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DISPOSITION OF SURPLUS WAR PROPERTY: AN

ADMINISTRATIVE HISTORY, 1944-49.

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FOREWORD

The abrupt ending of World War II caught both military and civilian planners by surprise. Without knowledge of the capability of the atomic bomb everyone had expected a longer war. Accordingly, those people responsible for reconversion to a peacetime economy found themselves short of time for planning and organization. In no area was this more evident than in the field of surplus war property.

The amount of surplus property was known to be enormous; estimates ran as high as $100,000,000,000. Items were also tremendously varied: from small personal objects, through jeeps and trucks, and to giant factories. Nevertheless, this huge variety could be divided into five major categories: consumer's goods, maritime equipment, war materiel and unsaleable aircraft, producer's goods, and real property. The last classification included surplus industrial facilities which are the primary concern of this study.

It is, however, difficult to treat industrial facilities as a separate entity completely divorced from the entire surplus disposal issue, since it was never so considered by reconversion leaders. The Chief Executive, legislators, and administrators, in spite of the disparate factors involved, always considered the surplus as one big problem. Thus the administrative history of the entire surplus policy and disposal function must be an important part of this paper.

From the beginning there was divergence in thought about the proper role of the surplus in a peacetime economy. The poles of opinion ranged from those who felt that the social welfare of the greatest number was the primary objective, to those who were convinced that rapid sales at the top dollar, if consistent with the maintenance of a stable market, was the answer.

This disagreement was particularly evident in the disposition of industrial facilities because of their ratio to existing plant. It was conservatively estimated that government-owned surplus warplants would add 25 per cent to prewar productive capacity. Obviously, this huge investment, calculated to be about $15,000,000,000, would play an important role in the determination of the character of the postwar economy.

Zealous social planners advocated government retention to assure full employment, to act as a bulwark against poverty, and to lessen the power of the business community. At the other end of the spectrum, extreme champions of private enterprise supported complete freedom of acquisition on the basis that what was best for American capitalism was best for the country.

This study, then, will center on attempts to define national goals and efforts to solve administrative problems. In the course of this investigation, close attention will be paid to the creation of a policy making establishment, to the passage of controlling legislation, to the combination of policy and disposal, and to the erection of a permanent policy and disposal structure. Hopefully, weaknesses will be pinpointed, strengths will be praised, and results will be tabulated.

Without unlimited assistance from many people, obstacles to the completion of this study would have been insurmountable. Librarians and archivists have been unfailingly kind and courteous in response to my unreasonable requests. Dr. Donald J. Berthrong, Chairman of the History Department at the University of Oklahoma, took time from his manifold duties to read the unfinished manuscript, to smooth numerous passages, and to correct awkward style.

To the other members of my committee, Dr. Arrell M. Gibson, Dr. William H. Maehl, and Dr. Jim E. Reese, I apologize for subjecting them to far too many pages of tedious reading. My colleagues on the History faculty of Texas A & I University have not only read drafts and corrected proofs, but have listened to my daily progress reports with forbearance and great good humor.

Dr. Gilbert C. Fite, George Lynn Cross Research Professor of History at the University of Oklahoma, gave aid and comfort far beyond the mere call of duty. He not only provided the finest professional assistance, but also the friendship and understanding which changes an arduous task into a joy.

Kathryn, my wife and co-worker, has labored unceasingly from the first research to the typing of the final draft. Without her I would not have started, let alone finished. Miraculously, our marriage has survived.

TABLE OF CONTENTS

DISPOSITION OF SURPLUS WAR PROPERTY: AN ADMINISTRATIVE HISTORY, 1944-1949

CHAPTER I

BACKGROUND OF RECONVERSION

In his farewell address delivered to a television audience on January 17, 1961, the usually cautious President Dwight D. Eisenhower warned of a serious threat to American democracy:

> In the councils of government we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military-industrial complex. The potential for disastrous rise of misplaced power exists and will persist.[1]

This disturbing situation in time of peace was something comparatively new to American experience. Continuing world crises after the end of World War II created a condition by which the military could retain an inordinate amount of power. Even though there were no shooting wars, Sputnik and growing fear of "Red agression" enabled military leaders, in concert with their suppliers, to continue in the dominant role they had held during

[1] Ralph E. Lapp, The Weapons Culture (New York: W. W. Norton & Company, 1968), II.

wartime. Such had not been the case after other wars.

Past generals had not failed to try, for to justify generals there must be those to lead. After World War I the Army General Staff pushed legislation which would have authorized a large standing army and universal military training; Congress, with no immediate foreign threat, would have none of it.[2]

In the 1920s and 1930s the military assumed its traditional peacetime role. With its numbers and expenditures drastically cut by a niggardly Congress the military influence on national affairs was negligible. Its officers were not consulted on matters of policy. Diplomatic positions were assumed without regard to military preparedness, or lack of it. Military spending was the concern of a few specialized suppliers; its contribution to gross national product was of no great importance.[3]

The hard years of the Great Depression have yet a deep emotional impact on remembering Americans. Those who evaluate New Deal policies fail to find real economic recovery until the beginning of military spending after

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[2]Fred J. Cook, "Juggernaut: The Warfare State," The Nation, CXCIII (October 28, 1961), 284.

[3]Walter Millis, with Harvey C. Mansfield, and Harold Stein, Arms and the State: Civil-Military Elements in National Policy (New York: The Twentieth Century Fund, 1958), 20-21.

September 1, 1939. The increasing war budgets of the Allied powers and defense spending by the United States government finally brought about recovery and full employment.[4] This lesson was not forgotten after World War II. Businessmen learn quickly when the company ledger sheet is involved. As the end of World War II approached, many recalled that since 1939 prosperity had been associated with generous military spending and depression with laissez faire and comparatively ineffective civilian pump priming.[5] This realization created pressures -- pressures increased by a willing military -- which influenced postwar reconversion. Reconversion policies were a giant step forward on the road to increased military and big business control of the national economy.

The alliance between those segments had begun soon after national leaders began to plan for United States defense against the threat of the European War. By mid-1940 the Army-Navy Munitions Board and the National Defense Advisory Council had been established. ANMB's role was simply to coordinate military requirements and procurement,[6]

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[4]Gilbert C. Fite and Jim E. Reese, An Economic History of the United States (Boston: Houghton Mifflin Company, 1959), 627.

[5]Cook, "Juggernaut: The Warfare State," 285.

[6]Millis, Arms and the State, 54.

but NDAC was empowered to begin economic mobilization.[7] Gross national product in 1940 had risen to $97,000,000,000, breaking the 1929 record, but there were still 9,000,000 unemployed.[8] Clearly there was plenty of opportunity for expansion into war production.

At that time, however, big business was not eager to expend the necessary monies to build specialized munitions plants since they had been plagued with excess manufacturing capacity for the past ten years.[9] Quite often small businesses received those early orders since they were more willing to convert and could frequently give the best delivery.[10] The business community remembered World War I when its experience with government contracts had not been happy. Contracts had been terminated abruptly; war inventories had been allowed to languish on contractor's premises; no provision had been made for loans with which to reconvert; and claims had been paid slowly or even denied. With that experience

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[7] Ibid., 55.

[8] A. D. H. Kaplan, The Liquidation of War Production, A Research Study of the Committee For Economic Development (New York: McGraw-Hill Book Company, 1944), 3.

[9] "One-Fifth of a Nation Government-Owned," Business Week (June 19, 1943), 53.

[10] R. Elberton Smith, The Army and Economic Mobilization, Part 5, The War Department of Vol. IV; The United States Army in World War II (Washington: U. S. Government Printing Office, 1959), 413.

still in mind few large manufacturerers jumped at the chance to expend huge sums when they saw little chance for profit.[11]

Through the summer of 1940 several attempts were made before a solution, albeit expensive, was found. First tax concessions were used as an incentive; one-fifth of the expense of plant expansion could be charged off against profits each year for five years. But this implied taxable profits and, in light of previous experience, who could be assured of profits?[12] It soon became evident that the federal government would have to put up the money to encourage construction of additional plants. NDAC came up with a plan which it called an Emergency Plant Facilities (EPF) contract. In this scheme the government agreed to pay the company for plant expansion in sixty equal installments. With this contract as collateral the manufacturer borrowed the necessary expansion money from his bank. This was not advantageous to the government since it had to repay the loan out of money which had been authorized by Congress which meant that it was paying interest on already appropriated funds; the operators did not like it at all. Even with an iron-clad government contract, bankers were inclined to consider

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[11] Ibid., 674.

[12] "One-Fifth of a Nation Government-Owned," Business Week, 53.

over-all indebtedness; the increase in which would limit the manufacturer's regular line of operating credit. It became increasingly clear that funds would have to be advanced openly, directly, and completely if a defense industry was to be built.

It remained for the Reconstruction Finance Corporation, headed by Jesse Jones, to come up with the answer. Within that organization the Defense Plant Corporation was formed on August 22, 1940. DPC built and paid for plant expansion; it then leased the facilities to the operating company for the duration of the emergency. In this way the lessee escaped capital expenditure, and rental payments were guaranteed by cost-plus contracts. Often DPC also included a clause in the agreement which gave a company an option to buy the plant at the end of hostilities. Big business went for this plan in a big way.[13]

Thus an acceptable arrangement was slow in being developed but that it would favor the industrialists was manifest from the beginning; it was conceived by big business; the midwife at its birth was the military. Matthew Josephson, in Washington on an extended assignment for the *New Yorker*, saw the arrival of the money men:

> During the summer, while London was being bombed, Washington fairly boiled with excitement. I haunted the headquarters of the NDAC in the new marble palace of the Federal Reserve Board on Constitution

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[13] *Ibid.*, 54.

Avenue and saw with my own eyes how the power elite was changed. As in 1917 and again in 1933, under the Blue Eagle, a horde of dollar-a-year men converged on the capital to serve as deputies or assistants to the Defense Commissioners. The regular New Dealers, often seedy-looking professors or lawyers in baggy trousers, were quite outnumbered by the dollar-a-year men who stemmed from Wall Street, Chicago, or Detroit, and were usually spruce chaps in $200 suits. They came ostensibly to donate their services for the emergency as civilian patriots, but it was evident that they meant to keep a sharp eye out for their private business interests as well, since huge government contracts worth billions of dollars were being handed out day by day.

. . . .

They moved in from General Motors, General Electric, U. S. Steel, Standard Oil, Wright Aeronautical, and United Aircraft; in short from the fifty giant corporations that controlled a third of America's industrial wealth. . . .

"After all," remarked one of the dollar-a-year men, "if you want quantities of powder and shell casings you can't go to some New Deal professor to get them."[14]

The War Production Board was created on January 13, 1942, with Donald Nelson, former head of Sears Roebuck and Company as chairman, to promote civilian control of the war economy. The military services, however, continued to control procurement functions[15] and thus dominate allocation of plant construction. Close at the elbow of the military were the ubiquitous "malefactors of great

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[14] Matthew Josephson, Infidel in the Temple: A Memoir of the Nineteen-Thirties (New York: Alfred A. Knopf, 1967), 495-96.

[15] Millis, Arms and the State, 82.

wealth." Serving as the advisory staff to Brehon B. Somervell, Chief of Army Ordnance, were Bernard Baruch, Lewis Brown of Johns Manville, and Benjamin Fairless of U. S. Steel.[16]

The ever-vigilant Matthew Josephson noted that it was the generals and admirals who "specified and awarded" 75 per cent of the first $10,000,000,000 in contracts to the fifty largest corporations. Together, according to Josephson, they "laid the foundations for that 'military-industrial complex of whose all-pervasive power Dwight Eisenhower . . . would warn the country."[17]

The relinquishment of government ownership of the $15,000,000,000 in warplant construction, for the wildest New Deal dreamer never seriously thought control could be retained, was in many ways more difficult and more complex than was the acquisition. The hopes, dreams, personal ambitions, and prejudices of rich men, poor men, beggar men, thieves; doctors, lawyers, merchants, chiefs--and before all else, veterans because of established priority--had to be considered before even the smallest shop or plant could be marketed.

If social considerations were difficult, organizational problems seemed almost insurmountable. The United

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[16]Cook, "Juggernaut: The Warfare State," 284.

[17]Josephson, Infidel in the Temple, 505.

States, in all its manifest wisdom, chose to view the disposal of all surplus property as a single problem. Exactly the same organizational machinery was used to sell a five-cent pair of shoe laces as to dispose of a $100,000,000 steel mill.

Before examining actual warplant disposal, therefore, it is necessary to investigate general war surplus problems, including the attempt to find an efficient agency to direct the settling of an estate estimated as high as $100,000,000,000. Background of this quest stems from World War I experience.

Armistice Day for "the war to end wars" came too abruptly for the planners to think much about reconversion and surplus. As late as October 29, 1918 the War Industries Board had appealed for vastly increased production. In that same month numerous contracts had been let which anticipated a much larger army than the 3 1/2 million men then in uniform.[18]

In contrast to the war of the 1940s the end of World War I found the peak of production still to be reached.[19] The Army, totally engrossed by a win-the-war

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[18]William Hoyt Moore, "Termination of Contracts and Disposal of Surpluses After the First World War," The American Economic Review, XXXIII (March, 1943), 138.

[19]Peak Production in WW II was reached in November, 1943.

psychology, had made no plans whatsoever for the flood of surplus which would soon engulf them. Not until twenty days after November 11, 1918 were the first 150 men assigned to surplus property planning.[20]

Bernard Baruch and some members of Congress, in August of 1918, had evinced interest in converting the War Industries Board into a Peace Industries Board when hostilities ended.[21] The majority of Congressmen, however, listening to the demands of special industrial and commercial interests, sought only to relax the rigid wartime controls as rapidly as possible.[22] As a result Baruch resigned from the chairmanship of WIB which then went out of existence on January 1, 1919.[23] Not that the Chief Executive and the national legislature did not make numerous attempts to smooth the transition to private control. In 1944 when Congress was again discussing surplus property legislation it required three pages in the Congressional Record to reprint the legislative acts and Executive orders of 1919 and 1920 pertaining to that

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[20]Helen Fuller, "Our Surplus Billions," The New Republic, CXIII (August 27, 1945), 252.

[21]Kaplan, The Liquidation of War Production, 31.

[22]James Allen Cook, Marketing of Surplus War Property (Washington: The Public Affairs Press, 1947), 61.

[23]Kaplan, The Liquidation of War Production, 31.

subject.[24] In spite of this verbiage there was no centralized agency, no clean line of authority to guide the departments that owned the surplus. Since by far the largest portion of the excess materiel belonged to the Army, that organization had most of the headaches. To find a partial solution the War Department created a central selling control group known as the Office of Director of Sales. This office was to coordinate the efforts of the nine to fourteen selling agencies maintained by the Army. But even then chaos was the order of the day.[25]

It was difficult to find the most efficient selling method. Sealed bids were tried, then fixed prices. When these failed to produce desired results, Army salesmen turned to direct negotiation and auction sales. Mail order techniques had their day, with parcel post deliveries going direct to consumers. When that proved to be unworkable the Army Quartermaster opened seventy-seven retail locations in scattered areas. Finally that genius of American retailing, the "Army and Navy Store" operator, buying his goods from the government, merchandized the bulk of the services' surplus consumer goods.[26]

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[24]U. S., Congressional Record, 78th Cong., 2d Sess., January 15, 1944, 6958-60.

[25]Cook, Marketing of Surplus War Property, 61.

[26]Moore, "Termination of Contracts," 148.

Recommendations by government officials and industry spokesmen varied widely regarding a preferred volume of sales. As a result selling was restricted for five months after the war's end to allow normal channels of trade to be re-established. For a short time thereafter, disposals were vigorously pushed only to be cut back again in 1920. By 1921 officials became apprehensive of the large inventories still on hand and forced selling with a low recovery ratio was begun.

It was almost impossible to determine how much surplus the United States actually owned. In 1945, writing from the vantage point of historical perspective, one authority gave the 1918 figure as $3,333,000,000 worth,[27] another raised it to $3,750,000,000,[28] and a third upped the amount to between $6 and $7,000,000,000.[29] Whatever the final tabulation, the total included over 250,000 different items: on the list was 100,000,000 pounds of copper, 860,000 tons of nitrate, two years supply of wool, and about $200,000,000 worth of machine tools; to compound the problem if any of these were dumped it would break the regular domestic market.[30]

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[27] Ibid., 144.

[28] Fuller, "Our Surplus Billions," 252.

[29] Phil Kelly and Bake Young, "Shoes and Ships and Sealing Wax," Collier's CXVI (October 20, 1945), 28.

[30] Moore, "Termination of Contracts," 144.

Another difficult question to answer was how much property should be retained and how much should be declared surplus. The permanent size of the postwar army had not been decided. Canned food, for instance, could be retained if it was known how many were to be fed and how long canned goods could be kept. It was impossible to get accurate figures on the amount of surplus that could be absorbed by other federal agencies. There was no central clearing house to evaluate the needs of state and local governments. The adaptability of an item to peacetime use had a great deal to do with saleability and therefore with price. Harness, trucks, food and such items were obviously useable, but what about machine guns? These eventually sold for twelve cents each on the scrap market.[31]

A large portion of the leftover property was still overseas. Many felt that it should be left where it was. If it were, ships could be used to bring men home, instead of materiel; adverse effect on the domestic market would be diminished and handling and maintenance costs could be reduced. Nevertheless property worth about $672,000,000 was brought back after World War I.[32] More than half of the

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[31] Ibid., 145.

[32] Arthur Robert Burns, "Surplus Government Property and Foreign Policy," Foreign Affairs: An American Quarterly Review, XXIII (April, 1945), 485.

surplus property that remained abroad was in France. The French government purchased most of this on credit which only added to the troublesome postwar debt; no credit sales of surplus, however, were made to the English. Time sales were made to the governments of Belgium, Czechoslovakia, Estonia, Latvia, Lithuania, Poland, Roumania, Russia, and Serbia. Foreign sales to individuals amounted to about $228,000,000. Goods were also transferred, without cost, to the American Relief Administration and to the American Red Cross. Aggregate foreign sales, then, amounted to about $823,000,000 which was about 60 per cent of cost.[33] If the money had all been collected this would have been a far better performance than on the domestic scene.

Given the volume of domestic surplus and the lack of effective organization, scandal and mismanagement were sure to follow. Speculators grew rich, goods bought for pennies were sold for dollars, and canned goods, supposedly spoiled, reappeared on grocer's shelves.[34] The scandals in the office of the Alien Property Custodian and the Veteran's Bureau became well known but in other cases 50,000 bales of cotton were allowed to rot, over 11,000 army cars were permitted to deteriorate into junk, and bonfires were built with surplus warplanes. Furthermore

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[33] Ibid., 486.

[34] Background piece for World War II Surplus Problem, New York Times, December 3, 1944, 10E.

scandals were unearthed that harkened back to the original purchase orders; the best example of which was the 900,000 saddles purchased for the 85,000 cavalry horses![35]

The surplus problem would continue as much as officials might wish that it would go away. In 1920 the Secretary of War avowed that there had never "been a commercial problem comparable in extent and intricacy," and in 1921 he referred to the surplus as one of the "war hang-overs."[36] But the hang-over had not run its course even in 1921. As late as 1944 the Chairman of the Surplus Property Board announced that not only were there surpluses in government warehouses left over from World War I but that Spanish-American War surpluses were still on hand.[37]

Most of the increased industrial facilities for World War I were built by private industry but the problem of disposal of the government's share was nonetheless bothersome.[38] The United States had invested approximately $600,000,000 in seventy-two separate installations. Sixty-seven of these, costing $467,000,000, were turned over to private industry with a 4 per cent return to the government. Five DuPont munitions Plants costing $115,000,000 brought

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[35]Moore, "Termination of Contracts," 144.

[36]Cook, <u>Marketing of Surplus War Property</u>, 62.

[37]<u>Ibid.</u>, 63.

[38]Smith, <u>The Army and Economic Mobilization</u>, 235.

$6,800,000.[39] In the case of the $5,000,000 received for a $65,000,000 plant in West Virginia the justice department felt that it would have been better to have given it away since litigation costs attendent to the sale ran higher than the selling price. Lack of planning and willingness to sell at any price just to "get rid of it" led to this dismal result.[40] The only happy result, and this was due to a long vigorous fight by a group of willful men, was the retention of Muscle Shoals to form the nucleus of the Tennessee Valley Authority.

There were lessons to be learned from the World War I ordeal but circumstances were so different during and after the Second World War that the analogy cannot be carried far. The organization waging the Second War was a great deal larger and more sophisticated than for the first. War production had passed its peak in 1943 and there was some reconversion by 1945;[41] in 1918 the United States was striving for still more production. Nonetheless, World War I surplus experience did influence World War II thinking even if that influence was largely negative. Congressmen who remembered World War I when shaping the Surplus Property Act of 1944 attempted to avoid the mistakes that had been

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[39] Cook, Marketing of Surplus War Property, 63.

[40] Ibid., 64.

[41] Kaplan, The Liquidation of War Production, 68.

made.[42] To avoid one of the pitfalls, planning started much earlier and was much more effective in World War II.[43] Disposal speed was emphasized in the Second War to cut down on the huge maintenance costs in comparison with the first.[44] Every effort was made to consolidate agencies. Speculators were kept under better control; a system of government priorities kept the sharp operators from buying from one U. S. agency and selling to another. However, problems such as the retention of competent personnel were characteristic of both postwar periods. People were reluctant to remain on a job that was obviously temporary when work was opening up in peacetime industry.[45]

In the end, World War II planners did not learn much from the lessons of the World War I fiasco. From the beginning of production for the second war it should have been realized that the surplus problem would be many times greater than in the first. But planning was still too slow; there was still too much decentralization in selling agencies; Congressional guidelines were still fuzzy. And to top it off social considerations remaining from New Deal philosophy complicated the situation even further.

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[42] Cook, Marketing of Surplus War Property, 60.

[43] Kaplan, The Liquidation of War Production, 25.

[44] Cook, Marketing of Surplus War Property, 65.

[45] Ibid., 68.

Bernard Baruch, who was chairman of the War Industries Board in 1917-18, well remembered those years. He had offered to use his wartime know-how to help solve postwar problems but had been rebuffed. Roosevelt, however, used Baruch's talents to begin the planning for reconversion in World War II. But by 1944 circumstances were a great deal different, more complex, than in the first war. As shall be seen the recommendations of the Baruch-Hancock Report, while useful, were not the infallible pronouncements that many Americans had come to expect from the most famous elder statesman of his era.

CHAPTER II

EARLY PLANNING AND THE BARUCH-HANCOCK REPORT

The culmination of pre-legislative planning for World War II surpluses came with the issuance of the Baruch-Hancock Report on February 15, 1944. Between World War I and the latter date, however, some efforts had been made, first to build an operational disposal organization and then, after the beginning of World War II, to start planning for reconversion to a peacetime economy. Operations in disposal for World War I were handled by the owning agencies, primarily the Army and Navy. The job was nearly completed by 1926,[1] although nuisance items continued to turn up. In an attempt to end the embarassment attendant to government disposal on one hand and government purchase of duplicate items on the other, the Director of the Budget, on July 27, 1921, created the Federal Coordinating Service in the

[1]James Allen Cook, Marketing of Surplus War Property (Washington: Public Affairs Press, 1947), 65.

Bureau of the Budget.[2] Its task was to coordinate the purchases and to transfer supplies between agencies and to dispose of surplus property. This service remained active until June 10, 1933 when President Roosevelt by Executive Order 6166, replaced it with the Procurement Division of the Treasury Department.[3]

Although the authority of the Procurement Division was always rather nebulous, since Executive Order 6166 was not completely clear, this Division functioned as both a policy and operating agency for a number of years. During that time, 1933 through 1941, disposal of civilian property was not a big problem. Returns to the government in those years came to a total of about $200,000. Items sold included fixtures, broken motor parts, old furniture, a stuffed horse from the Smithsonian Institution and two stone eagles, weighing thirty tons each, originally designated as guardians for a government building. With World War II, however, it soon became evident that some provision had to be made to strengthen the policy function. The Procurement Division preferred to keep surplus property disposal as one of its functions but higher echelons ruled otherwise. Executive Order 9235, issued

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[2]U. S. Federal Register, United States Government Organizational Manual, 1964-65 (Washington D. C., Government Printing Office, 1964), 645. Cited hereafter as Organizational Manual.

[3]Ibid., 632.

October 16, 1942, transferred the policy-making power from the Procurement Division of the Treasury Department to the Bureau of the Budget. Since the policy function had thus been specifically assigned, Treasury on that same day in 1942 moved to strengthen surplus operations; the Federal Property Utilization Branch was created within the Procurement Division to separate surplus disposal from acquisition.[4]

By the end of 1942 a number of planning groups in the United States had become interested in the postwar world, since Americans never seemed to doubt that they would win the war. At that time George B. Galloway conducted a survey for the Twentieth Century Fund which named 112 agencies, both public and private, that had begun to think about the direction society should take. It is true that few of these were primarily concerned with surplus property, but in the end the effect of surpluses on the government's stake in the postwar economy would be difficult to ignore. The interested agencies were as divergent as the American Peace Society and the Corps of Army Engineers, or the National Association of

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[4]War Assets Administration, Office of Plans and Policies, Reports Division, Historical Branch, "Administrative History of War Assets Administration and Predecessor Agencies." Compiled between March 1, 1947 and October 1, 1948 (Unpublished Typescript in Federal Records Center, Springfield, Virginia), no consecutive page numbers. Cited hereafter as "WAA History."

Manufacturers and the International Labour Office.[5]

In 1942, and through most of 1943, one of the most progressive of the planning bodies was the National Resources Planning Board.[6] It was not long-lived. Having been created by Executive Order on July 1, 1939, it died by legislative fiat on January 1, 1944.[7] The NRPB became a center of controversy when one of its reports, issued early in 1943, advocated extensive governmental control over the postwar economy. Although a great majority of Americans thought otherwise, the report contained the uncommon idea that a postwar depression was not necessary. If, with continued governmental action, such as retention of control of war plants, national income could be kept at about $120 billion annually there would be no unemployment.[8] Roosevelt did not push the report, according to J. Raymond Walsh, because of a conservative Congress and a popular "misunderstanding of the aims of such agencies." Walsh, a former Harvard Economics professor and official in the C.I.O., felt that Roosevelt was

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[5]George B. Galloway, Postwar Planning in the United States (New York: The Twentieth Century Fund, 1942), VII-IX.

[6]Bureau of the Budget, The United States at War: Development and Administration of the War Program By the Federal Government (Washington: Government Printing Office, 1946), 464.

[7]Organizational Manual, 655-56.

[8]J. Raymond Walsh, "Action For Postwar Planning," The Antioch Review, III (June, 1943), 154.

"undoubtedly waiting for public opinion to catch up with the ideas of this enlightened document."[9] In its report NRPB made two specific proposals for the disposal of war plants: first that plants, especially those producing basic metals and materials, should be divided among producers, large and small, to ensure competition; and second that some partnerships of business and government should be established to make certain that the plants be used for the greatest common good.[10] The program was never adopted. Few Congresses had been more conservative than the Seventy-Seventh,[11] and legislation passed in August 1943 specifically abolished NRPB.[12] Walsh was fearful of the result if some positive program were not adopted. During the war, he insisted, "big business was getting bigger and small business smaller"; thirty thousand concerns had gone under in Chicago alone in 1942 and the first part of 1943. "Many of these small entrepreneurs are bitter," he said, and it was "such a group of disgruntled middle-class business men who turned to Hitler as their savior."[13] In Walsh's opinion only

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[9] Ibid., 153.

[10] Lewis Corey, "Problems of Peace: I. War Plants, The Antioch Review, III (September, 1943), 446.

[11] Walsh, "Action for Postwar Planning," 153.

[12] Organizational Manual, 656.

[13] Walsh, "Action for Postwar Planning," 157.

immediate planning, popularization of the ideas of the NRPB report, and prompt action could save the nation.[14] But, eventually, it would be continued military spending instead of the healthy civilian economy envisioned by Walsh that would bring full employment.

