CHRISTMAN, Calvin Lee, 1942-
FERDINAND EBERSTADT AND ECONOMIC MOBILIZATION
FOR WAR, 1941-1943.
The Ohio State University, Ph.D., 1971
History, modern

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1971
FERDINAND EBERSTADT AND ECONOMIC MOBILIZATION FOR WAR
1941-1943

DISSERTATION
Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

By
Calvin Lee Christman, A.B., M.A., M.A.T.

* * * * *

The Ohio State University
1971

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PLEASE NOTE:

Some Pages have indistinct print. Filmed as received.

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ACKNOWLEDGMENTS

The preparation of a doctoral dissertation usually involves the help of many people. This dissertation was no exception, for I was indeed fortunate in the caliber and amount of aid given me.

My first expression of thanks must go to Dr. Harry L. Coles, under whom this dissertation was prepared. He gladly gave both his valuable time and advice. Further exceptional aid was provided by the staffs of The Ohio State University Library, the National Archives in Washington, D.C., and the Oral History Project at Columbia University.

In Washington, Mr. John E. Taylor was particularly helpful with War Production Board records, as was Mr. Harry Schwartz with Navy records. In New York, I was extremely fortunate in having the assistance of Miss Rita Higgins, Ferdinand Eberstadt’s secretary. Without her help and interest, my research in Mr. Eberstadt’s private papers would have been far more difficult. Mr. Eberstadt gave me permission to use these papers before his death. Neither he nor his family placed any restrictions on my use of these papers or on the conclusions I could draw from them. The Franklin D. Roosevelt Library also aided me by searching for documents bearing on Eberstadt’s career. In addition to this help, I was
very fortunate in the large number of people who willingly
gave their time to write or to speak to me concerning their
recollections. I thank them.

As all doctoral students know, research rarely in­
volves only time and energy. Without the financial help of
the History Department and the Mershon Center for Education
in National Security at The Ohio State University, much of
my research could not have been done. Moreover, I was
helped by the wonderful hospitality of the Sedrick Harris
family, who so cheerfully opened their home to me while I
was in New York.

Last and foremost, my thanks go to Nina, my wife, for
all those reasons that she knows and I treasure.

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United States Diplomatic History. Professor Marvin R. Zahniser

Colonial Latin American History. Professor Donald B. Cooper
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<td>Civilian Production Administration</td>
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<td>Records of the War Production Board</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>ANMB</td>
<td>Army and Navy Munitions Board</td>
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<td>CCFM</td>
<td>Committee on the Control of the Flow of Materials</td>
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<td>Committee on a Materials Control Plan</td>
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<td>Controlled Materials Plan</td>
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<td>Office of Production Management</td>
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<td>OP&amp;M</td>
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<td>War Production Board</td>
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CHAPTER I

EARLY LIFE

For Ferdinand Eberstadt, as for millions of other Americans, the Japanese attack on Pearl Harbor resulted in a call to service. Unlike some men who would receive their call through a draft notice, Eberstadt received his call by telephone on the same night as the Japanese attack. On the other end of the long-distance line was Under Secretary of the Navy James V. Forrestal, an intimate friend of long standing. Acting also for Under Secretary of War Robert P. Patterson, Forrestal requested that Eberstadt accept the chairmanship of the Army and Navy Munitions Board. As he had done in two earlier national emergencies, Eberstadt heeded this call and accepted the position. For Eberstadt, then fifty-one years old and the head of his own very successful New York investment firm, his acceptance started him on a new career of government service, a career that would continue intermittently until the very day of his death.

Eberstadt was born 19 June 1890 in New York City. His parents, Edward F. and Elenita Lembcke Eberstadt, were both German, though his mother had been born in Venezuela.
of a German father and Spanish mother. Although both of Eberstadt's parents grew up in Germany, they immigrated to the United States shortly after his father finished his education at Heidelberg. After settling on the east coast, his father became a moderately wealthy commission merchant.

When Eberstadt was two years old, the family moved to East Orange, New Jersey, where he spent his youth. One of four children, his older sister gave him the nickname "Manny," which was short for "little man." Though given to him as a baby, this name stuck throughout his childhood and, within the family, long beyond. He undertook his college preparation at Newark Academy, a school he remembered for its strict standards of discipline and scholarship. As with a number of his classmates at Newark, Eberstadt enrolled in the fall of 1909 at Princeton University. Not everything went smoothly, for shortly after his entrance, the university expelled him for roughhousing. Soon reinstated, he settled down long enough to be elected president of his class for the second semester. Considering his early expulsion,
he finished strongly, becoming football manager and member of the editorial board of the *Daily Princetonian* and graduating with a Phi Beta Kappa key. In addition, his classmates had tagged him with the nickname "The King" in response to his influence on campus.3

One undergraduate incident demonstrated a characteristic that Eberstadt would repeat in the future. On the day of a wrestling meet with Cornell, the regular Princeton 158-pounder became sick before the match.4 Eberstadt enjoyed wrestling for exercise, but he was neither a member of the team nor a particularly good athlete. Nevertheless, the team needed a 158-pound wrestler, so it turned to Eberstadt and asked if he would be willing to substitute, for the 158-pound match would otherwise be forfeited. Eberstadt accepted but lost the match on points, spending most of the time in a "bridging" position, which is an arching of the back to prevent an opponent from pinning one's shoulder blades to the mat for the required period of time. It is the wrestler's equivalent of a goal-line stand, except that one does it alone. Though beaten, his effort had gained

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points for Princeton, for Cornell would have received more
team points for either a forfeit or a pin than they received
for a mere decision on individual points. This willingness
to respond to a call for help—whether it be from his uni-
versity or his country—and to accept a challenge—even
against unfavorable odds—was a characteristic that would be
tested again.

It was at Princeton that Eberstadt and James For-
restal first met and became friends. Forrestal, two classes
behind Eberstadt, had transferred to Princeton from Dart-
mouth College and served as a cub reporter for the Daily
Princetonian the year that Eberstadt directed as a senior
editor. Despite this two-year class and position difference,
Forrestal quickly impressed Eberstadt as a "very hard work-
ing, industrious young man."5 By the time Eberstadt gradu-
ated in the spring of 1913, he and Forrestal had formed a
close friendship. This intimacy, which would in so many
ways influence Eberstadt's career, lasted throughout their
lives.

Eberstadt closely followed university and alumni
affairs throughout his life. Though money should not be the
only criterion for judging one's affection for an alma mater,

5 Interview with Eberstadt, 17 Jl 1969.
Eberstadt's very large, anonymous gift to Princeton late in
his life gives at least an indication of his feeling toward
that university. This feeling is understandable, for Prince-
ton had been good to Eberstadt, not only furnishing him with
a fine education, but also providing him with the opportuni-
ty to make many lasting friendships. His friendship with
Forrestal was probably the closest and strongest of these,
but there were a number of others. In addition, Princeton
had one final special gift for Eberstadt, a gift that it
appropriately presented at graduation, as if the university
were saving the best for last.

During his four years at Princeton, Eberstadt got to
know and like an alumnus, Knox Taylor, who often visited
the campus. Taylor, the president of Taylor, Wharton Iron
and Steel Company in New Jersey, returned to Princeton at
the time of Eberstadt's commencement and asked if the new
graduate might like to show the Taylor house guest around
campus. This house guest, a cousin of Taylor's from Balti-
more, was Miss Mary Van Arsdale Tongue, who earlier in the
week had graduated from Bryn Mawr. Eberstadt reluctantly
declined, for he already had a date. This young lady, how-
ever, left a very pleasant impression. With the same acute
judgement that he would later show in evaluating business
investments, Eberstadt filed this impression away in his
mind until the time and the "market" were right.
Unsure of a career to pursue now that he had his degree, Eberstadt decided to spend a year in Europe. He studied politics and economics for a semester at the University of Berlin, as well as taking additional courses later in the year in Munich and Paris. This background in European affairs would later play a vital role in his law and investment career.

He returned to the United States by the summer of 1914 and, after teaching economics for a short period, took a job at the Taylor, Wharton Iron and Steel Company, where he cleaned castings at the plant in High Bridge, New Jersey. More importantly, his job also allowed him to renew his acquaintance with Miss Tongue, who often visited the Taylors on week ends that summer.

There remained the problem of a career. In the back of his mind, Eberstadt had toyed with the idea of law, but he dreaded the idea of three years at law school. In addition, he had wanted to do something "real and practical," rather than simply becoming a student again. With his post-European work experience in mind, however, he decided that

6Clipping from the New York Herald Tribune, 25 Apr 1951, EP.

7Interview with Eberstadt, 17 Jul 1969.
law school might not be too bad after all, so in the fall of 1914 he enrolled at Columbia Law School.

Despite his earlier reluctance, Eberstadt compiled an outstanding record in law school, including an appointment to the law review. One of his professors, Jackson E. Reynolds, recalled:

Eberstadt was an extraordinarily keen student but the factors most outstanding about him were imagination and an original mind. He knew the precedents and he knew the law most thoroughly, but in addition he had the capacity for expanding his point of view into a new realm if his case didn't find support in exact precedents. He had one of the most unusual minds of any of the students I had. One of the best.  

Comparing Eberstadt to Arthur Garfield Hays, a student who later gained considerable fame as a liberal, civil rights attorney, Reynolds remembered Hays "as a good student but he wasn't as brilliant as Eberstadt."  

If Eberstadt had any worries that law school might be too theoretical or cloistered, thus lacking the "real and practical," outside events would take care of that for him, for he soon found himself being called to colors for the first time. To the south, Mexico was feverish with

8Jackson E. Reynolds, Oral History Memoir, Columbia University, p. 44. Hereafter oral history memoirs at Columbia University will be cited as OHM, CU.

9Ibid.
revolution, and the caudillo leader Pancho Villa had staged raids across the Mexican-United States border so as to discredit the controlling government in Mexico City. Among the National Guard units mobilized in response to this crisis was Squadron A, New York Cavalry, in which Eberstadt was a private. Sent to the border in the summer of 1916, Eberstadt later recalled this incident with a smile: "I had a great stroke of good fortune at the border: I got typhoid, and compared with life on the border, typhoid was really a luxury."\(^{10}\) Taken by troop train to a hospital in San Antonio, he found that by the time he had recovered his unit had been recalled from the border, so he returned to law school that fall. His first "war" was over.

A far greater conflict, however, soon interrupted law school, for in April 1917 the United States entered World War I. Eberstadt responded by enlisting in the Army. After training at Plattsburg, he received a commission as a 1st Lieutenant in the field artillery and joined the 304th Field Artillery, which was part of the 77th Division then in training at Camp Upton on Long Island. When the division was shipped overseas, Eberstadt was the executive officer of Battery D, which was equipped with 75-mm guns.

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10Interview with Eberstadt, 17 Jul 1969.
Caught in a German gas attack along the Vesle River in August 1918, he was sent to a hospital to recover. Recovery was assisted, however, by his rapid discovery that "the hospital was more dangerous and a lot more unpleasant than the front," so he soon "managed to get away" and returned to his unit, where he later earned a field promotion to Captain and the command of Battery F. Under his leadership, it soon became the 304th color battery and was later reviewed by President Wilson during the conference at Versailles. Perhaps it is not surprising that Battery F became the regimental color battery, for "the Captain," as the men of the regiment always called Eberstadt, had no tolerance for either incompetence or laziness, for both characteristics were quite foreign to his nature. His fellow officers and men remember him as "one of the tops—a real tough front line officer, the 'follow me' type," yet "an officer who understood his men and fellow officers. He was tough, but everyone liked him."1


Koblenz with the occupation army. It was a pleasant experience, for the quiet and beauty of the Rhine Valley that winter and spring presented a sharp contrast to the noise and desolation that he had experienced in France. Nor was his assignment as a liaison officer in the area of civilian affairs particularly difficult. Discussing this carefree time, he recalled: "It was a heavy day's work when I had to do five minutes work, and if I had to do as much as fifteen, someone else was shirking--I was doing someone else's work!" Though this interlude came as an enjoyable change from the hectic days of the past summer and fall, the twenty-nine year old Eberstadt did not enjoy prolonged inactivity, for intense drive and massive energy were part of his nature. Besides, there remained both the unfinished third year of law school and a forthcoming law career to ponder, to say nothing of the pleasant thoughts of that certain young lady from Baltimore. A great deal waited to be done, therefore, when he left Koblenz, returned to the United States, and received his honorable discharge in August 1919. In typical Eberstadt fashion, he would waste no time.

13Interview with Eberstadt, 17 Jl 1969.
CHAPTER II
A CAREER ON WALL STREET

Upon his return to the United States in late August of 1919, Eberstadt found that two problems--law degree and bar exams--no longer needed consideration. Harlan Fiske Stone, Dean of the Columbia School of Law and later Chief Justice of the United States Supreme Court, had ruled that all students who had passing grades when they had enrolled in the armed services would received their diplomas without taking final exams. So upon his arrival, Eberstadt found his law degree awaiting him. In addition, the appellate division of the state court had ruled that all servicemen who had graduated from law school but had been unable to take their bar exams because of service obligations would be admitted on affidavit only, without the need to take the exam.¹

With this out of the way, Eberstadt now turned to finding a job. Before being called to the border in the summer of 1916, he had worked in the law office of Cotton and Franklin. Eberstadt remembered this short association with

¹Interview with Eberstadt, 17 Jl 1969. Unless otherwise cited, the material for this chapter comes from this interview.
considerable pleasure and thus happily learned that the position with the firm—now McAdoo, Cotton, and Franklin—remained open to him. So in September 1919, he began his career as a law clerk at $80 per month. By the end of December, he received a raise to $125. With that news in mind, Eberstadt decided that he could afford matrimony, so he and Miss Mary Van Arsdale Tongue were married that New Year's Eve. It was a fine way to end 1919 and to begin a new decade, for their marriage would never give Eberstadt any cause to regret this decision.

In one of his earliest assignments, Eberstadt helped with the preparation of Radio Corporation of America's lease for the acquisition of Marconi's Aldene plant. In addition, he played an important role in the formation of Allied Chemical and Dye Corporation(now Allied Chemical Corporation), which involved the consolidation of five companies, as well as assisting in the creation of United Artists. When William Gibbs McAdoo left in March 1922 to enter California politics, the firm made Eberstadt a partner.  

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3 New York Times, 2 Mar 1922, p. 1; printed announcement by the firm of Eberstadt's partnership, 1 Mar 1922, EP.
With the work of the Dawes Plan in 1924, Wall Street investment houses developed an increasing interest in German loans. Dillion, Read and Company, an active and growing Wall Street firm, came to Cotton and Franklin for legal advice in bringing out an issue of Thyssen bonds.\(^4\) Eberstadt, with his knowledge of French and German and his previous study of European economics, seemed the logical person to undertake this work. In addition, James Forrestal, who was now working with Dillon, Read, had probably recommended his former editor.\(^5\)

By the end of 1925, Eberstadt had completed enough important work for Dillon, Read that Clarence Dillon, president of the firm, asked if he would consider leaving Cotton and Franklin and joining the investment firm as a partner. The offer included a salary that amounted to over three times what he was then earning in the practice of law. Telling Dillon that he would think it over, Eberstadt sought out his boss and senior partner, Joe Cotton, a man he held in great respect. After telling the somewhat iconoclastic Cotton of the offer, his boss replied: "I certainly advise you to take it."

\(^4\)Fortune, Apr 1939, p. 31.

\(^5\)Eberstadt felt that there was a strong possibility of this.
A bit taken aback by Cotton's ready acceptance of his possible departure, Eberstadt asked: "How do you happen to be so sure, so quickly?"

Eberstadt often recalled Cotton's reply with a laugh, for his senior partner said: "The investment banking business is the only business I know of where you can make money without either brains or capital, and I think you are well qualified on both scores."

Eberstadt joined Dillon, Read on 1 January 1926 and immediately turned to work on foreign issues, leaving for Europe in early February to handle the $25,000,000 Rhinelbe Union issue. Much of his time would now be spent in Paris, where he headed the Dillon, Read office at 39 Cambon. In fact, three of his four children were born in Europe. Along with his work in Europe, as in the consolidation of five companies into the United Steel Works of Germany, New York papers often reported his opinions on German business.

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6 Interview with Eberstadt, 17 J1 1969. Franz Schneider, a close friend of Eberstadt for many years, said that Eberstadt often enjoyed telling this story. Letter of Schneider to the author, 11 Jan 1971.


8 Ltr. of Eberstadt to William Horne, 1 Dec 1967, EP.

9 Fortune, Apr 1939, p. 74.

10 For examples, see the following in the New York Times: 4 Aug 1927, p. 32; 22 Dec 1927, p. 34; and 19 Feb 1928, II, p. 9.
Not so much of his time was spent in Europe, however, that he could not play a role in important mergers handled by Dillon, Read in the United States. In fact, Eberstadt began to gain an impressive reputation as a specialist in corporate mergers. His work in 1928 included the consolidation of four companies into the International Printing Ink Company (now Inmont Corporation) and Chrysler Corporation's acquisition of Dodge Brothers, an acquisition in which both Eberstadt and Forrestal played vital parts.

In these negotiations, Eberstadt possessed the ability to drive particularly hard bargains, holding little or no mercy for the other side, for he always represented himself or his client with the intense advocacy of the trained lawyer; he regarded with contempt an opponent who did not represent himself in the same manner. He once remarked to Edward F. Willett, who worked with him in Dillon, Read and later served as one of the original founders of F. Eberstadt and Company, "Ed, you'll never be able to drive a good bargain; you forget which side of the table you're sitting on."

11 New York Times, 13 Nov 1969, p. 43. At the time of his death, Eberstadt held a leading role in the proposed merger of Northeast Airlines and Northwest Airlines.


When he was not concerned with business affairs, Eberstadt spent his remaining time with his family, for he cared little for the New York social whirl. Living near West Neck on Long Island, he often enjoyed taking out the family in their small sailboat.\(^\text{14}\) With his growing financial success at Dillon, Read, Eberstadt bought eighty-three acres of land at the extreme southeast tip of Lloyd Neck, Long Island, where in 1928 he asked the architect William Adams Delano to design a Georgian mansion for the family.

Delano later recalled some of his conversations with Eberstadt: "What delighted me in my talks with him were his clear alert mind, with its wise penetration into almost every subject, and his sense of fair play."\(^\text{15}\)

The estate would be a source of pride and satisfaction to Eberstadt. Called "Target Rock," it gained its name from the huge yellowish boulder near the shore which still bore marks from British warships that had used it as a target for their gunnery practice during the Revolutionary War. Eberstadt imported thousands of rare plants and trees, somehow finding time both to map carefully the location of

\(^{14}\text{Ltr. of Franz Scheider to the author, 11 Jan 1971.}\)

\(^{15}\text{William Adams Delano, OHM, CU, p. 37.}\)
each plant and to write a profile of each one. With its ten acres of formal gardens and miles of wooded trails, "Target Rock" looked out on Lloyd Harbor and Huntington Bay. Later in their lives, the Eberstadts would arrange that, upon their death, the entire estate would be given to the Department of Interior to be established as the Target Rock National Wildlife Refuge, with the estate to be open to the public.16

Though financially very successful, Eberstadt did not find complete satisfaction at Dillon, Read. Clarence Dillon, somewhat of a martinet, may have been one reason, especially to someone of Eberstadt's strong, independent temperament. In addition, Dillon, as founder and senior partner, kept a very large percentage of the firm's profits. Eberstadt felt that he deserved a larger percentage of these profits and was prepared to leave the firm if this increase was not forthcoming.17 In addition, Eberstadt may have been troubled by the amount of money then pouring into nonproductive European enterprises.18

16Long Island Press, 9 Aug 1970, p. 21, contains a fine article on "Target Rock."

17Three different people who knew Eberstadt very closely throughout his entire career told me that Eberstadt decided to leave because of Dillon's unwillingness to give him a larger percentage. These sources preferred not to be quoted.

18Fortune, Apr 1939, p. 74.
Whatever the reason—though the argument over percentages probably provided the primary factor—Eberstadt left Dillon, Read on New Year's Day, 1929, selling his partnership "for more than $2,000,000 according to Wall Street gossip." This gossip presented only a partial picture, for the figure actually came much closer to three million dollars. Eberstadt had been with Dillon, Reed exactly three years.

Unsure of what his next step should be, Eberstadt took his family to Nassau, where he pondered possibilities. They had been there only a week when Owen D. Young cabled Eberstadt, asking him to join Young as an assistant for the coming reparations conference. Eberstadt accepted and left with Young on the Aquitania, sailing on 2 February 1929.

Once he arrived at the conference, Eberstadt soon concluded that the conference held only false hopes. As early as the second day, Eberstadt apparently cornered Young and warned: "'Hey, this thing's a fake—it will bust up because they're playing politics and have no concern for

20 Fortune, Apr 1939, p. 74.
21 Confidential statement to the author by a close co-worker of Eberstadt at Dillon, Read.
As Eberstadt recalled a few years afterwards, "It was evident almost from the beginning that the conference could not succeed. Months were spent trying to find a solution to the conference rather than reparations." The conference "might have saved the world from what's happened since—if they had had the vision and nerve to be realistic about reparations." Eberstadt felt that the conference, because political considerations remained uppermost in the minds of the representatives rather than economic realities, had no chance for anything beyond ephemeral success.

On his return to the United States, Eberstadt bought a partnership in the firm of Otis and Company, becoming head of its New York office. Otis and Company was the investment-banking and brokerage firm of Cyrus Eaton, then actively building his mid-western financial empire. As part of this, Eberstadt participated in Eaton's great struggle with Bethlehem Steel Company for the control of Youngstown Sheet and Tube Company. But mostly Eberstadt simply

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24 Fortune, Apr 1939, p. 74.


26 New York Times, 4 Oct 1929, p. 44.

kept busy picking up the pieces of what remained after the Crash, for he had badly erred in picking both the time and the firm for his partnership. A very large part of the wealth that he had accumulated from his partnership at Dillon, Read lay among the losses, for the monetary worth of his partnership in Otis and Company plummeted far below the price he had paid for it before the Crash. Eberstadt remained with Otis and Company until its reorganization with E. A. Pierce and Company was completed,\(^\text{28}\) then left, wrote off his losses as the price of a bitter lesson, and considered the next move. One thing was certain, however: never again did he want to be in a position— as with Otis and Company, where his money was in a firm dominated by Cyrus Eaton— where he did not have control of his own financial destiny. In short, "I decided to make my own mistakes."\(^\text{29}\)

With this lesson in mind, Eberstadt returned to Wall Street to begin his own company. Leasing part of the vacant offices of the old W. A. Harriman and Company at 39 Broadway, he announced the formation of F. Eberstadt and Company on 1 September 1931.\(^\text{30}\) Forrestal originally planned to join

\(^\text{28}\)New York Times, 12 Je 1931, p. 34.

\(^\text{29}\)Interview with Eberstadt, 17 Ji 1969.

\(^\text{30}\)Official printed announcement of the formation of F. Eberstadt and Company, 1 Sept 1931, EP. The Harriman brothers, E. Roland and W. Averell, also invested in Eberstadt's new venture and remained warm friends with him throughout his career. Ltr. of E. Roland Harriman to the author, 27 May 1971.
Eberstadt in the new venture, but at the last moment decided to remain at Dillon, Read, where he later became president of that firm. Forrestal's change of plans, however, caused no ill feeling, and he and Eberstadt remained close.

Eberstadt's first major job took him to Europe again. Ivar Kreuger, the financier behind the Swedish Match Company, had borrowed four million dollars from eleven United States banks shortly before he committed suicide. The National City Bank of New York, which represented both the United States banks and Kreuger's other American creditors, approached Eberstadt and asked if he would attempt collection of the debt from the Swedish Match Company, then undergoing extensive reorganization and claiming to be incapable of repaying the money. Eberstadt accepted and left for Europe, taking with him his vice president, Ernest C. Brelsford, who had served with Eberstadt in the troubled days of Otis and Company.31

As Fortune later reported: "There is something in Eberstadt's sharp features suggestive at time of a ferret—and ferret he was in Europe when he and his Vice President . . . turned up assets[2] of Swedish Match Company[7] all

over Europe." Eberstadt put his background in European finances to good use, for his findings became such an embarrassment to the Swedish Match Company that they agreed to pay off the complete debt so as to be rid of him.

Eberstadt later recalled with a chuckle the dinner that one of the directors of Swedish Match held for him the night before he left Stockholm: "It was a charming affair--perfect Swedish hospitality--except that no one greeted me when I arrived, talked with me while I was there, or said good-by when I left." 33

Much of his first two years concerned similar reorganizations of companies that had been severly strained by the Crash. By 1933, however, most of this work had been completed, so he returned to the search for opportunities in investment banking. His search ended with a small financial breeze that had been largely ignored by the rest of a nearly becalmed Wall Street.

The small and middle-sized companies, with earnings of $250,000 and up, provided this breeze. Eberstadt began to realize the full potential of this group when a classmate from Princeton related to him the situation of

32 Fortune, Apr 1939, p. 74.
33 Ibid.
Square D Company of Detroit, which manufactured electrical-control equipment. As a result of the Crash, an official of the Detroit company had been caught short of cash. He attempted to alleviate his crisis by putting up 16,000 shares of Square D stock as bank collateral, but the bank refused to accept these securities, since no current market existed for these stocks. Square D Company had no listing on the major stock exchanges, as it was a closely held company with only a few stockholders. These stockholders, therefore, found that they had no exchange price to fall back on to show the worth of their stock when using it as collateral.34

Eberstadt, quick to comprehend both the short and long-term possibilities, looked into the company's background and discovered that its earnings amounted to nearly one dollar per share. Backed by these findings, he bought the stock—8000 preferred and 8000 common—for $40,000, or an average of $2.50 per share. Now that F. Eberstadt and Company owned the stock, the next step was to test the market so as to sell at the right moment. In March 1934, Eberstadt tested, offering the preferred at $8 per share and the common at $3 per share. The preferred sold very

34Fortune, Apr 1939, p. 75. Much of the material on Eberstadt's career in the 1930's comes from this article, as well as correspondence with various business associates.
well, but the common lagged badly, so Eberstadt withdrew it. He tried again in early 1935, selling some of the common at $15. A year later he sold more of it at $50 per share; this common later split three for one and, in turn, sold for $50 per share. By the spring of 1939, the original 16,000 shares that Eberstadt purchased at $40,000 had gained a value of over $900,000, with Eberstadt's firm still holding some of the original shares. The profit to the firm on the transaction totaled $500,000.

This coup, bringing an immoderate profit to such a new firm, "was so spectacular that it left tongues hanging out in Wall Street."

More importantly, it had a critical role in the development of the firm, for it both established its reputation as a dealer in the securities of the medium-sized companies and introduced it to the problems of closely held businesses. Eberstadt needed only this one introduction, though somewhat ironically for an investment backer, he would receive an additional assist from the New Deal.

Eberstadt, working on a financial plan for Square D Company in 1934, took note of some of the New Deal reforms being passed that year. Among these reforms, his attention centered on the maximum federal estate-tax rate, which had jumped from forty-five percent to sixty percent. A year

35*Fortune*, Apr 1939, p. 75.
later, the rate reached seventy percent. Along with this federal rate, many states correspondingly increased their death duties. These rates held potential disaster to the small, closely held or family business, for if no current market existed for the stock holdings, a forced sale might be the only way to raise cash to pay the higher death duties.

An example demonstrates what could happen. Take Mr. A. who owns an established company with an average yearly earning of $500,000. If one determines worth by the ten-times-earnings formula, the value of the company would total $5,000,000. If Mr. A died without having sold any of his shares to the public, his heirs could find themselves in severe financial trouble. If there existed no market for the shares at the time of the death, a federal tax appraiser would probably use the ten-times-earnings formula to determine the value of the company. Assuming that the deceased left no other assets than the company, the heirs would face close to $2,000,000 in taxes to pay on the inheritance. If this cash were not available—and few would be likely to have it—the heirs would be left with the necessity of a forced sale of their holdings to raise the tax money.

Eberstadt devised a mutually beneficial solution to this problem by publicly distributing part of the stock, thus

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36 Ibid. The example used is taken from this article.
gaining a listing on one of the exchanges. This accomplished two things, for it not only provided the owners with a cash reserve, but also furnished the stock with a current market price. This second part was important, for the current price could then be used for an appraisal, thus preventing an appraisal that bore little relationship to a company's realizable value, since an appraiser could otherwise decide to use a ten-, twelve-, or fifteen-times-earnings formula. Thus Mr. A might sell twenty-five percent of his stock to the public for $1,250,000, which would net $1,050,000 after capital-gains tax. Eberstadt would sell the stock widely enough so as to obtain a stock exchange listing, thus giving the heirs the protection of the market price in any future appraisal.

Eberstadt's first offering of this kind occurred in early 1935 with $340,000 in common stock of Cleveland Graphite Bronze Company(bushings and bearings). He followed the next year with $840,000 in common stock of Standard Products Company(automobile window channels and plastics) and $384,000 in common stock of Michigan Steel Tube Products Company (electrically welded steel tubing). Other distributions involved $185,000 in common stock of Chamberlain Metal Weather Strip Company(weather strips and screens) and $1,350,000 in common stock of Norwich Pharmacal Company (Unguentine and Norforms).
Although financially important to the young firm, these offerings played another essential role, for they brought Eberstadt into increasing contact with what he called the "little blue chips": those companies that demonstrated "sound earnings record, compact management, a strong position in their fields, and an instinct for research."\(^{37}\) The more Eberstadt explored their possibilities, the more he became convinced that these companies presented a profitable field for the investment banker. In the coming period of recovery, these companies would need financing. Eberstadt, through the distribution and the listing of their securities, would provide this needed capital. While many other firms sulked over the new Security Exchange Commission and other New Deal reforms, Eberstadt pressed on into this new area.\(^{38}\)

One of his biggest customers, the textile company of James Talcott, Incorporated, came to Eberstadt on the rebound. In 1935, the company completed $68,000,000 of business with less than $2,400,000 in working capital. Concerned over this dangerously small amount of working capital, Mr. J. Frederick Talcott turned to a partner of one of the leading New York investment firms, asking him about the possibility of bringing out a stock issue to raise capital. In a carefree manner, \(^{37}\)Ibid.  

\(^{38}\)Ltr. of Franz Schneider to author, 11 Jan 1971.
the partner replied: "Well, it sounds good to me. I'm going duck shooting and I'll see you about it when I get back."\(^3^9\)

Talcott reacted negatively. "'If he was more interested in shooting ducks than doing business, I would look elsewhere.'\(^4^0\)

Learning of Eberstadt from a bank official, Talcott contacted him. This time, Talcott reacted positively. "'I liked him at once. He attends to business.'\(^4^1\) This resulted in F. Eberstadt and Company bringing out two issues—one preferred and one common—for Talcott, with these issues totaling $2,960,000. In addition, Eberstadt handled $3,670,000 in common, preferred, and notes for Walter E. Heller and Company (installment financing and factoring); $1,859,000 in preferred and notes in B. F. Avery and Sons Company (farm implements and machinery); and $871,000 in common of Hewitt Rubber Corporation (industrial hose and belting).

By 1937, Eberstadt's combination of drive, intelligence, and opportunism had brought him increasing recognition within Wall Street. His picture appeared in \textit{Fortune} under the caption: "Twenty-Six Wall Streeters—Busy But Not

\(^3^9\)\textit{Fortune}, Apr 1939, p. 136.

\(^4^0\)\textit{Ibid.}

\(^4^1\)\textit{Ibid.}
Necessarily Famous."^42 In 1936, his firm's profits had totaled an estimated $1,100,000.^43

Though growing in recognition, other firms within Wall Street looked on him with some criticism, for Eberstadt played a lone hand. Rarely sharing an issue with another firm, Eberstadt could not care less what other firms felt: "'Why should I take them in as participants? As dealers, yes--if they can sell.'"^44 In addition, some felt he over-traded,^45 while others accused him of being overly cautious in protecting himself on a new issue. ^46 Again, Eberstadt cared little what others thought. "'I don't want to stick anyone else and I damn well don't want to get stuck myself.'"^47

Fortune perceptively summarized: "'Do not mistake the infectious twinkle of those brown eyes... Eberstadt is an autocrat. In Wall Street, where the herding instinct is

^42"Wall Street Itself," Fortune, Je 1937, p. 75. Forrestal's picture appeared in this same group.

^43Fortune, Apr 1939, p. 140.

^44Ibid., p. 142.

^45Ltr. of former partner and close friend of Eberstadt to the author, 12 Nov 1970. The partner wished to remain anonymous.

^46Fortune, Apr 1939, p. 142.

^47Ibid.
symbolized by the syndicates, he stands out as a lone wolf.\textsuperscript{48} Though a formula for success, it was not one for popularity. That was fine with Eberstadt--popularity never concerned him.

Eberstadt's opportunistic skill led him into a new field: investment trusts. In 1937, he had brought out an offering of $2,850,000 in common stock of Victor Chemical Works (phosphates and phosphoric acid). This offering came just at the time that new offerings generally began to decline. In bringing out new issues, F. Eberstadt and Company provided two main services: 1) raising capital for businesses, and 2) furnishing investment opportunities for excess wealth. With the first service declining, Eberstadt's thoughts turned toward the second. With fewer offerings available, investors might be interested in an investment trust. Numerous trusts, however, already existed in Wall Street. With his experience with Victor Chemicals (since merged into Stauffer), he decided to develop a mutual fund centered on the chemical industry.\textsuperscript{49}

Before irrevocably committing himself, however, he carefully studied the entire chemical industry, for his

\textsuperscript{48}Ibid.

\textsuperscript{49}Speech by Eberstadt to Rochester (N.Y.) Security Analysts, 13 Je 1962, copy in EP.
experience with Otis and Company had left him with a high degree of caution. What he found he liked. Chemical stocks were held mostly by people within the industry and did not maintain a wide distribution, thus a fund in this field would be new to the investing public. Throughout the Depression, earnings within the chemical industry had remained quite high. In addition, the wage ingredient in the chemical sales dollar stayed relatively low as compared to increasing wage costs in other industries. This was important, for following the sit-down strikes in Detroit, Eberstadt concluded that wages would begin a long and continuous rise, thus increasing production costs. As a result, the chemical industry would expand, for the chemical process for changing matter would be used increasingly as contrasted to the physical process. Added to all these ingredients was the possibility of war, for Eberstadt realized the importance of this industry in any future conflict, as well as the relative ease with which the industry could be converted to war production.

50 Ltr. of former partner and close friend of Eberstadt to the author, 12 Nov 1970. The partner wished to remain anonymous.

51 Interview with Eberstadt, 17 Jul 1969.

52 Speech to Rochester Security Analysts, 13 Jul 1962, EP.
As part of his study of the industry, Eberstadt interviewed numerous chemical experts. "I asked them who was the best consultant in the field. They all named themselves first and Arthur Little second." 53 Eberstadt, therefore, negotiated with Arthur D. Little, Incorporated, to act as adviser to the fund.

With this arranged, Eberstadt created the Chemical Fund in July 1938, formed with $100,000 that Eberstadt and friends had put up for the original 10,000 shares. In less than a year, shares numbered 230,000, with a total asset value reaching over $2,350,000.54 By the end of 1969, total assets of the fund reached $575 million, and Eberstadt had earned the reputation as a "pioneer in the field of mutual funds." 55

As Eberstadt gained increasing success in the investment field, James Forrestal achieved the same, moving up to the presidency of Dillon, Read in 1938. In June 1940, however, Forrestal resigned this position in order to accept the post of Administrative Assistant to the President. Finding his new duties vague and not to his liking, he

53 Fortune, Apr 1939, pp. 140-142.
54 Ibid., p. 142.
readily accepted the chance to switch to the newly created position of Under Secretary of the Navy. Sworn in on 22 August 1940, Forrestal's action would decisively affect Eberstadt's own life--Forrestal would draw Eberstadt down the road of government service.56

Through his experience with Dillon, Read, Otis and Company, and his own firm, Eberstadt developed a wide and deep knowledge of the industrial components and executive personnel of American business. He had long maintained what he labeled his "good man list," a card index file of executive talent, with men grouped into categories: management, finance, sales, or miscellany. In addition, he usually placed short personality summaries next to individual names, as when someone exhibited particular strengths in loyalty, tact, energy, perspicacity, or some other characteristic that might be needed for a special task.

Though Forrestal's own experience provided him with an extensive background in defense-related industry, he soon contacted Eberstadt for aid in recruiting personnel to help in the mobilization that was then slowly getting under way. Writing to "Eber," as Forrestal usually addressed Eberstadt,

Forrestal explained what he needed in a letter of 7 October 1940.

I want to prepare a list of competent men in various fields of manufacturing—machine tools, plastics, etc. who would be available for specific emergency jobs. For example, the Brewster Aircraft Company—we may want to get someone to take over the management of this plant which is making wings for some of our big craft. As they occur to you will you send me a note?

I also want a list of aircraft engineers, statisticians, etc. The list I am visualizing will not be created over night but I want to add to it as really good names occur.57

In a letter two days later, Eberstadt replied:

"I have kept a list of such people for a good many years, and of course it is at your disposal."58

Following up his reply later in the month, Eberstadt sent Forrestal a three-page list of names, with Eberstadt adding comments on each. "If you are looking for a man of any particular qualifications, and will let me know, I think I could probably help you find him."59 In addition to his own suggestions, Eberstadt communicated with a number of his close business acquaintances, asking for their recommendation of any exceptional young executive talent who might be inter-

57 Ltr. of Forrestal to Eberstadt, 7 Oct 1940, EP.
58 Ltr. of Eberstadt to Forrestal, 9 Oct 1940, EP.
59 Ltr. of Eberstadt to Forrestal, 21 Oct 1940, EP.
ested in defense work. Eberstadt then passed these names on to Forrestal.  

Although not completely infallible, Eberstadt possessed an acute judgement of men and talent, a quality that made him especially valuable to Forrestal. Adding to the previously submitted names, Eberstadt wrote to Forrestal: "Another suggestion for Brewster Aircraft Company is J. S. McDonnell. . .who is starting up a company in St. Louis. He used to be chief project engineer for Glen Martin and impressed me very favorably." 

Forrestal next turned to Eberstadt for help with the problem of machine tools, for tools provided the necessary starting point in industrial mobilization. Eberstadt was particularly well prepared to tackle this subject, for he had become involved with machine tools for basically the same reason he had looked into the chemical industry: rising labor costs. With this rise, Eberstadt became interested from an investment point in various methods of changing matter economically. Chemistry provided one method, while

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60 For examples, see: Ltr. of W. C. Ireland, Vice President of Standard Products Company, to Eberstadt, 19 Nov 1940; and ltr. of B. R. Putnam, Treasurer of McGraw-Hill Publishing Company, to Eberstadt, 19 Nov 1940, EP.

the machine tool represented the most economic means of changing matter by a physical process. As a result, F. Eberstadt and Company compiled a very thorough study of the entire machine-tool industry. In addition, the company handled new issues for machine-tool companies, such as the Monarch Machine Tool Company of Sidney, Ohio.

Forrestal talked to Eberstadt in December 1940 on the need for a survey of machine tool manufacturers, for the Under Secretary expressed confusion at the number of conflicting reports he had received on the subject. Eberstadt submitted a two-page outline of the proposed survey in the middle of the month, though pointing out that "you would be better equipped than we are here to do it." Nevertheless, Eberstadt offered to undertake the study if Forrestal wished, though he would need a "quasi-official stamp" to obtain the necessary information, for "in the machine tool business...the giving of information to outsiders is done with a great deal of reluctance." Forrestal accepted his offer.

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63 Ltr. of Eberstadt to William Chamberlain, 14 Jul 1941, EP.
64 Ltr. of Eberstadt to Forrestal, 17 Dec 1940, EP.
With the help of his vice president, Ernest Brelsford, Eberstadt began that spring. Expanding the study to a complete survey of the relationship of the machine-tool industry to defense mobilization, Eberstadt submitted his findings to Forrestal in early July. Although he felt that "the machine tool industry and the Machine Tool Division of the OPM [Office of Production Management] have... done an outstanding job," he reported that "there is still more juice to be squeezed out by way of increased shifts, employment of those concerns which are equipped to manufacture machine tools but are not now doing so, and by farming out [contracts to other companies]."65 Concerning overall production, Eberstadt felt that "25% to 30% more is possible without any superhuman effort."66

Eberstadt expressed pleasure at finishing the report, for it had demanded both a great deal of time and an almost constant commuting between his business and the capital. Washington held no special attraction for Eberstadt; he desired only to return to New York. Yet he knew that if either Forrestal or the country needed him, he would again respond. As he prophetically commented to a close friend, "I may have

65 Ltr. of Eberstadt to Forrestal, 1 Jul 1941, EP.
66 Ltr. of Eberstadt to William Chamberlain, 14 Jul 1941, EP.
to go down there full time sooner or later, but I am putting it off as long as I can. 67

Forrestal's next request came only a month later, when he sent Eberstadt a short summary of the functions of the Army and Navy Munitions Board (ANMB), "a subject I would like to talk to you about when you come down." 68 Forrestal, as Under Secretary of the Navy, was the Navy representative to the Board, while Under Secretary of the Army Robert P. Patterson represented the Army. Acting as joint chairmen, the under secretaries viewed with dissatisfaction both the state of mobilization in the summer of 1941 and the small role the ANMB had been called upon to play. 69

Eberstadt knew Patterson previously in World War I, for Patterson served in the 306th Infantry Regiment, which formed part of Eberstadt's same division. Later, when Eberstadt directed Dillon, Read's role in the reorganization of Goodyear, Patterson was one of the lawyers retained by Dillon, Read to help with the case. Working together quite closely, Eberstadt came to like Patterson very much: "he was a very industrious, very able fellow. . . ." 70

67 Ibid.

68 Ltr. of Forrestal to Eberstadt, 22 Aug 1941, EP.

things very clearly in black and white, and usually right."\(^{70}\) With the background of both the machine-tool study and this mutual friendship, it was logical that Forrestal and Patterson turned to Eberstadt when they needed a complete study of the Army and Navy Munitions Board.

Eberstadt submitted his report on 26 November 1941. Quickly reviewing the Industrial Mobilization Plan of 1939 that the ANMB had helped to write, Eberstadt pointed out that, under the Plan, the ANMB had been expected to guide the early industrial mobilization until the War Resources Board, the expected civilian agency, could organize to take over mobilization duties. The ANMB, in turn, would then be absorbed by the War Resources Board. This Plan, however, had not been placed into effect.

When Eberstadt undertook the study, he was amazed at the vast amount of information on manpower, facilities, power, materials, and transportation—the "sinews of war" as he called them—that the ANMB had collected. As he later recalled, their records "would have amazed Dun and Bradstreet... or anyone else on Wall Street."\(^{71}\)

As a result, although the ANMB had helped the rudimentary civilian mobilization agencies, Eberstadt concluded:

\(^{70}\) Interview with Eberstadt, 17 Jl 1969.

\(^{71}\) Ibid.
"It seems unfortunate that a group which had given years of careful thought and study to the many intricate questions of industrial mobilization and was prepared to handle a very important part of the task, should not have been called upon for more substantial contributions." After the war, Donald Nelson, the Chairman of the War Production Board, reached the same conclusion.

Since the Industrial Mobilization Plan had not been utilized and no central agency such as the War Resources Board had been created (the War Production Board had not yet been formed), Eberstadt felt that the ANMB must be reorganized to accept a new role, a role where the "ANMB becomes the simon-pure all-out advocate of the requirements of the services, a function which neither SPAB Supply Priorities and Allocations Board nor OPM can perform, since they must exercise quasi-judicial authority."  

Up to this time, ANMB's contacts with SPAB and OPM had been at the top level of these agencies, thus lacking

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72 Ferdinand Eberstadt, Report to Under Secretaries Patterson and Forrestal in Regard to the Army and Navy Munitions Board, 26 Nov 1941, Forrestal File, Miscellaneous Reports No. 37, Record Group 80, General Records of the Department of the Navy, p. 9. Hereafter cited as Eberstadt, Report to ANMB.


74 Eberstadt, Report to ANMB, p. 9.
day-to-day contact at the lower operating levels. This, Eberstadt recommended, must be changed and the ANMB staff must be meshed as closely as possible with their counterparts in the civilian agencies, for the protection of the interests of the Army and the Navy in this contest of conflicting demands calls for not only well-informed, vigorous representation around the table at the top, but also overall contact, participation, and liaison right down the line through the administrative and operating levels.\textsuperscript{75}

In addition to this recommendation, Eberstadt believed that the ANMB must be organized: 1) to estimate joint service requirements, placing these requirements into terms of material, productive capacity, and equipment, and to plan, with the civilian agencies, how to meet these requirements; 2) to foresee any bottlenecks and shortages and to formulate, in cooperation with the civilian agencies, the necessary remedies; and 3) to furnish the necessary data so that the senior Army and Navy representatives on other agencies can analyze the effect on Army and Navy requirements of the various plans that might be presented to those agencies.\textsuperscript{76}

To achieve these recommendations, Eberstadt proposed a reorganization of the board and the appointment of a full-

\textsuperscript{75}\textit{Ibid.}, p. 3.
\textsuperscript{76}\textit{Ibid.}, p. 7.
time civilian chairman. As he later recalled, "there had to be someone to go around with a brush and a dust pan to keep the darn thing moving." 77

Forrestal and Patterson accepted the recommendations and moved quickly to carry them out, asking Eberstadt if he would accept the chairmanship of the ANMB. This time Eberstadt declined the request, for he desired to return to his family and business in New York.

Events, however, finally overtook him. On the evening of 7 December, Forrestal telephoned and repeated the request, asking: "How do you feel about it now? Will you take it now?"

This time Eberstadt never considered refusal. With impatience to get under way, Eberstadt asked: "When do you want me to start?"

