court on the issue of mobilization. Rather, the increasingly conservative political climate and growing business power led him to play business's game.

Stalled mobilization would hurt Roosevelt more than it did the industries, or the businessmen-in-government, who did the stalling.

At the time much was made, in some circles, of the "sitdown strike of capital", as corporate stalling was referred to, that brought government officials to see the value in negotiating with business over their participation.⁹ In light of the negative publicity accorded the "merchants of death" during the celebrated Nye Committee hearings of the early 1930's, it is amazing that business was able to railroad the government so easily. This contradicts Block's general point that state authority is enhanced during emergencies. In this case, the ambiguous emergency conditions of the pre-war period enhanced business leverage, and not that of the state.

This cannot be explained simply as the result of the state lacking the administrative capacity. Rather, any state is structurally limited in its dealings with holders of economic power. This will, of course, vary in different national contexts. In the United States, corporations enjoyed a greater freedom from government interference than any other industrialized nation.¹⁰ This friendly culture for corporate power provided a powerful base for expanding corporate power as the context changed from depression turned to war. The effect of increasing corporate leverage

combined with increasing congressional conservatism to frustrate any enthusiasm Roosevelt may have retained for the New Deal.

Major corporations had had enough of government interference during the 1930's and were not about to let their advantage slip at this time. It is clear from the record that major corporations enjoyed a legitimacy which buttressed their ability to shape pre-war mobilization, and underlay negotiations over how mobilization would proceed. As Secretary of War Stimson recorded in his diary:

If you are going to try to go to war, or to prepare for war, in a capitalist country, you have got to let business make money out of the process or business won't work, and there are a great many people in Congress who think they can tax business out of all proportion and still have business work diligently and quickly.¹¹

And the official army historian of mobilization reports:

Realism suggested that the best way to obtain the widespread expansion ... was to enlist the initiative... of private enterprise. This could be done with a minimum of government supervision by harnessing the profit motive within the general framework of the existing economic and industrial system.¹²

Thus, any New Dealer attempts to lead mobilization could be resisted legitimately. Army historian Smith frames the issue in terms of "realism", which he essentially defines as the preference of corporate, and military, actors. Thus, although it may have seemed that "realism suggested... a minimum of government supervision", it was in

reality the muscle of firms falling back upon the dominant hegemony that greatly restricts political interference with production decisions. As Smith recounts, "many individuals and groups felt that the Roosevelt administration was bent on 'socializing' the nation's economy and that it would use the defense program to further this objective." Given this sentiment, "private enterprise showed considerable reluctance to begin the task."¹³ This reluctance is underlined by a November, 1941 Fortune poll of corporate executives which revealed, "businessmen do not like the New Deal [and] [t]oday that attitude has become a serious concern because it is affecting the management attitude toward the war."¹⁴

I.F. Stone reviewed in 1940 the indignation expressed by opinion makers that any motivation other than profit should move industrialists to participate in mobilization. A sampling includes commentary from the financial editor of the New York Sun, who, responding to the British 100 percent excess-profits tax, states "[it is] difficult for many Americans to understand how Britain can expect anyone to make the tremendous extra productive effort required by war without some stimulus other than the vague one that it is necessary to save the country."¹⁵ And Stone reports, "United States News...accused the Treasury of harboring 'a belief that patriotism rather than a desire for profits should motivate industry' - surely the strangest of

accusations."¹⁶ Both Stone and historian Paul Koistinen note that it was never an issue of whether business was to make profits, but whether, as in World War I, companies gaining war contracts would make excessive profits.¹⁷

The state had clear authority, an emergency threatened (a national emergency had, in fact, been declared), and tools for executive direction of the governmental apparatus had been sharpened through the Executive Reorganization Act. Roosevelt had the administrative means and the objective conditions to develop a state-led mobilization effort. However, the Roosevelt administration did not opt for commanding necessary actions from monopoly sector firms. Instead concessions, "a very juicy carrot,"¹⁸ were used to elicit business participation.

Business's victory is an indication of how corporations were willing and able, even if through the sheer inertia of continuing its current civilian production, to resist Roosevelt on this issue, and how little Roosevelt (the most powerful political actor), could resist their pressure. The concessions laid out mobilization as an attractive investment scheme for the large corporations that would dominate war contracts. And the flip side of these concessions was almost more valuable - limits on government intervention.

Notwithstanding the ideological problems corporations had with Roosevelt supposedly pursuing reform under the

cover of war, government contracts were not an attractive option for business during the immediate prewar period. There were plenty of civilian markets to please, and there were too many strings attached to government contracts, including adherence to labor laws, profit limitations, and too much government supervision. There was also the fear that business would be left with excess industrial capacity after the war if they expanded as rapidly as some would have liked.¹⁹ The Truman Committee, for example, blamed the delay in converting the steel industry to the armed forces, the civilian mobilization agencies, and to the "big" steel companies:

The second cause of the delay was the desire of the big steel companies to prevent any expansion that might react unfavorably against their control of the steel industry after the war. They feared both... excess capacities of steel-making facilities after the war and the competition of smaller companies which might gain strength during the war program.²⁰

Expanded industrial capacity potentially threatened peacetime pricing mechanisms, especially for the monopoly-sector firms that engaged in war production: steel, auto's, aluminum, etc. And there was no clear indication that war would come, in which case industries would be "saddled with capacity which was unusable and without contracts for production."²¹ In addition, switching large portions of their business to war production threatened industrialists with loss of current market share of their civilian business, especially in the face of growing foreign

and commercial orders.²² Finally, there was the fear that war mobilization would be used to further the goals of the New Deal.

Each of these concerns - fear of excess capacity, high taxation, losing civilian market share, and social reform - was dealt with to the satisfaction of large corporations. New Deal concerns for social reform were easily put aside as has been noted. This was critical. Roosevelt's rapprochement with business was accomplished in such a way as to underline his transformation from "Dr. New Deal" to "Dr. Win the War." The national defense goals of the state were achieved only by fitting them to the accumulation goals of the nation's largest corporations.²³

There would be no drastic conversion to war production during the pre-war period in order not to interfere with the expanding profits of civilian production. And, expansions in basic industrial capacity would be paid for by the government in one of two ways: Corporations could take advantage of accelerated tax amortization which allowed companies investing in plants designed to produce defense goods to write off the entire cost of the plant in five years (normally, such investment were amortized over 20 or 30 years). Or, a recently established affiliate of the Reconstruction Finance Corporation, the Defense Plant Corporation, would pay private businesses to build plants

that would then be leased back to companies doing defense business for a token charge.²⁴ The 1939 value of manufacturing facilities in the U.S. was \$40 billion. Wartime additions through these two programs was \$26 billion of which two-thirds was financed directly by the government and the other third was privately financed (although rapidly amortized).²⁵ Of this enormous addition to the nation's manufacturing base, 98% was usable for postwar commercial production. Thus, the expansions greatly enhanced the economic clout of the largest firms.^{26*}

In addition to government underwriting of plant and tool expansions, the military's contracting mechanism was changed from competitive bidding to a negotiated "cost-plus" basis through the National Defense Expenditure Act of 1940.²⁷ Although negotiated contracts were subject to renegotiation if the contractor's profits were too high, corporations made enormous profits, and renegotiation was ended before the end of the war in order to provide corporations with plenty of cash to finance a return to

* Although the average percentage concentration of all manufacturing facilities rose only slightly during the war (the 250 largest corporations increased their share from 65.4% to 66.5% of all manufacturing facilities) the largest corporations vastly enhanced their manufacturing position: "Facility holdings of the 250 largest corporations in 1945 approximately equaled those of all corporations in 1939." (Economic Concentration and World War II, Report of the Smaller War Plants Corporation to the Special Committee to Study Problems of American Small Business, United States Senate, 79th Congress, 2d Session, Document No.206 [Washington, 1946], p.46, emphasis in original).

civilian production.²⁸ Koistinen reports, "it was called patriotism plus 8 per cent - or 20 per cent, or 50 per cent, or 100 per cent if business could get it."²⁹ Profit limitations on shipbuilding and aircraft manufacture legislated by the Vinson-Trammell Act were repealed through the Second Revenue Act of October 8, 1940.³⁰ This act also contained the five-year tax amortization plan. As Smith reports, "the act made it decidedly profitable for contractors to convert to war production and removed much of the sting of high wartime tax rates."³¹ In fact, a corporation's tax bill now became an asset since it could plow this money back into expansions instead of giving it to the US Treasury; its taxes would go down the more it expanded.³²

For the four months it took Congress to pass the Second Revenue Act, aircraft manufacturers sat on government orders, waiting for the legislative outcome before proceeding with production. This was the celebrated "sitdown strike of capital" in which industry flexed its not inconsiderable muscle to influence Congressional debates,³³ despite Fortune's charge that the delay could be attributed to New Dealers who wanted to initiate higher taxes alongside the expected higher profits: "The political considerations that persuaded the New Deal to marry it [5-year amortization] to the complicated excess profits bill made

for more delay, and it is no exaggeration to say that nine months of preparation were partially lost."³⁴

Either way, mobilization was held up due to the corporate bottom line. Organized labor found it odd that while it was being publicly denounced for its increasing militancy in the face of eroding labor laws, similar activities by a critical war industry could escape attention.³⁵ This double standard was at work throughout the war, and illustrates the hegemonic advantages that corporations have over organized labor.³⁶

These concessions still did not pry industry away from its civilian businesses. As I examine in this chapter, businessmen outside and inside government tenaciously stalled in expanding war production, protecting profits before all else - believing that somehow war would not come.³⁷ The most outrageous example of expanding civilian production during the growing emergency was in the automobile industry. Koistinen reports that the auto assembly lines "consumed 80 per cent of the nation's rubber, 11 per cent of its tin, 23 per cent of its nickel, 14 per cent of its copper, 18 per cent of its steel, 12 per cent of its zinc, 34 per cent of its lead, and 10 per cent of its aluminum." Yet, with most of these materials scarce by 1941, "automobile production was one million cars above 1939."³⁸

Fate of Labor in the Defense Period

Before considering the direct effect of corporate personnel I will examine the fate of organized labor since labor's influence was to peak early and to decline as war preparation advanced. I will review labor's attempts to be an equal partner in defense and war mobilization - within the state and within industries - and the frustration of this attempt.

The war brought both trouble and opportunity for labor. On the one hand, organized labor's ranks were expanding, they were winning important battles for recognition within major industries, the Supreme Court had recently upheld the Wagner (National Labor Relations) Act, and expanding production meant that their leverage would expand also. Also, the Congress of Industrial Organizations (CIO) had, through its new president, Philip Murray, presented an outline for labor-management cooperation for increasing production for war which would have dramatically increased labor's role in organizing the productive process.

In fact, specific plans were developed by Walter Reuther of the United Automobile Workers and Ben Riskin of the International Union of Mine, Mill, and Smelter Workers, for implementing cooperative arrangements for speeding conversion and dramatically increasing needed defense production in their respective industries, while also holding forth the promise of changed production relations in

the U.S.³⁹ Labor also received a voice in the emerging mobilization administration by the appointment of Sidney Hillman, President of the Amalgamated Clothing Workers of America to the NDAC, and then OPM. Conditions seemed ripe for the emergence of dramatically enhanced role for labor, both in industry and in the affairs of state.

However, the opportunity for labor was matched by large risks. The two federations, the AFL and CIO, fought over control of workers in the same industries; "raiding" by one federation into territory claimed by the other was common and led to fratricidal conflict. Support for the CIO in the mass production industries wavered depending on whether union intervention over particular grievances was successful or not.⁴⁰ Organizationally, the CIO had not yet achieved stability even within its own ranks, and the AFL was still the larger federation.⁴¹ And, the two federations disagreed over the relationship between the state and the union movement. The AFL clung to its voluntarist tradition, especially since government agencies such as the National Labor Relations Board (NLRB) and the wartime National War Labor Board (WLB) tended to favor CIO unions; they preferred collective bargaining between management and labor to agreements imposed by what they perceived as hostile government agencies.⁴²

Hillman, chosen by Roosevelt as a compromise labor spokesman, was not wholly accepted by either labor

federation, making it difficult for him to translate labor's strength into mobilization policy.⁴³ Hillman was also hemmed in and isolated by corporate and military domination of early mobilization. Because of persisting unemployment from the depression, labor was not as scarce as raw materials and facilities in the early part of the war, and so it never received the same kind of administration attention within the defense agencies. Finally, the political mood of the nation was shifting against labor, particularly since defense period strikes were the most visible (and celebrated) causes of slow military production. Both the armed services and corporate representatives sought to isolate labor by advertising strikes as the major cause of slowdowns.⁴⁴

Given its internal instability and divisions, and growing external threats, organized labor became increasingly isolated from the emerging governmental apparatus surrounding mobilization. This isolation was predictable in an emergency that saw corporate officials assigned to important governmental positions, and which provided the conditions for a corporate and congressional mobilization against the labor inroads of the 1930's. Organized labor, especially the CIO, relied on government agencies and the Democratic party for aid in maintaining the political space necessary for the union movement to move forward.⁴⁵ The later New Deal was hospitable, or at the

least not hostile, to demands for increased worker's rights. This contrasted markedly to previous actions by the state to actively side with management's interests.⁴⁶

Labor's reliance on state allies increased with growing threats to labor, beginning with the reaction to the New Deal and growing as labor was blamed for mobilization problems. Although John L. Lewis had turned away from Roosevelt and the Democrats by the 1940 election, the rest of the CIO was utterly dependent on the President.⁴⁷ The threat of national service legislation (a labor draft), or of military seizure of strike-slowed industries seemingly left them with little choice, although CIO leadership increasingly opted for cooperation because of the organizational security offered in return. The AFL first, and then the CIO after Pearl Harbor, agreed to a no-strike pledge and cooperation with a War Labor Board in return for the maintenance of membership formula, which forced the flood of new wartime workers into existing union ranks, and promised tripartite (business, government, and labor) mediation of labor grievances.

While this arrangement resulted in tremendous expansion of unionized workers during the war (from 10.5 to 14.7 million members), the nature of union leadership and the relationship between leaders and the rank and file, changed dramatically.⁴⁸ The road to "responsible unionism" that had begun with the Wagner Act, found its culmination with

the changes forced by the war.⁴⁹ Labor's agreement not to strike was increasingly challenged by its own rank and file, who went out on ever-increasing wildcat strikes due somewhat to wage issues but more often because of shop-floor grievances.⁵⁰

Increasing wildcat strikes increased the government pressure on union leadership to discipline its own rank and file or risk retraction of the maintenance of membership guarantee by the WLB, or the imposition of national service legislation.⁵¹ The tendency toward bureaucratization and hierarchy within any organization began in the unions with the flow of experienced trade union members to the armed forces, and intensified as the union leadership were increasingly forced to discipline the replacement workers. Thus, the union movement was transformed; tendencies toward oligarchy that would have existed anyway were exacerbated because of the war.

Within the state, the denial of a central voice for labor during the defense period crippled any possibility for a labor role later on. Industrialists were granted a central role within the various production agencies formed in this critical early period. Thus, corporations had central access points to which their concerns could be addressed and their clout focused, while labor's concerns were divided between the areas of labor relations and labor supply, and channeled through numerous and competing

organizations, none of which allowed the kind of dominance that industrialists have achieved within their sphere of interest.⁵²

Neither Hillman, nor other labor advisors, could counter the influence of corporate and military advisors because of the weakness and fragmentation of early defense agencies, because of their lack of authority, and also because of labor's factional differences.⁵³ Hillman worked aggressively within these constraints, but did not seek to expand the scope of labor's involvement. At one point, Hillman displayed his conservative approach when he responded harshly to the Murray industrial council plan: "In short, 130,000,000 people cannot delegate to any combination of private interests final decision on matters of basic policy."⁵⁴ This ignores what should have been obvious to Hillman - mobilization policy had, in effect, been delegated to private corporate interests. By his actions, Hillman acquiesced in their predominance.

Hillman's isolation was most dramatically manifested when, after marshalling all of the prestige and authority of his position, he failed to budge the military from its policy of granting contracts to labor-starved areas, and to violators of labor laws.⁵⁵ Knudsen of General Motors, Hillman's friend and colleague within NDAC and OPM, would have had to go along if this were to succeed, but he openly

showed his own corporate management bias by declaring against the policy: "We don't want any part of the Russian system over here."⁵⁶

Roosevelt started out supporting Hillman on the spread-the-work issue, and the NDAC released a policy directive on August 30, 1940, tying the distribution of defense contracts to reducing unemployment and to complying with labor laws.⁵⁷ Though the Army and Navy, along with the Attorney General, agreed to follow this directive, there was no enforcement mechanism. And when Hillman boldly announced to the press that this policy would guide procurement, business representatives denounced it as "blacklisting", and the same Army and Navy representatives, along with the Attorney General, assured outraged conservative members of Congress that this was not so; Hillman himself had to back down.⁵⁸ This type of reception awaited labor any time it tried to take the initiative on mobilization issues; labor was overwhelmed by a combination of congressional conservatives, business representatives, and military officials.

Labor's hopes throughout the war were connected to establishing some kind of tripartite relationship between itself, business, and government.⁵⁹ The stakes were high; the government had politicized industrial relations through the Wagner Act, and the CIO tried to cash in on this beginning by achieving a voice within mobilization, and by

politicizing even management's control over the capitalist firm. Philip Murray, the president of the CIO, came out in December, 1940 with a visionary plan for labor-management councils to engage in planning the conversion of major industries to defense production.

Such a corporatist arrangement could take advantage of labor's relationship with the state to institutionalize the gains of labor in the war program, laying the groundwork for an expanded labor role in the postwar era as well.

Lichtenstein calls this greater agenda "the CIO's corporatist vision", which included the input of organized labor into "production goals, investment decisions, and employment patterns of the nation's core industries."⁶⁰

Because of corporate management's manifest lack of action and planning on the mobilization of their industries for war, the Murray plan, and even more so the Reuther plan for converting the auto industry, found a receptive audience amongst those desiring quick action. Even though these initiatives were oriented toward relieving "priority unemployment" (unemployment due to diversion of scarce materials) and dislocation of workers, they dovetailed with the all-outers plans for immediate conversion of civilian industries, and maximum utilization of existing capacity; organized labor was saying it was willing and able to do what corporate management was resisting. As I.F.Stone concluded at the time, "the workers interest coincided with

those of the defense program, the manufacturer's clashed with it."⁶¹

Needless to say, corporate management vociferously denied any intrusion into what they considered their sole prerogative. Not only was labor "trespassing" on the traditional prerogative of management, but they were also linking up with those state officials wanting tighter control over critical industries. Management saw a multiple threat - to their immediate profits and to their long-term autonomy - from increased government regulation and expanding union influence. Organized labor was moving to a qualitative new position - from gaining recognition for purposes of collective bargaining, to insisting upon involvement in sacrosanct management decisions. Fortunately for major corporations, they occupied key strategic positions within the state. The OPM spoke with their voice, and, as Janeway notes, "OPM regarded the problem as one for industry to decide."⁶²

Reuther's plan to convert the auto industry received the greatest attention, not least because it was the most substantive of the CIO's proposals and involved the nation's most critical industry.⁶³ Both Roosevelt and those in the Office of Price Administration and Civilian Supply (OPACS) were excited about his proposals, because of its ability to increase defense production. Reuther's "500 planes a day" plan likewise fit labor's immediate interest in utilizing

all existing auto capacity in order to put to work the large number of experienced assembly-line and tool-and-die workers who were laid off during the auto industry's yearly six month retooling period.⁶⁴ Reuther recommended surveying all of Detroit area production facilities to determine existing capacity and plan conversion of currently unused plant and equipment (some plants would continue to produce autos). In this way, unemployment would be solved, and smaller shops could be utilized for defense production. Stone reports that for his trouble Reuther was "assailed... as a Communist... [and his] plan was never given a hearing."⁶⁵

Reuther's plan, even though only supportive of partial conversion of the auto industry, conflicted substantially with the desire to concentrate contracts and create new facilities for the largest manufacturers; the largest manufacturers feared the implications of this plan for industrial relations, and also for the direction it would set mobilization policy upon. Production men, especially ex-head of General Motors, and now head of OPM, Knudsen, picked on minor details of the plan to discredit it. The auto industry basically argued that its plants could not produce aircraft because of the incredibly small tolerances required, and that regardless of its feasibility such decisions were management's territory and Reuther was not management. But of course these positions also conveniently fit within their ongoing resistance to converting their

civilian industries to war production, preferring instead that the government finance an entire new industrial empire alongside the existing one.

As the Truman Committee, and others who cared, found out (as they did quite often in these cases) the auto industry had misrepresented the facts. The Committee reported that in the summer of 1941 it had taken the position that immediate conversion was necessary. Under Secretary of War Patterson had testified at the time that, according to the auto companies, the tolerances of existing machine tools were too large to be of any use. (The military services, of course, displayed their usual willingness to rely on industry information without question). After Pearl Harbor, when industry resistance to conversion collapsed in the face of war, the industry had suddenly announced that, indeed, it could utilize existing plant and equipment for war contracts (since the Japanese attack made it imperative to end civilian auto production). The Committee concludes:

it is quite evident that the information furnished to the Under Secretary of War by the automobile companies and the OPM was quite inaccurate. We could have and should have made use of automobile plants and tools.⁶⁶

As Janeway has concluded, "In the end it was not reason which converted the auto plants, but Pearl Harbor."⁶⁷

Labor participation was rebuffed in industries and in the mobilization agencies. The author of a government monograph completed shortly after the war concluded:

labor continued to press for membership on industrial advisory committees and joint labor-industry advisory committees throughout 1942 but met with top War Production Board lack of support and industry division opposition.⁶⁸

Labor men never achieved the kinds of input that corporate representatives did, and Labor Advisory Committees were never utilized to the same magnitude as Industry Advisory Committees. When the uniform industry advisory system was established under OPM, industry was granted a formal place in the administrative process, while labor was not. Hillman was quick to act on this neglect, and a labor advisory system was authorized - "the official definition of [this system] was almost identical with industry advisory committees."⁶⁹ However, this was 14 months after mobilization had begun, "during which industry committees and other industry groups dealt continuously and directly with the Government officials supervising industrial operations."⁷⁰

Under these conditions labor was starting out as an intruder in an already functioning administrative process. Industry men in OPM, however, were willing to present already formulated plans to labor committees in order to present the appearance of labor input, and attempt to head off labor problems in advance.⁷¹ This attempt at cooptation was transparent to labor advisors, and they struggled for more substantive input, especially regarding the formulation of plans that resulted in labor dislocations

and unemployment. However, Knudsen, reflecting the orthodox belief that labor had no place sharing in management's privileged access, put off labor advisors: "I believe the meeting [between industry and labor advisory committees] would then become too large to be workable."⁷² In other words, there was to be no room for labor in the intimate relations emerging between business and government.

This was also made clear from the administrative setup of the defense agencies themselves. Labor committees were attached to the Labor Division of OPM, while industry committees had direct access to industry branches. Industry branch chiefs, normally close to, if not from, management's ranks, further insulated themselves from any substantive input from labor.⁷³ On top of this, labor concerns had been divided between two branches within OPM - the Labor Priorities, and Labor Relations Branches - which were filled respectively with labor economists and union men, who often were in disagreement. So not only was labor internally divided, but "the [labor] committees and industry branches were thus separated by two layers of authority within the Labor Division."⁷⁴ The CIO became increasingly frustrated by the futility of their continued participation under these conditions. James Carey, Secretary of the CIO, testified to the Tolan Committee that the labor committees set up only the appearance of labor input, "which did not go down to the operating level."⁷⁵

Carey articulated the basic problem of labor's role in mobilization: organized labor, through Hillman, seemingly shared directly in the formulation of mobilization policies, but top-level participation masked a paucity of labor input anywhere else in the organization. The mechanisms granted to labor within the defense agencies operated to coopt or preoccupy labor with ultimately frustrating illusions of substantive participation. Labor was dependent on the state for its gains, and thought that a state-led mobilization effort would offer a prime opportunity for them to institutionalize its gains from the 1930's. However, corporate penetration of defense agencies meant that labor was dependent on actors that sought to absorb and weaken their influence. And because labor supply was never a central problem of the defense period, administrative mechanisms dealing with labor could languish, with labor representatives afforded second class status.

It was not so easy to ignore industrial relations; strikes had affected defense production, necessitating a policy response. The National Labor Relations Board, the National War Mediation Board (NWMB) and later the National War Labor Board (NWLB) existed to protect labor's gains at the industrial relations level, though they also acted to channel labor's activities in safe and manageable ways. The NWMB was set up in response to the strike wave in early

March, 1941, which was also met with anti-labor legislation in Congress and military intervention.⁷⁶

Expansion of the defense program led to rising production, profits, and prices, but not wages, and this stimulated much of the strike activity. Unfortunately, the administrative confusion that defined labor supply was true for labor relations also. The military services grew anxious with production slowdowns, and impatient with the administrative complexities for dealing with strikes. The result was increased military pressure on Roosevelt for action, increased military willingness to intervene directly through takeovers or forced mediation, and increased military support for anti-labor legislation in Congress. The NWMB provided a mechanism for mediating strikes, but ultimately failed due to resignations by CIO representatives, in November, 1941, after the Board refused to rule in favor of the closed shop.