It was at this same time that Congress began to turn its attention to the surplus property problem. Its approach, however, was narrow; Congressional leaders, as yet were too interested in winning the war to find time to develop a postwar blueprint. The first tentative wartime surplus property legislation introduced in 1942, H. R. 2795, only incidentally dealt with war production surpluses; specifically it was designed to handle the accumulation of such defunct agencies as the Works Progress Administration and the National Youth Administration. Representative Robert Hale, of Maine, was of the opinion that this bill was well drafted and would have lessened the need for haste when the Surplus Property Act of 1944 was debated.[15] Work on H. R. 2795 had actually begun in the Senate Committee on Appropriations in July 1942; it was introduced in the House of Representatives that fall and passed unanimously on the following June 9, 1943.[16] It was

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[14] Ibid., 159.

[15] U. S., Congressional Record, 78th Cong., 2d Sess., March 16, 1944, 6994.

[16] Ibid., 2216.

introduced in the Senate early in 1943 but was never considered. Thus the first Congressional attempt to deal with surplus property came to nothing. Hale was disappointed in the lack of action since, with passage of legislation, control of surplus property would have remained in Congressional hands instead of in the executive department where the Baruch-Hancock Report and Executive Order 9425 eventually put it.[17]

In the meantime the Defense Plant Corporation which had built the bulk of the government-owned manufacturing facilities began to realize that to get rid of its plants would be, in some ways, a larger job than building them. When it began to figure out what it owned, DPC found that inventory alone was no small task. By June 1943 it was in the midst of totalling, first, its holdings in machine tools and, second, factories themselves. The job was of such magnitude that the inventory had to be put on punch cards.[18]

DPC was not the only agency building installations that would become surplus at the end of the war. The Army, Navy, and Maritime Commission had also authorized construction. The total, for all agencies, had reached

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[17] Ibid., 6994.

[18] "One-Fifth of a Nation Government-Owned," Business Week (June 19, 1943), 56.

about $33,000,000,000 of which between $15,500,000,000[19] and $16,900,000,000[20] were in industrial facilities. Almost 100 per cent of these facilities had been built with public funds; private money was largely used to finance small, integrated projects. This was clearly indicated by the fact that the average cost of each private financed addition, from the beginning of the emergency to October of 1942, was $270,000, while the average cost of each government financed addition was $6,700,000.[21] Percentage of government expenditure by cost group ran as follows:

Cost of Plant				Per Cent of Total Gov't. Funds Expended on Cost Group
$ 25,000	-	$ 100,000	---	0.2%
$ 100,000	-	$ 1,000,000	---	3.6%
$ 1,000,000	-	$ 2,500,000	---	5.0%
$ 2,500,000	-	$ 10,000,000	---	18.8%
$ 10,000,000	-	$ 50,000,000	---	41.3%
$ 50,000,000	-	$100,000,000	---	19.3%
$100,000,000 and up			---	11.8%
				100.0%[22]

As a percentage of total industrial investment, the government's share was most impressive: at least one-

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[19]A. D. H. Kaplan, The Liquidation of War Production, A Research Study of the Committee for Economic Development (New York: McGraw-Hill Book Company, 1944), 14.

[20]Glenn E. McLaughlin, "Industrial Adjustment at the End of the War: Wartime Expansion in Industrial Capacities," The American Economic Review, XXXIII (March, 1943), 108.

[21]Ibid., 109.

[22]Kaplan, Liquidation of War Production, 101.

fifth of the nation's total. In the war industries, some of them basic to the whole economy, the percentage was even greater: 10 per cent of steel investment, 50 per cent of the capacity to produce machine tools, 70 per cent of aluminum plants, 90 per cent of aircraft factories, and 96 per cent of magnesium facilities.[23]

The figure of one-fifth of total production was for wartime and could not be projected precisely into the postwar economy. In the first place the one-fifth figure was computed by using pre-war prices for existing plants and wartime prices for additions; wartime prices were much higher. Also the wartime plants would not all be useable in the postwar economy. A. D. H. Kaplan, therefore, figured the probable percentage of government-owned postwar facilities at about 15 per cent of the nation's total.[24]

That so much of the postwar industrial plant would be owned by the government was frightening to spokesmen for the business community. Business Week declared:

> Without anyone's intending it, almost without anyone's noticing it, large sectors of American industry have been socialized during the last three years. The old bugaboo of government ownership of industry has become an accomplished fact as a mere incident to the drive to create a munitions industry in a peaceful country.

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[23]Corey, "Problems of Peace," 439.

[24]Kaplan, Liquidation of War Production, 89.

> In other times, decades of controversy would have resulted from a proposal that the government assume physical ownership of about a fifth of the industrial capacity of the country. Yet, since 1940, the government has done exactly that, has done it with hardly any controversy, has done it under the auspices of industry itself and of the most conservative elements in the administration. And no one has cared much.[25]

The figure was just as frightening, but for a different reason, to those somewhat further to the left. Lewis Corey, writing at about the same time, in The Antioch Review, warned:

> Monopoly corporate interests have already swung into action to absorb, on their own terms, the most profitable of the government plants and to scrap the "unprofitable surplus" facilities. The monopoly oligarchy, which has killed free enterprise in the many areas it dominates, calls upon government in the name of "free enterprise" to give the oligarchs a vast new industrial empire! . . . But why give to private monopoly corporations a new industrial empire created by public initiative, public investment, public enterprise?[26]

For most observers the very existence of the vast amount of government-owned facilities raised questions. Would the government retain any of its industrial plant? Would it be a threat to private enterprise? Would it add to the power and concentration of big business? Would outlying communities insist on keeping their war industries? Would the additional plant be subsidized to create employ-

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[25]"One-Fifth of a Nation Government-Owned," Business Week, 53.

[26]Corey, "Problems of Peace," 441.

ment? Would it mean keeping the government in business? Should the plants be dismantled or shipped abroad to reduce domestic surpluses? Would the government try for a quick sale or temporarily lease the facilities until ultimate demand could be gauged?[27] Whatever others might think, the prevalent mood in Congress as expressed by Walter F. George of Georgia, indicated that "all of those [facilities] that the domestic economy can absorb should be sold to private industry at the earliest possible moment."[28]

This was really a foregone conclusion that must be accepted before serious consideration can be given to other aspects of plant disposition. The country was not moving toward socialism; for the time being, at least, capitalism and private ownership were to remain the basis of the American economy.

Other than the assurance that the government-built facilities would finally go to private owners, perhaps the most pressing consideration for the man-in-the-street was that no one be allowed to steal the plants. Almost everyone had heard, at one time or another, how speculators had enriched themselves off government surplus in World War I. Already there had been a few scandals about consumer goods in World War II. Because

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[27]Kaplan, Liquidation of War Production, 87-88.

[28]U. S., Congressional Record, 78th Cong., 2d Sess., February 9, 1944, 1447.

of the newness of the plants and the need for them it would, no doubt, appear to most that practically all of $15 billion investment could be recovered. But even before the war's end it was obvious that there were many factors that would preclude such a result. Quality of construction was generally quite high but such factors as convertibility to peacetime industry, the huge size of some individual installations, and location with respect to market, sources of power, available labor, and raw material often entered into the picture. In wartime, production costs are not the ultimate criteria in choosing a plant location, but in peacetime competition costs are all important; the above factors all bear heavily on costs. In many instances it would be difficult to fit a particular plant, however capable of wartime production, into a peacetime industrial blueprint.[29] Therefore the price to be received from peacetime operators would perhaps be considerably less than anticipated.

Individual plants were not of great consequence in the overall picture. With few exceptions any plant in the country could be written off as salvage or scrap with little effect on WAA's total performance. But to the community in which that plant was located, its fate was of the greatest gravity. Workers, civic leaders, area

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[29] Kaplan, Liquidation of War Production, 99-100.

bankers, wholesalers, and even bartenders would have a stake in the effort to keep local plants operating. Again nearness to markets and raw materials, supplies of labor and power would be of prime importance. But there would be other factors as well. Transportation facilities could not be ignored. Perhaps the most serious drawback to many localities was their distance from traditional centers of industry. The Geneva Steel Plant, in Provo, Utah, was far away from Pittsburgh and the home offices of its wartime operator, United States Steel. Cities on the prairies and plains such as Wichita, Dallas, Oklahoma City, Omaha and Kansas City had become wartime aircraft production centers; but the peacetime aircraft industry had operated entirely on the coasts.[30] Would it be possible for Douglas, Boeing, Martin, Consolidated, and North American to keep their interior plants in peacetime production far from headquarters and centralized supply. Many doubted that it would.

It was elementary economics, taught even by the era's most popular parlor game, that monopoly and the absence of competition raised prices. Most people were concerned. They truly feared the increased control of big business since the big businessman was little trusted by the depression generation. They listened when the New Deal trust-buster Thurman Arnold warned that New Jersey

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[30]McLaughlin, "Industrial Adjustment at the End of War," 111.

Standard was getting control of the synthetic rubber industry.[31] They worried when they read that Dow Chemical, who had controlled 100 per cent of prewar magnesium production, had substantial control of government-financed wartime facilities.[32] Thus one of the foremost interests to be protected was that of the small businessman. In the minds of most people he was the touchstone in the American way of life. Few could aspire to the presidency of General Motors but all could hope to become the boss of his own small business. It was only self interest to make certain that the big fellows be kept from getting all of the war plants.

Despite the worries and fears of John Q. Public about the surplus industrial facilities there were possible methods to dispose of them. The trouble would come in choosing the method to best satisfy the greatest number. Some planners advocated quick sale to get the plants in civilian production as soon as possible; others suggested decelerated sale until the optimum ultimate public good could be ascertained. Some said that the plants should be leased so that a measure of governmental control could be maintained. Some advocated that the plants be turned over to the wartime operators by the purchase options that had been written into many DPC contracts; others said

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[31]Quoted in Corey, "Problems of Peace," 442.

[32]*Ibid.*, 443.

these should be cancelled since they were too favorable to business interests. Some proposed that the big plants be kept intact for greater industrial efficiency; others supported multiple-tenancy leases to give smaller business a chance. Some counselled government subsidy to ensure that plants remain in wartime locations; others rebelled at any government intervention above quick disposal. Some said that above all national defense should be considered and the plants, like battleships, should be mothballed; others adopted the attitude that world prosperity should be the foremost goal, so to cut down on domestic surplus and promote underdeveloped countries, the plants should be dismantled and sent abroad.[33]

That something was to be done, whatever it might be, was evident by November of 1943. In that month General W. F. Tompkins, Director of the Special Planning Division of the War Department's General Staff, recommended to the Under Secretary of War that the army study proposals for a central agency to handle postwar surplus.[34] Also in November of 1943 the Senate established the Special Committee

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[33]These various methods of distribution may be found in all of the wartime writers on postwar problems, Cook, Kaplan, McLaughlin, Walsh, Corey, and in publications such as Business Week, Nation's Business, and others.

[34]Memo W. F. Tompkins to Robert Patterson, November 8, 1943, in War Department Files, World War II Records Division, National Archives, Alexandria, Virginia, File WDSPD 400.73.

on Post-War Economic Policy and Planning with Walter George of Georgia as chairman. In the same month the Truman Committee in the Senate turned its attention to postwar problems. Before the latter committee Donald Nelson, Chairman of the War Production Board, testified that his agency had begun studying postwar production problems. The most momentous move in a memorable month was made, however, by James Byrnes of the Office of War Mobilization when he announced the appointment of elder statesman Bernard Baruch to head a unit in his agency to study reconversion.[35] It was the Baruch-Hancock Report, brought out by OWM, which would be the cornerstone upon which all reconversion plans, including the disposal of surplus property, were based.

The Baruch-Hancock Report was made public on February 15, 1944.[36] Its authors were Bernard M. Baruch and John M. Hancock. The issuing agency was the Advisory Unit for Post-War Adjustment Policies in the Office of War Mobilization.

Bernard M. Baruch was the original "barefoot boy from Wall Street," having been born in the rural community of Camden, South Carolina, in 1870. His family moved to New York in 1881. After graduating from City

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[35] Bureau of Budget, United States at War, 464.

[36] Bernard Baruch and John Hancock, Report on War and Post War Policies (Washington: Government Printing Office, 1944).

College he became associated with "the street" and his rapid rise to fame and fortune is well known. By World War I he was wealthy enough that he could devote as much time to public affairs as he wished. He was the successful head of the War Industries Board from which position Hindenburg reportedly said he,"won the war for the Allies." Even though a Democrat he served as advisor to Republican Presidents during the period of "Republican Ascendency." When Franklin Roosevelt was elected it was widely surmised that Baruch would get a cabinet post, but word never came from on high and the two men drew apart.

With the advent of World War II, Baruch served the government in advisory posts and at one time was asked to head the War Production Board but Roosevelt changed his mind before the appointment was made public.[37] His connection with the reconversion problem came through James F. Byrnes, head of the Office of War Mobilization, with whom Baruch had worked on the synthetic rubber program. In reconversion he was to have a free hand to pick his own staff, and announce his own conclusions.[38]

John M. Hancock started life as a North Dakota farm boy but he got as far away from the Great Plains as

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[37] Margaret L. Coit, Mr. Baruch (Boston: Houghton Mifflin Company, 1957), Passim.

[38] Bernard M. Baruch, The Public Years (New York: Holt, Rinehart and Winston, 1960), 330-34.

possible by serving a sixteen year pre-World War I hitch in the Navy where, as a supply officer, he was associated with Assistant Secretary Franklin Roosevelt. He went directly from the Navy to Wall Street and was the first non-Lehman to be given a partnership in Lehman Brothers, investment bankers. Unlike Baruch he was a Republican and also unlike Baruch had never taken part in public affairs. His one gesture to Washington was when Hugh Johnson asked him to help with NRA, but Hancock took one look, said it would not work, and went back to New York. He had been associated with Baruch in private financial matters and had worked with him in the synthetic rubber program so when Baruch was asked to make the reconversion study, he asked Hancock to go along.[39]

The Report itself was divided into three parts: first, the letter of transmittal which summarized the major suggestions; second, the report itself; and third, additions giving more extensive treatment of contract termination, surplus property, and the tightening of the industrial war machine.[40] The three major steps that the letter of transmittal recommended were: one, to increase industrial effort so that the War could be finished quickly; two, to return to peacetime enterprise; three, to get the

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[39] "John Hancock--A Man Who Means Business," Business Week (January 15, 1944), 5.

[40] Baruch and Hancock, Report, 1.

government out of business by rapid termination of contracts, quick removal of government inventory from contractors' property, and insuring ready and orderly markets for all types of surpluses.[41] The _Report_ criticized the scattered, part-time attention that had been given to postwar problems. It noted the half-hearted attention of the many executive agencies and the plethora of Congressional committees. Hence it recommended that all executive effort "be brought together under a single, unforgetful mind." In Congress there should be, at the least, a single committee in each branch and at best a joint committee of Senate and House members to deal solely with the problem of war surplus. "The unified Executive and Congressional groups should then work together on a combined program of legislation and operations that will carry out the objectives that all of us share."[42]

Delegation of authority to a single administrator was the first specific proposal for disposition of surplus property. There was no equivocation; there should be a "Surplus Property Administrator . . . with full responsibility and adequate authority for dealing with all aspects of surplus disposal." The _Report_ continued that he should be Chairman "with full and final authority,"

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[41] _Ibid._, 1-2.

[42] _Ibid._, 5.

of the Surplus Property Board. It was implicit in its membership that this board would be advisory in function. Its members would include representatives from "these agencies: War, Navy, Treasury, Reconstruction Finance Corporation, Maritime Commission, War Production Board, Bureau of the Budget, Food Administrator, Attorney General, Federal Works Agency, State Department, Foreign Economic Administration."[43] The Surplus Property Administrator would work in the Office of War Mobilization and would be appointed by the head of that agency.[44]

It was clear that Baruch and Hancock intended that the Administrator would only establish policy. They recommended that, "the work of actual disposal to be assigned to four major outlets; each operating in a clearly defined field with no overlapping, and following policies laid down by the Surplus Administrator." The disposal of consumer goods would be the responsibility of the Procurement Division of the Treasury. Capital producer goods, including warplants were to be handled by a single corporation within the Reconstruction Finance Corporation. The Maritime Commission was to dispose of ships and maritime properties. Surplus food would be handled by the Food

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[43]Though referred to here as the Surplus Property Board, it is later called the Surplus Property Policy Board, which title accurately reflected its advisory capacity.

[44]Baruch and Hancock, Report, 13.

Administration.

Perhaps the most widely quoted part of the *Report* was the admonition that "the business of all the disposal agencies should be conducted in a goldfish bowl."[45] To supplement this policy of open public inspection of all sales, each agency would be required to submit reports to the Administrator and to Congress.[46]

The authors of the *Report* recommended that their findings be implemented by Executive Order because of the "urgency for quick handling of immediate surpluses." It was also their contention that experience gained under an Executive Order could be used in framing comprehensive legislation. To be certain that the Administrator's experience would be made available to Congress it was suggested that he be required to submit, as soon as possible, recommendations for needed legislation. The *Report* firmly denied that the authors' proposals should preclude further centralization if such a step was found to be desirable.[47]

Both rugged individualists, Baruch and Hancock next turned their attention to the choice of an Administrator. If their choice was heeded he would not

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[45] *Ibid.*

[46] *Ibid.*, 14.

[47] *Ibid.*

come from New Deal or professorial ranks; he would not be a theorist or idealist:

> We now emphasize the importance of the choice of a man for the post of Surplus Property Administrator. He should be a man of proven executive capacity and business sagacity to deal with the multitude of problems that will arise in the sale of an endless variety of products and in meeting changing marketing conditions. He should be a man of character, unquestioned integrity and great courage to fight off the selfish interests that will be seeking to exploit these surpluses.

In the disposal of industrial facilities the writers preferred outright sale to lease. But they agreed that loans and credit sales could be arranged in order that smaller enterprises might avail themselves of opportunities otherwise denied them. Leases, they said, must be carefully used: "This red flag of warning is raised: Leasing must not become a hidden device for the Government to compete with private plants; it must not become a hidden device for subsidies . . . ."[48] In this same vein the two pundits argued that local ownership should be encouraged but not to the point that the national interest would be jeopardized. Fair selling prices and fair rentals should be the watchword. "In all surplus disposal, the national interest must govern. Local or particular trade interests, while receiving full hearing and full consideration, must be subordinated."[49]

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[48] Ibid., 15.

[49] Ibid., 23.

"The particular problems of small business have been constantly on our minds," avowed Baruch and Hancock. By small business, they said, "we think of the broad background of enterprises, scattered throughout the country, which rely largely on the initiative and resourcefulness of their individual proprietors." To protect the interests of this class the authors suggested that representatives of small businesses be included on the Industry Advisory Committees. Also a representative of the Smaller War Plants Corporation would sit on the Surplus Property Policy Board.[50] To protect small business from the inroads of monopoly it was recommended that the Attorney General also be a member of the latter board.[51] The possibility of breaking down the largest plants into smaller units available to the little fellow received attention. The Report pointed out that few of the large plants could return fair value to the government anyway, since they were disadvantageously located and would be unprofitable to big business; high wartime costs would also make them unacceptable to the large corporations.[52] Were the problems of small business really on the minds of the two Wall Street financiers?

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[50] Ibid., 24.

[51] Ibid., 25.

[52] Ibid., 68.

Since the Baruch-Hancock Report was concerned with all of the problems of reconversion, of which surplus property was only a part, the surplus recommendations did not receive wide editorial attention. Such criticism as there was came largely from the left, although even that great and good friend of big business, Henry Luce's *Fortune* magazine, took a couple of sly digs at the *Report*. In defending the value of the speculator in surplus sales, *Fortune* suggested that in the attack on speculators "pragmatism is mixed with puritanism" and noted that Mr. Baruch who would "not be frightened if he met a speculator after dark," has urged "that all such entrepreneurs be avoided."[53] *Fortune* further noted that in 1944 little information could be obtained on surpluses and that Mr. Baruch's goldfish bowl was "filled with very muddy water."[54]

Congressional criticism, voiced by Representative James J. Davis of Pennsylvania, centered on the recommendation of Executive action. Davis contended that the Constitution vested control over United States property in Congress. He further argued that the Executive Order, resulting from the Baruch-Hancock Report, was not necessary in that "legislation designed to deal with this problem is already

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[53] *Ibid.*, 68.

[54] "The War Inventory," *Fortune*, XXX (September, 1944), 250.

far advanced in the legislative process."[55]

William Green, president of the American Federation of Labor, speaking to the Economic Club of Detroit on January 28, 1944, was disappointed that there were no representatives of labor, industry or agriculture on the proposed Surplus Property Board. He further doubted the ability of a single administrator, "who is influenced by a governmental administration psychology," to deal with postwar policy. His recommendation was that a Reconstruction Commission "upon which labor and management would be represented" be given the "responsibility of formulating the general policies to be followed by the administrator." The president of the A. F. of L. anticipated that "subtle bureaucrats" would criticize his suggestion. They would say it was government by "pressure groups;" which term he identified as "part of the new terminology of some government officials whose ideas on America are bounded by the ten square miles of Washington."[56]

Real hard line leftist criticism came from Donald J. Kingsley. He wrote that, "Baruch and Hancock, steeped in the wisdom of Wall Street," had glamorized the planning process so despised in the New Deal when planning was done

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[55] U. S., Congressional Record, 78th Cong., 2d Sess., March 3, 1944, 2216.

[56] William Green, "Green Slams Baruch-Hancock Report," The American Federationist, LI (March, 1944), 9.

by "bolsheviks" and "long-haired professors. But he continued that the Report had given planning the "high polish of reputability and a status unquestionably American. Mr. Alfred Sloan plans, why don't you?"[57] Kingsley summarized his criticisms in one paragraph:

> The report is, on any grounds, an amazing document. It represents, more than anything else, the imposition of a set of pious hopes upon a hard core of reactionary realities. It is Victorian both in its economics and its optimism--and in its genteel refusal to call a problem a problem. Its authors speak glowingly of the "traditional American spirit of private initiative and resourcefulness" which, they hope, will make of the future "an adventure in prosperity." The picture is an appealing one, painted in the best pre-Raphaelite manner and with as little regard to the more angular realities of life. It completely overlooks the somewhat relevant fact that the American spirit has been more constant throughout the years than have our adventures in prosperity, and the spirit itself was somewhat dampened by the long years of economic depression before the war. But this is a pretty picture, nonetheless, in its luminous red, white and blue, and many people will enjoy looking at it.[58]

One of the reasons that there was no great body of criticism of the Report itself was that only four days ensued between the issuance of the document and the announcement of President Roosevelt's Executive Order 9425 which followed the report to the letter. Evidently James Byrnes, who had followed the Report closely, had prepared

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[57] Donald J. Kingsley, "Serious Blunder on the Right," The Antioch Review, IV (March, 1944), 127.

[58] Ibid., 128.

the Executive Order for the President since it was issued so quickly. Thereafter the Surplus War Property Administrator, Will Clayton, received the brickbats that might have gone to Baruch and Hancock. The Executive Order which created the SWPA followed the Report but, as will be seen, the legislation which Baruch and Hancock urged be passed, veered sharply away from recommended paths.

CHAPTER III

THE SURPLUS WAR PROPERTY ADMINISTRATION

When, by Executive Order 9425, President Franklin Roosevelt, on February 19, 1944, created the Surplus War Property Administration, he followed almost exactly the dictates of the Baruch-Hancock Report. He did not include all of the recommendations of the Report since the Executive Order was a short and simple document. In its first section, E. O. 9425 established the SWPA in the Office of War Mobilization; it further stated that the surplus Administrator was to be named by and serve under the Director of OWM.[1]

The first paragraph of part two of E. O. 9425 dealt with the Surplus War Property Policy Board. Although its duties were not spelled out, its membership was specified; the Board would consist of representatives of State, Treasury, War, Navy and Justice Departments, the Reconstruction Finance Corporation, the Smaller War Plants

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[1]Franklin D. Roosevelt, "Executive Order 9425: Establishing the Surplus War Property Administration, February 19, 1945." Code of Federal Regulations, Title 3, The President, 1943-48 Compilation (Washington: Government Printing Office, 1957), 303.

Agency, the Maritime Commission, the War Production Board, the Bureau of the Budget, the War Food Administration, the Federal Works Agency, the Civil Aeronautics Board, and the Foreign Economic Administration.[2] The President did not indicate how often the Board should meet, nor from what echelon agency representatives should be chosen. Perhaps the greatest oversight was that guide lines to establish the authority of the Board were omitted.

The Surplus War Property Administration, which was to consist of the Administrator "with the assistance of" the Board, was empowered "to have general supervision and direction of surplus war property." Roosevelt also gave the Administration control of all surplus property transfers between government agencies. When section two of E. O. 9425 assigned surplus disposal operations to other government agencies it relegated SWPA to a policy making role. Named as actual disposal agencies were; the Procurement Division of the Treasury Department for consumers' goods, the Reconstruction Finance Corporation for capital and producers' goods, the Maritime Commission for ships and maritime property, the Food Administration for surplus food, and the Foreign Economic Administration for surpluses outside of the United States.[3] Section three of E. O. 9425 simply stated that any previously conferred powers

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[2] _Ibid._, 303-04.

[3] _Ibid._, 304.

over surplus property would thereafter reside in SWPA. The assignment of disposal duties gave the Reconstruction Finance Corporation control of disposition of industrial facilities. It must be kept in mind that until the establishment of the War Assets Administration, anyone who wished to purchase a warplant had to go to RFC. The Surplus War Property Administration, the Surplus Property Board, and the Surplus Property Administration were only policy making organizations.

Section four of the Order empowered the Administrator to "prescribe regulations and issue directions necessary to effectuate the purposes of this order," and no government agency can act "in contravention thereof." Each agency was also required to give title to, and transfer property to the SWPA when it was declared surplus. Section five authorized the Administrator to use the services of other agencies and within the bounds of appropriated funds to set up such staff as he would require. In section six "Surplus War Property" was defined as all property that any government agency no longer needed.[4]

On February 21, two days after E. O. 9425 was issued, former Supreme Court Justice James F. Byrnes, the director of the Office of War Mobilization, named Texas businessman William Lockhart Clayton to the post of Surplus War Property

[4] *Ibid.* This definition would later prove to be inadequate. As eventually used this type property would be "excess" to the owning agency and would become "surplus" when the disposal agency determined it was not needed by any agency of the government.

Administrator.[5] Will Clayton was born, the son of a poor cotton farmer, near Tupelo, Mississippi in 1880. When he was six years old his father lost the heavily mortgaged farm and the family moved to Jackson, Mississippi. Will taught himself shorthand and typing, became secretary to a cotton merchant, and moved to New York with his boss to work for the American Cotton Company. After rising to a responsible position there, he and his brother-in-law started their own company in Oklahoma City in 1904. That was just in time to take over the facilities of the American Cotton Company which went broke the month after Clayton left. The Clayton family and the business moved to Houston, Texas in 1915 where both continued to prosper. In 1936 the firm survived Senate charges of manipulating the cotton market and emerged from the investigation stronger than ever.

During the growth of Anderson, Clayton and Company, Will Clayton became interested in the South American market so in August of 1940 he went to Washington as deputy to Nelson Rockefeller who was Co-ordinator of Inter American Affairs. In October of the same year he moved over to the Reconstruction Finance Corporation. Clayton continued in various jobs in fellow Texan Jesse Jones's Department of

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[5] The New York Times, February 22, 1944, 19. In this account and elsewhere he is always named "Will" Clayton.

Commerce until he became Surplus War Property Administrator.[6] His was the American success story; he was a shining light of the business community. Fortune magazine called him "one of the half-dozen ablest businessmen of his generation."[7] Congressman John Cochran of Missouri agreed with the evaluation describing him as "one of the best administrators in Washington."[8] The New Republic, however, was not so laudatory. While accepting his ability as a businessman, Helen Fuller accused him of helping Jesse Jones turn war production over to big business. The article also noted that the Mellons and the Rockefellers had monopolized wartime production of synthetic rubber with the blessing of Jones and Clayton of RFC, so doubted the wisdom of giving Will Clayton "that tremendous power" over surplus property.[9]

Not only did Roosevelt follow the Baruch-Hancock Report in the Executive Order establishing SWPA, but Clayton also followed it in setting up the organization. The basic rules from the Report were adopted: sell as much as

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[6]Ellen Clayton Garwood, Will Clayton: A Short Biography (Austin, University of Texas Press, 1958), Chronology 192-40.

[7]"The War Inventory," Fortune, XXX (September, 1944), 109.