Forrestal replied in kind. "I'd like you to start tonight, certainly tomorrow." 78

77 Interview with Eberstadt, 17 JI 1969.
78 Ibid. Albion and Connery, Forrestal and the Navy, p. 103, state that Eberstadt called Forrestal. I have found no reason, however, to doubt Eberstadt's recollection of the incident.
CHAPTER III

PORTRAIT OF AN INNER-DIRECTED MAN

The decision of Ferdinand Eberstadt to accept the chairmanship of the Army and Navy Munitions Board had a fundamental effect on that body. Under his vigorous leadership, the Board assumed a major role in the industrial mobilization following Pearl Harbor. In the nine months of his direction, Eberstadt's personality and ideas formed the personality and ideas of the Board. In many respects during those frantic early months of war, Eberstadt was the Army and Navy Munitions Board.

Physically, Eberstadt did not present an especially dominating figure. Standing a shade over 5'8", he weighed 180 pounds. By the time he became chairman, his black hair was definitely thinning. His dress fit the general pattern of a banker: dark suits--usually with a vest--white shirts, and black shoes. He enjoyed cigars, especially during important discussions or crucial negotiations.

1In this brief discussion of Eberstadt's personality, I have relied mainly on the extensive comments of those who worked closely with him during various phases of his career. Many of these friends or associates preferred not to be cited directly. In addition, many of their comments overlapped, thus making complete citation repetitious and needlessly lengthy. Therefore, in discussing Eberstadt's personality, I have only used footnotes for direct quotations or specific examples.
A hint of Eberstadt's personality showed in his brown eyes. Though sometimes twinkling with the enjoyment of a good joke or anecdote, they more often penetrated his surroundings with a cold, rational, determined gaze. For the object of this gaze, the effect could be the same as being impaled by a visual icicle.

Though difficult to place one characteristic ahead of another in a man of many strong characteristics, the brilliance and depth of his intellectual process stood out. As one of Forrestal's aides remembers, Eberstadt possessed an "extraordinarily precise mind that was capable of both thorough analysis and creative synthesis." Not only did his memory permit almost total recall, but he was also able to shift from one topic to another with amazing speed, all the while using the relevant material and ignoring the irrelevant. To one expert in the War Production Board, Eberstadt was better than a computer; he never needed reprogramming.

Coupled with this acute intellect was a personal concept of "class"—a concept in this sense not of social, educational, or monetary standing, but one of individual strength. Composed of strong portions of duty, integrity,

\[^2\text{Ltr. of Eugene Duffield to the author, 27 Jl 1970.}\]
\[^3\text{Ltr. of David Novick to the author, 5 May 1970.}\]
energy, and loyalty, Eberstadt considered it the *sine qua non* of a man's character.

Though Eberstadt would probably not have placed any of these components above the others, the political atmosphere of Washington made loyalty especially valued. It was not just the length of their friendship but the intenseness of their devotion to each other that so closely bound the relationship of Eberstadt and Forrestal. When found in others, it was a value to cherish. After learning of the death in the Pacific of Navy Captain H.G. Sickel who had previously served in the ANMB, Eberstadt wrote to Forrestal: "But Sickel's qualifications were not simply in this special field [military priorities]. He was strong in the three fields that make men worth knowing and working with. He had energy, character, and plain, frank, honest loyalty."^4

Throughout his career, Eberstadt demonstrated a strong, independent personality. On Wall Street, he gained the reputation of a "lone wolf," for he generated his own business, remaining aloof from the syndicates formed by other investment firms. Possessing great confidence in his own abilities, he sometimes appeared to be uninterested in other people's opinions. In reality, this was true only if Eberstadt felt the other person had little or nothing to say. If that was the case, he could better use his time

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^4Ltr. of Eberstadt to Forrestal, 3 Aug 1944, EP.
elsewhere. As one long-time friend remembered, "He respected opinions from anyone whom he thought had the right answer. However, if he differed with someone he was not one to argue."  

John J. McCloy, the Assistant Secretary of War during World War II, recalled that although Eberstadt "was a man who liked to have his way," he was "intelligent enough to know that he had to get at the facts and he was therefore receptive of ideas and opinions."  

Eberstadt considered this access to a variety of views vital in the formulation of policy. Great men are different from the run of the mill in their eagerness to seek the views . . . of people whose opinion they value—not necessarily to borrow, but eagerness to get views of different intelligent people . . . . the man who has the authority to reach a decision is a very stupid person if he doesn't get the wisdom and the views of a committee of conflicting views."  

Once these views were presented, however, a decision had to be made, and Eberstadt never hesitated to make it.  

Coupled with his desire to seek conflicting ideas was an ability, once a policy decision had been made, to reconcile these same conflicting ideas so that lingering doubts did not interfere with policy implementation. Eberstadt possessed a skill for negotiation, a skill that had been finely honed in the numerous settlements and

5 Ltr. of a former partner and close friend of Eberstadt to the author, 12 Nov 1970.  
7 Interview with Eberstadt, 17 J1 1969.
mergers that had formed much of his business career. Though at times known for the bluntness of his personality, he commanded an extraordinarily warm charm and subtlety of persuasion when the situation warranted. In addition, Eberstadt enjoyed the organizational ability to build and maintain a responsive and functional staff to carry out policy. Even in his own thoughts, he demonstrated this organizational ability. As one of his business secretaries attested, "He always had his thoughts marshalled and even when preparing drafts there were no extraneous thoughts put on the paper."8

Although many executives in Washington possessed the same attributes of intelligence, organizational skill, and integrity, far fewer possessed Eberstadt's incisiveness—that ability to penetrate directly to the essentials of a problem. Going hand in hand was his decisiveness—that willingness to make hard, "gut" decisions, no matter whom they hurt. These two qualities, especially needed in those early days of World War II, set Eberstadt apart.

Throughout his life, Eberstadt demonstrated a phenomenal amount of energy and ambition. Whether his inherent energy produced the ambition, or vice versa, is difficult to say. Perhaps they both resulted from his sense of personal integrity and responsibility; once he undertook

8 Ltr. of Miss Rita Higgins to the author, 9 Nov 1970.
a task, he worked to the absolute limit of his capacity.

Both his prodigious drive and original training as a lawyer form basic parts in an understanding of Eberstadt's role as the Chairman of the Army and Navy Munitions Board. His own personality guaranteed that he would dedicate himself completely to the job, and his law background influenced his perception of what his own role should be. Trained in the legal doctrine of the distinct lawyer-client relationship, Eberstadt saw himself as an advocate for the side he represented, believing strongly that he should do his utmost to present fairly and effectively his client's side of an issue. In turn, if the other side had skilled representation, the presentations would result in the truest or best possible solution. Thus, not only did he represent his client to the best of his ability, but he was also disturbed if the other side lacked equally effective representation. His role as advocate provided an important component in the conflict between the Army and Navy Munitions Board and the civilian War Production Board.

Eberstadt soon discovered a strong challenge to his abilities in the wartime atmosphere of Washington, for the very strength of his own abilities often worked against him. His own intense drive, incisive intellect, and thorough preparation helped make him completely intolerant of laziness, stupidity, or misinformation. He had a total
"inability to suffer fools either gladly or patiently," for with his blunt honesty—some might say typical tactlessness—Eberstadt made no effort to hide his feelings. Additionally, his own sense of responsibility left him only with contempt for a man who, in Eberstadt's judgment, was not performing his job properly. Though this judgment in many cases might be deserved, there also remained the chance that it was actually the result of a flaw in Eberstadt's own perception, for much of the time he seemed oblivious to the fact that few men could operate at either his mental or physical rate.

Added to these characteristics was a high degree of impatience, as might be expected from a man of his standards. Driving toward a goal, he had no time for irrelevancies or redundancies. This resulted in a brisk curtness that led one business employee who worked closely with Eberstadt for a number of years to state that "Mr. Eberstadt was the rudest polite man I've ever met." Another recalled the same characteristic as "a high degree of gentlemanly impatience." Although impatient, he nevertheless generally kept his lively temper under close control.

11 Ltr. of Wallace Macgregor to the author, 24 Nov 1970.
Forrestal often referred to these negative personality aspects as "Eber's Prussianism," and there seems little doubt that Eberstadt, with his impatience, intolerance, curtness and a self-confidence that bordered on arrogance, produced many needlessly bruised feelings. This was especially true in his relations with the War Production Board, for its executive and staff personnel—made up largely of top business leaders and academic experts—were not used to being treated in this manner. As a close aide to Forrestal stated, "Eberstadt was impolitic but consciously so. He stated his belief bluntly regardless of the enemies he might make." As a result, his ability often only caused jealousy and his personality distaste. Though needed, he was not always liked.

This situation was merely aggravated by Eberstadt's general disregard for social gatherings. Throughout his business career, time not spent with business was spent with his family or very close friends. With a war on, time became especially precious. At work—even with close friends—Eberstadt remained all business. To Eberstadt, there simply was not time to worry about hurt feelings. Unfortunately, as a result both of Eberstadt's heavy

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12 Ltr. of Arthur Krock to the author, 1 May 1970.
schedule and his normal desire to spend any extra time with his family, co-workers rarely saw him outside of business hours. That was unfortunate, for in a relaxed social atmosphere, Eberstadt's natural charm, wit, and interest in others would have been more apparent. Instead, contact came only during business hours, with sometimes negative results.

Eberstadt's impolitic nature carried over to Washington's political atmosphere. Although not completely ignorant of the various subtle workings of power, ambition, and personalities, he retained no desire either to learn the rules or to play the game. In his own words, "I not only lost sight of the atmosphere, but I had contempt for it." Whether this contempt sprang from an arrogant belief that he could somehow stand above this environment or from a conviction that participation might interfere unreasonably with his job, it was a contempt and disregard he could ill afford.

Looking back on the period from the perspective of hindsight, Eberstadt freely admitted his mistake:

In none of my jobs did I pay sufficient attention to the political atmosphere. . . . I went right straight for my objective and probably stepped on a lot of toes which maybe I didn't need to step on, but when they got in the way, they got pushed aside, and I think that my survival, as long as it lasted,

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14 Interview with Eberstadt, 17 Jul 1969.
was simply due to the importance of the matters that I was engaged on and my ability to accomplish them.\textsuperscript{15}

Yet, even with this realization, one is left with the impression that if he had to travel through that period again, he would take the same road.

As previously mentioned, Eberstadt generally disdained social affairs, preferring to spend any non-working hours with his family or very close friends. In many respects, he fit the stereotype of the firm German father, loving his family deeply but ruling them with a close hand. His wife, Mary, generally stayed at home to care for their four children. Eberstadt's firm exterior broke down completely, however, upon the arrival of the first of their grandchildren, and he took great delight in spoiling them.

For hobbies, Eberstadt especially enjoyed sailing and fishing. At the latter, he demonstrated "a characteristic amount of cunning."\textsuperscript{16} Occasionally he played golf, though with mixed results. He particularly remembered one summer incident at the Ausable Club, a small resort in the Adirondacks. Deciding to forego the fishing for the afternoon, he turned to the club's nine-hole golf course, where

\textsuperscript{15}Ibid.

\textsuperscript{16}Former partner and close friend of Eberstadt's to author, 12 Nov 1970.
he had played a few times previously. His caddie, who came from the village a few miles down the valley, had never met Eberstadt before. Eberstadt amicably struck up a conversation with the caddie, kidding himself about his poor golf, for the first hole had already begun to trouble him. After finally sinking his putt, Eberstadt announced, "That is twelve for me. You know, caddie, I believe I am the worst player in this club."

The caddie, trying to encourage this kindly stranger, quickly corrected Eberstadt, "Oh no you're not. There is another member who plays worse than you do."

Eberstadt, taking hope, questioned, "Is that so. Who is he?"

The caddie replied, "It's a man named Mr. Eberstadt."\(^{17}\)

Eberstadt loved to tell this story, and his humor was often at his own expense. In addition, his wit had a fine, subtle nature, often laced with an underlying ironic or sardonic touch, particularly when speaking of events or people he had known.

Eberstadt had few close friends outside of the business world, for his frantic pace gave him little chance to meet people not within business circles. Though often cold, curt, and impersonal during business hours, he enjoyed entertaining friends when time allowed, and he was a

\(^{17}\) Ibid.
marvelously warm and charming host. Toward close friends he showed the same devotion and affection that he held for his own family.

Foremost among his friends, either in New York or Washington, was James Forrestal. Their personalities presented strong similarities. Not only did they have the same Princeton and Dillon, Read background, but they possessed the same powers of concentration, energy, loyalty, responsibility, and intellect. Forrestal too had the same sardonic and ironic tinge in his humor; yet, like Eberstadt, he often seemed to lack time for wit. Both worked themselves as hard or harder than their staffs, yet disdained to advertise their accomplishments, preferring instead a high degree of anonymity. Forrestal, noted for the rapidity with which he could make a necessary social appearance, have the mandatory one cocktail, and be gone, shared much of Eberstadt's aversion for Washington social gatherings, as well as the same dichotomy of coldness and charm, courtesy and tactlessness, concern and disregard.

Yet there remained differences in the men. For sheer intelligence, Eberstadt was slightly ahead, though

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18 Both had been elected by their classmates as "most likely to succeed."

Forrestal, with his greater personal tolerance, displayed a better ability to work with people. Both in his thinking and action, Eberstadt tended to be more incisive, for Forrestal—both by his nature and political position—tended to become wrapped up in possible qualifications and options. This directness provided one of Eberstadt's values, for as one man who worked with them both late in the war said, "Eberstadt, who was much . . . more direct in his thinking . . . and much tougher in spirit, was very helpful to Forrestal in getting things done." In addition, Eberstadt seemed better aware of his own physical limitations. Although driving himself at a fantastic rate when undertaking any job, he usually relaxed completely once the task was finished. His sailing, fishing, or trips to Florida or Mexico were far more relaxing and healthful than Forrestal's rapid and determined games of handball or golf, for even in sports, Forrestal seemed unable to relax.

While in Washington, Eberstadt's two other closest friends were Robert P. Patterson, the Under Secretary of War, and Bernard Baruch. Eberstadt had known Patterson, the third member of the ANMB, in World War I and later at Dillon, Read, when Patterson was one of the lawyers retained to help with the Goodyear litigation. Renewing this earlier

20Ltr. of Elting E. Morison to the author, 2 J1 1970.
21Rogow, Forrestal, p. 328.
warm relationship, their wartime association in Washington produced a firm and intimate friendship. Throughout the war, Patterson retained an intense, single-minded devotion to winning the war. Often self-righteous in attitude, he refused to compromise with anything he considered detrimental to the prosecution of the war. During the war, his views became popularly exemplified by his stand against trucks of the soft-drink industry receiving scarce supplies of gasoline and tires. The Under Secretary's position earned him the somewhat dubious nickname of "Seven-Up" Patterson. Normally Spartan in personal standards and tastes, he wore high laced shoes and always managed to appear somewhat rumpled. Forrestal and Eberstadt, who both enjoyed many of the good things of life, sometimes half jokingly referred to Patterson as "that non-hedonist."  

Eberstadt's respect for Patterson was returned by the Under Secretary of War. Writing to Senator Warren R. Austin in the closing days of the war, Patterson stated:

I rate him [Eberstadt] as one of the ablest men we have ever had in industrial mobilization for war. He has rare insight into the problems involved in converting our industrial system to production of munitions, and he is most ingenious and resourceful in devising solutions to those problems. He

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22 Ltr. of James Forrestal to Eberstadt, 19 Apr 1944, EP.
has great energy, along with a single-minded devotion to carry a program through to success.23

While in Washington, Eberstadt often found himself referred to as a protégé of Bernard Baruch. This close association, however, did not begin until Eberstadt's arrival in Washington. Eberstadt first met Baruch while still at Dillon, Read. Although Baruch had become increasingly interested in political matters after World War I, he still maintained his "acquisitive nature,"24 often dropping in at the Dillon, Read office. It was only after Eberstadt accepted the chairmanship of the ANMB, however, that they became close friends.

Shortly after Eberstadt assumed this position, Baruch stopped by to see him, offering to help in any way possible. Recalling Baruch's action, Eberstadt stated that "this man was distinguished for many things, but probably his outstanding distinction was his personal kindness and his personal courtesy and his desire to be helpful."25 For that visit, Baruch also brought along

23 Ltr. of Robert P. Patterson to Senator Austin, 30 J1 1945, Patterson Papers, Library of Congress. This material was brought to my attention by Mr. Keith Eiler, who is preparing a study of Patterson's life.

24 Interview with Eberstadt, 17 J1 1969.

25 Ibid.
J. Leonard Replogle, the man who had served as Baruch's steel expert on the War Industries Board in World War I. Both men freely gave Eberstadt valuable advice and assistance in his new ANMB duties, with Replogle actually joining the staff of the ANMB in an advisory and consultative capacity. Baruch's visit resulted in more than just an offer of help, for in Eberstadt's own words, "from that point on through the rest of our lives we stayed close together."  

26 Memo of Donald Nelson to W.L. Batt, 27 Apr 1942, file 723, Record Group 179, Policy Documentation File, Records of the War Production Board, National Archives. Hereafter this material will be cited as WPB, NA.  

27 Interview with Eberstadt, 17 Jul 1969.
CHAPTER IV
THE ARMY AND NAVY MUNITIONS BOARD: BACKGROUND

Eberstadt's task in the Army and Navy Munitions Board was a new one, for the position of Chairman had not previously existed. The Board's antecedents, however, went back to the National Defense Act of 1920, when the Assistant Secretary of War received the responsibility for procurement. In addition, he became the only Federal official charged with the duty to prepare industrial plans for any future war mobilization. To assist with these mobilization duties, a

Planning Branch was organized and placed under the Office of the Assistant Secretary of War. Aware that he could not effectively plan for future mobilization without Navy cooperation, the Assistant Secretary of War gained the backing of the Assistant Secretary of the Navy in the formation of a joint body that would plan and coordinate both the procurement of the services and the industrial mobilization for any future conflict. This agreement, setting up the Army and Navy Munitions Board, received the approval of the Secretary of War and the Secretary of the Navy on 29 June 1922. The Board, composed of the two assistant secretaries, held its first meeting in December 1922. For most of the period until the early 1940's, however, the ANMB Executive Committee, which had been established in 1931, held most of the meetings, with the Navy generally taking a passive role. In comparison, the Planning Branch in the Office of the Assistant Secretary of War took a very active part, working closely with the Army Industrial College that had been created in February 1924.

The Army and Navy Munitions Board continued to exist merely as an agreement between the two service secretaries until 1939. On 5 July of that year, the President signed an order placing the ANMB and the exercise of its function under the supervision and direction of the President as Commander-in-Chief, thus making the Board independent of the Secretary of War and the Secretary of the Navy.
As part of its duties, the ANMB prepared four Industrial Mobilization Plans, the first being presented in 1931, with revisions in 1933, 1936, and 1930. While recognizing that mobilization would be under the direction of the President, the Industrial Mobilization Plan of 1939 also realized that a national emergency would require an "adequate organizational set-up to which this responsibility may be delegated. It is contemplated that such a set-up will be manned by qualified civilians chosen by the President."2 The War Resources Administration, with its overall coordinating powers, would adjust the supply of resources to the needs of the civilian and military sectors, while actual military procurement would be performed by the military services. If military requirements exceeded supply, the ANMB would allocate the available supply to the services. The Plan also called for other emergency agencies: Public Relations Administration, Selective Service Administration, War Finance Administration, War Trade Administration, War Loan Administration, Price-Control Authority, and committees in the area of war service and post-war adjustment. The Plan of 1939 called for the ANMB to help guide the early industrial mobilization until the War Resources Administration could

organize to take over central direction of mobilization efforts. The ANMB, in turn, would then be absorbed by this civilian board.

With the submission of its work in the summer of 1939, the ANMB desired a check by the type of civilian leaders who would have to implement its plan. As a result, the ANMB received the approval of the President, the Secretary of War, and the Secretary of the Navy to submit the plan to the review of a group of prominent businessmen and economists. This group, appointed on 9 August 1939 and known as the War Resources Board (WRB), would scrutinize the Plan and make any recommendations that it felt necessary. This review board was composed of the following members: Edward R. Stettinius, Jr., Chairman of the Board, United States Steel Corporation; Karl T. Compton, President, Massachusetts Institute of Technology; Walter S. Gifford, President, American Telegraph and Telephone Company; Harold G. Moulton, President, The Brookings Institution; John Lee Pratt, Director, General Motors Corporation; Brigadier General Robert E. Wood, Chairman, Sears, Roebuck and Company; John M. Hancock, Lehman Brothers; and Colonel Harry K. Rutherford, USA, and Commander A. B. Anderson, USN, Secretaries. If the President placed the Industrial Mobilization Plan into effect, it was expected that this group would become the War Resources Administration.
By the time the WRB submitted its report to the President on 12 October 1939, Europe was at war. The WRB's final recommendations adhered quite closely to those of the Industrial Mobilization Plan of 1939. For political, economic, and administrative reasons, however, President Roosevelt took no action on these recommendations and declined to place the Industrial Mobilization Plan into effect.3

As the months following the President's decision saw the slow and often cautious move toward mobilization, the ANMB generally remained on the sidelines, participating very little in policy making. Its major activity concerned priorities power, where it cooperated first with the Advisory Commission to the Council on National Defense(NDAC) and later with the Office of Production Management(OPM).4

The ANMB itself partially obstructed any greater participation. In the past, the Navy generally preferred to go its own way, lacking enthusiasm for this joint board. As

3 For a discussion of both the strengths and weaknesses of the Plan and the President's reasons for not implementing it, a fine summary can be found in the memo of James W. Fesler to J. A. Krug, "Abandonment of the Industrial Mobilization Plan," 10 Sept 1945, Miscellaneous Records, Correspondence of the Policy Analysis and Records Branch, file I-V, WPB, NA. Also see CPA, Industrial Mobilization for War, pp. 8-11; Connery, Navy and Industrial Mobilization, pp. 48-53; and Smith, Army and Economic Mobilization, pp. 98-103.

4 See pp. 128-132.
Professor Robert Connery stated in the major study of Navy mobilization in World War II: "In the Navy . . . the Bureau of Supplies and Accounts and the Bureau of Ships ignored the ANMB as far as possible." In addition, the Navy's internal organization hindered active participation in the Board, for the Assistant Secretary of the Navy lacked a counter-part to the Planning Branch that formed part of the Office of the Assistant Secretary of War. This planning organization, constituting the Army's side of the ANMB, thus was not only knowledgeable of Army plans and needs, but also positioned so as to carry out the decision of the Board and its various committees.

The beginning of change came late in 1940, for in December, Federal Judge Robert P. Patterson received the newly created position of Under Secretary of War. The procurement and mobilization duties previously held by the Assistant Secretary of War became part of his new office. An imbalance, however, now resulted in the rank on the ANMB, for the Navy was still represented by only an assistant secretary. The Board finally obtained a balance in June 1941, when Under Secretary of the Navy Forrestal became the official Navy member.

Close personal friends, the two under secretaries wished to avert any repetition of the World War I Army-Navy

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\(^5\)Connery, *Navy and Industrial Mobilization*, p. 156.
competition for materials and facilities. In addition, neither viewed with satisfaction the concurrent mobilization efforts and the small role the ANMB had been called upon to play. Out of this discontent came Eberstadt's report to the two officials in November and his ultimate acceptance of the chairmanship of the ANMB.

Although Eberstadt actively assumed his new duties by the end of December, his official appointment did not come until the new year. Since the ANMB remained directly responsible to the President, the reconstituting of the Board as recommended in Eberstadt's November report had to wait for the President's approval. With the mobilization shake-up after Pearl Harbor--ending in the demise of SPAB and OPM and the creation of the War Production Board(WPB)--time became especially scarce, and it was not until 21 February 1942 that the President finally found time to sign the reconstit- tution agreement.

Eberstadt's appointment diary indicates that his first full day on duty came on Monday, 29 Dec 1941, EP.

Memo of ANMB to the Secretary of War and the Secretary of the Navy, "Reconstitution of the Army and Navy Munitions Board," 28 Jan 1942; signed by the President, 21 Feb 1942, Central Files of the Secretary of the Navy, QB3/A, Record Group 80, General Records of the Department of the Navy. Hereafter cited as ANMB, "Reconstitution," 21 Feb 1942, Department of Navy.
The reconstitution followed Eberstadt's recommendations of November, with the membership of the Board composed of the Under Secretary of War, the Under Secretary of the Navy, and the chief executive officer and chairman, who was to be a civilian. In addition, the Executive Committee would be made up of the chairman ex officio, one officer of flag rank to be selected by the Under Secretary of the Navy, and one general officer to be selected by the Under Secretary of War. Each of these officers were to be assigned to full-time duty with the Board and to be assisted by an executive officer detailed from the War and Navy departments. In addition, the President directed that the Board report to him through the newly created War Production Board.

The duties of the ANMB, in addition to its past responsibility to coordinate the procurement of the services, now embraced the functions recommended in November by its new chairman, including Eberstadt's concept of advocacy. The Board received specific direction to:

Keep informed on, follow closely at every point, and wherever appropriate, participate in the actions, proceedings and plans of the various civilian defense agencies with whose activities it is concerned, with a view to keeping the military services informed and to advocating the interests of the Army and the Navy at all levels throughout these agencies.

8 Ibid.
9 Ibid.
At the same time, the Navy had proceeded with internal reorganization that would allow its representatives to function more effectively within the ANMB. As previously mentioned, the Office of the Under Secretary of the Navy contained no planning staff, for naval procurement planning was centered in the Materials Division of the Office of the Chief of Naval Operations. Thus, the Navy section of the ANMB was responsible to the Chief of Naval Operations rather than to the Under Secretary.

Prior to Pearl Harbor, Eberstadt and other close advisors to Forrestal recommended a much tighter coordination between requirements, material needs, and production. The result of these discussions was the formation of the Office of Procurement and Material (OP&M) on 30 January 1942. Though not universally approved within the Navy establishment, this change effectively met the rapidly mounting demands of war. As Professor Connery later concluded: "In the end there was general agreement that the Office of Procurement and Materials performed important--indeed indispensable--functions."\(^\text{10}\)

The coordination of procurement in the OP&M was important to the ANMB. The Resources Branch of the OP&M now became the Navy portion of the ANMB staff, with the entire

\(^{10}\) Connery, _Navy and Industrial Mobilization_, p. 389.
OP&M being placed in Forrestal's office, where it was now under his immediate direction. In addition, most of the personnel of the Materials Division of the Office of the Chief of Naval Operations received transfers to OP&M. In basic outline, the Navy organization now balanced and resembled the previous Army organization.

Ironically, the Army trod the path of organizational changed at the same time—but in exactly the opposite direction. Taking the course that the Navy had abandoned, the Army transferred the planning staff out of the Under Secretary's office and placed it within the newly created Army Services of Supply (SOS), which was in turn under the Army Chief of Staff. Where previously the ANMB operated under a non-military office on the Army side (Office of the Under Secretary) and a military office (Office of the Chief of Naval Operations) on the Navy side, the two services had now concluded a complete turn-about, with a military office (Office of the Chief of Staff) on the Army side and a non-military office (Office of the Under Secretary) on the Navy side. Complicating the structure was the fact that the civilian chairman remained directly responsible to the two under secretaries.

11 Office Order No. 1, Resources Division, Services of Supply, Headquarters, War Department, 9 Mar 1942, file 140, WPB, NA.
To an important degree, the Army members of the ANMB now found themselves placed in a position of triple loyalty: first, to the Under Secretary of War as a member of the ANMB; secondly, to the Board itself to the extent that it could be considered a separate entity; and lastly, and most directly, to the commanding general of the Army Services of Supply.

In turn, Lieutenant General Brehon B. Somervell, Commanding General of the SOS, found himself with twin loyalties. Circular 59 of the War Department, dated 2 March 1942, "expressly noted the dual responsibility of the commanding general of the Army Service Forces;\(^{12}\) on business matters he reported to the Under Secretary of War and on military matters to the Chief of Staff. No attempt was made to delimit the two spheres of activity."\(^{13}\) Though the same circular stated specifically that the Under Secretary of War would retain the same procurement responsibilities provided in the National Defense Act of 1920, the staff for the execution of those duties no longer remained a part of his office.

Although the reconstitution of the Board along the lines of Eberstadt's November recommendations had not been completely welcomed within the services—a strong ANMB would

\(^{12}\) On 12 Mar 1943, the official name of the SOS was changed to Army Service Forces (ASF).

\(^{13}\) Millett, *Army Service Forces*, p. 39.
increase the control of the civilian under secretaries over military procurement, a situation of some displeasure to the material and supply sections of the two services—the cooperation within the ANMB between the services and with the civilian members was excellent. Nevertheless, the ANMB felt the effect of the new Army organization. As Eberstadt later recalled:

The approach of the Army members to Board problems appeared to undergo a change. The Army member of the executive committee who had spent years with the Board was removed. He was replaced by the appointee of the Commanding General of the Army Service Forces, who while very competent and sympathetic with the objectives of the Board, nevertheless was substantially circumscribed in his actions and expressions of opinion. The Army’s approach to all of the problems became more individualistic than it had been so that the process of procurement planning and particularly of resolving differences between the services became somewhat more difficult, . . . .

As the official historian of the SOS recorded, “Somervell in 1942 was not as interested in formal co-operation with the Navy on procurement as in 1944.” In addition:

a considerable change . . . came through the desire of the Army Service Forces to represent demands of the Army individually before the War Production Board. They felt that the Army would fare better this way.

14 Ferdinand Eberstadt, "Notes on Certain Phases of Procurement Planning and Purchasing between the Services," 20 JI 1945, EP.

15 Millett, Army Service Forces, p. 270.

16 Eberstadt, "Notes on . . . Procurement Planning and Purchasing . . . ," 20 Jl 1945, EP.
The Army's desire to by-pass the ANMB would only weaken the effectiveness of the Board in resolving service requirements, thus forcing the Navy to follow the Army's course, so that the resolution of conflicting demands between the services to some extent shifted to the WPB. In many respects this shift was unfortunate, for the later antagonism between Lieutenant General Brehon Somervell, head of the SOS, and Donald Nelson, Chairman of the War Production Board, would account for a large part of a running "civil-military" battle that periodically broke out above the normal wartime Washington atmosphere of semi-controlled chaos and conflict. Since Eberstadt often found himself caught up in this conflict, some discussion of this battle is necessary.

A rather shallow view of this combat appeared in much of the press at the time, with the military consistently cast in the role of the power-hungry villain, trying at every opportunity to expand its legitimate wartime duties until it dominated the country itself.17 Nor was this view limited to the press alone, for this interpretation worked itself into the official volume produced by the United

17 Examples of this type of coverage can be found in the newspaper PM (New York), 4 Nov 1942, p. 13, and 8 Nov 1942, p. 8, or in the article by John Fischer, "The Army Takes Over," Harper's Magazine, May 1945, pp. 481-491.
States Bureau of Budget, The United States at War. Much of its view centered on the ANMB and the Industrial Mobilization Plan of 1939, for this interpretation generally accused the armed services of trying to use these instruments to seize control of wartime mobilization. President Roosevelt, the story continues, showed the perspicacity, however, to avoid this trap by ignoring the Plan and by fashioning a succession of civilian mobilization agencies instead, with the last of these agencies being the WPB. Outwitted by the President, the services then determined to use the ANMB as a means to intrigue against the WPB. By the fall of 1942, this effort had failed, so the services then moved to infiltrate the WPB itself. Throughout their efforts, the services held one clear objective in mind—the total control of the nation's economy. As stated in the Bureau of Budget history:

> the issues were perfectly plain, ... The choice was between flexible civilian supervision over military production and procurement or military domination over the supply of materials, materiel, essential civilian goods, and manpower. ... As shown by the Industrial Mobilization Plan, it was the doctrine of the Army that the military...

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19For a short discussion of this interpretation, see Connery, Navy and Industrial Mobilization, pp. 154-155.
should take direct control of all elements of the economy needed for war, once war was declared. Under 'total' war, this would include total control of the Nation, its manpower, its facilities, its economy.  

This simplistic view ignores not only the actualities of the Industrial Mobilization Plan of 1939, but also the complexities of the entire civilian-versus-military issue. The Plan itself can hardly be characterized as a vehicle for military domination, for it clearly called for strong and effective civilian control, specifically stating that:

while Army and Navy officers, with the cooperation of qualified civilians, are responsible for the preparation of plans for the establishment of these coordinating agencies, their operation will be undertaken by civilian administrators appointed by the President. 

Only if the creation of the planned civilian superagency, the War Resources Administration (WRA), were delayed would "the Army and Navy Munitions Board ... assume responsibility for guidance during the transition period. Upon creation of the War Resources Administration, personnel and records of the Army and Navy Munitions Board should be used to assist in forming the nucleus of the new body." Once established, the WRA would coordinate the munitions requirements of the services with the essential needs of the civilian sector, 

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20 Bureau of Budget, U. S. at War, pp. 129 and 280.  
as well as with the needs of other government agencies.
The head of the WRA, a civilian to be chosen by the President,
would have the assistance and counsel of an Advisory Council,
composed of the heads of both the major WRA divisions and
the other war agencies, as well as representatives of the
Navy, War, and State Departments. Of the Advisory Council's
total proposed membership of close to twenty, only two
represented the military.  

In addition, although the Plan had been presented
by the ANMB, it was not solely a creation of the military.
Although drawn up by Navy and Army officers, their work
nevertheless remained under the supervision of the civilian
Assistant Secretary of War, who played a substantial part in
the project. Additionally, Bernard Baruch and others who had
assisted in World War I mobilization significantly aided in

23Discussions of the development, contents, and
purposes of the Industrial Mobilization Plan of 1939 can be
found in: Connery, Navy and Industrial Mobilization,
pp. 41-48; Smith, Army and Economic Mobilization, pp. 73-86;
and Albert A. Blum, "Birth and Death of the M-Day Plan,"
by Harold Stein, Twentieth Century Fund Study(Tuscaloosa:
University of Alabama Press, 1963), pp. 61-96. Also see:
Paul A. C. Koistinen, "The 'Industrial-Military Complex' in
Historical Perspective: The InterWar Years," The Journal
of American History, LI, No. 4(March 1970), 835-839,
for criticism of the industrial-military link incorporated
within the plan; and Eliot Janeway, The Struggle for
Survival(2nd ed. revised; New York: Weybright and Talley,
1968), Chapter III, for a provocative, over-all discussion
of the plan.
the formulation of the Plan. As events later showed, the ultimate evolution of the WPB closely resembled the proposed War Resources Administration of the Plan of 1939.

Another point of criticism by the Budget Bureau history concerned the placing of Army and Navy officers within the operating levels of the WPB, something that Eberstadt actively supported as chairman of the ANMB. With somewhat sinister overtones, the history recounts how ANMB personnel "were brought directly into the WPB offices all through the organization where they might not only observe but influence, if not control, WPB activities and decisions."26

This interpretation ignores the fact that many common problems could be worked out on the operating level when civilian and military personnel worked side-by-side, thus saving time, keeping appeals limited to more vital policy issues, and reducing overall friction. In addition, it implies that either the WPB could learn nothing from the military--many of whom had intensively studied mobilization problems--or that the WPB was so unsure of itself that it feared any outside examination. Discussion was a two-way


25See pp. 222-223.

26Bureau of the Budget, U. S. at War, pp. 280-281.
road; the WPB could just as well influence the military officers as vice versa. Finally, this view neglects the specific instructions to the ANMB signed by the President on 21 February 1942 to:

participate in the actions, proceedings and plans of the various civilian defense agencies with whose activities it is concerned, . . . [and to advocate] the interests of the Army and the Navy at all levels throughout these agencies.²⁷

Eberstadt, as chairman of the ANMB, also came under sharp attack, being accused of serving as a "tool" or "front" for the armed services.²⁸ In certain Washington circles his Wall Street background only placed him under added suspicion. New Deal newspapers such as PM characterized him as both grabbing power "for reactionary business elements" and being "Gen. Somervell's man."²⁹

Such characterizations completely ignore Eberstadt's personal independence and integrity, as well as his duty to advocate the honest needs of the armed services. One naval officer who was assigned to the ANMB summed up Eberstadt and his chairmanship: "Not a 'tool' or 'front' but an aggressive

²⁷ANMB, "Reconstitution," 21 Feb 1942, Department of Navy.


advocate." If anyone would be expected to consider Eberstadt a "tool," it might be the personnel of the WPB's Office of Civilian Supply (OCS), for that office represented and advocated the needs of the civilian sector. Yet Joseph L. Weiner, at first second-in-command to Leon Henderson and later head of the OCS, specifically stated: "I consider the accusation that Eberstadt unduly favored the armed services to be without basis." Similar views were echoed not only from those on the military side—such as John J. McCloy, Robert A. Lovett, General Lucius D. Clay, Colonel James Boyd—but also specifically stated by civilians within the War Production Board—Lincoln Gordon, David Novick, John F. Fennelly, Robert R. Nathan, Thomas C. Blaisdell, Jr., Manly Fleischmann, Norman Foy, Harry O. King, Gordon Reed.32

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30 Ltr. to the author, 13 Nov 1970. The retired officer wished to remain anonymous. Emphasis is in the original.


Perhaps Eberstadt's character and role was best summed up by a neutral, outside commentator, the Washington columnist Arthur Krock: "Eberstadt wasn't a 'tool' or 'front' for anybody or anything he didn't conceive himself. He was an individual operator."\(^{33}\)

This whole struggle, characterized as "civilian versus military," contained far too many components to line up simply as one side against the other. For one thing, it assumed that each side was unified. For the military, this was hardly the case, for the individual services--as well as branches and bureaus within a service--often disagreed with or totally ignored the important needs of their brothers in arms.\(^{34}\) The same competition frequently existed between various divisions of the War Production Board.\(^{35}\) In addition, conflicts between the WPB and the armed services often involved civilians and near civilians, since much of the military personnel charged with material needs and procurement were recently recalled reserve officers. Even civilian personnel sent by the WPB to work within the

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\(^{33}\) Ltr. of Arthur Krock to the author, 1 May 1970.

\(^{34}\) Interview with Nathan, 25 Jan 1971; Smith to author, 12 May 1970.

\(^{35}\) Blaisdell to author, 22 Dec 1970.
services—such as Frank Folsom with the Navy—soon "became more Catholic than the Pope." 36

Although a struggle for power comprised a large part of the conflict, it was not a struggle over who controlled—both the military and civilians knew that ultimate control of the economy must be in the hands of civilians—but by what methods civilian control should be exercised. The later controversy over the Production Requirements Plan (PRP) versus the Controlled Materials Plan (CMP) demonstrated this question of methods. 37  As one officer who was closely involved with the CMP-PRP dispute recalled:

These were all honest men, working day and night to try and solve extremely difficult and complex problems. There were a large number of highly competent, very strong people involved. The clash of wills could not be covered up by a rationalization of a grab for power. . . . The decision to fight for one system or another . . . came from a belief that their own concepts were the best in the situation involved. 38

Vital also to this controversy was an understanding of the national economy as a whole, as well as its individual


37 See pp. 180-183 and 195.

38 Boyd to author, 20 May 1970.
parts. Economic planners, such as the Planning Committee which served as the WPB chairman's "brain trust," generally tended to stress both this totality and the need for maintaining the civilian economy at a healthy state so as to supply better the needs of the military services. If, in an effort to trim the civilian "fat," one became too zealous and began to trim "muscle" instead, the action would ultimately weaken the civilian sector, thus limiting its ability to produce the requirements of the military establishment. In other words, there is a definite point of adverse returns in cutting back on the civilian economy in time of prolonged war. With the crisis of events, the economic specialists naturally stressed the full utilization of the nation's productive capacity. Many industrialists, having faced the problem of idle capacity in the previous decade, were slow to understand and to accept the stress on totality, thus causing some friction within the WPB between the planners and some industrial leaders.39

The military services, quite naturally, remained far more concerned with their own requirements. Though willing to admit that their own needs depended on the maintenance of a strong national economy, they generally and sometimes stubbornly protested that the trimming of "fat" had not gone far enough.

39 Blaisdell to author, 22 Dec 1970. Dr. Blaisdell was a member of the WPB Planning Committee.
The natural bureaucratic clash between agencies with overlapping boundaries—a clash that had nothing to do with whether these agencies were civilian or military—furnished another vital ingredient. Each agency, staffed by men who understandably and sincerely tended to stress their own role, to see their own problems, and to formulate their own solutions, believed it could fulfill its own role best with no outside interference, while at the same time often surveying and expanding into the operations of other similar rival agencies. As Professor Connery observed: "Bureaucracy is always characterized by the desire for power and by a suspicion of other bureaucrats." 40 Certainly wartime Washington was not the place for one to search for the exception to that rule.

Summing up, one member of the Planning Committee concluded: "Basic bureaucratic struggles concerning ultimate responsibility...combined with limited vision of the nature of the production process were at the heart of the split between 'the civil' and 'the military.'" 41 Undoubtedly correct as far as it goes, this statement still lacks one major component to this complex conflict: the bitter clash of personalities between Donald Nelson and Lieutenant General Brehon Somervell.

40 Connery, Navy and Industrial Mobilization, p. 154.
41 Blaisdell to author, 22 Dec 1970.
President Roosevelt, prior to Pearl Harbor, hesitated to delegate his authority in the area of industrial mobilization. With the United States entry into World War II, however, this action could no longer be delayed. In mid-January, therefore, the President, after first considering the appointment of William O. Douglas, picked Donald M. Nelson to head the new civilian superagency, the War Production Board.\(^{42}\) Nelson, who originally came to Washington from a high executive position in Sears, Roebuck and Company, had previously played an important part in the pre-war mobilization period as Priorities Director of OPM and later Executive Director of SPAB.

Nelson, in Executive Order 9024 of 16 January 1942, received complete authority to "exercise general direction over the war procurement and production program."\(^{43}\) As part of this, the Chairman would:

b. Determine the policies, plans, procedures, and methods of the several Federal departments, establishments, and agencies in respect to war procurement and production, including purchasing, contracting, specifications, and construction; and including conversion, requisitioning, plant expansion, and the financing thereof; and issue such directives in respect thereto as he may deem necessary or appropriate.\(^{44}\)

With the creation of the WPB, SPAB was abolished and its powers given to this new agency. Although OPM continued for a short period, it soon followed SPAB's fate, with its powers being added to WPB.\(^{45}\)

There can be no question as to Nelson's complete power over the nation's industrial components. He now held, or would soon receive through additional delegations, the President's powers over allocations, rationing, industry,


\(^{44}\)Ibid.

\(^{45}\)Executive Order 9040, 24 Jan 1942. Reprinted in WPB Minutes.
production, raw materials, machine tools, facilities, and priorities. Although the membership of the War Production Board included the Secretary of War, the Secretary of the Navy, the Federal Loan Administrator, the Director General and Associate Director General of the Office of Production Management, the Administrator of the Office of Price Administration, the Chairman of the Board of Economic Warfare, and the Special Assistant to the President supervising the defense-aid program, these members served only in an advisory capacity. Nelson alone had the power of decision within the WPB. Nor were his decisions limited to the WPB:

3. Federal departments, establishments, and agencies shall comply with the policies, plans, methods, and procedures in respect to war procurement and production as determined by the Chairman; and shall furnish to the Chairman such information relating to war procurement and production as he may deem necessary for the performance of his duties.

5. The Chairman may exercise the powers, authority, and discretion conferred upon him through such officials or agencies and in such manner as he may determine; and his decisions shall be final.

In addition, the ANMB would report to the President through the Chairman of the War Production Board.

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46 Executive Order 9024.
47 Ibid.
48 Ibid.
Though Nelson held complete authority, there still remained a basic difference between authority and the ability to exercise that authority. In this characteristic, Nelson was clearly deficient. Much of the history of the WPB was checkered by conflicts caused by Nelson first giving away various sectors of his authority and later trying to gain them back. The question of procurement authority, a key factor in the Nelson-Somervell conflict, presented such a case.

Although it seems clear that Nelson held the power over direct procurement for the services, he very quickly decided to re-delegate this authority back to the Army and the Navy.\(^4^9\) Nelson presented a number of valid reasons for his decision, foremost among them being the fact that the removal of the procurement function from the services, who previously held it, and the placement of that function in a

\(^{49}\) Nelson, Arsenal of Democracy, pp. 196-197; "Remarks of Donald Nelson," 25 Je 1946, PARB, PAS, file 033.315, WPB, NA; Bernard L. Gladieux, OHM, CU, p. 471; and CPA, Industrial Mobilization for War, p. 521. Nelson states in his book that he decided to give up procurement authority even before the executive order was drawn up. Millett, Army Service Forces, pp. 190, 283-288, argues that the authority given to Nelson was never meant to include actual procurement, but most people involved with the creation of the WPB agree that Nelson either had the authority or could have had it if he wished. For additional discussion of the procurement question, see Smith, Army and Economic Mobilization, pp. 237-242, and Bruce Catton, The War Lords of Washington (New York: Harcourt, Brace and Company, 1948), pp. 115, 200-201.
newly organized purchasing unit within the WPB would have taken too much time. As Nelson stated after the war:

As an absolute minimum . . . it would take at least six weeks to put together an organization that would do effective purchasing, and we simply did not have six weeks to spare. It was as imperative as anything could possibly be—and a lot of things were imperative, back in mid-January of 1942—that billions of dollars of orders be placed during the next month, so that the gigantic program called for by the President could be put into contract form.50

In an effort to prevent any misunderstanding over respective duties, Donald Nelson and Under Secretary of War Robert Patterson signed an agreement on 12 March 1942.51 Basically, this agreement between the WPB and the Army established that the WPB would: 1) give general direction and supervision to the war supply system; 2) formulate broad policy for the guidance of the armed services; 3) allocate available resources to the various claimant needs; 4) make provision for facilities, materials, and services for both military and civilian needs; and 5) direct the organization of industry in their efforts to meet war needs. Within this structural framework, the Army remained free to carry on its procurement activities in its own way.52

50 Nelson, Arsenal of Democracy, pp. 198-199.
52 WPB Press Release WPB-583, 18 Mar 1942, NA.
the War Production Board and the Navy reached a similar working agreement.