With the attack on Pearl Harbor NWMB was replaced with the NWLB. Roosevelt called together in Washington labor and management representatives to work out a no-strike, no-lock out agreement, and agree on a mediation mechanism. Roosevelt twisted a few arms to get the resulting agreement, and left the controversial issue of the closed shop for the public representatives on the NWLB to sort out.⁷⁷ Roosevelt also went beyond the scope of the agreement by assigning the NWLB compulsory arbitration power.⁷⁸

Labor, at least in the realm of labor relations, was to finally have the tripartite mechanism they desired. But the price was high. Lichtenstein argues that NWLB was "as important as the Wagner Act in shaping an American system of industrial relations", and represented "a powerful force in nationalizing a conception of routine and bureaucratic industrial relations."⁷⁹ Labor ultimately received the "maintenance of membership" agreement from the NWLB (with a 15 day "escape clause" that made it palatable to management), and a limited wage hike through the "Little Steel" formula (allowing a maximum 15% wage hike). However, as noted above, and inherent to Lichtenstein's point, union security ultimately gave management clout because it forced unions to discipline its own rank and file, and kept wages, relative to inflation and profits, very low. Koistinen concludes, "despite the President's contrary promises to labor, [wages] were largely removed from the area of collective bargaining."⁸⁰

I have noted the military services's frustration with what they saw as a policy that coddled labor. Their desire to intervene against labor was mediated somewhat by the enlightened attitudes of labor advisors assigned to them (in the War Department Labor Branch), but they still sought a central role in labor problems as they had in procurement.⁸¹ Koistinen reports the armed services believed "their procurement responsibilities entitled them

not only to participate in the formulation of labor policy but also to assume that the labor problems of their contractors were largely their problem."⁸² And since the military services were themselves employers through management of their munitions plants, their empathy for corporate management and disdain for labor was enhanced. Ironically, it was military mismanagement of procurement and priorities that often drove labor into strikes.⁸³ Throughout the war, the military services were to accentuate conservative pressure for anti-strike and national services legislation.⁸⁴

Organized labor's hopes for wartime gains were nullified by the intense participation allowed corporate and military representatives. The labor movement remained on the defensive throughout the war, thrown against the ropes by a combination of fratricidal conflict, the loss of experienced trade unionists to the armed forces, and probably most importantly, by the combined hostility of business, the military services, and by congressional conservatives who harried labor continuously throughout the war with threats of a labor draft. On the other hand, corporate interests found a friendly reception waiting for them. Because of Roosevelt's hesitation about utilizing existing state administration for mobilizing the economy, private experts (dollar-a-year men) and administration (industry advisory committees) were heavily relied upon. I

turn now to these societal mechanisms which so dramatically affected wartime state building.

Dollar-A-Year Men

Business participation was manifested through the employment of "dollar-a-year" men within government agencies, and through the use of industry advisory committees, as extra-state mechanisms to help guide policy determination and implementation. McConnell identifies these two mechanisms as legitimizing the governmental effort in the eyes of powerful corporate executives.⁸⁵ I will explore each of these separately since dollar-a-year personnel were actually part of the state while advisory committees were not. However, their impact was not separate and distinct from one another; there was much overlap.

As we have seen, Roosevelt did not opt for utilizing existing civilian agencies for planning and organizing war production. Nor did the President attempt to rely upon recently emerging New Deal personnel and agencies to help organize mobilization. Instead, Roosevelt pursued a more informal route by creating a new array of emergency executive agencies.⁸⁶ This reflected Roosevelt's pattern of dealing with the depression, when existing bureaucracies were often bypassed while new "alphabet" agencies sprung up, filled with those more amenable to presidential authority. However, prominent within the mobilization agencies was an

independent type of bureaucrat, the dollar-a-year man. Many of the key government personnel in charge of mobilization were actually businessmen hired out to the government. They were officially compensated at the rate of a dollar-a-year, allowing them to retain their corporate salary and connections.

James McAleer, in his monograph of dollar-a-year activities in World War II, identifies the advantage of using corporate executives during emergencies, or, as he puts it, for "new or unusual activities."⁸⁷ This view stems from the legacy of utilizing businessmen and trade associations to augment state capacity during crisis periods, such as with the War Industries Board and the National Recovery Administration. When the government lacks experienced agencies and personnel for undertaking "new or unusual activities" it must rely on those having these capacities. This fits the state-centered idea that capacity develops slowly, especially in the U.S. context, and that the private sector is readily available as a extra-state resource in times of emergency.

In World War II corporate executives were appointed to different types of positions within the government, among them the "dollar-a-year", authorized by Congress on June 26, 1940⁸⁸ the "without compensation" (WOC's), and the "when actually employed" (WAE's). It was the dollar-a-year appointment that predominated, except in cases of blatant

conflict of interest. In these cases corporate men were brought on as WOC's, either until they received clearance or until their services were no longer needed.⁸⁹ Beginning with the first defense agency, the War Resources Board (WRB), the use of dollar-a-year men was championed.

Drummond Jones, in his monograph of the Office of Civilian Requirements (OCR), explores the background and predispositions of dollar-a-year men. The difference between personnel recruited from the business world, and career government personnel (often New Dealers) is noted, and is worth quoting at length:

Henderson and Weiner [Director and Assistant Director of the OPACS, and then OCR] had gathered around them a staff of men steeped in a sincere devotion to the public welfare, trained and experienced in considering the interplay of national and international economic forces, unwedded to any particular social or economic vested interest, and expressive of a deep and abiding patriotism. Consisting chiefly of Government 'career men' and college and university professors of economics, political science, and related fields, this staff was rich in its loyalty to concepts of social good in a democratic state. On the other hand, it was poor in practical experience with industry and therefore open to derogations which sprang... from businessmen with whose enterprises it had to deal. On the other hand, Knudsen's staff [in the OPM] consisted primarily of representatives from industry, men who knew and could speak Knudsen's language. Trained and experienced in business, they inevitably approached their duties in terms of the value concepts in which they had been reared. ...they could operate with practical effectiveness among the industrial circles on which the program of production for war depended.⁹⁰

V.O. Key, at this time an administrative analyst for the Bureau of the Budget, adds these comments about business personnel:

[Knudsen's] organization was staffed in its key positions chiefly by businessmen, on the whole not characterized by an intense and uninhibited desire to accelerate interruptions to normal business production for the purpose of rapidly increasing the output of items to meet military defense needs.⁹¹

In reconnoitering the developing apparatus for organizing American society for war we find the corporate personnel described above in positions of great influence. Although the percentage of these men to the total workforce was relatively small, McAleer reports that "the importance of this group far exceeded its numerical strength" since they made up the "large majority of top officials."⁹² And the vast majority of these were from corporate backgrounds; only 3% were from labor, and 4% from universities or foundations.⁹³ With these personnel infiltrating policy positions the line between state and society begins to fade. Rather than the state-centered proposal, simply stated, that the state structures society, here we find evidence of predatory corporate actors structuring the state response to war.

The approach to mobilization was thus influenced by the particular interest of the corporate executive. Manufacturers (the auto industry, for example) were being pressured to convert their industries from their civilian

businesses to military production, while raw material producers (steel and aluminum, for example) were pressured to expand their operations to fill expected great increases in demand. However, manufacturers were reluctant to abandon their now booming civilian businesses, and raw material producers saw expansion as leading to disruptions of competitive relationships.

Dollar-a-year men were more willing than their more independent counterparts in government to rely upon industry pronouncements that sufficient raw material capacity existed for all contingencies. Or, in the case of manufacturing industries, if capacity was found to be limited corporate advisors preferred expansions of the industrial base through government expenditures (RFC loans or quick amortization), rather than converting existing industries to produce war materiel. Needless to say, these policies greatly benefitted the large corporations that dominated prime contracts.

Corporations dominating the critical metals industries, such as aluminum and steel, feared the excess processing capacity if war was avoided. These industries successfully played down possible scarcities, delaying the ability of the U.S. to build armaments when war came. Koistinen reports that "expansion in the steel industry was not undertaken until after Pearl Harbor, and only then under the direction of the Iron and Steel Branch of the WPB which was stacked

with members of the largest steel companies, loaned to the government on a dollar-a-year basis."⁹⁴ The result - "steel was critically short in 1943" - was replicated in other critical industries, such as aluminum and rubber.⁹⁵

When expansions became inevitable industry relied upon government financing to cover the costs. This seems logical given the nature of the emergency. However, much of these expansions resulted in increased concentration within critical industries as the most powerful firms added, at very low cost, to their industrial base and market dominance. Manufacturing firms preferred expansions instead of conversion since this allowed them to continue their profitable civilian production, at least during the defense period.

Also, expansion, versus conversion, resulted in a concentration of war work in the fewest possible firms. Expanding the capacity of a few large firms tied up tremendous amounts of critical resources to create new machine tool capacity and new plants while great numbers of smaller plants were being closed down for lack of materials. The capacity of smaller firms was allowed to wither, while scarce raw materials were diverted into creating new plants and tools for the dominant firms. This problem was recognized early, by the fall of 1941, but little was done to reverse the direction. Senator Mead exclaimed to Floyd Odum, Director of Contract Distribution of OPM:

we are losing plenty of time here because we have permitted the larger manufacturer or industrialist to expand his plant so that he could do every bit of the work under his own roof [instead of subcontract to smaller firms], and in doing so we overemphasized the construction [or expansion] program... Too much material has gone into construction and too little has gone into production.

I believe we have overemphasized the construction program and we have permitted all these big industrialists with these large contracts to secure preferential priorities in order that they might complete a model plant which would be theirs after the war is over.⁹⁶

Odum responds later, in agreement, that "it is bad from every standpoint to build up alot of new plants..., while at the same time we are letting existing plants fall into disuse."⁹⁷

The fundamental problem of whether dollar-a-year men could act in an unbiased manner was an issue from early on, as demonstrated by the antipathy towards business dominance of the WRB. Yet, the ambiguity of the pre-war period narrowed the alternatives available for moving mobilization along. The overt symbols of conflict of interest, such as retaining one's corporate salary along with maintaining relations with one's firm, were ruled as acceptable.⁹⁸ Dollar-a-year men retained their corporate positions and salaries, until their service with the mobilization agencies came to an end. Rules were instituted under Knudsen, and reiterated by Nelson, which prohibited such personnel from participating in decisions relating to their firms, and later expanded to decisions relating to their industry.

This, however, raised questions about what the government was getting for its reliance on these men. As the Truman Committee noted:

This exclusion from working on matters in which their companies were interested does mean... that the dollar-a-year and w.o.c. men were generally assigned to tasks materially different from those in which they had engaged in private life and raises a question as to whether we can even say that in utilizing such men we gained the experience of big business.⁹⁹

Also, most dollar-a-year men were not production people at all. Rather, companies sent to Washington those they could afford to part with, in most cases salesmen whose jobs became redundant with the drop in civilian production.¹⁰⁰

Why was the government relying upon these men, then? Was the government relying merely upon their executive ability? And was there no other source to tap for this expertise? Dollar-a-year men were ostensibly brought on board because of their background in corporate management. However, their "management" experience represented only part of their value. As important was their corporate heritage. They were trusted by their counterparts in industry more than any government official would have been. Since early mobilization relied on voluntarism from industry, a premium was put on employing these men who could work through the informal and formal networks of industry, and whose persuasive strength was based on their status as corporate men.

New Dealers, including here recent labor and university appointments, tended to be distrusted by industry men who, for example, considered the growing number of government statisticians as "impractical theorists and New Dealers."¹⁰¹ The basic distrust between these two groups would make it difficult, in the absence of stringent government regulations, for mobilization to be state-driven. The use of corporate representatives in decision making and implementation positions smoothed the acceptance of mobilization policies. The clash between the two groups, one corporate and one, for lack of a better term, statist, was often characterized as a clash of personalities. Yet, behind the personalities stood two varying conceptions of the public good and how this end could be best served.

The issue of corporate bias received center stage numerous times in the early stages of mobilization. The Truman Committee released a report roundly criticizing the practice of employing corporate representatives. Also, Nelson's policy of utilizing dollar-a-year men was vigorously challenged when he was confirmed as head of the WPB, and again after charges by Robert Guthrie, an employee with WPB, that dollar-a-year men were sabotaging conversion for their own ends.

One of the main early concerns of the Truman Committee was the participation of corporate representatives. In general, the committee found "numerous instances of gross

inefficiency [in the defense program] and still more instances where the private interest of those concerned have hindered and delayed the defense program."¹⁰² Part of the committee's criticism focused on the unwillingness of the leadership of OPM and other agencies to use the authority given or, if this was insufficient, to ask for more. This deficiency and others, however, is traced back to the participation of corporate representatives in the defense program. The committee notes that "The principal positions of the [O.P.M.] were assigned to persons holding important positions with large companies who were willing and anxious to serve on a dollar per year, or without compensation (w.o.c.) basis."¹⁰³

Employing these men raised the issue of their natural tendency to favor the interests of their firm, their industry, and even business interests as a whole, in their decisions concerning the implementation of mobilization controls. For instance, the committee notes that corporate men-in-government were in a position to know the defense program intimately; they knew about contracts to be let, and how best to get these contracts. They would know about upcoming shortages and how best to get scarce materials, and they are intimates of those deciding who gets contracts, thus in a position to influence indirectly such decisions.¹⁰⁴ Also, outside of promoting the interests of

their own firm, there is the danger that they inherently promote the interests of larger firms in general:

All important procurement contracts must be approved by these dollar-a-year and w.o.c. men, which means that contracts must conform to their theories of business. Since they represent the largest companies, this means that the defense program in all its ramifications must obtain the approval of the large companies.¹⁰⁵

It is difficult to imagine a more dramatic statement concerning fears of corporate domination of mobilization. The committee subsequently, as if defending themselves of charges of being crude Marxists, state that, "This does not mean that the boards of directors of the large companies are requested to determine the defense program..."¹⁰⁶ Rather, it is argued that corporate men in government, through their everyday decisions, favor larger firms in contract distribution, resist expanding industrial capacity where this may result in excess capacity after the war, and resist converting existing plants to defense production in order to protect civilian profits while taking advantage of government funds to build themselves new plants. Corporate/government actors are seen to:

subconsciously [!] reflect the opinions and conclusions which they formerly reached as managers of large interests with respect to Government competition, with respect to taxation and amortization, with respect to financing of new plant expansion, and with respect to the margin of profit which should be allowed on war contracts.¹⁰⁷

Protecting and expanding the profits and power of the largest corporations were as much a goal as the fight against fascism. The committee, in conclusion, was "opposed to a policy of taking free services from persons with axes to grind, and... believes that the Government should not continue to accept the loan of dollar-a-year and w.o.c. men by companies with so large a stake in the defense program."¹⁰⁸ As they note, "No man can honestly serve two masters."¹⁰⁹ The committee knew that in the contest between the two masters, a corporate man's interest is clear; the report notes that corporate representatives "are dealing with matters involving the welfare of the class of clients by whom they were formerly employed and by whom they naturally expect to be employed in the future."¹¹⁰

Although the committee's solution for the inherent bias is to have these men cut all connections to their old firms, it seems unlikely that the problem would go away so easily. James Fesler, War Production Board historian, reported that where they got their salary was not the inherent issue: "It didn't matter really if it were a dollar-a-year man or a salaried official if he looked forward to a post-war career in business."¹¹¹ Even so, most of the dollar-a-year and w.o.c. men were unwilling to do even this; they resisted surrendering their enormous salaries for government pay.

Nelson directly confronted the misgivings of the Truman Committee at his confirmation hearing, arguing that he could

not do his job without the aid of corporate executives. And, given the committee's insistence that authority for the defense program be centralized under one man, they were not going to turn on him for this one transgression. Senator Truman, in a letter to Nelson, states:

The Committee believed that the ... practice of retaining dollar-a-year men should be abandoned... However, the Committee believes that the best interests of the procurement program requires that it be administered by a single head who will be able to do things his way... The Committee will, therefore, support you on matters on which it disagrees with you...¹¹²

Nelson argued that dollar-a-year men could not afford to sacrifice their corporate earnings; they would be unable to fulfill their financial obligations on government pay.¹¹³

The issue was to rise again later that year with the resignation of Robert Guthrie, a branch chief in WPB, who charged that dollar-a-year employees were sabotaging the conversion program. Guthrie's testimony brought up many of the points made by the Truman Committee in the report reviewed above.¹¹⁴ His testimony was rebutted by Philip Reed, Chief of Industry Branches of WPB and Chairman of the Board of General Electric Corporation. The exchanges between Reed and the senators keep coming back to the issue of retaining their corporate salary while working for the government. One exchange, in particular, between Senator Brewster and Reed is worth considering:

Mr. Reed: Let me put it this way: I am perfectly confident that the dollar-a-year men here are just as willing and just as ready to take it in terms of suffering or of giving up standards of living or anything else, to get this war effort forward...

Senator Brewster: ...[it is a] matter of public relations, and you would recognize the extreme importance of accomplishing the maximum amount of unity in the country, would you not, Mr. Reed?

Mr. Reed: Yes, sir

Senator Brewster: That we have all, as far as possible, got to be like Caesar's wife, above suspicion.

Mr. Reed. I agree with that.

Senator Brewster: And that when a great corporation such as the General Electric is paying you \$60,000 a year, it is very difficult for the average man on the street to believe... that they are getting their money's worth... what do you think is the effect of that upon, let us say, the average man in a democracy such as ours? ...I am simply trying to point out something of the problem as we see it in the united effort that we are all trying to achieve. Certainly you would agree, wouldn't you that the average man in America can't contemplate the necessity of \$60,000 a year to live on. You see the problem in a democratic world, Mr. Reed?

Mr. Reed: ...I am not sure that I see it, except as I recognize... that there are compensations that vary widely over a range that may or may not be justified by one's individual capacity or his contribution. The subject, it seems to me, is so broad and involves such a wide field of social and economic study that I certainly am not qualified to discuss and argue it.¹¹⁵

The issue of salary is only the most obvious and manifest problem with the dollar-a-year system. A troubling issue for the Senate Committee was the appearance that large firms were taking advantage of the emergency. Large corporate salaries of, in effect, key government officials made manifest the issue of dual loyalties. As Senator Mead

comments at one point, "if we had a horizontal conversion policy affecting every industry and showing no partiality, they couldn't criticize you men."¹¹⁶ The salary issue also pointed out the inequality of sacrifices being made by the American public. In response to the argument that corporate executives are unable to make the financial sacrifice to accept a government salary, Senator Truman retorted, "A very great many of the \$21-a-month boys have very abruptly changed their standards of living, also."¹¹⁷

Nonetheless, this incident serves mainly as a warning; the dollar-a-year system was retained. And Koistinen concludes that "Nelson permitted the Industry Divisions to be stacked with business spokesmen, often dealing with their own industries (though he had given his word to the Truman Committee that this would not happen)..."¹¹⁸

Industry Advisory Committees

Advisory committees, like the dollar-a-year man, were familiar parts of the business-government relationship. They were used extensively during World War I and in the National Recovery Administration of the early New Deal. Bernard Baruch, head of the War Industries Board in the First World War, argued for heavy reliance on advisory committees in this new war.¹¹⁹ The Army-Navy Munitions Board had, very early in the pre-war period, begun to set up

committees for this purpose, and these were relied upon by the NDAC.¹²⁰

However, the political climate was very different from the earlier periods, making reliance on industry groups problematic. The anti-trust offensive of recent years remained politically salient, with the Justice Department unwilling to ignore potentially illegal committee activities.¹²¹ The problem, besides the obvious conflict of interests, was that industry committees tended to overrepresent the largest firms and their activities had represented, in effect, government sanction for cartelistic activities.¹²² While many welcomed the reliance on industry groups, the political climate of the late 1930's - early 1940's was still too imbued with tensions between business and government for renewed sanction of these activities.

Nonetheless, industry committees began to flourish under the conditions of early mobilization. While outright sanction for committee activity was avoided, and strict rules governing the behavior of committees were propagated, the system began to resemble that of World War I and of the NRA period.¹²³ Industry committees began to flourish under early mobilization. NDAC and OPM had limited authority, and so reliance on voluntary mechanisms, such as industry groups, was necessary to make progress on mobilization. The official history of mobilization explains:

Since OPM had no power to change the operating pattern of industry, reliance had to be placed on voluntary action to bring about substitution of materials, conservation, conversion, and similar changes in industrial practices, and it was anticipated that the major functions of industry committees would be to recommend such programs of voluntary action.¹²⁴

Committees were utilized as a mechanism for deciding upon and implementing policies affecting industry. Monsees, in his wartime review of industry advisory committees, reports that mobilization agencies

have chosen to establish representative committees [of industry] for the practical reason of securing the direct help of industry and have given industry a place in the administrative process. This has resulted in the Government's receiving the advice and recommendations of industry on all matters, including the review of orders before issuance, and in industry's receiving an opportunity to express itself continuously and thus assist in formulating administrative policy.¹²⁵

Industry committees were also seen as providing government policy with the cloak of societal input and legitimacy; mobilization was more "democratic" if accomplished with the input of interested societal agents.¹²⁶ Whether privileged industry input ought to be considered "democratic" or not, Monsees's sentiment is accurate to the extent that mobilization, even if by default, came to reflect the interests of these very influential committees. Industry committees represented business "capacity" in two senses. They had the expertise and status necessary to mobilize their respective industries, and thus could also resist mobilization routes

they saw as threatening. The route of voluntarism enhanced industry's ability to resist policies they disliked. And as one commentator notes:

industry felt that Government control might be less considerate of existing business relationships than the producers themselves and less likely to protect 'regular' customers; in part, industry was simply motivated by American business' traditional opposition to Government regulation and its normal preference for self-direction.¹²⁷

Because of the perceived threat from government, industry committees often acted irresponsibly, protecting their particular industry and organized business interests as a whole before the nation's interest. One would hardly expect them to do otherwise. And it is this expectation that should have reduced government dependence on these bodies.

For example, committees were responsible for surveying their industry to ensure that the industry had sufficient production capacity for all contingencies (including war). In almost every case, with steel, aluminum, and rubber the more celebrated examples, industry reported that sufficient capacity existed and that expansions, or priorities orders that would allow government agencies to control access to scarce materials, were unneeded.¹²⁸ Industry committees, led by the largest firms, resisted expansion of productive capability because they feared the destabilizing market effects of excess capacity if war was avoided. They also

feared the increased government supervision that would accompany priority controls.

Industry committees consistently attempted to maintain private control over their industries, even if this meant misleading government personnel.¹²⁹ It was this dishonesty, however intentioned, that exposed the basic problem of relying upon such committees. Industry committees were fundamentally concerned about the welfare of the largest firms in an industry. If the national interest happened to be served also, all the better. However, it was profits during the defense and war period, and market position afterward, that most concerned these bodies in the pre-war period.

Edythe First has written an indispensable account of industry advisory committees in the defense period and has concluded that under NDAC the "war service committees" concept of World War I was being revived. She writes "the weight of precedent [was]... wholly on the side of industrial self-regulation, achieved through hand-in-glove cooperation between the mobilization agency and industries' existing organizations."¹³⁰ Advisory committees offered readily available expertise, they were already operating, and their acceptance by the business community made them a legitimate place to formulate policies that corporations would have to comply with.¹³¹ The disadvantage, as noted by First, was that past experience (in the WIB and NRA) had

shown that reliance on industry groups had "magnified and accelerated the tendency toward cartelization of industry."¹³²

The National Defense Advisory Committee (NDAC) approached the use of industry groups by relying on the plans formulated by the military during the interwar period. These plans essentially sought to replicate the experience of World War I. As Under Secretary of War Patterson explains to the Tolan Committee:

the industrial mobilization plan, of course, represented a study that had been made by the War Department and the Navy Department out of the 1918 experiences. It followed the general lines of the organization that had finally evolved in 1918. It advocated a system much like that under the planning agency headed by Mr. Baruch in 1918.¹³³

Baruch's sentiment had not changed between the wars - he sought a voluntarist route that would keep the government's role as limited as possible. It was no surprise that he advised reliance upon industry advisory committees during the war emergency.¹³⁴ This idea also had support within government circles. Besides having obvious support from dollar-a-year men, Catton reports that the "War Department had not lost faith in the idea that broad authorities should be delegated to industrial groups."¹³⁵

It was the antitrust effort that clipped the wings, somewhat, of the burgeoning reliance on these groups. Industry committees, seeing the continued willingness on the

part of the Justice Department to enforce the antitrust laws, hesitated to engage in mobilization activities.¹³⁶ This spurred demands for a method of clearing industry committee's activities in advance, negating the possibility of antitrust prosecution later. Initial attempts at such clearance mechanisms was undertaken by NDAC staffer Blackwell Smith, former General Counsel of the NRA. He preferred amending antitrust laws to make cooperation legal but this was vetoed by the Justice Department. In place of this, he developed vague standards for industry meetings, in an attempt to regulate their subject matter. As First notes, however, "These relationships [between NDAC and industry groups] developed haphazardly and subject to few rules... [due to] the absence of a central administrative authority that could prescribe procedures for consultations with industry..."¹³⁷

Because NDAC relationships with industry were essentially unregulated and often hidden from Justice Department view, the model of war service committees came to be followed in practice, through informal and secretive meetings between industry groups and mobilization personnel with business backgrounds. Trade associations took the lead in organizing committees, often replicating in them the degree of concentration in the industry.¹³⁸ Trade associations were probably the worst choice for this task; technical problems were not their forte. Rather, they were

concerned with promoting a particular industry, and ensuring that stable and noncompetitive relationships were worked out between firms. Trade association leaders, who tended to dominate the leadership of these committees, were primarily professional advocates for the most powerful firms.¹³⁹

Industry groups, built by trade associations in an unregulated environment, began "to drift toward a legally dangerous, 'management' of their industries."¹⁴⁰ Such management tended strongly to benefit the largest firms, ensuring them preferential treatment under the defense program.¹⁴¹ This path also made it more difficult to proceed with the defense program. Mobilization agencies relied upon industry committees for vital information and voluntary compliance. However, industry committees played down looming scarcities in their industries, while promoting their existing capabilities to meet any emergency. They were proven wrong in almost every case, substantially reducing the readiness of the U.S. when war finally arrived.

The situation changed somewhat with the creation of OPM, though this agency also suffered from a lack of statutory authority. However, movement against abuses began with the appointment of John Lord O'Brian as OPM General Counsel, and with the centralization of all legal work in his office. O'Brian set to work immediately in developing a clear-cut policy for relations between mobilization agencies and industry committees. Catton argues that "O'Brian

immediately rejected the idea that committees from industry should be set up as agencies of government, using government powers in the control and regulation of industry."¹⁴²

First agrees, stating "The OPM officially rejected the example that the War Industries Board and the National Recovery Administration had set in accepting committees of industry spokesmen as agents of Government and entrusting to them the industrial control and regulation that a national emergency required."¹⁴³

The official rejection of the "war service" idea of business-government relations demonstrates the willingness of political reformers to restrain an abuse of business's privileged position and attempt to corral the worst aspects of industry participation in the defense program. It also represented an attempt to rationalize business-government relations, to abandon the ad hoc path of the distant and recent past. And it is one clear indication that the New Deal offensive against abuses of corporate power continued into the war years. With the development of a cadre of government officials both more sure of themselves and more resistant to the crude business input of past years, came the institutional will and capacity to become more independent of crass business manipulation. Also, it may be that an awareness set in of the irresponsibility inherent in the reliance on, essentially, trade associations for ensuring national security.