[8]U. S., Congressional Record, 78th Cong., 2d Sess., September 18, 1944, 4148.

[9]Helen Fuller, "Surplus Property: Plunder or Plan?" The New Republic, CXXX (September 4, 1944), 269.

possible as early as possible without disrupting normal trade; listen to pressure groups but act in the public interest; make no sales or leases to speculators or promoters; get fair market value and apply all monies to reduction of the national debt;[10] sell in a goldfish bowl; use regular channels of trade; no government competition with private enterprise; no aid to monopolies; no state or sectional favoritism; reduce to scrap when necessary but destroy no useful material; do not sell anything that might aid in the drive for continuing high wages and living standards.[11] This was no program for a social planner. It would be hard to imagine ten rules better designed to preserve the status quo. Obviously, the vast business interests of the country were safe in the hands of Clayton. Even the plan to reduce the national debt had been included in the original Report as a program that "will aid all business."[12]

In view of its purely policy function the Administration was able to keep its staff small. In fact

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[10]As will be seen in Chapter IV, Treasury did not agree to direct application to debt reduction and it was never done.

[11]U. S., Surplus War Property Administration, Report to the Director of War Mobilization as to Activities Under Executive Order 9425, (October 31, 1944), 2. Cited hereafter as SWPA Report.

[12]Bernard Baruch and John Hancock, Report on War and Post War Policies (Washington: Government Printing Office, 1944), 64. Italics theirs.

it was almost unbelievable that in those days of burgeoning bureaucracy the peak employment figure for SWPA was "fifty-five officers and employees, including all stenographic and clerical personnel."[13] The staff was divided into three groups. First there was a small central Administrator, his deputy, an Executive Assistant and the General Counsel; it also included the Secretary of the Policy Board and the Information Chief. The second group consisted of those whose primary function was to deal with the owning and disposal agencies. The third group contained experts in various fields of industry who were therefore experts in those disposal categories.[14]

In his report to Byrnes, Clayton referred to his people as of "consistently high caliber," but complained of the difficulty of attracting and keeping them. Clayton blamed this on the fact that surplus disposal would not end with the war--as he put it: "on the obvious post-war continuation and accentuation of the surplus problem." On first thought one is inclined to think Clayton's statement erroneous. Difficult to keep competent people on a well-paying, long term job? Ridiculous! But, then it is remembered that Clayton's men were not ordinary government employees. They were, if not dollar-a-year men, at least

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[13] SWPA Report, 5.

[14] Ibid.

members of the business establishment only doing their wartime stint in Washington. They wanted out of government service and back in regular careers as quickly as possible. So, if businessmen were not readily available, how about their natural allies, the military? Clayton acknowledged that "except for the cooperation of the Armed Services in assigning personnel," staff shortages would have been "even more serious." As it was, no Assistant Administrator to deal with Procurement was ever appointed, and there were other gaps as well.[15]

The idea of SWPA as a policy making body operating with a small staff was discussed at the first meeting of the Surplus War Property Policy Board on March 1, 1944. Major General Lucius Clay, speaking from experience as an Army Service Forces officer, was in complete agreement with the idea of a small staff and "policy only" function, since he had seen the paper work attendant to disposal of materiel in a few contract terminations. He was convinced that a centralized operation large enough to handle surplus policy and actual disposal would be impossible to gather within a reasonable time. Harold Smith, Chief of the Bureau of the Budget, naturally was pleased with the economy of a small organization, but warned that the lack

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[15]*Ibid.*, 6.

of personnel might reduce efficiency.[16]

On overall view, the Surplus War Property Board seems to have been rather ineffective. To be sure, its first meeting was attended by such top officials as the Attorney General and the Chief of the Bureau of the Budget, and it appeared that it might assume considerable stature. At that meeting, however, it became obvious that the Policy Board would have little power. Attorney General Biddle inquired as to the nature of the Board's authority. Would it be advisory to the Administrator or would a majority vote of the Board set definite Administration policy? Executive Order 9425 had been far from clear on this point. Clayton was abundantly positive in his stand. While he would give careful attention to recommendations of the Board, since he had the final responsibility he would be the final authority.[17] Thereafter the top men in the agencies no longer attended Board meetings.[18] In fact, meetings became less frequent. Clayton reported to Byrnes: "For a considerable period it met weekly, and

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[16]"Minutes of the First Meeting of the Surplus War Policy Board." Cited hereafter as "Minutes SWPPB." Cited in U. S., War Assets Administration, "Administrative History of War Assets Administration and Predecessor Agencies." (Unpublished typescript in Federal Records Center, Springfield, Virginia, Box 62-A-982 #7). Cited hereafter as "WAA History."

[17]Ibid.

[18]"The War Inventory," Fortune, 109.

thereafter bi-weekly with occasional postponements."[19] In his report, Clayton tried to magnify the Board's importance since it had been created by the President's Executive Order. "The Board", he insisted, "was a genuine working Board, whose discussions and advice had great influence on shaping the policies of the Administration." But later he was forced to admit that no formal votes were taken and "it was sometimes a practical necessity to take action first then report to the Board later."[20]

Specific problems having to do with warplant disposal were brought up as early as the first meeting of the Policy Board. Admiral Emory Land, of the Maritime Commission, questioned the Board concerning disposal of a shipyard in Texas. The Attorney General felt that the whole question of the sale of real property needed more study and a policy level subcommittee was formed of representatives of Justice, War, Navy, and the Budget Bureau.[21]

The shipyard referred to by Admiral Land was the San Jacinto yard near Houston, Texas; it was the first warplant disposal made by any surplus property agency. Business Week reported that contractors were studying

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[19] SWPA Report, 6.

[20] Ibid.

[21] "Minutes SWPPB" cited in "Administrative History."

the disposition in an effort to find clues on future policy. Few, however, were found since the sale was quite simple. The shipyard had been built by the Defense Plant Corporation for the Maritime Commission and had been leased to San Jacinto Shipbuilders for making concrete barges. The Maritime Commission concluded the contract for barges on December 31, 1943, and declared the facility surplus. After the SWPA was formed Clayton cleared the shipyard for sale and after that the only problem was to find a buyer. It was not a large deal since all of the equipment had been removed, leaving some buildings and forty acres of ground. An independent appraiser set fair value at $188,750. The property was advertised and DuPont was the high bidder at $200,000. SWPA quickly approved and RFC closed the deal. There were no social questions, no veterans involved, and no question of monopoly, DuPont only wanting the land as part of an 800 acre piece it was putting together for a petrochemical complex.[22] Although this was, seemingly, a great start for SWPA since the price received was above appraised value, the government actually did not make out that well. It had put about $2,000,000 in the whole project and even with the remaining equipment it would lose a considerable sum.[23]

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[22]"Plant Disposal," Business Week (March, 18, 1944), 16.

[23]Ibid., 17.

The second disposal approved by SWPA created interest because it was one in which the government-owned plant was a part of, or attached to, a privately owned shop. This made it a "scrambled facility" and to add to the interest it was under option. This brought the value of such options to the attention of government contractors and to Business Week as well. DPC had built a $22 million addition to a Bethlehem Steel plant. Since it was a scrambled facility and it fit Bethlehem's postwar plans, the company simply exercised the option and took the plant over at cost. Business Week pointed out, however, that even though many DPC plants had such option clauses, contractors were not apt to take them up with alacrity because "in most cases the options [were] no bargains." Even if high wartime costs were discounted the depreciation allowance was no gift. In most DPC contracts depreciation was limited to 5 per cent annually on buildings, 12 per cent on standard tools, and 25 per cent on hand tools; this was not nearly enough to compensate for high original costs and multiple shift use. Also DPC options were generally "all or nothing" contracts; attractive portions could not be singled out and bought separately.[24]

Admiral George F. Hussey, Chief of the Navy Bureau of Ordnance, however, held a different view of options, at least relative to the machine tools in industrial plants.

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[24] Ibid.

Speaking to a meeting of the National Association of Manufacturers, he anticipated that most contractors would take up their options and stated that there would not "be a very large quantity of machine tools in the Ordnance field to be disposed of through the Property Disposal Organization currently set up under Mr. Will Clayton."[25] Furthermore, if the Admiral had his way, few Ordnance plants would be disposed of; they would, instead, be kept in standby. Whether they would be operated or, as he put it, laid up "in grease" would depend on the size of the postwar Navy. His greatest wish was that, in any case, adequate funds would be provided by Congress for a good research and development program. He concluded his speech to the NAM: "I hope that you gentlemen will be found earnestly supporting such a program."[26] In light of continuing cooperation between the manufacturers and the military, his wish was not an idle one.

Even as SWPA, the first surplus property agency, was supposedly swinging into high gear, there was a great deal of sentiment in favor of change. William Green's suggestion that the Surplus War Property Administration be replaced by a National Reconversion Board was considered but that was as

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[25]"Retain DPC Plants as Insurance, Admiral Hussey will Recommend," The Iron Age, CLIII (May 11, 1944), 114.

[26]Ibid.

far as it got.[27] *Fortune* opined that the disposal job would prove to be too big for a civilian agency and that eventually the Army might have to take over the job.[28] Representative Ralph Davis did not think that the SWPA was necessary at all; Procurement, the Department of Commerce, and the Civil Aeronautics Authority would, in his opinion, all be able to handle the job without help from an additional agency.[29]

Due to disagreement over impending legislation, Will Clayton tendered his resignation as Surplus War Property Administrator before his first report to OWM Director, James Byrnes, was made public on October 31, 1944. Nevertheless, this report was a survey of his entire term as Administrator, and was not optimistic in tone. Clayton seemed to be of the opinion that, under different circumstances, more might have been accomplished, and he naturally acknowledged that the big job lay ahead.

Clayton frankly admitted that it was difficult to get an accurate picture of just what the government did own in surplus industrial facilities. He counted 1,146 government-owned, privately operated warplants but he numbered scrambled facilities in the general term of "several hundred." He

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[27] *New York Times*, May 26, 1944, 25.

[28] "The War Inventory," *Fortune*, 109.

[29] U. S., *Congressional Record*, 78th Cong., 2d Sess., March 3, 1944, 2217.

admitted: "It's this latter category that makes it difficult to get an exact figure of government plants owned."[30] As accomplishment he listed twelve plants sold under option, twenty-two additional plants which had been declared surplus, of which five had been reclaimed by the owning agency and seventeen were still for sale.[31]

He cited the need for prompt and intelligent planning and indicated several areas where such plans were under consideration. The Armed Services, Clayton said, were determining their postwar needs as to stand-by plants, war reserves, and machine tools to modernize arsenals. He commended DPC for gathering complete information, which included suggestions for prospective peacetime use, on the plants under its control.[32] He said that this survey was 95 per cent complete. Clayton also described a "Briefalogue," prepared by DPC, through which a prospective buyer could tell at a glance what the agency would have for sale at the war's end. And, he reported, DPC was then surveying its option holding contractors to find whether or not they intended to exercise those options.

When Clayton discussed the Surplus War Property Administration itself, he mentioned studies made regarding feasibility of multiple-tenancy for the larger plants. He

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[30] SWPA Report, 34.

[31] Ibid.

[32] Ibid.

said that England had succeeded with such a plan where "transportation was good and the plants were adjacent to large consumer markets."[33] But he concluded laconically: "Most government-owned plants are not so located."[34]

Pricing policy was, naturally, of utmost concern. Realistic prices would have to be quoted if plants were to be sold at all and if the government was to get a decent return on the sale. The actual cost of the plant was readily available, but deducted from this figure was the high cost of wartime construction, depreciation, and cost of converting to peacetime use; that which was left was the basic price.[35]

The initial performance of SWPA was not very impressive. Will Clayton, "one of the half-dozen most capable businessmen of his generation,[36] and "one of the best administrators in Washington,"[37] did not enhance his reputation by dealing with surplus government property. But Clayton was not alone in this; he was only the first of eight otherwise capable men who ultimately found the disposition of surplus property extremely difficult to handle.

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[33] _Ibid._, 35.

[34] _Ibid._

[35] _Ibid._

[36] See above footnote 7.

[37] See above footnote 8.

During Clayton's time as Administrator he received comparatively little criticism from his contemporaries. In fact, the leadership of the House of Representatives patterned its version of the Surplus Property Act on his recommendations. It was not until people began to realize that policy decisions and vital organizational steps had been ignored or postponed that the critics began to be heard. Official designation of operational disposal agencies were three months in coming and after the agencies had been designated, SWPA did not issue operating procedure to them during its entire seven and one-half months of existence. No clear and definite information was distributed to potential purchasers of either consumers' or producers' goods.[38] The Senate found it difficult to get information on surplus property and on June 15, 1944, petitioned President Roosevelt to ask that it be informed of the situation within three months.[39]

Clayton was criticized for his attempts to heed the demands of pressure groups. This, it was said, led to compromise and decisions that were not "in the general public interest."[40] The ever-pungent New Republic claimed

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[38]James Allen Cook, Marketing of Surplus War Property (Washington: Public Affairs Press, 1947), 69.

[39]U. S., Congressional Record, 78th Cong. 2d Sess., June 15, 1944, 5935.

[40]John D. Sumner, "The Disposition of Surplus War Property," The American Economic Review, XXXIV (September 1944), 461.

that, when the Surplus Property Act of 1944 was passed, Congress substituted a three-man board for a single administrator, "primarily as a way of getting rid of Will Clayton."[41]

In the final analysis, the Administrator's reputation rested on his success in disposing of surplus property, and Clayton did not dispose of much. By September 9, 1944, SWPA held $451,000,000 in property declared surplus to it and had sold only $38,000,000 worth.[42] At the end of the short, happy life of the Surplus War Property Administration it had sold only $83,000,000 worth of the $552,000,000 that had been turned over to it.[43]

Failure of SWPA can be, at least partially explained by the fact that from the beginning the agency knew that it would be superceded as soon as Congress passed the necessary legislation. Moreover, it was handicapped in its initial search for competent personnel, and it had to deal with newly created organizations on the operational level. Its authority was not clear-cut, and a great deal of the time its top leadership was taken up in testimony before Congressional committees, and even in drafting

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[41]Helen Fuller, "Our Surplus Billions," <u>The New Republic</u>, CXIII (August 27, 1945), 252.

[42]<u>New York Times</u>, September 10, 48.

[43]Cook, <u>Marketing of Surplus War Property</u>, 70.

versions of the proposed surplus property legislation.[44] Clayton hoped that, through his efforts, forthcoming surplus property legislation would reflect his attitudes on the surplus property problem. As will be seen, he was able to sway the House, but the Senate would not listen to the Surplus War Property Administrator.

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[44] *Ibid.*

CHAPTER IV

THE SURPLUS PROPERTY ACT OF 1944

Given the magnitude of the surplus property problem and the certainty that sooner or later the nation would have to find a permanent solution, it is, in retrospect, difficult to understand why disposal legislation was not quickly enacted. It must be remembered, however, that the United States was still in the middle of a war, and that Congressional effort was constantly directed to that end until late 1943 when, at last, an adequate war machine had been fashioned. It was not until November of 1943 that the peak of war production was reached, and in that same month the first Congressional hearings were held to seriously consider postwar problems.

The Senate Committee on Post-War Economic Policy and Planning was formed by Senate Resolution 102 in March of 1943, but it was not until fall that it began to meet.[1] One of its first witnesses was James F. Byrnes, Director of the

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[1] U. S., Congress, Senate, Special Committee on Post-War Economic Policy and Planning, Hearings, 78th Cong., 1st Sess., November 5, 9, 10, 19, 22, and 23, 1943.

Office of War Mobilization, who emphasized the importance of legislation on the subjects of contract termination and surplus property disposal. He said that we had to solve these problems and "if we do not we are sunk."[2]

Lest it be forgotten that the war was far from over it should be remembered that on the day that Byrnes was testifying the Marines were landing on Bouganville and still had Tarawa, Kwajalein, Eniwetok, Peleliu, Saipan, Tinian, Guam, Iwo Jima, and Okinawa to capture. In western Europe the Germans still held their line in central Italy and the Allies would not establish a second front for another seven months. In eastern Europe the Russians would turn the tide against the Germans in the recapture of Kiev on November 7, 1943.

In the November committee hearings, nonetheless, the focus was on postwar problems. Senator Claude Pepper, the fiery Florida liberal, advocated intelligent postwar planning. He favored leaving productive capacity in private hands but wanted some government intervention and stimulation. He said that the government could influence the postwar economy by "giving a little bit over here and maybe holding back a little bit over there."[3] The government-owned surplus was ready made for "giving and holding."

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[2]Ibid., November 5, 1943, 405.

[3]Ibid., 415.

Under Secretary of War Patterson, however, testified that not all of the plants would be available for disposition. In particular, he forecast holding in reserve those plants which manufactured material which the Armed Forces were likely to find in short supply at the beginning of any national emergency. In any legislation acceptable to the War Department, plants which could be used for long range weapons research and development would also be held in strategic reserve.[4]

The strategic reserve, however, would be a small percentage of the total surplus. Most of it would have to be made available to private ownership and legislation was necessary to do this. Before deciding on the issues, legislative committees listened to witnesses with almost every shade of political and economic opinion. Among the most conservative was the National Association of Manufacturers who lobbied for an eight point program for surplus disposal which included: prompt declaration of any plants to be used for strategic reserve; establishment of a surplus property board which would be independent of any existing agency; an immediate and accurate inventory of all surplus property; industry committees to work with the board to protect private business from destruction or unfair competition; disposal of some surplus in other countries; no government ownership or competition with

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[4] Ibid., 428.

private concerns; maintenance of government arsenals and navy yards, but utilization of private manufacture for actual production; and to foster existing private enterprise, to stimulate employment in private enterprise, and to protect the interests of taxpayers.

The Congress of Industrial Organizations was at the other end of the political spectrum, but in some ways its recommendations were similar to those of the NAM. It advocated full employment, overseas disposal, and no mass disposal which might break the back of the domestic market. The C.I.O. spokesman, J. Raymond Walsh, was, nonetheless, insistent that the economic stranglehold of big business be broken and that labor have meaningful representation at the policy level of any surplus property disposal organization.[5]

Matthew Woll, Chairman of the American Federation of Labor's Committee on Post-War Planning had specific recommendations for labor's participation in disposal functions. He suggested that two Administrators be named to handle the two primary problems, contract termination and surplus property disposal. To set policy for each Administrator there would be a civilian board on which would sit representatives of labor, management and agriculture. These boards would be instructed to guard against unemploy-

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[5] *Ibid.*, 532.

ment, monopoly, and ruinous marketing procedures.[6]

The Senate Special Committee on Post-War Economic Policy and Planning, however, was not a committee with legislative responsibility; its function was to investigate and recommend. Thus it had no legislation assigned to it by Senate leadership nor did it report any bills to the Senate floor. This was the responsibility of the Senate Military Affairs Committee.

As an indication of the complexity of the surplus property legislative task, a report published by the War Contracts Subcommittee of the Senate Committee on Military Affairs is illuminating. It recounts the legislative proposals dealing with postwar reconversion prior to April of 1944. One proposal would have allowed the Secretary of Agriculture to requisition surplus equipment for soil conservation.[7] Another would have authorized the Smithsonian Institute to acquire and dispose of certain surpluses.[8] The Senate passed a bill (S. 1156) which

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[6] Ibid., 633.

[7] U. S., Congress, Senate, War Contracts Subcommittee of the Committee on Military Affairs, Hearings on Mobilization and Demobilization Problems, 78th Cong., 2d Sess., August 7, 1944, 797-98. Cited hereafter as Military Subcommittee Hearings. The Senate and the House Bills were: S. 1745, March 3, 1944; H. R. 4180, February 14, 1944.

[8] Ibid., S. 7127, February 21, 1944.

authorized the Secretary of War to dispose of property which has accumulated because of the relocation of roads, railroads, and utility lines, but the bill did not pass the House. Senator Gerald Nye introduced a bill with the unusual provision that nothing could be disposed of at less than its acquisition cost.[9] There were many bills to insure prior owners reacquisition of farm lands.[10]

A number of bills to set priorities were also introduced. One would give state and local governments first chance at surplus lend-lease goods.[11] Another would establish the following priorities on surplus goods: farmers, tax supported institutions, the domestic market, foreign governments, and foreign markets.[12] Furthermore, lawmakers gave attention to disposition of special types of surplus including housing,[13] agricultural products,[14]

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[9] Ibid., S. 1680, February 1, 1944.

[10] Ibid., S. 1775. March 14, 1944; S. 1794, March 20, 1944; H. R. 2112, March 8, 1943; H. R. 2377, April 2, 1943; H. R. 2487, April 13, 1943; H. R. 4457, March 22, 1944; H. R. 4462, March 23, 1944.

[11] Ibid., S. 1815, March 23, 1944.

[12] Ibid., H. R. 3025, June 22, 1943.

[13] Ibid., S. 1607, December 18, 1943.

[14] Ibid., H. R. 4259, February 23, 1944; H. R. 4275, February 24, 1944; H. R. 4281, February 29, 1944.

machine tools,[15] strategic materials,[16] movable surplus, exclusive of ships,[17] surplus aircraft[18] and merchant vessels.[19]

Surplus property provisions were also included in bills dealing with other subjects, such as one providing benefits for returning servicemen,[20] and another which strengthened the Smaller War Plants Corporation.[21] Several bills were framed as general surplus property laws but were not widely supported.[22]

The Baruch-Hancock Report and the subsequent creation of the Surplus War Property Administration by Executive Order convinced many Congressmen that the executive branch had preempted their legislative prerogative. Thus pressure for Congressional action toward permanent peacetime reconversion legislation increased.

In response, the House Committee on Banking and

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[15] Ibid., S. 1609, December 21, 1943.

[16] Ibid., H.R. 3856, December 16, 1943.

[17] Ibid., H.R. 4420, March 16, 1944.

[18] Ibid., H.R. 2959, June 15, 1943.

[19] Ibid., S. 1814, March 28, 1944.

[20] Ibid., S. 1604, December 17, 1943.

[21] Ibid., S. 1913, May 12, 1944.

[22] Ibid., S. 1478, October 28, 1943; S. 1729, February 2, 1944; H.R. 2795, June 9, 1943; H.R. 3873, December 18, 1943; S. 1730, February 22, 1944.

Currency held hearings, early in 1944, on H. R. 4420. Among the many witnesses they heard were Will Clayton, John Hancock, Jesse Jones, Estes Kefauver, and Wright Patman. In fact it was Patman's bill that was before the Committee. H. R. 4420 was a short bill which would simply assign the responsibility for surplus disposal to the Reconstruction Finance Corporation with a board of government agency heads to advise it. The objectives of the bill included speed without dumping, selling abroad, use of regular channels of trade and discouragement of speculation. Other objectives were encouragement of individual enterprise by veterans, fair return to the government, and a complicated provision that would avoid monopolization of surplus by not allowing any company to buy in one year more surplus of any particular item then it had purchased of that item in the regular run of business for the year prior to December 7, 1941. No mention was made, in Patman's proposal, of industrial facilities.[23] In testimony, John Hancock did not favor Patman's bill; in fact, at that time, he did not favor any surplus property legislation. He believed that it would be needed eventually, but that, for the time being, SWPA was doing an adequate job. It was Hancock's contention

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[23]U. S., Congress, House, Committee on Banking and Currency, Hearings on H.R. 4420, 78th Cong., 2d Sess., March 20, 1944, 181-83.

that more experience under the Executive Order was necessary to write an adequate surplus property law.[24] The majority of the Committee evidently agreed since H. R. 4420 was not reported out.

There was some opinion in the Congress that new legislation was totally unnecessary. James Davis of Pennsylvania was even convinced that no new agency was needed to handle surplus property. He said that the Department of Commerce, the Procurement Division of the Treasury, or the Civil Aeronautics Authority, could handle the surplus situation.[25]

Before Congress could seriously work on the surplus property problem, the question of contract terminations had to be answered. The problem was simply how to end the war contracts when the emergency had passed. In order that the transition from wartime to peacetime be smooth, a way had to be provided to pay contractors quickly, to clear their plants of government inventory, and to satisfy their sub-contractors. Since this would face the nation before large amounts of surplus became available, it took precedence. The Contract Settlement Act of 1944 which settled the problems was signed and

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[24] Ibid., 207-08.

[25] Congressional Record, 78th Cong., 2d Sess., March 3, 1944, 2217.

became law on July 1, 1944.[26]

As has been noted, however, before the passage of the Contract Settlements Act, Congressional committees had begun to work on surplus property. Hardly had Will Clayton taken office as Surplus War Property Administrator than he was asked to testify before legislative committees. In his testimony Clayton followed Hancock's train of thought. He said that the Executive Order was sufficient and pleaded for more time. Since there was not much surplus to sell during the War, he maintained that this period should be used to gain the necessary experience to write permanent legislation.[27]

On May 5, 1944, however, James Murray, Chairman of the War Contracts Subcommittee of the Senate Committee on Military Affairs forced Clayton to develop some of his ideas on surplus property legislation. While not yet ready to frame a specific bill, he suggested eight areas in which legislation would be needed: first, to create a single, responsible, and authoritative agency with its composition, function, and power clearly defined; second, the selling agencies should be specifically empowered to

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[26] New York Times, July 2, 1944, 15.

[27] U. S., Surplus War Property Administration, "Report to the Director of War Mobilization as to Activities Under Executive Order No. 9425." October 31, 1944, duplicated typescript in the Office of the Chief of Military History, Ft. McNair, Washington, D. C., 8. Cited hereafter as "SWPA Report."

pass clear title; third, preferences, such as those to veterans, small businessmen, and others should be spelled out and be "administratively workable"; fourth, terms of industrial disposal should not have to be submitted to Congress; fifth, credit terms should be stated; sixth, terms of foreign disposal should be clearly outlined; seventh, a policy toward speculators should be included; and eighth, the legislation should be broad and not tie the hands of the Administrator regarding regular channels of trade, aid to small business, discouragement of monopoly, and the like.[28]

Clayton felt that general principles, expressed in statutes might be helpful if they were not contradictory and could be administered, and if they would not impede the flow of commerce. In general Clayton tended to deprecate the role of legislation and to emphasize the need for "wise administration." He told the Committee: "I am inclined to think that in such matters it is wisest to trust the Administrator, requiring him to subject his every act to the scrutiny of the public and the Congress."[29]

Clayton refused to be pinned down in regard to any specific date that Murray could expect proposed legislation from the Surplus War Property Administration.

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[28]Military Subcommittee Hearings, May 5, 1944, 146.

[29]Ibid., 147-48.

Clayton still felt there was plenty of time.[30] Summer, however, was approaching and Congress was looking to early adjournment because of the elections of 1944. It seemed to be the consensus that surplus property legislation was a must before adjournment. Therefore, soon after the May 5 hearing, Murray informed Clayton that he was going to introduce a bill early in June and he wanted suggested legislation from Clayton before he did.[31]

With less than a month, Clayton moved fast. To help him, he formed a committee of representatives from concerned Executive Departments and agencies, with himself at its head. These included representatives from the War Department, the Smaller War Plants Corporation, the Department of Justice, the War Production Board, the Foreign Economic Administration, the Maritime Commission, the Treasury Department, the War Food Administration, and, naturally, attorneys from the Surplus War Property Administration. The full committee met frequently and a small drafting group met daily for nearly three weeks. On June 2, 1944 the proposed bill, which ultimately became the basis for H. R. 5125, was sent to Senator Murray.[32]

As the Surplus Property Act of 1944 evolved, most

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[30] _Ibid._, 148-57.

[31] "SWPA Report," 8.

[32] _Ibid._

of its provisions came from three sources. The first was the Clayton bill or H. R. 5125 which was reported out by the House Committee on Expenditures in the Executive Departments, commonly called the Manasco committee. Another source was a drastically changed version of the Clayton bill as rewritten by Senator Edwin C. Johnson of Colorado, S. 2045. The third source was S. 2065 sponsored by Senators Tom Stewart of Tennessee, James Murray of Montana, and Robert Taft of Ohio. The latter two measures were debated and combined by the Senate Committee on Military Affairs and reported to the floor as S. 2065.[33]

Throughout the hearings and debate on surplus property legislation, Clayton vigorously opposed any change or substitution in his bill. He felt that none of the others approached his in workability. He was especially critical of the Stewart-Murray-Taft bill which he said reflected the fact that those who drafted it had not had "to dirty their hands with the job and make it work."[34] It was the classic confrontation

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[33]U. S., War Assets Administration, "Administrative History of the War Assets Administration and Predecessor Agencies," (Unpublished Typescript in Federal Records Center, Springfield, Virginia, File 62-A-982 #7). Cited hereafter as "WAA History."