The WPB-armed services agreement had far reaching effects, for once this power had been given up, it could not be regained without extreme conflict. Any attempt to control service procurement would now have to come through the control of the flow of materials and the control of production scheduling, rather than direct supervision. As the official history of the WPB concluded: "'Everything that WPB attempted to do with respect to procurement was conditioned by the primary fact that Nelson had delegated the power of actual procurement to the Services.'"53

Eberstadt later criticized Nelson's decision. Pointing out that one characteristic of authority is that it withers rapidly if it is not exercised, the ANMB chairman believed that there was not the slightest doubt that WPB had authority over procurement if it wished to use it. Additionally, in terms of the talent on its staff, the WPB was pre-eminent in this field. Eberstadt felt that while Nelson had knowledge and power, he lacked the courage to exercise either. As a consequence, the unexercised procurement power was, in Eberstadt's words, "'left to find a warm and happy home in the bosom of the Services.'"54

53CPA, Industrial Mobilization for War, p. 521.
54"Remarks of Ferdinand Eberstadt," 5 Oct 1945, PARB, PAS, file 033.315, WPB, NA.
aware that 1942 was late for assuming purchasing control, he did not feel it was too late. Instead, WPB gave up this authority, with the result that there was never "an adequate over-all unification, supervision, or control of the military procurement program."  

Nelson's personality presented a strong contrast of strengths and weaknesses. Personally, he was quite likeable, being warm and friendly. Having come to Washington during the early period of pre-war mobilization, he had clearly demonstrated his devotion to the country's welfare. In addition, he showed strength in conceptual matters, having a clear understanding of the total nature that mobilization would entail. He realized what the overall needs of both the civilian and military sectors would be and that the military could not have everything that it wanted; that the civilian economy could not be cut below a certain level without endangering the total economic structure; that all parts were interrelated. Only with a completely healthy economic structure would the military be able to receive adequate war materiel.  

55 Ibid.  


57 Interview with Nathan, 25 Jan 1971.
Nor was Nelson dogmatic or inflexible in his approach to policy formulation. On the contrary, he welcomed a wide variety of ideas and opinions. One member of the Planning Committee concluded that Nelson's "most important one contribution" was his willingness to listen to all kinds of presentations of all kinds of plans, programs, wishes, desires, and fights and when it was all done at least move it forward a little ways. Yet too often, his flexibility became vacillation and his very willingness to listen lingered on to the point of near crisis because of the lack of a final, strong, clear-cut decision.

John Lord O'Brian, who worked closely with Nelson as the General Counsel for the WPB, had these observations on the chairman's approach to policy and operation:

Nelson was by nature not a meditative nor reflective person but he had more or less unconsciously developed a philosophy. . . . Instinctively he had a distrust of coercive laws and coercive regulations. . . . He believed in persuasion. What was necessary was to persuade people, to keep them advised of what you were trying to do and ask for their co-operation.

\[\text{Nelson}\] had another trait. He thought that differences could be resolved if you let time elapse, that a great many issues that seemed acute would lose their acute character and be more readily capable of solution.

Those two qualities as the war progressed became more and more pronounced.

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58 Blaisdell to author, 22 Dec 1970.

59 John Lord O'Brian, OHM, CU, pp. 548-551.
These same qualities, however, made him an extremely weak executive. He could formulate policy, but he was often either unwilling or unable to implement it until a crisis finally forced action. G. Lyle Belsley, who served as Executive Secretary to the War Production Board for most of its existence, pointed to certain similarities between Nelson and President Roosevelt, for "the President tends to let contending forces shake themselves down. Nelson, who is very much like the President on policy, does the same thing. Both the President and Nelson are generally good on policy, but are not only disinterested in administration but actually annoyed by it."^60

Nelson's excessive vacillation and reluctance to use his authority was maddening to those within the WPB who needed a decision, for Nelson alone among the members of the WPB held this authority. Dr. Stacy May, head of the WPB's Bureau of Planning and Statistics, stated upon his resignation from WPB: "'The most difficult thing to get in . . . to the WPB' is a decision."^61 As a consequence, many decisions that should have been made by Nelson were, because of the

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^60 Remarks of G. Lyle Belsley," PARB, PAS, 23 Feb 1945, file 033.315, WPB, NA.

^61 Memo of Edythe W. First to James W. Fesler, "Summary of Remarks of Stacy May . . . 29 September 1944," 3 Oct 1944, Miscellaneous Records, Correspondence of the PARB, file E-H, WPB, NA.
necessity for speed, made on the operating level instead, which only added to the lack of discipline which often plagued the WPB. Even when decisions were made, Nelson's own personality made him lax in their enforcement, with the outcome that policy decisions were sometimes openly ignored within operating branches or divisions.

When it came to hard decisions, Nelson either procrastinated or "preferred to let others decide and then support them," for in the words of one of his closest advisors, he "didn't have enough toughness . . . [and] was often too soft. . . ." One vice chairman of the WPB recalled his association with Nelson:

My firsthand contacts. . . confirmed what I had heard previously about Nelson. . . , namely that he was personally agreeable but neither intelligent nor decisive. During the period of our extensive firsthand contacts, the key question was manpower shortages on the West Coast, and Nelson's essential approach to this problem was to keep hoping that it would go away by itself.

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62 "Remarks of John H. Martin," PARB, PAS, 7 Je 1945, file 033.315, WPB, NA.

63 Blaisdell to author, 22 Dec 1970. See also Bernard L. Gladieux, OHM, CU, p. 477, for further comments on Nelson's inability to make tough administrative decisions.

64 Interview with Nathan, 25 Jan 1971.

This combination of personality factors led one veteran of WPB problems to conclude: "The basic trouble in the WPB was always Nelson."66

Most of Nelson's conflict with the military centered on Lieutenant General Somervell, the SOS, and, to a somewhat lesser extent, Under Secretary Patterson. Generally, Nelson approved of the Navy's organization, feeling that it had placed itself firmly within the structure of civilian control of the wartime economy.67 The Army, however, presented a completely different matter. Neither Somervell nor Patterson, Nelson felt, accepted the necessity of civilian control over the wartime economy. Instead, he believed they both wished to seize control for the military, for neither really understood the critical relation of the civilian economy to the output of military goods. As part of this, Nelson complained that Somervell constantly tried to extend his authority both within the Army and over the WPB. "I have no hesitation in saying that from 1942 onward the Army people, in order to gain control of our national economy, did

66 Ltr. of John Fennelly to the author, 20 Apr 1970.

their best to make an errand boy of WPB." Others on Nelson's staff shared this same opinion of the Army.69

Though Nelson often found himself in conflict with Eberstadt, he specifically stated after the war that Eberstadt did not share the same beliefs expressed by Somervell and Patterson.70 In addition, Nelson attested that his relationship with the operating levels of the Army remained excellent throughout the war. Instead, it was Patterson and especially Somervell, operating at the policy levels, who constantly tried to overthrow the March agreement between the WPB and the Army. As such, Nelson felt that the dispute ultimately boiled down to a matter of personality.71

As part of the Army's continual refusal both to accept any amount of subordination to WPB decisions and to limit efforts to extend its influence, Nelson expressed special bitterness at the Army's intrigue. The Army incessantly seemed to probe and press, searching for a weakness in the WPB. As Nelson stated:


69 Bernard L. Gladieux, OHM, CU, p. 470.


71 Ibid.
I always believed that the Army people should put up a strong and determined battle for what they wanted. The thing that I resented, and that I still believe is dangerous, is the unfair needling they inspire in the press after a decision has been made against them.  

Though Nelson's statement undoubtedly contains some truth, the WPB chairman's aversion to these tactics did not prevent him from using them himself. In the summer of 1943, he confided to Bernard Baruch that "he intended to appoint three men to important posts in WPB: a whisperer, a big talker, and the best conniver he could find. Those were the talents he said he needed to run his agency."  

Eberstadt held no sympathy for Nelson's views, for he was contemptuous of Nelson's irresolution and sharply critical of Nelson's administrative ability. In addition, Eberstadt felt a strong distaste for Nelson's public display of certain personal weaknesses. Although Eberstadt believed that the armed services should and did fight hard to obtain what they needed, he strongly denied that the services ever attempted to take over the WPB. Instead, he affirmed that service pressure on the WPB simply represented an attempt to speed and to increase the WPB efforts to organize the productive capacity of the country, for only with an effective and vigorous WPB organization could the services obtain their

72 Nelson, Arsenal of Democracy, p. 384.  
73 Baruch, Public Years, pp. 319-320.
requirements. As Professor Connery concluded concerning the efforts of the ANMB: "ANMB wanted more civilian control, not less; it wanted Mr. Nelson to exercise his authority more, rather than less, extensively." To a large degree, the same may be said for other sectors of the military.

The strong pressure for greater decisiveness and effectiveness can easily be understood when one considers the personalities of Somervell and Patterson. Somervell, the fifty-year-old head of the SOS, demonstrated tremendous drive, quick intelligence, stubborn will, sharp temper, and a vigorous contempt for irresolution. Eberstadt remembered him as a "dedicated man—ruthless man, but very able." In addition Somervell, in contrast to Nelson, displayed an outstanding sense of organization and administration.

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74 "Remarks of Ferdinand Eberstadt," PARB, PAS 5 Oct 1945, file 033.315, WPB, NA.

75 Connery, Navy and Industrial Mobilization, p. 162. A similar statement by Forrestal is contained in U.S., Congress, Senate, Hearings before a Special Committee Investigating the National Defense Program, 80th Cong., 1st sess., 1947, p. 25590.

76 Millett, Army Service Forces, p. 7.

77 Interview with Eberstadt, 18 J1 1969.

It is somewhat ironic that when Somervell was being considered in early 1942 to head the SOS, Patterson asked Nelson for his opinion, for Somervell’s intolerance and brusqueness had already created some controversy. Nelson replied that Somervell would be a good man for the job. Very quickly, the relations between Somervell and Nelson soured, for Nelson’s lengthy deliberations, recurring vacillation, weak decisions, and ineffective administration bewildered and infuriated the general. Somervell, who rarely hid his views—or, as expressed by Secretary of War Stimson, "whose strong point is not judicial poise..."—soon was bluntly criticizing Nelson.

In return, much of the news media soon accused Somervell as being the leading force behind the Army's effort to take over the WPB and the civilian economy. When Patterson spoke to Bernard Baruch concerning the possible effects of these criticisms, Baruch counseled: "'Bob, pay no attention to them. He's a free-running horse. When the gates go up you don't have to hit him. You don't even have to cluck him. He's ready to run. Let him alone.'"

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80 Baruch, Public Years, p. 312.
Patterson himself was often at odds with Nelson, for with the Under Secretary's intense, single-minded devotion to winning the war, he waged a fierce campaign against any unnecessary "fat" within the civilian sector. John Lord O'Brian recalled that

throughout the war with all of his virtues . . . Patterson held consistently to the view of the military, that we were not rough enough with the civilian population, that you must scare them, you must shock them with extreme measures.

Many of the problems between WPB and the military resulted from Nelson's own weaknesses. His administrative incapacity resulted in WPB instability, while his indecision needlessly delayed the development of an effective system for the allocation of materials. As a result, the military, who had first rejoiced at the creation of the WPB and its clear-cut authority over economic mobilization, became increasingly disappointed and critical. In the pre-Pearl Harbor mobilization environment of diffused authority, Nelson's strengths of slow persuasion and general affability had served his country well, but they were not the characteristics most needed in the crisis situation of 1942.

Within the confines of the WPB-military dispute, the WPB demonstrated important weaknesses. The military, as

81 As an example, see WPB Minutes, Meeting XXIV, 28 Jl 1942, p. 108.
82 John Lord O'Brian, OHM, CU, pp. 550-551.
expected, vigourously pressed its needs before the WPB, leaving the representatives of the civilian sector to press for their respective needs. It was exactly here that WPB was lacking, for it never effectively presented these civilian needs. As the official history of the WPB concluded:

The failure of the Office of Civilian Supply to develop firm and reliable statements of civilian requirements was always an Achilles' heel in WPB's critical approach to the Services' calculations of military requirements.83

The service pressure for the fulfillment of their requirements, however, should not be confused with a desire to take control of the national economy. Their pressure concerned degrees and methods--how much and by what means should the total economic production be divided--not who should ultimately decide.

Within the armed services, Somervell, with help from Patterson, pressed for the greatest degree of cut-back in the civilian economy. Without Somervell's abundance of the same characteristics lacking in Nelson, the major disagreements might still have been contained within the bounds of strong yet amicable discussion. With the two of them, however, this was not to be: their conflicting personalities made the difference between a skirmish and a battle.

83CPA, Industrial Mobilization for War, p. 290.
Nelson himself considered his problem with the Army as primarily a personality conflict with Somervell, pointing out that he had no trouble getting along with the operational branches of the Army and that Somervell was often in conflict with others within the Army. Yet the same can be said in Somervell's defense, for the general maintained good relations with other key civilian mobilization figures such as Eberstadt, James Byrnes, Charles E. Wilson, or Nelson's successor, J. A. Krug. And it should be noted, in addition, that Nelson demonstrated an inability to get along smoothly with other civilian agencies and with other personnel within the WPB, as shown by his later fierce fight with Charles E. Wilson.

In some ways, Nelson and Somervell bore a resemblance to two mutually combustible materials: without the presence of the other, ignition was not likely to ensue; without them, though strong discussion and discord would have occurred, the result would have been far less bloody and much more constructive. With them, the conflict ignited into full-scale battle.

Reviewing the "civil-military" conflict, therefore, one finds a complexity of components centered on the normal struggle between bureaucracies, the sincere differences of

84"Remarks of Donald Nelson," PARB, PAS 25 Je 1946, file 033.315, WPB, NA.
individuals over the means and degrees of mobilization control, and the residual questions and misunderstandings left by the delegation of powers by the WPB to the services. The national crisis injected additional strength and intensity into these ingredients. To these parts, Nelson and Somervell added the factor of personality, for with their discordant traits and often conflicting positions, mutual antagonism was the natural result. As such, their bitter personal animosity came to provide perhaps the single most important component, for in the words of Robert R. Nathan, a close observer of the battle and a confidant of Nelson: "Somervell versus Nelson was the real focus of the civilian-military fight."

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85 Interview with Nathan, 25 Jan 1971.
CHAPTER V

THE ARMY AND NAVY MUNITIONS BOARD: OPERATIONS

Upon accepting the chairmanship of the Army and Navy Munitions Board, Eberstadt channeled the full force of his personality into the new task. He worked at his normal vigorous pace, arriving at his office by 8:00 A.M. or shortly thereafter and rarely leaving before 6:00 P.M. When he did leave, a brief-case of work for the evening usually went with him. This represented the normal schedule for the entire week, including weekends; it was only with some difficulty that anyone looking through his appointment calendar could discern which day was a Sunday through any lessening in the number of calls and appointments.\(^1\)

Eberstadt rarely departed from this oppressive schedule, though it was reported that the graduation from high school in June 1942 of his seventeen-year-old daughter, Mary, presented special problems. Wanting to be at her graduation from Garrison Forest School in Baltimore, Eberstadt nevertheless felt that he could not postpone an important meeting. As the length of the meeting approached

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\(^1\) Black appointment diary, covering 29 Dec 1941 to 31 Dec 1942, EP.
the time of the graduation ceremony, Eberstadt resolved his dilemma by taking the entire meeting with him; he simply packed everyone into a taxicab so that they could continue the discussion on the way to and from Baltimore, remaining long enough only to see Mary receive her diploma.\(^2\)

From his own staff, Eberstadt expected the same energy and dedication. Personal lives or week ends rarely received consideration. Having required such devotion from his own staff at F. Eberstadt & Company in the days before the war, the critical situation following Pearl Harbor only accentuated his expectations. Though a man of strong feelings and opinions, Eberstadt generally kept his emotions under strict control. Usually the only noticeable indication of impatience came when he ceased to call someone by name and used their rank instead. A driver as well as a leader, Eberstadt felt a strong loyalty to his staff and expected the same in return. This he received, for his staff fully respected his extraordinary ability and intense dedication. For the ANMB, Eberstadt's leadership was "most important and effective."\(^3\) Recalling Eberstadt's service as chairman, one Navy Captain who served on the

\(^2\)"Eberstadt 'No' Man, Ends Deadlock on War Materials," Evening Sun (Baltimore), 23 Nov 1942, p. 15.

\(^3\)Ltr. of Brig. Gen. Stewart E. Reimel, USA (Ret.) to the author, 15 Jan 1971.
ANMB succinctly summarized: "Dynamic leadership; firmness when necessary, but withal a kindly man."\(^4\)

By late May of 1942, the ANMB staff had grown from its December 1941 figure of 150 to 500 employees.\(^5\)

Since Forrestal and Patterson had other duties besides the ANMB, the Board functioned mainly through its Executive Committee, which was composed of Eberstadt, Brigadier General Charles Hines (USA), and Captain T.J. Keleher (USN). Joint Army-Navy committees operated under the Executive Committee and covered such various fields as machine tools, power, facilities, priorities, steel, and commodities. With the help of these committees, the Board was to coordinate the procurement of the services, translate finished munitons requirements into raw material requirements, and advocate these material requirements before the WPB.

A major problem facing the nation in the early months of 1942 centered on the conversion of its industrial power into war production. The ANMB, led by Eberstadt, took a strong stand on the need for rapid and compulsory conversion of such industries as radio and phonograph, metal office equipment, and refrigeration machinery, all of

\(^{4}\) Ltr. to the author, 13 Nov 1970. The retired officer wished to remain anonymous.

which could readily be converted to military production.

To Eberstadt, the need for compulsory action had been shown by the conversion of the automobile industry, which had been ordered by the WPB to halt production of all passenger cars and light trucks by 1 February 1942. 6

In a highly competitive economy, Eberstadt felt that there was no such thing as voluntary conversion; it had to be ordered. Although all parties might be completely willing to convert, it was necessary that conversion be across-the-board and mandatory, thus preventing any unfair advantages to specific manufacturers. 7

In a memorandum to Forrestal and Patterson on 25 January 1942, Eberstadt pointed out the beneficial effects of mandatory automobile conversion and suggested similar steps for industries still producing civilian goods at the expense of their potential defense production. To Eberstadt, the conclusion was clear: "The automobile situation has demonstrated that conversion appears to commence when you compel it, rather than in response to exhortation." 8

6WPB Minutes, Meeting I, 20 Jan 1942, p. 1.

7"Remarks of Ferdinand Eberstadt," 5 Oct 1945, file 033.315, WPB, NA.

8Memo of Eberstadt to Forrestal and Patterson, 25 Jan 1942, EP.
The WPB, however, after its initial quick action to force conversion of the automobile industry, moved very slowly. Even its decision toward automobiles was modified to allow for civilian production until the last day of March 1942.9 The WPB had no conversion policies ready and, as the official WPB history relates, "no formal statement of conversion policies was ever adopted by WPB, ...."10

Nelson, often stressing the new paths that the WPB was traveling, moved very cautiously toward providing any firm, central policy directives.11 Instead, he seemed to shy away from compulsory steps. Perhaps as part of his aversion to coercion, he tended to order a time-consuming "complete survey" of an industry before compelling its conversion.12 With the critical needs of the services in mind, Eberstadt doubted the necessity of awaiting the results of "a complete survey" before acting on the conversion of major metal using industries.13 Moreover, although the WPB itself was traveling a new road, conversion had been studied by the OPM, for that agency had taken some

9CPA, Industrial Mobilization for War, p. 315.
10Ibid., p. 313.
11Ibid., p. 318.
12Itr. of Donald Nelson to Robert Patterson, 30 Jan 1942, file 631.0143, WPB, NA.
13Memo of Eberstadt to Forrestal, 5 Feb 1942, EP.
early conversion steps in 1941. Furthermore, SPAB had prepared conversion programs and policies for specific crucial industries. Nelson, previously holding important positions in both OPM and SPAB and inheriting their conversion work and plans, could hardly claim complete ignorance of the subject.\textsuperscript{14}

Under pressure from both the ANMB and individuals within the WPB, Nelson finally began major steps toward conversion by the end of March. Through WPB orders, the manufacturing of metal office equipment ceased on 31 March, radio receivers and phonographs on 23 April, and refrigerators on 30 April. Nor was the WPB completely at fault for the delayed conversion of some industries, for in the typewriter industry the very large influx of military orders postponed conversion to direct munitions production. Nevertheless, the official WPB history concluded that "the conversion record for the consumers durable-goods industries from January to mid-March 1942, was not an impressive one."\textsuperscript{15} It seems fair to state that without the vigorous pressure for rapid conversion from the ANMB, the record of the WPB would have been even less impressive.

Going hand-in-hand with the necessity to convert

\textsuperscript{14}For a discussion of WPB and conversion, see CPA, \textit{Industrial Mobilization for War}, pp. 313-324.

\textsuperscript{15}\textit{Ibid.}, p. 314.
industry into munitions production was the need to conserve goods already in existence. This was especially true for rubber, for the Japanese advances in the Pacific had cut the United States from its normal source of natural rubber. At the same time, American plants for synthetic rubber remained largely in the planning stage.

From the beginning, Eberstadt and the ANMB believed that gasoline must be rationed as a means to force conservation of tires. Only in this manner, Eberstadt argued, would present tire stocks be adequate for essential civilian passenger and truck use. As the ANMB chairman bluntly warned Nelson on 27 March 1942: "You know the crude rubber shortage is perhaps one of the most critical of all raw materials [shortages]." 16

The failure of the WPB to take action baffled the ANMB chairman, for to him the dangers loomed in awesome clarity. In a memorandum to Brigadier General Lucius D. Clay of the Services of Supply, an Army representative on the ANMB, Eberstadt related his discouragement over a conversation that he had held with Mr. Arthur B. Newhall, the Coordinator for Rubber for the WPB.

I called to his attention that while he laid emphasis on economy of stockpile rubber, he made no recommendation with respect to conservation in the use of existing tires, whether on the road or in stock.

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16 Memo of Eberstadt to Nelson, 27 Mar 1942, EP.
I pointed out that under the most favorable allocation plan that he suggested, there would be no crude rubber available at the end of 1943 for mixture with the new synthetics.

Then summing up his views on the crisis, Eberstadt remarked:

It certainly never has, and does not now, seem logical to me to squeeze the Army and the Navy on rubber, at the same time taking no really effective measure to conserve rubber on the road or to take over tires in stock. . . . the simple measures looking to the solution are not being taken.\(^{17}\)

Finally, in a formal memorandum to Donald Nelson on 7 May 1942, Eberstadt, Patterson, and Forrestal stressed that, in order to preserve rubber "for the essential uses of war production and civilian economy . . . ," national gasoline rationing must be put into effect as soon as possible.\(^{18}\) With such clear expressions of concern, it is hard to understand Nelson's statement after the war that "neither the Army nor the Navy expressed an interest in rubber."\(^{19}\) Nor, with the ANMB's strong accord in the essential role of passenger cars in defense work, is it any easier to understand Nelson's additional remark that,

\(^{17}\)Memo of Eberstadt to Clay, 23 Apr 1942, EP. Also see WPB Minutes, Meeting XIV, 21 Apr 1942, p. 52, for other expressions of concern by Eberstadt.

\(^{18}\)Memo of Eberstadt, Patterson, and Forrestal to Nelson, 7 May 1942, EP.

\(^{19}\)Nelson, *Arsenal of Democracy*, p. 306.
"had I believed what they [the armed services] said, our economy didn't need rubber at all."

Nelson himself agreed with the use of gasoline rationing as a means to force conservation of rubber. In addition, he apparently possessed the necessary power to take immediate action, but he had been afraid to do so out of fear that he would not have the complete support of the President. Moreover, the entire question involved important political and economic interests. The petroleum industry, with large supplies of gasoline in the West and Southwest, strongly opposed the idea of rationing. Agricultural interests, pressing for the manufacture of synthetic rubber from alcohol instead of petroleum, fought rationing with equal vehemence.

The situation became so acute by the summer of 1942 that the President, apparently at the suggestion of Nelson himself, appointed Bernard Baruch to head a committee to

20 Ibid.
21 Nelson, Arsenal of Democracy, pp. 188-189 and 303-305.
22 Ibid., pp. 303-305.
investigate the entire synthetic rubber situation. Reporting on 10 September 1942, the Baruch Committee recommended: 1) the establishment of national gas rationing; 2) the enactment of maximum highway speed limit of 35 miles per hour; 3) the clarification of WPB's authority to provide direction over rubber; 4) the increase of the synthetic production program to a point where it could supply 350,000 tons a year; and 5) the appointment of a Rubber Administrator who, within the general framework of the WPB, would have full authority over all phases of the rubber program. The President, accepting the Report, quickly appointed William M. Jeffers, President of the Union Pacific Railroad, as Rubber Director. As such, Jeffers became the "czar" over rubber and soon established his virtual independence from WPB direction. The rubber crisis represented but one case where Nelson lost power because he failed to use it.

Though unsuccessful in moving Nelson toward quick, vigorous action on the question of automobile tires and


26 CPA, Industrial Mobilization for War, p. 257.
gasoline rationing, the ANMB failure did not prevent it from expressing strong opinions on other military-related components of the national transportation system. In a memorandum of 5 May 1942, Eberstadt warned Nelson that the WPB, because of its lack of clear policy toward limiting unessential civilian travel, was leaving itself open to future charges of negligence in any breakdown of the transportation system. Transportation firms could point the finger of blame on the lack of direction from the WPB, even though "transportation is not itself indulging in the mildest, let alone stringent, measures of conservation of its resources." As an example of the unessential civilian traffic that the WPB should prevent, Eberstadt cited the hauling of 328 railway passenger cars, including a number of private cars, to the Kentucky Derby. To Eberstadt, "the contribution of this traffic to the war effort seems somewhat remote." 

The ANMB also protested the lack of clear WPB directives toward the export of key machinery and raw materials under Lend-Lease agreements. As early as 26 February 1942, the ANMB addressed Nelson on the problem of critical machine tools being shipped abroad and the lack of any overall WPB guiding policy toward those shipments.

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27 Memo of Eberstadt to Nelson, 5 May 1942, EP.
28 Memo of Eberstadt to the Chief of the Tools Branch, WPB, 11 Apr 1942, EP.
Shortly afterwards, Eberstadt presented Nelson with a clear example of the problem.

The Lend-Lease Administration had ordered the shipment of automatic screw machines to the Soviet Union. American manufacturers, however, critically needed these machines for the production of 20-, 37-, and 40-mm ammunition. The Russians, despite being pressed by both the manufacturer of the machines and the Lend-Lease Administration, had been unable to provide any information as to tooling specifications. Finally, the Russians decided that they wanted the machines shipped without any tooling, the tooling to be ordered at a later date. Even under optimum conditions, at least sixty days would be necessary to make the tooling, thus assuring that these scarce machines would stand idle for at least that long if shipped without tools. Eberstadt requested, therefore, that the machines be diverted to American manufacturers who could put them into immediate use, for as Eberstadt concluded: "It would appear that the Russian requirement for these machines cannot be urgent if it is not known what tools are to be used on them."29 Despite Eberstadt's protests, Nelson declined to take any action.

With the help and approval of the WPB Machine Tools Branch, Eberstadt had submitted a plan in late February to control comprehensively all overseas shipments of machine

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29 Memo of Eberstadt to Nelson, 5 Mar 1942, EP.
tools. By early April, no action had been taken on this proposal, since the WPB decided to wait until it could announce its new overall machine tool control program. Eberstadt protested the delay, for he felt foreign shipments could readily be adjusted to the new WPB plan once it became effective. Meanwhile, "the question of overseas shipment of machine tools is pressingly in need of answer." Other exports also caught Eberstadt's attention. In a memorandum of 11 June 1942, he questioned the export of road building equipment to Brazil, pointing out that war programs of greater importance urgently needed the equipment. The next month, he strongly recommended against the export of cattle hides to Britain for use as heavy industrial belting in textile machinery. The export, Eberstadt reminded the Lend-Lease Administration, was proceeding at the same time that the United States faced a critical shortage of heavy sole leather for military outsoles. Thus the export contradicted efforts in the United States toward both conservation and substitution.

30 Memo of Eberstadt to the Chief of the Tools Branch, WPB, 11 Apr 1942, EP.
31 Ibid.
32 Memo of Eberstadt to State Department Liaison Officer, 11 Je 1942, EP.
33 Memo of Eberstadt to the Deputy Administrator, Office of Lend-Lease Administration, 3 Jl 1942, EP; Connery, Navy and Industrial Mobilization, p. 166.
Despite the added official protest by a number of other interested government agencies, including the Leather Section of the WPB and the Bureau of Foreign and Domestic Commerce, the Lend-Lease Administration refused Eberstadt's appeal and continued the shipments.\textsuperscript{34} Throughout the ANMB's protest over the export of critical material, it was not so much the export per se—though this was certainly important—but the lack of firm, decisive leadership by the War Production Board over the many vital components of industrial mobilization that most concerned and upset the ANMB.\textsuperscript{35}

Eberstadt did not limit his concern over machine tools to their export alone. As previously mentioned, his own business interests and his 1941 study for Forrestal had thoroughly acquainted him with the entire machine tool industry. Upon his arrival in Washington, he soon found every ounce of his knowledge vital, for the crisis in both the production and distribution of machine tools presented the ANMB with its first major problem following Pearl Harbor.

Machine tools represent the initial step in any defense mobilization. Not only are they fundamental to

\textsuperscript{34}Memo of Eberstadt to James S. Knowlson, Vice Chairman on Program Determination and Chairman of the Requirements Committee, WPB, 1 Aug 1942, EP.

\textsuperscript{35}Ltr. of Eberstadt to Robert Patterson, 12 Sept 1946, EP; also see Connery, Navy and Industrial Mobilization, pp. 166-167. Connery's chapter on the ANMB provides an excellent summary of the activities of that body. His work has substantially helped this author in the coverage of Eberstadt's activities as ANMB chairman.
the production of major munitions items such as aircraft and ordnance, but they are equally essential for the production of more machine tools. In the previous decade, the economic depression had struck the machine tool industry particularly hard. In 1932, the total value of machine tool production reached only an estimated $22 million. By 1941, this figure had increased to $775 million. The majority of this production, which was almost twice the 1940 figure, came from foreign orders. Even with this rapid increase in production, therefore, the country found itself faced with a critical shortage of machine tools with which to fulfill the tremendous production goals publicly proclaimed by the President on 6 January 1942.

Eberstadt had already begun to attack the problem. Studies of the ANMB in December projected a $2 billion demand for machine tools in 1942. Production figures, however, were not showing the necessary increase to fulfill such a demand. By the end of January, new production of machine tools demonstrated a distressing fluctuation that would fall far short of needs: October 1941, $77.2 million;


37 CPA, *Industrial Mobilization for War*, p. 278; also see ltr. of the President to Sidney Hillman, 5 Jan 1942, file 212, WPB, NA.

38 "Remarks of Ferdinand Eberstadt," 5 Oct 1945, file 033.315, WPB, NA.
November, $74.6; December, $85.1; and January, 1942, $80 (estimated). These figures remained far below the hoped for production of $200 million per month during 1942. 39

To help determine the major problems involved in the expansion of machine tool production, Eberstadt held a meeting in Washington on 17 and 18 December 1941 with representatives of the major machine tool manufacturers. Additional information came from an inspection trip to Detroit on 22 and 23 January 1942 to view first hand the operation of major machine tool shops. Machine tool specialists from both the ANMB and the WPB accompanied Eberstadt on his trip. 40

Eberstadt soon perceived the major problems and quickly moved to sketch their solution. Much of the problem involved the previous experiences of the business itself. Since this was an industry that possessed a history of sharp fluctuations in demand, manufacturers demonstrated a natural caution toward any production or facilities expansion before definite orders had been placed. With the memory of the economic boom of the 1920's and the painful contraction of the 1930's, the industry was particularly fearful of overexpansion.

39 Memo of Eberstadt to Patterson and Forrestal, 30 Jan 1942, EP.
40 Memo of Eberstadt to Patterson and Forrestal, 26 Jan 1942, EP; Connery, Navy and Industrial Mobilization, pp. 167-168.
Much of the production problem surprisingly resulted from a lack of orders, for many munitions firms were delaying their orders for machine tools until they had actually signed specific contracts. Moreover, many manufacturers who held a high priority contract had not bothered to place their orders for tools; instead, they waited until ready to utilize the tool and then used their high priority to grab off tools previously ordered by holders of lower priorities. Machine tool manufacturers, despite the talk of large future demands during the coming year, thus felt they could not undertake expansion until the orders were in their books. In addition, tool manufacturers lacked the necessary capital to expand without firm orders, for under past practices tool manufacturers did not receive full payment until the tools reached their eventual user. With the lengthy lead time between the original placement of an order for a specific tool and the actual operation of that tool for munitions production, it was critical that expansion of tool production begin at the soonest possible moment.

Eberstadt realized that, to a very large degree, increased production must come from existing manufacturing facilities; any substantial plant expansion by machine
tool builders would seriously limit the number of tools available for munitions production. To assure, therefore, that every tool was being used to its fullest capacity, Eberstadt worked to establish information clearance centers in all cities with a large machine tool population. These centers, organized under the Machine Tool Branch of the WPB, would maintain thorough, up-to-date records on all tools within their jurisdiction, including the production in which each tool was involved.

Through his study and discussions, Eberstadt fully realized that, if vigorously pressed, manufacturers could greatly expand their production without any corresponding increase in plant facilities. Among the various means available were three-shift days, seven-day weeks, increased work force, fuller use of sub-contracting in the manufacturing of component parts, and the purchase of used tools wherever available. As an example of what could be done, Eberstadt notified Patterson and Forrestal that one machine tool company had just informed him that it was

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42 Memo of Eberstadt to Patterson and Forrestal, 30 Jan 1942, EP.
43 Ibid.; memo of Eberstadt to Patterson and Forrestal, 24 Jan 1942, EP.
"about to triple its 1941 production without adding a single new or used tool, which indicates what the industry can do if the pressure to perform is put on them."\textsuperscript{45}

The concept of pressure held a vital role in Eberstadt's solution to the shortage of tools. The industry, cautious and somewhat skeptical, had to be pressed quickly with a substantial burden of orders so that it acknowledged the size of the demand and moved to meet it.\textsuperscript{46} Eberstadt strongly believed that the "most effective method of conversion is to load this industry with the maximum possible amount of orders in the minimum time."\textsuperscript{47} In a memorandum to Forrestal and Patterson, Eberstadt wrote:

> I am inclined to think that up to quite recently, the Machine Tool Branch, WPB, has "babied" this industry. It appears to me that the reverse treatment is now in order, and that they should be saddled with a heavy burden and compelled to show greater energy, ingenuity, and resourcefulness than heretofore.\textsuperscript{48}

> A means had to be devised, therefore, for the ordering of machine tools without waiting for the place-

\textsuperscript{45}Ibid.

\textsuperscript{46}Ltr. of Eberstadt to Forrestal, 15 Oct 1945, EP.

\textsuperscript{47}Memo of Eberstadt to Patterson and Forrestal, 26 Jan 1942, EP.

\textsuperscript{48}Memo of Eberstadt to Patterson and Forrestal, 28 Jan 1942, EP.
ment of orders by specific munitions manufacturers. Time simply was not available to move by normal procedures. As Eberstadt bluntly warned: "The issuing of these orders, if we are to accomplish our objectives this year, must proceed at an accelerated rate and without too much regard for the niceties of the situation." 49

Eberstadt found the needed device in the concept of the "pool" order, which had been used earlier on a very small scale by the Army and Navy. Through this concept, commonly used tools would be ordered through a government agency that would hold the tools until future assignment to defense contractors. The concept directly benefited production, for the size of such "pool" orders would convince the manufacturers of the demand for tools, while the standard specifications set by the government agency would make production easier. In addition, the "pool" orders aided distribution, for it gave the government a means to insure the delivery of tools to the most important plants. 50 To help with the necessary financing, Eberstadt arranged with the Defense Plant Corporation to advance thirty percent of the cost of the "pool" orders, thus

49 Ibid.

providing the manufacturers with necessary working capital.\textsuperscript{51}

To help alleviate abuse of priorities, Eberstadt directed that priorities would become inapplicable for the obtaining of machine tools unless the order was placed by 1 April 1942. Contractors with high priorities, now faced with an inability to claim tools ordered by someone of a lower priority, quickly deluged the tool companies with orders.\textsuperscript{52}

Despite the benefits of the "pool" concept, Eberstadt initially found the WPB very hesitant, for it insisted that the placing of tool orders must wait until the armed services had first submitted detailed statements of their requirements. To Eberstadt, the delay seemed inexcusable, for the ANMB, the WPB's own Statistic Division, and the Department of Commerce had all estimated at least a $2 billion need for machine tools in 1942. Since production in 1941 had reached only $775 million, it seemed obvious that production would have to increase close to three times if 1942 needs were to be fulfilled.\textsuperscript{53} Nevertheless, both

\begin{itemize}
\item \textsuperscript{51}Memo of Eberstadt to Patterson and Forrestal, 30 Jan 1942, EP; memo of Eberstadt to Stacy May, 29 Mar 1942, EP.
\item \textsuperscript{52}Memo of Eberstadt to Stacy May, 29 Mar 1942; ltr. of Eberstadt to Miss Alice Collins, Fortune magazine, 25 Jan 1944, EP; ltr. of Eberstadt to Forrestal, 18 Sept 1946, EP; ltr. of Eberstadt to Forrestal, 15 Oct 1945, EP.
\item \textsuperscript{53}Memo of Eberstadt to Patterson and Forrestal, 28 Jan 1942, EP.
\end{itemize}
William H. Harrison, director of the WPB Division of Production, and the WPB Machine Tool Branch insisted that increased production of machine tools should be ordered only after the ANMB furnished the definite requirements of the services.

Eberstadt freely admitted the lack of a concrete statement of requirements, for the ANMB had not yet been able to obtain a reasonably accurate and definite statement from either the Army of Navy. Nevertheless, the greatly increased need for tools, Eberstadt argued, had been abundantly demonstrated by the size of the President's production program that had been announced in early January. To the ANMB chairman, the need for action was clear:

In spite of the fact that we have not been able to furnish requirements, it must be perfectly evident to anyone familiar with the problem that the requirements for 1942 will be greatly in excess of production for 1941, so that while WPB is justified in endeavoring to obtain a precise statement of requirements, there is no justification in holding up a tremendous increase in production pending the receipt of such information.

As the great need for machine tools became increasingly evident, however, the WPB soon accepted the need for "pool" orders, with the result that the War Production Board and

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54 Ltr. of Eberstadt to Forrestal, 15 Oct 1945, EP.
55 Memo of Eberstadt to Patterson and Forrestal, 24 Jan 1942, EP.
56 Ibid.
the Army and Navy Munitions Board closely and successfully cooperated in the operation of this vital program.\(^57\)

Though these measures forced production to capacity, the problem of effective distribution still remained. Previous distribution had used the priorities system, with contractors holding the highest priority having their order filled first. As mentioned earlier, the system had often been abused by the holders of high priorities to gain tools originally ordered by holders of a lower priority. Moreover, manufacturers in the high priority bracket sometimes used their position to overorder tools—in an effort to hoard for future use—and to demand delivery of tools long before their actual need. These practices disrupted distribution and added to the "inflation" of priority ratings; as supplies of tools became inadequate to meet all demands, there was a natural effort by munitions contractors to request and obtain a higher priority rating to aid in their attempts to gather the necessary tools. The OPM, in its General Preference Order E-1-a of 15 January 1942, tried to alleviate much of this problem by setting a quantitative limit on the number of tools that could be ordered through a given priority certificate. The new order, however, having been four months in preparation, was already antiquated; the greatly increased production

\(^{57}\)WPB Minutes, Meeting III, 3 Feb 1942, pp. 6-7.
program promulgated after Pearl Harbor made the order completely inadequate.\(^5^8\)

After studying the problem, Eberstadt and the ANMB Machine Tools Committee devised an allocation plan that would divide the supply of tools among major users. After first strongly resisting the idea, the WPB Machine Tool Branch finally accepted it and placed the program into effect in the form of General Preference Order E-1-b of 30 April 1942.\(^5^9\) In operation, the WPB would roughly divide machine tool production between such basic users as the armed services, Lend-Lease, and the civilian sector. This was accomplished by giving the major claimants a fixed percentage of the quarterly output of the machine tool industry. The ANMB would then divide the military allocation between the services, who would in turn divide their part among their various branches and bureaus. Other claimants would do the same within their own subdivisions.\(^6^0\)


\(^5^9\) Ferdinand Eberstadt, "Notes on . . . Procurement Planning and Purchasing . . . .", 20 JI 1945, EP; letter of Eberstadt to Robert Patterson, 12 Sept 1946, EP.

\(^6^0\) Ibid.; memo of Eberstadt to Knowlson, 9 Aug 1942, file 140.21, WPB, NA.
In actual operation, 75 percent of the industry's capacity went to the military (including the Maritime Commission), while 25 percent was allotted to civilian and foreign needs. In its allocation of the military percentage, the ANMB parceled the tools among the various services in relation to their relative quantitative requirements as represented by orders already placed and on the books of the tool manufacturers. As an example, Army Ordnance would receive 10 percent of the total capacity available for the production of 14-inch engine lathes if its orders for that type equipment represented 10 percent of the total of all similar military orders upon the tool industry. This 10 percent, in turn, had to be spread among the various manufacturing firms handling that type of tool, so that no one service could pre-empt the best facilities available.  

The benefits of the new system quickly demonstrated themselves. Each contracting agency, realizing that it would be held strictly to a specific percentage of capacity, now worked to obtain the most efficient use of its percentage of tools. Moreover, it eliminated competition for machine tools between the Army and Navy or between the services and non-military agencies at the local procurement levels, since each agency was guaranteed a fixed percentage.

61 This example comes from Smith, *Army and Economic Mobilization*, p. 565.
Enforcement came through WPB production men at the machine tool plants who inspected the order boards to be sure that tools were being distributed according to the plan. This guarantee ended the need to overorder or to request early delivery dates. Perhaps most important of all, since each claimant held the assurance of complete control over its share of capacity, flexibility within its own programs increased sharply. 62

The effectiveness of E-1-b proved itself throughout the remainder of the war, for it established the essential administrative procedures to guarantee the most efficient use of available machine tools. Perhaps its benefits were best summarized by someone from within the machine tool industry itself. In a lecture to the Industrial College of the Armed Forces on 26 March 1946, Mr. Ralph Flanders, who had been president of the Jones and Lamson Machine Tool Company and later served as United States Senator from Vermont, stated:

No device is perfect, but no means of bringing order out of chaos was found during the course of World War II which worked as well as this one. In any future emergency we should place our initial reliance on a similar procedure and only modify it if demanded by the situation as a whole. I have an idea that little modification will be found possible or desirable.63


63 As quoted in Smith, Army and Economic Mobilization, p. 566.
Eberstadt considered the E-l-b order one of the major accomplishments of the Army and Navy Munitions Board. Although the actual order and ultimate administration came through the War Production Board, the order had clearly been an ANMB concept. Moreover, it is questionable if the WPB would have adopted the plan without the vigorous advocacy of Eberstadt. At the same time, it is clear that Eberstadt would not wish to claim complete credit, for he considered the ANMB Machine Tool Committee, headed by Captain E.R. Henning (USN) and Colonel Stewart E. Reimel (USA), to be one of the strongest and most effective of the Board. As Eberstadt later wrote Forrestal, "the majority of the credit for this job belongs to them." Even if his own statement is accepted at face value, however, it is obvious that Eberstadt, backed by his incisive intellect, extensive energy, intense dedication and broad knowledge of the machine tool industry, played a critical part in solving the machine tool crisis that faced the nation upon its entry into World War II.

The problem of priorities did not involve the machine tool field alone, for the priorities system provided the basic means for the control of national

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64 Ltr. of Eberstadt to Forrestal, 18 Jl 1944; ltr. of Eberstadt to Patterson, 10 Jl 1948; and letter of Eberstadt to Patterson, 12 Sept 1946; all EP.

65 Ltr. of Eberstadt to Forrestal, 15 Oct 1945, EP.
economic mobilization at the time Eberstadt entered the ANMB. The system, struggling under the burden of the needs of a nation suddenly thrust into war, provided Eberstadt and the ANMB with their second major problem.

The Army and Navy Munitions Board involvement with priorities went back to the late spring of 1940. In anticipation of increased defense spending brought about by the events of the European war, the Assistant Secretaries of War and Navy created the ANMB Priorities Committee on 17 June 1940. Their action was in keeping with the Industrial Mobilization Plan, which expected the ANMB to handle priorities until the central civilian mobilization agency could become organized to take over this duty. Less than two weeks later, Congress passed the National Defense Expediting Act, which allowed, "in the discretion of the President," Army and Navy contracts to take precedence "over all deliveries for private account or for export." Although not ready to act as yet, the President now held the power to order mandatory compliance to any priority system that might be established.

In late May of the same year, President Roosevelt had re-established the Advisory Commission to the Council

66 For details of the development of the priority system see: CPA, Industrial Mobilization for War, Parts I and II; Smith, Army and Economic Mobilization, pp. 505-527; and Connery, Navy and Industrial Mobilization, pp. 76-110.

67 U.S., Statutes at Large, Vol. LIV, Sec. 2(a), 676, 28 Je 1940.
of National Defense (NDAC), an agency originally created by statute during World War I but long dormant. The next month, the President named Donald Nelson to work with the NDAC as Coordinator of National Defense Purchases. Nelson and the ANMB Priorities Committee soon established informal collaboration on the question of priorities—or "preference" ratings as they were known then, since nothing was as yet mandatory and the word "priority" still held a strong negative connotation from World War I, especially to powerful isolationist groups in the country.