A clue to the independence that these actions represented is found in the fact that the War Department requested, in March, 1941, the suspension of antitrust laws; this was denied by O'Brian (yet another instance of military deference to and reliance upon large corporations).¹⁴⁴ Instead, rules were instituted that restricted the participation of industry groups to solely advisory functions; as Catton notes, "they will set no policies and hand down no orders, and they will have nothing whatever to do with policing any regulations that may be issued."¹⁴⁵ Rules also stipulated that groups must be representative of the entire industry, small and large firms alike; they must keep written records of all meetings, and meetings had to be for mobilization purposes only; and a government official must be present at all such meetings.

Notwithstanding this attempt at formal regulation of industry committees, the system continued to work as in the past. Catton and First are right to be impressed with this shift from the relations accepted under the WIB and NRA, but they both take the procedural alterations for a substantive change in the relationship between large industries and mobilization agencies. But beyond the institution of formal rules the old habits and personal ties remained. As Schuck reports, "From time to time officials of the various industry branches failed to adhere to the regulations pertaining to advisory committees either because they were

new personnel unfamiliar with proper procedures, or were impatient with the regulations which existed."¹⁴⁶

Dollar-a-year men continued to hold important positions, and the military retained their iron grip on procurement activities, ensuring that formal rules would get a wink and a nod, while in actual fact, they were being sidestepped. As Koistinen has concluded, "evidence suggests that O'Brian's April policies [the rule changes] were about as effective in curbing the abuses of the Industry Advisory Committees as the Sherman Anti-Trust law was effective in preventing the concentration of economic power in the United State."¹⁴⁷ George Auxier, one of the top historians of the War Production Board history project, responded to William Schuck's draft conclusions about the effectiveness of the formal rules as follows:

There was no way violations could come to the attention of the legal division of the Office of IAC's [industrial advisory committees] except on complaint, was there? And who, in such a case, would be interested in complaining? [since attendance would have been restricted].¹⁴⁸

O'Brian himself commented on the need for wartime business cooperation in these summarized remarks to the Policy Analysis Staff of the War Production Board:

relations with the Anti-Trust Division [of the Justice Department], particularly when Thurman Arnold was directing it, had been especially troublesome to OPM's and WPB's efforts to get industry cooperation. O'Brian... realized early that joint action by industry would be necessary to get the war job done. On his second day here, O'Brian spent the evening with Robert

H. Jackson, the Attorney General, and they discussed candidly the need to protect businessmen who entered into joint arrangements for defense purposes which ordinarily would be violations of the Anti-Trust Act. Jackson and O'Brian arranged that when OPM formulated a request to an industry to collaborate on a war production problem, an outline of the plan would be submitted to the Attorney General with the WPB Chairman's certification that such action was necessary to the war effort. The Attorney General would indicate any features of the plan to which he objected and those would be modified.¹⁴⁹

And, James Knowlson, head of the WPB Industry Operations in 1942, wrote his staff the following guidelines for industry committee activity:

Plans and programs worked out by the Industry Committees shall be submitted to the Branch Chief for approval... However, possible conflict with the antitrust laws is not to be permitted to restrict the scope of planning such steps as may be necessary to the war production job.¹⁵⁰

Congress also passed an "Immunity Act" as part of the Smaller War Plants Corporation bill.¹⁵¹ This Act exempted industry cooperative activities from Antitrust prosecution if it was "in the public interest".¹⁵²

What may have convinced First and Catton that things had changed was that the imposition of new rules coincided with further grants of authority for the mobilization agencies from Roosevelt. To a limited extent, positive governmental authority could be substituted for reliance on societal agencies. Also, mobilization began to become organizationally and bureaucratically rationalized. Instead of having numerous agencies all attempting to liaison with

one particular industry, OPM streamlined itself, creating one committee for each industry.¹⁵³

Each of these reforms - new rules, further authority, streamlined operations - enhanced the ability of government to strike an independent path toward mobilization. But the changes were more apparent than real. However, one effect of these changes was the protection of major corporations and industry groups from antitrust prosecution: "With OPM freed by the new grant of power from dependence upon industry cooperation to effectuate nondefense priorities and allocations, the committees lost much of their significance as planning bodies for programs of industry action and consequently much of their legal vulnerability."¹⁵⁴ The appearance of propriety would be maintained through stringent rules that could be put aside as needed, and enhanced government authority could be utilized to ensure that the worst aspects of the advisory system were brought to heel.

The extent to which the industry-government relationship became rationalized (or, more predictable and stable) by the imposition of new rules is noted by First:

Emphasis shifted to a broader role for the committees, that of counselor to OPM and expounder of a special point of view in the chambers of Government. On the industry side, its advisory committees became primarily a device for steering OPM in directions the industry considered desirable, for restraining it where industry felt action would be disadvantageous, or for tempering the quality of action that was inevitable. On OPM's side, the committee became important chiefly as a

medium for securing understanding and support of its policies or practical aid in their formulation.¹⁵⁵

This is a description of very influential industry power centered on the state. While the ability to "steer", "restrain", and "temper" may have been less, relative to before the reforms, it was still very powerful indeed.

As government authority was utilized to issue mandatory orders for guiding production - versus the prior voluntary forms of compliance - industry influence took a new form. Formal rules coincided with enhanced mobilization authority; industry participation was rationalized as state authority grew. This was not coincidental. Increasing government authority replaced the ad hoc actions of industry. However, the need for industry participation was not voided; industry was still needed, but the appearance of abuse had to be reduced. It was necessary to rationalize industry input by imprinting upon industry groups a semblance of legitimacy. At this stage of war preparation, government officials would no longer allow blatant corporate domination - it was too controversial, made more so by the willingness of New Dealers and labor officials to call attention to it. The use of formal rules lent legitimacy to the controversial participation of corporate agencies, and masked the enormous influence major industries wielded. And, as documented above, the rules also masked a continuation of prior types of behavior.

There were two extremes in the use of committees, depending on the official in charge of the industry branch; some distrusted industry groups, while others relied greatly on them. However, "within these extremes... were many presiding officers who leaned heavily on the judgement of their industry advisory committees and who interpreted their own function as protection of the industry's they directed from excessive restriction or regulation."¹⁵⁶

The problem of continuity lay in changing the rules while retaining many of the same personnel, especially trade association men. While not allowed in dollar-a-year positions, these men stayed on in their advisory committee roles. And while some committees were expanded to provide more of a representative viewpoint, they were in turn still dominated by the prior core personnel of industry leaders. This tended to perpetuate "the type of informal understanding between OPM and industry that had existed prior to the establishment of uniform OPM rules."¹⁵⁷

Thus, the greatest problem was the continuation of the old system through the use of informal industry meetings, that were not cleared by government officials and did not meet any of the new guidelines.¹⁵⁸ These "gatherings of trade association committees or unorganized groups of industry members" in meetings "largely unregulated and unsupervised [held the] danger that unauthorized industry agreements [would be] consummated or ...industry

representatives would exert improper influence over OPM policy and administration..."¹⁵⁹

First records O'Brian's concern for informal industry meetings. However, given increased defense production, and because informal and unsupervised meetings had been the modus operandi of NDAC and OPM, "industry branch officials preferred to evade the issue of using other techniques," like the formal advisory committees.¹⁶⁰ Government officials often saw the formal route as slow and cumbersome, and there was also a resentment against extensions of this authority by agency officials: "Another significant element in the situation was the feeling of some OPM officials responsible for industrial operations that the lawyers were indulging in bureaucratic expansion of authority; that their interference was arbitrary and justified recourse to irregular methods of obtaining industry advice."¹⁶¹ Koistinen comments, "Though O'Brian determined that informal meetings were subject to the same regulations as formal gatherings, they were the most difficult to control."¹⁶²

First basically describes a system of ad hoc relations between industry and government, hidden beneath a veneer of formal rules and regulated conduct. These rules did, in fact, change the pattern of previous corporatist-type relations, yet rules by themselves could not substantially enhance the state's ability to overcome its dependency on private experts, nor did the changes negate the ability of

corporate actors to resist policy initiatives. The prior system remained, albeit in changed form: "What was prohibited by regulation was no doubt often realized sub rosa."¹⁶³ The Truman Committee provides evidence that at least with one important industrial sector, drastic change did not come with the rule changes. Their Interim Report on Steel complains:

the WPB committees selected to pass on the [steel] expansion program were dominated by officials of the five largest steel companies and did not even have a representative of the small companies or of labor to voice any opposition. The public could hardly be expected to rely on the wisdom or impartiality of the committees so constituted.¹⁶⁴

Advisory committees and dollar-a-year men are interesting from the standpoint of state theory because they exist as part societal, and part state, mechanisms. However, they are not examples of the state influencing society; they are societal agencies that the state relies upon for authoritative actions. They are mechanisms that give a societal cast to state decisions.

A Case of Industry Bias: The Conversion Controversy

One key, illustrative battle between New Dealers (both within and outside of OPACS) and corporate executives (as dollar-a-year men and on industry advisory committees) was over the issue of immediate conversion of industry versus the slower route of expansion. Corporate representatives resisted expanding the capacity of raw materials plants, and

emphasized the expansion, versus conversion, of manufacturing plants. However, OPACS personnel, among others, thought these policies irresponsible; if war came before these expansions were in place (as it did) the U.S. would lack needed production capacity. And emergency conversion would be chaotic, with the quick shutdown of civilian industries resulting in the dislocation of vast numbers of workers and communities, and in the concentration of war work in the largest industries.

Robert Nathan, a staunch New Dealer and head of the Planning Committee of the War Production Board, was an advocate of immediate conversion. He was asked by Senator Truman whether there had been resistance to conversion. He replied:

Undoubtedly there was resistance by industries in certain areas against giving up the production of normal civilian goods...

conversion... is not an easy matter. It means giving up the production to which firms have been accustomed over years; it means giving up markets...¹⁶⁵

However, in a memo to Donald Nelson a few months before, Nathan states the urgency for doing just this, in the face of industry resistance:

Normal production of the durable goods industries must be ruthlessly ceased. The industries will not engage in an all-out conversion until they are absolutely closed. Where a market output is absolutely essential, then this output should be confined to the smaller plants in the industry...¹⁶⁶

OPACS personnel, labor representatives (through recommendations in the Reuther plan), and the planning offices of mobilization agencies came out for conversion because they perceived that resistance to converting the auto industry, for instance, was due to corporate considerations of profit and market share advantage. They foresaw that consumers, labor, and smaller business would be hurt more by the dislocations brought by quick, emergency conversion, and that the security of the U.S was at stake.

Those opposed to the "all-outers" actually posed their alternative conversion plans as a planned approach, while portraying OPACS's scheme as ad hoc and discriminatory. Dollar-a-year man Philip Reed, Chief of Industry Branches in the War Production Board, (and on leave from his \$60,000/year position as Chairman of the Board of General Electric) speaks to this in testimony before the Truman Committee. He portrays the two approaches:

...one [approach - the all-outers,] is to shut down that industry almost immediately with a shut-off order, when you know perfectly well... that it is going to interfere with war production..., but you do it in order to shock the industry. ...The other is to study the matter much more carefully, to get your whole story, decide how many of the normal peacetime units [and] production of that industry you have to have... for the Army or the Navy.¹⁶⁷

James Knowlson, another dollar-a-year man, testifies similarly:

The school of opinion which today advocates the complete shutdown of civilian industries in the belief that the vacuum thus created would be automatically and

quickly filled with war contracts is in my opinion based more upon excitement and wishful thinking than upon fact. [Later, he adds:] From the standpoint of the military program alone the factor of industrial morale is important and orderly procedures desirable.¹⁶⁸

The dollar-a-year men ("go-slowers") continually characterize their approach as the planned one, while the advocates of immediate conversion are often characterized as some kind of hysterics, who would do more damage than good. One commentator of the relationship between the two groups noted that business representatives in government had a "fear of arbitrary despotism over industry by OPM [or WPB] technicians [those not from industry]", that "business spokesmen in OPM and WPB often regarded themselves as defenders of an industry against would-be persecutors."¹⁶⁹ The disdain which dollar-a-year men hold for those on the other side of the issue is palpable; they refer to them as "long hairs."¹⁷⁰ And as Knowlson responded to Truman at one point, "when I want a really tough foreman I don't pick out a college professor or a social worker."¹⁷¹ It should be noted that this testimony to the Truman Committee took place after Pearl Harbor, and after the creation of the WPB. Even in the face of such emergency conditions, industry men were arguing for a conversion process that would be minimally disruptive to their industries.

The Truman Committee noted at the time that the "all-outer" philosophy of ruthless conversion in the face of industry resistance was supported by the Labor Division and

the Division of Civilian Supply of the War Production Board.¹⁷² The Committee find it interesting that these two divisions are staffed by labor movement personnel on government salaries, and independent government employees, and they find it ironic that these personnel support such a policy line given the expected dislocations, especially for labor. However, these personnel stand in contrast to the WPB Division of Industry Operations and its Bureau of Industry Branches which are staffed by industry dollar-a-year men.

Resistance to forced conversion - a policy deemed critical to the successful mobilization - came from industry men employed within the state. Labor and consumer advocates, along with the planners and economists of the civilian mobilization agencies, stood for dislocations that threatened their constituencies the most, while industry men-in-government sought to shape the state's response to the emergency to their advantage. Obviously the participation of corporate men in state policy-making shifted the direction of mobilization. A more state-guided path would have differed substantially from the way mobilization did proceed.

Civilian personnel of the mobilization agencies sought the most effective, and most equitable, path for mobilization. They concentrated on plans for converting existing industrial plants, allocating scarce raw materials,

and setting manpower requirements. Industry personnel, however, acted as though the war was merely a temporary aberration which would not claim more than a fraction of the productive apparatus of the United States. Industry representatives saw the crisis through the window of their own self-interest, and they slowed conversion, resisted the development of governmental powers, and downplayed the extent of the emergency. Senator Truman, along with other members of his committee, was deeply upset with the policy of relying on corporate personnel, here decrying one particular instance of this:

It looks very much to me as if the voting members of the [OPM Aluminum and Magnesium Priorities] committee represent dupont, General Motors, and the people who are most interested in these priorities. I can't see that this is for the welfare and benefit of the country. I don't believe that this is good public policy. The... fellow who is most vitally at interest in this thing makes the decision for his own welfare and benefit.¹⁷³

The irresponsibility inherent to these actions cannot be overstated.¹⁷⁴ While labor was attempting to find ways of converting industries with the minimum of disruption to the workforce and communities, corporate representatives were busy hamstringing the budding mobilization process. The military also acted more for their own bureaucratic self-interest than for what may have been best for mobilization.

Consequences of Reliance on Private Capacity

As this case demonstrates, even vitally important decisions relating to national security can be skewed to benefit those with the power to influence state policy making. This bias had enormous consequences for the preparedness of the United States for World War II, and impinged on state development both during and after this period.

The reliance on societal actors and their agencies meant that mobilization was not pursued autonomously, but rather according to the dictates of those, as referred to by the Truman Committee, "with axes to grind." In its Second Annual Report, the Committee reports on the problems that had arisen due to the constraints on OPM:

First, it [OPM] had not provided soon enough new facilities for the production of sufficient quantities of strategic materials. Second, it had not required the conversion of existing facilities from civilian to war business. Third, it had permitted the war program to be concentrated in the hands of a very few large concerns to the detriment of the program and of small and intermediate business.¹⁷⁵

These consequences have been referred to in the prior sections of this chapter, but they need to be independently emphasized in order to appreciate the impact of societal agencies on the state. These problems arose because of the reluctance of corporate personnel to disrupt normal business even in the face of war. Corporate interests took priority in this critical phase of war mobilization, resulting in major problems for the production of war material. The

early pattern of mobilization not only served the ends of "business as usual" but also served to destabilize smaller businesses and to concentrate economic power.

Allowing critical industries to continue their civilian production up to and after Pearl Harbor had a great impact on the economic structure of the United States. Mobilization and conversion were delayed until the attack on Pearl Harbor provided the most dramatic evidence that war would not be avoided. Early military setbacks then resulted in the need to rely on those firms able to produce war goods at the quickest pace. Smaller firms found themselves locked out of contracts, and by extension out of the priority lock on scarce materials granted to the largest firms. There had been little room in the defense program for smaller producers to begin with, and the war emergency meant the accentuation of this early neglect. Contracts were concentrated in the largest firms which in the bargain received expanded industrial capacity and priority over the use of scarce materials. Tom Clark, then Attorney General, reported in 1943 that:

at the beginning of our war program 175,000 companies were providing 70% of the nation's manufacturing output and 100 corporations were producing 30%. Today, two and one-half years later, this ratio has been reversed; now 100 corporations hold 70% of the war and essential civilian contracts, while 175,00 small companies hold 30%. To those 100 corporations has gone the great bulk of the \$14,000,000,000 worth of new plants built at government expense. Some of these corporations demanded and secured the right after the war to buy and control these new facilities constructed at government expense.¹⁷⁶

The dislocations for labor, smaller businesses, and communities were the flip side of this mobilization scheme; they paid the price for corporate and military irresponsibility. Critical industries, through their advisory committees, "fought the extension of allocations or mandatory priorities [where government agencies control the flow of scarce materials]; they opposed price control; they tried to avoid the expansion of facilities; and they opposed the curtailment of nonessential production."¹⁷⁷ In turn, these industries paid little penalty for their irresponsibility; rather, the costs were borne by the rest of society.

Instead of converting existing industry plant and facilities to defense work, emphasis was put upon expansion, or building new plants. As noted above, war work was placed on top of existing civilian production; major industries received government financing, through various guises, to build new plants specifically for war work. This represented an enormous increase in the industrial plant of the nation, concentrated among the largest producers in any industry. The Truman Committee reports on this, with reference to the automobile industry:

the capital expenditures for plant improvements for defense purposes will ultimately provide them with some of the newest and finest machine tools and factory buildings, practically free of charge... - it is clear that their [prime contractors] competitive position in the economy is being vastly improved by the war, and at the [same] time... tens of thousands of small

businessmen are being forced to stop production.¹⁷⁸

The "miracle of production" in the U.S. during World War II gave birth to the phrase "arsenal of democracy", and greatly enhanced the prestige of large corporations after they had endured the animosity of the American public for more than a decade. American corporations did an amazing job once the planned expansions, and forced conversion, began to draw dividends by the middle of 1943. However, this later success was contingent upon the early diversion of scarce raw materials into continued civilian production, and into the construction of huge new industrial facilities, delaying interminably the U.S. military response to fascism.

How important was this delay? It would be difficult to measure the costs in lives and suffering for the delay in responding to the Japanese in the Pacific, or in opening a second front in Europe (although the Soviets were losing 10,000 men a day by early 1942),^{179**} but the Truman Committee does baldly state, "The committee is of the

** The shop floor speed up required for full-out production took its toll on American workers. The casualties from work related accidents were higher than battlefield casualties. A Civilian Production Administration (CPA) monograph reports that "losses [in production] due to strikes in the defense months of 1940 averaged only a fourth of a day per man, while accidents cost a full day per worker without the inclusion of the heavy losses due to some 11,000 deaths." (Richard J. Pursell, CPA Special Study No.23, Labor Policies of the National Defense Advisory Commission and Office of Production Management, May 1940 to April 1942 [Washington: Government Printing Office: 1946]; see also Richard Boyer and Herbert Morais, Labor's War At Home [United Electrical, Radio, and Machine Workers of America: 1955]).

opinion that the [OPM] should be censured for failing to arrange for increased production of strategic materials and for failing to insist upon utilization of existing facilities for defense production."¹⁸⁰ And, considering the excesses of big industry, the Senate "Small Business" Committee under James Murray can be forgiven for some of its rhetorical flourishes in early 1942:

For many a small business this is the last stand. Small business has been facing fearful odds in its struggle to survive in times of peace. Unless effective measures are taken immediately to protect small business, it is in danger of receiving a blow from the war that when peace has come the battered and decimated ranks of small business will be too weak to carry on, and big business, with its branch and chain establishments, backed by the great financial and political power, will move in and occupy the entire field.¹⁸¹

In the end, huge amounts of war materiel were produced, but it is in costs like these - and other social, economic, and political costs - that such policies need to be assessed. Floyd Odium, in charge of spreading defense work to small business, remarked to the Murray Committee that "if somebody handed me one-half of one percent of the various raw materials... I could keep 90 per cent of small business alive."¹⁸² Obviously the costs of ameliorating some of the pain of mobilization were small and the problem manageable, but "small business", amorphous and decentralized, could little influence government policy except to generate congressional concern. And without the societal backing, state actors and agencies were hamstrung. Odium complained

to Murray's committee that his "Division [of Contract Distribution] had responsibilities without power."¹⁸³ The war emergency gave impetus to the ad hoc plans and directions in place prior to Pearl Harbor. Because of early stalling there was little time to implement innovative policies. Despite continuing pressure from New Dealers throughout the war, the personnel, the plans, and the administrative apparatuses of the pre-war period became the de facto guide for the war.

The point of this section on the pre-war period has been to show the intense interaction between mobilization policy and corporate interests. Major corporations shaped, through their conscious activities, and by virtue of their structural position in U.S. society, the administration of mobilization policy. An autonomous state-led mobilization effort was not achieved, though the military part of the state enjoyed enhanced status and prestige because of its elevated role due to the war. The formal authority over mobilization exercised by the defense agencies remained limited.

Thus, these agencies were forced to rely upon the established capacities of private corporations, both in the guise of dollar-a-year men, and industry advisory committees. I have traced the type of impact they had on mobilization during the defense period, and how their participation defined the direction of state policy during

the war. Also, I have looked at the relationship between the military services and the large corporations relied upon for war production. The reliance of the military upon these corporations has been described, along with the resulting effect upon civilian authority and on organized labor. The next chapter will extend the analysis into the war years, in order to show how the pattern set in the earlier years was carried through the war, and how it impacted upon the post-war development of the United States.

Chapter Five
Endnotes

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13. Smith, p.457.

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15. Stone, p.162.

16. Stone, p.164.

17. Stone, p.163; Koistinen, 1964, p.580.

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46. Frances Fox Piven, and Richard Cloward, Poor People's Movements (New York: Vintage Books, 1979); Irving Bernstein, The Lean Years: A History of the American Worker, 1920-1933. Baltimore, MD: Penguin Books, 1960); Mike Davis, Prisoners of the American Dream (New York: Verso, 1986).

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48. Freeman, p.574.

49. Christopher Tomlins, The State and the Unions: Labor Relations, Law, and the Organized Labor Movement in America, 1880-1960 (New York: Cambridge University Press, 1985), pp.247-57.

50. Freeman also cites "a national wave of racist wildcats that began in the spring of 1943", pp.584-5.

51. Freeman, p.574; Lichtenstein: 1983, pp.184-202; Koistinen: 1964, pp.279-282.

52. See Koistinen: 1964, pp.352-5.

53. George Auxier, Labor Policies of the National Defense Advisory Commission and Office of Production Management, May 1940 to April 1942, U.S. Civilian Production Administration Special Study No.23 (Washington: Government Printing Office, 1946), p.32; Koistinen: 1964, pp.145-6.

54. Edythe W. First, Industry and Labor Advisory Committees in the National Defense Advisory Commission and Office of Production Management, May 1940 to January 1942, U.S. Civilian Production Administration Special Study No.24 (Washington: Government Printing Office, 1946), p.207; William J. Schuck, Industry and Labor Advisory Committees in the War Production Board, January 1942 to November 1945, U.S. Civilian Production Administration Special Study No.34, typescript (Washington: National Archives, 1945), p.10.

55. See Auxier, pp.34-69; Koistinen: 1964, pp.127-145.

56. Quoted in Auxier, p.47.

57. Koistinen: 1964, p.129.

58. Koistinen: 1964, p.136.

59. See Schuck, op cit, pp.24-30.

60. Nelson Lichtenstein, "From Corporatism to Collective Bargaining: Organized Labor and the Eclipse of Social Democracy in the Postwar Era", in The Rise and Fall of the New Deal Order, edited by Gary Gerstle and Steve Fraser (Princeton, NJ: Princeton University Press, 1989), p.126.

61. Stone, p.228, emphasis in original.

62. Eliot Janeway, The Struggle for Survival: A Chronicle of Economic Mobilization in World War II (New Haven: Yale University Press, 1951), p.223.

63. For a review of the Reuther plan, and the importance of converting the auto industry, see J. Carlyle Sitterson, Aircraft Production Policies, U.S. Civilian Production Administration Special Study No.21 (Washington: Government Printing Office, 1946).

64. Stone, pp.223-41.

65. Stone, p.239.

66. Truman Committee, First Annual Report, Report 480, Part 5, 77th Congress, 2nd Session (Washington, D.C., 1942), p.34.

67. Janeway, p.229.

68. Schuck, p.29.

69. First, p.175.

70. First, p.55.

71. First, p.176; Schuck, p.34.

72. Quoted in First, p.178; see also Schuck, p.6.

73. First, pp.193-197.

74. First, p.198; see also, Koistinen: 1964, p.354.

75. Quoted in First, p.190; see also Schuck, pp.31-2.

76. Koistinen: 1964, p.106; U.S. Bureau of the Budget, p.190.

77. See Koistinen: 1964, p.150.

78. U.S. Bureau of Budget, p.193.

79. Lichtenstein: 1983, p.49.

80. Koistinen: 1964, p.178.

81. Koistinen, 1964, pp.125-128; and, Koistinen, The Military-Industrial Complex: A Historical Perspective (New York: Praeger, 1980), p.81.

82. 1964, p.194.

83. Koistinen: 1964, p.195.

84. Koistinen, 1980, p.89.

85. McConnell, op cit.

86. As James Fesler recounts, some emergency agencies were really shells under the control of existing Departments and their Secretaries. For instance the emergency administrator of oil was Secretary of the Interior Harold Ickes, and his emergency organization, the Petroleum Administration for War, was basically part of the Department of the Interior. (Fesler, personal interview, December, 1991); see also, Robert Engler, The Politics of Oil (New York: Macmillan, 1961), pp.267-89.

87. James A. McAleer, Dollar-A-Year and Without Compensation Personnel Policies of the War Production Board and Predecessor Agencies, August 1939 to November 1945, U.S. Civilian Production Administration Special Study No.27 (Washington: Government Printing Office, 1947), p.1.

88. 54 Stat. 599.

89. McAleer, p.1.

90. Drummond Jones, The Role of the Office of Civilian Requirements in the Office of Production Management and the War Production Board, January 1941 to November 1945, U.S. Civilian Production Administration Special Study No.20, (Washington: Government Printing Office, 1946), p.38.