[34]Memorandum, W. L. Clayton to Stuart N. Scott, General Counsel, Surplus War Property Administration, August 5, 1944, in"WAA History."

of theory and practicality.

A logical order of discussion of the three bills which contributed substantially to the Surplus Property Act would be from that which gave the least to that which gave the most. Thus, the Johnson bill will be discussed first, the Clayton bill second, and the Stewart-Murray-Taft bill third. Senator Johnson was proud of his bill. It had features that he felt were different from any other, and he had worked hard on it. When he brought it before the War Contracts Subcommittee he said:

> The bill which I have prepared and which I wish to discuss this morning is a bold bill, it is a straight-from-the-shoulder bill. It hits the problem at its very heart and does not deal with it in any easy manner, but it is a bold question that must be handled, and the only way you can handle it is with a bold, decisive, definite bill. Already you have many groups who are trying to get some personal advantage out of the solution that we make of surplus property. My bill gives no advantage to any group. It helps small business, it helps big business, it helps America in reaching a sound reconversion basis.[35]

In Clayton's bill, which Johnson used to some extent, he did not like the complete delegation of authority to the Administrator; in Johnson's bill Congress retained control.[36] Johnson did favor a single administrator instead of a board. He reasoned: "I have worked on the theory that one man is more effective

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[35]Military Subcommittee, Hearings, August 7, 1944, 767.

[36]*Ibid.*, 768.

than three, and three more effective than five, and five more effective than seven."[37] He would, however, have an advisory board which would work with the Administrator.[38]

In the Johnson bill, however, the administrative set-up was of secondary importance. The heart of the Johnson measure was the withholding of surplus property from the market. When all other bills called for speedy disposal, Johnson would hold up the disposal of all durable property for a period of five years.[39] It was on this proposal that the arguments on S. 2045 centered and the one which foredoomed it from serious consideration. Johnson held that immediate disposal would glut the market and preclude a fast start for industrial production. The resulting unemployment would prove to be more expensive than loss of revenue from postponed sale of surplus.[40]

In the resulting discussion a statement from Attorney General Francis Biddle was read in which he favored fast disposal.[41] Senator Taft could see some merit in withholding some items, but thought that the term

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[37] Ibid., 770.

[38] Ibid.

[39] Ibid., 774.

[40] Ibid., 772-73.

[41] Ibid., 772.

"durable property" was too broad.[42] Johnson's only wholehearted supporter was John P. Frey, President of the Metal Trades Department of the American Federation of Labor. He was fearful of unemployment and using the machine tool industry as an example, estimated that there were enough tools in existence to glut the market for over five years.[43] Johnson's idea, however, was not favorably received. In the final Senate bill the withholding of surplus was not mentioned.[44]

H. R. 5125, commonly called the Clayton bill, reflected the views on surplus property legislation that Clayton had given to the Military Affairs Committee on May 5.[45] Objectives of the Clayton bill included: to facilitate transition from wartime to peacetime; to promote production, employ labor, and utilize natural resources; to avoid dislocation of the domestic economy and of international economic relations; to discourage monopoly and strengthen small business; to promote wide distribution to consumers at fair prices; and to get the highest prices for the government consistent with a

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[42] Ibid., 773.

[43] Ibid., 782.

[44] Congressional Record, 78th Cong. , 2d Sess., August 23, 1944, 7225.

[45] See above, 73-74.

healthy economy.[46]

The legislation, if passed, would set up a Surplus Property Administration headed by a Surplus Property Administrator who would be appointed by the President, by and with the consent of the Senate. He would be appointed for two years at an annual salary of $12,000. His duties would be to "have general supervision and direction over (1) the care and handling and disposition of surplus property and (2) the transfer of surplus property between government agencies."

To aid in the decision making process there was to be a Surplus Property Advisory Board which would be composed of the heads of concerned government departments and agencies, or their designated representatives. It was, however, made clear that this Board was advisory and that final authority would rest in the Administrator.[47]

Congressional supervision under the Clayton bill would be very limited. It was specifically stated that Congress could appraise the situation from time to time and amend the Act if it wished; an invitation it had seldom needed in the past. Other than that, the Administrator was to send a report to Congress within

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[46]U. S., Congress, House, Committee on Expenditures in the Executive Departments, <u>Hearings on H.R. 5125</u>, 78th Cong., 2d Sess., August 7, 1944, 1. Cited hereafter as <u>Hearings</u> on H.R. 5125.

[47]<u>Ibid.</u>, 2.

three months of the passage of the act, and quarterly thereafter. Also all regulations issued by the Administrator were to be sent to Congress within thirty days of their effective date.[48] Under the heading of "Planning" it was stated that the Administrator should formulate detailed plans for converting government-owned war plants to private production as soon as possible after the War.[49]

The owning agencies, which would primarily be the Army and the Navy, were to have the power to declare goods surplus. Also the owning agencies could sell scrap without declaring it surplus to the Administration. The Administrator was given the power to name the disposal agencies with the one exception that the Maritime Commission was to handle disposition of all merchant ships. To control the disposal agencies the Administrator could "prescribe policies, standards, methods, and procedures to govern the exercise by any disposal agency of its authority under the Act."[50]

A wide latitude was allowed in the section headed "Methods of Distribution." If the surplus had no commercial value the Administrator could even give surplus property away to a worthy cause. In every case the

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[48] *Ibid.*, 2-3.

[49] *Ibid.*, 3.

[50] *Ibid.*, 3-4.

Administrator was given the right to set policy, prices, and terms of disposition.[51] "Policies Governing Dispositions" was largely a restatement of the "Objectives." Additional purposes were to facilitate transfer from one government agency to another; to afford governmental, educational, charity, and cooperative institutions an opportunity to fulfill their legitimate needs; and to afford veterans a chance to establish themselves in agricultural and business enterprises.[52]

On "Disposition of Plants" the Clayton bill was rather vague. Disposition policy was largely left up to the Administrator. Antimonopoly provisions had been previously mentioned but specific guidelines were few. The Attorney General could request information on specific disposals, but the Administrator was not required to seek his advice. The only explicit program was for synthetic rubber and aluminum facilities. Plants costing over $5,000,000, in these two categories, would be withheld until Congress had approved procedures for their sale.[53]

The rest of the document took care of details such as depositing funds in the Treasury, delegation of authority, and expiration three years after the declared

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[51] Ibid., 4.

[52] Ibid., 4-5.

[53] Ibid., 5.

end of hostilities.[54] The Clayton bill was an administrator's law with few restrictions. It was eminently "workable" if it was accompanied with "wise administration," but this was often hard to find. Veteran legislators preferred to provide safeguards if the administration proved other than "wise."

In the beginning the only real opposition to the Clayton bill was legislative. Even though he had requested the measure, James Murray was against it from the beginning. He said: "His [Clayton's] bill doesn't spell out the program at all, and would really constitute a sort of blank-check proposal for him to handle the problem of disposal of surplus property."[55] Another source of Murray's discontent was revealed when he said that he was working with the Smaller War Plants Corporation on legislation which "will be really effective and which will protect the small businessman."[56]

In response to a War Contracts Subcommittee request, heads of departments and agencies evaluated the three bills before the committee.[57] The result was

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[54] Ibid., 6-8.

[55] U. S., Congress, Senate, Committee on Military Affairs, Hearings on Mobilization and Demobilization Problems, 78th Cong., 2d Sess., June 9, 1944, 326. Cited hereafter as Military Affairs Hearings.

[56] Ibid., 327.

[57] These Bills were: H.R. 5125, S. 2045, and S. 2065.

nearly unanimous in favor of H. R. 5125--the Clayton bill. Ralph A. Bard, Acting Secretary of the Navy, declared that, "the Navy Department participated in the preparation of the Clayton draft and it reflects the viewpoint of this Department as to the requirements for property disposal legislation."[58] D. W. Bell, Acting Secretary of the Treasury, wrote that the Treasury Department "reiterates its recommendation of the legislation proposed by Mr. Clayton."[59] Secretary of Agriculture, Claude R. Wickard, said: "I think H. R. 5125 is in essence a good bill and should become law."[60] Charles B. Henderson, Chairman of the Board of the Reconstruction Finance Corporation, responded: I . . . agree with him [Clayton] that the bill which he has proposed is more desirable than any bill which has been introduced on this important subject."[61] Admiral Emory Land of the Maritime Commission noted: "In general it appears that the provisions of H. R. 5125 . . . would be preferable to those of either of the bills referred to in your letter."[62] John J. McCloy, Acting Secretary of War also favored the

[58]Military Subcommittee Hearings, 78th Cong., 2d Sess., Appendix, no date but part of August Hearings, 889.

[59]Ibid., 892.

[60]Ibid., 895.

[61]Ibid., 911.

[62]Ibid., 914.

Clayton bill. "The War Department is in favor of the enactment of a bill substantially in the form of that submitted to your committee by the Surplus War Property Administrator,"[63] McCloy said. Donald Nelson, of the War Production Board, agreed and stated that, "I prefer the bill submitted by Mr. Clayton."[64]

There were only three opinions which were not wholeheartedly in favor of H. R. 5125. The Attorney General, typically, did not choose any of the bills but pointed out the legal weaknesses of each.[65] Secretary of Labor, Frances Perkins, also discoursed at considerable length on each, but made no choice.[66] Michael Straus, Acting Secretary of the Interior, did not approve of H. R. 5125 because it did not specifically assign the disposition of non-industrial real property to the Interior Department.[67]

As reported out of committee S. 2065 was primarily the Stewart-Murray-Taft bill, with a few elements of the Johnson bill, S. 2045, and others included. There was one big surprise when S. 2065 came out of committee; it called

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[63]<u>Ibid.</u>, 924.

[64]<u>Ibid.</u>, 934-35.

[65]<u>Ibid.</u>, 900-03.

[66]<u>Ibid.</u>, 917-22.

[67]<u>Ibid.</u>, 936-37.

for an eight man board instead of a single administrator.[68] When public hearings closed on the two drafts both called for a single administrator but in executive session of the Military Affairs Committee, the concept was changed.[69] Labor had been the only voice raised which strongly favored a board;[70] its voice was evidently heard.

In every way S. 2065 was more detailed and more complicated than H. R. 5125. The listed "Objectives" were more numerous and under the three headings of: all classes of surplus, consumers goods, and industrial plants and equipment. The objectives for all classes of surplus were: first, to use them most effectively for war purposes; second, to aid in establishment of a peacetime economy, private enterprise, and to stimulate full employment; third, to strengthen and preserve free enterprise; fourth to foster family-type farming; fifth, to strengthen the cooperative movement; sixth, to aid veterans in business or farming; seventh, to discourage speculators; eighth, to aid governments and local institutions as detailed in another section of the bill; ninth, to establish and develop foreign markets. Two further objectives were listed under disposition of

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[68] Ibid., August 14, 1944, 976.

[69] Congressional Record, 78th Cong., 2d Sess., August 23, 1944, 7225.

[70] Ibid., 78th Cong., 2d Sess., August 14, 1944, 972.

consumers goods: first, to dispose at fair prices without dislocation of the market through dumping; second, to utilize normal channels of trade but not to discourage new enterprise. Three objectives were listed under disposition of plants and equipment: first, to promote maximum production and employment with due regard to industrially underdeveloped areas; second, to facilitate transition from wartime to peacetime economy with due regard to discouragement of monopolistic practices; third, to foster the development of new independent enterprise. The last objective, for all classes of surplus property, was to obtain the highest return for the government consistent with the other objectives.[71]

Section two of S. 2065 dealt with the Surplus Property Board which was to be established under the Office of War Mobilization. In choosing the eight members, the President was admonished to give due consideration to the various geographic areas and economic interests. It would be the privilege of the Board to elect one of its members Chairman. If there was a tie vote of the eight members on any issue, the Director of the Office of War Mobilization would have one vote. Each board member was to serve for two years and "the Board shall determine all matters of policy relating to the administration of this act." Sitting with the

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[71]Ibid.

Board as observers, were to be two Senators, and two Representatives, appointed by the leadership of each House.

In this bill, which was supposed to be so tightly drafted, the section on administration had one sericus flaw. The Board was empowered to appoint an Administrative Director "who shall perform such functions as the Board may direct." This was clearly not sufficiently definite, and would allow the director to serve as anything from errand boy to dictator.

To save money the Board was instructed to, as far as practical, perform its duties "through the personnel and facilities of other governmental agencies." To round out the administrative machinery, S. 2065 provided for an Advisory Council which would be the heads of administrative agencies, or their representatives, with whom "the Board shall advise and consult."[72]

The section on "Reports and Planning" was quite specific. In addition to the expected quarterly reports, the Board would be required to submit reports to Congress on twelve classes of industrial facilities. These were to be submitted one time only and were due six months after the passage of the Act. They were to include a statement of status of disposal, a statement of proceeds received, and recommendations for any legislation "the

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[72] *Ibid.*

Board may deem necessary or desirable." The twelve classes of property were: aluminum plants; magnesium plants; synthetic rubber facilities; chemical plants; aviation gasoline refineries; iron and steel facilities; pipe lines; patents, processes, techniques, and inventions; aircraft plants; shipyards; transportation facilities; and radio and electronic equipment. In the first eight categories the Board was prohibited from disposing of any facility until thirty days after the report was submitted. If, however, it was impossible for a full report to be gathered in six months an interim report could be offered which would permit disposal.[73] The reports and waiting period, nonetheless, were bound to delay disposition. As in H. R. 5125, the Senate bill allowed the owning agency to declare its own surplus. It could also sell its own scrap, as in the House bill.[74]

The fine hand of Maury Maverick could be seen in the Senate bill's section on "Small Business." The Board was warned not to discriminate against small business. To provide aid it was to advertise the surplus widely, to sell in small lots, to arrange for credit, to cooperate with the Smaller War Plants

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[73] Ibid., 7226.

[74] Ibid., 7226-27.

Corporation in ascertaining the needs of small business, to sell to SWPC for resale, and to accept loans authorized by SWPC for the purchase of supplies.[75]

The disposition of industrial facilities was well covered in other sections. The only new provision was that calling for submission of sales over $1,000,000 to the Attorney General. These were to be checked for possible antitrust violations.[76]

Where the House bill exuded trust of administrators, the Senate bill exhibited cynical suspicion. Where the House bill was a businessman's bill the Senate draft was a social planner's bill. The House bill looked to maximum government benefit; the Senate bill was designed to protect the interests of the people. Speaking to Will Clayton, Senator Joseph O'Mahoney of Wyoming analyzed the approaches with remarkable clarity:

> I suggest, Mr. Clayton, that one of the primary considerations of policy involved in this bill, as I see it, apparently represents a divergence between the point of view you have taken in your testimony and the point of view that some members of the [Senate] committee have taken.
>
> Your point of view seems to be that the prime objective is to dispose of the property at the best possible price and in the most expeditious manner from the point of view of the Government as a proprietor, whereas the members of the committee feel that that objective, while it is reasonable and natural and desirable in some

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[75] Ibid., 7227.

[76] Ibid., 7228.

> circumstances, is not one which should be followed at any and all events in present-day conditions; that the policy of the committee should be to distribute this surplus property not to get the best return for the Government as a proprietor but to get the best results for the people of the United States by stimulating their business, by enabling them to secure this property and by enabling the Government to distribute the property in a manner best calculated to stimulate business activity throughout the country.[77]

Even though not as impressive as that for H. R. 5125, there was support for S. 2065. Although he was an administrator, the Old Curmudgeon, Harold Ickes, was even more a Progressive and a New Dealer. He favored the Senate bill. He was aware of the magnitude of the industrial surplus problem when he told the Senate committee: "The consequences of the Government's method of handling that third part of our Nation acquired by the Louisiana Purchase may, in historical perspective, become insignificant compared to the consequences of disposing of the present industrial holdings."[78] Speaking of surplus property legislation, he said: "With respect to . . . S. 2065, I want to take this opportunity of saying, very sincerely, that it is in my judgement the best of the general surplus-property bills now before the Congress."[79]

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[77]Military Affairs, Hearings, August 17, 1944, 1082.

[78]*Ibid.*, August 16, 1944, 1014.

[79]*Ibid.*, 1016.

On the important plant disposal problem, he said: "The provision of S. 2065 dealing with the disposal of war plants seems to me to be soundly conceived and very much in the public interest. I am particularly glad to note the specific implementation of the antitrust laws."[80]

Maury Maverick, Chairman of the Smaller War Plants Corporation, endorsed the bill with typical Texas enthusiasm, but had some suggestions for improvement: "As I said in the beginning, this is a swell bill, it is a very fine bill, it is one of the best bills that has ever been written, but of course, no bill is perfect until you have washed it out two or three times, kicked it around and debated it."[81] Maverick had one recommendation which certainly would have strengthened the small business provisions of the final Act, if it had been included. That was to empower the Smaller War Plants Corporation to survey all of the surplus industrial facilities, to single out those lending themselves to multiple tenancy, and then to create such projects. If the Congress was really interested in plant disposal to small business this was one concrete proposal with real merit, but it was not included in the final bill.[82]

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[80] _Ibid._, 1019.

[81] _Ibid._, 1040.

[82] _Ibid._, 1039.

Wendell Berge, Assistant Attorney General, in charge of the Antitrust Division gave his support to the antitrust section of S. 2065, but seemed to prefer H. R. 5125 overall, when he said: "I believe that safeguards similar to those included in S. 2065 ought to be incorporated in the Colmer [House] bill."[83]

Each House debated its respective bill perfunctorily, but seemed inclined to follow leadership since the members were looking to adjournment. Attempts to amend, therefore, were beaten off. The House bill was managed by Carter Manasco of Alabama, Chairman of the Committee on Expenditures in the Executive Departments, and William Colmer of Mississippi, Chairman of the Special Committee on Post-War Economic Policy and Planning.

In his opening statement Colmer said that H. R. 5125 had two major objectives: first, "protecting the American taxpayer; and second, disposing of the surplus property with as little interference with our American economy as possible."[84] That statement certainly resembled the terminology of the Baruch-Hancock Report and Will Clayton's statement to the Military Affairs Committee. In fact when arguing for a single

[83] Congressional Record, 78th Cong., 2d Sess., August 23, 1944, 7330.

[84] Ibid., 78th Cong., 2d Sess., August 15, 1944, 6955.

administrator Colmer talked as if Clayton had already been appointed and confirmed to the post even before it was created.[85]

Carter Manasco was convinced that Congress should keep hands off surplus warplants disposal. If Congress kept control, he said," then if one is sold in your district, your opponent who runs against you in the next election is going to accuse you of getting a cut out of it." But if the plant is not sold and "stands idle, your opponent is going to say that some big industrialist paid you to see that the plant is not used." So Manasco concluded that, "the best thing for us to do is give the Administrator the authority to sell all these war plants."[86]

Will M. Whittington of Mississippi also clearly considered Will Clayton to be the future Administrator under H. R. 5125 when he argued for the single administrator by citing Clayton's record and implying that it could be continued with passage of the Act.[87]

An amendment was offered by Jerry Voorhis of California to strengthen the antimonopoly section of H. R. 5125. He had earlier introduced his amendment as a bill but it

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[85] Ibid., 6956.

[86] Ibid., 6963.

[87] Ibid., 78th Cong., 2d Sess., August 16, 1944, 6984.

had not received much support so he tried to get it included in H. R. 5125. His rather sensible suggestion was that the government should not sell any of the surplus industrial facilities. It should only lease and thus retain a measure of control over the nation's productive capacity. It got no more support as an amendment than it had as a separate bill.[88]

Congressmen George Bender of Ohio and Norris Poulson of California attempted to substitute the Senate's Board for the House's single administrator in H. R. 5125 but were quickly beaten down and the issue came to a vote. On August 22, 1944 the House passed H. R. 5125 and sent it to the Senate.[89]

The Senate, however, had its own bill, S. 2065. Senator Johnson of Colorado was floor manager for the Committee on Military Affairs, although it was really no one's bill by the time it reached the floor. As Johnson said: "We borrowed from more than a dozen bills in formulating the language and the provisions of the committee amendments to Senate bill 2065." It came out of committee with the unanimous support of every member. Not, as Johnson said, because everyone thought it was a perfect bill but because it was the

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[88]<u>Ibid.</u>, 78th Cong., 2d Sess., August 15, 1944, 6978.

[89]Ibid., 78th Cong., 2d Sess., August 17, 1944, 7049.

best compromise they could reach. The bill, according to the Senator from Colorado, did not espouse his idea of withholding surplus, but then again it did not sanction a "fire sale." He was particularly proud of the built-in protection afforded by the Senate measure: "In this bill we have attempted to establish safeguards in the orderly disposal of surplus property, safeguards to protect the social, political, and economic life of the Nation."

The only serious discussion in the Senate was over the proposal to limit the amount of money to be loaned to a small businessman in purchasing surplus property. Conservative Robert A. Taft thought that a substantial down payment should be required. Second generation Progressive, Robert M. LaFollette Jr., however, observed that such was not required from big business so, why differentiate? In the end, the liberal loan provision was left in the bill.[90]

On August 25, 1944 Senator Johnson made a motion that all after the enacting clause of H. R. 5125 be struck out and the text of the Senate bill, as amended, be substituted. It was done and without a roll call vote the bill was passed. Since each House had passed a different bill under the same number, a conference was necessary. As members of the Senate Conference Committee

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[90]Ibid., 78th Cong., 2d Sess., August 23, 1944, 7325-26.

the Presiding Officer named Elbert Thomas of Utah, Edwin Johnson of Colorado, Lister Hill of Alabama, Albert B. Chandler of Kentucky, Chan Gurney of South Dakota, Warren Austin of Maine, and Chapman Revercomb of West Virginia.[91] All of these men were members of the Military Affairs Committee. The House named Carter Manasco of Alabama, Charles L. Gifford of Massachusetts, George Bender of Ohio, John J. Cochran of Missouri, and Will Whittington of Mississippi.[92]

The conference committee met from 10:00 A. M. to 5:30 P. M. every day for three weeks. Manasco said: "I do not believe there has been a conference committee that worked as hard and diligently as we did." At the end no one, especially the House Managers, were really satisfied with the result, but everyone was tired. Manasco explained his attitude:

> We thought the bill as it passed the House was a much better bill than the bill we agreed to, but in 3 weeks time, when you go up against men who have ideas different from your own, you finally get worn down. I have talked surplus property all day. My phone rings until midnight every night about surplus property. I am tired of it and I want to get rid of it.[93]

There was practically no debate in either House

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[91]*Ibid.*, 78th Cong., 2d Sess., August 25, 1944, 7330.

[92]*Ibid.*, 78th Cong., 2d Sess., September 18, 1944, 7850.

[93]*Ibid.*

on the passage of the conference report. Time worked on the side of those favoring the report, since September had arrived and elections were coming up on the first Tuesday in November. The House managers had more to sell than did the Senators and the Senate bill was the dominant factor in the final Surplus Property Act. Except for places where both were included it was hard to recognize any part of Clayton's draft in the final product. On September 18, 1944, the House passed the Surplus Property Act of 1944 almost two to one. The vote was 174 yeas, and ninety-one nays.[94]

The only debate in the Senate was sparked by the irrepressible Kenneth Wherry of Nebraska. He wanted proceeds from the sale of surplus property to be earmarked for the payment of the national debt. Elbert Thomas, Chairman of the Senate managers had anticipated such an argument and had armed himself with a letter from D. W. Bell, Acting Secretary of the Treasury, which gave Wherry a lesson in elementary economics. In time of deficit spending, earmarked repayment funds are useless, since the level of spending is set by Congress.[95] If the proceeds from the sale of surplus property went into the

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[94] Ibid.

[95] Ibid., 78th Cong., 2d Sess., September 19, 1944, 7941.

special fund, instead of the general fund, more would have to be borrowed to keep up with appropriations, and the debt level would remain the same. When Wherry was convinced, the Senate passed the Surplus Property Act of 1944 without a roll-call vote.[96]

Since little of the Senate bill was cut out and most of the changes were to add House provisions, the Surplus Act was longer than either of its parents. The "objectives" were twenty in number, among which were: to facilitate and regulate the orderly flow of surplus property; to give maximum aid to the reestablishment of a peacetime economy of free independent private enterprise and to stimulate full employment: to facilitate transition from wartime to peacetime production; to discourage monopoly and strengthen and preserve small business; to strengthen family farming; to help veterans in business; to foster post-war employment; to discourage speculation; to develop foreign markets by orderly disposal in other countries; to avoid economic dislocations; to foster wide distribution of surplus at fair prices; to protect free markets and competitive prices from uncontrolled dumping; to utilize normal channels of trade without predjudicing new enterprise; to foster development of new independent enterprise; to prevent unusual and excessive profits; through disposition

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[96]Ibid.

of surplus to foster a national transportation system; and to get for the government as great a return as possible.

As the Surplus Act came out of conference there was neither an eight man board, nor a single administrator. Legislators had split the difference and arrived at three, an odd number, so there would be no tie votes. This Board was empowered to handle all policy matters pertaining to surplus property, except that they would be under the Director of War Mobilization and Reconversion, James F. Byrnes. The President was to name one of them chairman, but they would all serve for two years and receive $12,000 per annum.[97]

The Surplus Property Act of 1944 provided for disposal at three levels. First there was the owning agency which was usually the Army or the Navy. The owning agency was given the responsibility of declaring its own surplus. That is, it could decide what it did not need and declare that property to the Surplus Property Board, the second level. It was then the Board's duty to set policy concerning that surplus property. The Board was to make rules for disposition which would carry out the objectives and directives of the Surplus Property Act. The Board would also name the third level of administration which was the disposal

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[97] *Ibid.*, 78th Cong., 2d Sess., September 18, 1944, 7841.

agency. This agency, be it the Reconstruction Finance Corporation, or any other named by SPB, actually disposed of the property in accordance with the rules laid down by the Board.

A few important provisions of the Act went beyond the objectives. Government agencies were given the first priority for any surplus, to be followed by States, other political subdivisions, and charitable institutions. Veterans were next on the list, especially those who wished to engage in business or in farming. Then came the small businessman protected by the provisions already described in the discussion on S. 2065.[98]

In plant disposal, policies followed the Senate bill. All twelve classes of industrial property on which the Board had to report to Congress were retained. Prospective sales of plants with a reported cost of over $5,000,000 had to have Congressional approval if they fell in the first eight classes. Any industrial disposal with a reported cost of over $1,000,000 had to have the approval of the Attorney General.[99]

President Roosevelt signed the bill into law on October 3, 1944, but he did so with considerable reluctance. He said:

> While I am in full accord with the declared

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[98] _Ibid._, 7842.

[99] _Ibid._, 7845.

> objectives of the bill, which are to aid reconversion from a war to peace economy and to facilitate the orderly disposal of surplus property, I have considerable doubt whether many provisions of the bill will not make extremely difficult the accomplishment of its objectives.
>
> There is danger that the confused methods of disposition and the elaborate restrictions imposed by the bill will in many instances delay rather than expedite reconversion and re-employment. Our surplus property should speedily be placed into channels of disposition which should provide the most jobs and the greatest good for the greatest numbers.[100]

In his pronouncement he was following the lead of the man he had appointed to the Surplus War Property Administration under Executive Order 9425. Will Clayton had written to James F. Byrnes on September 14, 1944 that he would not accept appointment under any legislation that might be passed by Congress because the Senate hearings had convinced him "that the surplus property disposal program is no longer to be conducted in a businesslike manner." He particularly objected to the diffused responsibility of a Board to which it appeared at that time, the conferees would agree. One man rule, he said, was not really the issue, but rather the final criterion was "administrative workability."[101] On October 4, the day after the President signed the

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[100] New York Times, October 4, 1944, 83.

[101] Congressional Record, 78th Cong., 2d Sess., September 18, 1944, 7857.