Working with the approval and counsel of the NDAC and the Joint Army and Navy Board (the forerunner of the Joint Chiefs of Staff), the ANMB issued its first priorities directive on 12 August 1940. The directive, which was an authoritative document establishing general priority rating classes, created degrees of urgency ranging from A-1 to A-10; a top rating of AA was reserved for emergencies. In November, the ANMB clarified its A-1 rating by dividing it into ten subratings, A-1-a through A-1-j. Since the directive would be applied only to a specific list of primary pieces of military equipment—usually referred to as the Critical List—the NDAC agreed that the ANMB should process the preference ratings. Actual application of these ratings would come through Army and Navy field procurement officers, following the broad structure outlined in the directive.
Through the collaboration of the NDAC and the ANMB, a voluntary priorities system was established with manufacturers. The NDAC, however, desired a clear statement of its authority in the priorities field. With the approval of the President, the NDAC created a Priorities Board on 18 October 1940, with Donald Nelson as Administrator of Priorities. In turn, the President on 21 October delegated his priority power to the NDAC Priorities Board.

With this change, policy direction clearly resided in the new Priorities Board. Although the ANMB would continue to issue ratings for items on the Critical List, no revision of the list could be made without the approval of the Priorities Board. The Board would assign all ratings not on the Critical List and decide any cases of conflict between service orders and those for other government agencies or for foreign accounts.

Further changes were still to come. On 7 January 1941, the President established the Office of Production Management (OPM) and gave all of his priority powers to this new agency. Edward R. Stettinius, Jr., received the position of Director of Priorities on the OPM Priorities Board, a position he held until September 1941, when Donald Nelson replaced him. Since OPM now held all priority power, a working relationship between its Priorities Board and the ANMB Priorities Committee had to be created anew.
At first, OPM moved to keep most of the authority within its own hands. But the OPM soon found itself completely unable to handle the flood of priorities certificates. As the WPB history relates, "even in Washington the volume of paper proved too much for the personnel available." As a result, a new agreement largely similar to the previous NDAC-ANMB relationship emerged in March 1941 between the OPM and the ANMB. The ANMB, through service procurement officers in the field, would assign ratings to orders for items on the Critical List; any changes on the List had to be approved by OPM. OPM continued to issue ratings for items not on the List and to control overall priorities policy. Thus priorities ratings continued to be issued and administered through two separate agencies.

As the year went on, OPM gradually replaced voluntary compliance with a mandatory system. At the same time, the ANMB made efforts to refine its priorities directive. Under the guidance of the Joint Army and Navy Board and with the approval of Stettinius, the new directive of 20 August 1941 generally upgraded direct military needs. For the first time, the directive provided for some limit to the amount of material obtainable within certain ratings. These quantitative provisions were established only on a

68 CPA, Industrial Mobilization for War, p. 173.
very limited scale; to a large degree priorities still remained "open ended," with no limit being placed on the amount for which the authorization could be used. Three months later, as growing military programs led to the tremendous increase of priority certificates needing review, the ANMB decentralized most of the review procedure by turning it over to the various service supply branches. Compliance sections within the supply branches now checked to see that rating certificates issued by the procurement offices in the field followed the guidelines of the ANMB directive.

With the creation of the WPB in January 1942, the question again arose as to whether WPB should keep all the priority power given it by the President or, following the examples evolved by the NDAC and OPM, delegate part of the power to the ANMB. Within the WPB, the realm of priorities came within the responsibilities of James S. Knowlson, Director of Industry Operations. Donald Nelson, apparently convinced by Knowlson that the WPB lacked the organization to assign ratings to both military and non-military contracts, agreed to re-delegate ANMB's previous power over military contracts. Nelson later considered this decision an error.69

The official delegation came in a WPB order of

23 February 1942, which stated that all previous priority action taken by the ANMB was validated and to be continued in effect until terminated either by the specific terms of a priority order itself or by the action of the WPB Director of Industry Operations. In addition:

The Army and Navy Munitions Board shall, with the concurrence of the Director of Industry Operations, by Priorities Directives, establish schedules of preference ratings to be assigned to categories of contracts and orders of the Army and Navy.°

The ANMB priority jurisdiction also included ratings for the Maritime Commission.

The entire priorities structure, having shown definite weaknesses by the fall of 1941, found itself swaying and staggering under the burden of orders that followed American entry into the War. In the early period of mobilization before the war, a priority certificate represented priority in time of production. As mentioned earlier, a district procurement office of one of the services, in letting a contract for a military end product, would assign a rating to that contract. The

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70 Industry Operations, Division Administration Order No. 1, "Prescribing the Priority Functions of the Army and the Navy," 23 Feb 1942, file 723, WPB, NA.

71 By June 1942, priority applications were arriving at the WPB at a rate of 130,000 a week. This figure does not include direct military priorities being processed by the ANMB. During the first six months of that year, over $100 billion in contracts were placed. See Bureau of Budget, U.S. at War, pp. 111-113.
rating, following policy outlines established by the ANMB, showed the contractor the importance in time of production of that contract in relation to other contracts held by the same manufacturer. In other words, "those with priorities went directly to the head of the line, no matter how many others were there ahead of them." This system worked as long as there remained enough materials to go around, so that all contracts were ultimately fulfilled.

Even before Pearl Harbor, certain materials had become increasingly scarce. The flood of military contracts after the Japanese attack aggravated this scarcity to a perilous degree. As a consequence, the priority system developed from an original time order of production into a means for obtaining materials; certificates issued by procurement offices now became the method for obtaining the raw materials and component parts with which to fulfill a contract. Yet the priority structure had not been intended for this purpose, since most priorities remained "open ended"—that is, they allowed the manufacturer to order as much material as needed to fulfill the contract.

The result was a scramble for materials. Holders of

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72 Bureau of Budget, U.S. at War, p. 118.
73 Memo of Eberstadt to Knowlson, 9 Aug 1942, file 140.21, WPB, NA.
74 Millett, Army Service Forces, pp. 201-202.
high priorities often abused them, overordering and hoarding when possible, since manufacturers knew full well that whatever extra materials remained after one contract might be needed for the next. Since the priority system contained no quantitative limit, there existed the definite threat that holders of A-1-a priorities might order so much material that absolutely nothing might be left for A-1-b or lower categories. The switch from relative to absolute importance destroyed the concept of balance, for it made little sense to build 50,000 tanks with an A-1-a rating if the merchant bottoms to ship them overseas had only an A-1-b or lower rating.

With high demand and low supply, priority paper became "inflated"; like a magnet losing its powers, it no longer had the ability to attract material. A natural tendency, therefore, was to increase the "power" of the priority paper by rerating upward, an action increasingly taken by those responsible for assigning priorities, whether they be military procurement offices in the field or civilian personnel in the Priorities Division or industry divisions of the WPB. Using the above example, it would mean rerating merchant ships to A-1-a. Yet this top rating soon became so clogged that there was no guarantee that it could gather the necessary material
from the supplier.\textsuperscript{75} As a civilian executive of the Department of the Navy related:

From my experience with Navy procurement, . . . priorities had reached such a point that the only priority which seemed to be effective was that for the Manhattan Project which overrode and cut across all other materials priorities.\textsuperscript{76}

As a consequence, priorities soon became a "hunting license," a term that quickly appeared in wartime Washington. Some manufacturers hunted better than others, a talent that bore no relationship to the importance of the contract they might hold. Moreover, depending upon such factors as the relationship between the material suppliers and manufacturers, there existed the problem of non-compliance with OPM and WPB priority paper in the period before and shortly after Pearl Harbor. One WPB expert estimated that, in the period immediately following the United States entry into the war, 35 percent of the shipments of fabricated metal products were in response to unrated orders.\textsuperscript{77}

\textsuperscript{75}Memo of Eberstadt to Knowlson, 9 Aug 1942, file 140.21, WPB, NA. A good summary of the problems within the priorities system is contained in Smith, Army and Economic Mobilization, pp. 528-549; and CPA, Industrial Mobilization for War, pp. 454-457.

\textsuperscript{76}Ltr. of W. John Kenney to the author, 14 J1 1970. Mr. Kenney served during the war as assistant chief of the Procurement Legal Division and as chairman of the Navy Price Adjustment Board. In the postwar period, he became Assistant Secretary and later Under Secretary of the Navy.

\textsuperscript{77}Memo of James W. Fesler to the Files, "David Novick's Comments . . . June 6, 1946," 6 Je 1946, Miscellaneous Records, Correspondence of the PARB, file E-H, WPB, NA.
Eberstadt related a conversation he held with Charles E. Wilson, President of General Motors, which demonstrated the "hunting" problem. While discussing Eberstadt's proposal to allocate certain scarce materials—a concept that later became the WPB's vital Controlled Materials Plan—Wilson commented: "I'm not impressed with the plan. You give us the contracts and leave us alone, and we can get them through."

Eberstadt sharply countered: "I fully realize that, and that's one reason why others can't get them through, because you have the position and the prestige, and will have the postwar position and prestige, so that people will give it to you, but they'll give it to you at the sacrifice of other and perhaps more important things."

A simple example demonstrates what could happen when priority paper served only as a "hunting license," with no corresponding guarantee that the "hunt" would be successful. One manufacturer might be given a contract with an A-1-a priority to make 1,500 75-mm guns for M-4 tanks, while another manufacturer receives the same rating to build 1,500 pairs of treads for the same tanks. Perhaps the manufacturer

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78 Wilson of General Motors should not be confused with Charles E. Wilson, President of General Electric, who later served as Executive Vice Chairman of the War Production Board.

79 Interview with Eberstadt, 17 Jul 1969.
of the 75-mm guns, however, is a better hunter of materials. Since he is sure he'll be getting more contracts for 75-mm guns later in the war, he uses his ability to gain enough material for 2500 guns. But because he took this extra material, the manufacturer of the treads--despite holding the same priority--might find only enough material available to make 500 pairs of treads. So out of contracts for 1500 tanks, only 500 combat-ready vehicles might be produced.

Eberstadt began attacking the priorities problem in February 1942. He realized the need for a new directive, for the ANMB still operated under the prewar directive approved by the Joint Army and Navy Board in August 1941. With the events of December 1941, this statement of the relative strategic importance of various military end items quite obviously needed revision. Moreover, Eberstadt expressed concern with the clogging of orders within the upper categories, for many military orders had been uprated by February. In some cases, there had been clear abuses of priorities by the services. Uprating had reached the point where 56 percent of all military procurement resided in the A-1-a rating, while another 12 percent rested in A-1-b.

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As a result, Eberstadt quickly began to push for a new statement of strategic needs from the Joint Army and Navy Board—soon to become the Joint Chiefs of Staff—and a revised priorities directive that would contain simplified designations and a halt to "open-ended" ratings.

In early February, Eberstadt advised Patterson of the definite need for a new statement of the relative strategic importance of the items embraced in the armed service programs. In addition, he wanted to be sure that the priorities administration reflected the relative importance of the "Must" program proclaimed by the President in January. With Eberstadt's urging, Forrestal and Patterson officially requested that the Joint Chiefs of Staff (JCS) promptly issue a new directive to the ANMB.

The Joint Chiefs of Staff turned the problem over to their Joint Planning Committee, who in turn sent it to the Joint Planning Committee.

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82 Memo of Eberstadt to Patterson, 7 Feb 1942, EP.

83 "Let no man say it cannot be done. It must be done--and we have undertaken to do it." Presidential address to Congress on State of the Union, 6 Jan 1942; Civilian Production Administration, The Role of the Office of Civilian Requirements in the Office of Production Management and War Production Board, January 1941 to November 1945, Historical Reports on War Administration, Special Study No. 20 (Washington, D.C., 1946), pp. 123-124. Hereafter cited as CPA, Office of Civilian Requirements.

84 Memo of the ANMB to the CCS (American Section), 21 Feb 1942, CCS 400.17, Records of the JCS, R.G. 218, NA.
JCS Joint Strategic Committee. 85 It was not until 10 April 1942 that the JCS submitted their proposals to the President; in turn, after receiving the acceptance of the President, the JCS forwarded this directive--JCS-30, "Priorities in Production of Munitions Based on Strategic Considerations"--to the ANMB on 6 May 1942. 86

At the same time, the President had taken action to assure WPB's prompt approval of the forthcoming directive. Discussing the military production program for 1942 and 1943 that he had outlined in January, the President warned Nelson in a letter of 1 May 1942:

I am apprehensive that the schedules established at that time, for 1942, . . . are not being met and I am convinced that a more determined effort must be made at once if the requisite objectives are to be accomplished.

The President then moved on to the forthcoming ANMB directive:

I have instructed the Joint Chiefs of Staff to issue the necessary directive to the Army and Navy Munitions Board so that it may revise and submit for your immediate consideration the proposed priorities and allocations of critical materials which will be in accord with the strategical objectives which they have presented and on which this letter is based. I know that your office will assist the


86 Memo of JCS to the ANMB, 6 May 1942, CCS 400.17, NA. See also: ltr. of Patterson, Forrestal, and Eberstadt to Nelson, 20 May 1942, file 212; memo of ANMB, "Distribution of Raw Materials in Accordance with Priorities Directive," 9 J1 1942, file 140; both WPB, NA.
Army and Navy Munitions Board in this revision and in approving the necessary changes without delay.

I realize that certain facilities will be required for the production of basic industrial materials needed for this program. The requisite priorities and allocations of materials to provide for these facilities must be established, of course. Such priorities and allocations should receive the concurrent approval of the Army and Navy Munitions Board. Other facilities necessary in our war effort but not essential to this program must be deferred until their construction can be undertaken without detriment to this program. 87

The President's statement that facilities priorities "should receive the concurrent approval" of the ANMB provided the basis for a very heated controversy between the services and the WPB in the spring and summer of 1942. 88

Having already received the approval of the President and the JCS, the ANMB submitted its new directive for the acceptance of the WPB on 20 May 1942. 89 The new structure consisted of four main ratings: AA-1, AA-2, AA-3, and AA-4; a top rating of AAA was reserved for extreme emergencies. The AA-1 and AA-2 ratings were to be

87 Ltr. of the President to Donald Nelson, 1 May 1942, file 212, WPB, NA.

88 The best treatment of the WPB view of the whole controversy over the new ANMB directive is contained in CPA, Industrial Mobilization for War, pp. 293-302. The viewpoint of the military can be found in Smith, Army and Economic Mobilization, pp. 522-527; Millett, Army Service Forces, pp. 203-207; and Connery, Navy and Industrial Mobilization, pp. 170-172.

89 Ltr. of Patterson, Forrestal, and Eberstadt to Nelson, with enclosed priorities structure, 20 May 1942, with notation "O.K. FDR," file 212, WPB, NA.
used exclusively for the military end items that were considered most essential for immediate military action. Categories AA-3 and AA-4 contained military items basic for future military effort, but less urgent in time than the first two ratings. The structure contained definite quantitative limits on the number of military end items that could receive the use of these priorities. On the last page of the directive was the statement:

No additional ratings may be issued in the foregoing categories, nor will any allocations of materials be made, which are prejudicial to production of the end items or facilities covered thereby, without the concurrence of the Army and Navy Munitions Board.

The WPB reacted sharply against the new directive. This is not to say, however, that the WPB remained unaware of its many improvements. As the official WPB history summarized:

The proposed rerating represented an advance over the existing priority system in that it attempted a more effective concentration of top-ratings on the strategically urgent programs, tried to balance the items within each high rating category, and was selective in its distribution of programs within the high rating categories. Most important was the creation of a priority system related to quantities

90Ibid., memo of ANMB, "Distribution of Raw Materials..." 9 Jul 1942, file 140; memo of Eberstadt to Knowlson, 9 Aug 1942, file 140.21; all in WPB, NA.

91"Priorities in Production of Munitions Based on Strategic Consideration," attached to letter of Patterson, Forrestal, and Eberstadt, 20 May 1942, file 212, WPB, NA.
of items, compared to the existing directive which was merely qualitative.\(^2\)

Additionally, the directive established a definite time limit on the use of the priorities, since the directive would terminate on 31 December 1942; previous priorities ratings held no such time limit on applicability.

Although questioning some specific items and limits within certain categories, the WPB attack on the directive concentrated on its failure to provide for essential civilian requirements anywhere within the AA-1 to AA-4 categories and its statement that no change could be made without the approval of the ANMB. While recognizing some of its potential improvements, both William L. Batt, Chairman of the WPB Requirements Committee, and Robert R. Nathan, officially speaking for the Planning Committee that he chaired, recommended that Nelson refuse to approve the new directive.\(^3\)

On 30 May 1942, Eberstadt met with Nelson and agreed with the WPB chairman that preference ratings should be established both for essential civilian needs and for

\(^2\)CPA, Industrial Mobilization for War, p. 296.

\(^3\)Civilian Production Administration, Minutes of the Planning Committee of the War Production Board, February 20, 1942 to April 1, 1943 (Historical Reports on War Administration, Documentary Publication No. 5, War Production Board; Washington, D.C.: United States Government Printing Office, 1946), Meeting XXXVI, 27 May 1942, pp. 58-59. Hereafter cited as CPA, Planning Committee Minutes; memo of Batt to Nelson, 25 May 1942, file 723; memo of Nathan to Nelson, Planning Committee Recommendation No. 7, Planning Committee Document 92, 28 May 1942, file 141.32, WPB, NA.
certain materials commitments for Lend-Lease.\footnote{Memo of ANMB to USW and USN, "ANMB Priorities Directive," 30 May 1942, as cited in Millet, Army Service Forces, p. 205.} In addition, Nelson discussed the directive with the President and secured his approval of the principle that essential civilian items should be included within the higher ratings.\footnote{CPA, Planning Committee Minutes, Meeting XXXIX, 9 Je 1942, p. 62.} Then, after requesting certain changes in the rerating of the Maritime Commission's shipbuilding program, Nelson accepted the directive, which was issued on 12 June 1942. The directive included its original clause regarding the need for ANMB approval of any proposed change in the structure by the WPB.

The directive received considerable criticism from the WPB during and after the war, and Nelson later stated that his acceptance was a mistake.\footnote{Ltr. of Blackwell Smith to author, 12 May 1970; "Remarks of Donald Nelson," 25 Je 1946, file 033.315, WPB, NA; CPA, Industrial Mobilization for War, pp. 293-302; and Bureau of Budget, U.S. at War, p. 130.} Some discussion of the criticism, as well as the purpose of the directive itself, thus seems in order. As stated previously, some personnel within the WPB feared that if essential civilian requirements did not receive a place within the first two ratings, there might be no material left for the civilian sector after
the completion of the higher rated military programs. Thus they argued that the size and rating of the military program had reached a point where it threatened the basic health of the national economic structure.

On the question of essential requirements for civilians and for Lend-Lease, both the original and final ANMB directive had clearly stated the need for these vital elements, but had declined to provide for them because they remained outside the jurisdiction of the ANMB.\(^7\) As the WPB history objectively pointed out: "It was not quite accurate . . . to take ANMB to task for its neglect of the civilian program, since maintenance of the nonmilitary economy was a WPB responsibility."\(^8\) In addition, the WPB and its Office of Civilian Supply had developed no authoritative statement of essential civilian requirements.\(^9\) Thus it was difficult for the WPB to accuse the military program of threatening the essential civilian foundation, since that agency did not know what level of requirements constituted this foundation. Despite the WPB inability to state specifically the needs of the civilian economy, Eberstadt clearly

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\(^7\) Memo of Eberstadt to Knowlson, 9 Aug 1942, file 140.21; memo of the ANMB, "Distribution of Raw Materials . . . ," 9 JI 1942, file 140; both WPB, NA.

\(^8\) CPA, Industrialization for War, p. 297.

\(^9\) See p. 98; CPA, Office of Civilian Requirements, p. 124.
understood the necessity of these needs, and it should be observed that it was his action that ultimately placed civilian needs within the four military categories.100

Concerning the question of concurrence, many within the WPB viewed the issue as an outright attempt by the military to take control of the national economy, for if the WPB had to seek the approval of the ANMB for any changes within the priority structure, it would mean that control over the entire economy had passed to the ANMB.101 This fear is both logical and understandable, particularly when it is known that the President's letter to Nelson of 1 May—originally inserting the need for concurrence over the question of facilities—was prepared for the President's signature by the War Department.102 Moreover, the ANMB directive of 20 May and 12 June 1942 then extended the need for concurrence to all items rather than facilities alone. Thus the letter and directive would appear to be a cunning attempt by the armed services to displace the WPB as the controlling agency of the American economy.

100See p. 149.

101For a discussion of these possible motives, see memo of V.O. Key to R.W. Zehring and Lyle Craine, "Impressions of Controversy on Interpretation of ANMB Re-rating Directive," 24 Oct 1942, file 141.25, WPB, NA.

102Ltr. of Lt. George M. Elsey, USNR, Office of the Naval Aide, The White House, to James Fesler, chief, PARB, WPB, 1 May 1945, file 212, WPB, NA.
Yet the appearance of a "take over" ignores certain realities and subtleties of the situation. It is too pat; it assumes that a "take over" represented the purpose of the concurrence issue and that the ANMB expected concurrence to be accepted completely. Instead, it seems more likely that the ANMB purpose was to insure that the new military ratings would receive very serious consideration before the WPB attempted any changes that, in the opinion of ANMB, might jeopardize the military program. Through the directive and a series of memoranda to and from the WPB, the ANMB made that agency so aware of the concurrence issue that serious consideration and close discussion were assured, despite the WPB refusal to admit officially the need for ANMB concurrence. The success of the effort can be found in a memorandum of Eberstadt, Forrestal, and Patterson to James S. Knowlson, WPB Vice Chairman on Program Determination. After restating the fact that both the President's letter of 1 May and the ANMB priorities directive approved by the President called for ANMB concurrence, the memorandum concluded:

On the other hand, the action of the War Production Board so far as we have been advised, has been entirely in accordance with the provisions of the President's letter and the above-mentioned Priori-

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103 Memo of J.S. Knowlson to Patterson, Bard, and Eberstadt, 19 Aug 1942, file 141.25; ltr. of Nelson to Batt, Knowlson, Henderson, Weiner, Matthiessen, Jr., 19 Je 1942, file 141.51; WPB, NA.
ties Directive. Under these circumstances, being more interested in substance than form, we are content to let matters continue as they have been since your approval of the Priorities Directive of June 12, 1942. 104

Moreover, it seems unlikely that Eberstadt—who on a number of occasions clearly warned against the dangers of military control over the national economy—would have supported such a "take over," despite his strong sense of advocacy. 105

The philosophy of the new directive must also be remembered. It was specifically intended to be only a temporary measure, for Eberstadt had long comprehended the need to modify substantially the entire priorities structure with a new allocation system for certain scarce material. With extensive offensive operations being planned—the President's decision to invade North Africa came in July—it was felt that "a special and supreme effort could and should be made during the period immediately ahead to meet the critical and urgent demands of military production." 106

The directive, therefore, clearly represented a short-term

104 Memo of Patterson, Forrestal, and Eberstadt to Knowlson, 12 Sept 1942, file 140.21, WPB, NA.


106 Memo of Eberstadt to Knowlson, 9 Aug 1942, file 140.21, WPB, NA.
effort to boost the military program at a critical time and lift it "out of the then existing hopeless priority morass."  

The final settlement of civilian ratings came largely through the efforts of Joseph Weiner, Director of the Office of Civilian Supply, and Eberstadt. Weiner, after first trying to secure the necessary ratings for material through the WPB Requirements Committee, decided that working within the WPB would be a "'waste of time'" and turned to Eberstadt instead; Weiner later stated that he "'had far less trouble with the Services than with WPB." Meeting with Eberstadt in early August, Weiner requested that essential civilian requirements be placed within the top two bands. Eberstadt firmly denied the request, predicting that operations against the European Axis were not far off, and countered with the offer to allow civilian requirements within the AA-3 and AA-4 bands. The two men avoided a possible deadlock, however, when they compromised on a new rating: AA-2x. The new rating, falling between AA-2 and AA-3, would "be reserved for domestic and foreign non-military items of prime urgency--such as,

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107 Ltr. of Eberstadt to Patterson, 10 JI 1948, EP.
108 As quoted in CPA, Office of Civilian Requirements, p. 150.
109 Ibid.
materials for maintenance and repair and operating supplies necessary for plants, facilities and services."\textsuperscript{110} Patterson expressed strong concern over the new rating when it was announced to the War Production Board on 18 August 1942, stating his fear that the AA-2x category might use so much material that the AA-3 military program could not be completed.\textsuperscript{111} The Eberstadt-Weiner agreement, however, remained in effect, and Eberstadt later played a major role in gaining the AA-1 priority for key civilian needs when ratings for the first quarter of 1943 received approval.\textsuperscript{112}

Though generally settled, remnants of the priority question lingered awhile. Nelson, apparently under some criticism within the WPB over his handling of the priority question and unhappy with the way the service procurement officers were performing their duties, suddenly announced to the ANMB on 22 August 1942 that the WPB would immediately take over the function of assigning priority certificates, a function currently performed by contracting and procurement officers of the services.\textsuperscript{113} Nelson had valid reasons for

\textsuperscript{111}WPB Minutes, Meeting XXVIII, 18 Aug 1942, p. 116.
\textsuperscript{112}Requirements Committee Minutes, Meeting LXI, 6 Nov 1942, file 061.05, WPB, NA; CPA, Industrial Mobilization for War, pp. 302 and 337.
\textsuperscript{113}Ltr. of Nelson to Patterson, Forrestal, and Eberstadt, 22 Aug 1942, file 141.32, WPB, NA; CPA, Industrial Mobilization for War, pp. 301-302; and Millett, Army Service Forces, pp. 206-207.
wanting the change, for he pointed out the weakness in a control system "which must often restrict parts of the program for the benefit of the whole" if that system was supervised by field officers "whose primary function is expediting the particular parts of the program entrusted to them." Under the new system, the district offices of the WPB would assign priority ratings after receiving the proposed ratings from the military procurement officers; military personnel would be assigned to these district offices in an advisory capacity. Operation of the new procedure would begin on 7 September 1942.

Nelson's order reopened the wounds of previous WPB-military battles, for his action had been abrupt and unilateral: his announcement came without any warning or consultation with the services. More importantly, the services believed the action represented a WPB "take over," since the procurement function had traditionally been performed by the services and had been specifically left to them by Nelson. If Nelson's new order went into effect, the WPB district offices would cut the vital direct relationship between the contractor and the procurement officer. To the services, the issue at stake was procurement, not priorities.

114 Ltr. of Nelson to Patterson, Forrestal, and Eberstadt, 22 Aug 1942, file 141.32, WPB, NA.
115 WPB Press Release, WPB-1769, 28 Aug 1942, NA.
116 Millett, Army Service Forces, pp. 206-207.
Eberstadt, realizing the potential danger of the situation, promptly began negotiating with WPB officials to effect a compromise. Worried over the limited time available for such a major change, the services proposed that the WPB place its own personnel within the military procurement offices to approve the assignment of priority ratings, rather than putting military officers in the WPB district offices. In this manner, WPB effectively controlled issuance policy, while the services protected the direct relationship between contractor and procurement officer. Nelson accepted the proposal and placed it into effect on 10 September 1942. It continued in effect throughout most of the war.

Having been a major force behind the creation and establishment of the ANMB priorities directive, Eberstadt also checked against any abuses of the directive by the military. In a memorandum of 11 September 1942, James S. Knowlson of the WPB informed Eberstadt of a serious problem that had cropped up within the AA-2 rating. Under the

117 Ltr. of Patterson, Vice Admiral Samuel E. Robinson, Chief of OP&M, and Eberstadt to Nelson, 27 Aug 1942, file 141.3, WPB, NA.

118 Millett, Army Service Forces, p. 207.

119 Memo of J.S. Knowlson to Eberstadt, 11 Sept 1942, EP.
directive of 12 June 1942, a large amount of construction had been authorized within this category. To receive the AA-2 rating, however, "construction [had to be] certified as essential for overseas operation."\textsuperscript{120} Knowlsen pointed out that the armed services were interpreting this rating to include construction within the continental limits of the United States that was "essential to overseas operation." As a result, this domestic construction would compete directly with military production and with overseas construction in the theaters of operation, something never intended.

Eberstadt had already moved to inform Knowlsen of the problem: his memorandum to Knowlsen of 12 September passed the Knowlsen memorandum in the mail.\textsuperscript{121} At a meeting of the ANMB on 4 September, Eberstadt called attention to the problem and ordered that no further construction projects be rated higher than AA-3 unless outside the United States and certified essential for overseas operation. In addition, all presently rated AA-2 construction would be reviewed and judged under the new policy.\textsuperscript{122} He soon followed

\begin{itemize}
  \item \textsuperscript{120}Ibid.
  \item \textsuperscript{121}Memo of Eberstadt to Knowlsen, 12 Sept 1942; also see memo of Eberstadt to Knowlsen, 13 Sept 1942; both EP.
  \item \textsuperscript{122}Ibid.
\end{itemize}
up on this policy by warning Vice Admiral Horne, Vice Chief of Naval Operations, that "most careful consideration should be given . . ." in assigning AA-2 ratings for overseas construction.123

The action represented one of Eberstadt's last as head of the ANMB, for his work—as well as the work of the ANMB—was largely finished.124 His leadership had been a conspicuous success. Despite the very considerable pressure of problems in those early days of war, all items of disagreement between the services were satisfactorily resolved; no appeal was ever made of a Board decision.125 Leonard Replogle, who served as a consultant to the ANMB and had previously assisted Baruch on the War Industries Board as Chief of the Steel Division, often commented that the degree of cooperation between the armed services in World War II was outstanding when compared to that of World War I.126 Though Eberstadt gave full credit for this cooperation to Forrestal and Patterson,127 his own ability

123Memo of Eberstadt to Vice Chief of Naval Operations, 17 Sept 1942, EP.
124For a discussion of the ANMB after Eberstadt's departure, see Connery, Navy and Industrial Mobilization, pp. 173-178.
125Eberstadt, "Notes on . . . Procurement Planning and Purchasing . . .," 20 Jl 1945, EP.
126Ltr. of Eberstadt to Henry J. Taylor, 9 May 1944,EP.
127Ibid.
to explain, persuade, and conciliate played a major role. His efforts had been particularly successful in bringing the Navy into closer cooperation with the ANMB. As one officer attested: "he rallied dissentient groups in the Navy to the side of the Board. He made the Board understood in the Navy by educating its opponents to what the Board was trying to do." 128

Under Eberstadt's energetic and determined leadership, the Army and Navy Munitions Board had materially aided the mobilization of the country in the early days of the war, thus fulfilling its original purpose as outlined in the Industrial Mobilization Plan. Pushing the War Production Board for effective decisions and then actively cooperating with that agency once a decision had been made, the ANMB aided the conversion of industry, originated the successful solution to the machine tool crisis, and fought for a reform of the priorities structure that would effectively provide for the needs of the military production programs.

By late summer of 1942 the War Production Board, at first unsure of its role, organization, and powers, was ready to assume the active direction of war production proposed for the civilian agency in the Industrial Mobilization Plan. As a result, far less need existed for the ANMB.

128 As quoted in Connery, Navy and Industrial Mobilization, p. 173.
For Eberstadt, however, the problem and challenge of constructing an effective material allocation system still remained, for material shortages had reached increasingly critical proportions. The platform for the construction of his plan would be the War Production Board.
CHAPTER VI
THE WAR PRODUCTION BOARD AND THE CONTROL OF MATERIALS

By the fall of 1942, the long festering lack of certain critical materials had burst into a major illness within American industry. As far back as the summer and fall of 1941, demand for certain types and shapes of steel dangerously outstripped supply. The flood of war contracts that followed American entry into the war immensely aggravated the problem, despite the lessening of materials consumption by the consumer industries. Steel, copper, aluminum, rubber, and other materials critical to munitions production became increasingly difficult to obtain. As the War Production Board began to shift its main concern from conversion to production, it became increasingly clear that not only was there not enough material to go around to everyone, but the material that was available was not being distributed with utmost effectiveness. An efficient means, therefore, had to be developed that would channel the flow of materials to industry so as to receive the maximum use from the available supply. Additionally, those within

—Smith, Army and Economic Mobilization, p. 553.
the War Production Board believed that an effective materials control plan could also become the necessary integrating device to control the rate and type of production within almost all of the manufacturing plants of the nation.\(^2\) In short, controlling the flow of materials would mean control over the nation's production.

The problems inherent in developing an operable and effective materials control plan were staggering in their complexity. A passage from the WPB history demonstrates the difficulties:

\[\text{The development}\] required an understanding of the problem of formulating and frequently adjusting long-range and short-range war programs in terms of military, civilian, and foreign end-product objectives. It also required familiarity with the problems of developing detailed procedures for enabling WPB and other agencies to review and make rulings on a tremendous volume of detailed applications from industry. Finally, it required a thorough knowledge of the workings of American industry, including such matters as methods of handling inventories, relations of prime contractors with subcontractors and suppliers, \[\text{and}\] methods used in purchasing materials. Even here generalizations were dangerous, for due attention had to be paid to the variation in operating methods of large and small businesses, single-product companies and multiple-product companies, singly operated plants and plants incorporated in a large combination of plants under common ownership, and end-product manufacturers, parts manufacturers, and materials producers.\(^3\)

\(^2\)For a discussion of the idea of production control through a basic industrial resource such as materials, see CPA, Industrial Mobilization for War, pp. 453-454.

\(^3\)Ibid., p. 479.
Early methods of distribution had been mainly expedient, unintegrated attempts to achieve a semblance of control. Along with the various types of priorities, a rudimentary system of allocations had grown up. The latter method entailed the granting of authorization to a manufacturer to obtain a stated quantity of a specific material. With a multitude of unrelated distribution methods, little effort was made or was possible to hold authorizations within total supply. Not only were priorities—a system never meant to control the flow of materials—being granted by both the WPB and the ANMB, but each industry branch within the WPB administered its respective allocation orders. In effect, the system became similar to a large family where each member had a check book that drew on the central family account, but where the individual members rarely

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4 For background on early attempts to control materials, see: James W. Angell, "Program for Planned Control of the Flow of Scarc Materials," 16 Jl 1942, Committee on the Control of the Flow of Materials (CCFM) Doc. 53, file 092.5, WPB, NA; memo of C.H. Matthiessen, Jr., to Knowlson, 4 May 1942, file 146.01, WPB, NA; Bureau of Budget, U.S. at War, pp. 117-120; John Lord O'Brian and Manly Fleischmann, "The War Production Board Administrative Policies and Procedures," The George Washington Law Review, Dec 1944, pp. 24-37; CPA, Industrial Mobilization for War, pp. 64-68, 171-184, and 453-457; and Drummond Jones, "The Controlled Materials Plan of the War Production Board," Je 1947, pp. 1-7, (typescript draft), WPB, NA. The last source, very valuable for its coverage of the failure of the Production Requirements Plan and the creation of the Controlled Materials Plan, has extensively helped this author in both Chapters VI and VII.
ascertained either the total amount of checks written by other family members or the original balance in the family checking account.

By the spring of 1942, many officials in the War Production Board believed they had found the necessary control device in the Production Requirements Plan (PRP). This plan, which linked preference ratings and allocations within a single mechanism, had its origins in the pre-war Office of Production Management. The announcement of the PRP, which grew out of the earlier Defense Supplies Rating Plan and the Health Supplies Rating Plan, came on 3 December 1941.\(^5\) Implemented on a voluntary basis, it was intended mainly for manufacturers not involved in direct military production. Through the PRP, manufacturers submitted their estimated total requirements for scarce metals for the next three months. In turn, the OPM assigned a preference rating to these quarterly requirements and issued an authorization to obtain specific quantities of material. By the end of February 1942, close to 3000 manufacturers operated under PRP.\(^6\) The number later increased substantially when James

\(^{5}\) OPM Press Release PM-1635, 3 Dec 1941; "The Production Requirements Plan," Aug 1942, file 146; both NA.

\(^{6}\) Ltr. of Nelson to Patterson, 30 Jan 1942, file 631.0143; WPB Press Release WPB-318, 24 Feb 1942; both WPB, NA.
Knowlson, WPB Director for Industry Operations, announced that companies presently covered by a blanket preference rating would be required to switch to PRP during the second quarter of 1942.7

During the spring, support for mandatory implementation of PRP gained strength within the WPB. Not everyone, however, favored the trend. In mid-March, Eberstadt noted with some displeasure the WPB's present "disposition to find the solution of allocations through an expansion in modified form of the PRP Plan."8 At the same time, the Materials Division within the WPB also protested against the move toward PRP. A.I. Henderson, Deputy Director of the Materials Division, submitted a strong objection, saying that the plan would not work for critical materials then under allocation control of the materials branches.9 Voluntary use of the plan, Henderson attested, already showed its ineffectiveness. Henderson's stand received support from most of the materials branch chiefs.

Despite this resistance, Knowlson moved closer to mandatory use of PRP. By the end of April, he was speaking

7WPB Press Release WPB-615, 22 Mar 1942, NA.
8Memo of Eberstadt to W.L. Batt, 21 Mar 1942, file 513.42, WPB, NA.
9Memo of A.I. Henderson to C.H. Matthiessen, Jr., 25 Mar 1942, file 146.1, WPB, NA.
of the PRP as "the basis for meeting the problem of the
distribution of scarce materials."\(^{10}\) With the strong
support of C.H. Matthiessen, Jr., Chief of the Bureau of
Priorities, Knowlson officially recommended to Nelson on
4 May that "we should make the Production Requirements Plan
the pattern of action of the War Production Board."\(^{11}\)
If implemented, it would become on 1 July 1942 the official
and mandatory system for controlling the flow of scarce
materials to American industry.

Donald Nelson, as Chairman of the War Production
Board, found himself facing a serious dilemma. Knowlson
expected that mandatory implementation would bring the
18,000 largest materials users, amounting to 90 percent of
the nation's basic metal fabrication, under PRP control.
Little time existed, however, to establish the effective
administrative machinery for such an extensive undertaking.
To place this system into effect by 1 July would not only
place a tremendous strain on the WPB, but might also be
fatal to the plan itself. Yet to postpone a decision and
to continue the present unintegrated methods for another
three months would prolong and heighten the critical problems

\(^{10}\) Memo of Knowlson to Nelson, 27 Apr 1942, file 140,
WPB, NA.

\(^{11}\) Memo of C.H. Matthiessen, Jr., to Knowlson,
4 May 1942; memo of Knowlson to Nelson, 4 May 1942, with
Matthiessen's memo attached; both file 146.01, WPB, NA.
facing American industry. At the same time, Nelson found himself under increased pressure from the President, since Roosevelt’s letter of 1 May made clear his disappointment and concern over current production accomplishments. In addition, the new ANMB Priorities Directive, whose new categories would somehow have to be meshed with any mandatory PRP operation, also called for a decision.

To depend upon a mandatory PRP, however, might not be the answer, for a disquieting number of protests against the plan had already been lodged. Eberstadt, in his memorandum of 21 March, clearly doubted the plan’s effectiveness and proposed the use of a “warrant” plan instead. Shortly thereafter the Materials Division stated its strong misgivings. By early May, the WPB Office of Civilian Supply had expressed itself in a similar fashion. On 9 May 1942, Sol D. Ozer of OCS bluntly warned:

A thoroughly new approach is required to the problem. If peace be so near three to six months, we can muddle ahead for that long with our present Production Requirements Plan--PRP--and our priority ratings. But if the war is to last

12 Memo of Eberstadt to W.L. Batt, 21 Mar 1942, file 513.42, WPB, NA.
13 Memo of A.I. Henderson to C.H. Matthiessen, Jr., 25 Mar 1942, file 146.1, WPB, NA.
14 CPA, Office of Civilian Requirements, pp. 114-123.
longer we had better make a complete break and make it quickly.\(^{15}\)

To help study the entire problem of materials control, Nelson appointed the Committee on the Control of the Flow of Materials (CCFM) on 6 May 1942 and directed it to submit recommendations "at the earliest possible moment."\(^{16}\)

Robert R. Nathan, chairman of the WPB Planning Committee, headed the new group, with the six other members of the CCFM representing various parts of the WPB. Sometimes meeting twice a day, the CCFM began a hurried and intensive study of the entire control problem.

Even before the CCFM could make its recommendations, Nelson apparently decided that the present unrelated mixture of controls had to be scrapped and PRP implemented in its place. In a letter to Under Secretary of War Patterson on 13 May, Nelson enclosed a copy of the Knowlson-Matthiessen recommendations of 4 May and stated: "After making thorough considerations, we have reached a tentative decision to make the new policy \(\text{PRP}\) recommended in the memoranda effective commencing July 1, 1942."\(^{17}\) The ANMB replied

\(^{15}\)Memo of Sol D. Ozer to J.W. Angell, 9 May 1942; memo of J.W. Angell to CCFM, 19 May 1942, CCFM Doc. 27, with Ozer's attached memo; all file 140.22, WPB, NA.

\(^{16}\)CCFM Minutes, Meeting I, 6 May 1942, file 092.5, WPB, NA.

\(^{17}\)Ltr. of Nelson to Patterson, 13 May 1942, file 146.01, WPB, NA.
in a letter of 20 May, clearly expressing its concern over the possible results of this "'precipitate adoption.'"18
Since no agreement on a control plan presently existed, the ANMB requested that "'no such action . . . be taken without further and more thorough consideration of this matter.'"
In addition, the ANMB urged the creation of a committee to study and draft an effective plan. Nelson had already taken this step with the formation of the CCFM, but the committee contained no direct representative of the military services. Apparently, Nelson wished to limit representation to WPB personnel.

Since March the problem of materials had become a growing concern to Eberstadt and the ANMB. Having both studied the PRP and sketched their own proposal for an effective distribution plan, they were completely familiar with the components of the question. On 28 May, Eberstadt forwarded a memorandum to Forrestal and Patterson covering his views of the WPB plan. These views, he noted, were shared by most of the service representatives with whom he worked. In certain respects, he felt that PRP would be a positive force, for it would produce substantial amounts of additional data on both production needs for raw materials and inventory supplies. The benefits, however, were far outweighed by the fact that PRP provided no specific

18: Ltr. of Patterson, Forrestal, and Eberstadt to Nelson, 20 May 1942, as cited in Millett, Army Service Forces, p. 207.
information on the ultimate use of the products manufactured from the raw materials. Along with this failure, efficient administration of the plan seemed an impossibility. Moreover, Eberstadt seriously doubted whether the plan could insure effective distribution of material to designated military end products. He concluded, therefore, that the planned implementation of 1 July should be postponed and that additional efforts should be made to devise an effective modification or replacement. Patterson and Forrestal, in a brevity reminiscent of President Coolidge, simply forwarded Eberstadt's recommendation to Nelson with the notation, "'We concur.'"\(^1\)

By this time, the CCFM had made its preliminary report. On 26 May, the committee recommended mandatory use of PRP for the distribution of metals, though stressing that their approval was for the third quarter only.\(^2\) Even then, two members qualified their approval with strong reservations; a hurried implementation, they warned, might only aggravate and confuse an already disordered situation.\(^3\)

Despite the doubts of the military services and some

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\(^1\) Memo of Patterson and Forrestal to Nelson, 28 May 1942, as cited in Millett, *Army Service Forces*, p. 208.

\(^2\) Memo of CCFM to Nelson, 26 May 1942, CCFM Doc. 33, file 092.5, WPB, NA.

\(^3\) Memo of Melvin G. de Chazeau to Nelson; memo of L.R. Boulware to Nelson; both 27 May 1942, file 140.21, WPB, NA.
elements of the WPB, Nelson decided in favor of PRP. On 30 May 1942, Knowlson announced, effective as of 1 July, the mandatory use of PRP by nearly all manufacturers using metal quantities for the third quarter worth $5000 or more. WPB expected well over 10,000 companies to work under the plan, including the major munitions producers. 22

As part of the effort to assist the operation of PRP, Nelson announced a reorganization of the War Production Board on 8 July 1942. 23 Stressing that industrial conversion had largely been completed, Nelson announced that the WPB was turning toward its next major task: "we are clearing the decks to make controlling and expediting the flow of materials our central effort." 24 As part of the change, Nelson introduced for the first time the principle of delegating responsibility to vice chairmen: William L. Batt became WPB Vice Chairman and Nelson's chief deputy, while James Knowlson was named Vice Chairman on Program Determination. In this position, Knowlson received the responsibility for developing policies for materials control. In addition, Knowlson replaced Batt as Chairman of the Requirements Committee.

22 WPB Press Release WPB-1253, 30 May 1942, NA.


24 Statement of Nelson to WPB staff, "WPB Clears the Decks for Its Next Job," 8 July 1942, file 027.31, WPB, NA.
This committee had the task of balancing estimated requirements with projected supply.\textsuperscript{25}

Although specific details of PRP's proposed operation are not needed for this study, it is necessary to have some knowledge of the plan's basic structure in order to understand its strengths and weaknesses, as well as its relationship to the Controlled Materials Plan (CMP) later championed by Eberstadt. The PRP itself was largely the creation of David Novick, chief of the WPB Program Controller Branch, working with the assistance of Blackwell Smith and Edwin George.\textsuperscript{26} With this system, every manufacturer operating under PRP was required to submit its estimated requirements and desired preference rating for metals during the coming calendar quarter of operation. These requirements, listed on Form PD-25A and covering various types and shapes of steel, copper, aluminum, and thirty-three other metals and alloys, were sent to the WPB by the middle of the quarter preceding the quarter for which the metals were needed. These individual needs were then compiled, providing a picture of the total requirements of nearly all the nation's industry, and turned over to the Requirements Committee.

\textsuperscript{25}WPB Minutes, Meeting XXIII, 7 J1 1942, pp. 94-95; Jones, "The Controlled Materials Plan," p. 29; WPB Press Release WPB-1494, 8 J1 1942, NA.