91. Quoted in Jones, p.39.

92. McAleer, p.9.

93. Ibid.
94. Koistinen: 1964, p.591.
95. Ibid.
96. Truman Committee, Hearings, 77th Congress, 1st Session, Part 8, (Washington, D.C., 1941), p.2478.
97. Ibid, p.2591.
98. McAleer, pp.14, 24.
99. Truman Committee, Additional Report, 77th Congress, 2nd Session, Report 480, Part 5, (Washington, D.C., 1941), p.7.
100. Fesler, personal interview, December, 1991; see also, Mills: 1956, p.168.
101. Memorandum "Summary of Remarks of Frederick F. Stephan before the Policy Analysis Staff", November 17, 1944, Edythe First to James Fesler (November 18, 1944) p.3, James Fesler Papers, Yale University.
102. Truman Committee, Additional Report, 77th Congress, 2nd Session, Report 480, Part 5, (Washington, D.C., 1941), p.2.
103. Additional Report, p.7.
104. Additional Report, p.8.
105. Additional Report, ibid, emphasis added.
106. Additional Report, ibid.
107. Additional Report, p.9.
108. Additional Report, ibid.
109. Additional Report, ibid.
110. Additional Report, p.8.
111. James Fesler, personal interview, December, 1991.
112. Quoted in Donald Nelson, Arsenal of Democracy (New York: Harcourt, Brace and Company, 1946), pp.335-6.

113. See Nelson, p.332; and Nelson testimony before Truman Committee, Hearings, 77th Congress, 2nd Session, Part 12, (Washington, D.C., 1942), pp.5079-5089.

114. See United States Civilian Production Administration (hereafter USCPA), Industrial Mobilization for War, Volume 1, Program and Administration (Washington: Government Printing Office, 1947), pp.319-20.

115. Truman Committee, Hearings, 77th Congress, 2nd Session, Part 12 (Washington, D.C., 1942), pp.5019-21.

116. Ibid, p.5024.

117. Ibid, p.5019.

118. Koistinen: 1964, p.161.

119. See Schuck, op cit, pp.108-10; Bruce Catton, The War Lords of Washington (NY: Harcourt, Brace, and Company, 1948), pp.121-2; and, USCPA, p.70.

120. See First, op cit.

121. See Memorandum, "Summary of Remarks of John Lord O'Brian Before Policy Analysis Staff" (December 15, 1944), Edythe First to James Fesler, Box 1, James Fesler Papers, Yale University.

122. See Ellis Hawley, The New Deal and the Problem of Monopoly (New Jersey: Princeton University Press, 1966); and, First: 1946.

123. First: 1946, pp.2-11.

124. USCPA, p.106.

125. Carl Henry Monsees, Industry-Government Cooperation (Washington, D.C.: Public Affairs Press, 1944), p.24.

126. Monsees, 1944, p.27.

127. First, p.73.

128. See USCPA, pp.153-4; First, pp.80-2.

129. See Stone: 1941, pp.146-48; First, pp.70-74; 83-86.

130. First, 1946, p.1.

131. see Ibid.

132. Ibid; see also Hawley, The New Deal and the Problem of Monopoly, op cit.

133. Patterson testimony before U.S. Congress, House of Representatives, Select Committee Investigating National Defense Migration, Third Interim Report, 77th Congress, 2nd Session (Washington, 1942), p.84.

134. USCPA, p.70; First, p.6.

135. Catton, p.103.

136. Edythe First cites the impact of the Madison oil case [U.S. v. Socony-Vacuum Oil Co., Inc, et al, 310 US 150] and the "unremitting tide of Antitrust Division activity", p.11; see also USCPA, p.70; Schuck, pp.96, 186; much of the following discussion is based on First, and Schuck.

137. First, p.17.

138. First, pp.117-20.

139. First, pp.122-24.

140. First, p.26.

141. First, p.32.

142. Catton, p.105.

143. First, pp.67-8.

144. See Catton, p.104.

145. Ibid.

146. Schuck, p.134.

147. Koistinen: 1964, p.587.

148. See marginal comments, Schuck monograph, p.142. These marginal comments are unsigned. However, a cover memo accompanying the report (as received from the National Archives) is a note from Schuck to Auxier, thanking him for his "helpful comments on the industry advisory section" of the report.

149. December 16, 1944 memorandum, "Summary of Remarks of John Lord O'Brian Before Policy Analysis staff, December 15, 1944", from Edythe First to James Fesler, (December 16, 1944), p.4, James Fesler Papers, Box 2, Yale University.

150. Quoted in Schuck, p.186.
151. 56 Stat. 357.
152. See Schuck, p.186.
153. See USCPA, pp.95-107.
154. First, p.114.
155. First, p.114.
156. First, p.141; see also Schuck, p.107.
157. First, p.123-4.
158. James Fesler, personal interview, December, 1991.
159. First, pp.150-1; see also Schuck, pp.127-9.
160. First, p.154; Schuck, pp.181-3.
161. First, p.155.
162. Koistinen: 1964, p.588.
163. Ibid.
164. Truman Committee, Interim Report on Steel, 78th Congress, 1st Session, Report 10, Part 3, (Washington, 1941), p.8.
165. Truman Committee, Hearings, 77th Congress, 2nd Session, Part 12, (Washington, 1942), p.5037.
166. Memorandum of March 16, 1942; reprinted in Truman Committee, Hearings, op cit, p.4997.
167. Truman Committee, Hearings, op cit, p.5000.
168. Truman Committee, Hearings, op cit, p.5040, and 5048; emphasis added.
169. First, p.102, 101; see also Schuck, p.115.
170. First, pp.101-2.
171. Truman Committee, Hearings, op cit, p.5065.
172. Truman Committee, Additional Report - Second Annual Report, 78th Congress, 1st Session, Report 10, Part 4 (Washington, 1942), p.99.

173. Truman Committee, Hearings, 77th Congress, 1st Session, Part 3, (Washington, 1941), pp.771-2.

174. See, for instance, Koistinen, 1964, p.558.

175. Truman Committee, Additional Report - Second Annual Report, op cit, pp.5-6.

176. Quoted in Monsees, p.12; for further substantiation of these figures see U.S. Congress, Senate, Special Committee to Study the Problems of Small Business, Additional Report, 77th Congress, 2nd Session, No.479, Part 2 (Washington, 1942), pp.6-7.

177. First, p.144.

178. Truman Committee, First Annual Report, op cit, p.36.

179. Robert Dallek, Franklin D. Roosevelt and American Foreign Policy, 1932-1945 (NY: Oxford University Press, 1979), p.351.

180. Truman Committee, First Annual Report, op cit, p.194.

181. Special Committee to Study the Problems of American Small Business, Additional Report, op cit, p.3.

182. Ibid, p.5.

183. Ibid, p.9.

Chapter Six
The Politics of the War Production Board

Introduction

In the previous three chapters I have traced the evolution of civilian and military authority and indicated the impact of corporate power on the emergence of wartime administration. In this chapter I examine how this process of institutional development shaped wartime controversies between New Dealers, military representatives and corporate personnel. Corporate personnel are omnipresent in these battles as representatives of both military and civilian mobilization agencies, while also having influence through control of their firms.

The disputes over the feasibility of military requirements, the handling of scarce raw materials and the control of production scheduling were the critical battles that defined mobilization administration. Investigating these battles will illustrate two related points. First, that military agencies gained authority over the mobilization program, but exercised this authority irresponsibly - it is important to understand that military administration did not overcome New Dealers because of its effectiveness. The second, and related point, is that military control was predicated upon delegating authority to prime contractors, and on the coordinating role played by

civilians from the War Production Board. In examining these battles, I will elaborate on the domestic incompetence of the military, the military's informal working alliance with prime corporate contractors, and the coordinating role of the WPB.

These cases also demonstrate the working arrangements of wartime administration that heavily influenced postwar business-government relations: Civilian interventionist capacities were neglected or actively destroyed while military administration gained permanent expansions. In addition, similar to World War I but with more important implications, corporate officials gained first-hand experience with the benefits of increasing government responsibilities over the economy. World War II administration convinced many that government intervention was not an unmitigated threat to corporate prerogatives, and that it could be shaped according to the dictates of powerful sectors of the economy. With the erosion of the domestic reform potential of the New Deal came a less fearful business attitude toward growing government responsibilities.

This chapter can best be introduced by explaining the difference between my approach and Hooks's state-centered approach. For Hooks, wartime mobilization is defined by military administrative ascendancy. Hooks states that "The Pentagon's administrative insulation and enormous budget

gave it the de facto authority to set the mobilization in motion and to define its content."¹ Although he acknowledges that corporate executives reinforced the internal strength of the military, the military services are characterized by their independence and autonomy, and as dominating their intra-state competitors through the exercise of their own strength.

Although the military services may have been strengthened by their mobilization responsibilities, the strengthening of state administration should never preclude considering the interrelation of state and societal power, nor should the appearance of a stronger state be confused with the existence of a more autonomous state. A strengthened state presence was inevitable given the scale of mobilization for the Second World War, and expanding military bureaucratic control was its most obvious expression. But the central role of the military within the state must not obscure the corporate influence which supported military authority, nor other state forces that influenced mobilization.

Hooks cites Miliband favorably for recognizing that there is no "zero sum" contest of state and societal power; that if the state gains power, it cannot be assumed it is at the expense of society as a whole.² Rather, as Miliband recognizes, the expansion of state power is often in the interest of a segment of society.³ In this way Miliband

captures the societal dimension of seemingly autonomous state activities. However, Hooks expresses his own "zero-sum" view of state versus societal authority by arguing that military responsibilities grew to displace the influence of corporate executives.

His argument has two parts: First, corporate executives were part of a War Production Board that lost the initiative over directing mobilization activities. And second, the military agencies that guided mobilization activities were autonomous from the civilian agencies and from corporate executives; mobilization was organized according to the strategic goals of military bureaucrats.⁴ Hooks even goes so far as to argue that military control prevented corporate domination of mobilization:

In contrast to developments during the First World War, control of the mobilization did not fall into the hands of business executives working in a temporary agency. ...the institution building that had occurred in the interwar period enabled the state to maintain far greater control over this mobilization than it had in the First World War.⁵

Although this statement is generally true, it was not the military who restrained the influence of corporate executives; it was the group of economists, planners, and lawyers - so often detested by both military and business men - associated with the New Deal. First, there were in fact two state alternatives for mobilization, and the military alternative was the most hospitable to corporate participation, and so would be preferred by corporate

executives. In turn, the military services were more than willing to delegate mobilization responsibilities to prime contractors; their own administrative weaknesses necessitated reliance on contractors. Second, corporate executives were present both in civilian agencies and in the military services. Within the military services, corporate executives were influential in helping to coordinate military contracting.⁶

But we need not rely on a portrait of a fully conscious and manipulative capitalist class to consider the effect of privately owned and managed capitalist firms in the huge mobilization effort required in World War II. Defense period mobilization was extensively influenced by corporate actors. Business fears of New Deal-type government interventions meant they were highly interested in how mobilization proceeded. Support for military-guided mobilization, and/or resisting civilian-state authority, was pursued as a way for sustaining corporate autonomy.

Civilian-state personnel were interested in expanding the state's regulatory influence during wartime in order to spread the burdens of war as equally as possible and ensure the integrity of the mobilization program. Military officials were interested primarily in increasing production as quickly as possible and retaining their own initiative over civilian competitors within the national government. In this, the military services did not display any

particular expertise or knowledge that would privilege their control of mobilization. Instead they relied extensively on the expertise of the largest firms that dominated prime contracts.

To account for the experiences of war mobilization by emphasizing the coordinative role of the military services is satisfying in terms of fulfilling state-centered expectations. But it is unsatisfying when evidence of military incompetence is examined and when the influence of societal forces are understood. Also, civilian mobilization personnel played a critical, although reactive, coordinative role. These factors will be examined in this chapter.

Evidence of the military's domestic incompetence challenges the conclusion that military guidance was a manifestation of state autonomy. Military agencies developed more control as the war progressed, but their de facto control should not be confused with coherent direction. The military, indeed, had autonomous domestic concerns about extending their control, and not losing control over supply and procurement authority. But their strength within the state does not mean they had the independent strength to pursue their goals in the face of corporate objections. The military services were successful because of their greater legitimacy in the area of national defense, the diminishing fortunes of New Dealers, the ambiguity of the pre-war period, and their shared agenda

with major corporations. There was an economic, as well as political, dimension to military ascendancy.

Thus, there were two dominant logics that defined how mobilization would proceed, and neither one nor the other alone can fully explain what occurred. Within the state, the military wrested predominant control of mobilization and so defined the state logic. However, there was a capitalist logic defined by the ownership and managerial prerogatives operating at the level of production. Just as the state is engaged in activities no other organization can undertake, the private firm, in a capitalist society, is required for guiding production. These two separate activities are not disconnected, especially during economic mobilization. How the two relate at any historical moment is always up for grabs (relatively speaking). Which route is ultimately chosen depends on the strength of different societal forces, and their support for political-institutional alternatives.

It is important to keep in mind where the two logics begin and end. Military autonomy is clearest in terms of its actual strategy while military autonomy over mobilizing society's resources will necessarily be narrower. By the same token, capitalist firms will be strongest on issues relating to the utilization of their privately owned and managed firms. We can easily spot certain types of autonomous decisions within each of these separate spheres, while also noting that, to varying degrees, each will

influence the other during intense mobilizations such as in World War II.

I now turn to the controversies of the war years to demonstrate the weaknesses of military administration, the delegation of authority to prime contractors, and the restraining and guiding role played by civilians within the mobilization apparatus.

The Controversy Over Military Requirements

The controversy over military requirements, as do the other two cases, illustrates critical parts of the argument of this dissertation. It demonstrates the irresponsibility with which the military services exercised their authority. In this case, they advocated a production program too large for the economy to handle, and they interfered with civilian attempts to correct the problem. It also shows the natural, though not necessarily conscious, alliance between the military and corporate executives.

Military requirements escalated rapidly once war began. As I have shown above, their estimated requirements had been dangerously low during the pre-war buildup. Civilian planners in the mobilization agencies had pressured the military to increase their requirements throughout 1941 as a way to hasten conversion of civilian industries to war production. The military services, however, had resisted this pressure because of the fear of being rebuffed by

Congress, and also because of the military's stubborn adherence to their own pre-war planning, which did not contemplate the massive effort eventually required.⁷

The deficiency of military planning for World War II stymied civilian attempts to plan wartime mobilization, and ironically helped to ensure that the initiative would remain with the military services. The absence of coherent military requirements had plagued efforts by the OPM and SPAB, in the pre-war period, to coordinate military procurement and plan mobilization needs. Rep. Tolan's committee brought attention in early 1942 to the absence of a coherent schedule of military requirements:

Appearing before the committee on October 27, 1941, Mr. Nelson at that time Executive Director of the Supply, Priorities, and Allocations Board [SPAB]... emphasized that he was endeavoring to secure from the military services a comprehensive schedule of their requirements. Mr. Nelson at that time emphasized that such a schedule was prerequisite for proper planning of war production.

The Under Secretary of War [Robert Patterson] in testimony before the committee, approximately 1 year after the original establishment of the Office of Production Management, stated that his agency had as yet not prepared an over-all schedule of military requirements.⁸

When war finally arrived, the military services increased their requirements, and their contracting, to unimaginable heights. Because there were few specific military plans, requirements followed President Roosevelt's extremely optimistic vision of what could be produced.⁹ Military spokesmen grasped the President's program as their

own, relying on his prestige when their requirements were challenged as beyond the capacity of the economy to produce.¹⁰ This became the critical issue. Civilian planners studying the capacity of the U.S. economy found that the escalating growth in military requirements would harm the mobilization program. Military programs would end up competing with one another, resulting "in the construction of new plants without materials to keep them operating, vast quantities of semi-fabricated items which cannot be completed, production without adequate storage facilities, idle existing plants due to lack of materials, and similar disrupting situations."¹¹

There was also a concern that the military did not perceive the importance of a healthy civilian economy in supporting military production. For example, just as barracks are required for an expanding army, housing is necessary for expanding the labor force in key production areas. The official history of the War Production Board summarized much of the concern: "The Armed Services, moreover, were prone to regard the civilian economy as an inexhaustible reservoir from which materials might be drawn at will, and many military experts, in consequence, saw no reason for a high degree of accuracy in figuring requirements."¹² Somervell, in charge of coordinating Army requirements, admitted that his estimates were a "projection of existing military plans of the United States and of the

[allies] translated into supply objectives without any consideration for the practical limitations of available raw material and other industrial resources."¹³

The feasibility issue was also played out over the issue of new facilities construction by the military. The military services went forward with an ambitious program constructing new raw materials and manufacturing plants. They insisted that construction of new plants be continued on schedule in spite of the fact that new construction was consuming scarce resources, and WPB projections showed that raw materials were insufficient to support the new plants.^{14*} The WPB opinion is best summarized in the WPB's history: "It seemed illogical to divert scarce resources to construction of new plants for future maximum production when the demands of existing capacity for materials and equipment could not be satisfied."¹⁵

The irresponsibility displayed by military officials did not go unchallenged. The Planning Committee of the WPB, whose personnel had begun its work developing the Victory

* Army arrogance reached amazing heights in this dispute. They participated in an interagency group studying the problem of feasible construction, and although their own representative agreed with the majority that military construction was too high, he was directed to file a dissenting report: "This report opposed any delay in the construction of war plants and also objected to review of War Department projects by an outside agency." (U.S. Civilian Production Administration, Industrial Mobilization For War, [Washington: Government Printing Office, 1947], p.391).

Program under the SPAB, pressured Donald Nelson, among others, to bring the feasibility issue before military officials, and to the President.¹⁶ Before the war began, this group of planners had pressured for an increase in military requirements and increased letting of contracts as a method for spurring conversion from civilian production. Now, they saw military requirements so high as to destabilize the national economy and interfere with war production. Somervell, for one, picked up on this seeming discrepancy when he wrote the head of the Planning Committee, Robert Nathan, complaining that "Only a few months ago this office was urged by your statisticians to increase the goals [i.e., the military's requirements]."¹⁷

Somervell could not see there was a real issue of overloading the economy with unmeetable demands. Rather, he, and Patterson, viewed the issue in terms of civilians in the WPB coddling civilians at home. They both thought that the needs of the civilian economy could easily be cut to make up the difference needed to complete the military program.¹⁸ Military officials and their civilian spokesmen did not get any opposition in this thinking from prime contractors who were now busy with military production.

The most controversial aspect of the Planning Committee's pressure was an insistence that production considerations be made a part of strategic planning, and that some organization be developed for better coordination

between military-strategic, and civilian-production, planning.¹⁹ An unpublished draft of the WPB history reports an

increasing awareness... that the Board [WPB] could not merely serve the military agencies as if the latter were our customers, but would itself have to assume fundamental programming responsibilities even though the decisions made might bear significantly upon strategic decisions.²⁰

Thus, the desire of civilian planners to limit military requirements struck at the heart of what the military considered their autonomous turf, and especially threatened the prominence of Somervell's Army Service Forces.

The historian of the Army Service Forces captures some of the military ambivalence for the new thinking:

This concept of "feasibility" was a new approach to production goals. It ran contrary to the widely accepted notion of setting high goals as incentives... Many practical men both in and out of the Army believed that even under war conditions "feasibility" was simply a high sounding theory.²¹

Military officials also thought the problem could be easily overcome through better scheduling, increased production, and by cutting further into civilian and indirect military requirements.²²

Corporate executives serving in the civilian mobilization agencies also demurred when faced with state planners asserting their knowledge regarding what the economy could handle:

Some of the business men in the war agencies were not receptive to the idea [of feasibility] because they

were unaccustomed to the concepts of economic analysis involved and had no experience with labor and material shortages... An added handicap to the acceptance of the feasibility concept was its advocacy by persons who were regarded as "academic long hairs."²³

The lack of enthusiasm by both dollar-a-year men and military officials meant civilian planners were on their own to press this issue.

Although the civilians in the Planning Committee convinced Nelson that action was needed to reduce the amount of military requirements, Nelson, true to his character, had a difficult time in acting to convince either the President or military officials.²⁴ Nelson managed to direct Roosevelt's attention to the matter; however, he did not follow through and see that the issue was brought before the military chiefs.²⁵ Thus, while Nelson was able to announce to the planners that downward revisions in requirements were proceeding, in fact "anticipated reductions in the program did not take place."²⁶

One of the most important barriers to reducing planned military requirements was the obstinacy of Somervell, who disparaged the WPB's attempt to trim the military production program.²⁷ Somervell, and other military procurement chiefs, actually responded to the pleas for restraint by continually raising their planned requirements throughout the summer of 1942.²⁸ This action displays the arrogance of military officials responsible for procurement planning,

their fear of a civilian competitor, and their inability to adequately account for and plan their activities.

At this point, the services were letting contracts helter skelter, with little central coordination guiding their activities. The Army's ability to plan rested on suspect foundations. They did not have detailed projections of their needs, nor could they generate them: "On one occasion, the SOS's [Somervell's Services of Supply] Chief of Statistics complained to Kuznets [statistician with the Planning Committee] that a number of his statisticians were former cavalry officers who had been rendered useless along with their operation."²⁹ Thus, there was an absence of institutional capacity to provide adequate numbers on service requirements. It is easy to observe the critical role played by civilian planners in reigning in the worst abuses, especially in this case of runaway military requirements. However, since the WPB never developed alternative machinery to review the accuracy of military requirements, they were relegated to checking the abuses caused by uncoordinated and haphazard military requirements planning.³⁰

The steady increase in military requirements during the summer of 1942 spurred the Planning Committee's work on feasibility. Their conclusions provided stark warnings about the unplanned expansions in the war program, and recommended that reductions in requirements were necessary,

and that production and strategy be more closely linked through the creation of a "supreme war production council."³¹ A copy of the report was forwarded to Somervell, whose reaction is best summarized by his reply that the report represented "an inchoate mass of words" that should "be carefully hidden from the eyes of thoughtful men."³²

One observer has concluded that Somervell was most disturbed by the recommendation to increase civilian participation in the determination of military requirements.³³ Somervell had himself sought to increase the coordination between strategy on the one hand, and supply and procurement on the other.³⁴ But he wanted this authority for his own organization, and not to be shared with civilians. In fact, Somervell's own search for the coordination of strategy and production led him to propose a reorganization of the WPB in May, 1942 "which would have placed complete control of WPB and of the economy under the Joint Chiefs of Staff."³⁵

The showdown between Somervell and the civilian planners took place when the WPB met in mid-October to consider the implications of the planner's report.³⁶ Somervell led the military's attack on the document, and, along with support from Admiral Robinson of OP&M and Under Secretary Patterson, seemed poised to prevent any resolution of the issue by the WPB. Leon Henderson, however, struck

hard against Somervell's obstinacy, "and proceeded to make the most violent personal attack ever heard in a meeting of the War Production Board."³⁷ Henderson's protestations, while not winning the military's immediate acquiescence, did put them on the defensive and seemingly led to a compromise at the next meeting of the WPB. There, Somervell agreed to let Nelson fix the maximum size of military requirements, but then defer to the Joint Chiefs of Staff the responsibility for figuring where reductions would be made.³⁸

However, Somervell's compromise protected military autonomy. The WPB was able to force the military to accept feasible requirements goals, while the military stopped the WPB from proceeding with any reorganization plans that would trespass on the military's authority over procurement or strategy.³⁹ The resolution of this controversy fits the pattern noted above: the military retained the authority to independently proceed as they saw fit. But military incompetence resulted in civilian intervention to correct potential abuses. Civilian planners, although outnumbered and squeezed out of direct policy roles by corporate

* The history of the WPB reports that Nelson displayed his usual reticence for taking command of the situation: "Thus far in the discussion before the Board, Nelson had acted as moderator rather than as advocate, and in consequence had not exhibited the aggressive leadership that one might have expected of him regarding the steps to be taken to achieve a feasible 1943 war production program." (Industrial Mobilization For War, op cit, pp.288-9).

executives and military officials, played an important role by providing indirect supervision over mobilization.

Material Control and Production Scheduling

Getting the services to reduce their requirements was only the first step in organizing mobilization. And, despite the Planning Committee's ability to force a reduction in the size of the military's production program, the program remained huge. In fact, contracting agencies were never adequately restrained and continued to contract in excess of the available supplies of raw materials, labor, and components.⁴⁰

In the face of relatively uncontrollable and escalating military requirements, attention within WPB shifted to resolving the problem through, first, control of scarce materials, and second, by scheduling the production of huge and competing production programs.⁴¹ Although material control and production scheduling represented coordinate strategies for managing production, they also represented two distinct controversies. Material control received attention first because of extreme shortages in critical raw materials. And then, as the raw materials situation was eased by the middle of 1943, attention shifted to that of production scheduling.⁴²

In this section I explore how the military, especially Somervell and the ASF, retained and expanded their influence

over mobilization despite their marked inability to exercise coherently the authority they gained. The gains of the ASF represented the weakening of civilian control and marked the devolution of authority to industry men inside and outside of government. However, non-business civilians within the mobilization agencies managed to retain at least a negative, oversight influence over mobilization.

The WPB, through the Planning Committee, recognized the need for material control and production scheduling as a corollary to reducing the overall program size.⁴³ In fact, the Planning Committee - under the rubric of a Committee on Control of the Flow of Materials - provided recommendations concerning the revision of material control authority.⁴⁴

Their recommendations were accompanied by criticisms of how the military handled these authorities.⁴⁵ Stacy May, head of the WPB Statistics Division, in turn criticized the military's inefficient use of materials, while also bringing attention to wishful production forecasts that were divorced from what could actually be produced. This resulted in an ever increasing gap between forecasted and actual production.⁴⁶ Both Nathan and May complained about "paper" schedules not based on "a considered evaluation of productive resources."⁴⁷

Predictably, the military resisted WPB oversight of their activities. Those within the military services, especially Somervell, were adamantly opposed to any outside

interference with their procurement and scheduling functions. Their resistance meant that the WPB could not easily develop interventionist strategies to help organize military production. Huntington has argued that the military services understandably were "looking out for military needs and military needs alone. It was the responsibility of someone else to represent the interests of the rest of the economy. The real problem concerned the identity of that someone else."⁴⁸ Huntington presents a correct characterization of the military attitude. However, the more important problem was the absence of top level military coordination, and their stubborn resistance to WPB oversight. It is understandable that the services would fight for their needs wholeheartedly, but they resisted coordinative guidance from above as unconscionable interference with their legitimate responsibilities.