Surplus Property Act, Clayton submitted his resignation to become effective when a majority of the Board had been appointed.[102]

Immediately after the passage of the Surplus Property Act, and in the months thereafter, there was comment on the legislation. Business Week published an analysis of the Act for its readers. The staff writer noted that though the Board had been given the dominant role in the disposition of industrial plants "the job has many strings attached to it." These strings, the writer prophesied would act "as nothing but a short cut to trouble with Congress." He further prophesied that the Board would see a lot of Maury Maverick and that the "objectives" of the Act would get in the way of disposal. The writer had heard that "several officials were offering even money that the new Board would go to Congress immediately after the election recess to ask for changes in the law."[103]

The New Republic called the Act "a confused compromise." Helen Fuller, a staff writer, said that the legislation included an "elaborate system of preferences and safe guards written into the act by Congress." She

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[102] New York Times, October 5, 1944, 24.

[103] "Plant Disposal--With Strings," Business Week, (September 30, 1944), 17-18.

was not optimistic for the Act's success.[104]

In another article, later in October, Business Week analyzed the antitrust portion of the Surplus Property Act and concluded that it had given the Justice Department "exactly what it wanted--a mandate to go forth and see that reconversion is carried out in the fullest interest of free competetive enterprise.[105] The National Association of Manufacturers, on the other hand, was not happy with the legislation. It went on record as favoring changes in the law "to iron out unsatisfactory crinkles," and asked that "all mandatory preferences" be eliminated.[106]

Some months after its passage, when there had been time for evaluation, Fortune, usually as authentic a spokesman for the American businessman as NAM, was not hypercritical. Its writer said: "The Act has never been as bad as some interested parties pretend." And, he continued, "the growing objectives of the Act need not hamstring the Administrator, provided only that he interpret them freely and sensibly."[107] A New York Times

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[104]Helen Fuller, "Our Surplus Billions," The New Republic, CXIII (August 27, 1945), 252.

[105]"Anti Trust Acts Are Resharpened," Business Week, (October 21, 1944), 17.

[106]New York Times, January 30, 1945, 25.

[107]"War Surplus: Sell It While Its Hot, Fortune, XXXIII (March, 1946), 190.

editorial gave a partially favorable judgment: "While the legislation is inadequate in some respects," said the writer, "it does furnish the basis for prompter action than has thus far developed."[108] In another issue the New York Times quoted Mayor LaGuardia as saying that the Surplus Property Act was a "highly sentimental, well meaning" piece of legislation. After the Surplus Property Board had been given an opportunity to operate for some time after the passage of the Act, the New York Times interviewed Guy Gillette, who said that the Act had "unworkable priorities" and that real progress in uniform disposal could not be made until the Act was amended.[109]

The Surplus Property Act of 1944 was part of the law of the land for almost five years. Its three-year life span, after the announced end of hostilities, would have ended on December 31, 1949, but replacement legislation was passed during the previous summer. The Act was workable even though its system of priorities and safeguards did prove a hindrance to the speedy disposition of surplus. The whole program worked out much as Will Clayton had prophesied. Legislation did not make that much difference, but good administration did. When there

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[108] New York Times, March 26, 1945, 18.

[109] Ibid., April 19, 1945, 31.

was good administration the legislation was adequate, and when there was bad administration the Act could not save it. Actually, none of the administrators made any attempt to realize the social reform possibilities of the law. Without exception those sections received lip service at best, and were totally ignored, at worst.

CHAPTER V

THE SURPLUS PROPERTY BOARD

On October 4, 1944 James F. Byrnes, Director of the Office of War Mobilization and Reconversion, accepted the resignation of William L. Clayton, as Surplus War Property Administrator. His resignation, however, did not take effect until a majority of the new Surplus Property Board, authorized by the Surplus Property Act, was appointed. No one was surprised at Clayton's resignation since he had worked so hard for legislation other than that passed by Congress. He had previously announced that he would not serve on a board.[1]

A month and a half passed before President Roosevelt appointed the first two members of the new Board. In the meantime Clayton continued to serve as head of the surplus property program, which proved that he was a dedicated public servant; subsequent chiefs would invariably get out as quickly as possible. One left the morning after he submitted his letter of resignation. The surplus problem ate administrators faster than the Army of

[1] _New York Times_, October 5, 1944, 24.

the Potomac did generals.

While he served, temporarily, under the newly passed surplus property legislation, Clayton naturally continued the policies he had originated under Executive Order 9425, since it would have been futile to modify them when a complete change was imminent. The agencies which had been designated to take care of the actual disposal also agreed to continue the same operational policies in the interregnum.[2] The Defense Plant Corporation even increased its efforts to get the sale of industrial facilities into high gear. Though the impending change in top authority left policy decisions in doubt, DPC continued to take stock of its holdings and, where the Surplus Property Act did not specifically tie its hands, opened negotiations for purchases by private operators.[3] Final sales, however, would have to wait until the new Board was appointed; in fact DPC could not be sure that it would be named the industrial disposal agency, although there seemed to be no other practical choice.

Immediately after passing the Surplus Property Act, Congress had adjourned for the off-year elections of 1944. It reconvened shortly after the middle of November at which time Roosevelt submitted the first two names for the Surplus

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[2] Ibid., November 5, 1944, III, 6.

[3] "Plant Bids Asked," Business Week, October 21, 1944, 24.

Property Board, Robert A. Hurley of Connecticut and Lt. Col. Edward Heller of California.[4] These appointments were completely political, Hurley being a Democratic National Committeeman, and Heller the husband of a National Committeewoman.[5] The appointments were not generally popular. Arthur Krock reported that both Will Clayton and Jesse Jones had suggested other names for the Board, but that New Dealers had objected and Roosevelt had gone along with the liberals.[6] A writer for Fortune speculated that the Surplus Property Act would have been more effective from the beginning had more capable men been named to the Board; it also passed along the rumor that Roosevelt's first choices had turned him down.[7] The New Republic had hoped that the Board would include names like Maury Maverick and David Lilienthal, "men with an understanding of the fundamental economic and political problems that are involved."[8] Senators promised that a thorough investigation

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[4] New York Times, November 22, 1944, 12.

[5] U. S., Congressional Record, 78th Cong., 2d Sess., December 16, 1944, 9568.

[6] New York Times, November 23, 1944, 30.

[7] "War Surplus: Sell It While Its Hot," Fortune, XXXIII (March 1946), 190.

[8] "Mr. Batt and Surplus Property," The New Republic, CXI (October 9, 1944), 448.

of the appointees would be made.[9]

In December the Senate made good on that promise when in full and open debate it discussed the qualifications of the two men who would be asked to take charge of billions of dollars in surplus. Robert A. Hurley was a former Governor of Connecticut who had recently been defeated in his bid for reelection. The Senators hastened to assure that defeat did not necessarily demean the worth of a man, although Senator Chandler of Kentucky made it plain that he, personally, had never suffered such humiliation.[10] It was brought out that in addition to his background in politics Hurley was also an experienced engineer, having headed his own firm. The objection to Governor Hurley was that after his defeat he had accepted a job as vice-president and general manager of the Narragansett Machinery Company which had received a $2,000,000 Federal Reserve guaranteed loan even though the company was rated a bad credit risk. To make the case even more interesting the other appointee to the Board, Lt. Col. Edward Heller, had been the finance officer for the Boston Ordnance District and had recommended the loan. The Senators wanted to make sure that there had been no dishonesty and no collusion; none could be found. The only other objection

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[9] New York Times, November 23, 1944, 23.

[10] U. S., Congressional Record, 78th Cong., 2d Sess., December 15, 1944, 9526.

to Hurley was that, since he was a National Committeeman, the appointment might have been political; but it was difficult for a chanber full of politicians to make much of an issue of that.[11]

Edward Heller drew the suspicion regularly attendant to the appointment of a very rich man to public office. He was the heir of one of the early rich families of Los Angeles where he lived, and he owned extensive property in California. There was some objection to the political nature of his appointment especially when it was noted that his wife, the Democratic National Committeewoman from California, listed the same business address as Edwin Pauley, who was Treasurer of the Democratic National Committee. It seemed that the Senate Chamber had become somewhat "smoke-filled" but enough prominent Republicans had testified to Heller's character to weaken the political curse. However, his possible connection with the business empire of Henry J. Kaiser did draw considerable fire. In the listing of his business interests and positions Heller had included the Permanente Cement Company and the Permanente Steamship Company. Permanente was a corporate name closely associated with Henry J. Kaiser.[12] Telephone inquiries were made to Heller and explanatory telegrams received from him. Senator Sheridan Downey of California

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[11] _Ibid._, 9523.

[12] _Ibid._, 9525.

then explained that Permanente Cement Company was an independent firm in which Heller and many others, including Kaiser, owned small shares. It was not connected with any of Kaiser's better known enterprises. The Permanente Steamship Company had nothing to do with building ships, which occupation had made Kaiser famous. Rather, it was a subsidiary of the cement company; it owned two barges which hauled cement for the parent company. In his telegram Heller suggested that such considerations be discounted because he would use "greater than ordinary precaution in dealing with friends or former associates." This did not satisfy the rigid requirements of Senators like Warren Austin and Robert Taft. Austin did not like a man to lean over backward "which was almost as bad as leaning sidewise or forward."[13] Taft could not favor anyone who had "been connected with corporations which have been selling goods to the government, particularly through political channels."[14]

The vote was finally taken on December 16, 1944, and the result, largely along party lines, was in favor of both candidates: forty-one to twenty-eight for Hurley and forty-three to twenty-six for Heller.[15]

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[13] *Ibid.*, December 16, 9570.

[14] *Ibid.*, 9569.

[15] *Ibid.*, 9596.

Robert Hurley was the first Board member to be sworn in on December 22, 1944. Since the law stated that the Board only became operative when a majority of the three men had assumed office, it was not until Edward Heller took the oath, on January 2, 1945, that SPB was officially in business.[16] Clayton had finally resigned a fortnight earlier in order to accept the post of Assistant Secretary of State. In his last of several letters of resignation, Clayton had recommended that Mason Brittan, Assistant Administrator of SWPA, be named Administrator of SWPA until the Board took office.[17] Since that took place on January 2, 1945, Brittan, a surplus property hand since World War I, was Administrator a scant two weeks.[18]

The problems of the two men who assumed responsibility for disposal of surplus property in January of 1945, were enough to try the ingenuity of men with greater demonstrated capabilities than Hurley and Heller. As a start, in December SWPA had announced disposal figures for October and results were discouraging. During the month

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[16]"Minutes of the Surplus Property Board," January 23, 1945. Cited hereafter as "Minutes SPB," to be found in U. S., War Assets Administration, "Administrative History of War Assets Administration and Predecessor Agencies," (Unpublished Typescript in Federal Records Center, Springfield, Virginia, File 62-A-982 #7). Cited hereafter as "WAA History."

[17]William L. Clayton to James F. Byrnes, December 20, 1944, in "WAA History."

[18]"Minutes SPB," January 23, 1945, in "WAA History."

the disposal agencies had acquired $207,302,000 worth of surplus and had disposed of property worth only $26,772,000.[19] At that rate inventory would pile up fast. And this was in the middle of wartime. Bastogne had only been relieved on December 26 and the ground lost in the battle of the Bulge was not regained until January 21, 1945. Wartime selling was comparatively easy due to booming military production and the scarcity of most items. For instance, a recently held auction at one of the Navy Yards had netted the government a 35 per cent return on the original cost of machine tools that were twenty-five to forty years old; in peacetime they would have been junked.[20]

The market would naturally tighten up when war ended and at that time surplus property would become a deluge. Obviously the problems of SPB would get worse before they got better. Charles Egan in the New York Times contemplated the future:

> Imagine a job in which one was ordered to find markets for 22,000,000 flashlight batteries, a dozen live monkeys, 1,000 garbage cans, 10,000 carrier pigeons and half as many dogs, and one will gain a slight conception of the range and variety of surplus property which the Surplus War Property Administration [Surplus Property Board] will be called upon to market for the next several years.
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> After V-E Day, particularly at the close of the war with Japan, the real task of the SWPA

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[19] New York Times, December 4, 1944, 28.

[20] "RFC Organizes for Biggest Selling Job on Surplus DPC War Plants," The Iron Age, CLVI (December 7, 1944), 114.

> [SPB] will open up. Then it will find on its hands the greatest collection of merchandise, machinery, real estate and other facilities of war that has ever been assembled for disposition. Stocks of raw materials of all kinds, goods in semimanufactured state, canned and preserved foods of all kinds, electrical appliances, cargo ships, ships ways, aircraft numbered in the thousands from Trainers to B-29 Bombers, Tanks, trucks, marine engines and a seemingly endless array of other types of goods will wait disposal.[21]

Some problems reminiscent of bygone days faced the new Board members. Nitrate plants, harkening back to World War I, were again a problem. This time the government had nine of them, instead of one, to dispose of. One of these facilities was again at Muscle Shoals but, in contrast to World War I, the disposition of this property was easy since the Tennessee Valley Authority had been its wartime operator and wished to retain the plant as part of its agricultural program. In disposal of the other eight, Congress would be a factor, since the Surplus Property Act required SPB to submit plans for disposal of nitrate plants for Congressional inspection. SPB was then required to wait thirty days for Congress to suggest changes. That requirement only proved to be a built-in delay in as much as Congress never suggested a change. How many of the eight could be utilized was a question. Wartime production more than doubled prewar consumption, and while it was agreed that the postwar market would be larger than prewar, by how

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[21] New York Times, December 3, 1944, 10E.

much was anyone's guess.[22]

In a corollary field SPB would have to step in as referee in the never-ending struggle between the public and private power advocates. With the war not yet over they were squaring off over government-owned generating plants in the power-hungry South. Public systems such as Secretary of Interior Harold Ickes' Southwest Power Administration, the Tennessee Valley Authority, and the Rural Electrification Administration, had already put in their bids for generating plants as soon as they became surplus. But private power companies were also putting their attorneys to work preparing claims for the same properties. It would be up to SPB to decide.[23]

The specter of monopoly was a problem from which no surplus property agency could escape. After a wartime lapse, the Roosevelt Administration was considering a postwar trust-busting program.[24] The disposition of surplus industrial facilities could be a vital cog in that program if some way could be devised to get rid of the huge plants without turning them over to their wartime operators, most of whom were monopolists or near

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22"Postwar Nitrates," Business Week, December 9, 1944, 21.

23"Circles on the Power Map," Ibid., November 18, 1944, 66.

24"An Eye to Monopoly," Ibid., September 30, 1944, 18.

monopolists. Multiple tenancy could be the much sought answer. The United States government owned 427,000,000 square feet, or about 10,500 acres, of factory space. Manufacturer's Report, while deploring any plan for continued federal control, suggested that local governments, or local groups of entrepreneurs, could assume management of a great deal of this surplus area for conversion to multiple-tenancy space for thousands of small manufacturers. The publication included detailed plans and cited instances where such a plan had worked in the past.[25] SPB would have to consider something of this sort.

In the history of surplus property disposal SPB was the most criticized of the several disposal control groups, and this in spite of the fact that its life was short, less then nine months. Those nine months, however, were eventful months; the SPB faced cataclysmic events and an ever changing situation. President Roosevelt died on April 12; the war in Europe ended on May 8; the first atomic bomb was dropped on August 9; on September 2 President Truman declared the war to be over.

In the meantime the third member, and Chairman, of the Board had been nominated, approved, and assumed office. He was Guy M. Gillette of Iowa who had been defeated in his

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[25]" 'Multiple Industrial Tenancy' Peacetime Use that may Conserve Wartime Haste," Manufacturer's Report, CXIII (December 1944), 40.

bid for reelection to the Senate in November.[26] As a consolation prize Roosevelt named him to the Surplus Property Board. Gillette's term in the old Senate had ended on January 3, 1945, the day that Roosevelt sent in his nomination for his new job.[27] He was approved, with no argument on January 18, since he was a former member of the "club,"[28] and sworn in as Chairman of the Board on January 20, 1945.[29]

It is difficult to evaluate President Roosevelt's thinking with regard to the Surplus Property Board. In acting on the Baruch-Hancock Report and in appointing Will Clayton to be Surplus War Property Administrator he appeared to appreciate the importance and the urgency of the disposition of surplus property. It was in October that the Surplus Property Act was passed, yet it was the latter part of January before all of the Board members had been named. He had waited three months for Gillette, and Gillette was not worth the wait; the former Senator lasted little longer than that in office and performed less than well while he was there. All the appointments to the Board were political, none of the men had administrative

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[26] New York Times, January 21, 1945, 34.

[27] U. S., Congressional Record, 79th Cong., 1st Sess., January 3, 1945, 4.

[28] Ibid., January 18, 1945, 345.

[29] "Minutes SPB," January 23, 1945, in "WAA History."

experience on the national level, and one, Heller, had no government experience whatsoever. Heller, incidentally, proved to be the best of the lot. It is really no wonder that the Surplus Property Board was the most criticized of the surplus property administrative agencies.

To be criticized one must have problems and not the least of the problems of the Surplus Property Board was its organization, or rather the lack of it. Thirty-odd employees transferred from SWPA to SPB.[30] Since the Board's function was only to set policy it did not need the thousands of people that later agencies, those which combined policy and actual disposal, would require. Lack of personnel and lack of funds with which to hire, would however, plague the Board to the end of its days.[31] With regard to its own organization, the Board first agreed to meet three times a week, Monday, Wednesday, and Thursday. It was further agreed that a quorum of two had to be present for official action and that special meetings could be held, but each of the other two members had to be notified by the Chairman if that meeting was to be official.[32]

Three changes were made in those rules in the course of the Board's existence: the regular meetings were cut to

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[30]*Ibid.*

[31]U. S. *Congressional Record*, 79th Cong., 1st Sess., March 30, 1945, 2995.

[32]"Minutes SPB," January 23, 1945, in "WAA History."

two per week,[33] a member was allowed to give his proxy to insure a quorum, and the Chairman was required to call a special meeting upon the written request of any member.[34] This last change would seem to imply that there was some ill feeling between the Chairman and the other two members of the Board.[35]

This disagreement further came to light over the ultimate responsibility of an Administrator. It will be remembered that the Clayton bill had called for an administrator,[36] and the Senate bill had called for a Board.[37] The Surplus Property Act itself followed the Senate's lead in that it authorized a board but no administrator.[38] In spite of that, in its first meeting the Surplus Property Board appointed an Administrator; he was Mason Brittan, the same man who had been surplus War Property Administrator for two weeks. There was no question, however, of the propriety of this action, for Brittan, albeit his title, actually served in the capacity of executive secretary of the Board. He prepared agenda

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[33] Ibid., April 26, 1945, in "WAA History."

[34] Ibid., June 7, 1945.

[35] New York Times, July 13, 1945, 14.

[36] See chapter IV, 80.

[37] See chapter IV, 86.

[38] See chapter IV, 100.

for the meetings, hired and fired clerical help, and acted as communicator between the Board and the staff, and between the Board and disposal agencies.[39] Brittan also seems to have acted as instructor since he agreed to stay on to "help the Board until it was organized to function."[40] When he felt that this had been accomplished he sent in his resignation to be effective March 15, 1945.[41] Actually Brittan's time was extended to March 31 to give the Board time to find a replacement.[42]

With the naming of Brittan's replacement the controversy over personnel became pronounced. Col. Alfred E. Howse who became Administrator on April 1, 1945 was a dynamic Wichita, Kansas businessman. He had served Roosevelt in an advisory capacity well before the United States had entered World War II. During the war he had served in the Procurement Branch of the Army Air Force and had become a close associate of Brehon B. Somervell, the autocratic chief of the Army Service Forces. Howse had agreed to come to the Surplus Property Board at the request of his old friend Edward Heller. He came at considerable personal sacrifice since his health was anything but

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[39]"Minutes SPB," January 23, 1945, in "WAA History."

[40]Letter of Resignation from Mason Brittan to Guy M. Gillette, February 8, 1945, in "WAA History."

[41]Ibid.

[42]"Minutes SPB," March 19, 1945, in "WAA History."

strong.[43] His appointment was confirmed by a two to nothing vote of the Board with Gillette abstaining.[44] This would be the voting lineup in all matters pertaining to Howse. The Colonel was a positive man; his opinions were strong and outspoken. He had little use for Gillette or Gillette for him. Howse's outlook was not political; he believed that surplus property should be disposed of as quickly as possible. Gillette, on the other hand, tended to look at problems from a political viewpoint.[45]

Howse, although from a business background, had come to respect the military way of doing things. He was accused of loading the staff of SPB with military personnel. It was feared in some quarters that, through Howse, Somervell would infiltrate SPB as he had Donald Nelson's War Production Board.[46] Hurley and Heller seemed to have a great deal of confidence in Howse and at the June 7 meeting of the Board, by the usual two to nothing vote, adopted a statement of nine duties and functions of the Administrator. In this remarkable document they practically handed the responsibilities of the Board to Howse.[47] As

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[43]Interview with Alfred E. Howse, June 3, 1964.

[44]"Minutes SPB," March 19, 1945, in "WAA History."

[45]Interview with Alfred E. Howse, June 3, 1964.

[46]Helen Fuller, "Our Surplus Billions," The New Republic, CXIII (August 27, 1945), 253.

[47]"Minutes SPB," June 7, 1945, in "WAA History."

Thomas Stewart of Tennessee remarked on the floor of the Senate: "They cannot even sign a letter, under the authority they have given to an administrator to do it for them."[48]

In spite of his forthrightness in other areas, when talking for the press Howse mouthed the usual platitudes. In a report written by Howse one finds: ". . . speed production of civilian goods . . . stimulate employment . . . disposed of speedily . . . ." And further, ". . . prompt disposal . . . relieving current shortages . . . best price for the government . . . clear the way for expanded civilian production . . . ."[49] All of these phrases had been heard before and would be heard again and again, ad nauseam, as other administrators came and went.

Howse remained in the job of Administrator until after Gillette resigned as Chairman of the Board. Gillette's successor, however, did not prove pleasing to the Kansan even if he was from the neighboring state of Missouri. W. Stuart Symington was an appointee of the new man in the White House, Harry S. Truman, and as such he was not of the old circle of power with which Howse had become so well acquainted. Howse and Symington simply did

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[48]U. S., Congressional Record, 79th Cong., 1st Sess., August 1, 1945, 8233.

[49]New York Times, June 8, 1945, 23.

not get along well together. Upon Symington's appointment Howse, with the support of the two remaining Board Members considered himself well entrenched. But Symington was a dynamic man and Howse felt his support slipping. Howse, therefore, pleading a worsening of his health, decided to resign. In the two weeks that Howse had stayed on with Symington the air had become so charged that Howse was more than glad to get away.[50] In fact he sent his letter of resignation on August 9, and on August 10 cleared his office and was gone.[51]

Just as the Surplus Property Act of 1944 had made no provision for an Administrator, yet one appeared, anyway, the Act also made no provision for an advisory or policy board, yet one appeared--but only fleetingly. A Policy Board was fully constituted at the February 21 meeting of SPB. It was to include a few more agency representatives than had served as advisers to SWPA.[52] The first meeting of the advisory group was called for March 15, at which time the members met with SPB and agreed to meet once a month thereafter.[53] The latter was the only action ever taken by the Surplus Property Advisory

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[50] Interview with Alfred E. Howse, June 3, 1964.

[51] "Minutes SPB," August 13, 1945, in "WAA History."

[52] _Ibid._, February 21, 1945.

[53] _Ibid._, March 15, 1945.

Board. As each meeting time neared, the meeting was postponed until at last the Surplus Property Board itself ceased to function before the policy group had met again.[54]

It is clear that so far as administration was concerned the Board was in a state of confusion from beginning to end. This confusion was also evident in policy-making efforts. From the beginning critics accused the Board of inefficiency, but the Board muddled on, winning on some issues and losing on others, through the spring, summer, and fall of 1945. By early April Gillette was complaining that one of the difficulties facing the Board was the habit of the owning agencies to dispose of materiel without first declaring it surplus to the Board. The Senate misinterpreted Gillette's complaints against the owning agencies, as being complaints against the disposal agencies, particularly the Procurement Division of Treasury, and threatened to cut its appropriation. Gillette hastily sent a letter to Senator McKellar to clarify the situation, proclaiming that Procurement was "doing its job well."[55] Any criticism of the Procurement Division of the Treasury would become useless on April 19, anyway, for on that

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[54] Ibid., April 16, 1945: May 11, 1945; June 12, 1945; July 13, 1945; August 13, 1945.

[55] U. S., Congressional Record, 79th Cong., 1st Sess., April 5, 1945, 3108.

date Fred M. Vinson, who had replaced James Byrnes in the Office of War Mobilization and Reconversion, announced that henceforth the Commerce Department would handle consumer's goods disposal instead of the Treasury Department.[56]

By April 1, 1945, at least one problem had been settled which had bothered surplus property officials since the days of SWPA. That was the decision to give public power a chance at surplus southern electric facilities.[57] In this case the Interior Department was given a Lake Charles, Louisiana, generating facility which had also been sought by a privately-owned electric utility. This was a feather in the cap of Interior Secretary Ickes, one of the most outspoken proponents of public power.[58]

There were other developments in the surplus field, some of which were pleasing to the Board. Both the Army and Navy removed restrictions on machine tools which promised faster disposal in that category.[59] Fiorello LaGuardia gave some comfort to SPB when, because of the huge amounts of surplus to handle, he admonished people not to be too critical of the disposal agency. He said

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[56] New York Times, April 19, 1945, 31.

[57] See page 117.

[58] "Interior to Get First Surplus Equipment," Electrical World, CXXIII (March 31, 1945), 72.

[59] New York Times, April 26, 1945, 28.

that huge surpluses were better than to have had shortages in supplies for the Armed Services. SPB Chairman Gillette acknowledged that some trouble might have resulted from the huge surpluses but blamed the trouble on "lack of funds, personnel, and the unwillingness of business men to expose themselves to the firing line."[60]

On the other hand, public officials were not always complimentary. Attorney General Biddle asked for more speed in the disposal of industrial facilities. In his Third Annual Report to Congress Biddle proclaimed that time was passing, that engineering studies should be made, that plants should be readied for disposal quickly, and that leases might be better than outright sales. His demands for haste were made so that when the war was finally over no plants would be idle and no men unemployed.[61]

Senator O'Mahoney's subcommittee investigated the disposal of specific categories of warplants which naturally caused comment in those industries.[62] Spokesmen for the aviation industry were not impressed by

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[60] Ibid., April 19, 1945, 31.

[61] U. S. Congressional Record, 79th Cong., 1st Sess., April 26, 1945.

[62] U. S. Congress, Senate, War Contracts Subcommittee of the Military Affairs Committee, Hearings, 79th Cong., 1st Sess., 1945.

the committee's statement of the situation, but they were glad to see the problem getting attention and were pleased that the Senators favored the retention of the aircraft plants by private industry.[63] Aviation leaders were further pleased when the Army Air Forces indicated they would be interested in keeping the industry going after the war. They were gratified that some plants would be retained on a stand-by basis, that enough business would be forthcoming, in the transition period, to maintain skills and technical knowledge, and that in long range planning, industry needs would be the primary consideration even if that required leasing instead of selling aircraft plants.[64] The petroleum industry, on the other hand, was given to understand by the O'Mahoney committee that no decisions would be made, nor would its opinions on disposal be sought, until after the war was over in Europe.[65]

Under the Surplus Property Board the question of the huge Geneva Steel Plant in Utah began to pose problems that would be so overwhelming in the future.

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[63]"Peace Policy, Plant Disposal Linked by Senate Group Report," Aviation News, IV, (May 14, 1945), 10.

[64]"Surplus Aircraft Plant Disposal Seen Shaping For Quick Action," Ibid., IV, (July 23, 1945), 19.

[65]"O'Mahoney Committee Maps Agenda For Hearing On Nation's 19-Billion Surplus Facilities," National Petroleum News, XXXVII (March 7, 1945), 12.

SPB opened negotiations with a number of prospective buyers but made no concrete plans for disposition. West coast interests, however, were beginning to be apprehensive that Geneva might be disposed of to its wartime designer and operator, United States Steel. Steel users west of the mountains were most interested in escaping the prewar domination of eastern capital. Their hopes were lifted when Attorney General Biddle issued his report to Congress in which he recommended that the western steel market be made competitive. In several pages of harmonious discourse, California Congressmen readily agreed with Biddle and attempted to impress SPB with their desire for a west coast operator for Geneva.[66]

Pertaining to other steel production facilities, steel industry spokesmen were also in complete agreement in demanding that the government relinquish all control of steel-making facilities. An industry poll told the story:

> The executives were virtually unanimous in holding that government should not attempt to operate any plants and that all government plants not needed for future emergencies in a stand-by condition should be sold or leased to industry, or scrapped.[67]

The above survey, by the National Industrial Conference Board, indicated, however, that the steel

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[66]U. S., Congressional Record, 79th Cong., 1st Sess., July 9, 1945, 7387-89.