\textsuperscript{26} Ltr. of David Novick to the author, 5 May 1970; "Remarks of William L. Batt," PARB, PAS, 4 May 1945, file 033.315, WPB, NA.
The committee then adjusted the total need to the figures of expected total supply for the coming quarter as calculated by the WPB Materials Division. The Requirements Committee, in turn, allocated the available supply of each metal to the various metal-using industries. To aid in this process, metal-using industries had been divided into over 200 groups. After making the group allocations, the Requirements Committee sent the information to the various WPB materials and industry branches, who would decide on the amount to be allocated to individual plants within each industry group.27

Although the term "allocation" was used in PRP, no guarantee of metal delivery came with the WPB process. In actuality, the WPB allocation meant that the WPB would authorize a manufacturer to purchase a specific quantity of metal under the preference rating assigned by the WPB. In general, WPB would attempt to limit its allocations to the expected supply for the coming quarter. After receiving

his authorization and preference rating, however, the manufacturer still had to find his own supplier.\textsuperscript{28}

The PRP only covered metal requirements of industry. Preference ratings continued in use for other materials. Additionally, the PRP did not cover manufacturers who expected to use metal worth less than $5000 in the coming quarter. Moreover, certain other metal users were excluded from PRP, including the construction, petroleum, transportation, public utilities, and mining industries. Since these metal requirements did not show on the tabulation taken from the PD-25A forms, their needs received consideration through existing mechanisms or a special "kitty" established for their use.

For those manufacturers covered by PRP, the PD-25A form played a critical part, since the form provided the basis for the tabulation of total estimated requirements. Without it, the Requirements Committee had no direct means by which to balance estimated supply and demand. It also provided other important data for the WPB, as well as serving as the manufacturer's application blank. On the form, each plant recorded: "1) inventory at the beginning of the preceding quarter; 2) receipts during the quarter; 3) consumption during the quarter; 4) inventory at the end of the quarter; 5) anticipated requirements for the suc-

\textsuperscript{28}CPA, \textit{Industrial Mobilization for War}, pp. 464-465.
ceeding quarter for which he sought priority assistance; and 6) the dollar value of the materials he required. "29

The manufacturer also reported his dollar shipments of individual products in the quarter that preceded the filing of the application, as well as the shipments the manufacturer foresaw for which he needed preference ratings in the succeeding quarter. 30

Since each manufacturer, large or small, prime contractor or subcontractor, submitted his requirements to WPB for approval and materials authorization, PRP presented an example of a "horizontal" method of control: the central agency allocated directly to each firm, regardless of its position within the production chain of an end-item program. In this manner, there theoretically existed a direct distribution and policy link between the WPB and individual manufacturers. 31

The WPB and American industry, directed to travel the path of PRP for the first time during the third quarter, soon found themselves bogged down in an administrative quagmire. The road very quickly demonstrated the disastrous

29 "The Production Requirements Plan," Aug 1942, file 146, WPB, NA.
effects of its hurried survey and construction.\textsuperscript{32} The WPB discovered the way blocked by administrative confusion and jurisdictional battles as to which parts of the WPB were to perform the various sections of the new plan. Too many members, such as the Materials Division, the Requirements Committee, the Bureau of Census (which did the tabulation of PD-25A's), the Bureau of Priorities, and the various industry branches, held critical roles in PRP's efficient administration. In addition, the flood of paper requiring processing nearly drowned the WPB, since the thousands of applications were broken down into a multitude of various types and shapes of metals; all needed careful tabulation, study, and final assignment of a preference rating and purchase authorization. The tremendous inflow of paper,

\textsuperscript{32}The WPB records present a thorough survey of the weaknesses of the Production Requirements Plan. Major discussions can be found in the following material: CCFM Minutes, Meetings I-XXVII, 6 May-16 Jul 1942 and CCFM Documents, both file 092.5; memo of Nathan to Knowlson, 14 Aug 1942, file 140.22; memo of Vergil D. Reed to Nelson, 22 Jul 1942, file 146; memo of Raymond L. Hart to A.I. Henderson, 20 Jul 1942, file 146; memo of Eberstadt to Knowlson, 9 Aug 1942, file 140.21; memo of Joseph Weiner to Knowlson, 24 Jul 1942, file 146.21; memo of Nathan to Nelson, 8 Sep 1942, file 140.22; and WPB Press Release WPB-2091, 1 Nov 1942; all WPB, NA. One of the best summaries of the entire control problem, memo of Nathan to Nelson, 1 Sep 1942, Planning Committee Doc. 159, file 072.1015, is published in CPA, Planning Committee Minutes, pp. 159-162. Other summaries of PRP problems can be found in the following published material: CPA, Industrial Mobilization for War, pp. 465-479; Smith, Army and Economic Mobilization, pp. 560-563; and Fennelly, Memoirs of a Bureaucrat, pp. 44-46.
coupled with the overlap of responsibilities, created great confusion.

The pressure of time added to the confusion, since it led the WPB into operational expedients that were often unreasonable and ineffective. Despite these attempted short-cuts, the optimistic PRP time schedule proposed in May could not be met.\(^\text{33}\) According to the time table, the Requirements Committee was expected to make its allocations to the 200 industry groups by 13 June. Yet in actuality, the committee didn't complete its allocations until 7 July, one week after the start of the third quarter. Moreover, the committee admitted that "the errors and uncertainties of first experience are of such magnitude as to raise grave questions as to the merit of attempting to rest the entire weight of the war production program on so fragile a basis of allocation."\(^\text{34}\) Problems at the processing level were just as grave, since many producers did not receive their purchase authorizations until some time during August. In fact, some third quarter applications still remained to be processed by the beginning of September.\(^\text{35}\)

Another problem concerned the full use of the infor-

\(^{33}\)Memo of Matthiessen, Jr., to Knowlson, 20 May 1942, file 146, WPB, NA.

\(^{34}\)Requirements Committee Minutes, 7 Jul 1942, file 061.05, WPB, NA.

\(^{35}\)Memo of Nathan to Nelson, 1 Sept 1942, Planning Committee Doc. 159, file 027.1015, WPB, NA.
mation gathered through PRP, for "major errors in statistical
techniques made impossible the effective application of basic
policy judgments and technical industrial knowledge."36
Too many mistakes occurred, thus resulting in a lack of
confidence in what the figures disclosed. One major
error shows some of the problems facing the WPB. Firms
that had converted to war production had been classified
within the industry groups according to their first quarter
production—when many had not yet converted to war programs—
rather than on the basis of anticipated third quarter produc-
tion. Thus, many manufacturers found themselves grouped
according to their peacetime production rather than to their
wartime contribution. Policy makers, therefore, had no
other way than individually checking each application to
determine why the office machine industry was requesting
large amounts of material never before used by that industry.

Added to administrative problems was the confusion
within industry, for it found itself faced with new forms
and deadlines. To estimate his requirements, to break them
down into types, sizes, and shapes, and to decide which
preference ratings he wished for which requirements, usually
took a manufacturer from a month to six weeks.37 In addition,

36CPA, Industrial Mobilization for War, p. 468.
37Fennelly, Memoirs of a Bureaucrat, p. 44.
PRP preference ratings needed to be meshed with the new ANMB Priorities Directive, since the original PRP ratings were based on the old system. Eberstadt resolved the problem by creating a new rating of AA-5 for the fourth quarter of metal allocation, with the AA-5 category covering all metals approved under PRP allocation to which ratings lower than AA-4 had been given. Until the creation of the new rating, however, industry was uncertain as to the value of the preference ratings they were requesting.

As the third quarter progressed, it became increasingly clear that the administration of PRP was too big, too complicated, and too centralized for the WPB to operate. The burden of the "horizontal" system of allocation forced the WPB to deal directly with thousands of individual manufacturers. Even the Bureau of Census, drafted to help with the major tabulations, proved incapable of handling the magnitude of paper work. Yet without proper processing, effective policy could not be made. As one member of the Planning Committee remembered, the PRP "demanded so much detailed information which had to be sorted in so many different ways that adequate analysis was impossible." The failure of PRP, however, did not stem from its

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38 CPA, Industrial Mobilization for War, pp. 300 and 470.

39 Ltr. of Thomas C. Blaisdell, Jr., to the author, 22 Dec 1970.
administrative problems, great as they were. The administration could be, and was, improved during the fourth quarter. Failure came because PRP contained inherent weaknesses—major weaknesses that effective administration could do little or nothing to improve. One problem appeared as soon as the tabulations of requirements reached the Requirements Committee: how to cut back intelligently when estimated requirements exceeded expected supply? By mid-August, it was clear that total requirements would go far beyond available supply. Yet, since PRP depended on the manufacturer's own estimate of future needs, there existed no effective means of checking the statements of individual producers. Although PD-25A provided some information, the form would always be two quarters behind, since material consumption submitted to the WPB dealt with the quarter preceding application, while estimated needs covered the quarter following application.

Some manufacturers, knowing the crisis in materials, attempted to insure sufficient materials by overestimating their needs. In some cases, their requests went beyond mere overestimation. As Eberstadt pointedly recalled, they were lying—"lying in a noble cause if you will, and the most noble being their profit, and the second being, of

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course, Uncle Sam's victory." These inflated requirements led one executive on the materials level to recall PRP as a "silly plan . . . whereby a claimant for material would dream up what he would like to have and put in a claim for it." The resultant requests far outstripped available resources: requests for copper totaled almost three times the world's supply!

Not only did PRP result in inflated estimates, it provided no means for paring down the requests in accordance with overall production policy. Since allocations were made on a factory by factory basis, rather than on a program by program basis (merchant shipping, airplanes, and the like), there existed no means of selectively cutting back within certain programs to attain balance within supply and demand; with many manufacturers producing component parts that were destined for many different programs, there was no way of determining which programs might be affected by reduction in materials requests. Yet across-the-board cuts in all requests would indiscriminately affect both military and civilian programs.

The impossibility of selective cuts concerned

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41 Interview with Eberstadt, 17 Jul 1969.
42 Ltr. of Harry O. King to the author, 20 Jan 1971. Mr. King was director of the WPB Copper Division for most of the war.
43 Ibid.
perhaps the worst fault of PRP: there was no way of accurately knowing the ultimate use of the materials allocated. Thus the plan contained no true link between policy and allocation. As an example, when the WPB made an allocation to a manufacturer of gear components, no means existed of knowing what proportion of the manufacturer's production would go into military trucks or tanks and what proportion would be used in civilian buses or tractors. Without the necessary link between materials allocation and end-item programs, there could be no connection between long-term military strategy and the production efforts to support that strategy. Flexibility within and between programs became a near impossibility.

By the fall of 1942, problems with PRP had reached critical proportions. Throughout the summer, the news media reported a growing number of major production facilities that had been forced to shutdown or slowdown for lack of materials. Manufacturers expressed strong concern

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45 New York Times, 11 J1 1942, p. 6; 21 J1 1942, pp. 9 and 25; 24 J1 1942, p. 18; 28 J1 1942, p. 16; 6 Aug 1942, p. 12; and 16 Aug 1942, IV, p. 7. See also memo of Eberstadt to Patterson, 20 J1 1942, EP, which mentions 15 shutdowns, including the Chevrolet truck plant in Flint, and 97 slowdowns because of material shortages.
over the effect of the materials shortages on their production. One WPB regional director, reporting to the Washington office, stated that manufacturers were asking:

In view of the critical shortage of raw materials lately and our inability to feed the machine and the workers the necessary wherewithal to warrant all-out production, there has occurred a drop in the morale in the plants and we feel it is only fair that we be perfectly frank with the men and tell them exactly what to expect. Should we continue to urge all-out production, or should we frankly admit that we are not going to be able to get materials and be guided accordingly? 

In early August, the newly elected president of the United Auto Workers, Walter Reuther, publicly called for a new system of materials allocation. At the same time, Nelson came under substantial Congressional criticism for his overall management of wartime production. 

If PRP was to be jettisoned, as appeared more and more likely, some other system had to replace it, for the nation dared not return to the previous uncoordinated system of multiple controls. Throughout the summer, support had grown for the use of a "vertical" system, as opposed to PRP's "horizontal" control. In a vertical system, WPB would allocate large blocks of materials to the major clai-
mants, such as the military services, Lend-Lease, the agencies responsible for various parts of the civilian sector, and the like. Each claimant, in turn, would divide the material among his prime contractors and—through the prime contractors—subcontractors. In this manner, material would flow downward in the vertical production chain beginning with the WPB and ending with the various subcontractors. With this system, the WPB would make broad allocations only to the major users, rather than allocating horizontally to thousands of manufacturers throughout the production chain. 49

Switching from the PRP to a vertical method, however, would not be easy. Many people within the WPB held almost a religious zeal for PRP and devotedly believed it could work if only given enough time to shake out the normal "bugs" of any new system. Moreover, the question of horizontal versus vertical was often viewed and discussed from within the perspective of the civilian-military split. 50

As one WPB economic specialist recalled: "The media on

49 For more complete discussions of vertical allocation, see: Jones, "The Controlled Materials Plan," pp. 33-34; CPA, Industrial Mobilization for War, pp. 474-484; and Smith, Army and Economic Mobilization, pp. 557-558.

50 Ltr. of Charles J. Hitch to the author, 28 J1 1970. Also see CPA, Industrial Mobilization for War, p. 484; and Fennelly, Memoirs of a Bureaucrat, p. 40. An example of this perspective is found in Bureau of Budget, U.S. at War, p. 281.
every possible occasion attempted to dramatize the conflict between the military and civilian elements in all controversies relating to war production controls, and they certainly made the most of it in the conflict between the champions of CMP [vertical control] and PRP."^{51}

Under horizontal methods, WPB kept control within its hands, allocating directly to all metal users. Under vertical control, the WPB allocated to the various major claimants, including the military services, who would then distribute the material to their contractors as they saw fit. As a result, some WPB personnel feared that "vertical allocation would mean the final WPB abdication and the turning over of control of the economy to the Services. . . ."^{52} Other WPB officials, however, felt that WPB control under PRP was an illusion, since no intelligent foundation existed on which to make allocations.^{53}

From the beginning, Eberstadt and the military services had doubted the effectiveness of PRP. As Eberstadt stated later, the plan "would not get production into balance except by Divine guidance or omniscience."^{54} Others

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^{51} Hitch to the author.

^{52} CPA, *Industrial Mobilization for War*, p. 484.

^{53} Hitch to author.

^{54} "Remarks of Ferdinand Eberstadt," PARB, PAS, 5 Oct 1945, file 033.315, WPB, NA.
within the Army Services of Supply felt the same way. To them a vertical method held far greater promise of effective workability.

Ignoring for the moment the broad benefit of the vertical system in linking policy with allocations, the services strongly supported the system for its maintenance of the direct relationship between the procurement officer and the contractor; no third party, with control over materials, could give separate instructions. Under PRP, a service procurement office awarded a contract and agreed with the manufacturer on delivery schedules, but the manufacturer then had to go to the WPB for the materials with which to complete the contract. Within such a system, the military services feared that there existed too many chances for conflicting instructions, thus furnishing a fertile ground for needless delay and confusion.

Under the vertical method, there would be no third party to break the link between procurement office and contractor. Moreover, the system allowed an individual service far greater flexibility within its own programs. Blocks of material could be switched from one program to another—as from battleships to destroyer escorts—with little difficulty, for the service controlled its own material. With PRP, on the other hand, WPB maintained control over materials

55 Ltr. of General Lucius Clay, USA (Ret.), to the author, 30 Apr 1970.
at all levels; thus, to switch from one end-item program to another would mean the simultaneous negotiation of WPB with perhaps hundreds of individual subcontractors. Basically, the military services wanted control over their own materials once these materials had been awarded to them, since such control assured both program flexibility and the maintenance of the buyer-contractor relationship. 56

Serious efforts favoring a vertical system went back to the first quarter of 1942. Eberstadt presented one of the earliest outlines of the system in a memorandum of 21 March to William L. Batt, who at that time served as the WPB Director of Materials and Chairman of the Requirements Committee. 57 Stressing that the PRP method of allocating materials in advance for ultimate use in an end product represented "a substantial departure from ordinary commercial manufacturing procedure," Eberstadt proposed a "warrant" system instead, with the warrants acting as "checks" to draw on materials supply. Pointing out that in normal business practice, money goes from the manufacturer, who has contracted to deliver a finished item, down a vertical channel to the processor and raw materials supplier in the opposite direction

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57 Memo of Eberstadt to Batt, 21 Mar 1942, file 513.42, WPB, NA.
of the movements of raw materials and goods, Eberstadt suggested:

the control of scarce materials can be more simply and more effectively achieved through a greater similarity to the normal commercial practice. For illustration, let us suppose that at the time a tank contract is entered into, the contract provides for periodic payments to the prime contractors, not simply in the form of money but in the form also of "checks" or "warrants" for the scarce raw materials entering into the end item. These checks or warrants would then pass down against the movement of materials and back to the control source which had issued them.

Although aware that the foregoing was "the merest outlines of procedure," Eberstadt believed the concept deserved serious study. The unenthusiastic reply of C.H. Matthiessen, Jr., one of the major forces behind the mandatory use of PRP, showed however that the proper time for WPB consideration had not yet arrived.\(^{58}\)

Despite the WPB rebuff, Eberstadt and the ANMB continued to push for the use of the warrant plan.\(^{59}\) Within its Commodities Division, the ANMB pursued a thorough study of the subject. Working largely under the direction of Major James Boyd of the Army Services of Supply and Commander John D. Small of the Navy Office of Procurement and Material, the division had completed a full outline of a

\(^{58}\)Memo of Matthiessen, Jr., to Eberstadt, 3 Apr 1942, file 140.22, WPB, NA.

\(^{59}\)Ltr. of Eberstadt to Brig. Gen. Lucius Clay, 2 Apr 1942, file 513.42; memo of A.I. Henderson to W.L. Batt, 5 May 1942, file 140.22; both WPB, NA.
warrant device, called the Commodity Allocation System, by early May. 60

At almost the same moment, Nelson had ordered the creation of the Committee on the Control of the Flow of Materials (CCFM), which held its first meeting on 6 May. 61 Along with its pressing need to recommend for or against PRP implementation for the third quarter, the CCFM began a study of the entire materials control field. As a result, the ANMB warrant plan became the first system to be studied by the CCFM, with Eberstadt, Boyd, and Small presenting the plan to the committee on 8 May. 62 Incorporating the vertical principle of control, the ANMB plan was to be used "only where, and only to the extent, necessary to insure the supply of critical materials to essential producers--in the quantity needed during a time period." 63 Suggesting a third quarter trial period, the advocates of the plan felt it should be used only for especially scarce types of material, such as steel plate, rubber, zinc, copper, and nickel. If successful,

60 Memo of Major James Boyd and Commander John D. Small to the ANMB Executive Committee, 4 May 1942, CCFM Doc. 4, file 092.5, WPB, NA.

61 See p. 164.

62 CCFM Minutes, Meeting III, 8 May 1942, file 092.5, WPB, NA.

63 Memo of Boyd and Small to ANMB Executive Committee, 4 May 1942, CCFM Doc. 4, file 092.5, WPB, NA.
coverage could be expanded later. Although having a number of specific criticisms of the plan, the CCFM expressed interest, and Eberstadt agreed to have the ANMB undertake a detailed study of the means through which the warrant method would control a specific material.

A thorough analysis of the warrant plan came in a report to the CCFM by the staff of the Requirements Committee. The study, submitted on 20 May, compared the ANMB plan to a purposed modified PRP plan. Although both plans contained elements of the other—the modified PRP, while horizontal in principle, would use certain auxiliary vertical methods and vice versa—the staff report clearly favored the warrant method, pointing out these important advantages:

1. It controls the flow of materials at the end-product level; hence, it deals directly with end uses, the only terms in which intelligent policy decisions can be made.

64 For a full discussion of the Commodity Allocation System's proposed operation, see: Ibid.; CCFM Minutes, Meeting III, 8 May 1942, file 092.5; and Jones, "The Controlled Materials Plan," pp. 41-43; all WPB, NA.

65 CCFM Minutes, Meeting III, 8 May 1942, file 092.5, WPB, NA.

66 Memo of Requirements Committee Staff to CCFM, 20 May 1942, CCFM Doc. 28, file 092.5, WPB, NA.
2. It provides directly for the integration of requirements and output at various levels of production by dealing with industry in vertical segments and supplying the lower levels through the end-product manufacturers.

3. For these reasons ... it facilitates short-run allocations of materials in terms of long-run planning of programs.

4. It provides for decentralization of administrative burdens without sacrificing central control of policy.

Moreover, the report stressed, the warrant plan would enlist business self-interest because the prime contractor, who would receive the warrants and then pass them on to his subcontractors and suppliers, would be determined to get as much production as possible out of the warrants allocated to him. As a result, the prime contractor would carefully police his own materials consumption and those of his subcontractors, thus gaining as much production as possible from a given amount of material. Overseeing the prime contractors, the major claimants would be influenced by the same self-interest.

Additionally, the plan would aid in curbing overestimation of requirements. The PRP-modified still depended upon manufacturers' estimates of future need, a figure very difficult to authenticate. In comparison, since the warrant
plan started at the end-product level, the requests for materials to produce a given unit of end product could be compared with the manufacturer's actual consumption of materials per unit for the production of that end product in previous quarters. Moreover, his per unit consumption could be compared to the consumption per unit of manufacturers producing similar end products.67

The report also recognized potential problems in warrant operation, specifically questioning how manufacturers of "off the shelf" items--such as nuts, bolts, rivets, and the like--would receive their allocations and whether the prime contractor could shoulder the burden of preparing accurate "bills of materials," which would list both his own requirements and the needs of all his subcontractors. If these pitfalls could be avoided, the staff concluded that the warrant method of control "would be far superior to the modified Production Requirements Plan in meeting the basic criteria for an effective allocation system."68

The last meeting of the CCFM came on 16 July 1942. Other than its earlier endorsement of PRP's use for the third quarter, the group forwarded no official recommendation to Nelson on the proper control method for future

67Ibid. A fine summary of the benefits is found in CPA, Industrial Mobilization for War, p. 476.
68CCFM Minutes, Meeting XV, 21 May 1942, file 092.5, WPB, NA.
quarters. The committee, however, had demonstrated an increased interest in the warrant method, arranging for its experimental use in three Navy radio contracts. 69

Outside of the CCFM, interest in a vertical method had also been on the rise. Despite Charles E. Wilson's earlier remarks doubting the need for a control system, General Motors submitted a distribution plan to the WPB in early July. 70 Early the next month, the WPB Iron and Steel Branch presented its "Steel Quota Plan" to Nelson. 71 These proposals were soon followed by the "Scheduling Plan" proposed by Ernest Kanzler on 23 August. 72 Kanzler, at that

69 CCFM Minutes, Meeting XXVII and XXVIII, 2 Jl and 16 Jl 1942, file 092.5; WPB Press Release WPB-1770, 28 Aug 1942; both WPB, NA.

70 General Motors Proposals for Control of the Flow of Materials, no date, CCFM Doc. 52. For a discussion of the plan, see CCFM Minutes, Meeting XXVII, 16 Jl 1942; both file 092.5, WPB, NA.

71 Memo of Reese H. Taylor to Nelson, 11 Aug 1942, with attached "Steel Quota Plan," Planning Com. Doc. 152, file 072.1015; "Summary of Steel Budget Plan," no date, file 512.302. A discussion of the plan's benefits is found in memo of Charles Hitch to Batt, 17 Aug 1942, Planning Com. Doc. 154, while criticisms are found in ltr. of Charles E. Wilson, President, General Motors, to Eberstadt, 16 Oct 1942, file 140.23; all WPB, NA. A good published summary is contained in CPA, Industrial Mobilization for War, pp. 480-481.

72 "Scheduling Plan," dated 23 Aug 1942; memo of Boyd to Clay, 16 Sept 1942, gives a full discussion of Kanzler's plan; both file 140.23, WPB, NA.
time the WPB Deputy Chairman on Program Progress, became Director General for Operations in early September. All of these new proposals depended upon a vertical method for materials control.

Within this environment of greater interest in vertical allocation, Eberstadt renewed his March proposal in a memorandum to Knowlson on 9 August.\textsuperscript{73} While much of the discussion concerned the recent ANMB Priorities Directive, Eberstadt also delved into the problem of materials control. Referring to a recent meeting of the War Production Board where Knowlson stressed the need to correlate closely overall production with the strategic directives of the Joint Chiefs of Staff,\textsuperscript{74} Eberstadt suggested that strategy and production could be tied together effectively through a vertical plan using broad allocations of materials. Pointing out the successful allocation of machine tools to major claimants under Order E-1-b,\textsuperscript{75} Eberstadt suggested that, "with the Country\textsuperscript{76} substantially on an all-out war

\begin{quote}
\textsuperscript{73}Memo of Eberstadt to Knowlson, "Priorities in Distribution of Raw Materials," 9 Aug 1942, file 140.21. Eberstadt sent copies to Nelson and Batt.

\textsuperscript{74}WPB Minutes, Meeting XXVI, 28 J1 1942, p. 108.

\textsuperscript{75}See pp. 124-127.

\textsuperscript{76}Throughout his life, whenever referring to the United States, Eberstadt usually capitalized the "c" in the word "country."
\end{quote}
basis, the principle of Order E-1-b can, with beneficial results, now be extended to other fields of important but scarce materials."

Under Eberstadt's proposal, the WPB Requirements Committee would make materials allocations in broad bands on a quarterly basis to such major users as the military services, the basic national economy, and the American allies. In turn, the ANMB would divide the military portion between the various military services, with the individual amounts being proportioned in accordance to JCS strategic directives. Each service would then be responsible for the distribution of its own materials. Allocation through this method would be used only for especially scarce material, such as steel.

In this manner of allocation, the War Production Board would maintain centralized policy control over the allocations to the major users of materials while decentralizing day-to-day administration, for

the actual scheduling and directing of materials, particularly in the military field, would be taken over by those who are responsible for procurement and production, functions which cannot be carried out without control of the flow of materials in accordance with predetermined schedules.

Eberstadt readily acknowledged that the distribution plan would not fit all manufacturing, pointing out that materials for "such items of general use as machine tools, ball bearings, bolts, nuts, screws, washers, and rivets, could
be handled by PRP allocation. . . ." Despite its inability to allocate to all manufacturers, Eberstadt firmly believed that the proposed system would bring these important benefits to materials control: 1) simplification of policy decision and decentralization of administration; 2) control of materials scheduling by those responsible for production and procurement; 3) prevention of abuses of priorities by manufacturers ordering greater amounts than are needed earlier than required, thus obtaining maximum current production from materials presently available and preventing stocking up by one at the expense of others; 4) allowance of greater flexibility for the military services, with the right to shift excess materials from items which are ahead to those that are behind in production; 5) maintenance of production balance; and 6) reduction of interference between various military production programs.

Knowlson, after first drafting a reply to Eberstadt's proposals, finally decided to turn the matter over to Robert R. Nathan, Chairman of the Planning Committee, who answered Eberstadt on 27 August. Nathan showed strong interest in the proposal: "I find your memorandum extremely interesting and provocative. Without question, many of the proposals

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77Memo of Nathan to Eberstadt, 27 Aug 1942, Planning Com. Doc. 156, file 072,1015; memo of Knowlson to Eberstadt, 11 Aug 1942, apparently never sent, file 140.22; memo of Knowlson to Nathan, 18 Aug 1942, file 140.22; all WPB, NA.
you suggest are extremely important and we should move in that direction as quickly as possible." Nathan followed his opening remarks with a discussion of certain prerequisites needed before Eberstadt's plan could be implemented, as well as certain specific criticisms. Nathan suggested that the system be tried first with an end-item program, such as tanks, rather than with a specific material, as proposed by Eberstadt. Nathan closed with the suggestion that greater study be undertaken of the specific operation of the plan.

On the same day as the reply, the Planning Committee, headed by Nathan, assumed the major responsibility for the study of materials control methods. By this time, it had become clear that the WPB would have to make a firm decision--and make it soon--between horizontal or vertical control, for the influx of new plans and the talk of change had become increasingly disruptive within the WPB itself: the agency now not only faced the problem of the control of the flow of materials, but also the control of the flow of plans.

Helping the Planning Committee in its work was Charles J. Hitch, an economist who had previously served on the staff of the U.S. Minister in London, W. Averell Harriman.

78 Nathan to Eberstadt, 27 Aug 1942.
79 Planning Committee Minutes, 27 Aug 1942, p. 86.
In this capacity, Hitch had viewed firsthand the British methods of materials control. Since May, when WPB assigned him to the Planning Committee, he had been studying the materials control problem. Strongly favoring a vertical system, much of the final Planning Committee recommendation would reflect his thinking. 80

The formal report came on 5 September, with the Planning Committee stressing that "if the PRP method is retained, main reliance will have to be placed on independent programming, scheduling and conservation measures," while a vertical method "would integrate allocation with programming and scheduling and encourage conservation."81 As a result, the Committee officially recommended:

1. The War Production Board adopt the vertical method of allocating critical materials to important programs, retaining PRP for certain special purposes.

2. An authoritative group be appointed to work out details and institute this system for materials allocation to certain programs by January 1, 1943.


81 Memo of Nathan to Nelson, 5 Sept 1942, Planning Com. Recommendation No. 17, file 072.1015, WPB, NA, emphasis in the original. This document is reprinted in Planning Committee Minutes, p. 158.
Included as part of the formal recommendation was a lengthy memo from Nathan to Nelson dated 1 September. Incorporating much of the work by Hitch, Nathan comprehensively discussed the weaknesses of the PRP and the advantages of the vertical method. Containing many of the suggestions of the Eberstadt memoranda and the other vertical plans, Nathan outlined a system where the WPB would retain policy control through broad distributions of materials to claimant agencies, who would in turn distribute directly to prime contractors, with the prime contractor then distributing to his subcontractors. Moreover, contrary to those officials that feared vertical control involved a surrender of WPB authority to the services, Nathan pointed out that vertical control "gives the War Production Board, for the first time, a mechanism by which it can implement its policy determination and thereby control procurement activities."

In a covering memorandum of 2 September, Nathan warned Nelson of the strong cleavage within WPB over PRP and vertical plans. This fact, plus the obvious dissatisfaction

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82 Memo of Nathan to Nelson, 1 Sept 1942, Planning Com. Doc. 159, file 072.1015, WPB, NA; reprinted in Planning Committee Minutes, pp. 159-162. Since many of the points covered by Nathan have already been discussed, a full summary of his comments is not given. It is recommended, however, that this memo be read by anyone interested in the factors, problems, and possible solutions in materials control.

83 Planning Committee Minutes, 3 Sept 1942, p. 89.
of the military services with PRP, made it imperative "that WPB must finally adopt one system or the other and that its decision must be made known." If the recommended plan was to be in effect by 1 January, "it is essential that hard work be undertaken at once by a sympathetic group."84 As events soon proved, Eberstadt would be the man to lead that group.

With this recommendation, it seemed clear that the PRP was doomed, for now both the services—which had been bringing ever increasing pressure for the abandonment of the horizontal method—and the influential WPB Planning Committee stood together on the side for vertical allocation. Knowlson received a copy of the Planning Committee recommendations on the same day he was to leave on a Canadian fishing trip. In a memorandum to the WPB chairman, he clearly showed his anger at the undermining effects of the many plans flowing through the WPB:

As the last word before I leave on a vacation, I should like to repeat what I have said before. I have now seen the Kanzler Plan, the Eberstadt Plan, the plan from Civilian Supply, the Ordnance Department Plan for the control of M-4 tank production, the Steel Division Plan, and Mr. Bertrand Fox's Plan; and now I have before me, but have not had time to read, a report of Mr. Nathan's.

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84 Memo of Nathan to Nelson, 2 Sept 1942, file 072.1015, WPB, NA, emphasis in the original.
While it may be true that the pen is mightier than the sword, I think that we have demonstrated in our own organization that the needle is more disruptive than a bomb. 85

Knowlson had previously expressed his strong belief that the PRP should neither be judged on the basis of its third quarter operation nor jettisoned in favor of a vertical method of operation. 86 By this point, however, the tide of thought was clearly flowing against him.

Nathan, after seeing a copy of Knowlson’s remarks, admitted that PRP administration showed definite improvement as it approached the fourth quarter, but stressed heavily that improved administration could not overcome the inherent weaknesses of the plan. While granting Knowlson's contention that the flood of new control proposals created confusion, Nathan pointed out that “the very fact that so many people are concerning themselves with such endeavors is good evidence that present controls are unsatisfactory.” 87

Further discussion, however, was becoming increasingly academic. By this time, Nelson had apparently made his decision to shift to vertical control, for in August he had

85 Memo of Knowlson to Nelson, "Plans," 5 Sept 1942, file 140.22, WPB, NA.

86 Memo of Knowlson, unaddressed, 19 Aug 1942, file 146, signed "Knowlson" in lower left-hand corner; memo of Knowlson to Eberstadt, 26 Aug 1942, file 141, apparently never sent; both WPB, NA.

87 Memo of Nathan to Nelson, 8 Sept 1942, file 140.22, WPB, NA.
asked Eberstadt to join the War Production Board and promised him full power to construct and implement a vertical control method. This was not the first time Nelson had discussed with Eberstadt the possibility of the ANMB chairman joining the WPB. Apparently during June and July, Nelson and Eberstadt negotiated over the possibility. Secretary of the Navy Knox, receiving a letter in early June that mentioned Eberstadt's forthcoming appointment to the WPB, sent Forrestal a hurried memo: "I think you will enjoy reading the attached letter. If I can do anything to help Don Nelson make this move--let me know." By late June, press reports had begun to report the possible appointment. The day before the 8 July reorganization of the WPB, both the Wall Street Journal and the New York Times reported that Eberstadt would be named to a major position in the new WPB organization.

The appointment never occurred, for Eberstadt declined the position--Director General for Operations--offered by

88 "Remarks of Ferdinand Eberstadt," PARB, PAS, 5 Oct 1945, file 033.315, WPB, NA.
89 Memo of Knox to Forrestal, 11 Je 1942, Forrestal Files, "Eberstadt Folder," Record Group 80, General Records of the Department of the Navy.
90 Chicago Journal of Commerce, 25 Je 1942, EP.
Nelson. In this position, he would have been administering the materials policy set by Knowlson. For Eberstadt, administration was not enough. Recalling this discussion with Nelson a number of years after the war, Eberstadt related that the WPB chairman felt that Knowlson needed help—which Eberstadt was to provide—but that Knowlson was to continue to make materials policy. If Knowlson was not adequate in the position, Eberstadt told Nelson,

then you'd better get another boss, but I'm not going up there. I like Jim Knowlson as well as you do, but if you have an adequate boss, you don't need me. And if I'm going up there, I'm going up as the boss and under no other circumstances.93

By August, the situation had changed. What in June had been only a prediction by certain quarters of chaos under PRP had become reality by the middle of the third quarter. Circumstances forced Nelson to renew his invitation, this time offering Eberstadt Knowlson's position as Vice Chairman for Program Determination and Chairman of the Requirements Committee. With the offer, Nelson promised Eberstadt that he would be free to put through a vertical system—soon to become known as the Controlled Materials Plan. In addition to Eberstadt's expected duties in the materials field, Nelson

92 Bureau of Budget, U.S. at War, p. 130.

93 Interview with Eberstadt, 17 J1 1969. Despite their strong differences during the WPB period, Eberstadt and Knowlson became good friends after the war, with Knowlson serving on the Hoover Commission task force for national security headed by Eberstadt.
probably hoped that Eberstadt's appointment would cool the oft recurring WPB-service friction.  

Eberstadt discussed the Nelson offer with Forrestal, Patterson, General Somervell, and Admiral Samuel M. Robinson, Chief of the Navy OP&M. They all urged him to take it. Although at first somewhat reluctant to accept the WPB position, Eberstadt held their opinions in high regard. Clearly, if they asked him to take it, he would accept the new position. In addition, Eberstadt realized that he would now have the authority to put through a vertical plan, a concept that he believed the WPB, with its neglect of his 21 March proposal to Batt, had not properly understood previously. Now the perception of the WPB had cleared. As Eberstadt later wrote Nathan: "I studied carefully, and most definitely concur in, Planning Committee Recommendation No. 17, dated September 1."  

Somewhere in the background, moreover, was Bernard Baruch, apparently urging Eberstadt's appointment to both Nelson and Eberstadt. By mid-September, Eberstadt gave his

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95Interview with Eberstadt, 17 and 18 J1 1969.

96Memo of Eberstadt to Nathan, 28 Sept 1942, file 140.21, WPB, NA.
acceptance to Nelson. In a telegram to Baruch on 19 September, Eberstadt wired: "Personal deal with Don for which you principally responsible closed this morning on satisfactory basis." The War Production Board announced the Eberstadt appointment on 20 September 1942. The responsibility of materials control now rested upon Eberstadt.

Despite the failure of PRP, the plan served as an important transitional device between the old priorities system and the forthcoming Controlled Materials Plan (CMP). Moreover, in its handling of "off the shelf" items, PRP later formed an important part of the CMP.

The plan had not had the good fortune to operate in the kindest environment. In the crises of time and of materials, the PRP went into operation in too much haste

97 Ltr. of Nelson to Eberstadt, 18 Sept 1942, EP, is official letter of Eberstadt's appointment.


99 WPB Press Release WPB-1880, 20 Sept 1942. As part of the reorganization, Knowlson was to spend his time exclusively on the work of the Combined Production and Resources Board. He resigned from the WPB in early January 1943, with Nelson later stating that their disagreement over revocation of ANMB power to assign priorities, rather than the PRP repudiation, led to Knowlson's ultimate resignation. See "Remarks of Donald Nelson," PARB, PAS, 25 Je 1946, file 033.315, WPB, NA.

and confusion; the plan never had the chance to rid itself of its administrative "bugs." Additionally, the proposed production programs of the services were not brought into line with realistic production possibilities until the fall, when a solution to the "feasibility" dispute was found.\textsuperscript{101} In fact, the failure of the PRP helped to point out the relationship between effective materials control and realistic service programs.\textsuperscript{102} Even within an entirely friendly environment, however, the PRP lacked the necessary flexibility to link effectively overall production policy with materials allocation. As a result, PRP became only a transitory rather than final device for the control of materials flow.

One can sympathize with the pressures facing Donald Nelson at the time the WPB chairman decided to place the PRP on a mandatory basis for the 1942 third quarter. The Presidential letter of 1 May, the new ANMB Priorities Directive, and the general pressure from the armed services for greater production made some WPB action mandatory; previous methods simply could not be allowed to continue for another three months. And at that moment, PRP was the only integrated control device with which the WPB had any operating experience. By the time the CCFM recommended third-quarter

\textsuperscript{101}See pp. 257-262.

\textsuperscript{102}Fennelly, Memoirs of a Bureaucrat, p. 48.
operation of the PRP, no other choice existed for Nelson. Nelson's fault lay not in using the PRP, but in failing to foresee the crisis that necessitated its use. By the fall of 1941, both the old priorities system and the flow of scarce materials had showed warning signs of growing danger. Nelson, from his important positions in both SPAB and OPM, certainly must have seen some of those signs. Yet, after becoming WPB chairman, he failed to take any action until May--more than a month after Eberstadt's important proposals to Batt--when Nelson finally created a committee to study plans for an integrated system of materials control. Even then, Nelson did not form the Committee on the Control of the Flow of Materials until a previous committee strongly suggested the need on 4 May. If Nelson had demonstrated the proper foresight by studying the materials problem in late January or early February, critical months would have been saved and one of the major sources of WPB-service conflict would have been removed. Admittedly, the January-February period was one of confusion and uncertainty within the WPB as that agency organized to undertake its task, but when one considers Nelson's earlier mobilization background, such foresight does not seem too much to expect.

103 Memo of the Committee to Appraise the Existing Program to Nelson, 4 May 1942, CCFM Doc. 16, file 092.5, WPB, NA.
For Eberstadt, however, this was not the time to look backward. Much needed to be done if the future was not to witness the continuation and heightening of the materials crisis. Within six weeks, the Controlled Materials Plan would be ready for presentation.
CHAPTER VII
THE CONTROLLED MATERIALS PLAN

Not all elements within the War Production Board were pleased to see Eberstadt join the agency. His strong advocacy of the needs of the military services while serving as Chairman of the Army and Navy Munitions Board made him suspect in some WPB quarters as favoring military domination of the economy in time of war.\(^1\) The feeling existed that he might be a military "Trojan Horse" to open the gates of the WPB for military "conquest."\(^2\) Although many officials within the WPB later changed their original opinions, these early suspicions would ultimately have important consequences for Eberstadt and the WPB.

Whatever their personal feelings of like or dislike, few officials of the WPB failed to be affected by the force


of Eberstadt's personality or the vigor of his administration. John H. Martin, WPB Program Implementation Officer, remembered his previous difficulty in assuring that program decisions would consistently be carried out on the division and branch levels. His problem eased greatly after Eberstadt's arrival in WPB, Martin related, for program orders were now obeyed because "'everybody was afraid to do otherwise.'"3 Martin recalled Eberstadt as being

a strong man, with a mind like a steel trap, who made speedy decisions, and tried to be fair, but was a little intolerant of an opposing viewpoint. When he was right, he was very right, . . . but if he was wrong, he was very, very wrong."

Charles J. Hitch, who worked with Eberstadt on the problem of materials control, remembered "the incisive quality of his mind and his willingness to make hard decisions,"5 sentiments echoed by Thomas C. Blaisdell, Jr., of the Planning Committee.6 Bernard L. Gladieux, who later served as Nelson's chief administrative assistant, stated that despite the concern of some officials over Eberstadt's ultimate loyalty,

3 "Remarks of John H. Martin," PARB, PAS, 7 Je 1945, file 033.315, WPB, NA.

4 Ibid.

5 Ltr. of Charles J. Hitch to the author, 28 Jl 1970.

6 Ltr. of Thomas C. Blaisdell, Jr., to the author, 22 Dec 1970.
on the strictly operating front—organization, use of staff, and the administration of a complex, massive organization—Eberstadt was the best person this agency ever had. Every administrator must have some element of toughness, and although Eberstadt may have had too much, at that time it was required.7

Eberstadt quickly established his normal furious pace both for himself and his staff.8 Time, always a precious commodity to Eberstadt, became even more so as he drove to create an effective materials control plan. Long-time business friends who happened to be passing through Washington had to wait hours simply to say a quick "hello" as Eberstadt rushed through his office between meetings.9

One of the WPB press relations experts, trying to gather the necessary material for the standard biographical sketch that was issued on any new WPB executive, related: "He's so busy that the only chance I have to talk with him is occasionally walking down the hall, and then he does the interviewing."10

The Eberstadt pace is humorously exemplified in a poem entitled "A New Line," penned by Navy Lt.(jg) Alfred D.

7"Remarks of Bernard L. Gladieux," PARB, PAS, 9 Mar 1945, file 033.315, WPB, NA.


9Interview with Ernest C. Brelsford, 3 Je 1971.

Charles who was then working on the Controlled Materials Plan in Eberstadt's office. The poem was written to accompany some fruit and a piece of rope that the office staff had given Miss Julia Castleman, Eberstadt's secretary, when she became ill in late December 1942.

To Julie—a gift
Some twenty feet long,
Joe calls it a rope,
But then, he is wrong.

The Naval men call
The object a "line"
(Rotondo declares
She thinks that is fine!)

Because it can hold
A general's sword,
Miss Rafter may want
To call it a cord.

By Jean P. who has
Her eyes on the altar
The thing might be called
A man-leading halter.

For messengers who
Run 'round on the loose
It might represent
A stout hang-men's noose.

But never by Julie
Who has enough trouble
In catching her boss
Who runs on the double

Through office and hall
On way to a meeting
And rarely has time
For even a greeting!
Now Julie is smart
And knows how to make
A lariat from
This lengthy keep-sake.

Upon her return
We all hope that she
Will use it to lasso
And stop Mr. E.

Even those officials, such as John F. Fennelly, who originally held some prejudice toward the new vice chairman, soon came to respect and appreciate Eberstadt's energy, decisiveness, and ability to organize and use a staff. With his crisp honesty, "you always knew exactly where you stood with Eberstadt." If he felt a staff member was doing his job effectively, Eberstadt left him alone. At the same time, however, he made himself available at any time day or night to discuss problems that had arisen. For those serving under him, Eberstadt's obvious dedication toward his work was infectious, thus creating an environment of purposeful unity.

Upon entering the WPB, Eberstadt immediately set to work on a new plan to replace PRP. On the day after his

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11Lt.(jg) Alfred D. Charles, "A New Line," no date Dec 1942, EP.
12Fennelly was a close friend and assistant of James S. Knowlson.
13Ltr. of John F. Fennelly to the author, 20 Apr 1970.
14Ibid.
official appointment to the WPB, he met with Hiland G.
Batcheller, H.O. King, and Arthur Bunker—respective heads
of the Iron and Steel, the Copper, and the Aluminum and
Magnesium Branches—outlined his ideas for vertical alloca-
tion, and instructed them to present a rough draft of a
workable system by 28 September 1942.\textsuperscript{15} To this original
group, Eberstadt soon added others from his own office, thus
creating a drafting committee that worked closely with him to
develop a final plan.\textsuperscript{16}

Representatives from both the WPB and the procurement
branches of the armed services comprised the committee. The
actual membership varied during the time of the committee's
existence. In Eberstadt's opinion, those members that con-
tributed most to the drafting of the plan were Blackwell
Smith, Ernest Kanzler, J.A. Krug, David Novick, Donald
Davis, Courtney Johnson, Lincoln Gordon, and Bertrand Fox.\textsuperscript{17}
Of those members, all held various positions within the WPB
except for Courtney Johnson, an executive of Studebaker who

\begin{footnotes}
\item[15] Memo of Eberstadt to Nathan, 28 Sept 1942,
file 140.21, WPB, NA.
\item[16] Ltr. of Eberstadt to George W. Auxier, WPB His-
torian, 8 Nov 1946, EP.
\item[17] Ibid.; "Remarks of Ferdinand Eberstadt," PARB, PAS,
5 Oct 1945, file 033.315, WPB, NA.
\end{footnotes}
had been made available to Eberstadt by the Board of Directors of the Automotive Council for War.\(^{18}\)

Although Donald Davis held the position of chairman of the committee, Eberstadt actually served as chairman, using Davis as the "whip" to see that meeting times and draft deadlines were met.\(^{19}\) The drafting group, meeting informally every day for the next month, kept no minutes. Blackwell Smith, acting as secretary, shouldered many of the day-to-day drafting responsibilities.

Eberstadt's choice of Smith is interesting, for it shows that the new vice chairman was not afraid to call on the talents of men who disagreed with him. A strong proponent of the PRP horizontal method of allocation, Smith had warned Eberstadt: "You know I don't favor this and I gather you want me to do it anyhow."