WPB intervention was viewed as representing a violation of the agreement Nelson had signed with the Army and Navy early in 1942.⁴⁹ Also, military resistance was based on their continued claims that strategy must guide production decisions - making procurement agencies the only legitimate authority to schedule production. By this point Somervell knew that production was not being based upon strategic requirements; he had himself come face to face with the logistical problems accompanying the lack of advance strategic plans for military actions.⁵⁰ Millett, historian

of Somervell's command, details the feuding between Somervell and the Operations Plans Division (OPD), which formulated strategic plans for the General Staff.⁵¹ Somervell argued for closer collaboration between strategy and logistics (and by extension production), and for the centralization of all logistics authority in his office, but was continually rebuffed by the OPD, which was closely tied to the General Staff, and was itself responsible for logistics planning.⁵²

Planning military requirements thus became a guessing game, one that promoted competition between procurement bureaus. Millett reports that "Military plans were too uncertain to enable it [OPD] to supply the definite information [Somervell] sought."⁵³ In the place of concrete plans, "The strategic planners of World War II wanted sufficient supplies of all kinds to meet any strategic change."⁵⁴ Elberton Smith, historian of army economic mobilization, confirms that "all doubts [about requirements] were to be resolved in the direction of oversupply rather than undersupply."⁵⁵ Although Somervell shared this belief,⁵⁶ it infuriated him that a closer meshing of strategy and logistics could not be achieved.⁵⁷

The result was guesswork production. The Solicitor of the WPB related later in the war that, "Military requirements as such weren't formulated by anyone. The Air Forces, the Navy, and the Army Ground Forces each did their

own estimates."⁵⁸ Little coordination could be imposed in this scramble for ever more scarce resources.⁵⁹ In fact, what coordination did occur within the military tended toward the inflation of estimates:

claimed requirements... were often the result of a perverse 'reverse effect' of hierarchy in the Armed Services supply agencies. In contrast to budgeting, in which higher levels tend to cut subordinates units' estimates, in military supply units a subordinate units' estimates were apt to be enlarged at each higher level. Asking for too much was prudent, a tactic freeing each officer from blame for losing the war by asking for too little.⁶⁰

It was this attitude that convinced the WPB that if balanced production was to be achieved, dispassionate overall guidance was needed.⁶¹

The absence of a strategic plan and overall coordination within the military meant that goals expanded according to the whims of individual procurement bureaus, who competed with other for the completion of their unintegrated requirements.⁶² Smith tells us that with Pearl Harbor, "procuring agencies resorted to the hasty placement of balanced requirements - in order to 'sew up' production capacity for particular services."⁶³ Contracts were let as fast as procurement officers could write them, resulting in production backlogs in the nation's largest firms. The Tolan Committee analyzed the implications of this practice in October, 1942:

Despite numerous realignments [sic], 10 months after Pearl Harbor, business-as-usual considerations still permeate the Washington war production agencies. War

production is treated as a salesmen's proposition, rather than as the mobilization of our entire national industrial plant for total war. Contract letting is still the responsibility of our military services who continue to confuse the signing of contracts with productive activity itself.

By default, the individual prime contractors have been left with the responsibility for planning and scheduling production. Instead of an even flow of materials, manpower, and other resources to these contractors and their subcontractors according to a comprehensive production program, each contractor strives to complete his job according to his own standards, frequently in conflict with the needs of other contractors.⁶⁴

Although the paucity of military planning instigated flight to the largest producers, the producers themselves reinforced this trend. The Budget Bureau history of mobilization recalls that after Pearl Harbor,

Industry was now eager to get into war work, especially as the WPB materials orders and limitations orders began to interfere with normal production of civilian items. The services were equipped with high priorities, which gave the contractors confidence that they would be able to get the materials and components they required, price arrangements were generous and elastic, and the manufacturers were not unwilling, under pressure, to sign additional contracts even when their plants were already full, hoping to expand, or find some other method of discharging their inflated obligations.⁶⁵

Now that government controls made civilian production increasingly impossible, the largest firms clamored for the lifeline of government contracts and the attendant access to scarce materials and components. This calculation at the level of the firm dovetailed with the military scramble to fulfill their inflated requirements to produce the

irrationality* inherent in unprogrammed military procurement. The Tolan Committee noted the implications of the organization of military procurement:

To meet the productive requirements of modern war, it is necessary to have a comprehensive examination of our entire productive facilities and labor supply and a systematic matching of these to achieve a schedule of maximum production of military equipment. But the experience and training of the supply branch of the armed forces do not equip them for production planning. Their experience is primarily limited to the designing of military articles and to turning over for production these designs to suppliers. The result of this procedure is a concentration of the bulk of production of military articles in large corporations, who determine conversion programs on the basis of considerations not entirely confined to matters of national necessity.⁶⁶

With problems mounting, a formal mechanism for handling the growing scarcity of critical resources and the chaotic scheduling of top military programs had to be developed quickly. The WPB Requirements Committee had ostensible authority to compute military and civilian requirements, to cut them back to feasible limits if needed, and to allocate materials amongst the various claimants.⁶⁷ However, the Committee could not easily implement its decisions, and so

* Hoopes and Brinkley report that Under Secretary of the Navy Forrestal's first glimpse of the Navy's mobilization operations "revealed the mare's nest of irrational and conflicting organizational and procedural arrangements in the Navy Department and the extent to which it was unprepared to cope with the developing scale and pace of mobilization." (Townsend Hoopes and Douglas Brinkley, Driven Patriot: The Life and Times of James Forrestal [New York: Knopf, 1992], pp.154-5).

became a place where the military would scrutinize civilian requirements without reciprocal review of their numbers.⁶⁸ The WPB never developed the capacity to review military requirements because of their distance from strategic and procurement decisions.⁶⁹ Without being able to review military requirements, attempts by the civilians of the WPB to coordinate military procurement could be easily rebuffed.

In May of 1942 the ANMB proposed a solution to one aspect of the problem. They convinced Roosevelt to expand their grant of priorities authority for military related goods to include authority to place the top military programs ahead of all other production.⁷⁰ The WPB Planning Committee criticized this proposal by noting that it would place the ANMB on a par with, instead of subordinate to, the WPB, and would place essential civilian requirements under the authority of the military services. The problem, the Planning Committee noted, involved the unplanned expansion of production for top military items.⁷¹ Granting the ANMB authority to place military items ahead of all other production would leave the basic problem of profligate military contracting unresolved.

As I have shown, the military services were expanding their requirements helter skelter, and were issuing priorities ratings for raw materials to their contractors which could not be covered by existing supplies. And, as noted above, they continued to contract for the expansion of

raw materials facilities which alone consumed huge quantities of raw materials.⁷² To get out of this mess, the ANMB proposed to have the top priority ratings restricted to the military's most urgent programs. However, such a solution would seem only to exacerbate the problem since the profligate and unrestrained use of priorities could continue. Eberstadt, head of the ANMB, himself recognized the chaos caused by unrestrained use of priorities, and wished to organize the granting of priorities by rating them according to some schedule.⁷³ Thus, Eberstadt was determined to utilize the new directive to reign in the extravagances of military procurement - yet another attempt by an external agent to place military procurement under coherent coordination.⁷⁴

In the end, the ANMB received the authority they desired, partly due to Nelson's reluctance to fight the military in an area where they had secured the President's favor.⁷⁵ Nelson did reserve for the WPB the right to place in the highest priority categories non-military items considered necessary to maintain the national economy, and the ANMB, although stipulating that such actions would require their concurrence, accommodated this request.⁷⁶ Although this new authority allowed the ANMB to reorganize priorities, it was at best a stopgap mechanism. Priorities were fast becoming an unmanageable material control device. The situation was further muddled due to the coexistence of

two systems for material distribution: the ANMB priorities power and the first integrated distribution system, called the Production Requirements Plan (PRP).⁷⁷

During the middle of 1942 material control was in the process of being transformed from the unintegrated distribution of preference ratings (or priorities) to an integrated system offered by PRP.⁷⁸ The PRP evolved from earlier attempts to fill lower priority production needs, and was based on a detailed filing of production and consumption information by manufacturing plants in order to equate the need for materials and components to their availability. In this way, the plan attempted to merge the priorities idea to an allocation system, where those with priorities would file their needs with the WPB Requirements Committee and would receive allocation from the available supply after all military and civilian needs were calculated.

As priority controls collapsed from the weight of their unrestrained use, the PRP was rushed into use. The program was implemented quickly, with almost no lead time allowed to educate participants or to develop adequate administration. Few were satisfied with the PRP due to its complex filing requirements, poor administration, and its rushed implementation.⁷⁹

However, one of the authors of the plan, while admitting maladministration as one cause for the plan's

failure, reports that an additional factor contributing to the plan's poor reception and administration was resistance by military and industrial representatives.⁸⁰ For the plan to succeed, the WPB would have had to be reorganized in such a way as to reverse much of authority granted to the material and industry branches. These branches, dominated by industry representatives, exercised most of the discretionary authority with the WPB. They resisted the implementation of PRP, predicting "confusion and chaos" if the changes were undertaken.⁸¹

The war allowed little leeway for controversial shifts in authority. The difficulty Nelson had in extricating himself from the pattern set during the pre-war period has been noted; the reorganization for PRP would have added further barriers in the form of recalcitrant corporate executives within the WPB. Also, the military services were inclined to reject the PRP because of its tendency to replace their control with WPB control.⁸² In fact, military and industrial sentiment remained supportive of some variation of the on-going system, which had ensured their predominance:

For most of the critical materials, there had been set up mill order board reviews the effect of which was to center responsibility and authority in the hands of the personnel of the material branches, who reached decisions after consultation with representatives of the services. This in effect resulted in the operation of a series of "Requirements Committees" composed of the staff of the materials branches and officers of the services with full power to overrule decisions of their

own superiors at the top WPB Requirements Committee level.⁸³

Ironically, what ultimately doomed the PRP, and stymied effective WPB coordination, was the way that the military exercised their procurement responsibilities. The initial overload of the economy through overcontracting by military procurement officers had spoiled most chances for developing effective civilian coordination later.⁸⁴ By inundating industry with orders at the very beginning of the war, the military services were able to indirectly thwart civilian control since by default many important decisions then devolved to the prime contractors. The history of the WPB reports:

The enormous growth of the Army's procurement activities, plus the extensive decentralization of procurement responsibilities to field units, made it extremely difficult for an outside agency like WPB to insure that basic procurement policies were adhered to and uniformly applied in all cases.⁸⁵

And, as the analysts of World War II material control have concluded:

The questions of paramount importance which should have been answered in the Pentagon Building [and by extension, the WPB] were being answered everyday, through accident or ignorance, by the managers or even by the stockroom clerks in thousands of industrial plants all over the United States.⁸⁶

The military's own inability to effectively coordinate their procurement responsibility thus helped them to retain control of mobilization. The PRP attempted to program the

need for materials at the point in time when decisions about material needs were already scattered amongst thousands of contractors, requiring an administrative effort beyond the capability of the WPB. The devolution of authority to contractors also reinforced the military's resistance to outside, WPB control, since this would disrupt what was for them an ongoing working relationship. Thus, one of the military's main lines of argument against civilian oversight was the need to preserve the natural relationship between the buyer and seller, in this case the military services and their prime contractors.⁸⁷

Military control of awarding contracts created a functional relationship between the contractor and the procurement bureau in which third party intervention, as with WPB coordination of materials distribution, was viewed as disruptive. Under PRP, materials went to firms based on their past production needs, and not to particular military programs, so it was difficult to channel critical materials to rapidly changing military requirements: "there was no way [under PRP] of accurately knowing the ultimate use of the materials allocated."⁸⁸ This inflexibility could be resolved, however, by a system that granted the military control over distributing materials; they could shift materials to the most critical programs.

This system, although favorable to extensive military authority, does not in fact signify military control, as we

shall observe. Under the alternative to PRP, the military in effect delegated to private industry the responsibility for ensuring that materials were distributed adequately. One cannot conclude, then, that military control over industry was extensive. This control was initiated haphazardly through overcontracting, and the military procurement bureaus did little to shape industry actions.

It is interesting that Hooks interprets military antagonism to the PRP as a case of the military services protecting their autonomy from civilian agencies dominated by "business executives."⁸⁹ This allows Hooks to discredit corporate-liberal expectations since "the assertion that business executives instrumentally controlled the mobilization to serve their interests is untenable."⁹⁰ However, the alternative to the PRP did not displace the important discretionary authority left to individual firms and industry men in government. Under the new system the military's independent decisions connecting materials to production programs were protected. But again, the availability of these materials was determined by industry divisions within the WPB, and material distribution was controlled by the largest prime contractors.

The WPB was reorganized in the fall of 1942 in an attempt to resolve the interrelated problems of material control and production scheduling. Two new top-level positions were created to focus responsibility in these

areas. Nelson first announced the creation of a Production Executive Committee (PEC), through which he hoped to reassert WPB's authority over production scheduling. Charles E. Wilson, president of General Electric Co., was appointed to head the PEC as Production Vice Chairman of WPB. Wilson, unlike Nelson, was a production man, who, it was thought, would get tough with the military services and be a forceful advocate for WPB control.⁹¹ A week later, Eberstadt was brought over from the ANMB to take charge of the new materials control program. His appointment as Program Vice Chairman was thought to be "a conciliatory gesture toward the Services." By the same token, Wilson was viewed as being "a counterweight to Mr. Eberstadt", since Eberstadt was suspected, at this time, of being too close to the military.⁹²

Eberstadt and Wilson were granted authority over complementary parts of the mobilization program - Eberstadt over allocation of materials and Wilson over production of end products and components. Inevitably, this produced personal frictions between the two.⁹³ Since material control remained the most urgent problem Eberstadt's star rose first as he set about to implement an alternative to PRP. He had been chosen because he had been at work on an alternative to PRP which Nelson had decided to support.⁹⁴

Any alternative materials program, to be successful, had to fit the pattern of military-industrial relations that

had stymied the PRP. In fact, the Requirements Committee staff produced a memorandum about possible alternatives for material control in which they concluded, "by far the most crucial test of any workable scheme...[was its ability to] enlist not only the patriotic support but also the personal self-interest of businessmen."⁹⁵ The plan which Eberstadt developed, the Controlled Materials Plan (CMP), had many virtues, the most important being its roots in military plans, and in plans advanced by the steel industry and General Motors.⁹⁶

CMP had an advantage due to its simplicity, since it proposed to control only three critical materials upon which most production hinged: steel, aluminum, and copper. Administratively, the plan granted increased implementation authority to the military services, and relied upon WPB industry branches, which Eberstadt reorganized into industry divisions.⁹⁷ This "vertical" allocation system, so-called because of its delegations of materials from the WPB to the services, and then on to prime contractors, greatly pleased the military since it "preserved intact an intimate association between a military procurement office and its prime contractor. No third party with any authority to give separate instructions intervened in this relationship."⁹⁸

Although Nelson had attempted to reassert a central, coordinative role for WPB in the area of material control, the implementation of CMP meant a continuation of the

pre-existing pattern. The WPB, under PRP, had allocated materials directly to firms. With CMP the WPB granted large blocks of the critical materials to the services who were responsible for dividing the materials between their major contractors, who, in turn, were responsible for dividing materials between their subcontractors. The implications of this system were easy to discern: the WPB history cites a "fear" that a CMP type plan "would mean the final WPB abdication and the turning of the economy to the Services."⁹⁹ On the surface this may have been true. However, this abdication would in turn ultimately signify an enormous delegation of authority to prime contractors.

In addition, the WPB was able to develop top level control of materials distribution under CMP, even if this did not extend far down into actual operations. Eberstadt and the WPB were able to enforce an uneasy balance of requirements with available materials by forcing the claimants, especially the ASF, to live within the allocations granted them: "the Requirements Committee [headed by Eberstadt] and its network of divisional requirements committees had the final word on making materials available for actual production."¹⁰⁰ By controlling access to critical materials, Eberstadt and the WPB could finally force the services to live within available supplies.

But even with this mechanism in place the services were unable to adequately program their demands: "In actual practice, the military claimant agencies did little to adjust their end-product procurement to the limits of feasibility established by controlled materials allotments."¹⁰¹ Another member of WPB also observed continuing problems under CMP: "There was no procedure to connect reduced allotments of materials under CMP to the actual placement of contracts by the Procurement Agencies. Everybody went on cheerfully allocating deficits."¹⁰²

Under CMP, WPB programming capability was enhanced, allowing for the balancing of materials and requirements. However, in the process, authority had been delegated down to industry and materials branches (now reorganized as divisions) heavily staffed by industry personnel who worked closely with military procurers. Eberstadt, in implementing CMP, transformed these divisions into the workhorses of the program by strengthening them, and delegating to them implementing authority:

in his daily operations, [Eberstadt] ... leaned heavily on the materials and divisional chiefs and their divisional requirements committees to carry on the major operating functions of WPB in Washington. Thus under the November 11 plan, each industry division became a small WPB in its own area...¹⁰³

The point of contact between industry and the WPB was now in the hands of committees controlled by industry men: "the

task of detailed programming was largely their responsibility."¹⁰⁴

Operating authority was delegated downward to leave the main Requirements Committee free of what would have been overwhelming detail work.¹⁰⁵ The divisions were relied upon to maximize production in their area of responsibility, to estimate the amount of supplies that production could support, to reconcile competing demands upon available supply, and then to allocate materials to specific claimants under the broad allotments made by the Requirements Committee.¹⁰⁶

This system was beneficial to industry in a number of ways. Government planning was effected through industry dominated agencies, with the aid of industry advisory committees which were dominated by the largest firms in an industry.¹⁰⁷ Eberstadt, along with Ernest Kanzler, WPB Director General for Operations, prepared a memo for industry and material divisions that stressed the need to consult with industry:

The use of frequent and well-prepared meetings of Industry advisory committees will afford War Production Board Divisions the greatest amount of industry participation in the solutions of its problems.¹⁰⁸

Eberstadt's use of industry advisory committees raised suspicions that the Anti-trust laws were being violated. O'Brian of WPB's Legal Division warned Eberstadt that committee activities were exceeding regulations.¹⁰⁹

Major firms also became the recipients of large blocks of critical materials, the use of which they determined. The WPB history reports, "The success of CMP depended to a great extent on the readiness or speed with which claimants' allotments... became specific orders for controlled materials placed on the mills. The major responsibility, of course, rested with the prime contractor..."¹¹⁰ WPB Chairman Nelson explained the benefits of this system of private planning as follows:

We used controls, yes - all kinds of them, yet even a device like the Controlled Materials Plan, which was certainly a far reaching exercise of government power, was basically nothing more than a device for enabling industry to get what it had to get in order to do the job. Industry told us what it had to have and when it had to have it. What we did was establish a set of rules under which the game could be played the way industry said it had to play it.¹¹¹

The way the game was played had great implications for the structure of American industry since it reinforced the dominance of the top firms. The concentration of contracts meant that through the CMP a few large firms would gain authority over materials distribution - authority which meant life or death for firms operating during wartime scarcity. As the Bureau of Budget reports, "Companies obtaining prime contracts secured thereby the instruments of economic power."¹¹² Smaller firms obviously feared the economic power thus conferred on the large prime contractors: "They [small businessmen] expressed great concern that the CMP procedure would put them at the mercy

of the prime contractors, most of which were pre-war industrial giants... They expressed the fear that power entrusted to large prime contractors might be used to secure commitments and favorable competitive positions for the post-war period."¹¹³ As it worked out, when war production began to wind down, prime contractors used their control of contracts and controlled materials to bring more and more production into their shops, and away from their subcontractors.¹¹⁴

At least one of the materials divisions, the steel division, abused the authority they received.¹¹⁵ Estimates of prospective supply of each controlled material - steel, aluminum, and copper - were prepared by the three controlled materials divisions.¹¹⁶ Allocations to users were made based on these projections. The steel division discovered they could provide low estimates of projected production, which they were always able to exceed. Besides receiving praise for their seeming good work, they were able to allocate the surplus according to their own discretion. The steel division, with obvious strong connections to the steel industry, could report surplus supplies which could be made available to steel customers in the civilian sector. Steel companies were thus able "to maintain contact with their normal peacetime customers, an advantage when the war ended."¹¹⁷

And finally, industry divisions gained authority at the expense of the Office of Civilian Supply (OCS), a New Dealer-oriented agency which had originally been made responsible for the health of the civilian economy during the war.¹¹⁸ Relations between industry divisions and OCS were strained from the beginning due to the broad differences in the personnel of each.¹¹⁹ OCS competed with the industry divisions for the power to determine civilian requirements and to program materials directed to the civilian economy. Since the OCS was staffed by the economists and planners so disdained by the industry personnel, the latter chafed under their direction, especially because OCS controlled the materials the divisions could receive. The power of the divisions was increased by Eberstadt, and later by Wilson, to the point that OCS was removed as a competitor.¹²⁰

The military services liked the CMP setup since it removed direct WPB oversight from their procurement relationships. The military thought CMP offered the solution to all of the production difficulties, and offered a resolution of the jurisdictional difficulties between them and the WPB; the WPB in effect became a materials control agency, an adjunct to the real production authority lodged with military procurers.¹²¹ It seemed that their freedom from WPB interventions was secure, although a new conflict

over control of production scheduling was right around the corner.

As the CMP became operative materials began to be distributed more rationally. Scarcities were also relieved as new raw material processing capability came on line during 1943. But there remained the problem of scheduling the production of components and end products to prevent competition between production programs. Also, as supplies of steel, aluminum, and copper increased, shortages of other materials and of labor required that scheduling be implemented.¹²²

The military thought that CMP would clear up all difficulties, and so did little to resolve problems on the scheduling end. This was the job that C.E. Wilson, president of General Electric, was appointed to undertake, in September, 1942. The Production Executive Committee (PEC), composed of Wilson and the top officials of the procurement agencies, was established as the vehicle for this control. It was to be more than two months before the PEC actually began operations because of the profound fears of Somervell and Admiral Robinson. They thought the PEC represented a move by the WPB to supplant the armed services in the area of production scheduling.¹²³

Wilson sought authority to match the production of military end products to available supplies of materials and components; "He called for careful review of the entire

scheduling procedure of the procurement agencies."¹²⁴ This would go a long way toward resolving unbalanced production which had resulted in excess production of some items, which were then stored, while other items could not be finished for lack of parts.¹²⁵

Somervell and Robinson, however, saw the PEC as an attempt by the civilians to tell the military what type of armaments they could have, and likewise thought it represented a reversal of the authority vested in them through the CMP, thus they vigorously resisted the move.¹²⁶ Wilson just as vigorously asserted his right to move forward with his plans, while denying he was out to deprive the military of their rightful authority.¹²⁷

An agreement was finally reached that limited Wilson's direct intervention to three critical production programs - radar, aircraft, and escort vessels - although he did receive extensive authority for general direction of other production programs. However, any directions he issued had to be implemented through the procurement bureaus themselves, and the services would not lose any of their responsibility for setting schedules as long as they were judged feasible by Wilson. This compromise was satisfactory to the military.¹²⁸ As Wilson began his operations the need for production direction became clear:

Wilson and [his aide] Cordiner, in attempting to tackle the components problem early in 1943, found that the Services were in no position to give them accurate statements of the components already on order; instead,

WPB had to turn to the components' manufacturers themselves for this information.¹²⁹

As Wilson's authority became operative, his concerns necessarily began to cross over into Eberstadt's turf. Eberstadt controlled the industry divisions, and with them most of the operating authority of the WPB. Wilson needed to control at least those divisions relating to his new responsibilities of overseeing aircraft and radar production, and Eberstadt readily acquiesced to the transfer of these divisions.¹³⁰ However, Wilson remained unsatisfied that he could fulfill his responsibilities without control of the most important industry and material divisions. Nelson reluctantly agreed, pressured by Wilson's repeated protestations to the president, and on February 4, 1943, he transferred a number of divisions, including one of the controlled materials divisions, to Wilson's control.¹³¹

Obviously, Eberstadt's star was beginning to fall. He would be fired by Nelson within a matter of weeks, after Nelson heard of his own imminent dismissal because of military and presidential dissatisfaction with his performance.¹³² Bernard Baruch was to replace him, ostensibly with Eberstadt pegged to be his main assistant. Nelson prevented his expected firing by displaying an uncharacteristic bout of forcefulness - he asked for Eberstadt's resignation. This action also made it awkward

to replace Nelson at the time, since it could be seen as a reaction to his attempt to straighten out the WPB.¹³³

Nelson also helped himself by simultaneously announcing the creation of a new post of Executive Vice Chairman, combining the responsibilities of both Eberstadt and Wilson, to be filled by Wilson.¹³⁴ Wilson assumed, with this change, operating control of the WPB.¹³⁵ However, he found the military, with whom it was necessary to establish a working relationship, hostile to him over Eberstadt's dismissal.¹³⁶ As a sign of good will, Wilson downgraded the status of the WPB Planning Board, which had, along with its chairman, Robert Nathan, been a thorn in the side of the military.^{137*} Nathan and his staff resigned, and, as Nathan was to relate, "The planning function disintegrated and lost stature."¹³⁸

Another reason Wilson began to warm to the services has been alluded to by his colleagues. Milton Katz, Solicitor of the WPB, reported to WPB historian James Fesler that "Wilson expressed his concern... regarding the threat of the Services to cancel General Electric contracts if Wilson didn't get off the Services' neck."¹³⁹ It seems the

* When Knudsen, ex-president of General Motors and then co-chair of OPM, left the employment of the civilian agencies with the creation of the War Production Board, the Army offered him a commission of Lieutenant General (which he accepted). Nathan, upon his resignation from the WPB, lost his deferment status and was inducted into the Army as a private. (see Industrial Mobilization For War, op cit, p.587).

services also convinced two of Wilson's colleagues at General Electric, Gerard Swope and Owen Young, that Wilson was headed for trouble, with the distinct possibility that his reputation would be ruined. It has been concluded that these pressures "may partly explain Wilson's policy of knuckling under to the Services."¹⁴⁰ Regardless how Wilson's change of heart is explained, he became an ally of the military services.¹⁴¹

Hooks has interpreted these events as evidence of military direction of mobilization : "Under Wilson's supervision, representatives of the military established the most important WPB policies. Dollar-a-year men, whether sympathetic or unsympathetic to the military's position, were left to implement these decisions."¹⁴² Hooks's evidence for military direction is their predominance on the PEC.¹⁴³ The PEC did allow the military procurement agencies a greater voice in WPB policy.¹⁴⁴ However, closer consideration of this mechanism illustrates the weakness of Hooks's argument. The PEC brought together the top procurement officers in order to agree to the scheduling of their production programs, under the direction of Wilson and his staff. It was Nelson's initiative that brought this mechanism into being; the services had resisted it stubbornly, blindly afraid of losing any authority. Agreements between procurement officers, impossible under military arrangements, were arranged under the auspices of

the WPB. And there remained the constant prod that if the military procurers did not cooperate, the WPB would proceed on its own.