[67]"Leasing Or Purchase of Government Plants Suggested By Survey," The Iron Age, CLV (May 24, 1945), 124.

executives were not nearly so unanimous "on the manner and tempo of disposal." Views ranged from that of the operator who wanted the government to hold up disposal to give private owners a chance to get rid of their surplus facilities, to those who thought the government should scrap the plants or sell quickly at reasonable prices to stabilize the market. It was also feared that if the plants were not immediately disposed of "a concerted demand might eventually arise for government operation of the plants retained." Leases, instead of outright sales, were advocated by some because wartime costs, on which peacetime prices were to be figured, were too high to allow fixed capital investments. Several steel executives complained of the difficulty of "doing business with the government" and one declared that "restrictions are so numerous that it would be easier to build a new building."[68]

A Senate questionnaire of individual steel companies came up with similar results but with the added information that the steel industry expected the postwar demand to be greater than prewar but that it would be down about 20,000,000 ingot tons from the wartime peak.[69] In regard to ultimate methods of disposition the poll found that the Inland Steel Company thought that "plants

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[68] Ibid.

[69] "Many Industry Opinions for Disposal of Government Steel Plants," The Iron Age, CLV (April 26, 1945), 95.

should be disposed of by sale only to get the government out of business." A spokesman for Copperweld Steel said that "plants should not be sold but leased for 20 years on a tonnage basis to prevent sales at sacrifice prices." The National Supply Company's response was that "sales are preferable, but individual conditions should govern the method of dispositions." The Atlantic Steel Castings Company wrote that "leases with options to buy would be preferable." And a representative of United Engineering & Foundery Co. was "opposed to the sale of steel plants to companies not now engaged in the steel business."[70]

By September the Surplus Property Board had taken a stand on disposition of industrial facilities which it hoped would not contribute to economic concentration. The Board announced that no preference would be shown to wartime operators, that the high bid need not be honored if disposition to another company would better carry out the objectives of the Surplus Property Act, and that each purchaser must certify that he is buying for his own use and not for resale or lease.[71] The largest actual disposal was leased, not sold, but, whatever the method, a $21,000,000 plant, built to manufacture stainless steel cargo planes, was kept in production. With this lease it

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[70] Ibid., 95-96.

[71] "SPB Rules for Plant Disposal Permit Below-Maximum Price Awards," The Iron Age, CLVI (September 13, 1945), 110.

was disclosed that wartime industrial construction was not always productive. The plant in question had been built for the Edward G. Budd Manufacturing Company to fabricate 600 planes, but the contract was cancelled after twenty-six were delivered. Budd had then utilized a portion of the huge facility for making shells but that contract was cancelled at war's end. With the lease, peacetime production was assured in the making of Budd's famous streamlined trains.[72] On a lesser scale, but having the advantage of a cash sale, was the disposal of a Navy shipyard in Chicago to the Pullman-Standard Company for $927,472. This was about half the actual wartime cost of the plant but each party felt that it had received fair treatment. The Navy was satisfied because it could retain considerable equipment which had been figured in the original cost, and Pullman-Standard was satisfied because it got a well-located property which would fit nicely into its postwar plans.[73]

Also among the few accomplishments of SPB was the first actual step in aircraft plant disposal. The SPB induced the Army to declare thirty-two aircraft plants surplus to the Board. That was necessary before negotiations for sale or lease could begin. Since few of

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72"Under One Roof," Business Week, July 14, 1945, 68.

73"Half Off For Cash," Ibid., September 15, 1945, 53.

the facilities declared surplus were major plants, aircraft executives doubted whether their disposal would indicate future trends but they were pleased that disposition machinery had been set in motion.[74]

Not everyone was pleased with surplus property developments, however. In fact, the complaints came in ever increasing numbers during the entire life of the Board. Some of the criticisms involved the highest echelon of government. Congressman John J. Cochran, of the President's home State, by-passed the Surplus Property Board in registering his grievance. He wrote directly to Truman protesting the slowness with which industrial facilities were being declared surplus to the Board. He referred specifically to a wire cable plant in his district which Cochran said could be sold immediately if the Board could just get it declared surplus.[75] This was a busy time for the new President; the atomic bomb had been dropped, but surrender papers had not yet been signed. Truman, nevertheless, took time to answer:

> Replying to your letter of the twenty-second, until the surplus property law is amended and placed in shape so we can actually work it from an administrative standpoint, there isn't much use having surplus property turned over to that organization.

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[74] "Leased Wartime Factories Assume Vital Peacetime Role," Aviation News, IV (September 3, 1945), 32.

[75] John J. Cochran to Harry S. Truman, August 22, 1945, OF 345, Truman Papers, Truman Library.

> I will ask for the necessary authority so we can really handle surplus property expeditiously . . . . It just is not possible now to operate under the present law.
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> I hope you will bear this in mind when Congress meets and try to get the matter straightened out. We can't even make a contract to sell a plant and most of the large operators are threatening to build new plants unless we can find some way to do business with them. That certainly would put us in a hole.[76]

Other criticisms bore more directly on the Surplus Property Board itself. Early in the Board's existence a New York Times editorial had complained that no general policies had been formulated, that the administrative organization was confused, that funds were not adequate, and that lack of coordination was evident.[77] In the Senate Kenneth Wherry of Nebraska acknowledged that the disposal situation was bad, but he blamed it on SPB's subservient position to the Office of War Mobilization and on the negligence of owning agencies in declaring property surplus to the Board. More power for the Board was Wherry's answer to the problem.[78]

As early as the end of March 1945, Congressional opinion had suggested that one agency, then the Surplus Property Board, should be given control over both aspects

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[76] Harry S. Truman to John J. Cochran, August 24, 1945, OF File 345, Truman Papers, Truman Library.

[77] New York Times, March 26, 1945, 18.

[78] U. S., Congressional Record, 79th Cong., 1st Sess., March 30, 1945, 2996.

of Surplus Property Disposal. That would depart from the recommendations of the Baruch-Hancock Report, which had been followed closely in this regard up to that point. To include both policy and actual disposal in one agency, it was said, would increase the efficiency with which both were performed.[79] There was a drastic need to increase because very little surplus property was being disposed of. From the beginning of disposal in February of 1944 to the end of May 1945, $196,513,000 had been paid for property originally costing the government $357,063,000. This was very good, better than 50 per cent return. But that was not the whole story. Victory in Europe had just been achieved in that month, which meant that surplus property would be declared in much greater quantity, and already inventory had reached a staggering $1,688,983,000.[80]

In August Congress debated at great length over the effectiveness of the Board and the amount of authority it ought to have. Thomas Stewart of Tennessee, one of the Senate's ablest students of surplus disposal, protested: "They have not any control. They cannot sell a shoestring. They could not do it to save their immortal souls." He added: "I want this Board to have some authority and power." In the course of the debate Senator

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[79] Ibid., 2985.

[80] New York Times, June 29, 1945, 31.

Downey, of California, defended the Board: "I am of the opinion . . . that the present Surplus Property Board is doing a highly efficient job." But Stewart had the last word, when he said, "if they have ever done anything but issue regulations, I should like to know what it is. That is all they have the authority to do."[81]

At the end of August, after the fighting in the Pacific had ended, the surplus property situation gave every indication of getting worse. In the first week after the Japanese quit fighting, the Army alone declared $500,000,000 worth of materiel surplus to the Board.[82] The mountain was getting higher.

In an analytical piece the New Republic evaluated the Board and its record. The editors considered all of the Board members to be honest men "who intended to do their best." But Gillette was not a detail man, and he needed to be. Hurley, they said, tried to compensate in energy expended for lack of knowledge of the problems. Heller was the best qualified but he was, in the opinion of the writer, overcautious and no fighter. Moreover, the Board had difficulty in interpreting the Surplus Property law. The article related how the Board decided to get expert opinion to help interpret veterans'

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[81] U. S. Congressional Record, 79th Cong., 1st Sess., August 1, 1945, 8233.

[82] New York Times, August 23, 1945, 14.

preference so they invited in for consultation four Senators and four Congressmen, all of whom had helped draft the act. From the group of eight, SPB got nine opinions since one Congressman changed his mind in the course of the discussion![83]

From his vantage point of hindsight, James A. Cook was the most specific in his criticisms of the Surplus Property Board:

> Even in the most sympathetic appraisal of circumstances, it has been difficult to fully justify the Board's performance. Its members had for their guidance not only the Baruch-Hancock report, the C. E. D. study, the Bureau of Labor Statistics account of World War I operations, but the policies of the Surplus Property Act itself. More importantly, they could now draw upon the experiences of SWPA. Yet, even in perceiving the large quantities of unliquidated properties in their custody, and the immensity of operations soon to be imposed upon disposal agencies, the Board members seemed simply unable to formulate the necessary administrative and operating procedures. By the end of March 1945, no policy statement had been announced, nor had further regulations been issued to disposal agencies. Of the 21 basic disposal regulations needed, 7 had been completed by June. The RFC and Treasury Procurement sales offices were unable to dispose of certain categories of equipment since they had not received authority or instructions under which the equipment was to be sold. It can thus be seen that neither the Board nor the disposal agencies were prepared for the large volume of surpluses following VE Day.[84]

Chairman Gillette soon came to the conclusion that

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[83]Helen Fuller, "Our Surplus Billions," The New Republic, CXIII (August 27, 1945), 253.

[84]James Allen Cook, Marketing of Surplus War Property, (Washington: Public Affairs Press, 1947), 70-71.

it would be impossible for him to remain on the Surplus Property Board. On May 25, 1945, after only four months in office, Gillette submitted his resignation to be effective on July 15.[85]

Before actually leaving office Gillette addressed a letter to his old Senate friend, Joseph C. O'Mahoney, in which he outlined the troubles of the surplus property disposal system from his viewpoint. He saw two primary problems: that emanating from a disposal structure which had the SPB serving under the Office of War Mobilization and Reconversion; and second the problem of clouded areas of authority between SPB and the disposal agencies.[86] He complained that it was not clear whether OWMR should exercise authority "of such a general nature as to be negligible in its effect" or whether the authority should be strict and include the power of veto. He noted that James Byrnes and Fred Vinson had been "painstakingly considerate in their interpretation of the supervisory function . . . ." But in spite of that there had been a few instances where OWMR had changed or even vetoed policies established by the Board. He feared that the relationship might become worse under future OWMR

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[85]"Minutes SPB," June 1, 1945, in "WAA History."

[86]Quoted in Congressional Record, 79th Cong., 1st Sess., June 30, 1945, 7154.

Directors.[87]

The problem with the owning agencies came about when those agencies sold property directly to the public without first declaring it surplus to the Board. In that way the owning agencies circumvented the Board's regulations and the principles of the Surplus Property Act of 1944. Gillette was also convinced, as his letter to O'Mahoney indicated, that the Property Act needed changing and clarification, especially in those sections dealing with surplus industrial real property. Of greatest significance, however, was Gillette's conclusion that a single administrator for the surplus property organization was needed:

> . . . I was one of those who concluded that the provisions of the act should be administered by a Board, rather than by one Director or Administrator. This conclusion was based on the very logical premise that the combined thought and judgment of several individuals would be more democratic in procedure and more sound in conclusion than the judgment of one man. I also felt that no one man was omniscient enough to reach judgments in the wide field of activity envisioned by the act. In the light of my few months' experience as a member of the Board, however, I am forced to the conclusion, and I am convinced, that the act should be administered by one person as its head . . . .[88]

To cure some of the ills which had caused Gillette's complaints, Senator Tom Stewart of Tennessee, who had long been a critic of the Surplus Property Act, on July 12, 1945,

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[87] *Ibid.*, 7155.

[88] *Ibid.*, 7568.

introduced a bill which would change the surplus property set-up.[89] Stewart's bill would make the Surplus Property Board an independent organization with authority over actual disposal as well as over policy. It would be given sufficient staff to handle both functions. Stewart estimated that it would take 1000 employees.[90] The New York Times reported that Stewart's bill had the blessing of the Administration and that "Symington had told the President he would not take the job unless his authority was made absolute."[91] One thing that Stewart's bill did not do, that Gillette had recommended, was to provide for a single administrator. Stewart stated that he had originally been in favor of this course, but since a Board was already functioning and manned he did not want to reopen the question.[92]

The President, however, felt otherwise. On July 17, 1945, Truman sent a message to his former Congressional colleagues in which he requested that legislation be passed to provide for a single Surplus Property Administrator. Truman said that the accomplishments of the Board had been

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[89] Ibid.

[90] Ibid., 7569. The War Assets Administration which handled both functions had a peak of 59,000 employees in November of 1946.

[91] New York Times, July 13, 1945, 14.

[92] U. S., Congressional Record, 79th Cong., 1st Sess., July 13, 1945, 7569.

considerable but that when the Surplus Act had been passed James Byrnes had recommended a single Administrator and in Truman's opinion "experience had proved him right."[93] The President did not follow the Stewart bill in regard to divorcement from OWMR. In fact he specifically recommended that the Administrator remain under Vinson's supervision.[94]

In an editorial, the New York Times agreed that for sake of coordinating reconversion the Administrator should be left under OWMR, and the writer ventured that the proposed change to an Administrator would be well received by Congress.[95] Nor did the President, in his message to Congress, recommend the inclusion of all responsibility for dealing with surplus property in one agency. Stewart felt this was the most important part of his bill and pleaded with Congress to include this change if it passed a law for a single administrator.[96] Senator Stewart's bill, however, was referred to committee and died there.

On the same day that Stewart was arguing for his bill in the Senate, William E. Colmer of Mississippi, introduced a bill in the House embodying the President's suggestions.[97]

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[93] Ibid., July 17, 1945, 7587.

[94] Ibid., 7588.

[95] New York Times, July 19, 1945, 22.

[96] U. S. Congressional Record, 79th Cong., 1st Sess., July 19, 1945, 7161.

[97] New York Times, July 20, 1945, 7.

Nothing was done with the bill, however, prior to Congress's conditional adjournment on August 1, 1945. While Congress was in adjournment Chairman Carter Manasco of the House Committee on Expenditures in the Executive Departments called his group into session. The highlight of this Hearing was the testimony of the new Chairman of the Surplus Property Board, Stuart Symington, in which he introduced a letter signed by all three members of the Board favoring their own dismissal, and replacement by a single administrator.[98]

On September 6, 1945, President Truman in his annual message to Congress once again called for a single administrator.[99] In response to his plea, the House, on September 10, 1945, passed H. R. 3907 which was a short, simple bill only embodying the one change. It gave to one man control of the surplus property policy-making agency. The same bill passed the Senate and became law on September 12, 1945.[100]

Manasco, Chairman of the House Committee on Expenditures in the Executive Department solemnly promised, however, that the other changes in the Surplus Property law would be considered by his committee in three or four

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[98]U. S. Congress, House, Committee on Expenditures in the Executive Departments, Hearings on H. R. 3907, 79th Cong., 1st Sess., August 28, 1945, 3.

[99]New York Times, September 7, 1945, 17.

[100]Ibid., September 13, 1945, 4.

weeks.[101]

With the single Administrator law, the last change in a series took place. Gillette had retired as Chairman of SPB[102] to be replaced immediately by Symington.[103] When Symington then became the lone Administrator he simply assumed a new title and increased responsibility for Hurley and Heller naturally resigned with the change in the law.[104]

To accompany this change in policy leadership there was, at the same time, a change in the disposal set-up. The burden of the disposal of consumers' goods was changed from the Department of Commerce to the Reconstruction Finance Corporation.[105] RFC already had the job of handling industrial facilities so it was looming larger as a force in surplus disposal. With this recent change in mind, Stuart Symington relayed his thoughts on the disposal problem to his boss Harry Truman:

> From hereout the surplus disposal problem will be a merchandizing job in the field, a job that will stand or fall on efficient administration in the field by the agencies of the Reconstruction

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[101]U. S., Congressional Record, 79th Cong., 1st Sess., September 10, 1945, 8457.

[102]New York Times, June 1, 1945, 13.

[103]Harry S. Truman to Guy Gillette, June 8, 1945, OF 122G, Truman Papers, Truman Library.

[104]New York Times, June 8, 1945, 20.

[105]Ibid., October 20, 2.

Finance Corporation.

These agencies face a gigantic task. Not only must they now merchandize those billions of dollars of goods they now have on hand as evidence of the money they loaned, but also now they must (1) absorb the field offices of the Department of Commerce and (2) take over the Veteran problem . . . .

The key to an efficient job is direct control of the RFC regional field heads by people responsible for surplus sales, so that these agency heads could be constantly made aware of the fact that their most important current job was this surplus disposal.

Of one thing we feel certain. If it is handled as a side issue, in a side corporation, there is no chance whatever for success.

Nor is there any chance of building up a new national organization in time to do the job. By the time it was built, any chance of selling the surplus without wrecking the peace-time economy would be gone.

RFC may have been able to slide some problems off into owned or controlled subsidiaries, but they can never slide this one. It should be THE issue for them until it is gone, not any side issue.

And therefore the head of RFC, regardless of title, should be a man with broad merchandizing experience.

As mentioned, the work of this policy agency will be over by the end of the year. We now have a good team and it would then be logical to send the key people here into the RFC operating line . . . .

If for any reason these ideas do not coincide with your views, that would be understood and entirely satisfactory to me.

Nevertheless, after four months of intense study and effort, we here are certain this plan is not only the best way, but the only way a creditable surplus disposal job may be done; and are sure you would want us to present our conclusions.[106]

Symington, as a close associate of former Senator Truman, was considered dependable by the Senate and on September 26, 1945, he was confirmed in his appointment as Surplus Property Administrator with little discussion.[107] This period, the latter part of the term of the Surplus Property Board and for the duration of the Surplus Property Administration, was the Symington era. Others had tried and had fallen by the wayside. The success of Symington's efforts hung in the balance.

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[106] Stuart Symington to Harry Truman, September 17, 1945, OF 122G, Truman Papers, Truman Library.

[107] New York Times, September 26, 1945, 14.

CHAPTER VI

THE SYMINGTON ERA

When W. Stuart Symington went from St. Louis to Washington to serve his fellow Missourian, Harry Truman, as Chairman of the Surplus Property Board, he had no governmental experience whatsoever. As the son-in-law of Representative James Wadsworth of New York, he was familiar with the Washington scene, but his experience had been entirely in the business field as an executive in electronics and metals companies in New York, Maryland, and finally in Missouri. As a leading businessman in St. Louis, he had long been a friend and strong supporter of the President.[1] In public life Symington, his experience notwithstanding, had found his niche.

Stuart Symington brought ability, energy and dedication to his work as Chairman of the Surplus Property Board and as Surplus Property Administrator. Yet his performance was viewed with mixed feelings by those with whom he came into contact. Symington's most notable, and

[1] New York Times, June 8, 1945; July 19, 1945, 22.

enthusiastic, supporter was his friend, the President.[2] His critics, however, both in business and government, were numerous.

Symington's most durable distinction in surplus property accomplishment deservedly rests with the disposition of surplus aluminum facilities. Until World War II primary production of aluminum in the United States was entirely in the hands of the Aluminum Company of America, better known as Alcoa.[3] From 1893, three years after the passage of the Sherman Anti-Trust Act, Alcoa had been almost continuously under indictment for its dominant role in light metals. The most recent suit, and the one which would bear heavily on the course of surplus disposal, had been filed by the government in 1937. In an interim decision, handed down March 12, 1945, Judge Learned Hand found Alcoa guilty of monopoly in the production of aluminum ingot but refused to order dissolution until the result of the disposal of government-

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[2]Harry Truman to Stuart Symington, January 18, 1946, OF 122G, Truman Papers, Truman Library.

[3]Robert Lester Branyan, "Antimonopoly Activities During the Truman Administration," (Unpublished Ph.D. Dissertation, Department of History, University of Oklahoma, 1961), 44.

owned aluminum facilities had been evaluated.[4] Section Twenty of the Surplus Property Act had specifically instructed those in charge of disposal to guard against monopoly.[5]

Symington has, to a great extent, been given sole credit for the creation of competition in the aluminum industry, but it must be recognized that his way was cleared by Hand's decision and the opinion of the outgoing Attorney General, Francis Biddle. This opinion held that in light of Hand's ruling none of the government-owned aluminum facilities could be sold to Alcoa who had been their wartime operator. Indeed, Symington's primary role was as a negotiator. As such he was the leading advocate of the get-tough policy in dealing with Alcoa. His attitude was not the result of an idealogical repugnance for monopoly, but rather, he felt that he had been treated discourteously in a conference with Arthur V. Davis, Alcoa's crusty old Chairman of the Board.[6] It

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[4]Harold Stein, "Disposal of the Aluminum Plants," The American Economic Review, LII (Spring, 1962), 315-16. In May of 1945 Stein was appointed as a special advisor to OWMR for surplus property problems. In that position he was a close observer of the aluminum situation.

[5]U. S., Statutes at Large, LVIII, Part 2, 479.

[6]Stein, "Disposal of Aluminum Plants," 332.

was this mutual misunderstanding, Davis was perturbed too, which impelled Symington to take the crucial first step in aluminum trust busting: the cancellation of Alcoa's leases on seven government-owned plants.[7]

Three agencies, the Justice Department, the Reconstruction Finance Corporation, and the Surplus Property Administration worked closely, one with the others, to break the strangle-hold of the aluminum trust. It is really unfair to give the credit to one person or one agency. Justice Department lawyers came up with the legal justification for breaking the leases.[8] RFC, through its subsidiary, the Defense Plant Corporation, built the plants and was the agency to hold the title and thus actually free the facilities at Jones Mills, Los Angeles, Massena, Spokane, Frontdale, Hurricane Creek, and Baton Rouge.[9] Symington, as Surplus Property Administrator, contributed in four ways: first, as the policy agent; second, as coordinator between government branches, departments, and agencies; third, as negotiator with industry; and fourth, as spokesman through which information was channeled to the public.[10]

7"Light-Metals Plants Disposal Plans Presented," The Iron Age, CLVI (September 13, 1945), 106.

8Stein, "Disposal of the Aluminum Plants," 329-30.

9"Light-Metals Plants Disposal Plan Presented," The Iron Age, 106.

10"Aluminum Enigma," Business Week (September 10, 1945), 34, 36, 39.

After cancellation of the leases, Symington most fervently hoped that Alcoa would continue to operate the plants, with an interim agreement, until permanent operators could be found, but Alcoa leadership would not agree. Alcoa announced its intention to clear the plants by October 31, 1945. The resulting unemployment, and other economic hardship, could be laid at the feet of the government.[11]

That being the case, speed in finding permanent operators was essential. Reynolds Metals was the most logical organization to step into the breach. Reynolds had long been a substantial operator in the aluminum field but had never had a full-scale, integrated, start-to-finish manufacturing set-up. Without concessions from Alcoa it was not sure that it wanted one. Hurricane Creek in Arkansas was the logical plant to use as a pilot but there, as elsewhere, Alcoa held patents which were essential to profitable manufacture.[12]

To overcome this obstacle Symington favored the use of subsidy, whether it be in the form of low electric rates, low rent, product purchase, guarantee against loss, or assumption of liability for patent infringement. But congressional opinion, on which any permanent settlement of the aluminum question rested, shied away from the

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[11] "Light-Metals Plants Disposal Plan Presented," The Iron Age, 106.

[12] Stein, "The Disposal of Aluminum Plants," 347.

mildest suggestion of subsidy.[13] The only alternative open to the harassed Surplus Property Administrator lay in getting patent releases from Alcoa. Here was Symington's finest hour. Swallowing his pride, he bent every effort to reach a reasonable solution with the aluminum giant. Arthur Davis responded in kind and on January 10, 1946, Symington joyfully announced to the President that Alcoa had agreed to let Reynolds use the patents for Hurricane Creek.[14] In the spring of 1946 a lease, which eventually turned into outright sale, was signed with Reynolds and the aluminum monopoly was on the way to being broken.[15] As an epilogue Harold Stein reported that at the time of the Korean War the situation had stabilized with Alcoa controlling 50 per cent of production, Reynolds 30 per cent, and Kaiser 20 per cent.

The above figures are impressive, and given an otherwise dismal picture, it is only natural that government officials and apologists for the Truman Administration would point with pride to the aluminum settlement. But when viewed with somewhat greater objectivity the accomplishment does not warrant unqualified

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[13]Ibid., 331.

[14]Stuart Symington to Harry Truman, January 10, 1946, OF 541, Truman Papers, Truman Library.

[15]Branyan, "Antimonopoly in the Truman Administration," 50.

praise. It is true that a monopoly was broken, but it is also true that an oligopoly resulted. Oligopoly is considered by many to be just as restrictive as monopoly without the efficiency, the one redeeming feature of monopoly.[16] If, as others say, bigness itself is inimical to the public interest, Alcoa was bigger in 1950 than it was in 1945 in spite of the competition of the former year.[17]

Even though Alcoa fought every inch of the way and appeared to have been dragged, kicking and screaming, into a competetive market, the disturbing thought keeps recurring that this was just about what it wanted from the start. When negotiations for the disposal of aluminum plants opened, Alcoa, under combined opinions of the courts and the Attorney General, was slated for dissolution. But when the negotiations were over, Alcoa had not been broken up and still held a dominant position in a fast growing industry. It could ask for little more.

One of the most hotly contested issues was over the use of the Alcoa patents, but during negotiations spokesmen for the company had indicated that the patents were not actually very valuable.[18] And the Justice

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[16]Stein, "The Disposal of Aluminum Plants," 353.

[17]Moody's Industrial Manual (New York: Moody's Investors Service, 1961), 2730.

[18]Stein, "The Disposal of Aluminum Plants," 347.

Department was not happy with the arrangements, which permitted Alcoa to receive the right to use Reynolds technological advances while the reverse was not true. The Justice Department, however, relented in the face of Symington's pressure for settlement.[19]

When negotiations opened, the Justice Department had ruled that Alcoa could purchase no government-owned plants, whatsoever, but when negotiations had closed Alcoa had been given the right to purchase the Massena, New York plant. In return Alcoa agreed to close one of her antique, out-dated plants in the same neighborhood, which certainly worked to Alcoa's advantage.[20]

The aluminum deal was among the first of any significance in plant disposal. It was heralded as beginning a new era in antimonopoly procedure. Surplus industrial facilities would be used to combat bigness in all industries. The Surplus Property Act of 1944 specifically required that this course of action be pursued.[21] But it never developed. This was, it is true, the beginning, but it was, also, almost the end. If there had been an interim report on antimonopoly activity in surplus property disposal it would have been much more

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[19] Ibid., 351.

[20] Ibid., 356.

[21] See Chapter IV.

encouraging than the final report would be.[22]

It was in the midst of the aluminum controversy that Stuart Symington's official title was changed from Chairman of the Surplus Property Board to Surplus Property Administrator. After Congress amended the Surplus Property Act of 1944 Symington was sworn in on October 1, 1945.[23] On that same day he created the five divisions of his Administration: capital and producer's goods; consumer goods; operations, planning, compliance, management, and administration; economic research; and public information and policies. The actual disposal agencies, over which Symington had absolute policy control, remained the same for the time being. Primarily these were RFC who continued to handle industrial goods, including plants, and the Department of Commerce which retained the job of selling consumers goods. He also announced that the chief aims of the new agency would be to simplify veterans' buying procedures, clear contract-terminated plants quickly, sell faster but pay closer attention to government and small business priorities, and speedily dispose of warplants and machine tools.[24]

Since SPA was only a policy making body it was a

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[22]See Chapter X.

[23]New York Times, October 2, 1945, 32.