Eberstadt gave a typically brisk reply: "That is correct."\(^{20}\)

The actual mechanics of drafting proved awesome. A clean typed draft of the plan, at first called the Materials Control Plan, was needed each morning. This meant

\(^{18}\)Telegram of George Romney, Automotive Council for War, to Eberstadt, 9 Oct 1942, file 230, WPB, NA. Eberstadt had previously known Johnson at Princeton, where they were classmates.

\(^{19}\)Ltr. of Eberstadt to George Auxier, 18 Dec 1946, EP.

\(^{20}\)Ltr. of Blackwell Smith to the author, 12 May 1970.
that a clean draft had to be printed between the time the committee adjourned in the afternoon with the day's corrections and additions and the time it reconvened the next morning. The committee attempted to have the United States Government Printing Office undertake the work, but that office declined.

Blackwell Smith then arranged with the owner of Pandick Press in New York for that company to run clean page proofs every night between midnight and dawn. Under this arrangement Smith, J.A. Krug, WPB Deputy Director General for Distribution, and I.N.P. Stokes, Krug's legal advisor from the WPB Office of the General Counsel, reviewed each day's revised draft in the evening and turned it over to an Army Air Force plane that stood by to fly the draft to New York. The clean page proofs were then flown back to Washington in time for the morning drafting meeting. Only once did the clean draft fail to arrive on time, a delay caused by bad flying conditions rather than any failure of the printers. Despite this tremendous work by the Pandick Press, when Smith asked for the final bill, the owner declined: "There will be no charge. This is my contribution to the War effort."\(^{21}\)

The drafting committee worked within an environment of tight secrecy, for Eberstadt made it quite clear that he

\(^{21}\)Ibid.
wanted no leaks to the press that might result in harmful speculation over what the plan did or did not contain. "Industry and business are very much concerned about this subject, and incorrect information can cause a great deal of confusion and concern, and may cause considerable damage."22 Only a handful of the early drafts were distributed, with each bearing a number for security reasons. As the final draft took shape, copies could be studied only in the room of the drafting committee, with readers turning in their copies at the door.23

While the task of drafting progressed, Eberstadt had been hard at work with another group, the Committee on a Materials Control Plan (CMCP), which he had established on 30 September 1942.24 With the drafting committee acting as its subcommittee, the CMCP served as a sounding board for the major vertical allocation proposals.25 Chaired by Eberstadt, the CMCP held eight meetings in the three-week period of its existence.26

Representatives from the procurement agencies

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22 Memo of Eberstadt to Donald Davis, 15 Oct 1942, file 140, WPB, NA.
24 CMCP minutes, Meeting I, 30 Sept 1942, file 063.145, WPB, NA.
25 CMCP minutes, Meeting III, 2 Oct 1942, file 063.145, WPB, NA.
26 CMCP minutes, Meetings I-VIII, 30 Sept.-20 Oct 1942, file 063.145, WPB, NA.
and from the WPB parts that would have major roles in the new plan--such as the materials branches and the Office of Civilian Supply--comprised the membership. While periodically reviewing the efforts of the drafting committee, much of the group's work concerned the consideration of the two vertical means of allocation then having the strongest support of industry. The steel industry sponsored the "Steel Budget Plan," while the automotive industry strongly backed its own "Materials Scheduling Plan." The CMCP devoted two of its meetings to allow representatives of the two industries to defend and explain the advantages of their proposals. In addition, views of the various parts of the WPB, of the armed services, and of other civilian agencies received a hearing. Arrangements had also been made for representatives of the Office of the Minister of Production

27 Ltr. of Eberstadt to George Auxier, 18 Dec 1946, EP.

28 This plan was also called the "Steel Quota Plan." Memo of Reese H. Taylor to Nelson, 11 Aug 1942, with attached "Steel Quota Plan," Planning Com. Doc. 152, file 072.1015; "Summary of Steel Budget Plan," undated, file 512.302, WPB, NA. See

29 "Materials Scheduling Plan," undated, file 140.23, WPB, NA. This plan was probably a partial outgrowth from the earlier General Motors proposal for vertical allocation. See pp. 189-190. A full discussion of these two plans is contained in Jones, "The Controlled Materials Plan," pp. 79-92.

30 CMCP minutes, Meeting VI-VII, 8-9 Oct 1942, file 063.145, WPB, NA.
to discuss British methods of allocation. These British representatives moreover kept in close touch with the drafting committee, lending help and criticism where needed.

Meanwhile the drafting committee had been working at a rapid pace to hammer into shape the final plan. By 6 October, Eberstadt could inform the War Production Board that he and the drafting committee had tentatively settled on steel, copper, and aluminum as the control materials, with arrangements provided for extending coverage to other materials at a later date if needed. Twelve days later, a preliminary draft—still known as the "Materials Control Plan"—was presented to the CMCP for review; a further draft—now called the "Controlled Materials Plan"—was dis-

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31 CMCP minutes, Meeting VIII, 20 Oct 1942, file 063.145, WPB, NA. Also see memo of John P. Gregg, United States Secretary, Combined Production and Resources Board, to Eberstadt, 10 Oct 1942, file 140.251, WPB, NA.

32 Memo of A.C.C. Hill, Jr., to Nelson, 26 Oct 1942; memo of Donald Davis to Eberstadt, 17 Oct 1942; both file 140.251, WPB, NA.

33 Memo of Eberstadt to the War Production Board, 6 Oct 1942, file 140.23, WPB, NA. No other materials were ever added to the original group of controlled materials.
On the 27th of that month, Eberstadt met with the War Production Board to summarize the new plan, stressing that

the purpose of the Plan is to improve control by the War Production Board over the flow of materials to essential production, and by this means to assure a balance between supply and demand for the controlled materials which for the present will be carbon and alloy steel, copper, and aluminum; and to assure that materials are available in the quantity and form, and at the time required by approved programs and schedules.35

Many loose ends still needed to be tied together before the scheduled public announcement of the plan on 2 November. As that date neared, Eberstadt distributed drafts of the plan to a steadily expanding circle of officials. In mid-October, Eberstadt had directed that early drafts of the plan be sent to the claimant agencies, as well as key government personnel both within and outside the WPB, with a request for comments.36

34 "Materials Control Plan, Preliminary Draft," galley proof of 17 Oct 1942, file 146.36; and CMCP minutes, Meeting VIII, 20 Oct 1942, file 063,145. Apparently one full-scale draft was ready by 14 Oct 1942. See memo of N.W. Foy, H.O. King, and G.W. Reed to Donald Davis, 16 Oct 1942, file 147.04. All are in WPB, NA.

35 WPB Minutes, Meeting XXXVII, 27 Oct 1942, p. 147.

36 Memo of Eberstadt to Donald Davis, J.A. Krug, and Blackwell Smith, 19 Oct 1942, file 147.06; and memo of Eberstadt to Blackwell Smith, 12 Oct 1942, file 140.24. The draft that was sent was probably the "Materials Control Plan" proof of 17 Oct 1942. Also see the various ltrs. and memos in file 147. All in WPB, NA.
Among those receiving copies was Bernard Baruch. His close advisor, John M. Hancock, studied the draft and submitted a critical summary of the plan to Baruch, stressing what he believed were a number of weaknesses in the proposal. Baruch, who never liked to back a losing cause, discussed the plan with Eberstadt, asking: "Are you absolutely sure that this thing will work?"

Eberstadt strongly reassured his friend. "You can back it. Don't have any hesitation. You just go ahead and back it, because it's going to work." In Eberstadt's opinion, Baruch's final decision to throw his support behind the plan helped greatly to eliminate vestiges of doubt in certain quarters.

On 26 October, Eberstadt sent a letter and a copy of the CMP draft to each claimant agency. The letter stressed that "the success of the Plan is dependent to a very large degree upon the practical success of the Claimant Agencies in carrying their responsibilities as set forth . . . .," that the claimant must be fully aware of these responsibilities, and that each claimant should be ready to submit its

37 Memo of John M. Hancock to Bernard M. Baruch, 22 Oct 1942, file 147, WPB, NA.
38 Interview with Eberstadt, 17 J1 1969.
39 Ibid.
official acceptance of the responsibilities to Eberstadt at 4:00 P.M. on 29 October. These acceptances were received according to the schedule.

On the same day that he outlined the Controlled Materials Plan (CMP) at the meeting of the War Production Board, Eberstadt and Ernest Kanzler, Director General for Operations, presented a draft of the new plan to a cross section of industry, with representatives of twenty-seven companies coming to Washington for the meeting. Those in attendance generally responded very positively to the plan, though a few expressed strong reservations.

While Eberstadt met with the War Production Board and the representatives of industry, drafts of the CMP were being distributed to the chiefs of the various WPB industry branches with the request that comments be made on the plan and submitted by the afternoon of 29 October. While some chiefs complained over the lack of time given for complete

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40 For an example of the letter, see Ltr. of Eberstadt to Robert P. Patterson, 26 Oct 1942, file 147.06, WPB, NA.

41 The official acceptance letters can be found in file 147, WPB, NA.

42 Memo of Donald Davis to Eberstadt, 26 Oct 1942, file 147.04, WPB, NA, gives a list of the representatives.

43 Ltr. of Eberstadt to George Auxier, 8 Nov 1946, EP. Upon first hearing of the new plan, some industry representatives dubbed it "Confusion Made Permanent" and "Christ--More Paper." See "Remarks of Walter Skuce," PARB, PAS, 11 May 1944, file 033.315, WPB, NA.
study, their general response showed a favorable acceptance of the new allocation method.\textsuperscript{44}

Even with the imminent public announcement of CMP, there still remained pockets of support within the WPB for the PRP method, as shown by a strongly-worded memorandum submitted to Donald Nelson by C.M. Schoenlaub, Chief of Production Requirements Branch, and signed by five other members of that branch. This memorandum of 29 October protested that PRP had not been given sufficient time to prove itself and, in the time allowed to it, had done quite well.\textsuperscript{45}

After discussing this protest with Nelson, Eberstadt turned the matter over to Ernest Kanzler, Director General for Operations, recommending that you talk to the writers of this letter and point out to them the importance of getting on the bandwagon and doing everything they can to support the Controlled Materials Plan, emphasizing that this is not a shop of rival plans.\textsuperscript{46}

Kanzler quickly accomplished the task, for on a letter dealing with the original complaint, he wrote "Sold."

\textsuperscript{44}The various letters, all addressed to WPB Director General for Operations Ernest Kanzler, can be found in file 147, WPB, NA.

\textsuperscript{45}Memo of C.M. Schoenlaub and five others to Nelson, 29 Oct 1942, file 147.01, WPB, NA.

\textsuperscript{46}Memo of Eberstadt to Kanzler, 4 Nov 1942. See also memo of Eberstadt to Nelson, 31 Oct 1942. All in file 147.01, WPB, NA.
Under his comment was an arrow leading to the following statement signed by those who had submitted the complaint: "We are all going to do our darndest to put the CMP plan over. Its the plan as far as we are concerned. We agree that PRP is a thing of the past now!" The success of such action was important, for the strong, unified support that WPB gave the CMP played a major role in its success.

The official public announcement of the Controlled Materials Plan came at a 2:00 P.M. press conference on Monday, 2 November 1942, only six weeks after Eberstadt had joined the War Production Board. Donald Nelson provided the introductory remarks, Eberstadt conducted a full explanation of the new plan, and both officials fielded questions from the press.

In his remarks Nelson emphasized that the plan would assure that production schedules were adjusted within the material supply so that production requirements would be met. This accomplishment would come through 1) adjusting require-
ments for critical materials to supply and 2) making the quantity and type of materials needed available at the time required to meet approved programs.\textsuperscript{49} Declaring that the new plan was far better than anything previously used by the WPB, he added:

I can truthfully say to you that I doubt whether a combination of brains could have been gotten together on any one job any better than the group of brains that went into the making of this particular plan from all segments of our economy.

The announced schedule for the CMP called for its first application in a transitional second quarter, when both the CMP and PRP would be used, and its sole and full employment beginning on 1 July 1943 with the start of the third quarter.\textsuperscript{50} The structure of the timetable demonstrates that the example of hurried implementation that so greatly hindered PRP had been noticed and committed to memory, for the proposed schedule contained adequate opportunity for adjustments before operation: "the program allowed two full months before the first movement of the procedural machinery, five full months before the start of the first operating calendar quarter, and eight full months before the war economy would be completely committed to the new system."\textsuperscript{51}

\textsuperscript{49}Ibid.

\textsuperscript{50}WPB, Controlled Materials Plan, 2 Nov 1942, p. 18, file 147, WPB, NA.

\textsuperscript{51}Novick, Wartime Production Controls, p. 163.
The difference when compared to PRP, whose mandatory use was announced only a month before its full operation, is obvious.

This is not to say, however, that Eberstadt and the WPB could relax now that the CMP had been announced. The CMP as proclaimed on 2 November existed in a type of vacuum, for none of the necessary forms, regulations, or procedures had yet been created to put the plan into effect. Moreover, much of the structure of the WPB would have to be torn down and built anew in order to make the agency's organization complement the new plan, something that had not been done with PRP. The next few months saw intense activity to accomplish these vital tasks.

A major part of this restructuring came with the announcement of the Office of the Program Vice Chairman on 11 November. The order incorporated many of the ideas that Eberstadt believed to be necessary for the effective operation of CMP and grew out of objectives that he had set when he left the ANMB.

When Eberstadt first entered the WPB, he came with the intention of 1) placing certain critical materials on a "straight allocation plus scheduling" basis, 2) combining the powers and staff of the Director General for Operations with those of the Program Vice Chairman, 3) increasing the

authority and status of the industry branches so that they could shoulder the burden that he envisioned for them under his new plan, and 4) consolidating the operating staff of the WPB and the ANMB in accordance with the 25 July agreement that Eberstadt had previously helped to arrange. Eberstadt had specifically cleared the latter two objectives with Nelson before he accepted the WPB position.

The WPB reorganization of November came from these objectives of the preceding September. With this order, the WPB placed the Director General for Operations within the Office of the Program Vice Chairman. This meant that the Director General for Operations, previously on a somewhat independent and parallel level to the Program Vice Chairman, was placed under the jurisdiction of the Program Vice Chairman; Eberstadt now possessed the authority for both the decision-making and the operational process in the control of materials. In this manner, Eberstadt's powers extended over industry branches, field operations, and the

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53 Memo of Eberstadt to Ernest Kanzler, Director General for Operations, 20 Sept 1942, "Eberstadt Folder," Forrestal Files, Record Group 80, General Records of the Department of the Navy; and memo of Nelson, Patterson, and Eberstadt to all Officers and Employees, ANMB and WPB, 28 Jul 1942, file 723, WPB, NA. For further information on the consolidation of the WPB and ANMB operating staffs, see Connery, Navy and Industrial Mobilization, pp. 174-178.

54 "Remarks of Ferdinand Eberstadt," PARB, PAS, 5 Oct 1945, file 033.315, WPB, NA.
important staff bureaus for program, facilities, distribution, and resources.

The order of 11 November listed the primary functions of the Program Vice Chairman:

1. Augment the supply of critical resources required for the production of munitions and essential civilian goods;

2. Eliminate less essential uses of critical resources;

3. Determine and record the presently available and the anticipated supply of critical resources;

4. Gather data as to requirements for critical resources and consolidate and record such data;

5. Adjust requirements to available and anticipated supplies of critical resources and apportion the supplies to requirements in accordance with their relative urgencies;

6. Control the distribution of resources to the apportionments made in accordance with paragraph 5 above;

7. Assure best utilization of existing productive capacity and facilities and confinement of new construction to the essential minimum; and

8. Perform such other duties as the Chairman may assign from time to time.55

55WPB, General Administrative Order 2-65, 11 Nov 1942, WPB, NA.
With the promulgation of this new order, Eberstadt had become the second most important man in the War Production Board.

Under the reorganization the industry branches received added duties, in addition to their promotion to divisional status. In Eberstadt's new allocation plan, these industry divisions would perform many of the fundamental, day-to-day tasks in regard to program, distribution, and resources. These duties Eberstadt outlined in a memorandum on the same day as the reorganization order:

1. **As to program**: Compile estimates of supply and demand for the output of the industry and propose the most advantageous reconciliation thereof.

2. **As to distribution**: Assume production and distribution of the output of the industry in accordance with Program determinations and directives received through the Distribution Bureau, authorizing the purchase of materials and products by applicants in accordance therewith.

3. **As to resources**: Expand supply, curtail less essential consumption, and assure optimum utilization of the resources of the industry as necessary to meet essential war demands.  

To ease the burden of the Director General for

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56 Memo of Eberstadt, "Organization of Typical Industry Division," and attached chart, 11 Nov 1942, file 050.10207, WPB, NA.
Operations in his administration of these units, the various industry divisions were organized into the following five bureaus: Commodities Bureau, Minerals Bureau, Construction and Utilities Bureau, Consumers Goods Bureau, and Equipment Bureau. Left outside these bureaus were the Steel Division, the Copper Division, and the Aluminum and Magnesium Division, together known as the Controlled Materials Divisions and representing the key divisions within the forthcoming operation of the plan. The vital nature of the part to be played by the industry divisions can be seen in a study of the CMP itself.\(^57\)

\(^{57}\)There is a vast amount of material in the WPB records covering various aspects of the CMP. The official WPB publications discussing the plan are: Controlled Materials Plan, 2 Nov 1942, file 147; Outline of the Controlled Materials Plan, 15 Nov 1942, file 147.36; Questions and Answers Regarding Operation Under the Controlled Materials Plan, 10 Dec 1942, file 147.04; and Controlled Materials Plan, General Instructions on Bills of Materials, 14 Nov 1942, file 063.133. Another excellent source for both the plan and its background is Jones, "The Controlled Materials Plan." Further summaries of the plan can be found in the following: Official text of press conference, 2 Nov 1942, file 147.04; WPB Press Release WPB-2084, 2 Nov 1942, file 147.04; WPB Press Release WPB-9136, 1 Oct 1945; speech by J.A. Krug, Program Vice Chairman, before Joint Meeting of Engineering Societies, 9 March 1943, file 147.01; W.C. Skuce "Outline of the Controlled Materials Plan," no date /Dec 1942\(^7\), file 147; speech by Charles J. Hitch, WPB Planning Committee, before the National Industrial Council, New York, 1 Dec 1942, file 147; and speech by Eberstadt before the National Association of Manufacturers, New York, 2 Dec 1942, EP. All in WPB, NA, except for last item. A fine compilation of items written about materials control, including PRP and CMP, is found in "Select Bibliography of United States Priority Controls Instituted during World War II," no date /1945\(^7\), file 141, WPB, NA. Very helpful sources of published information on the CMP are: CPA, Industrial Mobilization for War, pp. 485-501 and 663-682; Bureau of Budget, U.S. at War, pp. 304-312; Novick, Wartime Production Controls, Chapter VIII; and Smith, Army and
The Controlled Materials Plan rested on the assumption that certain critical materials could act as control keys or proxies to all war production: if a balance could be achieved within both the supply and demand and the timed distribution of these materials, all materials and production would be brought into balance. The Controlled Materials Plan used copper, aluminum, and steel as its controlling materials because of their respective essential use in ammunition, aircraft, and heavy items—such as tanks, ships, and industrial equipment. Thus the control of these critical materials would provide the necessary key to the control of all production and would bring the industrial output into line with strategic needs. As pointed out by Charles J. Hitch:

The title of the Plan is misleading. Unlike earlier attempts to control materials, like the preference rating system and the Production Requirements Plan, the Controlled Materials Plan attempts to do much more than merely control materials. It is the basic mechanism for integrating strategy, production, and the flow of materials. It is the basic device for regulating the economy of America at war.58

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58 Speech by Charles J. Hitch, WPB Planning Committee, before the National Industrial Council, New York, 1 Dec 1942, file 147, WPB, NA.
Under the Controlled Materials Plan, materials requests climbed a vertical chain to the WPB Requirements Committee, whose materials allotment then descended the same chain back to the manufacturers placing the requests.\(^\text{59}\)

The climb began at the subcontractor level, where the manufacturer of a component of a fabricated end item—exemplified by the producer of a 75-mm gun for use in an M-4 tank—compiled a "Bill of Materials," which contained both a listing of all materials he needed to produce a given unit and a statement of when these materials were needed to carry out production. The bill of materials would then ascend the chain to the prime contractor who produced the tanks. From all of the bills of materials submitted by his subcontractors, the prime contractor compiled a bill of materials for his tank program that included both his own material needs for the parts he manufactured and the total material needs of all of his subcontractors, including a schedule of when the material needed to be ready for use.

The program bill of materials would then proceed upward to the claimant agency that had ordered the program, in this example the War Department. At the same time the War Department would be receiving similar bills of materials from its other programs, such as jeeps, ammunition, antiaircraft

\(^{59}\)A succinct summary of this action is given by Novick, Wartime Production Controls, pp. 167-168. For a visual summary, see Appendices A and B of this paper.
guns, and the like. Each claimant agency, on the basis of the bills of materials of its prime contractors, in turn submitted its estimates for controlled-material needs in terms of both total and program requirements to the Controlled Materials Divisions (steel, copper, and aluminum). Copies would also be sent to the Office of Program Vice Chairman. Requests for non-controlled materials were similarly submitted to the other industry divisions dealing with each respective material, such as the paper, chemical, leather, or tin divisions.

The estimates going to the controlled materials divisions were stated in terms of monthly needs for each controlled material for the next year and in a lump sum for the first six months of the following year, thus giving projected needs for the coming 18 months at all times. The claimant agency had calculated and adjusted its requirements to its planned production schedules, thereby incorporating such factors as lead time. In addition the claimant agencies submitted their tonnage needs in relation to the specific forms and shapes of the metals as listed on the CMP Materials List, rather than simply requesting so many tons of a bulk metal. Each claimant also classified its needs for controlled materials in terms of the following categories: 1) production programs; 2) construction and facilities, which included industrial machinery and equipment; and 3) industrial maintenance, repair, and operating supplies, usually
referred to as "MRO." Submission of each claimant's requests took place by the first day of the first month of the quarter preceding the quarter for which the materials were requested, which meant that materials to be used during the third quarter that commenced on 1 July had to be requested by 1 April.

At the time of CMP's announcement, the plan listed seven agencies as claimants: War Department; Navy Department; Maritime Commission; Aircraft Scheduling Unit, which acted as the agent for the aircraft needs of both the Army and the Navy; Office of Lend-Lease Administration; Board of Economic Warfare; and Office of Civilian Supply. In the period immediately after CMP's announcement, a number of agencies expressed their desire to become claimants for their own needs, rather than have the Office of Civilian Supply act for them. As a result the following additional agencies received claimant status in January before the CMP began operation: National Housing Agency, Office of Rubber Director, Office of Defense Transportation, Petroleum Administrator for War, Food Administrator, and Facilities Bureau of the WPB.  

60 WPB Press Release WPB-2330, 8 Jan 1943. The Office of War Utilities Director was later added to this group. For examples of the desire for claimant status by these agencies, see the following letters to Eberstadt: Harold Ickes, Petroleum Coordinator for War, 10 Nov 1942; Joseph Eastman, Director, Office of Defense Transportation, 13 Nov 1942; and W.M. Jeffers, Rubber Director, 19 Nov 1942; all file 147.19, WPB, NA.
The controlled materials divisions, working with the assigned representatives of each claimant, compared the figures for expected supply and demand for a controlled material and checked the accuracy of the claimant agency's figures in translating the needs of end-product programs, as for tanks, into stated tonnages of controlled materials. As much as possible, the representatives of these divisions and the claimants worked to achieve a preliminary harmony between requests and resources, thereby accomplishing much of the needed supply-demand balance at this level of the chain. Non-controlled materials divisions worked in a similar fashion. Then with the help of the statistical section of the WPB Program Bureau, the controlled materials divisions submitted to the Requirements Committee the total quantities of controlled materials as requested by each claimant, the total anticipated supply of each controlled material, and the divisions' recommendations for bringing supply and demand within balance. The controlled materials divisions sent the information and recommendations to the Requirements Committee by the 15th of the first month of the quarter preceding the quarter to be covered by the controlled materials allotment, which meant 15 April for the third quarter.

The Requirements Committee represented the last link in the vertical chain. Eberstadt, as chairman of the committee, held the final policy authority as to the amount
of material each claimant received, thereby assuring that
the allotment would be in line with expected supply.
Except for the theoretical right of appeal to the WPB
chairman, Eberstadt's decisions were final.

As previously mentioned, Eberstadt depended on the
industry divisions to accomplish much of the early supply-
demand balance. Additional help came from the Program
Adjustment Committee (PAC), which acted as a subcommittee
to the Requirements Committee. Headed by the deputy chair-
man of the Requirements Committee and composed of the
deputy directors of each of the claimants, the PAC actually
made most of the final decisions on cutting up the materials
"pie," though these decisions did not become official until
approved and announced by the head of the Requirements
Committee. The PAC met in almost continuous session, with
its director, John F. Fennelly, keeping Eberstadt fully
informed of the proceedings at all times. In general
practice, the PAC found that carbon steel represented the
common element within all programs; once this material was
brought into balance the other materials usually fell into
place. Through the decentralization of most of the pre-
liminary work to the industry divisions and the PAC—a con-
cept Eberstadt had first proposed the previous March^61—the

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61 Memo of Eberstadt to William L. Batt, Chairman, Requirements Committee, 21 Mar 1942, file 513.42, WPB, NA.
Requirements Committee freed itself for the consideration of major policy decisions rather than becoming trapped in a morass of statistical and operational detail.

The Requirements Committee met once a month, with its policy allotments of controlled materials coming on the first day of the second month of the quarter preceding the quarter in which the materials were to be used, which meant 1 May for use in the third quarter. The directors of each claimant agency sat on the committee. Although much of the reconciliation between demand and supply had already been achieved, difficult policy decisions still remained to be made, with the result that "each claimant agency [was] the ardent proponent of its own needs for materials and the equally enthusiastic critic of the needs of the others."^62

Disputes between two military claimants over how much material they should receive were referred to the Joint Chiefs of Staff for settlement, since otherwise the Requirements Committee would find itself involved in issues of strategy if it tried to decide which service deserved the most material. Instead, Eberstadt would simply tell the JCS how much material was available for military use, with the JCS then dividing the material between the unreconciled military claims. In disputes between civilian and military claimants, such as how much steel would be allotted

^62 Speech by Eberstadt to the National Association of Manufacturers, New York, 2 Dec 1942, EP.
to railroad equipment for the Office of Defense Transportation and how much to landing craft for the Navy Department, Eberstadt made the final decision, though each claimant had the right to appeal to Nelson if they wished. In this example, if the Navy felt that it had not received enough steel for its landing craft program and that Nelson would not support an appeal, it could shift the material away from a less vital program, such as battleships, to make up the difference. Since CMP worked on a program basis rather than factory basis, such shifting and revision within programs was quite easy.

The actual quarterly allotment of materials, which initiated the downward descent of the vertical chain, was made within the following categories: 1) carbon steel; 2) alloy steel; 3) copper and copper-base alloys, subdivided into brass-mill products, wire-mill products, and foundary products; and 4) aluminum, subdivided into nine classes. Within twenty-four hours of its decision, the Requirements Committee officially notified each claimant in writing of the amount of each controlled material allotted to that agency, this notification representing the official "Program Determination."

After receiving his allotments—in the form of an authorization to obtain the stated quantity of controlled materials—each claimant began the process of dividing up the allotment between his prime contractors. Upon first
receiving his allotment, each claimant revised his production programs and schedules to fit the allotted quantity. The claimant then distributed the allotment, retaining enough for his own branches and sending the remainder down the chain to his prime contractors. At the same time, he informed each contractor of any changes within programs or schedules resulting from necessary adjustments to meet the amount of material allotted. Each prime contractor in turn would follow the same process of allotment division in dealing with his various subcontractors.

Every allotment flowing downward from the claimant to the primary contractor and secondary contractor bore an allotment number that identified the claimant agency involved, the production program, the authorized schedule, and the period in which the material was to be shipped. These numbers traveled with the allotment throughout its downward journey to the various levels of contractors. In this manner the ultimate use and user of the material were easily identified. As a means of keeping constant pressure on the controlled materials suppliers for maximum production, each claimant was allowed to allot up to 105 percent of his quarterly allotment.

At the same time that each claimant agency received notice of its official allotment, the Requirements Committee sent the same information to the Controlled Materials Divisions, for those divisions held the responsibility for
overseeing actual production and delivery of the controlled materials. With the information that these divisions received from the Requirements Committee and the various statistical staffs working under that committee, each controlled materials division issued a "directive" to the suppliers under its jurisdiction, telling them exactly what quantities, forms, and shapes of materials needed to be produced by which mills according to specific timetables during the coming quarter. In this manner the various sub-contractors would find not only the right quantity when they placed their orders, but also the right form or shape within that quantity. Since the original claimant requests had been forced to coincide with expected supply, and because the supplier could not fill any order unless it bore an authorized allotment number passed down from the claimant, contractors now held the virtual guarantee that they could obtain the materials to accomplish the authorized limits of their program. With this guarantee, materials hoarding by a contractor now became an unproductive use of invested capital rather than the previous safeguard against probable shortages.

The placing of the order with the supplier represented the last step in the chain. As previously mentioned, only authorizations bearing the proper allotment numbers could be filled by the suppliers of controlled materials, and then only up to the specific quantity stated in the authorization.
As allotment certificates were cashed in for the actual supplies, the controlled materials producer informed the respective controlled materials division of the orders and deliveries to each program, thus providing the necessary information for the WPB to maintain a close accounting of withdrawals from the materials "bank."

For the controlled materials, the previously used system of preference ratings ceased to have any function. Once the Requirements Committee, after considering the needs of all claimants, made its distribution of available materials, all approved program allotments had equal validity, no matter what the end-product use: "an allotment of steel for the production of civilian garbage cans had the same standing on a steel mill order schedule as an allotment of steel for an M-4 tank."

Preference ratings still continued in use, however, and accompanied each allotment number. These preference ratings--the AAA and AA-1 through AA-4 established by Eberstadt--remained the manufacturers device for obtaining non-controlled materials throughout the rest of the war. During the transitional second quarter when both PRP and CMP would be operating, preference ratings could be used to obtain controlled materials by those manufacturers who could not switch to the CMP method in time for the first

63Novick, Wartime Production Controls, p. 170.
CMP allotment. The CMP allotment numbers, however, would take preference in the supply mills over any PRP order. After the end of the second quarter, PRP ratings would no longer be accepted by controlled materials suppliers.64

In the preceding description of CMP's vertical chain of material distribution, an important type of materials consumer has been left out, for manufacturers of certain commonly used components—known as "B" products under CMP—received separate consideration. Certain products did not lend themselves to vertical allotment, since they had to be manufactured in anticipation of future orders rather than in response to an order placed by a prime contractor or claimant. Such products as tanks or ships, quite obviously, are not manufactured until a contract is placed. When the manufacturer of those tanks or ships, however, orders such common components as screws, nuts, bolts, rivets, or washers, he expects that these products already will have been produced in anticipation of his order and waiting on the shelf for future use. The same expectation applied when the manufacturer ordered maintenance or repair items. Under a vertical system, it was feared that needless delay and unnecessary paper work would be the result by the time the allotment trickled down to these producers.

Eberstadt had been fully aware of this problem when

64 WPB Press Release WPB-2372, 16 Jan 1943.
he pushed for vertical allocation. Further communications from "off-the-shelf" producers during the fall added additional emphasis to the problem. Under the CMP, B-product manufacturers would apply for and receive their estimated material needs directly from the WPB industry divisions in a manner similar to PRP, with the controlled materials consumed being charged to the allotment of the claimant that benefited from the B-product use.

The controversy over B products did not revolve around this procedure but instead around which products would receive an "A" or "B" definition. Under the CMP, all


66 For examples, see the ltr. of G.L. Draffan, Executive Vice President, Ohio Brass Co., to Eberstadt, 21 Oct 1942, file 147.01, and telegram of H.C. Ramsey, Vice President, Worthington Pump and Machinery Corp., to Eberstadt, 26 Oct 1942, file 147; both WPB, NA.

67 Information of the B-product list and the resultant controversy can be found in the following documents: Controlled Materials Board Minutes, Meeting IV-XVIII, 23 Nov 1942—19 Feb 1943, file 063.135; Engineering Board of Review Minutes, Meeting I-XXXVII, 10 Dec 1942—5 March 1943, file 063.115; "Remarks of Walter Skuce," PARB, PAS, 11 May 1944, file 147, also file 033.315; "Procedure for Developing Requirements for Class B Products," CMP Board Doc. No. 9, 16 Feb 1943 /This document is misdated 1942 in the original/, file 063.135; "Progress of CMP," report by E.T. Dickinson, Jr., Executive Director, Planning Committee, to Eberstadt, 21 Jan 1943, file 072.1015; WPB Press Release WPB-2291, 28 Dec 1942; and WPB Press Release WPB-2320, 7 Jan 1943; all WPB, NA. In addition, B-product information is found in nearly all the documents dealing with CMP listed in footnote 57. All the published works listed in the same footnote contain discussions of B products.
B products were specifically listed as such and would be treated through horizontal allocation; any products not on the list were by definition automatically A products and would be treated through vertical allotment. The larger the B list, the greater the use of horizontal allocation, thus negating the intrinsic benefits of vertical allotment and bringing back all the proven weaknesses of PRP. Yet it could not be denied that vertical allotment would not work for all products.

As finally worked out, the B list would include:
1) common components used by nearly all claimants, such as nuts, bolts, screws, valves, bearings, spark plugs, plumbing equipment, electric motors, and the like; 2) industrial equipment, such as machine tools; 3) products using only a very small amount of controlled materials, such as wooden furniture; and 4) certain civilian end items, such as farm machinery and sewing machine needles. Eberstadt purposely allowed the list to be rather large during the transitional second quarter so as to ease the switch from PRP to CMP, but he was already engaged on a radical simplification of the B list at the time he left the WPB. 68

Along with the troublesome B list, other procedures, regulations, and forms had to be worked out before the CMP

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68 Itr. of Eberstadt to Forrestal, 8 Jul 1943, EP; memo of Eberstadt to Boeschenstein, 11 Jan 1943, file 147.04, WPB, NA.
could begin operation. Eberstadt delegated this responsibility to the Controlled Materials Plan Division, which he established on 18 November 1942. This new division, headed by Harold Boeschenstein of Owens-Corning Fiberglass Corporation and assisted by Walter C. Skuce of General Electric Company, had the responsibility for clearing all CMP rules, forms, and procedures before they were issued for use. In their task, Boeschenstein and Skuce would have the aid of top personnel picked from industry specifically to help with the procedural work of CMP. Thus the overall responsibility for administering and developing the plan rested with this division.

Two other groups, the Controlled Materials Board and the Engineering Board of Review, worked under the CMP division. Chaired by Boeschenstein, the new head of the CMP division, and composed of representatives from the Controlled Materials Divisions, the claimant agencies, and other WPB units, the Controlled Materials Board considered many of the detailed operational questions of CMP, including the


70 Program Vice Chairman, Office of Operations, Administrative Order 32, 23 Nov 1942, file 147; memo of Eberstadt to all Bureau and Division Directors, 9 Dec 1942, file 147.04; both WPB, NA.

71 Speech of Eberstadt to the National Association of Manufacturers, New York, 2 Dec 1942, EP, gives a list of these men and their companies.
structure of various forms to be used in CMP, the B-product problems, allotment number codes, and other specific questions and procedures.\(^2\) At the same time, the Engineering Board of Review had the duty to work with the Controlled Materials Divisions and the claimants in constructing the operating procedures dealing with bills of materials, though the group also became involved later with the B-list problem.\(^3\) As time went on the boundaries of jurisdiction became somewhat hazy, and some overlap occurred between the Controlled Materials Plan Division, the Controlled Materials Board, and the Engineering Board of Review.\(^4\)

Along with the necessity of agreeing on the actual CMP procedures, the WPB needed to educate the claimant agencies,\(^5\) the materials suppliers, and industry in the operation of the new plan. As Eberstadt instructed Ernest Kanzler, Director General for Operations, "no effort should

\(^2\) Controlled Materials Board Minutes, Meetings IV-XVIII (I-III are missing), 23 Nov 1942-19 Feb 1943; Controlled Materials Board Documents, 1-17; both file 063.135, WPB, NA.

\(^3\) Engineering Board of Review Minutes, Meeting I-XXXVII, 10 Dec 1942-5 March 1943, file 063.115, WPB, NA.

\(^4\) CPA, Industrial Mobilization for War, p. 498.

\(^5\) For a good discussion of the new responsibilities of the claimants under the CMP, see Smith, Army and Economic Mobilization, Chapter XXV.
be spared to give the widest possible publicity to the
details of the plan and the procedure to be followed in
obtaining controlled materials." 76 On 19 November, Eber-
stadt conducted an all-day educational meeting for 500 top
staff members from the various claimants. 77 The WPB held
further educational meetings in November and December for
industry in its various regional and branch offices,
including major gatherings in twenty-four of the largest
cities. 78 Audiences ranged from 400 people in some branch
meetings to 4000 persons in regional meetings. In these
sessions the morning usually contained a slide or chart
presentation of CMP fundamentals, with the afternoon being
reserved for questions from the audience. Other information
for industry and the general public came through magazines,

76 Memo of Eberstadt to Kanzler, 21 Oct 1942,
file 147.04. Also see memo of Thomas W. Moss, Chief,
Inquiry, Instruction, and Service Branch, unaddressed,
24 Nov 1942, file 147.6, for additional information on
education preparation. Both WPB, NA.

77 Program of CMP Meeting, 19 Nov 1942, file 147,
WPB, NA.

78 WPB Press Release WPB-2149, 16 Nov 1942. See
file 147.04, WPB, NA, for transcripts and audience comments
of the various meetings.
trade journals, and booklets prepared with the help of the WPB.79

As the time approached for the first allotment of controlled materials by the Requirements Committee, Eberstadt—if he had wished to pause for a moment and look backward along the distance traveled since mid-September—could be pleased with what had already been accomplished in a few months. In an atmosphere of grave and purposeful intensity, he had led, driven, and pushed the War Production Board down the path toward a new method of materials control. By the end of the first month of 1943, the Controlled Materials Plan had been drafted, its operating rules and procedures determined, the necessary educational programs undertaken, and the claimant agencies readied to receive their first allotment.

Eberstadt could not, and did not,80 claim authorship of the Controlled Materials Plan, for the plan was a blend and refinement of many plans for vertical allotment—Eberstadt's own proposals of March and August 1942, the important "warrant" plan of the ANMB, the propositions of the automotive and steel industries, the British experience with vertical

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79Memo of Eberstadt to Donald Davis, 14 Oct 1942, file 147.04; "Select Bibliography of United States Priority Controls Instituted during World War II," no date [1945?], file 141; WPB, NA.

80Ltr. of Eberstadt to George W. Auxier, 8 Nov 1946, EP.
controls, and the outlines originating from within the War Production Board itself. Yet if there was no actual father to claim the Controlled Materials Plan, it was clearly Eberstadt who stepped forward to serve as godfather at its birth. When one thinks of the Controlled Materials Plan, one has to think of Ferdinand Eberstadt.

Though it seems likely that some type of vertical control would have been adopted ultimately by the WPB, one seriously wonders if it would have been as successful without the participation of Eberstadt; certainly it would not have been ready for operation as quickly. One official who later served as a WPB vice chairman even went so far as to state that "without Eberstadt's drive and leadership, I doubt that the CMP would ever have been instituted." Even Donald Nelson and Charles E. Wilson of the WPB, with whom Eberstadt had sharp differences, testified to the importance of Eberstadt's achievement, with Wilson calling his early work with CMP "a masterful job."

In addition to his direct contribution to CMP, Eberstadt had helped to insure a healthy environment for its operation by working to reorganize the WPB around the plan

81 Ltr. of Lincoln Gordon to the author, 20 J1 1970.


83 Ltr. of Charles E. Wilson to the author, 1 Je 1970.
itself. Not only had the industry divisions been prepared to carry much of the operating load, but the vital WPB procedural channels had been constructed to handle needed revisions as problems later arose, with the result that "CMP was a living, ever-changing set of regulations responsive to new problems and susceptible to adaptation to meet them."85

Within a few months of its first use, reports indicated the major preliminary success of the CMP.86 Preliminary success grew into permanent success, and the plan

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84 Although the various operational problems, such as component scheduling, that later faced CMP are outside the scope of this study, material on CMP's early operation, various problems, and necessary revisions are found in the following: Bi-weekly reports of the Production Control Bureau, file 063.08; memo of Melvin G. deChazeau to J.A. Krug, Program Vice Chairman, 22 Mar 1943, file 147.04; "Remarks of Walter Skuce," PARB, PAS, 11 May 1944, file 033.315; and report of E.T. Dickinson, Jr., Executive Director, Planning Committee, to Eberstadt, 21 Jan 1943, file 072.1015. All WPB, NA. A good published discussion of early revisions and problems, especially with B products, is found in CPA, Industrial Mobilization for War, pp. 666-682; while Novick, Wartime Production Controls, pp. 194-204, discusses various problems that could not be solved through the CMP. Much of the credit for CMP revisions to meet early problems should go to J.A. ("Cap") Krug, who became Program Vice Chairman when Eberstadt left the WPB. Krug later replaced Nelson as WPB chairman.

85 Novick, Wartime Production Controls, p. 166.

86 Memo of Novick to J.A. Krug and Boeschenstein, 27 Apr 1943; and memo of Boeschenstein to WPB, "Operation of Controlled Materials Plan," no date /July 1943/; both file 147.04, WPB, NA.
became the ultimate answer to materials control during World War II. Termination of its use finally came at midnight, 30 September 1945.87

The Controlled Materials Plan, by stating exactly what each claimant could have, forced the claimant to reduce his end-product programs to fit the allotment, thus bringing production plans within available supply. The plan then distributed the allotments so that the most efficient use of the materials resulted. Within less than a year of its operation, production of finished goods had increased at a far greater percentage rate than the supply of raw materials, testifying to the success of distribution under the plan.88

As the WPB history later summarized:

The success of CMP by the end of the year meant the achievement of a highly ambitious and difficult approach to distribution. . . . thousands of end items had been weighed out and innumerable variations taken into account. Lead factors, waste factors, changing specifications, use and wear, safety problems, materials pipe lines, relationship of increasing programs to efficiency—all of these and more had been involved. In spite of these and

87 WPB Press Release WPB-9136, 1 Oct 1945. The CMP was later used during the Korean War. Since the basic concept of CMP proved readily adaptable to computerization, the plan could be used in the future if such a control device is again needed. See the Inter-office memo of J.C. Clay to F. Greenwall, National Starch and Chemical Corporation, 20 Feb 1969, Eberstadt scrapbook, EP.

88 WPB Press Release WPB-4933, 10 Feb 1944. This release gives some of the production and supply percentages. The production increase was also undoubtedly helped by the release of raw material inventories as manufacturers gained confidence in CMP's guarantee of future supplies.
other problems the year had brought, manufacturers had found CMP workable, and had achieved the highest production level the Nation had ever known.

For the military claimants the Controlled Materials Plan had fulfilled their expectations for a vertical system. As Forrestal commented to Eliot Janeway, an economic reporter, later in the war: "these programs [destroyer escorts and landing craft], in my opinion, could not have been accomplished--neither could have a good many others--without Eberstadt's Controlled Materials Plan." 90

Nor in its benefits to military production did the plan work to the disadvantage of the civilian sector as some had predicted. 91 After receiving its preference

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89 CPA, Industrial Mobilization for War, p. 682.

90 Itr. of Forrestal to Janeway, 4 Jl 1944, EP.
Comments on the success of the CMP can be found in Janeway's Struggle for Survival, pp. 316-318.

91 Memo of J.A. Krug to Donald Nelson, "Protection of the Civilian Economy under the CMP," 19 Apr 1943, file 147, WPB, NA, says that comments to the effect that CMP works to the disadvantage of the essential needs of the civilian economy are "wholly untrue." In a conversation with the author, John F. Fennelly specifically stated his agreement with Krug's remark, adding that any earlier fears of some individuals that CMP's operation might hurt the civilian sector proved to be completely unfounded once the plan went into effect. Novick, Wartime Production Controls, p. 170, points out some of the advantages the civilian sector received under CMP.
ratings and authorizations under PRP, the civilian sector still had to compete with the military and foreign sectors in the same materials market place. No guarantee existed that it could obtain its essential needs. In contrast, under the CMP the WPB controlled exactly how much material would be allotted to the civilian sector. Once the controlled materials had been allotted to the claimant agencies representing civilian needs, the material was guaranteed to these agencies. No competing agency could take the material away through a higher preference rating or special relationships with suppliers. If the civilian claimants did not receive all the material they desired, this lack would stem from policy decisions of the WPB rather than from any inherent prejudice within the CMP itself.

As the plan entered into its last year of operation, its success had become a major factor in the forthcoming victory of the United States and thus of the entire United Nations alliance. As the WPB chairman commented in an official published report:

The plan worked so smoothly in 1944 that it is difficult to keep in mind the hectic days of its genesis, the difficult problems encountered in refining its operation, and even its significance as the core of the War Production Board's direction of industrial mobilization.92

Perhaps General Lucius D. Clay most succinctly summarized

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the Controlled Materials Plan's final value when he stated that the plan, "in my opinion, contributed more than any one thing to our final [production] output."\textsuperscript{93}

But such success for the CMP was still in the future when Eberstadt met with the Requirements Committee on 2 February 1943 to complete the first allotment to the claimants.\textsuperscript{94} Two weeks later Donald Nelson summarily fired him from the War Production Board.

\textsuperscript{93} Ltr. of Gen. Lucius D. Clay, USA (Ret.), to the author, 30 Apr 1970. Clay served first as Gen. Somervell's deputy in the Army SOS and later as the chief deputy on production to James F. Byrnes in the Office of War Mobilization and Reconversion.