Although military men outnumbered civilians on the PEC itself, it is difficult to characterize them as having "established the most important WPB policies." Any decisions were left to be implemented by businessmen, whether in the WPB divisions or in the industries themselves. These businessmen were granted plenty of discretionary authority to see to it that top level directions were carried out. And, other civilians within the WPB continued to play important roles in mediating the authority of industry and the military. Fesler, WPB historian, recounts that "The organization [WPB] was quite remarkably designed to assure review by academics and civil servants of businessmen-officials' proposed decisions affecting the economy and individual industries. And the same nonbusiness-types, plus lawyers, were in strategic advisory roles to businessmen-executives."¹⁴⁵

Military procurement officers were able, as under CMP, to initiate basic decisions concerning what would be produced, and when. But these decisions were in the way of general instructions, which had to be ratified under the authority of the WPB. The procurement officers' own organizations were incapable of generating the coordination that was required. Instead, coordination was continually

sought through the initiatives of those outside of the military procurement agencies, whether through their civilian Under Secretaries, the ANMB, or from within the WPB. The procurement agencies may have been able to coopt some of these efforts, as with the PEC. Nevertheless, the result was more coordination than before, and more than was possible by the services themselves.

Conclusions

Mobilization cannot be understood in terms of a conscious and competent military directive force. As we have seen in this chapter, the military services were ignorant of how their own needs stacked up against the limitations of the economy. They were arrogant in their unwillingness to reduce their requirements. Their procurement organizations needed the intervention of outside, societal actors and mechanisms, along with the coordinating influence of the WPB.

What I have tried to do in this chapter is provide a more complex picture of the interrelation between civilian, military and corporate forces in the administration of mobilization policy. It is too simplistic to say that either corporate or military actors dominated this administration, although their joint ascendancy marks mobilization. C. Wright Mills has, in fact, provided a general guide to comprehending this period. He notes:

It should be clear to the reader by now that we do not accept as adequate the simple view that high economic men unilaterally make all decisions of national consequence. We hold that such a simple view of 'economic determinism' must be elaborated by 'political determinism' and 'military determinism'; that the higher agents of each of these domains now often have a noticeable degree of autonomy; and that only in the often intricate ways of coalition do they make up and carry through the most important decisions.¹⁴⁶

I have tried to uncover the "intricate ways of coalition" between the three relevant forces in these controversies. However, the intricacies should include the unconscious results of the clash, or necessary collision, of these three forces in mobilization.

The limitations of the military services were overcome through the delegation of authority to prime contractors and by the reactive oversight activities of economists and lawyers within the WPB. It was these New-Dealer state managers who held in check the worst abuses of the military and industrial representatives who dominated mobilization. However, these actors could only restrain the military and industrial forces; they could not hold back the tide that favored continued institutionalization of the military into a permanent part of the U.S. state, and the restructuring of U.S. industry. As we will see in the next chapter, attempts to program reconversion by New Deal elements within the WPB were defeated by military men anxious not to lose the initiative gained during mobilization, and by industrialists also anxious to preserve their gains.

Chapter Six
Endnotes

1. Gregory Hooks, Forging the Military-Industrial Complex (Urbana: University of Illinois Press, 1991), p.93.
2. See Hooks, p.35.
3. See Ralph Miliband, "State Power and Class Interests," New Left Review, Vol. 138, (1983), pp.57-68.
4. Hooks, pp.92-3.
5. Hooks, p.107.
6. See Chapter Four.
7. See Memorandum, "Abandonment of the Industrial Mobilization Plan", James Fesler to J.A. Krug, Chairman of the WPB, September 10, 1945, James Fesler Papers, Yale University.
8. U.S. Congress, House, Select Committee Investigating National Defense Migration, 77th, 2nd Session, Third Interim Report, No.1879 (March 9, 1942), p.82.
9. Military requirements came to be loosely based on Roosevelt's January 6, 1942 message to Congress where he called for "60,000 planes for 1942, and 125,000 for 1943. The tank totals ...at 45,000 and 75,000, respectively. Some 20,00 anti-aircraft guns were to be turned out in 1942, and 35,000 the next year. The merchant ship goals were perhaps the most startling of all: 8,000,000 tons for 1942 and 20,000,000 for 1943." John Brigante, The Feasibility Dispute (Washington: Committee on Public Administration Cases, 1950), p.31.
10. See Brigante, *ibid.*
11. Planning Committee Recommendation No.3, in "Planning Committee Activities, February 20 to September 9, 1942", Robert Nathan to James Fesler (September 9, 1942), p.5, James Fesler Papers, Yale University.
12. United States Civilian Production Administration (hereafter USCPA), Industrial Mobilization for War, Volume 1, Program and Administration, (Washington: Government Printing Office, 1947), pp.151-2.
13. Quoted in USCPA, p.274.

14. See USCPA, pp.386-395.
15. USCPA, p.391.
16. Brigante, pp.41-46.
17. Quoted in Brigante, p.82.
18. See, for example, Townsend Hoopes, and Douglas Brinkley, Driven Patriot: The Life and Times of James Forrestal (New York: Alfred A. Knopf, 1992), pp.165-68.
19. Policy Recommendation No.3, in "Planning Committee Activities, February 20 to September 9, 1942", (September 9, 1942), p.5; see also WPB Planning Committee Document No.170, "Consideration of the Program Objectives by the War Production Board" (September 30, 1942), both in James Fesler Papers, Yale University.
20. Unpublished chapter draft for USCPA, Industrial Mobilization For War, "The Shift in Emphasis", (August 12, 1943), pp.2-3, in James Fesler Papers, Yale University.
21. John A. Millett, The Organization and Role of the Army Service Forces (Washington: U.S. Department of the Army, Office of the Chief of Military History, 1954), p.214.
22. USCPA, p.364.
23. Brigante, p.53-4.
24. See Brigante, pp.46-51.
25. See Ibid, p.51; USCPA, p.283.
26. Brigante, p.53.
27. See Brigante, p.56-61; and, Paul A.C. Koistinen, "The Hammer and the Sword," (Unpublished PhD Dissertation: University of California, Berkeley, 1964), pp.645.
28. See USCPA, p.283-4, 363.
29. Brigante, p.63.
30. See USCPA, p.356.
31. See Planning Committee Recommendation No.15, "Feasibility of the Production Program" (September 19, 1942) in James Fesler Papers, Yale University; see also Brigante, pp.66-70; USCPA, p.286.

32. Brigante, pp.82-3; USCPA, p.287. It should be noted that although Somervell dismissed the work of the Planning Committee, the Committee correctly estimated 1942 production totals to within one billion dollars, out of a \$80 billion program. (See Brigante, p.63).

33. Brigante, p.81.

34. See Brigante, pp.78-81.

35. Bureau of the Budget, The United States at War: Development and Administration of the War Program by the Federal Government (Washington: Government Printing Office, 1946), p.129; Koistinen: 1964, p.651; memo from Somervell to Nelson is reproduced in Millett: 1954, pp.446-8.

36. See Brigante, pp.88-96; USCPA, pp.288-289; Millett: 1954, pp.216-218.

37. Brigante, p.95.

38. USCPA, p.289; Millett: 1954, pp.218-9.

39. See Brigante, pp.101-104; Millett, op cit.

40. David Novick, Melvin Anshen, and W.C. Truppner, Wartime Production Controls (New York: Columbia University Press, 1949), p.195; USCPA, p.533.

41. USCPA, p.285.

42. James Fesler, personal interview.

43. See Planning Committee Recommendation No.15, "Feasibility of the Production Program" (September 9, 1942) in James Fesler Papers, Yale University.

44. See USCPA, pp.461-2, 477-8.

45. See USCPA, pp.477-8, 509-11.

46. USCPA, pp.509-511; Bureau of the Budget, pp.302-3.

47. USCPA, p.510.

48. Samuel Huntington, The Soldier and the State (NY: Vintage Books, 1957), p.339.

49. See USCPA, p.513.

50. See Millett: 1954, pp.111-123.

51. See *ibid.*

52. Paul Y. Hammond, Organizing for Defense: The American Military Establishment in the Twentieth Century (Princeton, NJ: Princeton University Press, 1961).

53. Millett: 1954, p.114.

54. *Ibid.*

55. R. Elberton Smith, The Army and Economic Mobilization (Washington: U.S. Department of the Army, Office of the Chief of Military History, 1959), p.173.

56. See Smith, p.212.

57. Millett, p.114.

58. "Remarks by Commander Milton Katz, August 31, 1945", WPB Policy Analysis and Records Branch, James Fesler Papers, Yale University.

59. Bureau of the Budget, pp.112-15 describes the consequences of uncoordinated military procurement in the months after Pearl Harbor.

60. James W. Fesler, unpublished draft of his autobiography; chapter 4, "The War Production Board," (1991), pp.87-88.

61. The Planning Committee reported, "The decisions upon the size of the Army, of the Navy, of the merchant fleet, of the air fleet, even if made by bodies that are presumably and officially concerned with the strategic factors alone, will be found in the last analysis to have taken into account the economic and political factors. The trouble, however, was that the consideration of these factors were secondary and biased in favor of the agency concerned. There was no proper screening of the results by juxtaposition with the objectives set by other agencies. There was no review of the whole program from the viewpoint of all the determining factors involved." (Planning Committee Recommendation No.15, [September 19, 1942], p.3, in James Fesler Papers, Yale University).

62. See Bureau of Budget, pp.299-302.

63. Smith, p.255.

64. U.S. Congress, House. Select Committee Investigating National Defense Migration, Sixth Interim

Report, 77th Congress, 2nd Session, Report No. 2589 (October 20, 1942), p.22.

65. U.S. Bureau of the Budget, pp.112-3.

66. U.S. Congress, House, Select Committee on National Defense Migration, 77th Congress, 2nd Session, Third Annual Report, No.1879 (March 9, 1942), p.83.

67. USCPA, pp.429-35.

68. USCPA, pp.333-4; Bureau of Budget, p.110.

69. USCPA, p.356.

70. See USCPA, pp.221-2, 295-301, 334-5; Millett, pp.203, 206; Bureau of Budget, p.130; Robert Connery, The Navy and Industrial Mobilization (NJ: Princeton University Press), pp.170-172.

71. USCPA, pp.296-8; see also Planning Committee Recommendation No.15, "Feasibility of the Production Program", op cit; and, Connery, p.171.

72. See USCPA, pp.385-96; Bureau of Budget, pp.113-7.

73. Calvin Lee Christman, "Ferdinand Eberstadt and Economic Mobilization for War, 1941-1943," (Unpublished PhD. Dissertation: Ohio State University, 1971), pp.138-52.

74. Ibid.

75. USCPA, pp.298-9.

76. USCPA, p.295, 335-7; Christman, pp.149-50.

77. See USCPA, p.300.

78. For a review of the production requirements plan see, USCPA, pp.456-74; Smith, pp.555-64; Novick et al., pp.105-37; and, Christman, pp.159-204.

79. For criticisms of PRP see, Planning Committee Recommendation No.17, "Control of the Flow of Materials", in September 9, 1942 memo, "Planning Committee Activities", op cit; see also, Novick et al, pp.128-137; USCPA, pp.456-9; Smith, pp.555-64.

80. See Novick et al., op cit; see also Bureau of Budget, p.306.

81. Drummond Jones, The Role of the Office of Civilian Requirements in the Office of Production Management and the War Production Board, January 1941 to November 1945, U.S. Civilian Production Administration Special Study No.20, (Washington: Government Printing Office, 1946), p.139; and, Novick et al., pp.130-1.

82. See Smith, p.562; Novick et al., p.133.

83. Novick et al., p.134; see also USCPA, pp.446-9, for similar view.

84. Novick et al., pp.136-7; also see Smith, p.561; USCPA, p.472.

85. USCPA, p.523.

86. Novick et al., p.136.

87. See Patterson testimony before Truman Committee Hearings, 77th Congress, 2nd Session, Part 16, (Washington, 1942), pp.6679-91; Millett: 1954, p.210; Smith, p.240.

88. Christman, p.178; see also Novick et al., p.146.

89. p.170.

90. p.177.

91. See Memorandum, James Fesler to J.A. Krug, September 24, 1945, "Origins of the Production Executive Committee", in James Fesler Papers, Yale University; USCPA, pp.260-2, 485-91, 505-17; Millett: 1954, p.220.

92. USCPA, pp.260-1; Fesler to Krug, "Origins of the Production Executive Committee", p.2.

93. See, for example, U.S. Bureau of Budget, p.317.

94. Christman, pp.197-8.

95. Quoted in USCPA, p.477.

96. See USCPA, pp.478-92; Connery, p.173; Smith, p.567.

97. See USCPA, p.484.

98. Millett: 1954, p.210.

99. USCPA, p.484.

100. USCPA, p.629; see also Novick et al., p.192.

101. Novick et al., p.195.
102. "Remarks by Commander Milton Katz, August 31, 1945", WPB Policy Analysis and Records Branch, James Fesler Papers, Yale University.
103. U.S. Bureau of the Budget, p.306.
104. USCPA, p.630; see also, Jones, p.139; Christman, pp.225, 232-3.
105. See USCPA, p.446.
106. See Bureau of the Budget, p.305; USCPA, pp.261, 488-91.
107. See USCPA, pp.262-3, 489.
108. Quoted in Schuck, p.113.
109. See Schuck, pp.139-140.
110. USCPA, p.491.
111. Donald Nelson, Arsenal of Democracy (New York: Harcourt, Brace and Company, 1946), p.209.
112. Economic Concentration and World War II, Report of the Smaller War Plants Corporation to Special Committee to Study Problems of American Small Business, 79th Congress, 2nd Session, Senate Doc.206 (Washington: Government Printing Office, 1946), pp.27.
113. Novick et al., p.181; see also USCPA, p.484.
114. Economic Concentration and World War II, op cit, p.37.
115. What follows is based on James W Fesler, "Reflections of a Public Servant." The Bureaucrat (Summer, 1987), pp.3-5; and Fesler : 1991, op cit.
116. See USCPA, p.489.
117. Fesler: 1991, p.89.
118. The WPB history reports: "The prerogative claimed by the Office of Civilian Supply to program for the total nonmilitary economy had been actually usurped to a considerable extent by the industry divisions when the divisional requirements committees began to function in early 1943." (USCPA, pp.616-7).

119. See Jones, pp.77-113.
120. See USCPA, pp.586-9.
121. Bruce Catton, The War Lords of Washington, (NY: Harcourt, Brace, and Company, 1948), p.205.
122. Fesler, personal interview, December, 1991.
123. See Millett: 1954, pp.220-6.
124. WPB Memorandum, "Origins of the Production Executive Authority", Fesler to Krug, op cit.
125. See USCPA, p.505-7.
126. See USCPA, pp.513-4.
127. See *ibid*.
128. USCPA, pp.515-7.
129. USCPA, p.637.
130. See USCPA, pp.578-82, Christman, p.281-7.
131. *Ibid*.
132. See USCPA, pp.580-1; Nelson, pp.387-90; Christman, pp.291-310.
133. Christman, p.309.
134. Christman, p.307; USCPA, pp.580-1.
135. USCPA, pp.582-7.
136. See July 13, 1946 "Memorandum to JWF's Personal Files" concerning James Fesler's interview with Milton Katz, James Fesler Papers, Yale University).
137. See Robert Nathan's comments before WPB Policy Analysis and Records Branch Staff Meeting, August 4, 1945, in James Fesler Papers, Yale University; also, USCPA, pp.587.
138. Nathan's comments, *Ibid*.
139. "Memorandum to JWF's Personal Files - Interview with Milton Katz", op cit.
140. *Ibid*.

141. See Koistinen: 1964, p.662; Fesler: 1991, p.94.

142. Hooks, p.171.

143. Ibid.

144. See USCPA, p.550.

145. Fesler: 1991, p.94; also, James Fesler, "Mobilization of Industry for the War", Public Administration Review, Vol. V (Summer, 1945), p.261.

146. C. Wright Mills, The Power Elite (NY: Oxford University Press, 1959), p.277.

Chapter Seven Reconversion and the Postwar Hegemonic Consensus

Introduction

Wartime policy battles diminished the institutional fortunes of New Dealers while enhancing the position and prestige of the military services. Major corporations could not help but to be pleased with their role in mobilization - they gained enormous prestige, huge profits and government-funded industrial expansions, while they also helped to erode the state's independent ability to intervene in the economy.

The War Production Board (WPB), which had housed hopes for the practical expansion of planning, was by 1943 dominated by military and business representatives, and overshadowed by a new organization, the Office of War Mobilization (OWM). The WPB remained the main operating agency while policy disputes came to be decided by the OWM. Although reconversion provided another opportunity for reinvigorating planning, planners were on the defensive. In this chapter I review the transition from war to peace in order to show how the wartime developments affected the post-war political and economic order.

Two related considerations characterized the controversy over reconversion planning. First, reconversion meant confronting the economic disruptions accompanying the transition from military to civilian production. Second,

reconversion meant facing up to the challenges of economic stabilization over the long term. Reconversion is another controversy between the competitors within mobilization agencies. Yet, this case, more than the others, dramatizes the long term implications of wartime mobilization: The neat fit between corporate internationalism and the national security state was the product of war mobilization, not the New Deal.

I begin by reviewing the fate of government reconversion plans. Both the military services and corporate representatives, for different reasons, resisted reconversion planning efforts. Although wartime mobilization battles had depleted the opportunities for domestic extensions of the New Deal, corporate representatives still feared that an interventionist program could be implemented through WPB reconversion planning. And the military services irrationally resisted reconversion planning, fearful of a retrenchment of their prerogatives as the war emergency waned.

Government capacities for economic regulation had emerged in a primitive form during the New Deal, and were more extensively developed during the war. It would seem logical, from a state-centered standpoint, that these newly developed mechanisms could be used to implement a planned return to civilian production. However, mobilization had marginalized New Dealers while enhancing the influence of

corporate representatives and military bureaucracies. The revival of a New Deal planning impulse with reconversion was received with hostility by these two forces.

There were two sides to corporate resistance to reconversion planning. Corporate representatives within mobilization agencies were antagonistic to any publicly-guided planning. Also, during the war an influential group of corporate liberal planners focused private efforts on the problem of postwar economic stability. Operating through semi-public organizations like the Committee for Economic Development, these planners encouraged the development of an alternative to New Deal interventionism in order to prevent state-centered, publicly-guided planning in the postwar era.

The military services, in turn, provided a blunt barrier to reconversion planning. Their opposition provided the opportunity for corporate officials to monopolize reconversion within the scope of their industries, while it also provided the space for corporate liberal planners to promote their own brand of government interventionism, which Lekachman has labelled "commercial keynesianism."¹

Creation of the Office of War Mobilization and the Fate of Reconversion Planning

Creation of the Production Executive Committee (PEC) within the WPB had shifted operating responsibilities from Nelson to Wilson, who, as noted, became increasingly allied with the military services.² Congressional observers of

mobilization grew concerned about the loss of WPB independence and increasing influence of the military over the civilian economy. Critical congressional reports during 1942 had turned, in 1943, to legislative proposals for a new government ministry to reassert civilian control of mobilization.³ President Roosevelt, unhappy with this effort, headed it off by establishing the Office of War Mobilization (OWM) by executive order.⁴

OWM grew out of the experience with the Office of Economic Stabilization (OES), which had been created the previous fall and was headed by James Byrnes, the man who would, in turn, head OWM. Byrnes, an ex-Senator and Supreme Court justice, was a conservative southerner with close ties to Bernard Baruch.⁵ Byrnes ran OES, and subsequently OWM, out of the White House, obtaining stewardship over the mobilization program by gaining the authority to resolve disputes between mobilization agencies, while WPB retained primary operating authority.⁶ Creation of OWM was important because Byrnes received authority to arbitrate the important disputes relating to reconversion. And, as Millett reports, "Byrnes was on the best of terms with representatives of the armed forces."⁷

Nelson had become effectively isolated within the WPB as Wilson took over more of the operating responsibilities. Making the most of his decreasing influence, Nelson concentrated on policy development, especially relating to

the problems of reconversion.⁸ Early in 1943, he assigned Ernest Kanzler, a former WPB official, the task of studying reconversion possibilities. Kanzler responded in mid-1943 with some specific recommendations for guiding reconversion.⁹ He recommended that reconversion authority be quickly centralized in a civilian agency, preferably the WPB, to avoid the risk of allowing military control of reconversion by default.¹⁰ The WPB had the tools to control the gradual transition to civilian production through its priorities and material control orders. These mechanisms should be used, Kanzler recommended, to program and schedule the resumption of civilian production as military orders were cut back.¹¹

In the fall of 1943, the Program Bureau under J.A. Krug, a long time government administrator, now Program Vice Chairman of WPB, began preparations for the task laid out by Kanzler.¹² Krug was one of the few men in WPB not from industry or finance, and the Program Bureau, like the Planning Committee, was a haven for New Dealers and academicians. However, the program route was seen as a harbinger of New Deal planning, and as such "it was doomed to failure."¹³

Not only were New Dealers outnumbered by industrialists within the WPB, but the effort to promote a programmed transition to a peacetime economy could expect certain resistance from corporate officials outside of the

mobilization effort as well. Although reconversion alternatives would continue to generate intense conflicts, industry-military predominance over mobilization would narrow the possibilities for an innovative approach to reconversion by closing off options for independent actions by New Dealers.

Alternatives to a planned route for reconversion were also generated within WPB. Operations Vice-Chairman Boulware called for continuation of the present controls until they could be quickly dismantled as the war wound down, leaving the initiative for reconversion firmly with private industry and market forces. Boulware also sought reliance on industry advisory committees as agencies for planning the resumption of civilian production.¹⁴

Ongoing congressional concern for timely and proper preparations for reconversion resulted in substantive policy moves on two fronts. First, Roosevelt assigned Byrnes of the OWM to take charge of demobilization of wartime controls in October, 1943. Although Byrnes decided against supplanting WPB operations, this action was important since, as noted, it gave Byrnes the ability to decide between reconversion alternatives. Byrnes subsequently convinced Bernard Baruch and his associate John Hancock to head a unit in OWM designed to investigate and report on reconversion activities. Second, Nelson announced the guiding outlines of a reconversion policy he had been working on at a

November 30, 1943 meeting of the WPB. According to this plan, as materials, facilities, and labor became available the WPB would authorize increases in civilian production.¹⁵

Although military representatives did not object to these proposals at the meeting itself, they quickly became resistant to Nelson's ideas and thereafter met every inkling of reconversion with extreme hostility.¹⁶ It was not that the military services had an alternative plan for reconversion. Rather, they simply resisted any movement toward increased civilian production in order to protect their wartime prerogatives. Industrialists, on the other hand, agreed with the gradual return to civilian production, except that Nelson's plans would grant smaller producers first crack at civilian markets since large producers were required to fulfill the terms of their military contracts.

Thus, WPB dollar-year men and industry advisory committees also began to shrink from supporting Nelson's plans, leaving them vulnerable to attacks by military officials.¹⁷ And these officials wasted little time in pressing their advantage. Peltason reports that the military representatives took advantage of "anomalies in the WPB structure" to advocate that reconversion policies be centered in the PEC, obviously because of their predominance on that committee.¹⁸ General Clay, an assistant to Somervell of the Army Service Forces, sponsored a plan (the Panuch plan) which promoted PEC oversight of military cutbacks.¹⁹

Nelson, despite growing military and industry resistance, continued to press his alternative plan, which lay between the extremes of extensive planning on the one hand and quick dismantling of government controls on the other.²⁰ Nelson was hostile to PEC stewardship over expansion of non-military production, and he directed his assistant, Bernard Gladieux, to investigate other alternatives.²¹ Gladieux drew up a plan which sought to increase civilian representation on the PEC, and recommended that a PEC subcommittee "heavily weighted with representatives of nonmilitary interests" handle cutbacks of military production.²² Further, Gladieux recommended that Krug's Program Bureau serve as the center of reconversion planning.²³

Nelson, however, hesitated to promote this alternative in order to avoid a showdown with Wilson, who was expected to resign shortly to return to General Electric, and because military cutbacks were not yet so great as to require immediate action.²⁴ However, Wilson interminably delayed his departure, and in the meantime Krug resigned to accept a commission in the Navy, closing off the alternative of Program Bureau stewardship. Krug's "functions, authorities, and power" as Program Vice Chairman were subsequently transferred to Wilson as Executive Vice Chairman.^{25*}

* Krug would return to the WPB later in 1944 to replace Nelson as Chairman.