[24]Ibid.

continuing problem to keep this function clearly deliniated from actual disposal operations. One agency for both functions would certainly make the structure less complicated, but Symington could not yet bring himself to favor such a course. Just as he had denied the wisdom of this move in writing to the President in September he reiterated his feeling to Representative F. Edward Hebert in November.[25] There was, however, feeling in Congress that something more had to be done and that a single agency might be the answer.[26] Even Symington was not dogmatic on the proposition. Writing to John W. Snyder, head of the Office of War Mobilization and Reconversion, Symington indicated that, while at the moment he favored separation, he could be convinced of the propriety of unification.[27]

Spokesmen for powerful pressure groups such as veterans and local governments, attested that all was not well with SPA. Mayor LaGuardia of New York City protested bitterly, saying that the Administrator and his aides were

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[25]Stuart Symington to F. Edward Hebert, November 27, 1945, in U. S., War Assets Administration. "Administrative History of the War Assets Administration and Predecessor Agencies," (Unpublished Typescript in Federal Records Center, Springfield, Virginia, File 62-A-982 #7). Cited hereafter as "WAA History."

[26]U. S., Congress, Senate, Special Committee Investigating the National Defense Program, Hearings, 79th Cong., 1st Sess., September 24, 1945, 15763.

[27]Stuart Symington to John Snyder, November 30, 1945, in "WAA History."

"not competent or suited to administer the law by attitude, experience, and past performance." He charged that the cities could not get as good a deal from SPA as "second-hand dealers and junk dealers." While not as vehement as the Mayor, Governor Mon Wallgren of Washington, said that it was impossible for the States to get as good treatment from SPA as that accorded to private dealers. Maury Maverick, the volatile Chairman of the Smaller War Plants Corporation, which handled the priorities for veterans and small businessmen, complained of "indiscribable confusion in disposals." He noted the difficulties in getting the priorities afforded by the Surplus Property Act of 1944.[28] It was even sometimes difficult to determine just who was a "small businessman." SWPC defined him as an employer of less than 500 people but a Washington correspondent termed him, perhaps more realistically, as "the fellow who isn't big enough to have a lobby."[29]

Many of the complaints about disposal simply stemmed from the tremendous increase in the amount of property declared surplus in the months immediately following the end of the war. By the end of October 1945, unsold inventories amounted to nearly $7,000,000,000 and

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[28] New York Times, October 12, 1945, 32.

[29] Richard Thruelson, "What You Can Buy From the Army," Saturday Evening Post, CCXVIII, December 1, 1945, 130.

disposals during that month had only been 1.5 per cent of the total. October sales were even more discouraging when figured as only 3.3 per cent of that month's acquisitions.[30]

By December of 1945, industrial facilities were beginning to come on the market in great numbers. When military orders were ended, contracts cancelled, and plants cleared of government inventory, the Armed Services then declared them surplus to the Surplus Property Administration. The Administrator judged whether any further steps, such as referral to Congress or the Attorney General, were necessary. If not the Reconstruction Finance Corporation was then authorized to offer them for sale. Estimates of total facilities ran as high as 2100, 1000 of which were fully integrated plants, certified to SPA by the end of 1945.[31] Aircraft plants loomed large in the total figures and they were proving difficult to sell.[32] Over 100 aircraft plants had already been listed for sale before the end of October and only six rather small ones, totalling altogether a little over $6,000,000, had been sold.[33] Of the larger plants only three had been disposed

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[30]James Allen Cook, <u>Marketing of Surplus War Property</u> (Washington: Public Affairs Press, 1947), 71.

[31]Edwin Ware Hullinger, "For Sale--1300 Plants," <u>Nations Business</u>, XXXIII, (December 1945), 50.

[32]<u>Ibid.</u>, 100.

[33]"Leases Preferred," <u>Business Week</u>, October 20, 1945, 19.

of, all by lease, and none for aircraft production.[34]

Personal pressure was still the best way to get action from a federal agency as evidenced by the results of a telegram Symington received from a group of Kansas City businessmen. In the wire these men warned that unless the Vendo Corporation's bid on a surplus plant was accepted quickly the company would move to another city.[35] Symington, naturally favored the cause of fellow Missourians and the case brought to mind one of Symington's chronic disputes with RFC officials. He wrote to George Buskie, Assistant Director of the Surplus Property Division of RFC:

> As you know we have been much opposed to the long and costly delays instant to negotiations on plants which invariably result in people being kept out of work and especially in that . . . these citizens are interested in it and there seems to be justification for going through with the deal based on what was done with Aireon, please see if we cannot put this one through promptly.
>
> As we have often discussed before, if we make deals with the big plants and haggle with respect to the little plants, not only are we going against the directive of the Surplus Property Act which says we should aid small business but we are actually favoring big business over small business.[36]

As the number of industrial facilities for sale

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[34] *Ibid.*, 17.

[35] Telegram from large group of Kansas City people to Stuart Symington, undated, OF 122G, Truman Papers, Truman Library.

[36] Stuart Symington to George Buskie, November 29, 1945, OF 122G, Truman Papers, Truman Library.

increased, the public began to realize that it had become a tremendous enterprise. One reporter termed it the "biggest lump sum disposal of national resources since the millions of acres of farmlands were turned over to private operators in the Nineteenth century." He added that the government-owned industrial facilities represented "the largest block of state capitalistic holdings in existence outside Russia today."[37]

This included a vast array of facilities stretching from coast to coast and from Canada to the Gulf of Mexico. Every State had its surplus industrial facilities although they were few and far between in places like South Dakota and Nebraska, outside of Omaha. The heaviest concentration was, naturally, in the industrial East although California with its concentration of aircraft plants had its share. As plants began to close down people began to realize how many belonged to the government and how big the job of getting them sold and reopened was to be.

If plant disposal in general was big business, disposal of the Geneva Steel plant would be the biggest of all. It was so big that as of October 20, 1945, SPA had not received a firm offer for it, although several operators had indicated interest. The potential of the plant rested on the probable west coast postwar market and this had not been properly evaluated. Geneva steel

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[37]Hullinger, "For-Sale 1300 Plants," 50.

would, however, have a competitive advantage due to a western freight rate basing point which would mean a 15 to 20 per cent reduction in the price of western steel.[38] The sale of Geneva would eventually be one of the most controversial decisions in the history of surplus disposal.

Growing problems, particularly in consumer's goods, prompted a basic change in the surplus property disposal organization. On May 1, 1945, the Commerce Department had assumed responsibility for disposal of consumer's goods but the job had soon palled on the former Vice-President, Henry Wallace, who had been demoted to Commerce Secretary. Because his department handled surplus property he and his agency came under fire from the states, municipalities, veterans, and consumers in general.[39] Wallace complained that "the business" was "not workable administratively" and chose to dump it into the lap of the Reconstruction Finance Corporation.[40] In defending his department Wallace averred that the whole trouble had stemmed from SPA, and that he had only been following its policies.[41] In any case it was becoming evident that the RFC was assuming more and more importance in surplus disposal since

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[38]"Geneva Aspirant," Business Week, October 20, 1945, 19.

[39]New York Times, October 20, 1945, 2.

[40]Thruelsen, "What You Can Buy From the Army," 129.

[41]New York Times, October 20, 1945, 2.

it already controlled the disposition of industrial facilities and producer's goods.

To take care of the increased responsibility RFC decided to make a significant change in its own organization. Heretofore, RFC had handled disposal through a surplus property Department, which meant that the field offices were required to operate in all RFC areas. With the added burden of consumer's goods this would be impossible. Sam H. Husbands, an RFC director, and head of the surplus property section, proposed a subsidiary corporation in RFC for property disposal.[42] Symington by this time favored anything that would speed operations and on October 31, 1945, inquired of Husbands: "When do we get rolling on War Assets Corporation?"[43]

There was, however, some difficulty in getting WAC established. RFC's authority to create new corporations had expired on June 30, 1943. It was, therefore, necessary to find an RFC subsidiary which was already in existence but no longer useful. The defunct Petroleum Reserves Corporation fit the circumstances. Its name would simply be changed to the War Assets Corporation, new officers would be selected, and the new disposal agency would be

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[42]"Notes on Outstanding Disposal Policies," October 30, 1945, in "WAA History."

[43]Stuart Symington to Sam H. Husbands, October 31, 1945, in "WAA History."

in business.[44]

The announced date for the birth of the War Assets Corporation was November 5, 1945. That was also to be the date that Symington, as Surplus Property Administrator, would designate it the new disposal agency to replace RFC itself.[45] Such, however, was not the case since it required a great deal of planning and legal work to launch the new organization. It was not until November 9, that RFC's board of directors passed the resolution that created WAC. At the same meeting the board named November 15, as WAC's first day in business.[46]

But on that day WAC had nothing to do, since Symington had not designated it as the disposal agency. The Surplus Property Administrator had been giving thought to organization and the establishment of field offices but had not yet reached the conclusion that it was wise to entrust the new organization with so vast a power.[47] So, for the time being, in fact two months, the parent RFC

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[44]"WAA History."

[45]New York Times, November 1, 1945, 34.

[46]U. S., War Assets Administration, First Quarterly Report, 1946: The Integration of Surplus Disposal (Washington: U. S. Government Printing Office, 1946), 6.

[47]Stuart Symington to Charles B. Henderson, Chairman of the Board of RFC, November 6, 1945, in "WAA History."

remained in charge of disposal.[48] In spite of lack of duties WAC, on November 15, named its officers: Sam H. Husbands, Chairman; George F. Buskie, Vice-Chairman; and Arthur J. Fushman, President.[49]

RFC was not pleased with the delay so its Chairman wrote Symington: "Subject to your approval, Monday, December 3, is the date set for surplus disposal activities to be conducted in the name of War Assets Corporation."[50] But Henderson raised questions which Symington considered to be too complex for easy solution so he decreed that designation of WAC would not occur before January 1, 1946.[51]

The truth of the matter was that Symington was discontented with RFC, and was not sure that shifting responsibility to a subordinate corporation would solve the problem. On November 1, 1945, he had complained to Henderson of the slowness of sales. Symington had also repeated his complaint of the ease with which RFC negotiated the big deals, and of the difficulties that always seemed to crop up when small plants were involved.

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[48]Cook, Marketing of Surplus War Property, 74.

[49]"Minutes of the Board of Directors Meeting of the War Assets Corporation," November 15, 1945, in "WAA History."

[50]Charles B. Henderson to Stuart Symington, November 20, 1945, in "WAA History."

[51]Stuart Symington to Charles B. Henderson, November 29, 1945, in "WAA History."

He told Henderson, as he had written to Buskie, that this was "opposite to the wishes of the Administration and the Congress in enacting the Surplus Property Law."[52] Evidently in a previous communication Henderson had indicated concern for the reputation of RFC, for Symington chided Henderson on this point and concluded: "Surely what is good for the country is good for RFC."[53]

On his part Henderson admitted that sales had been slow, but pointed out that clearing government inventory from contract-terminated plants had been the top priority since V-J Day. So that Symington could take part in disposal decisions, Henderson suggested that Symington be made a member of the board of directors of WAC.[54] Symington, however, cared nothing for that idea. Ever mindful of his status, he wrote: " . . . I would rather be allowed to talk directly with you and Mr. Husbands instead of being relegated to a secondary position in a subsidiary corporation."[55]

Because of Symington's uncertainty of the value of WAC, the January 1, 1946 date for designating it as the

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[52]Ibid., November 1, 1945, in "WAA History."

[53]Ibid.

[54]Charles B. Henderson to Stuart Symington, November 23, 1945, in "WAA History."

[55]Stuart Symington to Charles B. Henderson, November 27, 1945, in "WAA History."

disposal agency was passed by.[56] But big changes, which promised more decisive action, were taking place in WAC organization. On December 26, 1945, the energetic Lieutenant General Edmund B. Gregory, since 1940 the Quartermaster General of the Army, had been appointed to the board of directors of WAC, and on January 2, 1946, Sam H. Husbands resigned as Chairman of that board.[57] On January 6, Gregory, at the request of President Truman, was appointed to the position vacated by Husbands.[58]

In actually setting the date for WAC designation the reluctant Symington was by-passed. On January 4, 1946, John W. Snyder, head of OWMR and Symington's boss under terms of the 1944 property act, met with Husbands, still on the board of RFC, and together they set January 15 as the date for WAC take-over. In spite of Symington's continued opposition it was then clear that WAC would soon be the policy as well as the disposal arm of surplus property.[59]

On January 18, 1946, President Truman accepted

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[56]Stuart Symington to John D. Goodloe, General Counsel of RFC, December 18, 1945, in "WAA History."

[57]Memorandum from Minot C. Mulligan, Secretary of the Board of WAC to Lloyd A. Nelson, WAC Treasurer, January 10, 1946, in "WAA History."

[58]<u>New York Times</u>, January 19, 1946, 20.

[59]Memorandum for the Files of John D. Goodloe, January 4, 1946, in "WAA History."

Stuart Symington's resignation as Surplus Property Administrator. The President wrote:

> You have fulfilled the highest expectations I had in mind when I appointed you as Administrator. You have set up sound and comprehensive policies. You have not only discharged your duties with efficiency and dispatch but you have maintained the highest integrity in formulating plans for the disposal of the enormous surplus which had accumulated through the years.
>
> Since your work in its essentials is completed, I accept your resignation as Surplus Property Administrator, effective at the close of business on January thirty-first next. I do this with less reluctance since I have today sent your nomination to the Senate of the United States as Assistant Secretary of War for Air . . . .[60]

This was, indeed, a vote of confidence from an old friend and no doubt very pleasing to the property Administrator. Others were not so generous. A reporter for Fortune said: "U. S. surplus disposal must show immediate improvement to escape general failure."[61] James Allen Cook, a noted economist who was working in Washington at the time, said of SPA: "Regrettably . . . it failed to contribute anything more than its predecessors to the solution of fundamental distributive problems of the disposal agencies."[62] He added that the huge amount of early surplus declarations had indicated

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[60]Harry Truman to Stuart Symington, January 18, 1946, File 122G, Truman Library, Independence, Missouri.

[61]"War Surplus: Sell It While It's Hot," Fortune, XXXIII (March, 1946), 194.

[62]Cook, Reconversion of the War Economy, 72.

the need for a large and efficient organization: "But the failure of Chairman Gillette and Administrator Symington to perceive and act upon that need not only prevented the distribution of 1944 and 1945 surpluses, it seriously handicapped the WAA throughout 1946."[63] He also accused Symington of too much criticism of RFC and too little help in its selling job. In interviews conducted during December of 1945 and January of 1946 he continually found lack of understanding and lack of the feeling of cooperation in both SPA and RFC employees.[64]

But perhaps criticism was inevitable. Bernard Baruch told Symington: "Whatever you do, it ain't goin' to be no good; and if you did the opposite, it also ain't goin' to be no good . . . I said to your Board and I repeat to you, when in doubt, sell.'"[65]

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[63] Ibid., 75.

[64] Ibid., 74.

[65] "War Surplus: Sell It While It's Hot," 194.

CHAPTER VII

SURPLUS PROPERTY IN 1946

Although Stuart Symington's letter of resignation was accepted on January 18, 1946, the effective date was February 1. At the time of his resignation Symington, himself, admitted that all was not well in the surplus disposal field: "We are not moving the surplus today and everyone knows we are not moving it."[1] Congressional observers agreed that the situation was bad. Most of them were inclined to blame surplus property administrators, but a few admitted that the legislation under which the administrators had to operate was itself faulty.[2]

One recurring suggestion which would make the legislation more operative was to combine policy and actual disposal of the goods. Since his first association with the problem Edmund B. Gregory, as of January 6, 1946 Chairman of the Board of the War Assets Corporation, had

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[1]"War Surplus: Sell It While It's Hot," _Fortune_, XXXIII, (March, 1946), 104.

[2]U. S., Congress, House, Committee on Expenditures in the Executive Departments, _Hearings_, 79th Cong., 2d Sess., February 14, 1946, 31.

felt that all surplus property functions should be brought under one roof. Gregory contemplated either the combination of the two services into one overall organization formed under the authority of the President's War Powers Act, or a less comprehensive arrangement which would see one man occupy both the post of Chairman of the War Assets Corporation and Surplus Property Administrator.[3] An entry in Gregory's diary for January 7, 1946, the day after he assumed the Chairmanship of WAC, related that he had begun conferences with RFC officials to discuss the merits of the two plans.[4] In a series of conferences with Symington, which ended January 26, 1946, the two men seemed to have reached agreement that a merger of functions was necessary.[5] This was a switch in attitude, as the retiring Surplus Property Administrator, only a few days previously, had advised President Truman against such a course.[6]

After a final conference with Symington and other advisers, which was held on January 28, 1946, Gregory had definitely concluded that more than a merger of WAC and

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[3]Diary of Edmund B. Gregory, December 21, 1945, in U. S., War Assets Administration, "Administrative History of War Assets Administration and Predecessor Agencies." (Unpublished Typescript in Federal Records Center, Springfield, Virginia, Box 62-A-982 #7). Cited hereafter as "WAA History."

[4]Ibid., January 7, 1946.

[5]Ibid., January 23, 25, 26, 1946.

[6]See Chapter VI.

SPA was needed. His decision was to ask President Truman to create an entirely new organization which would include all disposal functions and be responsible to the President and Congress. After several suggestions the name War Assets Administration received the most support. Opinion in favor of the proposed course of action was not unanimous at the conference. Some advisers pointed out that insulation from criticism which goes with a subordinate position was oftentimes comforting. Others suggested that the awsome scrutiny of the General Accounting Office was often discomfiting to an independent administration.[7]

Nonetheless, a staff meeting of the War Assets Corporation, on January 29, 1946, put its stamp of approval on the plan and it was decided "to go ahead with the Executive Order setting up WAA."[8] At this point, even before the Executive Order was issued, Gregory appointed a committee to begin work on an organizational arrangement and plan for complete separation of disposal personnel from RFC.[9] Not everyone on the WAC staff agreed that immediate separation was wise. Minot Mulligan, Secretary of WAC and an old RFC hand, argued that it was being done too quickly, as details had not been sufficiently worked out,

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[7]Diary of Edmund B. Gregory, January 28, 1946, in "WAA History."

[8]*Ibid.*, January 29, 1946.

[9]*Ibid.*

and "confusion and delay" would be the result. Gregory replied that there was already all of the "confusion and delay" that could be generated and little could be lost by the move. Mulligan eventually agreed with Gregory.[10]

In the meantime Symington, as is the case with many converts, became a most enthusiastic supporter of the plan for the new agency and urged it on the President and members of Congress.[11] As a result, on January 31, 1946, President Truman issued Executive Order 9689 which produced the most profound change in surplus property disposal since the passage of the Surplus Property Act of 1944.[12] The Executive Order had two separate and distinct parts. The first part combined the Surplus Property Administration with the War Assets Corporation so they were completely "merged and consolidated" under the latter name. This portion of the Executive Order would become effective immediately.[13] The second part of Executive Order 9689 created the War Assets Administration in the Office of Emergency Management of the Executive Office of the

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[10]Ibid., January 30, 1946.

[11]U. S., Congress, House, Committee on Appropriations, "Statement by Edmund B. Gregory," Hearings, 79th Cong., 2d Sess., June 18, 1946, 527.

[12]Harry S. Truman, "Executive Order 9689: Consolidation of Surplus Property Functions, January 31, 1946." Code of Federal Regulations, Title 3, The President, 1943-48 Compilation (Washington: Government Printing Office, 1957), 499.

[13]Ibid., Paragraph 1, 499.

President; this portion of the order would become effective on March 25, 1946.[14] The President would then appoint a War Assets Administrator, "by and with the advice and consent of the Senate."[15] On that day, March 25, 1946, all functions of the recently empowered War Assets Corporation would be transferred to the War Assets Administration.[16] Word leaked out that Edmund B. Gregory, Chairman of the Board of WAC, would be appointed War Assets Administrator.[17]

In the almost two months which ensued after the issuance of the Executive Order, Gregory's position was somewhat anomalous but he acted as if he were already War Assets Administrator. He ran his office with no superior in mind but the President, though technically he was still under the supervision of RFC. For two whole months he expended his energy in creating the new organization instead of operating with the framework of the Corporation.[18]

Lieutenant General Edmund B. Gregory was finishing

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[14] Ibid., Paragraph 4, 500.

[15] Ibid.

[16] Ibid., Paragraph 5, 500.

[17] "The March of News: Surplus Property Disposal," United States News, XX, (February 8, 1946), 2.

[18] Diary of Edmund B. Gregory, January 31, 1946, in "WAA History."

one career when he accepted the surplus property job. He had just resigned from the Army after over forty years of Service. He graduated from West Point in time to see active duty in helping refugees of the 1906 San Francisco earthquake. Gregory began his career as an infantry officer but served in so many supply commands that he was transferred to the Quartermaster Corps in 1916.[19] His last position in the Army was that of Quartermaster General where he supervised expenditures of over $25,000,000,000 from 1940 until his retirement. During his long career, the Army sent him to Harvard Business School and he graduated second in a class of 300. At sixty-three he had acquired the reputation of "an administrator who gets results."[20]

It appeared initially that Gregory, as war surplus property chief, would continue to get results. James Allen Cook, ordinarily a vehement critic of any head of surplus property disposal, wrote glowingly: "The manner in which the new organization was formed in the Spring [sic] of 1946 is a credit to Administrator Edmund B. Gregory." He continued his paean of praise in saying: "The basic structure of the War Assets Administration appeared to be suitable for the prodigious task to which it had been assigned." And Cook concluded: "The organization did

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19"Army's Buyer Who Becomes Surplus Seller," <u>United States News</u>, XX, (January 11, 1946), 55.

20<u>Ibid.</u>, 54.

represent the most promising development in more than two years of disposal operations."[21] The usually objective, anonymous compiler of the "Administrative History of the War Assets Administration" wrote: "Few agency heads in Government had started their administrations under more auspicious and promising circumstances."[22]

An obstacle which stood in the path of future good performance was the Surplus Property Act of 1944 itself, under which the new War Assets Administrator must operate. It had been amended once, but only to provide for a single administrator instead of a board. The recent changes in disposal organization had been accomplished through executive power rather than legislative action. The Act was filled with contradictions and inconsistencies. The framers of the 1944 legislation included so many admonitions for the head of surplus property that it was almost impossible for the Administrator to heed them all. The law charged that he should favor and promote: the return to a peacetime economy, private enterprise, full employment, a competitive system, small business, family farming, veterans, veterans in business, foreign markets, wide distribution, fair prices, normal channels of trade, new enterprise, and a good return value for the government.

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[21]James Allen Cook, Marketing of Surplus War Property (Washington: Public Affairs Press, 1947), 75.

[22]"WAA History."

On the other hand, he was to disfavor and hinder monopolistic practices, speculators, uncontrolled dumping, and unusual or excessive profits.

The Surplus Law also established priorities making the administrative machinery much more cumbersome. Before surpluses were offered to the general public, federal agencies, states and their subsidiaries, veterans, and small businessmen had supposedly picked them over. Then, there were special provisions in the legislation guiding the disposal of industrial facilities and agricultural property.[23] There is no doubt that these restrictions made it much more difficult to sell surplus quickly, but it was not impossible to do a creditable job. That, at least, was the opinion of Howard Bruce, wartime director of Army Materiel, who was assigned to report to the President on surplus property problems in the spring of 1946. His summary of the 1944 legislation follows:

> Almost everyone who analyzes the problem of surplus disposal at first believes that the Act, because of these priorities, preferences and special provisions, will prevent reasonably prompt and orderly disposal. Thorough understanding of the problem, however, results in the conclusion that with adequate personnel and further perfecting of policies and procedures, the requirements of the Act can be complied with and the job can be done though not so expeditiously as it could be done without these restrictive provisions.[24]

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[23]See chapter IV for a full discussion of the aims and provisions of the Surplus Property Act of 1944.

[24]Howard Bruce, "Report to the President on Surplus Property Disposal," April 9, 1946, in "WAA History."

To be successful any chief of operations must have capable subordinates. General Gregory naturally turned to the manpower pool he knew best--the military. But there were rules which precluded military men from working in civilian agencies without special authorization. Gregory asked the President for help and Truman, on March 23, 1946, two days before the War Assets Administration would come into being, obliged with Executive Order 9707, which read in part:

> . . . . the Secretary of War and the Secretary of the Navy are authorized to detail on a temporary basis such officers and enlisted persons of the military and naval establishments as the Chairman of the Board of the War Assets Corporation or the Administrator of the War Assets Administration may certify to be required for military duty therein.[25]

Therefore, Gregory's second in command was a former comrade in arms, Major General Glen E. Edgerton. Of the three deputy administrators, two were from the military, and of the four heads of divisions, or "offices," half were from the Services. Gregory's two special assistants were Army officers and the remaining headquarter's staff was similarly heavy in rank. Since it was the custom to address each officer by military title,[26] one can imagine that an uninitiated civilian who had business with the

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[25]Harry S. Truman, "Executive Order 9707: Amendment of the Executive Order of January 31, 1946 entitled 'Consolidation of Surplus Property Functions,' March 23, 1946." Code of Federal Regulations, Title 3, The President, 1943-48 Compilation (Washington: Government Printing Office, 1957), 520-21.

[26]"WAA History."

agency could well have thought that he had blundered into the Pentagon instead of WAA headquarters.

When the surplus property group increased its range from policy making to total responsibility it became necessary to augment civilian personnel. Thus when the War Assets Administration came into being, on March 25, 1946, it assumed 26,000 employees, a far cry from the fifty with which Will Clayton had manned the Surplus War Property Administration in 1944.[27]

When he became War Assets Administrator, Gregory announced that his one aim was "to liquidate our war surpluses as fast as can possibly be done." He admitted that disposal to that time equalled less than one-seventh of the declared surplus but he had promised the President "a substantial part of liquidation would be accomplished within one year." He said that no private or group interest could be allowed to stand in the way of over-all disposal.[28]

These were brave words, for all observers agreed that Gregory had a big job, and few could agree on just how big it was. Howard Bruce, in his report to the President, estimated that there would be a total of $32,000,000,000

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[27]Cook, Marketing of Surplus War Property, 123.

[28]War Assets Administration Press Release, WAA-6, March 26, 1946, Federal Records Center, Springfield, Virginia, Box 54-A-324 #19.

worth of surplus by the end of 1946.[29] This was in substantial agreement with WAA's own figure of $33,000,000,000 by June 30, 1947.[30] There were numerous estimates, however, which did not come close to the above totals. Among those was the appraisal of Samuel A. Tower in the New York Times which only reached $20,000,000,000 for surplus in its entirety.[31]

Tower also alluded to the scandal bugaboo. With 26,000 employees and billions of dollars in possible loot, it was only natural that WAA officials would fear fraud and scandal. Tower had an ear in the rumor mill and warned, "that there was scandal brewing in surplus property disposal that would make the explosions of the Harding Administration seem like a dead firecracker."[32] Arthur Krock, also a New York Times journalist, again used the Harding analogy in assessing the scandal potential of surplus property. The usually competent Krock must have been temporarily overwhelmed by the uniforms and military decorum at surplus property headquarters. He must have thought that the Army was in charge of surplus property when he reported that because

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[29] New York Times, April 28, 1946, 28.

[30] U. S., War Assets Administration, First Quarterly Report, 1946: The Integration of Surplus Disposal (Washington: Government Printing Office, 1946), 1.

[31] New York Times, May 12, 1946, E7.

[32] Ibid.

of concern over potential fraud Truman had created War Assets "because he was convinced the <u>Army</u> would do an honest job."[33]

Krock told of the President's personal aversion to people who attempted to influence him. It seems that a wealthy Missouri surplus property dealer retained a politician from Truman's home county in order to get special favors. In a telephone conversation, the politician made an appointment to see Truman but put in a pitch for his client before hanging up. He emphasized to the President how generous his client had been in the 1944 Democratic campaign. Truman ordered the politician barred from the White House and instructed the treasurer of the Party to return all of the dealer's campaign gifts. Crime, it is sad to relate, triumphed in the end. It is true that the dealer did not get his preferential treatment, but his campaign contributions had largely been gathered from friends and given in his name; consequently his own donation was returned to him many times over.[34]

On March 31, 1946 the War Assets Administration had been in existence a mere five days, hardly time enough to plan and build a complete organization for disposition of surplus property. Yet that was the date of the <u>First Quarter Report</u> of WAA which detailed the existence of such

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[33] <u>New York Times</u>, May 23, 1946, 20.

[34] <u>Ibid.</u>

an organization. The explanation lay in the fact that Gregory had spent his entire two months as Chairman of WAC in creating the structure of WAA.