\textsuperscript{94} Requirements Committee Minutes, Meeting LXXVI, 2 Feb 1943, file 061.05; WPB Press Release WPB-2441, 2 Feb 1943; both WPB, NA.
Eberstadt did not spend all his time in the WPB on a flow plan for materials. At the same time that he formulated the Controlled Materials Plan, he also moved to create effective centralized control in the area of facilities and construction. This area had long suffered from want of centralized planning, as an ANMB report prepared under Eberstadt's direction had pointed out in March 1942. Not only did a lack of overall direction exist, but overexpansion of facilities threatened to consume critical materials and manpower that could better be used elsewhere.

One of Eberstadt's first actions was to cut back nonessential construction by the Federal government. This move to limit construction to the minimum necessary to wage war involved not only the prodigious building activities of the armed services, but also embraced such building projects as public housing, community facilities, dams and other


2 Bureau of Budget, U. S. at War, p. 114.
reclamation construction, and a wide variety of similar work. The WPB had previously been afraid to exercise its authority fully because of the potential adverse reaction, since the curtailment or elimination of this Federal construction could quickly result in heavy criticism from local, state, congressional, and other political groups.\(^3\)

Eberstadt soon moved to assert WPB authority, "picking it up in his vigorous way, cracking heads and issuing orders."\(^4\) Working closely with Nelson, Eberstadt requested the direct clearance of the President. After first receiving a positive opinion on the plan from the Bureau of the Budget, the President gave his permission. The result came on 20 October 1942, when the WPB chairman issued an order that revoked priority assistance from all nonmilitary projects of the Federal Government that were not vital to the immediate prosecution of the war. As part of the same program the WPB ordered a review of military projects so as to exclude those not having immediate value. Despite a strong negative reaction from many of the Federal agencies affected, the plan

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\(^3\)Bernard L. Gladieux, OHM, CU, pp. 422-423.  
\(^4\)Ibid., p. 422.
remained in force. For the first time effective controls had been established to limit nonessential construction.

Eberstadt had also been taking steps to centralize the control of the entire clearance procedure for construction. In late September, he combined the previous work of four WPB committees and one ANMB committee into two new WPB groups, the Facility Clearance Board (FCB) and the Facility Review Committee (FRC). First created through a joint directive of the War and Navy Departments and the WPB, the FCB and FRC were then formalized in a WPB administrative order and announced to the press in October.

The Facilities Clearance Board, chaired by Eberstadt, received the authorization to review and to clear all new projects—civilian or military, publicly or privately financed—which cost $500,000 or more, including the value of machine tools incorporated into the proposed facility. The review not only included the importance of the project to the

5Ibid., pp. 423-424; and CPA, Industrial Mobilization for War, p. 401.

6Gladieux, OHM, CU, p. 424. At this time Gladieux was serving in the Bureau of the Budget. Soon afterwards he became Donald Nelson's chief administrative assistant.

7Connery, Navy and Industrial Mobilization, p. 355.

8CPA, Industrial Mobilization for War, pp. 400-401; and N. Y. Times, 23 Oct 1942, pp. 1 and 17.
immediate war effort, but also such factors as location, method of construction, and use of critical materials and manpower. Eberstadt, as the chairman, made the final decisions, though he had the advice and assistance of the other members who represented the War and Navy Departments, the Maritime Commission, and the WPB Office of Civilian Supply.9

The Facilities Review Committee, headed by Colonel Gordon E. Textor, reported to Eberstadt and reviewed all new projects whose value ranged from $100,000 to $500,000. As in the FCB, the chairman made the decisions with the assistance of the committee members, who were representatives from the same agencies on the FCB, plus one from the National Housing Agency. In addition to its screening of new projects, the Facilities Review Committee held the power to review all previously authorized projects, regardless of their cost.10 Subject only to a possible appeal to Nelson, Eberstadt was now the final judge of what would be build in the United States.

Eberstadt, now that a means had been established for effective limitation and review, moved to create a bureau to oversee long-range planning and coordination of construction. The WPB reorganization of 11 November 1942 established the

10Ibid.
Facilities Bureau under the directorship of Fred Searls, Jr. The Bureau, incorporating the major WPB agencies dealing with construction and serving as a staff to the Office of Program Vice Chairman, worked 1) to hold new construction to a minimum, 2) to obtain approved facilities with the most economical use of materials and resources, 3) to assure the maximum use of existing buildings and facilities, and 4) to help bring essential construction to completion. The Facilities Bureau placed major emphasis on this last duty, for it expedited critical construction programs through the orderly scheduling of materials and equipment. As part of this role, the bureau acted as the claimant agency on the Requirements Committee for the expansion programs of synthetic rubber, high octane gasoline, aluminum-magnesium, and steel.

As the fall of 1942 drew to a close, Eberstadt had succeeded in achieving a long-needed limitation of construction and in combining various facilities units so as to

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11 Specifically picked for the position by Eberstadt, Searls left the WPB at the time of Eberstadt's departure and later became one of James Byrnes's chief assistants in the Office of War Mobilization and Reconversion. See James F. Byrnes, All In One Lifetime (New York: Harper and Brothers, 1958), pp. 170-171.


13 Searls, WPB Doc. 183, 11 Jan 1943, file 025, WPB, NA.
create centralized construction planning.\textsuperscript{14} As one interested spectator recalled:

What particularly impressed me was his Eberstadt's decisiveness. We had gotten so tired of so many business and industry people in WPB who came in with overrated reputations. \ldots Eberstadt was a welcome relief. He knew what this was about; he knew how to do things himself, and above all he could make decisions--very tough decisions. Even when they hurt people--influential people--he made them.\textsuperscript{15}

Eberstadt made it very clear that he would curtail any construction not absolutely vital to the war effort. This included any expansion in munitions facilities that he believed did not bear directly on the immediate prosecution of the war, a stand that made for some disagreement with those in the military services who favored continued expansion. If a service argued for the urgent nature of a project, Eberstadt insisted that any additions to that service's program must be balanced by the cancellation of another project.\textsuperscript{16}

By mid-January 1943, the Facilities Bureau could report that the previous three months had seen the approval of construction totaling $830 million, the disapproval of

\begin{itemize}
  \item \textsuperscript{14}"Remarks of Bernard L. Gladieux," PARB, PAS 9 Mar 1945, file 033.315, WPB, NA.
  \item \textsuperscript{15}Gladieux, OHM, CU, pp. 425-426.
  \item \textsuperscript{16}CPA, Industrial Mobilization for War, p. 401.
\end{itemize}
$141 million, and the stoppage through revocation of $1,180,000,000. In addition, the knowledge that tight review procedures existed undoubtedly discouraged the application for much unnecessary construction. Thus under the leadership of Eberstadt and Searls, WPB control and programming over construction reached its most successful level.

While Eberstadt worked on the problems concerning both materials flow and facilities, the WPB and the services became engaged in a sharp fight over "feasibility." Quite early in the war, Nelson had become concerned that the munitions program of the services had reached a point where it would go beyond the feasible capacity of American industry to produce these goods. Although the services had agreed to certain cutbacks earlier in the year, the issue became

17Searls, "Facilities Bureau," WPB Doc. 193, 11 Jan 1943, file 025, WPB, NA.

18Memo of R. C. McGrane to James Fesler, "Interview with George Hockensmith, Bureau of Construction, on Facilities and Construction, on February 16, 1945," 20 Feb 1945, file 033, 308, WPB, NA; and CPA, Industrial Mobilization for War, p. 402. When Eberstadt and Searls left the WPB, many of the men previously in the Facilities Bureau were either replaced or downgraded, with their replacements generally being drawn from General Electric Company. The Facilities Bureau's efficiency began to decline at this point. See the above memo of McGrane to Fesler.

19Ltr. of Nelson to Secretary of the Navy Knox, 25 Mar 1942, file 072.1015; ltr. of Nelson to the President, 31 Mar 1942, file 212; both WPB, NA.
quite heated by the fall of 1942. Eberstadt generally re-
mained on the periphery of the argument, but the final result of the fight would have a important effect on the Controlled Materials Plan.20

On 8 August 1942, Nelson wrote to the ANMB: "I am convinced and have been convinced for some time that the total objectives for 1942 and 1943 are beyond attainment."21 At this time, however, the WPB chairman suggested no specific action. Nelson's fears soon received strong confirmation from the Planning Committee, which reported that "the objectives for munitions and war construction for 1942 will not be reached by a fairly substantial margin" and that "the munitions and construction program for 1943 also appears to exceed significantly the limits of feasibility."22 At that point the 1942 objective totaled $55 billion, while the proposed 1943 plan called for roughly $90 billion.

20 Good summaries of the entire "feasibility" question can be found in the following: Millett, Army Service Forces, pp. 213-220; Smith, Army and Economic Mobilization, pp. 154-158; and CPA, Industrial Mobilization for War, pp. 273-290. Also see "Remarks of Commander Milton Katz," PARB, PAS, 31 Aug 1945, file 033.315, WPB, NA.

21 Memo of Nelson to ANMB, 8 Aug 1942, file 114.3, WPB, NA.

Although not directly involved, Eberstadt gave his opinion to the War Production Board, since his Requirements Committee held the responsibility for balancing materials supply and demand. In memo of 6 October, he expressed mild disagreement with the pessimistic conclusion of the Planning Committee:

It is impossible, in my opinion, in the light of the information presently available and on the basis of existing practices, to determine definitely whether the present war program, on an overall basis, is or is not beyond the realm of possibility from the point of view of raw materials alone. It is clear, however, that it very close to the margin of raw material supply one way or the other. 23

As a result, he emphasized that the services could not be permitted to increase their programs: "No more substantial overall increases in end products or facilities should be added to the present burden."

On the day that Eberstadt's memorandum was sent, the question showed its explosive potential at a meeting of the War Production Board. Robert Nathan, representing the Planning Committee, presented a detailed summary of why the present service programs went beyond the limits of feasibility. Nathan pointed out that if pay, food, and other nonmuntions expenditures were added to the 1943 munitions program, the

23 Memo of Eberstadt to the WPB, WPB Doc. 148, 6 Oct 1942, file 025, WPB, NA.
total would reach $115 billion. If the United States attained this figure, it would mean that 75 percent of the national product would be going into war expenditures. Yet economists generally felt that 50 percent was the highest level that any economy could carry. In 1942, British outlay was expected to reach 44 percent, while the German outlay was estimated at 50 percent.

General Somervell made it quite clear that he was unimpressed with the Planning Committee's reasoning on this and other matters and that the production programs should remain at their present level. Words then became extremely heated, with Leon Henderson, Administrator of the Office of Price Administration, attacking General Somervell with some of the sharpest language ever heard in a meeting of the War Production Board.

The situation had cooled considerably by the next War Production Board meeting on 13 October. General Somervell himself proposed the final solution when he suggested that Nelson inform the Joint Chiefs of Staff that the total program could not be accomplished; it would then "be the

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24WPB Minutes, Meeting XXXIV, 6 Oct 1942, pp. 139-140.
25Ibid., p. 141; also see itr. of Somervell to Nathan, 12 Sept 1942, file 210, WPB, NA.
responsibility of the Joint Chiefs of Staff to determine, after further consultation with and direction from the President, what action should be taken to bring the overall program within the limits of production feasibility." Nelson followed this proposal with a memorandum to the JCS on 19 October, pointing out that, in his opinion, only $75 billion of the present $97 billion total--$92 billion for 1943, plus $5 billion left unfinished from 1942--could be achieved. Unless requirements were brought into line with capacity, Nelson feared that the danger existed of a totally unbalanced program, with the result that even the most important parts might not be achieved. The Joint Chiefs of Staff replied on 24 November and announced that military programs for 1943 had been reduced to $80 billion, a figure Nelson had earlier indicated as acceptable. This ended the "feasibility" dispute. Though Eberstadt had not been a major participant, the dispute had an important effect on his work, for the reduction of the 1943 programs produced a corresponding reduction in demand for critical materials, thus easing the

\[27\] WPB Minutes, Meeting XXXV, 13 Oct 1942, p. 144.

\[28\] Memo of Nelson to the JCS, 19 Oct 1942, file 212, WPB, NA.

\[29\] Millett, Army Service Forces, pp. 219-220; CPA, Industrial Mobilization for War, pp. 289-290; and WPB Minutes, Meeting XXXV, 13 Oct 1942, p. 142.
burden that the Controlled Materials Plan would have to shoulder in its first year of operation.

During the period that the "feasibility" question was under consideration, an episode occurred that would ultimately have a vital effect on the length of Eberstadt's tenure in Washington. On the morning of Friday, 16 October, Eberstadt received a phone call from General Edwin "Pa" Watson, a presidential aide, telling the WPB vice chairman that the President wished to see him and asking if he could be at the White House at 11:00 A. M. Eberstadt, after replying that he would be there, went to advise Donald Nelson of the call. He found that Nelson was gone for the day and could not be reached. This being the case, Eberstadt assumed that the White House call concerned WPB business—since Watson had given no hint of the reason—and that he had been summoned because he was the senior executive in the building that day. He soon found that his supposition was incorrect.

30 Both Eberstadt's own memoranda concerning the conversation and the President's appointment diary indicate 16 Oct 1942 as the date. The meeting was for fifteen minutes, and no record of the conference was kept. Ltr. of James O'Neill, Director, Franklin D. Roosevelt Library, to the author, 17 Nov 1970. For a summary of the discussion, this author has had to rely on Eberstadt's own memoranda of the conversation written some months after the meeting and an interview with Eberstadt many years later. Both the memoranda and interview are consistent in their recollection. Interview with Eberstadt, 18 Jul 1969; Eberstadt, "Memorandum" to files, 1 Apr 1944; Eberstadt, "Memorandum," 1 Apr 1944, attached to ltr. of Eberstadt to Fred Searls, Jr., 1 Apr 1944; and ltr. of Eberstadt to the President, 10 Mar 1943, never sent; all EP.
After being ushered into the President's office, Roosevelt told Eberstadt that he would have to fire Thomas Armstrong, a man Eberstadt had recently appointed to head the WPB Foreign Requirements Liaison Branch. Though certainly unwelcome, the request and the reasons for it could not have come as much of a surprise to Eberstadt.

Armstrong had been a classmate and good friend of Eberstadt at Princeton, where they had both belonged to the same literary society. From Princeton, Armstrong had gone on to Harvard for a law degree, fought in World War I as a major in the field artillery, and finally taken an executive position with Standard Oil Company of New Jersey, where he had worked largely with Standard Oil's various foreign businesses and subsidiaries.

Shortly after Eberstadt had accepted his WPB post, Armstrong dropped by to say hello and, in passing, asked if there was anything he could do to help Eberstadt. If he was really serious, Eberstadt replied, there was very definitely something Armstrong could do. At this time the new vice chairman was looking for someone to help with orders going to foreign nations. Despite the fact that Standard Oil asked Armstrong not to accept the WPB position and warned, if he did, that his job might not be waiting for him when he returned, he accepted Eberstadt's offer. As Chief of the Foreign Requirements Liaison Branch, Armstrong had the
responsibility for maintaining liaison with the Board of Economic Warfare, Lend-Lease, and all other agencies concerned with foreign purchases or requirements. In this position, he would also review other purchases by, or for, all foreign governments.31

Soon after Armstrong's appointment had been announced, the left-of-center tabloid PM began a strong campaign against Armstrong, with their Washington correspondent I. F. Stone leading the attack. PM started its offensive on 6 October with a front-page headline: "Now look!! Standard Oil Man Will Control Lend-Lease Exports (Including Aid to Russia)".32 PM followed with a series of articles over the next few weeks, with Stone writing most of them.33

Generally the stories stressed two reasons why Armstrong should not have the position. First, since Armstrong had been involved with business in Latin America, including some bitter negotiations over oil expropriations of Standard Oil property by the Mexican government in the 1930's, PM stated that he would be unacceptable to many foreign governments. Secondly, because Armstrong had served in the

Army in World War I, FM predicted that he would be General Somervell's man in any disagreement with the State Department over aid going to Latin America. As a result, "Armstrong's appointment will put Somervell in a position where he can override the State Department." Thus, FM reported, Under Secretary of State Sumner Welles, Vice President Henry Wallace, Lend-Lease Administrator Edward R. Stettinius, and ex-ambassador to Mexico Josephus Daniels had all requested the President to remove Armstrong from the WPB.

When the attacks started, Eberstadt told Armstrong to stand firm and ignore them. Nelson had not complained to Eberstadt about the Armstrong appointment. Moreover, since the President had appointed Nelson Rockefeller to work directly with Latin America as Coordinator of Inter-American Affairs, Eberstadt felt that the administration was not concerned over old quarrels concerning Standard Oil. Considering some of the other FM attacks on Eberstadt, it is interesting to note that the paper made the following admission concerning Eberstadt's stand on Armstrong:

Eberstadt is no sinister reactionary. He was one of the few big officials here friendly to Walter Reuther and the Reuther plan for the conversion of the auto industry to war production. He would

35As an example, see FM(New York), 4 Nov 1942, p. 13.
fight as hard to defend Reuther from attacks by the Right as he is now to protect Armstrong from attacks from the Left and Center.36

These events provided the background to the Presidential request.

During the conversation, Roosevelt remained charming, friendly, and quite sympathetic, recalling that a similar request had been made of him when he served as the Assistant Secretary of the Navy. At the same time, however, he was quite firm, repeating that "for reasons of State" Armstrong would have to be released. In reply to Eberstadt's specific question, the President answered that his request did not reflect in any way whatsoever on Armstrong's patriotism, character, or ability.

Eberstadt told the President that Armstrong, beside being a friend and college classmate, had left his job against the wishes of his company and at considerable personal sacrifice. More importantly, Eberstadt made clear, Armstrong's work had been excellent. If newspaper campaigns and stale personal quarrels were going to rob him of key personnel, Eberstadt continued, then his resignation would accompany

36PM(New York), 9 Oct 1942, p. 10. Eberstadt had asked Reuther to accept a WPB position and later worked to strengthened the participation of labor within the industry divisions in the November reorganization. See CPA, Industrial Mobilization for War, pp. 265-266; and N. Y. Times, 2 Oct 1942, p. 11.
that of Armstrong's. When the President asked Eberstadt not to take that action, Eberstadt explained that he would like to remain in the WPB for another sixty days. At the end of that time, he felt, the materials plan he was then working on would be largely completed, and he and Armstrong could both resign. Until that time, Eberstadt wished Armstrong to remain. To this proposal, the President seemed completely agreeable. Meanwhile, Eberstadt added, he would talk the matter over with Armstrong and see if he would agree to take a less sensitive position. When Eberstadt left the White House, he thought that he and the President were largely in agreement.

The next Monday Eberstadt reported the conversation to Nelson and then spoke with Armstrong, asking whether they should both resign together or whether Armstrong would be willing to accept a different position. Armstrong assured Eberstadt that a transfer would be fine; he was then switched to a post as executive assistant to Eberstadt. Having made this arrangement, Eberstadt then told Nelson of the change, stating that—since he had left the final arrangement unconcluded at the time of his conversation with the President—he felt that it was proper and courteous that he tell the President of the final arrangement. Nelson specifically asked Eberstadt not to do so, adding that the new arrangement was fine in his opinion and that he would so inform the
President. That was the last Eberstadt heard of the incident from Nelson or the White House while he was in Washington.

The newspaper attacks had been written with little or no basis to support their innuendos. John Lord O'Brian, the General Counsel of the WPB, termed the attacks "ridiculous," pointing out that "these stories were spread about him Armstrong and they got into the press...nobody ever making any specific statements as to what if anything he had done..." As to Armstrong himself, O'Brian found him "a most efficient, competent, and modest man. I liked him and I must say he did a very good job."38

Though Armstrong remained in the WPB, the incident had far greater importance than whether he stayed or not. Although Eberstadt thought that everything had been arranged according to the President's satisfaction, it had not. There is some indication that Eberstadt, before he left the White House, may not have made it perfectly clear to the President that he would try to place Armstrong in another position.39

In addition, it seems possible the vice chairman's strong sense of loyalty to a friend and an assistant had resulted in

37 John Lord O'Brian, OHM, CU, pp. 555-556.
38 Ibid.
39 Ltr. of Eberstadt to the President, 10 Mar 1943, never sent, EP.
a sharper reply to the President than he realized or intended. Certainly Eberstadt had made his extreme reluctance to carry out the dismissal quite clear. Whatever the reason, Roosevelt became quite angry at Eberstadt's reaction to his request. Though the President said nothing more about it at the time, from then on he was quite willing to see Eberstadt leave Washington. When the WPB internal conflict reached its peak in February, the support of the President would not be on Eberstadt's side.

The fact that some conflict broke out within the WPB is not surprising. Eberstadt, through his experience in the ANMB, had formed a very low opinion of Donald Nelson, being critical of the WPB chairman's administrative ability, character, and personal habits. After he left the WPB, Eberstadt bluntly recorded that "no one had so infallibly, persistently, 

400'Brian, OHM, CU, p. 558; and Catton, War Lords of Washington, pp. 206-207. Baruch, The Public Years, p. 313, also passingly refers to the incident. Over a year after Eberstadt had left the WPB, he heard from a very high source within the Office of War Mobilization and Reconversion that Nelson had purposely misinformed the President concerning the conversation between Nelson and Eberstadt on the Monday following the meeting at the White House so as to make it appear that Eberstadt had boasted to Nelson that he had gotten the better of the President in their discussion. This source indicated that it was Nelson's revelation to the President, rather than what had been said between the President and Eberstadt, that made the President so angry with Eberstadt. See memorandum of Eberstadt to the files, 1 Apr 1944, EP.
and conclusively proven his incapacity as Nelson. 

Having in mind both his own opinion of Nelson and the strong positions he had taken against Nelson as ANMB chairman, Eberstadt purposely gave Nelson an undated letter of resignation when he accepted the position of WPB vice chairman. In this manner, Eberstadt assured Nelson, there could be no question that the WPB chairman could have his resignation at any time he felt such action was necessary. At the same time Nelson gave Eberstadt the strong counter-assurance that, if that time ever came, Eberstadt would be the first to be told. 

For a short while it appeared that the Nelson-Eberstadt relationship could be made to work.

The man who increased this controlled underlying tension to the point that either Eberstadt or Nelson would be forced out of the War Production Board was Charles E. Wilson. Wilson, who had a national reputation as perhaps the outstanding production expert in the country, had been appointed by Nelson on 18 September 1942 to head the newly-created Production Executive Committee and to serve as a WPB

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41 Memo of Eberstadt, "General Memorandum," No. 76, no date [early spring 1943], EP.

vice chairman. This came only two days before the announce-
ment of Eberstadt's appointment to the WPB.

Nelson, in the official WPB press release, stated
that Wilson "will be the top production authority in the war
program and will have the responsibility of seeing to it that
programs and schedules for all phases of our war effort are
met." Through the Production Executive Committee, Wilson
would meet twice weekly with service representatives to keep
a close check on and control over the production efforts.
In the light of future events, it should be noted that the
President specifically approved Wilson's appointment, saying:
"I have always considered Mr. Wilson one of the ablest
production executives in the country, ..." Nelson probably had a number of reasons for seeking
Wilson's appointment to the WPB. Since January 1942 when the
President replaced William S. Knudsen with Nelson in the re-
organization that saw the creation of the WPB, the mobiliza-
tion effort lacked a top executive with knowledge of the tech-
nical aspects of production. Neither Nelson--with a back-
ground in Sears, Roebuck--nor Eberstadt--with training in

\[44\] Ibid.
\[45\] Ibid.
Wall Street—could fill this need. Wilson could. Thus Nelson hoped that Wilson could use his ability to push certain critical production programs, such as aircraft. 46

Nelson's plans for Wilson transcended the mere desire to help certain programs. By creating the Production Executive Committee (PEC), appointing Wilson to head the committee, and giving the PEC chairman the authority to control the production schedules of the military services, Nelson hoped to regain much of the power over procurement and production that he had delegated to the services the previous spring. 47 At the same time, however, the WPB chairman seemed unsure of exactly how Wilson was to accomplish this task, for he left Wilson's duties extremely vague. Thus the PEC largely became Wilson's creation; he determined the shape and powers of the PEC, though it would take a bitter dispute with the services to do it. 48 It was not until December that the duties of Wilson and the PEC were finally determined. 49

46 Memo of Drummond Jones to James Fesler, "Interview with A. C. C. Hill, Jr.," 29 Aug 1945, file 033.308, WPB, NA; and CPA, Industrial Mobilization for War, p. 508.


49 WPB Press Release WPB-2207, 4 Dec 1942.
In addition to his work on the PEC, Nelson apparently wished Wilson to act as a counter-balance to Eberstadt, whom Nelson feared might not take a strong enough stand against the military. Nelson believed that Wilson would generally be more sympathetic to the chairman's views and methods than Eberstadt. Whether through purpose, oversight, or indecision as to what he desired Wilson to do, Nelson made no effort to clarify the respective administrative jurisdictions of the two new vice chairmen.

Whatever Nelson's reasoning, it is very clear that he wanted Wilson in the War Production Board. When Nelson first asked Wilson to accept a position with the WPB, Wilson refused. Nelson then spoke with the President, who in turn asked Wilson to the White House and repeated the request. The President put this request in such strong terms that Wilson could not refuse. Though effective for bringing Wilson to Washington, it had certain long-range negative results for Nelson, for Wilson now felt responsible to the

50 Fesler to Files, 17 Sept 1945; Bernard L. Gladieux, OHM, CU, p. 505; Fennelly, Memoirs of a Bureaucrat, pp. 65-66; and memo of Fesler to Krug, 25 Sept 1945, file 041.01, WPB, NA.

51 CPA, Industrial Mobilization for War, p. 261.

52 Nelson, Arsenal of Democracy, p. 382; and ltr. of Charles E. Wilson to author, 1 Je 1970.
President, not to Nelson. Even when he later attempted to resign, Wilson sent his resignation to the President rather than to Nelson.53

Once Wilson arrived in Washington, he found the boundary between his duties and those of Eberstadt extremely hazy. The official WPB press releases demonstrated this problem, for they announced that Wilson would be responsible for production and schedules and that Eberstadt would be in charge of programs and schedules.54 The potential for conflict over schedules under such an organization is quite clear.

Two other factors greatly increased this potential. First, when Nelson and the President asked Wilson to accept the WPB vice chairmanship, they had inadvertently failed to tell him of Eberstadt's forthcoming appointment and position.55 Secondly, Wilson soon found that Eberstadt held nearly all of the operating power within the WPB. Thus Wilson discovered that, despite his recruitment by the President himself and his appointment as a WPB vice chairman, he had very

53"Remarks of G. Lyle Belsley," PARB, PAS, 23 Feb 1945, file 033.315, WPB, NA; Bernard L. Gladieux, OHM, CU, p. 475; and Byrnes, All In One Lifetime, pp. 171-172.


55John Lord O'Brian, OHM, CU, p. 553.
little authority.\textsuperscript{56} And quite clearly, if he was to obtain any power, it would have to be at the expense of Eberstadt.

One can sympathize with the position in which Wilson found himself. Born on New York City's East Side in 1886, he had started working at the age of thirteen at a wage of $3 a week. Through hard work, energy, and ambition, he had climbed his way through the various shop and executive positions at General Electric Company until he reached the presidency in 1940.\textsuperscript{57} Then, at the personal behest of Roosevelt, he had given up this position to come to Washington, only to find out that he had nothing to do.

To his associates Wilson appeared to be a man of complex personality and motivation. Whether one liked or disliked Eberstadt, his associates universally agreed on his incisive intellect and executive ability. Agreement on Wilson, however, was more difficult to find, with accord generally coming only on Wilson's high motivation. Some close friends and associates of Eberstadt himself considered Wilson a man of "great ability," "wonderful personality," and

\textsuperscript{56} Ltr. of James Pesler to Patterson H. French, 27 Je 1946, Miscellaneous Records, Correspondence of the PARB, file E-H, WPB, NA; Bernard L. Gladieux, OHM, CU, pp. 425 and 473; and Fennelly, Memoirs of a Bureaucrat, pp. 65-66.

\textsuperscript{57} WPB Press Release WPB-2447, 3 Feb 1943.
strong loyalty. Not everyone, however, agreed on Wilson's ability. Robert Nathan characterized him as "a shouter, with lots of talk and not much action," another stated that "Wilson's contribution had been less than many people think," while a third felt that he was a man of only ordinary talents in terms of analysis and deciding major issues. Nor was there full agreement on his personality. One official who at first had strongly favored Wilson's entrance into the WPB later considered Wilson's treatment of certain members of the vice chairman's own staff less than honest and personally un-fair. The same official recalled:

Charlie Wilson is the kind of person that has to own you in order to permit you to be in his confidence and to be in his inner circle. If he can't own you, he wants none of you. There is only a certain kind of people that can be owned. I mean "owned" and I am not talking about normal loyalty which you ought to have toward the person for whom you are working. It means a complete subordination of you, your personality, your aspirations; everything that you have unto yourself goes into him and his personality for his purposes. . . . you can't work for Charlie unless he owns you.

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60 Ltr. to the author, 2 Aug 1971. The official wished to remain anonymous.

61 Ibid.
The first sign of the impending conflict between Eberstadt and Wilson appeared on 26 October in a headline by I. F. Stone in *PM* that announced: "Wilson Threatens To Quit WPB." The story alleged that Wilson had threatened to resign if not given real authority over production, and that he could not obtain the needed power over production schedules because of the new materials control plan—which had not yet been announced—being forced through the WPB by Eberstadt and the armed services. Picking Wilson for its champion, the story concluded that "the ultimate issue is whether the war production program is to be run by civilian agencies or by the armed services."62

To Eberstadt, the story was extremely annoying and upsetting, for as far as he knew the report had absolutely no basis in fact.63 At this point the jurisdictional boundaries over scheduling were well on their way to being worked out between the two vice chairmen, and—to Eberstadt's knowledge—Wilson had made no mention of resigning.64 Eberstadt was

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63 Memo of Eberstadt, unaddressed, 21 Feb 1943, EP; and "Remarks of Ferdinand Eberstadt," 5 Oct 1945, PARB, PAS, file 033.315, WPB, NA.
64 Wilson commented: "At the time stated by Stone I did not threaten to resign either to Nelson or to the President." Ltr. of Wilson to the author, 1 Je 1970. Later in that year or in the beginning of the next, however, Wilson very definitely spoke of resigning. See Byrnes, All In One Lifetime, pp. 171-172; and Gladieux, OHN, CU, p. 466.
left with the conclusion that some person or group had purposely leaked the story so as to drive a wedge between the two men and to sow discord within the WPB. As Eberstadt later concluded, the incident was "as pretty a bit of intrigue as ever existed." 65

When the article first appeared, Eberstadt took a copy to Wilson, who denied any knowledge of it. Together they then went to Nelson, who wrote a strong letter of protest to PM's publisher, Marshall Field, stating that Eberstadt and Wilson were not engaged in any controversy, that Wilson had not threatened to resign, that "this story is absolutely untrue," and that PM in both the past and present had been printing "arrant nonsense." 66

At the time of the incident, Eberstadt pointed out to Wilson the appearance in the story of the name of Wilson's executive assistant, Mordecai Ezekiel. 67 To Eberstadt, this placed Ezekiel under possible suspicion, since newspaper reporters sometimes thanked their "leak" by working his name into print. The only other names appearing in the three-column article were Eberstadt's, Wilson's, Somervell's, and

65 "Remarks of Ferdinand Eberstadt," 5 Oct 1945, PARB, PAS, file 033.315, WPB, NA. See also ltr. of Eberstadt to Samuel Rosenman, 23 Feb 1943, EP.


67 Memo of Eberstadt, unaddressed, 21 Feb 1943, EP.
Nelson's—all participants in the alleged dispute—plus a passing reference to the poor job that Merrill C. Meigs had done in aircraft production before Wilson's arrival in the WPB. Though difficult to substantiate, other factors point to Ezekiel. His position on Wilson's staff would account for his knowledge of the yet unannounced Controlled Materials Plan. It also stands to reason that the leak was more likely to come from Wilson's staff—since Wilson was dissatisfied—than from Eberstadt's staff. Moreover, it seems likely that Ezekiel, one of Roosevelt's original "Brain Trust" on agricultural problems, would tell the story to I. F. Stone, for both men held a basically reformist, New-Deal political outlook. If either Eberstadt or Wilson were going to leak such a story, it is very doubtful if they would have given it to I. F. Stone. Whatever the source, the story's statement of a conflict between Eberstadt and Wilson—though apparently

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68I. F. Stone wrote to the author: "The story itself, and how I got it, I no longer remember. I disliked Eberstadt. That's all I can recall. Somebody inside the War Production Board probably leaked it to me." Ltr. of I. F. Stone to the author, 13 Mar 1971. To a further inquiry from the author on 16 Mar 1971, Mr. Stone declined to comment as to the possibility of Mr. Ezekiel's part in the incident, as did Mr. Ezekiel himself to letters from the author on 30 Apr 1970 and 27 Oct 1970.
not true at that moment—helped to bring about that ultimate result.69

Despite the bothersome interruption of the PM article, Eberstadt and Wilson continued their direct negotiation to establish their respective jurisdictions, with a general agreement being drawn up by mid-November.70 Under this formula, Wilson would approve the production schedules of the procurement agencies before these schedules would be considered as a basis for raw material needs by Eberstadt's Requirements Committee. The amount of material requested to meet the schedules approved by Wilson would be checked by the Controlled Materials Divisions and the Program Bureau, which would report their findings to the Requirements Committee. If the final decision of the Requirements Committee involved a reduction in the materials distributed to the Army, Navy, or Maritime Commission, Wilson would then have the responsibility of adjusting production schedules of those agencies to meet the final distribution of materials.71

69 Ltr. of Eberstadt to Rosenman, 23 Feb 1943, EP; and "Remarks of Eberstadt," 5 Oct 1942, PARB, PAS, file 033.315, WPB, NA. Eberstadt, while not blaming Wilson, felt "Wilson was duped," thus allowing himself to be used by forces within the WPB who wished to see Eberstadt out of that agency. See "Remarks of Eberstadt."

70 CPA, Industrial Mobilization for War, pp. 518-519.

71 Memos of Eberstadt to Wilson, 20 Oct 1942, file 061.06, and 12 Nov 1942, file 230; both WPB, NA.
This solution, based largely on Eberstadt's idea, had grown out of his previous conversations with Wilson. Upon reading the formula, Wilson replied that it "is, I believe, an effective statement of a workable procedure with respect to the scheduling of the production of the finished military articles. . . . I am glad to agree with your statement." Wilson's only qualification was to point out specifically that scheduling for aircraft and for industrial equipment going into the direct manufacture of military items would be his responsibility. Eberstadt had already assumed Wilson's scheduling powers over those items. This solution became official in the administrative orders announced in December establishing the powers of the Production Vice Chairman, the specific duties of the Production Executive Committee and the Aircraft Production Board, and the relationship between military production schedules and the CMP. As further questions arose, Eberstadt and Wilson worked out

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72 Memo of Wilson to Eberstadt, 13 Nov 1942, file 230, WPB, NA.
73 *Ibid.* Next to Wilson's qualification, Eberstadt wrote "assumed."
74 WPB General Administrative Orders, 2-71, 2-72, and 2-73, 9 Dec 1942. No. 2-72, which established the Aircraft Production Board, was missing from the WPB files at the time of the author's research.
mutually satisfactory solutions.\textsuperscript{75} Thus the problem of
schedules did not provide the issue that would split Wilson
and Eberstadt.\textsuperscript{76}

The crisis within the War Production Board and be-
tween the two vice chairmen came over the control of the
industry divisions. Before Eberstadt joined the WPB, he
received Nelson's promise that he would have complete con-
trol over these divisions, since they formed a vital part
of his forthcoming Controlled Materials Plan.\textsuperscript{77} Nelson's
promise became official policy with the creation of the Of-
lice of the Program Vice Chairman on 11 November 1942.\textsuperscript{78}

By the next month, Wilson began to insist that cer-
tain industry divisions had to be transferred to his juris-
diction.\textsuperscript{79} Through the WPB administrative orders of 9 Decem-

\textsuperscript{75}See the following memos: Nelson to Wilson, 8 Feb
1943; Eberstadt to Nelson, 11 Feb 1943; Wilson to Eber-
stadt, 12 Feb 1943; and O'Brien to Nelson, 15 Feb 1943;
all file 230, WPB, NA.

\textsuperscript{76}Eberstadt insisted that, despite the talk in the
press, there was never any conflict between schedules and
the CMP or between Wilson and Eberstadt on this issue. See
"Remarks of Eberstadt," 5 Oct 1945, PARB, PAS, file 033.315,
WPB, NA; ltr. of Eberstadt to Lincoln Gordon, 14 Apr 1947,
EP; and memo of Eberstadt, unaddressed, 21 Feb 1943, EP.
Nelson seemed unaware that the issue over schedules had been
settled between Wilson and Eberstadt. See "Remarks of Don-
ald Nelson," 25 Je 1946, PARB, PAS, file 033.315, WPB, NA.

\textsuperscript{77}Fennelly, \textit{Memoirs of a Bureaucrat}, p. 65.

\textsuperscript{78}WPB General Administrative Order, 2-65, 11 Nov 1942.

\textsuperscript{79}Gladieux, \textit{OHM}, CU, pp. 456-457 and 473.
Wilson received control over the WPB Aircraft Division, Radio and Radar Division, and the Office of Progress Reports. Since Wilson had been exercising de facto control over these two industry divisions during the fall, they were not an issue between the program and production vice chairmen. Before this official announcement of Wilson's duties as Production Vice Chairman, however, he had already moved to gain further industry divisions.

On 4 December 1942, Wilson requested that Nelson transfer the Facilities, Shipbuilding, and Tools Divisions, as well as the General Industrial Equipment Branch, out from Eberstadt's jurisdiction and place them under his. Since the Production Vice Chairman had been given specific responsibilities in relation to military production, he now insisted that he had to have control of those industry divisions most directly concerned with that production. Later in the same month, Wilson made it clear that—in addition to the divisions and branch requested on 4 December—he wanted the Automotive, Plumbing and Heating, Power, and Safety and

80 WPB General Administrative Orders, 2-71, 2-72, 2-73, and 2-74, 9 Dec 1942.

81 Memo of Wilson to Nelson, 4 Dec 1942, file 070,016, WPB, NA.

82 An objective treatment of the Wilson-Eberstadt conflict over industry divisions is contained in CPA, Industrial Mobilization for War, pp. 578-582.
Technical Supplies Divisions, as well as Searls' Facilities Bureau, switched to his control. As one of Nelson's aides reported: "He wanted all units concerned with military end-products and their components to report to him and to no one else."

Nelson hesitated to make this transfer, however, and the issue did not come out into the open until the evening of Tuesday, 26 January, when an informal staff meeting was being held at Eberstadt's home. Wilson brought up the subject of the divisions, indicating that he felt that some or all of them should be under his jurisdiction. As Eberstadt recalled, he strongly indicated his own disagreement: "neither did many of the others present agree with Wilson including Nelson."

Nelson's resistance to Wilson's view did not last long. On 4 February 1943, the chairman announced at a daytime staff meeting that the following units would be transferred to Wilson: 1) Shipbuilding Division, 2) General Industrial Equipment Division, 3) Tools Division, 4) Automotive Division, 5) Safety and Technical Supplies Division.

83 Memo of Luther Gulick to Nelson, 21 Dec 1942, file 230.4, WPB, NA.
84 Ibid.
85 Memo of Eberstadt, unaddressed, 21 Feb 1943, EP.
86 Ibid.
6) Facilities Bureau, and 7) Aluminum and Magnesium Division. These divisions, plus the other units already under Wilson, would form the Office of the Production Vice Chairman. In addition, the administrative order produced by Nelson included the statements that "the Production Vice Chairman shall direct all production activities of the War Production Board" and that "organization units or sub-units . . . in addition to those listed which are essential to the performance of the duties . . . shall be transferred to the Office of the Production Vice Chairman, upon the order of the Chairman of the War Production Board."87

Eberstadt strongly protested the order, saying that it would divide the WPB and prevent smooth operation and asking at least for time to study the order before Nelson signed it. After hesitating, Nelson agreed to this request. During the meeting Ralph Cordiner, Wilson’s chief deputy, remarked that the order was "only the first step." When Eberstadt asked Nelson what exactly Cordiner meant, Nelson replied that it was the last step, not the first step. When Eberstadt pressed further, Nelson admitted that he disagreed with the split caused by the order, but that he would have to sign it anyhow.88

87 WPB General Administrative Order, 2-76, 4 Feb 1943; and WPB Press Release WPB-2464, 5 Feb 1943.

88 Memo of Eberstadt, unaddressed, 21 Feb 1943, EP.
After quickly studying the proposed order, Eberstadt sent the following memorandum to the WPB chairman:

1. I have examined the revised draft of the order setting up the Office of the Production Vice Chairman and must advise you that I consider the action definitely hurtful to the organization from the point of view of substance and that I regard the form of the order as seriously defective in major respects. I believe that it is calculated to further divide the organization and will have that effect.

2. In view of the importance of this decision, I take the liberty of asking that this matter be formally laid before the War Production Board for its consideration before final action is taken.\textsuperscript{89}

Nelson declined Eberstadt's request and signed the order later that day.\textsuperscript{90}

It seems quite possible that Wilson forced Nelson's action by going to the President and threatening to resign if he was not given these divisions. This would account for Nelson's original hesitancy in making this move, as well as his protestations that he had no other choice. John Fennelly, who was with Eberstadt when he protested the order, recalls Nelson replying plaintively: "Eber, I know it is

\textsuperscript{89}Memo of Eberstadt to Nelson, 4 Feb 1943, EP.

\textsuperscript{90}For additional background on the incident, see Gladieux, OHM, CU, pp. 476-480. Examples of some of the press reaction are shown in Arthur Krock's "Internal Strife Flares to White Heat in WPB," \textit{N. Y. Times}, 7 Feb 1943, part IV, p. 3, and "Still Another Reorganization in the WPB," \textit{N. Y. Times}, 5 Feb 1943, p. 20.
just as wrong as you say it is. I can only ask you to believe me that I had no choice in the matter."

James Byrnes, then working in the White House as the Director of Economic Stabilization, relates that in early 1943 Wilson twice tried to give his resignation to the President, but Roosevelt refused to accept it both times. On the second occasion, Byrnes called both Wilson and Nelson together in his office to attempt to settle the problem, and Nelson stated in surprise that this was the first he had known of Wilson's effort to resign. Wilson made it clear that a major reason for his resignation attempts came from his lack of authority.\(^\text{92}\)

One WPB executive recalled the meeting he had with Wilson on 2 February:

I had a long talk with Charlie Wilson . . . and from this time on for a long time, every time I saw him he indicated that he was ready to leave the War Production Board. . . . I have never been certain as to whether he really wanted to leave or not. . . . I always had a mental reservation as to whether he ever intended to; whether he really wanted to or whether he was using the threat as a lever or a weapon. Certainly in practice it worked out as such regardless of his intent.\(^\text{93}\)

It seems entirely likely, therefore, that after Wilson's threatened resignation to the President, Nelson received

\(^{91}\)Fennelly, Memoirs of a Bureaucrat, p. 67.

\(^{92}\)Byrnes, All In One Lifetime, pp. 171-172.

\(^{93}\)Gladieux, OHM, CU, p. 466.
orders from Roosevelt to turn the disputed divisions over to Wilson.94

Wilson's view was not without logic. Having been given production responsibilities over military goods in general and aircraft, radios, and radar in particular, he felt that he needed control of those industry divisions most concerned with the production of military end items. Yet as he moved to break production bottlenecks in one division, he sometimes found that the cause of the bottleneck came from another division. Thus he added more and more divisions to his list. Following the same line of thought, if Wilson was to be responsible for aircraft production, then he felt that he had to control the major metal that went into airplanes—thus his desire for the Aluminum and Magnesium Division. Carried to its furthest logic, however, this process would mean that he should also control the Copper Division—the metal used in an aircraft's wiring and ammunition—and the Steel Division—used in its engines and guns. Ultimately this thinking could only lead to the point where Wilson believed he had to have all the divisions in any way connected with the production of military items under his control—and his control alone.

94Fennelly, Memoirs of a Bureaucrat, p. 66, states that this was definitely the reason for Nelson's order of 4 Feb 1943.
From Eberstadt's point of view, this logic seemed both faulty and dangerous. Divisions dealing with specific military items, such as the Aircraft Division, he willingly conceded to Wilson, but units covering tools, industrial equipment, and facilities transcended strict military needs; they were very much a part of Eberstadt's responsibility as Program Vice Chairman to achieve a balance between military, civilian, and foreign needs. It was within the various industry divisions that much of the supply-demand discussion and balance took place. And above that issue stood the question of the Aluminum and Magnesium Division. How, Eberstadt asked, could he administer the Controlled Materials Plan if his authority extended over only two of the three critical Controlled Materials Divisions?  

The order of 4 February 1943 clearly showed that Eberstadt's role was being downgraded and that the White House and Nelson were backing Wilson. In the opinion of the official WPB history,

Eberstadt's very success in introducing the Controlled Materials Plan reduced his importance to the organization, for with materials distribution and materials production problems already substantially solved, authority was bound to shift to the man

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95CPA, Industrial Mobilization for War, pp. 579-580; and Gladieux, OHM, CU, pp. 473 and 477-478.