The reconversion situation remained fluid through the middle of 1944 with Nelson and the military battling over whether to allow production of higher levels of essential civilian goods. Nelson had given up on pushing for quicker action on his November 30th plan in the face of strong resistance from Forrestal and Patterson, the military's representatives on the WPB, and from General Somervell and Admiral Robinson. Forrestal and Patterson dug in their heels against allowing increases in "essential" civilian needs, ignoring the label of "essentiality" given to only the most critical of civilian needs; they would countenance no increases in civilian production.²⁶

Military opposition was premised on recent labor shortages; any increases in civilian production, no matter how critical, were viewed as a threat to military production.²⁷ As labor became the chief bottleneck inhibiting full production, the authority of the War Manpower Commission, headed by Paul McNutt, came into play.²⁸ The military services would use McNutt's authority, and his legitimate concerns about labor shortages, as another weapon to bludgeon attempts to increase civilian production.²⁹

The dispute between Nelson and the services went unresolved through May of 1944 since the situation, in the absence of substantial military cutbacks, did not yet call for implementing any policy, and partly because Nelson would

not stand up to pressure from the military. An informal agreement between Nelson and the military representatives put off concrete reconversion activities until after the invasion of Normandy.³⁰ However, in May the Navy announced the cancellation of fighter plane production at the Long Island plants of the Brewster Corporation (9000 workers lost their jobs). The Navy's handling of the cutback was characterized as "inept"; they failed to provide alternative work for the plants or provide for transfer of workers to other jobs.³¹ The workers affected refused to leave the plants until one of these alternatives were proffered, sparking public sympathy and demands that cutbacks be planned to minimize employment disruptions.³²

The Brewster incident served to alert the mobilization agencies that immediate reconversion action was needed. But Nelson's relative inaction up to this point meant that reconversion authority flowed to PEC by default. Nelson sanctioned the obvious in late May by formally granting PEC the authority to recommend policies for guiding military cutbacks. This grant of authority was further substantiated by Byrnes, who bypassed Nelson in granting PEC formal authority to establish policies guiding the cancellation of war contracts.³³

While PEC concerned itself with contract cutbacks, Nelson took action on the policy issue of resumption and expansion of civilian production; he proposed a substantive

version of his earlier plan in mid-June, shortly after the Normandy beachhead had been secured. This four step program was based on work completed by the Smaller War Plants Corporation, the WPB Planning Division, and the WPB Office of Civilian Requirements.³⁴ Briefly, the steps included: first, the lifting of aluminum and magnesium restrictions for essential civilian end products; second, allowing manufacturers to place orders for surplus or new machine tool equipment, as long as their purchase did not interfere with war production; third, allowing manufacturers to build test models of civilian goods, with clearance by the WPB; and fourth, developing a "spot authorization" plan enabling regional WPB offices to authorize the production of civilian goods as materials became available and military contracts were cutback.³⁵

A critical part of the "spot authorization" plan was letting smaller manufacturers begin civilian production as military cutbacks released materials and labor. Many small and medium sized firms had managed to remain in business during the war by subcontracting from prime contractors. As military production cutbacks increased, however, prime contractors withdrew work from subcontractors to maintain full production in their own plants.³⁶

Nelson, following the advice from the Smaller War Plants Corporation director Maury Maverick, among others, thought that military cutbacks offered a perfect opportunity

to resume civilian production by granting smaller concerns first crack at producing essential civilian goods.³⁷ First, smaller concerns would be freed from military production first (along with increasing amounts of materials and labor). And second, Maverick feared that monopoly-sector firms would use the scarcities accompanying reconversion to monopolize materials and effectively starve smaller firms out of business.³⁸ This would replicate the experience of conversion, when monopoly-sector firms cornered critical materials for themselves through the use of military-assigned priorities.

The plan to allow smaller firms to produce civilian goods did not sit well with larger producers who would have to wait until they fulfilled the terms of their military contracts before they could resume civilian production. Although small manufacturers offered little threat to the market dominance of prewar giants, these prime wartime contractors resisted the plan.³⁹ One industry advisory committee, asked for its views on reconversion, responded with a series of recommendations that sought to restrict the resumption of civilian production to protect pre-war market shares. In fact, the committee argued, "No new manufacturer should be permitted to produce as long as any prewar producer is unable to resume production because of war contracts or lack of necessary facilities, materials, or labor."⁴⁰

One analyst of these events has argued that "big business" representatives on the WPB did not act to stall these early reconversion proposals; rather, the criticisms of business influence are portrayed as the creation of disgruntled members of Nelson's staff who wanted a weapon to rouse public support for reconversion steps, and to combat the publicity campaign of the military.⁴¹ However, Catton interestingly sees that Nelson's reconversion plans "could easily mean a direct threat to established patterns of industry."⁴² Although only smaller producers would be released under Nelson's program, it was the perception of a real threat to monopoly firm's market shares that sparked industrialists's hostility to the program.*

On top of this, from WPB's own industry divisions came warnings about the repercussions of handing reconversion to "professors and planners."⁴³ The perception of planners negotiating a return to peacetime production by allowing smaller concerns to beat large manufacturers to civilian markets was enough to push corporate men, inside and outside of the WPB, into an alliance with military representatives hostile to reconversion steps.⁴⁴ Both market share and

* Catton points to an important aspect of the controversy. The continuation of government controls offered little threat to corporate prerogatives. However, as Vogel has pointed out, corporate executives "distrust their state." However irrational this distrust was - since the parameters of attempted government intervention were comparatively narrow - it remained an important factor driving corporate resistance to government controls.

corporate autonomy from government interference, both dear to a corporate man's heart, were at stake. At the same time, corporate officials within government could accept controls that served their interest. Thus, in agreement with military officials, they could accept the continuation of controls over business activity (and negation of planned reconversion) since this served to restrain smaller firms from reentering civilian markets.

As an alternative, it would have been acceptable if WPB industry men were placed in charge of programming reconversion, just as they had been granted discretionary authority over conversion to war production and material control: "Programming itself was not so bad if subject to the sole control of the industry divisions."⁴⁵ Although it would seem predictable that reconversion controls would be rejected out of hand by corporate leaders resistant to any extensions of controls into peacetime, James Fesler reports substantial support for postwar controls by industry personnel.⁴⁶ Again, however, this would be predicated on leaving the discretionary authority with industry officials. Industry committees would be certain to ensure that pre-war competitive relationships were maintained, whereas Nelson had stated that the demands of a stable postwar economy must come before considering the pre-war market shares of dominant firms.⁴⁷

Thus, it was not the tools of planning that were reviled; industry men had countenanced such planning throughout the war. Rather, it was an issue of who would control the planning and the ends they would pursue. Planning by industry committees could be supported because of it was qualitatively different from the planning contemplated by New Dealers. If mobilization agencies and wartime controls were to be harnessed for publicly-defined goals, corporate officials within these agencies would lose the discretionary authority to serve their own goals. Thus, for corporate representatives, the postwar continuation of government controls could only mean interference with the dominance of civilian markets by monopoly firms.

Responding to the threat to their discretionary authority, corporate actors easily shifted to the position that controls should be retained until the time when they could be quickly dismantled all at once. The quick abandonment of most government controls would ensure that monopoly firms could freeze the dominance they had gained during the war.

Thus, the main concern of monopoly firms shifted to clearing their plants of war materials and machinery in order to return to civilian production quickly to exploit the expected boom in civilian products.⁴⁸ The Baruch-Hancock report, issued in early 1944 and considered the blueprint for how reconversion would proceed, emphasized

this aspect of reconversion; namely, developing the mechanisms for quick demobilization to enable industry's rapid changeover to civilian production.⁴⁹ Baruch predictably desired to rely on private decisions and market forces to combat the intense anxieties about the feared return to depression conditions. He articulated policies designed to take "the Government out of business."⁵⁰

Nelson had taken ill shortly after the announcement of his reconversion plan, leaving Wilson in charge of promoting the plan's implementation.⁵¹ Although Wilson tried to remain faithful to Nelson's program, his heart obviously was not in it, and almost the entire rest of the WPB (mostly industrialists), along with military representatives and the WMC, were opposed. With Wilson at least publicly committed to proceeding with Nelson's plan the military services rammed a resolution through the WPB postponing Nelson's orders, and went over Wilson's head to complain to their friend in the OWM, Byrnes.⁵² Byrnes conferred with Nelson about these disquieting events, convincing Nelson to stagger the implementation of his orders, with "spot authorization" delayed until August.⁵³

The military representatives (Patterson, Forrestal, Somervell, and Robinson, among others), did not stop here. With Nelson receiving support within Congress and favorable press coverage, a letter from the Joint Chiefs of Staff criticizing Nelson's orders was publicized.⁵⁴ Timed to

coincide with this broadside, the military representatives resorted to a form of "psychological warfare" that would become very popular in promoting the Cold War.⁵⁵ Utilizing a form of war scare, they proceeded to whip up public sentiment about critical war shortages they claimed were threatening the lives of American soldiers.⁵⁶

As Catton has pointed out, military claims that production was way down from the previous year were true; it was also true that this slowdown was due to the military's own cutbacks, not because workers were fleeing their war jobs to find work in civilian industries, as the military charged.^{57*} Ostensibly, military spokesmen were only trying to play down optimistic reports of the war's imminent end. However, they had themselves promoted optimism, with Patterson's declaration in August 1944 that Germany would collapse in four months one of the more egregious examples.⁵⁸

The military's tactics did succeed, however, in convincing Byrnes of OWM that production difficulties were for real; he issued a new directive that gave McNutt's War Manpower Commission an effective veto over spot

* The services had canceled \$13 billion worth of contracts by March, 1944. (See, Truman Committee, 78th Congress, 2nd Session, Third Annual Report, Report 10, Part 16, p.27). The Truman Committee (under Senator Mead) also investigated the military's charges and found that shortages at the front were caused by logistical problems of transportation and delivery, not domestic production deficiencies. (See Fourth Annual Report, 79th Congress, 1st Session, Report 110, Part 4, p.6).

authorization orders.⁵⁹ Although Koistinen exaggerates when he says, "Nelson's program was dead" with this directive, the move did delay the plan at a critical time.⁶⁰ Meanwhile, the reconversion controversy was becoming a reelection issue for Roosevelt.⁶¹

Although Nelson had lost control of the WPB and of the reconversion issue, it was difficult for Roosevelt to cleanly ask him to leave; given the publicity about Nelson's stand against "big business" it would look as though Roosevelt himself had caved in.⁶² So, instead Roosevelt sent Nelson on a mission to China (the proverbial 'slow boat'), as his emissary to Chiang Kai-shek.⁶³ Roosevelt planned to have Wilson take Nelson's place, but the negative publicity surrounding Nelson's exit came to rest on Wilson's shoulders. Wilson, anxious to leave for months, was outraged about press stories concerning his supposed conflicts of interest; he angrily resigned, blaming Nelson and his staff for press leaks.⁶⁴ J.A. Krug was immediately named Acting Chairman of WPB by Roosevelt; when Nelson returned in September and resigned, Krug was appointed Chairman.⁶⁵

Krug found that even the limited Nelson reconversion program had become greatly restricted as a consequence of the controversy between Nelson and the military. And more than anything, Krug had to avoid a fight with the services. "After all," Peltason writes, "it was not Byrnes or

Somervell who was sent to China, but Nelson."⁶⁶ Krug attempted, with some success, to move spot authorization forward.⁶⁷ However, military and industry representatives maintained a steady wall of opposition. Sitterson cites "substantial opposition within industry to spot authorities"; in addition "the Services were still of the opinion that expansion of non-essential production was the vital cause of lagging war production and they were emphatic in expressing this view."⁶⁸

Without resorting to the dramatic tactics of the military representatives, Krug maintained steady pressure for progress on spot authorization.⁶⁹ Patterson and Somervell responded with even heavier doses of propaganda; the pressure paid off as reconversion efforts were gradually abandoned.^{70*} Reconversion became a de facto dead letter as Somervell's assistant General Clay was assigned to Byrnes's office as deputy director.⁷¹ The German offensive known as the "Battle of the Bulge" a few days later merely provided the exclamation point to the military's successful campaign to halt reconversion.⁷²

* Peltason concludes that the military propaganda offensive, "rather than merely being an expression of a sense of acute anxiety," served two essential purposes: it provided a context for first, rejecting reconversion efforts, and second, for pressuring Congress to pass a national services, or labor draft, law. (Peltason, "The Reconversion Controversy," in H. Stein ed., Public Administration and Policy Development [NY: Harcourt, Brace and Co., 1952], p.272).

Reconversion: Abandonment of Controls
and Return to Corporate Hegemony

With planning all but dead, preparations for reconversion within the war agencies (civilian and military) came to focus on the procedural difficulties of contract settlements, disposal of surplus plants and goods, and clearing plants of wartime machinery and materials. The Baruch-Hancock report served as a guide for this task since it focused on the nuts and bolts issues of getting industry quickly back to civilian production.⁷³ V.O. Key noted in 1944 that although this report can be considered "a tour de force, it did not meet the desires of those who felt the opportunity should have been grasped for a penetrating examination of the adequacy of our institutional arrangements to prevent a recurrence of the great depression."^{74*}

Key may not have had the perspective (or maybe he was just being diplomatic) to see that, in fact, Baruch and other businessmen thought that private business could, by itself, forestall a return to depression. Their attitude was predictable considering that the alternative meant the utilization of government institutions, wartime economic

* George Baldanzi, a Vice President of the Textile Workers Union of America, and a member of the executive board of the Congress of Industrial Organizations, called the Baruch Plan a "Beveridge Plan for Millionaires." (Baldanzi, "Organized Labor and the State," in Zurcher and Page, eds., Postwar Economic Society [NY: NYU Press, 1944], p.99).

controls and a keynesian spending program to manage a stable exit from wartime production. The history of the WPB recorded these two positions:

One subscribed to the principle that an orderly transition should be effected through the established programming procedures of the WPB which, of course, meant retention of a number of controls over industrial production and the flow of resources. The other urged the discontinuance of all controls, save for a necessary minimum control... for war and essential civilian needs during the one-front war period.⁷⁵

As noted, proponents of an orderly transition were pinned down by the resistance of industry and military representatives. Thus, there was little attention paid to work on the long-range problems of reconversion nor to the question of how wartime controls could be utilized to help guide a return to civilian production. And, again, early in the reconversion controversy, disputes between Nelson and the military services resulted in Byrnes assuming overall authority over reconversion options. Somers, the foremost student of Byrnes and the OWM (and the agency that inherited its mantle, the Office of Mobilization and Reconversion) has stated that because of these disputes, "OWM became the leader in government planning for reconversion."⁷⁶ However, Somers also noted that "Byrnes, with his distrust of all staffs, was particularly averse to a regular planning staff. Overall and centralized planning by an agency such as OWM did not appeal to him..."⁷⁷ Although under its new directors OWMR's planning activities would increase, it

would never become more than a bit player in such activities before it was eliminated in December, 1946.⁷⁸

Thus, planning would not be a priority of Byrnes's. He was content to allow the planning function to be buried within an antagonistic WPB or the politically weaker Office of Price Administration, while prime attention shifted to demobilization.⁷⁹ In early 1944 Byrnes had written to Nelson openly declaring that "It is essential that contract termination be coordinated with a positive program of reconversion in order to avoid, as far as may be reasonably possible, unemployment."⁸⁰ And, shortly after the Brewster fiasco revealed the need to link military contract cutbacks with alternative work for the plants affected, Byrnes had sanctioned Wilson and the PEC to take charge of implementing such planning. Yet planning was divided between two groups, one to study the release of facilities from military production, the other to study positive ways of programming the use of the released materials and plants.⁸¹

The programming group became, not surprisingly, a casualty of too little commitment by those on the PEC and of military stonewalling, as evidenced by a statement Forrestal made to Nelson in July: "In regard to long-range planning, I may say that at the present time we have no definite information upon which we could base any specific report as to changes in programs at the termination of the war in Europe."⁸² As an adjunct to their public campaign to halt

ongoing reconversion, the military merely fell back upon their own limited knowledge of the contingencies of war. The result, the history of the WPB reports, was that "deficiencies in the basic [planning] assumptions meant that much of WPB's planning for VE-day was shadow-boxing."⁸³ Because of flaws in the planning task, it was inevitable that "the proposal to remove the greater part of WPB's controls after VE-day [gained] support."⁸⁴ As V.O. Key noted at the time, attention shifted to the narrower issue of providing government assistance for a quick transition to civilian production.

Krug, new Chairman of the WPB, was also a key participant in the decision to quickly release wartime controls. When he took over from Nelson in late summer 1944, a fierce debate was underway within the WPB over the two alternatives of continuing controls or abandoning them quickly. On one side stood the military services, industry advisory committees, industry divisions and dollar-a-year men, and on the other, the Planning Division, the Program Division, the Office of Civilian Requirements, and the labor vice-chairmen.⁸⁵ Krug decided that only a bare minimum of controls be retained, bowing to Operations Vice-Chairman Boulware's argument that "WPB powers could not guarantee full employment through government action."⁸⁶

Krug, who had once favored a planned route for reconversion, succumbed to the immense counter pressures

arrayed against such a policy. Bernstein writes, "Neither an intellectual nor an idealist nor an evangelist preaching political theory and waving a New Deal banner, Krug sought the advice of businessmen, respected their desires, and frequently followed their recommendations."⁸⁷ Thus, as the Bureau of Budget history concludes, "the central issue in the preparations for peace was the disposition of the numerous controls that over the war period had been extended to virtually all phases of economic life."⁸⁸ Attention became focused on how to quickly clear industries of war-related work, tools, and materials, and on quick financial settlement with contractors for uncompleted war work.⁸⁹ It was on these issues that the Baruch-Hancock report provided needed commentary.

In October, 1944 Congress backed up the Baruch-Hancock recommendations with legislation; Congress granted Byrnes's OWM expanded responsibilities and a new title, the Office of War Mobilization and Reconversion (OWMR).⁹⁰ Although Somers considers this a case of Congress reasserting its authority, he concludes "the law... probably represents the broadest delegation of authority ever granted by Congress to an executive agency."⁹¹ Key clarifies these seemingly contradictory statements by noting that "the emerging apparatus of coordination was being invested by statute with broad powers of direction essentially presidential in character, to be exercised, not in the name of, and by

delegation from, the President, but in its own name by authority from Congress."⁹² Yet the agency stayed close to the President because he appointed its officers, and as Somers is quick to emphasize, these officers carried great weight primarily because of their proximity to the President. Congress placed within the newly created OWMR a Surplus Property Board and an Office of Contract Settlement. Both had been established earlier by executive order, but were now granted congressional sanction.⁹³

The goal of reconversion shifted from planning a stable postwar economic environment to basically getting out of business's way. As noted by the Senate George Committee on Post-war Economic Policy and Planning:

Without a proper 'economic environment', without confidence in the friendly attitude of government, without reasonable certainty that a minimum number of simple 'rules of the game' will not be changed except upon great provocation, without relief from an increasing number of departmental 'directives' - many of them conflicting - without a certainty that the Congress will delegate the absolute minimum of its powers and those under well-defined conditions, without assurance that legislation and administration will not discriminate in favor of any segment of the economy, without a well-defined fiscal policy, business will not be willing to go forward and expand...^{94*}

* Charles Wilson of General Motors, responding to a question from Senator Ball of the Truman Committee concerning the postwar business environment, commented, "the more encouragement the tax laws and the policies of the country give to business, the more courage the businessmen has. The more you scare him, the less courage he has. That is a very simple principle." (November 24, 1943, Hearings, 78th Congress, 2nd Session, Part 21, p.8637).

This commitment to providing business with the proper environment for expanding its investments was supposed to take into account the interests of small business, but that is not the way things turned out. Contract settlements and the disposal of surplus property and plants benefitted the largest producers who had dominated prime contracting during the war. First of all, the Smaller War Plants Corporation (SWPC) estimates that "about \$20,000,000,000 of the \$26,000,000,000 wartime plant is usable for the production of peacetime products, either immediately or after minor conversion."⁹⁵

To get a clearer look at the implications of these numbers the report also notes that "facility holdings of the 250 largest corporations in 1945 approximately equaled those of all corporations in 1939."⁹⁶ A part of these wartime plants (\$4.8 billion worth) were privately financed. Almost all of these plants were usable for postwar civilian production, and they offered large firms the added benefit of quick amortization (making the plants essentially publicly funded), which in turn lowered the wartime taxes of these firms.⁹⁷ The more corporations expanded using their own funds, the lower their tax bill went.

Government financed plants - "the most massive economic resource created during the war" - were also concentrated in the largest firms since they followed prime contracts. The disposal of these plants, SWPC warned, "will do more than

anything else to determine the future economic destiny of this country."⁹⁸ Although Congress sought to give smaller business an opportunity to acquire these plants, the plan was only a minor success. The War Assets Administration reported to Congress that the 250 largest manufacturing corporations had, by June, 1946, acquired 70% of these plants, whereas they had operated 79% of them.⁹⁹ And, government financed plants were often disposed of for 20 cents on the dollar.¹⁰⁰ Fire sale prices for top quality, state of the art plant and machinery, and quick amortization of privately financed plants represented a huge public subsidy to monopoly sector firms.

Alvin Hansen, the most important academic American Keynesian of this period, has noted that these subsidies disprove the fallacy that speedy conversion can be credited to "the free operations of the private-enterprise economy."¹⁰¹ He points to the incredible amounts of government monies expended for veteran benefits, the "typically generous" contract settlements for uncompleted work on terminated contracts, the repeal of the excess profits tax immediately after the war, and a refund of 10% of the excess profits tax paid shortly after the war.¹⁰²

On top of these gifts, prime contractor's profits were more than double the peacetime average, even after renegotiation and taxes. The Truman Committee cited Treasury estimates that the net profits of corporations in

1943 at \$10,000,000,000 and \$11,000,000,000 in 1944. As they conclude, "This is nearly double the average of \$5,500,000,000 after taxes for the years 1936 through 1940."¹⁰³ Labor, on the other hand, also made gains - but primarily through longer working hours. Strict wage controls limited their gains, while at the same time speed up conditions and inexperienced workers combined to produce an incredible number of factory casualties.¹⁰⁴

Combine the public generosity to monopoly firms with the public subsidy for the huge wartime plant expansions and one can see that these firms willingly acquiesced in a particular type of government intervention - direct or indirect public subsidy of corporate profits and growth. This form of "commercial"¹⁰⁵ or "business"¹⁰⁶ keynesianism would be define the agenda of the postwar hegemonic consensus.

Wartime State Building and the New Deal

The focus on demobilizing wartime controls and sweeping industries clean of wartime tools and materials meant that the long-term problems of reconversion - namely the fear of a return to depression - were ignored by the mobilization agencies, as noted by Key above. These issues did not disappear, however. In fact, by the summer of 1945 there was shaping up "a profound confrontation regarding the direction that American society would take in the long-range

postwar era."¹⁰⁷ This confrontation, however, was influenced by the institutional shifts of the war.

Proponents of a state-centered perspective argue that "state structure" is important because it shapes possibilities for political action. My findings substantiate this point. However, it was just this structure that was transformed by the war and in turn shaped postwar policy directions. It has been the point of this dissertation to show the shifts in state structure during the war, but also to demonstrate that these changes were the result of an interactive process of state and corporate institutional forces. New Deal enhancements in presidential authority were retained, but the ends to which this authority was directed had changed.

New Dealers, by the late 1930's, had sought publicly-guided tools for establishing economic stability similar to those that came to be utilized by social democratic regimes elsewhere. However, the state building of the war weakened the U.S. state's capability to intervene domestically. Hooks has also argues that it was the war that weakened the New Deal. On the one hand, he notes Congress destroyed important parts of the New Deal state during the war.¹⁰⁸ However, Hooks also argues that the New Deal "was not overwhelmed by conservatives in society and Congress."¹⁰⁹ Instead, during the war authority and resources were transferred to military bureaucracies, away

from New Deal agencies. The permanent expansions of the state which occurred during wartime came to be lodged in national security bureaucracies; thus, according to Hooks, the military services and other hostile state bureaucrats were ultimately responsible for the demise of New Deal agencies and their concerns.¹¹⁰

As I have stated above¹¹¹ in criticism of Hooks's views, the demise of New Deal agencies cannot be laid solely at the feet of aggressive military bureaucrats. The military services were not capable of defeating the New Dealers singlehandedly. Nor were they capable of effectively managing the authority they gained. In both cases they were dependent upon outside "business specialists"¹¹² and on prime contractors. The military's "organizational resources" were insufficient on their own to overcome civilian-New Dealer stewardship. Rather, it was the alliance with corporate officials, inside and outside of the mobilization agencies, that allowed the military to attain stewardship over mobilization.

This expedient alliance enhanced the authority of military bureaucrats over their New Deal counterparts, but it also represented the leverage of corporate firms over the state. And, while corporate prestige and influence increased, that of organized labor, an important ally of New Deal reform, decreased. As noted, the war inspired and justified a trend toward "responsible unionism" and eroded

the threat posed by a disruptive labor movement. These changes in societal influence are important factors explaining the decreased visibility and viability of New Deal agencies and actors.

Also important was the fact that Roosevelt's attention was diverted by the war; Hooks and others have noted how important was Roosevelt's support for New Deal initiatives. This became clearly evident when Truman replaced many liberal advisors with more conservative ones.¹¹³ On the other hand, the factor of congressional opposition is diluted when it is considered that the Congress, or at least that part of Congress concerned with mobilization, promoted a more New Deal slant to mobilization than was accepted by Roosevelt.¹¹⁴ Congress engaged in attacks on non-war agencies such as the National Resources Planning Board (NRPB) and the Farm Security Administration, among others.¹¹⁵

However, while Congress could get rid of the NRPB, planning activities for the postwar era could have continued as part of the mobilization effort if New Dealers had not been overwhelmed by the alliance between industrialists and military officials (who were often businessmen themselves). What occurred within the war agencies had been left to the internal struggles of these agencies. The important conclusion, however, is that most possibilities for reawakening an intensive domestic program of economic

planning guided by social democratic objectives was negated by the way that mobilization was handled, although efforts to realize these goals continued.

Corporate Liberal Planning:
A Second Front Against Government Planning

The idea of extending wartime government responsibilities into peacetime had gained strength in the Congress and took form in Senator Murray's full employment bill.¹¹⁶ Defeat of the substantive elements of this bill demonstrated the political clout of capitalist firms seeking to limit extensions of the New Deal. However, while traditional business organizations rejected interventionist schemes altogether, newly created corporate planning organizations recognized the importance of a positive role for the national government. The experience of war mobilization convinced some corporate leaders to value the compensatory role played by the state and welcomed a new era of "commercial keynesianism" versus a social or domestic keynesianism that would have meant extensive state intervention.

The war had inspired advances in collective corporate action. It provided breathing room for corporate America to catch up with the momentous political changes of the New Deal years. Traditional business organizations such as the U.S. Chamber of Commerce represented the whole of the business community, while the National Association of

Manufacturers (NAM) represented a smaller group of small and medium manufacturing firms.¹¹⁷ Both the Chamber and the NAM represented the traditional (or "classical") view of business toward government: that less government is best.¹¹⁸

Collins, a business historian, notes that during the New Deal period both the Chamber and the NAM engaged in "negativistic opposition."¹¹⁹ This inflexible approach, however, meant a major part of the business community was incapable of responding creatively to government interventionism.¹²⁰ This attitude was exhibited in the blatant hostility to New Dealers in the mobilization agencies. Mobilization was not viewed as a cooperative exercise to most the business advisors; rather, as reconversion demonstrated, it was their show. Expanding government authority during wartime was accepted only because of business predominance of the mobilization mechanisms.

In 1933, a new business organization had been created which sought positive interaction with the Roosevelt administration. The Business Advisory Council (BAC), as it would come to be called, was a cooperative creation of Roosevelt's first Secretary of Commerce, Daniel Roper, and Averell Harriman of the Chamber of Commerce; it was created as a device for the most influential members of the business community to advise the new Roosevelt administration. As

McQuaid reports, it was "in the government, but not of it."¹²¹ Representing the "big business" or monopoly sector firms from within the Chamber of Commerce, the BAC facilitated cooperation between business (including primarily monopoly sector firms) and government in finding solutions to the Great Depression.

The BAC also provided a mechanism for major corporations to break free from narrow parochial concerns that normally divided firms, and consider long range plans for economic stability. In this way the state helped to promote the unity of the leading segment of the capitalist class, as Poulantzas would predict.¹²² This route was in Roosevelt's interest since he needed business support for his economic policies. But, as sketched in chapter five, this is a form of cooptation that cuts both ways. Nonetheless, the BAC moved increasingly to a position of antagonism with Roosevelt's program as the New Deal developed, although it remained more engaged with the administration than did either the Chamber of Commerce or the NAM.¹²³

The Roosevelt administration's turn to keynesianism in the late 1930's and the arrival of war inspired a rethinking of the relationship between the Commerce Department, now under conservative Texas banker Jesse Jones, and the BAC. Jones, no friend of the late New Deal reforms, was very interested in combatting ongoing New Deal planning for the

postwar period. However, despite the progress in organizing businessmen, one chronicler of business planning reports that by 1941, "the lack of leadership in the private sector was depressing."¹²⁴

Two businessmen, Paul Hoffman, president of Studebaker, and William Benton, a New York advertiser, with help from Marion Folsom of Eastman Kodak and a leader of BAC, approached Jones with a proposal to fill this vacuum.¹²⁵ Jones agreed to play a catalyzing role, much as Baruch did during the First World War, for focusing business energies on the task of organizing plans for the postwar era, so that further extensions of government authority would be unnecessary.

The new organization was called the Committee for Economic Development (CED) and was developed as an offshoot of the BAC.¹²⁶ It operated through the Department of Commerce to organize local CED's throughout the nation in order to prepare businesses of all sizes for the difficulties of reconversion.¹²⁷ In this way, the most advanced segment of the capitalist class, with help from one part of the executive branch, attempted to fashion private planning into a viable force. Their technique was the development of a corporate "brain trust" that conducted research into private remedies for economic problems which were then disseminated on the national and local levels. And their educational efforts were directed at other

businessmen as well as toward the national government; they were the organic intellectuals of the new internationalist corporate elite.¹²⁸

These efforts represented a movement, by a critical segment of the capitalist class, away from a strictly predatory stance toward the government. This was not an easy transition since it is against the nature of capitalists in a competitive market situation.¹²⁹ The difficulty of this transition was underlined by John Clark, a Columbia University economist, who, in a CED-sponsored monograph, observed the limited rationality of capitalists. The fact that a capitalist is forced to keep the firm's interest primary is a problem since "he is not effectively safeguarding his individual business unless he is also working effectively to keep the system of which it is part in good working order."¹³⁰ But, as the historian of the CED reports, "Businessmen were too busily engaged in the competitive struggle of capturing their share of the activity financed by government funds to interest themselves in planning for the day when those funds would cease to flow."¹³¹

Thus, two concerns weighed on those creating the CED. First, the fear of a return to depression and the continuation of interventionist New Deal programs. And second, the realization that there was no business organization proposing positive alternatives to a strong

government role.¹³² As noted in the introduction, capitalist interests cannot always rely on their structural position for achieving their goals - they must also take action because politics, while shaped by class and political forces, is, in many respects, an unpredictable process.¹³³

The necessarily predatory and anarchic nature of most business interests inspired the creation of a business organization that could generate, within business's own ranks, the solutions to national economic problems. "Business," Clark recommended, "needs to advocate sound public policies, to follow policies of its own which may support these public policies, and to adopt measures of its own which may reduce or forestall the need for public intervention."¹³⁴ And, though the CED held the minority viewpoint within the business community as a whole, Quadagno has noted that "dominant economic interests [like the CED] operate at a higher level within the state hierarchy, giving them greater access to decision makers."¹³⁵ Still, as Williams concludes, "the men of the CED comprised the appallingly small class-conscious gentry that the corporate political economy had managed to create."¹³⁶

The fear inspiring CED's activities was also fanned by the National Resources Planning Board's 1943 report, Security, Work, and Relief Policies, a visionary and voluminous prescription for the postwar era.¹³⁷ New Deal planning hopes had been pinned to the NRPB, but for their

efforts the NRPB was rewarded with termination by the Congress.¹³⁸ The NRPB, as noted in the introduction, had few bureaucratic allies and few societal ties that would have allowed it to continue as an organization, let alone shepherd its proposals through the Congress. The NRPB plan should not be disregarded, however. It inspired New Dealers, in the Congress and elsewhere, to promote a substantive plan for intensive domestic planning based on keynesian principles.¹³⁹

Conclusion: Emergence of the Postwar Hegemonic Consensus

Looking at the way things were shaping up, three broad alternatives were posed for postwar America: intensive domestic planning, a return to the traditional government role of limited intervention, or a new role for government based on the transformations caused by war mobilization. The first option was eliminated early. While an employment bill did pass, the emasculation of its substantive elements could be counted as a victory for the traditionalists in the business community.¹⁴⁰ And, on a similar front, the NAM led a successful "massive campaign" to reform the Wagner Act, helping to push through the Taft-Hartley Act.¹⁴¹

These victories, however, still left a policy vacuum. The postwar era would not herald a return to the nightwatchman state - the second option. As Collins reports, the Chamber was able to transform itself for a

short time during the war and so "play[ed] a significant role in the defeat of the stagnationist program [i.e., the Full Employment bill]; but its retreat from that position left it unable to help fill the policy vacuum which it had done so much to create" by helping defeat the bill.¹⁴²

Although the Chamber and the NAM would have preferred the negative state, this was also not a possibility. First, the military and economic strength of the United States made a greater role for the national government inevitable. Second, even optimists about the potential for postwar economic growth foresaw difficulties a few years down the road that would inspire government intervention.¹⁴³ And finally, as Vogel has written, "what prevented 1946 from being a repetition of 1919 was largely the institutional innovations of the New Deal, not the relative enlightenment of the post-Second World War business community."¹⁴⁴ New Deal institutional developments had permanently expanded the state's presence - although the goals of these institutions remained to be defined.

Since social keynesianism and the laissez-faire state were not possible, a third option emerged from an internationalist coalition of state and corporate officials. This was the least clear alternative, except it offered the most salient goal, continued economic growth, in the most attractive package - continued government intervention, but in support of international capitalism.¹⁴⁵ It was obvious

that government expenditures would play a part in sustaining growth, although domestic keynesian intervention had been rejected. It was also clear to many influential political and corporate officials that the international trading system would have to be rebuilt to provide the outlets for a domestic surplus.¹⁴⁶

The most pressing international problem for state officials had great implications for the domestic problem of economic stability: Europe needed to be stabilized, economically and politically. Rebuilding the economies of Europe would provide both an outlet for the built-up industrial capacity of the United States and preclude the attractiveness of the left in Europe.¹⁴⁷ These two factors were interrelated in the minds of policy makers since it was feared that the creation of left-ish regimes in Europe would close off national markets.¹⁴⁸ And these issues gave more heated meaning to the growing hostility between the U.S. and the Soviet Union. It was in this historical moment that a uniquely political resolution to these problems was fashioned, based on the new domestic realities created by World War II.

Traditional business interests, with great influence in the Congress, could act to prevent particular policy options like the full employment bill. They were not so capable, however, of providing positive options for future policies, nor managing the disparate coalitional elements required to

support such options. Organizations such as the CED, however, along with corporate internationalists serving the executive branch, were able to provide the pressure and guidance necessary to prod Truman into making the necessary economic and military commitments to Europe.¹⁴⁹

Political entrepreneurs during this period had to navigate demands from both the economic and political systems, as well as the confront the growing instability in Europe. In this effort Truman was dependent upon advisers, particularly corporate and international lawyers, who had major commitments to strengthening international capitalism.¹⁵⁰ Corporate lawyers were especially influential as political advisors since they were, as Eden points out, "in a strategic location to take the long-range view of the requirements of American capitalism."¹⁵¹ And they saw Europe as the linchpin of their hopes and fears.¹⁵² Fashioning economic and political stability in Europe would give content to the emerging new coalition; corporate autonomy, commercial keynesianism, and militarism - all legacies of mobilization, not the New Deal - would be the three legs of the new political economy.

The Marshall (European Recovery) Plan was primarily an economic measure to revive the economies of Western Europe, although it was also designed to facilitate American exports. Eakins concludes, "Foreign aid was... government compensatory spending that avoided a revived New Deal at

home."¹⁵³ The plan's usefulness also expanded to include the political goals of preventing gains by the left, whether sponsored by Moscow or not. In fact, given the expected opposition in Congress the plan was sold as an anti-communist measure.¹⁵⁴ Truman, following Republican Senator Vandenberg's recommendation, "scared the hell out of the American people" in order to get congressional support.¹⁵⁵

Truman also, as McQuaid reports, "turned to big business leaders for support."¹⁵⁶ Schriftgiesser has documented the important role the CED and other business groups (especially the National Planning Association) and individuals played in lobbying to secure the congressional compromises critical to the bill's passage.^{157*} Paul Hoffman, one of CED's leaders, became the administrator of the plan. He, in turn, recruited many other businessmen as his top lieutenants.¹⁵⁸

The Truman Doctrine, asserting the right of the United States to intervene anywhere threatened by communist aggression, provided the ideological justification for the Marshall Plan.¹⁵⁹ It also offered more than that, however.

* On the related issues of the World Bank and the International Monetary Fund, CED support also proved crucial. Schriftgiesser notes that "None of the large business organizations came to the defense of [these] proposals. Silence from the [NAM] and the [Chamber] was as effective as action would have been... At the crucial moment... the businessmen of the [CED] intervened." (Business Comes of Age [NY: Harper, 1960], p.122).

The U.S. recession of 1948-9 raised fears about the continuing instability of Europe's economies.¹⁶⁰ This in turn raised fears that the aid flowing under the Marshall Plan would not resolve the problems by the time of its expected termination in 1952. The resolution to this dilemma was provided by the "massive U.S. and European rearmament" justified by an emerging Cold War and anti-communist hysteria. Rearmament was thus defined as necessary to the security needs of both Europe and the United States.¹⁶¹

Rearmament would also nourish the domestic economy on terms that were decidedly favorable to capitalists. Not only would rearmament pump money into the U.S. economy, but military spending did so in a non-threatening way. As Business Week noted in early 1949:

Military spending doesn't really alter the structure of the economy. It goes through the regular channels. As far as business is concerned, a munitions order from the government is much like an order from a private customer.

But the kind of welfare and public-works spending that Truman plans [through the Fair Deal] does alter the economy. It makes new channels of its own. It creates new institutions. It redistributes income...¹⁶²

As Block concludes, "Military Keynesianism was consistent with maximum freedom for domestic capitalists, and it eliminated the danger of a disruptive economic crisis."¹⁶³

Rearmament also provided a mechanism for the continuation of aid to Western Europe, allowing both

economic and political stabilization to be financed by U.S. dollars.¹⁶⁴ Thus, national security could become wedded to economic security; the ethic of national security made it possible to combine keynesianism, internationalism, and militarism. It was the political and ideological glue that held together the disparate elements of the new hegemonic bloc. It laid the groundwork for an expanded state that even conservatives could go along with, including isolationist republicans like Taft and even many members of the business community, who as Hill reports, accepted high military expenditures "but only because they believed that such spending was essential for national security."¹⁶⁵

It can be easily observed that this new governing coalition was built upon the state-building transformations of war mobilization. Corporate autonomy and military strength, with a measure of political stewardship to navigate the shifting coalitional partners in domestic politics, provided the elements of the successful governance of the Cold War years. However, just as the military was a junior partner in this coalition during the war years, it would be a follower rather than a definer of these events in the postwar era. The military's continued strength into the postwar years was partly instigated through the machinations of the services themselves. However, as Williams points out,

the rising power of the military has resulted more from decisions made by civilians than from a successful push

for independent decision-making authority of the generals and admirals. The Joint Chiefs of Staff have not been reluctant or backward, but the opening they exploited was provided by the coalition of corporate leaders, trade union officials, and intellectuals who defined the vital national interests of the country in terms of the necessity of overseas expansion of the corporation political economy.¹⁶⁶

To be sure, the military services pursued their postwar roles with extreme vigor and rancor.¹⁶⁷ But their domestic interest remained primarily dedicated to protect, and hopefully expand, their budgets and missions. In this task, they were capable of the very effective bureaucratic fighting against their competitors, a legacy of their effectiveness during the war years.

However, effectiveness at intra-state politics does not make an autonomous policy making actor in terms of national governance. The findings of this study substantiate Kolko's assertion that C. Wright Mills exaggerated the impact of military leaders as independent members of the power elite.¹⁶⁸ This in no way is to disparage the argument that military priorities have had a damaging impact on U.S. foreign policy or domestic spending policies. It is, rather, to point out the limited independence and governing ability of the military services, who are increasingly under the direction of civilians. As Kolko reports, "Perhaps most important, at no time has the military fully controlled or defined the budget and the vital strategic assumptions that have guided its size and allocation, for in this regard

their internal bickering over limited resources has greatly diminished their ability to dictate to the civilians."¹⁶⁹

These conclusions also point out the flaws in Hooks's argument that the military services were able to offer a form of economic planning in the postwar era.¹⁷⁰ I have detailed the military's incompetent exercise of its mobilization responsibilities during the war. Given their obvious management weaknesses, they had to delegate large blocks of discretionary authority to prime contractors. Hooks believes that their closer guidance of firms dependent on defense contracts constitutes autonomy of state officials over capitalist firms. However, rather than trying to figure out the dominant partner in this relationship, it is better to look at the interdependencies that evolved to sustain this relationship. Looking at the military's role in this manner substantiates Kolko's point that "The military is a most conformist and pliable aspect of the power system, quite drably bureaucratic, and it serves the purposes of capitalists and politicians without much reticence."¹⁷¹

Chapter Seven
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23. *Ibid*.

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Chapter Eight Conclusions

I have examined the industrial mobilization for World War II with three goals in mind. First, I set out to challenge theoretical weaknesses in the state-centered approach and consider applications of neo-Marxist theorizing about the state. Second, I have re-analyzed mobilization in order to consider the state-building dimension of the war without disregarding the impact of corporate power. Since the corporate-liberal perspective has been criticized as too simplistic, I have utilized a more complex framework to gauge the structural and behavioral capitalist influence on state change. And third, I have examined mobilization as a crucial part of an ongoing struggle to resolve the economic and political instabilities caused by advancing capitalism.

In an influential state-centered work, Skowronek has insisted that the institutional structures of the nineteenth century American state inhibited the development of coherent structures of governance. "Modern American state building", he writes, "was, in fact, stymied by those [nineteenth century] arrangements..."¹ One of the assumptions underlying this statement - state institutions as the independent variable - leads Skowronek to conclude that state building is "at all times a political contingency" determined by "a struggle defined and mediated by the organization of the preestablished state."² Hooks, too,

has stressed "the centrality of state structures and agents of the state in defining the path of state building and the logic of the enduring institutions created in this process."³ Thus, state-centered analysts have focused on both the inertia created by existing political institutions, and on state actors as the central determinants of policy choices. The resulting delimited mode of inquiry generates specifically state-centered explanations for the state-building puzzle.

The state-centered framework was one of many alternatives developed to overcome the deficiencies of a pluralist framework that divorced political analysis from an historical and economic context. Although the state-centered alternative provides a greater appreciation of the historical dimension of state institutions, the segregation of politics from social forces remains. The influence of capitalist officials, derived from the great authority of their firms, cannot be integrated into this analysis except as part of the descriptive narrative of historical events. Societal factors are merely part of the environmental changes that prompt a political response, or their influence is "mediated" (read negated) by political structures.⁴

Although political institutions normally mediate societal conflict, these institutions are not neutral. Analysts as different as Claus Offe and E.E. Schattschneider

have understood that political institutions are selective and biased.⁵ Thus, societal concern about the pace and content of institutional change should be expected. It in no way reduces the importance of state institutions to say that powerful societal interests seek to influence their transformation since it is precisely their important mediative effect that attracts the attention of powerful societal actors. It is this interactive relationship between the state and powerful societal forces that is ignored by the state-centered perspective.

Pre-existing state institutions do shape the development of new policies as well. As I have shown in this dissertation, military institutions had been strengthened by their interwar planning activities. And when pre-war political contingencies (such as Roosevelt's third-term bid, combined with his governing style, the strength of isolationism, and the drawn-out "phony war") exaggerated the vulnerabilities of New Dealers, military actors were able to acquire key mobilization authorities. On the one hand, this displays the importance of bureaucratic strength. However, military actors and institutions did not gain increased authority independent of corporate influence. Nor did they exercise their authority independent of monopoly-sector corporate firms. So, to understand mobilization and its long-term impact, it has

been necessary to integrate into the analysis the influence of corporate firms.

It is clear from this analysis that successful policies require alliances and negotiation between state and societal actors empowered and constrained by existing institutional processes, both political and economic. Negotiation takes place because capitalists resist state expansions, and state officials are more dependent on capitalists than on other societal interests. Capitalists normally resist interventionist capacities without question since they do perceive state-societal relations as a zero-sum game in which strengthening the state means a loss of autonomy for themselves.⁶

With mobilization, for instance, an informal process of negotiation took place over how extensive state intervention would be, and what institutions would be utilized in this effort. During the critical pre-war period, corporate representatives were able to resist the development of civilian capacities by arguing for maximum reliance on private mechanisms. Their successful resistance, contingent upon the military alternative to New Dealer control, thereby ensured that substantial responsibilities would be retained by the military services, and by corporate firms themselves. It was difficult for any state officials to proceed independent of major firms because political contingencies

maximized the space within which corporations could maneuver.

And, as reviewed in Chapter One, corporate executives have various ways, both structural and behavioral, of affecting the process of institutional change. State officials in a capitalist society are vitally interested in, yet legally and ideologically alienated from, the accumulation activities of capitalist firms. Outside of periods of social disruption caused by social movements, social order and stability come to be defined by the well-being of capitalist firms. Capitalists can rely on the management and ownership prerogatives that define their own "weighty" institutions, and that also define the limits of the state's institutional reach. The nature of their pressure, however, obviously varies with the historical and national context, since capitalists react strategically to the political structures and conditions they confront.

There need be no mystery to comprehending the interrelation of state and corporate actors; we can observe their very real interactions, for instance, in the preparation and implementation of mobilization policies. State and societal actors each acted according to their own institutional guidelines and expectations. But even seemingly autonomous state actions involved calculations of how societal actors and institutions would react. As noted, capitalist concerns about profits and market disruptions

became barriers to the desires of some state officials to quicken the pace of conversion to war production.

The enhancement of state capacities was absolutely necessary during the war; individual capitalists and market mechanisms were incapable of providing the direction necessary for full utilization of society's resources. However, individual capitalists still retained the influence to shape mobilization in ways that privileged their input and strengthened their autonomy. Even decisions within their sphere of influence such as protecting their profits and market share, had important effects on the process of institutional change.

Besides the ongoing negotiation between the state and powerful capitalist interests, successful state building requires alliances between parts of the state and powerful societal interests. Alliances are necessary to overcome the fragmentation of the American state through which internal state competitors can stall or preclude action. Powerful outside support, whether through social movements or capitalist pressure, is required for either successful policy initiatives or institutional change. Corporate executives, then, not only operate to forestall policy alternatives, they also act on behalf of the alternatives they support.

As Miliband and Lindblom have noted, capitalists have an ideological edge on other societal interests.⁷ They

also can bring their privileged voice to bear on institutional transformations by serving as state officials, or by staffing semi-public advisory bodies. Thus, there is a voluntaristic dimension to the realization of capitalist demands. Corporate firms have a privileged position but, as capitalists are well aware, this needs to be continually protected, whether out of concern for the individual firm, or out of fear of an encroaching state. The voluntaristic side of corporate power is also exercised due to divisions between capitalists. The competitive struggle between capitalists, in the context of increasing state intervention, places a premium on their political activities.

Capitalists need state allies because they tend to be short-sighted, or because of their competition with other capitalists. Successfully overcoming the political and societal blockages to institution building requires a governing alliance that Marxists have called a hegemonic bloc, a term used to conceptualize the interrelated state and societal elements of the alliance. In mobilization, capitalists formed an alliance with the military services against the alternative set of New Dealers. The military services did not serve the interests of capitalists, however. But, pursuing their own bureaucratic interests led them to an alliance with capitalists. Neither a strict

state- or society-centered account can capture the nuances of this arrangement.

This alliance also sheds light on the relation of capitalists to state managers. Block⁸ has proposed that a "division of labor" exists between these two sets of actors. However, we need to differentiate between state managers. As Block has noted, conflicts between state officials and capitalists are often the result of class struggles. Put simply, popular demands force state officials to act counter to the wishes of capitalists.⁹ Military officials, because of their insulation from popular control, make better allies than do more accountable state officials. Because they are not subject to the same pressures, military officials are less inclined to act independently of powerful societal actors, especially since they have learned that these actors can buttress their independence within the state. Thus, in this case, bureaucratic insulation has resulted in a closer relationship to specific capitalist interests.

Finally, a state-centered perspective does not provide a thorough accounting of the changes effected by state building. Skowronek's analysis leads to correct conclusions about the weakness of the institutions that replaced a state of courts and parties. However, an explanation of these weaknesses needs to go beyond the conclusion that one kind of weak state produced another kind of weak state.

For example, Skowronek identifies the weaknesses of a national bureaucracy "that could spawn bureaucratic goods and services but that defied authoritative control and direction."¹⁰ And, in a similar formulation, Milkis writes, "The political legacy of the New Deal seems to be a more active and better equipped national state, but one without adequate means of common deliberation and public judgement."¹¹ These appraisals are certainly correct but by relying upon a state-centered analysis it is difficult to grasp the wider hegemonic content of the system that was created.

Advanced capitalism produces problems of social order and stability that require expansions in bureaucratic services. But the form of these expansions can vary. During the late New Deal there was an attempt to impose greater coherency upon the disorganized efforts to combat the depression. Pressure grew for the creation of publicly-guided interventionist mechanisms such as those instituted in social democractic regimes. But this effort was stymied because the political contingencies of the pre-war period exaggerated both the weakness of the political system and the strength of capitalists to resist interventionist schemes. Capitalists, aware of the threat of New Deal "authoritative control", resisted that route. And in the process they helped to create a new kind of state

- one that retained the ability to intervene, but with limitations on "common deliberation and public judgement."

Defining the reconstructed state as only a "patchwork" resolution ignores the very dramatic shifts in national governance. The results appeared as "patchwork" to policy analysts wishing for a more coherent and publicly-guided national state. But, these results recreated the conditions for easy societal penetration of policy formation, results just as easily ascribed to societal pressures as to the sheer inertia of existing institutions.

Nonetheless, the hegemonic bloc that came together in the years immediately following the war was powerful enough to survive for over forty-five years. This bloc was based upon corporate autonomy, commercial keynesianism, and militarism - all legacies of mobilization, not the New Deal. Based upon the twin goals of national security and profitable accumulation, the governing arrangements under this system relied upon an underlying consensus hidden under the appearance of a divided and weak state.

Chapter Eight
Endnotes

1. Stephen Skowronek, Building A New American State (Cambridge: Cambridge University Press, 1982), p.286.
2. Skowronek, p.285.
3. Gregory Hooks, Forging the Military-Industrial Complex (Urbana: University Of Illinois Press: 1991), p.14.
4. Skowronek, pp.10-14; Hooks, pp.11-15.
5. See Chapter One.
6. See David Vogel, "Why Businessmen Distrust Their State: The Political Consciouness of American Corporate Executives," British Journal of Political Science, Vol. 8 (1978), pp.45-78.
7. See Chapter One.
8. Fred Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State," in Ferguson and Rgers, eds., The Political Economy (Armonk, NY: M.E. Sharp, 1984).
9. Martin Carnoy, The State and Political Theory (Princeton, NJ: Princeton University Press, 1984), p.222.
10. Skowronek, p.290.
11. Sidney Milkis, "E.E. Schattscheider, the New Deal, and the Rejection of the Responsible Party Doctrine," PS, Vol. 25 (1992), pp.185.

L I S T O F A B B R E V I A T I O N S

AFL - American Federation of Labor
 ANMB - Army Navy Munitions Board
 ASF - Army Service Forces (US Army)
 BAC - Business Advisory Council
 BOB - Bureau of the Budget
 CED - Committee for Economic Development
 CIO - Congress of Industrial Organizations
 CND - Council of National Defense

 EOP - Executive Office of the Presidency
 FTC - Federal Trade Commission
 IAC - Industry Advisory Committee
 IMP - Industrial Mobilization Plan
 NAM - National Association of Manufacturers
 NDAC - National Defense Advisory Committee
 NDMB - National Defense Mediation Board
 NIRA - National Industrial Recovery Act
 NLRB - National Labor Relations Board
 NPA - National Planning Association
 NRA - National Recovery Administration
 NRPB - National Resources Planning Board
 NWLB - National War Labor Board

 OCS - Office of Civilian Supply (part of WPB)
 OEM - Office of Emergency Management
 OES - Office of Economic Stabilization
 OPA - Office of Price Administration
 OPACS - Office of Price Administration and Civilian Supply
 OPD - Operations and Plans Division (US Army)
 OPM - Office of Production Management
 OP&M - Office of Procurement & Material (US Navy)
 OUSW - Office of the Under Secretary of War
 OWM - Office of War Mobilization
 OWMR - Office of War Mobilization and Reconversion

 PEC - Production Executive Authority
 RFC - Reconstruction Finance Corporation
 SOS - Services of Supply (US Army)
 SPAB - Supply Priorities and Allocation Board
 SWPC - Smaller War Plants Corporation
 WIB - War Industries Board
 WLB - War Labor Board
 WMC - War Manpower Commission
 WPB - War Production Board
 WRB - War Resources Board

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