96Gladieux, OHM, CU, pp. 479-480.
responsible for breaking the newly prominent bottlenecks of components and for pushing production to new peaks on key military items.\textsuperscript{97}

In considering the conflict between Eberstadt and Wilson, there is also the factor of personality. Bernard L. Gladieux, who witnessed the growing dispute firsthand from the Bureau of the Budget and later as Nelson's chief administrative assistant, felt that this factor was just as important as that of organization.\textsuperscript{98}

The backgrounds of the two vice chairmen were quite different, even though they both came from the area of New York City. While Wilson grew up on that city's east side, Eberstadt was raised in a New Jersey suburb. Whereas Eberstadt received his education at Princeton, Columbia, and European schools, Wilson gained his in night school. One headed his own Wall Street firm, the other had fought his way up the ladder of a large corporation. Even in recreation they differed: Eberstadt loved to sail on Long Island Sound, Wilson enjoyed bowling.\textsuperscript{99}

At the same time, however, both were strong, purposeful men, "the kind of people who can brook no disagreement, though I will say that Eberstadt was the more flexible in that

\textsuperscript{97}CPA, \textit{Industrial Mobilization for War}, p. 580.
\textsuperscript{98}Gladieux, \textit{OHM}, \textit{CU}, p. 474.
\textsuperscript{99}WPB Press Release WPB-2447, 3 Feb 1943.
way, . . .100 Since Eberstadt held most of the WPB power, Wilson was bound to see him as somewhat of a rival. At the same time, they both served under a less forceful, less dynamic leader and within an environment of unclear responsibilities. General Lucius Clay stated that, within this combination of factors, "I think that Mr. Eberstadt believed that this relationship would work out. On the other hand, I do not think that Mr. Wilson did."101 As one WPB official pointed out later in the war, "an agreement [over scheduling] was worked out between them, but Wilson refused to abide by it, saying that he could not discharge his functions unless he also controlled the major policies on the flow of materials."102 Bernard Gladieux summed up the Eberstadt-Nelson-Wilson situation when he stated: "Without him [Wilson], the problem could have been solved; Nelson and Eberstadt could have gotten together."103

Wilson's disagreement over respective duties may have gone even to the point of actively working to remove Eberstadt from the WPB. Mordecai Ezekiel stated: "In view of the current belief that Eberstadt, the new Program Vice

100Gladieux, OHM, CU, p. 474.
102"Remarks of Luther H. Gulick," PARB, PAS, 5 Jan 1945, file 033.315, WPB, NA.
103"Remarks of Bernard L. Gladieux," PARB, PAS, 9 Mar 1945, file 033.315, WPB, NA.
Chairman, was military-minded, Wilson's initial fight was to get Eberstadt displaced. Wilson succeeded in this, . . . 104 Wilson, in turn, specifically stated that "Ezekiel's statement is false."105 Considering Ezekiel's possible earlier involvement with the PM article and his later break with Wilson, it would seem only fair to take his statement with caution. Whatever Wilson's actual position toward Eberstadt's departure from the War Production Board might have been, it is clear that he had everything to gain from that departure and nothing to lose.

Eberstadt's actual dismissal, however, came from circumstances only incidentally related to Wilson. By the beginning of 1943, the White House had become increasingly distressed over the quality of leadership that Nelson had given the WPB. Nelson's continual irresolution, his inability to use the power given him, and his failure to bring harmony to the WPB had finally convinced the President that a change was necessary.106 The WPB chairman's handling of the Eberstadt-Wilson problem played an important factor in the

104 Memo of James Fesler to files, "Origin of Production Executive Committee; Telephone Interviews with Robert R. Nathan and Mordecai Ezekiel, September 12, 1945," 17 Sept 1945, file 041.01, WPB, NA.


106 Gladieux, OHM, CU, pp. 467-468.
President's decision, for "Nelson [had] temporized with it rightly or wrongly. Instead of attempting to take the situation and redefine the functions of these two important executives he let the situation drift." 107

In a memorandum discussing the recent WPB order of 4 February, the Director of the Bureau of Budget Harold D. Smith wrote to the President of the continued lack of unity, vigor, and definite policy by WPB as a whole.

The realignment enables Mr. Wilson better to perform his tasks, yet it creates new difficulties in that the control of closely related operations are divided between two strong personalities lacking in mutual confidence. Feelings are running high in WPB and the morale of the organization is depressed.

The transfer of divisions back and forth within WPB can not, in my opinion, solve present difficulties. 108

By the time Smith sent this memorandum, the President had already decided to remove Nelson as chairman of the WPB and to replace him with Wilson. This decision had apparently been made before Nelson transferred the divisions on 4 February. The general solution to the problem of easing Nelson out of his position—the President being notorious in his dislike of firing people he had appointed—was to make him the minister to Australia. 109

107 John Lord O'Brian, OHM, CU, p. 558.

108 Memo of Harold D. Smith to the President, 8 Feb 1943, Franklin D. Roosevelt Library, Hyde Park, New York. This library hereafter cited as FDRL.

109 Gladieux, OHM, CU, pp. 476 and 482-483; and memo of President to Harold D. Smith, 20 Feb 1943, President's Official File 4735, FDRL.
At this point, Director of Economic Stabilization James Byrnes intervened, convincing the President that the appointment of Wilson to the chairmanship would simply anger the faction supporting Nelson, thus further disrupting the WPB. Instead, Byrnes continued, the President should turn to Bernard Baruch, since Baruch had the knowledge, the experience, the support of Congress, and the loyalty to the President necessary for the position. The argument of Byrnes convinced the President, and later that day, 5 February, Roosevelt signed a letter drafted by Byrnes asking Baruch to accept the chairmanship of the WPB.\(^{110}\)

With letter in hand, Byrnes rushed over to the Carlton Hotel, for Baruch happened to be in Washington at the time.\(^{111}\) Baruch expressed complete surprise at the letter and told Byrnes that he was leaving for New York that night and would call Byrnes the following day. Byrnes had hoped for an immediate acceptance, but Baruch insisted that he have the approval of his doctor before taking the position. Though disappointed, Byrnes accepted Baruch's one-day delay.\(^{112}\)

\(^{110}\) Ltr. of the President to Baruch, 5 Feb 1943, FDRL. The letter is also reprinted in both Byrnes, *All In One Lifetime*, and Baruch, *Public Years*.

\(^{111}\) Byrnes, *All In One Lifetime*, pp. 172-174.

Eberstadt, not knowing of these events, had come to a decision of his own. Convinced that the new divisional organization could never function and aware that his major work with the CMP had been completed, he wrote the following letter of resignation to Nelson on 5 February:

I believe that internal and jurisdictional strife among the war agencies have [sic] been the bane of our otherwise splendid war effort.

When you asked me to join the War Production Board, you gave me a written statement outlining the field of my activities and the scope of my authority together with assurances of your own support in maintaining this, so that I, in turn, might be able to obtain the services of the type of men needed to further the war effort and to offer them a definite field of authority with a sense of stability in the performance of their duties. These assurances on your part induced me to accept the job.

Since that time, I have tried to do the tasks assigned to me and have asked only to be free from interference with myself and with those to whom I delegated authority in the performance of their duties. The results of our efforts are known to the various claimant agencies and to American industry.

Based on your commitments to me, I called to Washington and placed in important positions some of the country's outstanding [business?] and production men. They have worked tirelessly and have done a fine job.

I feel that the measures that you have recently taken will tend to accentuate rather than decrease dissension within your organization and will constitute an effective barrier to unified and coordinated effort. It is an organizational recognition of a house divided against itself. There are other jobs which I can do to further the war effort and my time and energies are going to be devoted solely to this cause but I have come to the conclusion that my contribution must be made elsewhere than here and thus, with regret, must ask you to find someone else to replace me as promptly as
you can do so, with assurance to you that I will not leave my post until this has been done.

I need hardly tell you that this action is taken by me in no sense on personal grounds but only because of my conviction that continued lack of harmony and dissension in your important organization can only become an increasing handicap to a successful war effort and in the hope that my withdrawal will make it possible for you to accomplish the solidity and stability so essential in winning the war.

I appreciate the personal consideration which you have shown me during these very trying times.113

After finishing the draft of his resignation, Eberstadt decided to show it to Baruch, who he knew was staying at the Carlton. He arrived a few minutes after Byrnes had left and found Baruch resting on the bed. Telling his friend that he had had his fill of WPB troubles, Eberstadt showed Baruch the resignation.

As Eberstadt recalled, Baruch replied: "I wish you wouldn't send this letter." When Eberstadt pressed him for a reason, he answered: "Something has just happened that I really can't tell you about, but please do not resign right now." Though not knowing Baruch's reason at that time, Eberstadt concurred in his wishes and withheld his resignation.114

113 Ltr. of Eberstadt to Nelson, revised draft, 5 Feb 1943, never sent, EP. Eberstadt's penciled revisions to the draft generally toned down the resignation, making it milder in spirit than the original.

114 Interview with Eberstadt, 18 Jul 1969. Coit, Mr. Baruch p. 510, incorrectly gives the date as 3 Feb 1943. Although Eberstadt was not told at that meeting, it seems certain that either through Baruch himself or other sources
Baruch left by train for New York that evening. By the time he traveled as far as Philadelphia, he had become feverish. Under doctor's orders, he spent much of the next week in bed. By the time he returned to Washington to assume his new duties, he found Eberstadt dismissed from the WPB and the chairmanship no longer his for the acceptance.115

The events of the week following the reorganization of 4 February were highly confused. All of Washington seemed aware of impending crisis within the top organization of the WPB, but no one seemed sure who would emerge on top. Confusion was rampant, with "various people . . . serving as agents, self appointed or otherwise, all running around loose, talking with each other."116

Eberstadt knew within the next few days of the President's offer. Baruch planned to use John Hancock, a longtime associate, and Eberstadt as his chief assistants. Apparently because of the circumstances in which Baruch did not gain the WPB position, Baruch says in Public Years, p. 318, that only Hancock would have been his deputy. Participants and observers, however, universally agree that Eberstadt would have been one of Baruch's chief deputies. Interview with Eberstadt, 18 Jl 1969; Gladieux, OHM, CU, p. 483; ltr. of Lincoln Gordon to the author, 20 Jl 1970; Fennelly, Memoirs of a Bureaucrat, p. 69; Catton, War Lords of Washington, p. 206; Nelson, Arsenal of Democracy, p. 388; Janeway, Struggle for Survival, p. 244; and Coit, Mr. Baruch, p. 512.

115Baruch, Public Years, pp. 317-318. When Baruch went to the White House and told the President that he was ready to report for duty, Roosevelt very congenially ignored the entire subject of the WPB.

116Gladieux, OHM, CU, p. 468.
By this time Nelson, apparently through such close White House contacts as Harry Hopkins, began to realize that his job might be in danger, though he probably did not realize the extent of that danger. At one point the WPB chairman appeared willing to step down voluntarily from his position, though this willingness may have been imagination or misinterpretation on the part of one official close to the White House. It was clear that by 12 February, Nelson was trying very hard to see the President, but Roosevelt was trying just as hard—and more successfully—to avoid him and any unpleasant confrontation.\(^{117}\)

During this week it is unclear exactly what opinions the armed services gave to the White House concerning a settlement of the WPB problem, though it is very clear that they wished to see Nelson replaced by Baruch. General Somervell, away from Washington at this time, had made that suggestion to Admiral William D. Leahy, the President's Chief of Staff, the previous November.\(^{118}\) Secretary of War Stimson was critical of Nelson's guidance of the WPB, as well as Roosevelt's

\(^{117}\)Ibid., pp. 485-486; memo of the President to Byrnes, 16 Feb 1943, and memo of President to Smith, 20 Feb 1943, President's Official File 4735, FDRL; and memo of Smith, "Telephone Conversation with the President(12 noon)," 15 Feb 1943, Harold Smith Papers, FDRL. There is some indication that Nelson was ready to resign if replaced by Wilson, but as soon as he heard rumors of Baruch's appointment, he decided not to resign.

failure to act decisively toward that agency's leadership problem. Under Secretary Patterson had also developed a strong antipathy for Nelson. The Navy held at least one all-Navy meeting in the office of Secretary Knox to consider the same suggestion made earlier by Somervell, with further discussion then going on between Knox and Stimson.

Some time during the week, Nelson apparently decided that the split within the WPB had become intolerable and that he would have to choose between Eberstadt and Wilson. Considering Wilson's strong White House support and Nelson's own previous battles with Eberstadt, Nelson's choice is quite understandable.

Nelson and Wilson, meeting for lunch in a private room in the Willard Hotel, asked the New York Times correspondent Arthur Krock to join them. At the luncheon Nelson discussed the problem of conflicting authority given the two vice chairman and asked Krock for his opinion. Krock replied that the situation had reached a point where Nelson obviously had to make a choice between the two men and that, because of Wilson's presence at the lunch, it was obvious Nelson had made his choice. Leaving the lunch, Krock quickly called

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120Confidential statement to the author, 16 Sept 1970.
Eberstadt, with whom he had become well acquainted in the course of covering WPB events, and asked him to dine with the reporter that night at the Metropolitan Club. Over dinner Krock related the events of the luncheon with Wilson and Nelson.121

Desiring to leave the WPB with as little public up-roar as possible, Eberstadt sought out Nelson and again expressed his willingness to resign whenever Nelson wished. Nelson urged him not to submit his resignation.122 This meeting between Nelson and Eberstadt apparently came on Friday, 12 February.123

Eberstadt and his wife left for Boston later that day—the first week end Eberstadt had taken off since his arrival in Washington—so that they could attend exercises at Exeter Academy where their son, Frederick, was enrolled. Reading the New York Times on Sunday morning in Boston, Eberstadt discovered to his surprise and anger a story reporting, "Eberstadt To Go, Washington Hears, Reports Current that Nelson Is Preparing To Drop WPB Vice Chairman."124 The

121 Ltr. of Krock to author, 1 May 1970.

122 Ltr. of Eberstadt to Krock, 10 May 1943, EP.

123 Ltr. of Eberstadt to Malcom Muir, President, Newsweek, 24 May 1943, EP.

article stated that Nelson was now going to accept the undated resignation Eberstadt had given him the previous September.

Eberstadt quickly set out to find the source of the article. After calling Arthur Krock and asking him to check on the source, that reporter found out that Nelson attended a dinner of the White House Correspondents on Friday, 12 February 1943, which was the same day Eberstadt had again offered to resign but had been persuaded not to by Nelson. Sitting next to the New York Times correspondent William Lawrence, Nelson told Lawrence that Eberstadt would shortly be asked to resign. Eberstadt was furious. To him, Nelson's action represented an inexcusable breach of ethics.

Calling Forrestal, Eberstadt related the situation and stated that he felt it advisable to talk with the President so as to arrange some type of quiet resignation with as little publicity and upsetting of the WPB as possible. Forrestal then contacted M. H. McIntyre, secretary to the President, and made that suggestion. Nothing more was heard, however, from the White House. Meanwhile Eberstadt had promised Forrestal that he would not say anything to Nelson that would set off a fight, though inwardly the vice chairman was seething.125

125Interview with Eberstadt, 18 Jul 1969; memo of Eberstadt, unaddressed and undated [February 1943], EP; ltr. of Eberstadt to Krock, 10 May 1943, EP; and ltr. of Eberstadt to Muir, 24 May 1943, EP.
Events now moved rapidly toward the final crisis. Late on the night of Monday, 15 February, Nelson received a phone call from one of his closest advisors. The caller, apparently saying only that he had information vital to Nelson's interests, insisted on meeting the chairman at 7:00 A.M. the following day for breakfast. At that meeting, the advisor informed Nelson that a White House conference was scheduled for 2:00 P.M. that afternoon to announce the appointment of Baruch as WPB chairman, with it being understood that Eberstadt would serve as one of Baruch's chief deputies.\footnote{Although the Franklin D. Roosevelt Library could not authenticate whether such a meeting was scheduled or not, the following sources give the 2:00 P.M. time: Nelson, *Arsenal of Democracy*, p. 388; Janeway, *Struggle for Survival*, p. 244; and Catton, *War Lords of Washington*, p. 206. Whatever the case, Nelson was apparently convinced that his scheduled dismissal was to be that afternoon. Janeway, p. 244, incorrectly gives the date as 16-17 Feb 1943.} If he did not take quick action by then, the aide stressed, Nelson would be out.\footnote{Nelson, *Arsenal of Democracy*, p. 388.}

Although Nelson did not identify the assistant who called him, other commentators reported that it was Robert Nathan, head of the Planning Committee, who had first learned of the scheduled removal through Edward F. Prichard, a member of the Planning Committee.
of James Byrnes's staff. Recalling these events many years later, Nathan stated: "I honestly can't remember if I called Nelson that night or not," though he readily admitted that it was entirely possible that he did so, since he would have realized that Nelson's job was in jeopardy. In addition, since he and Prichard were close friends, "the likelihood of Prichard telling me was quite high." Moreover, "Prichard loved to maneuver and he always learned about what was going on in strategic locations."

To save his own position and present the President with a fait accompli, Nelson now fired Eberstadt. Knowing of the President's dislike of Eberstadt since the Armstrong incident and having been specifically reminded of it within the past day, Nelson calculated that the President would not fire Nelson directly after Nelson had fired Eberstadt; to do so would make it appear that the President fired Nelson

128Janeway, Struggle for Survival, pp. 244-245; and Fennelly, Memoirs of a Bureaucrat, p. 69. Apparently Baruch himself may have strongly hinted to Nelson of the President's offer, hoping that Nelson would then resign quietly. See Gladieux, OHM, CU, pp. 483-484.

129Interview with Nathan, 25 Jan 1971. In a letter to Edward Prichard on 27 Jan 1971, the author attempted to determine specifically what Prichard's role might have been, but Prichard declined to reply.

130Gladieux, OHM, CU, p. 488.
for firing Eberstadt, which the President would not wish to do.131

Calling the vice chairman down to his office at 11:30 that morning, Nelson stated that he now wished to accept the resignation Eberstadt had previously offered. Eberstadt replied that Nelson could have it, but that before he gave the resignation he wished to know the reason for Nelson’s request. Nelson gave three reasons: 1) Eberstadt had failed to cooperate in carrying out the reorganization order of 4 February, 2) Eberstadt had criticized Nelson as weak and indecisive to newspapermen, and 3) the WPB as presently divided by the order of 4 February could not work.

Eberstadt strongly denied the first allegation, pointing out that despite his disagreement with the order, he and his staff had done everything possible to carry out the new order. Pressing further, Eberstadt asked Nelson to furnish any evidence or bring anyone forward to show that every effort had not been made to support the new organization. Nelson replied that this would not be necessary; in his mind, he was satisfied that Eberstadt had not tried to carry out the order.

131 That Nelson was correct in his thinking can be seen in the memo of Wayne Coy, Assistant Director of the Bureau of the Budget, to the President, 19 Feb 1943, Harold Smith Papers, FDRL.
To the second point, Eberstadt said that he had honestly stated to Nelson his faults, but had not done so before newsmen. Concerning the third reason, Eberstadt reminded Nelson that he had predicted that very thing to Nelson and asked if the chairman now agreed with him. Nelson replied affirmatively.

At this point Eberstadt brought up Nelson's leak to the New York Times, saying that it was a "contemptible" thing to do after having promised Eberstadt that he would be the first to know if a resignation was desired. After first denying that he was the source of the leak and then beginning "to hem and haw," Nelson finally admitted that perhaps he should have discussed it with Eberstadt first. Recalling this confrontation many years later, Eberstadt related: "I gave him blue hell, as he was entitled to have."\(^{132}\)

The conversation ended with Nelson asking Eberstadt not to say anything until the press release covering the resignation was ready. Shortly afterwards Nelson called Eberstadt, read him the prepared release, and said that he was going to give it to the press. Eberstadt replied that in its present form it was unobjectionable.\(^{133}\) There is some indication that, in Nelson's haste to have the news on the wire services before the 2:00 meeting, he had the press release

\(^{132}\)Interview with Eberstadt, 18 Jl 1969.

\(^{133}\)Memo of Eberstadt, "Conversation with Mr. Nelson This Morning," 16 Feb 1943, marked "Personal," EP.
sent even before he first called Eberstadt to his office.\textsuperscript{134} Whatever the case, the WPB had released the story by noon, which was time enough to save Nelson.\textsuperscript{135} As for Eberstadt, he was so angry and disgusted that he walked straight out of the building without even remembering to pick up his hat or coat.\textsuperscript{136}

In his official release on that day, Nelson stated:

\begin{quote}
I have made this move in order to solve organizational problems which have come about because carefully scheduled production is now the most pressing problem before us.

It is my conviction that this change will bring harmony to WPB and end the jurisdictional question which, if permitted to continue, could only hamper the war effort.

Mr. Eberstadt has worked hard and diligently in setting up the Controlled Materials Plan, and I regret the circumstances which make it necessary for me to transfer his functions to another. However, Mr. Wilson is a production man, and our job today is primarily a production job.

Because our entire effort must now center about the production line, and because this involves the closest control over scheduling, it is essential that two things be true--first, that a production man be in full charge; second, that all related problems be within the jurisdiction of that production man.

In the early days of this organization and its predecessors, we faced problems of a somewhat different nature. Even a few months ago, the problem
\end{quote}

\textsuperscript{134}Gladieux, OHM, CU, p. 489; and Catton, War Lords of Washington, p. 206.

\textsuperscript{135}Catton, War Lords of Washington, p. 206. Catton served as WPB Director of Information and was later one of the two ghostwriters for Nelson's Arsenal of Democracy.

\textsuperscript{136}Penneley, Memoirs of a Bureaucrat, p. 68.
of controlling materials flow was of major importance. It does not lose any of its importance, but the emphasis has shifted; scheduling—both of end items and components—is the overall job of first importance that must be pushed.

And because the total war program has become more closely integrated, it follows that the man in charge of production cannot discharge his duties adequately unless he also controls the flow of materials into production channels.

In other words, materials control and production control today are all one integrated job. They cannot be considered separately. They must be directed as one job, not two. . . .

In addition to reporting the resignation of Eberstadt, the press release announced that Nelson had named Wilson to the newly-created post of Executive Vice Chairman. In this position, Wilson would "direct and supervise, in addition to the Office of the Program Vice Chairman and the Production Vice Chairman, all staff services and operating units of the War Production Board. . . ." By this action, Nelson turned over all operating functions of the War Production Board to Wilson; in effect, he had abdicated his power in order to retain his position.

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137 WPB Press Release WPB-2558, 16 Feb 1943. Contemporary accounts of Eberstadt's resignation, with varying degrees of accuracy, can be found in the N. Y. Times, PM (New York), Evening Star (Washington, D. C.), and Washington Post of that week, as well as Time, Newsweek, and U.S. News.

138 WPB General Administrative Order, 2-79, 16 Feb 1943.

139 Gladieux, who as Nelson's administrative assistant prepared Order 2-79, presents an interesting personal description of Nelson's transfer of duties to Wilson in his previously cited oral history material, pp. 492-494. Also see CPA, Industrial Mobilization for War, p. 977.
Eberstadt met with the press late that afternoon in his Washington home, where he read the following statement:

My record of service with the War Production Board is an open book and speaks for itself. I believe the policies which I followed to be the best for our War Effort and am certain that a close examination of the record will bear this out.

I regret to sever my association with those many loyal and able men in my department of the War Production Board, and in the Services, who worked so hard, in spite of great difficulties, to further our War Effort and to reciprocate the fine cooperation of industry and labor in our joint task.

Having no desire other than to serve the War Effort, I have applied for active duty in the Field Artillery with which I served for two years during the last World War.\textsuperscript{140}

Eberstadt refused to say anything more publicly, though he did urge his staff to remain within the WPB despite his own dismissal. His appeal was apparently effective, for of the many men he had recruited for his staff, only Fred Searls, Jr. and L. O. Zick directly followed Eberstadt out of the WPB.\textsuperscript{141}

Though inwardly furious over his treatment, Eberstadt refrained from any public criticisms or accusations aimed at Nelson, for he did not wish to cause any extra embarrassment to the President or the WPB; furthermore he believed that

\textsuperscript{140}\textit{Statement by Eberstadt, 16 Feb 1943, EP; and N. Y. Times, 17 Feb 1943, p. 1.}

\textsuperscript{141}\textit{N. Y. Times, 17 Feb 1943, p. 1; and Evening Star (Washington, D. C.), 17 Feb 1943, p. A-1.}
Nelson would soon be out of the WPB anyway. Leaving Washington and the WPB was not what upset Eberstadt so greatly, for he had been very willing to go since the 4 February order. If Nelson had called him in first as he had previously promised and said that events had reached a point where he was now ready to accept Eberstat's resignation, Eberstadt would have had no complaint. But to ask Eberstadt to remain in the WPB on the same day that he leaked to the press that he would ask for Eberstadt's resignation, to think that Eberstadt could not find out he had leaked the story, to deny at first responsibility for the leak, and finally to fire Eberstadt publicly and summarily so as to save his own position—this was what outraged Eberstadt so greatly! It was not Nelson's decision that Eberstadt must leave the WPB but the means the chairman used that Eberstadt could not forgive.

For Nelson, his dismissal of Eberstadt worked as he had hoped. The President now could not fire Nelson without making it appear that he was reacting to Nelson's dismissal of Eberstadt. This the President would not do, especially because the President had been willing to see Eberstadt leave since the Armstrong affair. At the same time, Eberstadt's departure solved the Wilson-Eberstadt conflict, whose negative

142Memo of Eberstadt, unaddressed, 21 Feb 1943; ltr. of Eberstadt to his son, Frederick, 20 Feb 1943; and memo of Eberstadt, "General Memorandum," No. 23, no date (Feb-Mar 1943); all EP.
effects on the WPB had furnished one of the main reasons the President decided to fire Nelson. Moreover, apparently through the intervention of Harry Hopkins or the protest of certain labor leaders, the President had begun to have second thoughts about the appointment of Baruch.\(^{143}\) And finally—and of vital importance—Nelson had turned over the operation of the WPB to Wilson, a man in whom the President had complete confidence. Thus the President was saved from the problem of firing his own appointee, while at the same time actually replacing him with the man he now wished in that position.

For Eberstadt, service in Washington was over. In terms of time, his period there had been quite short—from December 1941 to February 1943—but Eberstadt had filled those fourteen months with a purposeful intensity that few men could match. He had brought to the war mobilization needed toughness, organizational ability, dedication to objectives, energy, and incisive intellect that made his accomplishments belie the shortness of his stay. He had led the Army and Navy Munitions Board through the confused and difficult days of early mobilization, pushing through needed changes in the field of machine tools and priorities; then

\(^{143}\) O'Brian, OHM, CU, pp. 572-575; and Sherwood, Roosevelt and Hopkins, p. 700. Also see Burns, Roosevelt: Soldier of Freedom, pp. 339-340, though that author ignores both the entire Nelson-Eberstadt-Wilson conflict and the strong efforts of Byrnes to bring Baruch into the WPB as chairman.
he left to accept a new challenge when the ANMB had largely completed its task. With the crisis in materials supply and distribution threatening the entire production effort, he joined the War Production Board to organize the vital Controlled Materials Plan. And again he departed once the task was largely done.

Recalling Eberstadt's service to the nation, John Lord O'Brian of the WPB summarized:

In my opinion . . . Eberstadt had one of the finest executive minds that turned up in Washington during the war. He was singularly clear-thinking and his originality, together with his boldness, gave him a dominating position in all aspects of the war production work with which he had anything to do, and his resignation was distinct loss to war work.

Nor was he any less remembered or appreciated by the military services. General Lucius Clay reflected:

Of the many men who were responsible in Washington for our war production effort, in terms of accomplishment, Eberstadt certainly belongs in the very top row. Even though he was asked to resign, he had brought to the War Production Board a plan of operation and a stability which had much to do with its success and with the success of our war effort.

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144 One of the first things Wilson did upon assuming the position of Executive Vice Chairman was to assure the WPB that the CMP would continue its operations with no basic changes. See WPB Press Release WPB-2578, 17 Feb 1943; and Controlled Materials Board Minutes, Meeting XVIII, 19 Feb 1943, file 063.135, WPB, NA.

145 Ltr. of O'Brian to the author, 29 Je 1970.

146 Ltr. of Clay to the author, 30 Apr 1970.
Yet despite the problems, confusion, conflicts, and resignations, such situations are not the only events that should be remembered. One feels that despite the bitterness of his departure, Eberstadt would nod in agreement to Clay's final comment and admonition:

These were tense days, the men at the top were working under great pressure and, under these circumstances, some clashes were certain to take place. To me, today, they all seem insignificant as compared to the record of accomplishment.\textsuperscript{147}

\textsuperscript{147}Ibid.
CHAPTER IX

EPILOGUE

Upon leaving the War Production Board, Eberstadt sought a commission and active duty in the field artillery. The fact that he would reach his fifty-third birthday within a few months weakened his request, which was refused. He appealed the ruling to Secretary of War Henry Stimson, who had been one of his colonels with the 77th Division in World War I, but the decision held. Instead, the Army offered Eberstadt a desk and a commission as a brigadier general. His experience in Washington had given Eberstadt all he wanted of that type of duty, so he declined the offer and returned to his business in New York.

Despite his retirement from war work, Eberstadt continued to keep in close touch with affairs through Forrestal and Baruch. When he telegraphed congratulations to Forrestal upon his friend's appointment as Secretary of the Navy in May 1944, Forrestal quickly replied: "Whatever I have done, as you know better than I, was due in large measure to the work that you contributed while you were here."¹

¹ Ltr. of Forrestal to Eberstadt, 13 May 1944, EP.
In the spring of 1945, it was natural that Forrestal should again call on Eberstadt when another problem arose. The Secretary of the Navy was troubled by the War Department position in favor of postwar armed forces unification, a position the Army pushed in the report of the Richardson Committee and later in the "Collins Plan." Skeptical of what this plan might mean both to the Navy and to the nation—for service unification was only one part of the total national security picture—Forrestal asked Eberstadt in early May to undertake a thorough study of postwar national security needs, including all the implications of unification.

The "Eberstadt Report," submitted to Forrestal in September of that same year and made public a month later, ultimately had a vital influence on the final form of the National Security Act of 1947. Instead of considering only the unification of the armed forces, Eberstadt studied all the factors—political, diplomatic, economic, and military—that affected the security of the country. In the uncertain period that would follow World War II, Eberstadt felt that reorganization of the armed services would not be enough, for they represented only one of many factors.

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As a result, Eberstadt recommended: 1) a coordination of the military services— including a separate Department of Air— rather than unification; 2) the creation of a National Security Council, thus providing an agency for the close coordination of military and foreign policy; 3) the establishment of a National Security Resources Board to coordinate civilian and industrial mobilization; and 4) the creation of a Central Intelligence Agency to evaluate intelligence.

Throughout his report Eberstadt stressed the need for strong, effective civilian control over the military establishment. He felt the Army plan did not adequately provide this control in its concept of unified military services operating under a single Chief of Staff.

The great importance of the report to Forrestal, as well as the closeness of his relationship with Eberstadt, can be seen in an incident that occurred shortly after the report was completed. Forrestal held a luncheon for Eberstadt and the thirty officers and civilians who had worked on the report. Wallace MacGregor, then a Navy lieutenant commander, recalled how at the end of the luncheon Forrestal stood up and, with his arm around Eberstadt's shoulder, requested five minutes of silence before the group left, so that he and his friend could look at each of the staff members carefully in order that they would never forget their faces.
Two-and-a-half years later Macgregor, hurrying out of the Woodward Building, almost bumped into Forrestal. Now Secretary of Defense, Forrestal stopped, looked Macgregor straight in the eye, and said: "I remember you, you're one of Ferd Eberstadt's boys. How are you, Macgregor?"\(^3\)

Though the report was finished, Eberstadt kept in close contact with Forrestal on a wide variety of subjects, including humorous comments on points or people of mutual interest. Knowing of Robert Patterson's very strong antipathy toward Donald Nelson during the war, Eberstadt sent off a short note with an enclosed clipping reporting that Patterson--now Secretary of War--was to present personally a medal to Nelson and some other officials in recognition of their wartime service.

You will agree with me I think that there is some irony in the enclosed clipping. It would have been worth the price of admission to see Bob deliver the Medal of Merit to Nelson and the several others whom you and I know he so greatly admired. I didn't realize before how--shall we say--flexible Bob's views are.\(^4\)

Other communication between the two men concerned such subjects as speeches, Congressional testimonies, postwar

\(^3\) Ltr. of Wallace Macgregor to the author, 24 Nov 1970.

\(^4\) Ltr. of Eberstadt to Forrestal, 20 Sept 1946, EP.
European problems, staff personnel, and—quite naturally—the continuing debate over armed services unification. In this discussion Eberstadt played a critical part in achieving a compromise settlement between the strongly-held views of Forrestal and Patterson. Eberstadt's accomplishment in this regard demonstrated not only his powers of persuasion, but also the respect and confidence the two men had for him.

As a result of his report and this follow-up work with Forrestal and Patterson, the National Security Act of 1947 was, to a very large degree, the result of Eberstadt's labor. W. John Kenney, at that time the Assistant Secretary of the Navy, remarked that "Eberstadt had the single most important role in the writing of the National Security Act of 1947," while Hanson Baldwin of the New York Times observed that "Eberstadt was the key man." Somehow during this period Eberstadt also found time to run his investment firm and to help Bernard Baruch with


the United Nations. Eberstadt, in the latter work, served as one of Baruch's four chief deputies—the others being Fred Searls, Jr., John Hancock, and Herbert Bayard Swope.

By 1948 Eberstadt had again returned to Washington on a part-time basis, this time to work on a report to the National Security Resources Board. After completing the report in the spring, Eberstadt was asked by Herbert Hoover to undertake a study of the national security organization for the Hoover Commission, which was then beginning a study of the organization of the executive branch of the government.

Working throughout the summer and early fall, Eberstadt submitted the report in November, recommending no major changes in the pattern established by the National Security Act of 1947, after having first considered and again rejected the concept of the three military services operating under a single Chief of Staff. The report did favor increased authority for the Secretary of Defense in certain specific instances, as well as a general tightening of coordination between the various agencies concerned with national security. It also included specific recommendations in the field of budget control and appropriations.  

7Report by F. Eberstadt to Arthur M. Hill, Chairman of the National Security Resources Board (Washington, D.C.: 4 Je 1948), EP.

8The Commission on Organization of the Executive Branch of the Government, Task Force Report on National Security Organization (Appendix G), Jan 1949. Also see Connery, Navy and Industrial Mobilization, pp. 458-459. Connery was a staff member of the Eberstadt task force.
As he was completing the report in the early fall, there was increasing speculation by both the news media and defense specialists within Washington that Eberstadt would be named Secretary of Defense if Thomas Dewey defeated President Truman in the forthcoming election. The election results, however, did not present Eberstadt with the choice of returning to Washington on a full-time basis.

In the following spring, Eberstadt served as an advisor to the Senate Armed Services Committee in its consideration of certain modifications to the National Security Act of 1947 to tighten and to modernize budget procedures. Eberstadt's insistence on strong civilian control over the military budget led Stuart Symington, at that time Secretary of the Air Force, to describe Eberstadt as a man who "often makes his point consistently by talking against the military," a statement of some irony when one considers the wartime accusations that Eberstadt served as the military's "tool."

This work marked the end of Eberstadt's active and official involvement in defense matters, for that spring saw the departure and death of the man who had originally brought him to Washington. Eberstadt and Forrestal had often discussed the latter's possible resignation from the position of Secretary of Defense. After President Truman's reelection

9Ltr. of Stuart Symington to Senator Millard Tydings, 10 May 1949, EP.
the previous fall, Eberstadt tried without success to convince Forrestal that the time had arrived for him to resign. For various reasons Eberstadt felt that the President wished to appoint Louis Johnson to the position. Instead, Forrestal seemed convinced that the President wished him to remain. In early March the President asked for Forrestal's resignation.

Shortly after that event Eberstadt wrote to "James," the name by which Eberstadt addressed Forrestal throughout their lives.

You don't need any words, oral or written, for me to express my feelings on the type of service that you have rendered our country over these terribly difficult nine years. The annals of our country will be searched in vain to find anyone who devoted his time and talents more unselfishly, more industriously, or with a greater devotion to the sole objective of the welfare and security of our country.

I cannot regard your present departure as the end of your service to the country. The lessons of history are all to the contrary. A layoff now will improve your perspective and contribute toward a clarification and firming up of your views on national problems so that when the need arises, as indeed it will, you will perform even more valuable services in the future than you have in the past, and that's saying a whole lot.

I have no idea what your plans are, but wherever I am there is always a place for you on any basis that you want it. And whatever I can do to aid in working out any plans that you may have is at your disposal.10

Eberstadt's hope of future service for Forrestal was not to be, for the Secretary's resignation was tragically followed

10Ltr. of Eberstadt to Forrestal, 3 Mar 1949, EP.
within the space of the next few months by physical and emotional breakdown, hospitalization, and suicide.

One can only speculate how deeply those events affected Eberstadt, though the resultant wound must have been great. His contact with Washington naturally declined, though he still occasionally appeared before some Congressional committee or gave the Chairman of the House Committee on Armed Services Carl Vinson—with whom he still kept in touch—his views on current defense organization.¹¹

Most of his time, however, was spent with his New York business where, despite his advancing age, he displayed his customary acuity and energy. In the summer of 1969, a visitor who wished to see some of Eberstadt's papers relating to mobilization during World War II asked Eberstadt's secretary if he could get into the office on Saturday to view this material. Referring to her boss, who at that time was seventy-nine, the secretary quickly replied: "Hush! Don't you dare ask him if you can come in on Saturday. If he thought there were still people who were willing to work on Saturday, he'd be in here and expect the whole office staff to be in here with him!"¹²

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¹¹Ltr. of Eberstadt to Vinson, 12 May 1958, EP.

¹²Personal experience of the author.
Eberstadt's concern for his country still led him toward service, if only on occasion. In the fall of 1969 the Blue Ribbon Defense Panel, at that time preparing a report to President Nixon, asked Eberstadt to give his opinions on defense organization. On the day he was to testify, Eberstadt took the Eastern Airlines shuttle flight to Washington but got only as far as Washington's National Airport before suffering a major heart attack. He died shortly afterwards in Walter Reed Army Medical Center.

For this World War I veteran, the date of death was fittingly symbolic—the 11th of November. Ferdinand Eberstadt, whose very last act had been in the service of his country, had indeed fulfilled the words of his 1913 Class History at Princeton: "let us never forget the debt we owe her, but strive on that she may always be what she has ever been, a 'Princeton in the nation's service.'"

APPENDIX A

CMP: FLOW OF REQUIREMENTS

REQUIREMENTS COMMITTEE & PROGRAM ADJUSTMENT COMMITTEE:

(ADJUSTS AND ALLOTS)

RECOMMENDED ADJUSTMENTS

AVAILABLE SUPPLY

DEMAND

DEMAND = BILLS OF MATERIALS + PRODUCTION SCHEDULES

CLAIMANT AGENCIES

BILLS OF MATERIALS

PRIME CONTRACTOR

BILLS OF MATERIALS

SECONDARY CONTRACTOR

323
APPENDIX B

CMP: FLOW OF ALLOTMENTS

REQUIREMENTS COMMITTEE

INFORMATION ON QUARTERLY ALLOTMENTS

CLAIMANT AGENCY

ALLOTMENT

ADJUSTED SCHEDULES

ALLOTMENT NUMBERS

PRIME CONTRACTOR

ALLOTMENT

ADJUSTED SCHEDULES

ALLOTMENT NUMBERS

SECONDARY CONTRACTOR

ORDERS AND ALLOTMENT NUMBERS

CONTROLLED MATERIALS PRODUCERS

CONTROLLED MATERIALS DIVISIONS

ORDERS AND ALLOTMENT NUMBERS

REPORTS OF SHIPMENTS AND UNFILLED ORDERS

Production Directives
When first upon the martial scene emerged  
The War Production Board, replacing SPAB  
The Wiser heads among our leaders urged  
A group to settle things by gift of gab.  
Requirements-Supply were its domain;  
Allotments, ratings, programs were its jargon  
It carried on its work with little strain;  
The Claimants were prepared to strike a bargain.  
Presiding o'er this stately Board there sat,  
Maintaining peace 'tween Weiner¹ and the others,  
That gallant warrior, Bill Batt,²  
Who made the members act like friendly brothers.  
The happy scene was marred by but one doubt;  
Decisions flowed, but were they carried out?  

II  

Implementation was the by-word when  
Luther³ brought forth the summer's realignment.  
One James S. Knowlson⁴ swam into our ken  
To take upon his head the Chair's assignment.  
These were the days of combat and swift move,  
When PRP⁵ and War Board were at stake,  
When Smith⁶ and Novick⁷ fiercely sought to prove  
That "horizontal"?a was the road to take.  
The Chairman travelled on his way serene.  
Only one fly disturbed the honeyed ointment;  
The cares of others often were unseen  
By him; he used, to others' disappointment,  
That noble means for passing of the buck:  
"Gentlemen, that problem I must duck!"  

III  

With autumn's coming rose again the cry:  
"Find a new captain for the Requirements Helm!"  
And Eberstadt, perhaps with a faint sigh,  
Abandoned ANMB's⁹ pleasant realm.

*File 061.06, WPB, NA.
The task demanded all his assiduity,
But one advantage stood him in great stead;
The PAC provided continuity
And Fennelly warned him where he should not tread.
While "horizontal" was the previous rage,
Controlled Materials now took premier place.
Blackie himself turned over a new page
And guided systems "vertical" toward first base.
A single flaw bemused the Plan's proponents:
They quite forgot about those damned components.

IV

The wheel has turned again with winter's season
To us 'twould seem astonishingly strange
If we should chance, regardless of the reason,
To see the Chair next summer without change.
We trust it may be so; we'd like to see
The mighty Krug outlive the armistice.
To raise our hopes that should it prove that he
Has an Achilles' heel, the foe will miss.
When we review the entire year's roll-call
We've had fine chairmen for our lot: Our Bill,
Our Jim, our Ferd, our Cap, we love them all.
Yet—seek to control it as we will
Th' insidious brain sets up a whispered patter:
"Who's Chairman next—or does it really matter?"

EPilogue
(April 1945)

V

That hope expressed that long two years ago,
That Chairman Krug the war's end might survive,
Was doomed to disappointment, for the glow
Of Navy blue and Draft Law did contrive
To snatch him from our midst. But soon he soared
To even greater glory, now to preside
At stratospheric sessions of the Board
Where facts are few, but policy's made topside.
The weeks that followed hard on Cap's demise
Involved for us severe exacerbation;
To find true policy 'neath its disguise
Required meticulous discrimination.
The Staff was sorely tried to make the choice:
Were Charles or Donald's words Our Master's Voice?
VI

Sam Anderson\textsuperscript{18} came bravely to the fray.
He made his judgments with acumen rare.
Few other men would move without delay
From Al-Mag's\textsuperscript{19} dust to Codcabe's\textsuperscript{20} fine, pure air.
Sam's year in office has passed far too quick
To suit this author's taste. With him away
'Twill be extremely hard to learn the truck
Of justly treating Bill\textsuperscript{21} and FEA\textsuperscript{22}
The battle now is well in its fifth year.
We're wearying of always saying "no".
Our client's pleas no longer draw a tear,
But that they join us in one hope we know;
The fervent prayer of all the R.C.\textsuperscript{23} Staff;
That "Epilogue" will soon be "Epitaph"!

Lincoln Gordon

EPITAPH
(January 1946)

VII

Events move fast when Gordon\textsuperscript{24} took the burden
With no new "Linc" to help him bear its weight
Now his alone. We've finished with the German
Japan read doom in Hiroshima's fate.

The guns were stilled. Then rose a growing clamor
"The job is done. Quick, tear the structure down."
Controls were scrapped with thoroughgoing fervor
Brass hats made travel history leaving town.

Yet reconversion needed more than cheering.
Unscrambling eggs is not a simple art.
Some rules were needed still for safely steering,
But which to drop? Which keep in whole or part?

Such was Lin's job, and that he did it well
The record, better far than verse can tell.

VIII

And so 'tis done. The final allocation
Has passed through all the stages of travail
Through claimants' squawks to signed determination
And now at last we sadly draw the veil.

No longer will the weaker claimants tremble
Before the thund'rous wrath of Lucius Clay, 25
Nor try with valiant phrases to dissemble
Their knowledge that again he'll have his way.

No more will Bill 26 insist upon retaining
Domestic cloth to grace domestic backs,
Or Mac 27 hold forth in measured phrase maintaining
That foreign gals have naught to wear but sacks.

All's silent now. So let's have one last drink
To Bill and Jim, to Ferd, Cap, Sam, and Linc. 28
Saul Nelson
Footnotes to
"Sonnets for the Requirements Committee Chairmen"

J. W. Fesler

1Joseph L. Weiner, Deputy Director, Division of Civilian Supply.

2William L. Batt, Chairman of the Requirements Committee and Director, Materials Division.

3Luther H. Gulick, Director of Organizational Planning.

4James S. Knowlson, Vice Chairman for Program Determination.

5Production Requirements Plan.

6Blackwell Smith.

7David Novick, Comptroller.

7aHorizontal allocation of materials--PRP.

8Ferdinand Eberstadt, Formerly Executive Director, Army and Navy Munitions Board, and from September 1942, Chairman of Requirements Committee.

9Army and Navy Munitions Board.

10Program Adjustment Committee, through which most questions were considered prior to their submission to the Requirements Committee.

11John H. Fennelly, Chairman, Program Adjustment Committee and Director, Program Bureau.

12Controlled Materials Plan, embodying vertical allocation of materials.

13Blackwell Smith.

14J. A. Krug, Program Vice Chairman, Chairman of the Requirements Committee, and Director, Office of War Utilities.

16Charles E. Wilson, WPB Executive Vice Chairman.

17Donald M. Nelson, WPB Chairman.

18Samuel W. Anderson, Program Vice Chairman and Chairman, Requirements Committee.

19Code name for the Aluminum and Magnesium Division, in which Anderson had served prior to becoming Program Vice Chairman.

20Committee on Demobilization of Controls after Victory in Europe.

21William Y. Elliott, Vice Chairman for Civilian Requirements.

22Foreign Economic Administration.

23Requirements Committee.

24Lincoln Gordon, Program Vice Chairman, and Chairman, Requirements Committee; formerly Deputy Director and Director, Program Bureau, which was the staff for the Requirements Committee.

25General Lucius D. Clay, deputy to James Byrnes in Office of War Mobilization and Reconversion.

26William Y. Elliott.

27Francis E. McIntyre, FEA representative on the Requirements Committee.

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