At the top of that structure was, naturally, the War Assets Administrator. In the next echelon were the five major divisions: administrative services, aircraft disposal, general disposal, real property disposal, and acquisitions. The industrial section was in the real property division and it again was divided into five categories: chemical and allied metals, general manufacturing, iron and steel, utilities and property development, and an industrial advisory service.[35]

Outside of Washington D. C., thirty-three branch offices were established. These branches primarily dealt with consumer's goods since offices for sale of real property were maintained only where activity warranted. For example, Omaha, Oklahoma City, and Kansas City were regional offices but real property could only be purchased through the Kansas City branch. The designated field offices were empowered to sell any industrial facility in its area if the appraisal price was $1,000,000 or less. Bids were cleared through a Regional Price Review Board which had the authority to accept or reject them. For facilities appraised at more than $1,000,000, negotiations could begin in the field but closure was handled in

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[35]WAA, First Quarterly Report, 1946, 42.

Washington D. C. with a Central Price Review Board scrutinizing bids.[36] In certain categories such as aluminum, magnesium, and synthetic rubber, transactions which ran over $5,000,000 had to be cleared with the Department of Justice, and even Congress itself.[37]

Quite often plants were sold and some of the machinery could not be used by the buyer. These machines were turned over to engineer-salesmen, usually veterans, who received a 12 1/2 per cent commission on all sales. Between January 1, and May 1, 1946 over $16,500,000 worth of such sales were made which was about one-half of the original cost.[38]

President Truman gave evidence that the nation was beginning to get back to a peacetime footing when, in the latter part of April, 1946, he terminated the Office of War Mobilization and Reconversion, which had originally been the supervisory agency for the Surplus Property Board and the Surplus Property Administration. The last head of OWMR, John W. Snyder, was elevated to Secretary of the Treasury when Fred M. Vinson was named to the Supreme Court. Truman did not make an appointment to Snyder's old post and the agency was dissolved.[39]

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[36] Ibid.

[37] Ibid.

[38] "The March of News: Surplus Property," United States News, XX (May 3, 1946), 2.

[39] New York Times, June 6, 1946, 7.

Wartime agencies were going out of business but there were still plenty of jobs available at WAA. The Second Quarterly Report, covering up to June 30, 1946, indicated that the new agency had 37,000 employees of which 33,500 were in regional or sub-regional offices. This was an increase of 8,500 in three months time, and more than double the number of all disposal agency people in the days of the Surplus Property Administration. It was, moreover, anticipated that many more would have to be added before WAA could become an efficient disposal organization.[40]

The report for the second quarter also disclosed a new plant disposal procedure which WAA said was "proving highly satisfactory." Prior to this time, if there were multiple bidders for one facility, negotiations might drag on for months while many companies submitted successive bids. The new procedure introduced "cut-off dates," after which no more bids would be accepted. According to WAA officials this vastly improved speed of sale unless all bids were unsatisfactory.[41]

Even if this report showed promise of better days ahead, Administrator Gregory would not be around to see

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[40] U. S., War Assets Administration, Second Quarterly Report, 1946: The Acceleration of Surplus Disposal (Washington: Government Printing Office, 1946), 24.

[41] Ibid., 37.

them. On May 16, 1946, the General sounded retreat; he sent in his letter of resignation giving ill health as the reason.[42] The President did not accept the resignation until June 29 and it did not become effective until July 21, 1946. This gave Gregory plenty of time to polish the acrimonious farewell statement which was not untypical of outgoing administrators. His troubles, he said, were caused by "mudslinging and pressure groups." "The special interests" had exerted "great pressure to open the flood-gates of surplus for their own purposes, to the detriment of priority holders and of regular markets."[43] And to top it off, Gregory was not pleased that his successor was a former subordinate in the Quartermaster Corps.[44]

The new War Assets Administrator was Robert M. Littlejohn, former Quartermaster General of the Army for the European Theater of Operations in World War II.[45] His career had to a large extent duplicated that of Gregory. At fifty-six years of age he too was a West Pointer, but in the class of 1912. He too had served in the infantry,

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[42]New York Times, June 30, 1946, 9.

[43]New York Times, July 21, 1946, 4.

[44]Robert M. Littlejohn, "Passing in Review," (Unpublished Memoirs, Office of the Chief of Military History, Ft. McNair, Washington D. C., 1965), 2. Cited hereafter as "Littlejohn Memoirs." Each chapter is numbered separately so page numbers refer to Chapter L, which is the one on surplus property.

[45]New York Times, June 30, 1946, 9.

but like Gregory had transferred to the Quartermaster Corps fairly early in his tour of duty. He had not gone to Harvard, as Gregory had done, but he did attend the top Army command and staff schools. The new "General" of WAA took the oath of office on July 22, 1946. Littlejohn wanted it understood that he had not sought his new post but had taken it at the insistence of the President and because there was "a public demand to have the mess cleaned up."[46]

Littlejohn's memoirs throw little light on early associations with Gregory but by the time the two men became connected with surplus property, battlelines had been drawn. Littlejohn accused his predecessor of asking the President to withdraw his name as Administrator "on the grounds that I would cooperate with no one."[47] Failing with Truman, Littlejohn charged that Gregory used his influence with Robert Patterson, who had replaced Henry Stimson as Secretary of War:

> This had later an interesting sidelight as it developed that very fine cooperation was obtained by me from every Government agency except the War Department.
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> The Secretary of War apparently undertook to prove that WAA was inefficient and under my Administration would be uncooperative. He complained frequently about my handling of

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[46] "Littlejohn Memoir," 1.

[47] *Ibid.*, 2.

specific cases.[48]

With the complaints and accusations, Littlejohn's inception as Administrator was not filled with promise, but in the end he lasted longer than any of his predecessors, and continuity in office was most desperately needed. Not only had continual change lessened the efficiency of the top post, but turnover was compounded in lower echelons. When the agency head left, his deputies and assistants were inclined to leave too; when they departed, their assistants were inclined to leave, and so it went down through the ranks. Employee loss was also inordinately high in regional offices, and the overall turnover ran about 100 per cent per year. James A. Cook visited the Richmond, Virginia regional office once each month in June, July, and August of 1946; on each visit he found a new regional director.[49] He found none of the major selling divisions adequately staffed and not one of the division heads had been in office long enough to have a clear idea of his duties.

In assessing the reasons for excessive turnover, Cook discounted compensation, which he termed "adequate." He suggested that inherent impermanence of the job was no doubt at least partially to blame. Employees knew that with every sale their job was that much closer to

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[48] Ibid.

[49] Cook, Marketing of Surplus War Property, 124.

termination and they were inclined to view WAA employment as temporary while they looked for something with a greater future. The lack of career opportunity also prompted people to quit when faced with the abundant criticisms and perplexing problems.[50] Permanence began at the top and it was hoped that Littlejohn would provide the stability WAA would need for the huge job ahead.[51]

Using his memoirs as evidence, it would appear that Littlejohn was little given to introspection or in-depth analysis, but he did provide numerous insights into problems of a surplus property administrator. Littlejohn did not like the law under which he was expected to operate because objectives of the act were mutually incompatible. With the typical rugged individualism of an old soldier he did not endorse its attempt "to cure all social and economic ills."[52]

The new General was highly critical of the organization of the old General, particularly the many reports:

> Frequent and voluminous reports flowed over my desk. These were being dispatched to the field and from the field to the home office in Washington. After looking at these for a few days, I sent for the individual in charge of their production and distribution. I asked him to bring in to me all reports and directives issued in the

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[50] Ibid., 125.

[51] Ibid., 126.

[52] "Littlejohn Memoirs," 4.

> preceding thirty days. He brought them in on a truck. They stood six feet high. No one could read them all. I directed that hereafter there be one report a month and that it not exceed two inches in thickness. The next morning I found on my desk a letter telling me that I did not know my business and that the reports would continue. The writer, Chief of the Planning Division, took to the woods, and the last I heard of him he was on the opposite side of the world.[53]

Littlejohn was greatly displeased with the Office of Real Property; he called it a "separate empire." It had its own legal staff, met in closed hearings, and Littlejohn professed that he " . . . got a good many of its decisions from the press."[54] The new Administrator opened the hearings to the extent that he held some of them in his own office, and reversed a number of the decisions of the formerly autonomous department.[55]

Gregory had filled the top posts in his administration with military men, but sales had not been what they should have been, so Littlejohn tried a different tactic. He asked Benjamin Fairless of United States Steel and R. E. Wood of Sears and Roebuck to send some crack sales executives to help him move the surplus. Fairless did not bother to send any, and Wood sent "two or three men for two or three days." Littlejohn was so disgusted at this display of summer patriotism that he

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[53] _Ibid._, 5.

[54] _Ibid._

[55] _Ibid._, 9.

went to see the President. "I told him about each one of these cases. He asked me, 'can you sell out and get out with what [personnel] you have?' I said, 'Mr. President, we can and will.'"[56]

Few people are subjected to the temptations of an Army quartermaster officer so General Littlejohn had learned to live under those pressures:

> There is another rule that any Government Official, whether he wears a uniform or civilian clothes, must abide by. That is, he must live in a goldfish bowl. He cannot expect any favors whether he be buying or selling merchandise for the Government. This even includes lunch. When he lunches with a prospective buyer or seller, he should pay for his own lunch and allow his companion to do the same. My rule when I was in War Assets was to accept nothing more than a cigar. When I did accept a cigar, I left it in my desk for a few days to see if it would explode. If not, I smelled it before I smoked it.[57]

It was within the power of a surplus property Administrator to guard against the possibility of fraud and scandal, but it was impossible to operate with enough care to avoid criticism. The threat of action, either investigative or legislative, made Congressional criticism the most feared of all by WAA officials. Congressman Ralph E. Church of Illinois was particularly fervent in denouncing the "red tape" and "ridiculous procedures" of the War Assets Administration. He called it a "bureaucratic Frankenstein," and presented evidence

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[56]*Ibid.*, 13.

[57]*Ibid.*, 20.

concerning wasted effort in the organization, which definitely upheld Littlejohn's criticism of the proliferation of reports:

> In order to give you a general picture of the extent to which red tape and paper work have served to prevent early disposal of surplus property, I call your attention to the Washington Staff Directive No. 1 issued March 27, 1946, by the War Assets Administration.
>
> This directive established the types of releases to be utilized by the Washington office for the management and operation of the War Assets Administration. There are eight general types, as follows:
>
> Administrative Directives, the Manual of Operations, Washington Staff Directives, General Administrative Procedures, Management Procedure Series, Operations Procedures Series, Staff Notices and Memoranda. The Management Procedures Series is in turn divided into the following six categories: Auditing Procedures, Accounting Procedures, Budget Procedures, Personnel Procedures, Organization and Procedure Planning Procedures, and Administrative Services Procedures. And the Operations Procedures Series is divided into the following nine different categories: General Operations Procedures, Aircraft Disposal Procedures, Consumers Goods Disposal Procedures, Capital and Producers Goods Disposal Procedures, Real Property Disposal Procedures, Warehousing Procedures, Inspection Procedures, Traffic Procedures, and Credit Procedures.
>
> In other words, there are no less than 23 types of releases promulgated for the management of the War Assets Administration, as distinguished from the regulations, orders, special orders, and policy statements or other directives issued by the Administrator which apply to all Federal agencies engaged in the disposal of surplus property. The regulations that have been issued fill volumes. There is a constant flood of new releases, amendments and amendments. It would probably be no exaggeration to say that if an employee of the War Assets Administration were to keep himself advised on all the releases he would have to spend 7 hours each day reading them and perhaps the other hour of

an 8-hour day discussing them.[58]

The powerful Senator Harry Byrd of Virginia was highly critical and charged that domestic sales had " . . . bogged down to such an extent that it is nothing less than a national scandal." The watchdog of the Treasury continued: "Although eight months have elapsed since the last shot was fired in the War, effective machinery has not yet been established to permit the citizens to purchase surplus war materials . . . ."[59]

Senator Alexander Wiley of Wisconsin was a vociferous critic of WAA; he called it "Wasting American Assets." He said: "A full exposure of this whole rotten disposal situation should be made."[60] His accusations centered around the handling of electronics equipment. The Senator charged that equipment was stolen, that it was used as a political football, that it was denied to veterans, that it was wrapped in untold amounts of red tape, that it was being given to a crowd of special friends of WAA officials, that schools could not get it, and that the situation was becoming worse and not better.[61]

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[58] U. S., Congressional Record, 79th Cong., 2d Sess., April 30, 1946, 4254-55.

[59] New York Times, May 2, 1946, 15.

[60] U. S. Congressional Record, 79th Cong., 2d Sess., June 24 (Legislative Day of March 5), 1946, A3677.

[61] Ibid.

In recalling his Congressional critics, General Littlejohn had mixed emotions. He was laudatory of Congressman Roger Slaughter and credited him with helping WAA get needed information. He remembered, however, the apprehension he felt when Ross Rizley of Oklahoma took over the Chairmanship of the House surplus property investigating committee in the Eightieth Congress. To forestall "rough sledding," he asked the President to call Congressional leaders to the executive office so that Littlejohn could explain the disposal situation to them. The General reported: "This the President did; however, my objective fell flat. Subsequent events convinced me that the remarks of President Truman about the Eightieth Congress were substantially correct."[62]

Some Congressional criticisms were picayunish, such as the one which objected to the expenditure of $27,961 to advertise a magnesium plant in Velasco, Texas. WAA, however, could justify that handily, since through the advertisement it had received seven additional bids and the plant had sold for several million dollars more than originally thought possible.[63] Congress could hardly argue with results like that.

An object of criticism had been the continuing

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[62]"Littlejohn Memoirs," 14.

[63]<u>New York Times</u>, October 14, 1946, 32.

huge amounts of surplus, but Nation's Business reported one way to lessen the figures drastically. A reporter for that magazine claimed to have found the super salesman of WAA: a man who disposed of $40,000,000,000 worth at one stroke--one stroke of the pen, that is. This man, according to the story, had taken the original $100,000,000,000 surplus property estimate and recalculated it. His revised estimate was $54,000,000,000 thus almost cutting WAA's job in half.[64] In reality most realistic authorities considered even the latter figure to be too high.

At the end of the third quarter, September 30, 1946, WAA made another progress report to Congress. The over-all surplus property disposal situation was as follows:

> A grand total of 34 billion dollars of surplus property will ultimately have been declared to the domestic disposal agencies; 21.5 billion dollars, or two-thirds of this amount, had been acquired up to September 30, 1946. Thus, 12.5 billion dollars remains to be declared surplus by the owning agencies.
>
> Of the surplus acquired thus far by WAA and the disposal agencies, approximately 6.3 billion dollars has been cleared from the inventory records. If the 3.9 billion dollars sale of scrap and salvage aircraft are added, nearly one-half of the acquisitions have been liquidated. This leaves 11.3 billion dollars of inventory to be sold.

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[64] "War's Leftovers Are Moving Slowly," Nation's Business, XXXIV (June, 1946), 53.

> The current inventory remaining for sale (11.3 billion dollars) plus the property to be acquired (12.5 billion dollars) make up the total disposal task ahead--23.8 billion dollars of surplus property to be liquidated.[65]

Twenty-three billion dollars was still a lot of surplus, but WAA had help. There were never ending streams of suggestions as to how the surplus could be sold. In a radio broadcast, Bob Hope proposed a market for surplus which would also solve a nagging social problem:

> Friends, do you want privacy? Do you hate your neighbors? Are you bothered by salesmen, bill collectors, book agents? Well, run down to your neighborhood armory and get an Eisenhower "Little Dandy" combination doorbell and flame thrower . . . . What a surprise to the unwanted guest. They'll be burned up! When someone presses the button, just wait twenty seconds . . . then go out and remove the clinker![66]

Nineteen Hundred and Forty Six was the climax year of surplus property disposal. In those 365 days two new organizations, WAC and WAA, had been formed; three directors, Symington, Gregory, and Littlejohn, had headed the program and yet progress had been made. At last all policy and disposal functions had been brought into one agency. Definite disposal policies, good or bad, had evolved. Changes would continue to be made but not the fundamental changes of 1946. Even though there would be one

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[65] U. S., War Assets Administration, Third Quarterly Report, 1946: Surplus Property (Washington: Government Printing Office, 1946), 12.

[66] Phil Kelly and Bake Young, "Shoes and Ships and Sealing Wax," Collier's, CXVI (October 20, 1945), 30.

more change of Administrators, the organization was solid.

CHAPTER VIII

INDUSTRIAL DISPOSITION IN 1946

Even though other aspects of surplus disposal were important to the overall picture and troublesome to WAA, the dramatic and compelling story in 1946 was in industrial facilities. They were being declared surplus in large numbers; they were being shut down; and the people were crying for them to be reopened on a permanent, peacetime basis. The pressures on WAA administrators were almost overwhelming.

By early 1946, the Army had more than done its part in getting surplus plants on the market. In February, Under Secretary, Kenneth C. Royall, announced that of 628 facilities under Army control, 504 had been declared surplus. He said that plans had not been completed for the other 124, but thirty-seven were potentially surplus as soon as production ended. Total construction cost of the plants which had been declared surplus amounted to nearly $4,000,000,000.[1] The Navy, too, was making its

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[1] New York Times, February 19, 1946, 16.

facilities available for sale. Secretary James Forrestal stated, on April 12, 1946, that eighty-two Navy controlled plants had been declared surplus between V-J Day and April 1, 1946.[2]

At the end of the first quarter, March 31, 1946, WAA reported to Congress that approximately 45 per cent of the government-owned warplants had been declared surplus and this would be slightly over 50 per cent of those likely to be declared. Industrial acquisitions for the first quarter of 1946 were listed at $1,300,000,000, which was somewhat less than the $1,700,000,000 reported in the fourth quarter of 1945. Since machinery for disposition was not operating smoothly, acquisitions were more impressive than sales, but WAA could report that plants costing $262,000,000 had been sold for $142,000,000 in the first quarter. This was a 54 per cent return on investment, which was quite high, but it must be kept in mind that the most valuable plants were being purchased quickly and that such a percentage of return could not be maintained. It was impossible to calculate percentage of return on leased plants, but $371,000,000 in plant construction was placed in the hands of private operators by this method. This figure was higher than it was likely to be in the future as most of the expensive aluminum plants were leased in the

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[2] _Ibid._, April 13, 1946, 18.

first quarter of 1946.[3] In its report WAA officials pointed out that future results would possibly be less encouraging since plant capacity in some industries was far beyond peacetime needs. In those industries some facilities could be held in stand-by, some could be diverted to other uses, but some would have to be dismantled and scrapped.[4]

By the end of the second quarter, June 30, 1946, plant disposal presented a much more encouraging picture. Disposal increased at such a rate for industrial facilities that the amount sold in that quarter was 41 per cent more than for all previous disposal. In the month of June, for the first time, sales totalled more than acquisitions. This was partially, but not entirely, due to increased sales, for acquisitions were down to $830,000,000 for the quarter. The quarter's actual sales came to $581,000,000 with leases adding $211,000,000 to that figure. There was, however, plenty left; a buyer still had a $3,400,000,000 inventory to choose from.[5]

Even though disposals were at an all time high in

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[3] U. S., War Assets Administration, First Quarterly Report, 1946: The Integration of Surplus Disposal (Washington: Government Printing Office, 1946), 39-40.

[4] *Ibid.*, 42.

[5] U. S., War Assets Administration, Second Quarterly Report, 1946: The Acceleration of Surplus Disposal (Washington: Government Printing Office, 1946), 33-34.

the second quarter of 1946, WAA's sales ability was not really tested since 84 per cent of dispositions were of large plants, $5,000,000 or over in original cost. These transactions were usually not difficult since the large corporations which could afford such purchases knew what they wanted and had built up cash reserves with which to buy. The only problem was to arrive at a price. Since continuation of privage enterprise and maintenance of constant employment carried higher priorities than top dollar return to the government, price was easily negotiated.[6] There were, however, communities where a government-owned installation was simply too large for the needs and resources of a single peacetime business. Such a community was San Diego, California, where the problem was solved by selling the immense Consolidated Vultee Aircraft Plant to four purchasers one of which was, inexplicably, the San Diego Baseball Club.[7]

An accusation that disposal officers had abetted monopoly was almost as greatly feared as an accusation of corruption. The Surplus Property Act had admonished against aiding monopoly. Congressmen were always more than willing to castigate an untoward move in strengthening big business. To prove that WAA was lily white in this respect,

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[6] Ibid., 35.

[7] Ibid., 36.

the real property division broke down the Second Quarterly Report for members of the small business committees of both Houses of Congress. In the break-down, the 250 largest corporations were designated as big business. Thus when comparing disposal percentages to prewar share of production capacity and wartime share of government-owned plants, disposal came out fairly well. WAA's real property office found that big business controlled 65 per cent of prewar capacity, operated 79 per cent of the warplants, but had received, to June 30, 1946, only 62 per cent of industrial disposals. In further analysis WAA calculated that big business received only 1.1 per cent of plants costing under $100,000; 9.2 per cent of those costing between $100,000 and $500,000; 16.9 per cent of those costing between $500,000 and $1,000,000; 57.7 per cent of those costing between $1,000,000 and $5,000,000; and 60.8 per cent of those costing over $5,000,000.[8] These percentages would not make a New Deal social planner jump for joy, but, on the other hand, they would not cause Thurman Arnold to come out of retirement.

The old saying that one can prove anything by

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[8]Report from David A. McPherson, Assistant Deputy Administrator for Real Property in the War Assets Administration to William H. Coburn of the Staff of the Senate Small Business Committee and Dan W. Eastwood of the Staff of the House Select Committee on Small Business (Unpublished Report, August 14, 1946, Federal Records Center, Springfield, Virginia, Box 54-A-324 #19).

statistics is seldom better illustrated than by a story in the New York Times which told of a "staff of experts" who also used disposal figures to June 30, 1946 as basis for their findings. This group submitted its version to the House Committee on Monopoly and came to the conclusion that big business was about to take almost all surplus industrial facilities. According to this "secret report," the 250 largest corporations received 70.1 per cent of total plant disposal. The giants had taken all eighteen disposals over $5,000,000; and 28 per cent of those between $500,000 and $1,000,000. The reporter who had learned of this secret report intimated that it would soon cause a national scandal and hinted darkly that people in high places were trying to keep it quiet.[9]

Three days later a New York Times editorial tempered the rather hysterical tone of the original story. The editorial writer accepted figures WAA had submitted to the small business committee rather than those of the "secret report." It labelled the fear that the 250 largest corporations were about to run away with most, if not all, of the surplus production capacity as "childish nonsense."[10]

War Assets Administration's Third Quarterly Report,

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[9] New York Times, December 26, 1946, 40.

[10] Ibid., December 29, 1946, 8E.

issued as of September 30, 1946, showed acquisitions of industrial facilities down dramatically from the $1,300,000,000 of the second quarter; only $324,000,000 had been declared to WAA in July, August, and September. Sales were down too--only $230,000,000 for the three months period. Leases were up a little, to $294,000,000, but leases did not actually remove the property from government inventory. Thus, total inventory was about the same: somewhat over the $3,000,000,000 mark.[11]

For the last three months of 1946 WAA did not divide its industrial totals into sales and leases; it simply reported disposals at $344,000,000. These were miserable results so WAA evidently felt the less said, the better. The agency did say that sales came to 47 per cent of cost, which was quite respectable. Mercifully, acquisitions were also down to $178,000,000. Total inventory was listed at $2,300,000,000 which indicates a problem with WAA statistics;[12] they did not always jibe. If the previous quarter's inventory is used and fourth quarter acquisitions added and dispositions subtracted, fourth quarter inventory figures at

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[11]U. S., War Assets Administration, Third Quarterly Report, 1946: Surplus Property (Washington: Government Printing Office, 1946), 13.

[12]U. S., War Assets Administration, Fourth Quarterly Report, 1946: The Target Program (Washington: Government Printing Office, 1947), 14-15.

$3,337,000,000, or a little over a billion more than WAA's total. Another accounting procedure that had to be watched was that sometimes WAA included leased property in held inventory and sometimes in disposals; it made a great deal of difference.

In the Fourth Quarter Report, WAA reviewed the year of 1946. Officials were apologetic over prices received for industrial property and insisted that more could not be expected because wartime costs were high, many plant locations were bad, and some plants were poorly designed for peacetime use.[13] For the future, the Report warned that even 1946 results would be difficult to maintain because remaining plants would be in progressively worse locations and of progressively poorer design. For the large, hard to sell plants, multiple tenancy was offered as a possibility, but WAA foresaw that some industrial facilities would have to "be disposed of for demolition and salvage, or abandoned."[14]

Sales of large plants, generally to their wartime operators, were a feature of individual disposals in the first three months of 1946. The largest single sale in that quarter was of a $32,246,098 plant in Woodbridge,

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[13] *Ibid.*, 16.

[14] *Ibid.*, 17.

New York to the Wright Aeronautical Corporation, its wartime operator for $13,000,000. On percentage of reported cost, Goodyear Tire and Rubber paid the most when it gave $5,669,269 for its $7,961,533 plant in Topeka, Kansas. On the same basis the Charles Pfizer Company made the best deal when it paid $900,000 for a Groton, Connecticut facility which cost $5,267,500. Selling prices for the big plants generally ran from one-third to one-half of reported cost.[15] The largest lease in the first quarter was for a $47,630,200 aluminum plant to the Kaiser-Fraser Corporation. The longest lease was for twenty years but the majority were for five years. Six aluminum plants were leased, all to Reynolds and Kaiser.[16] Of twenty-seven first quarter recipients of sales or leases, for plants costing over $5,000,000, only a handful were not recognizable as representatives of big business.[17]

The big news of the second quarter of 1946 was the sale of the $200,585,000 Geneva Steel plant at Geneva, Utah to its designer and operator, the United States Steel Company for $47,500,000, including inventory. A wholly owned subsidiary of U. S. Steel, Carnegie-Illinois Steel

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[15] WAA, First Quarterly Report, 1946, 40.

[16] Ibid., 41.

[17] Ibid., 40-41.

paid a much higher percentage of cost when it purchased three plants which cost $120,182,000 for $63,013,000. In these sales WAA's point on location was well illustrated. Geneva was in the hinterlands of Utah, while the three Carnegie plants were in the heart of the industrial East. The best bargain of the quarter went to the Ideal Cement Company which purchased a $9,573,000 site for $1,500,000. There were more unfamiliar names on the second quarter list but such well known giants as Ford Motor Company, General Electric, and Remington Rand shared in the spoils.[18] Three more aluminum leases were recorded with two going to Reynolds, and one to Kaiser.[19]

There were no really dramatic sales in the third quarter of 1946. Largest was the one-half price sale of an $18,900,000 chemical plant in Velasco, Texas to its wartime operator Monsanto Chemical. A badly located plant at Sterlington, Louisiana was sold for one-third of its original cost. A highly publicized lease was of the $170,000,000 former Chrysler plant in Chicago to the Tucker Corporation.[20] The Tucker Torpedo was expected to give the big three auto-makers a run for their money.

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[18] WAA, Second Quarterly Report, 1946, 35.

[19] Ibid., 36.

[20] WAA, Third Quarterly Report, 1946, 13.

The five largest sales in the fourth quarter were unspectacular sales to wartime operators: Chicago, a \$91,050,000 plant of Republic Steel to Republic for \$35,000,000; Chicago, a \$34,268,000 plant of Inland Steel to Inland for \$13,250,000; Velasco, Texas, a \$30,373,000 Dow Magnesium plant to Dow for \$20,124,000; Velasco, Texas, a \$17,006,000 Dow Chemical plant to Dow for \$14,518,000; Long Beach, California, an \$11,552,000 Douglas Aircraft plant to Douglas for \$3,667,000. Two more aluminum plants were leased, one to Kaiser and one to Reynolds.[21]

Trade journals were naturally interested in disposals in their fields of publication. In January, Chemical and Engineering News took a pessimistic view of the possibility of fast disposition of chemical plants when it pointed out that government facilities were too widely dispersed and not economical for peacetime production. The journal feared that alcohol plants would be the hardest to sell.[22] WAA sales results bear out the journal's gloomy prediction, since WAA reported only one of the chemical plants sold in all of 1946.[23] An headline in Aviation News for February 25,

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[21] WAA, Fourth Quarterly Report, 1946, 15.

[22] "Surplus Property Administration Reports on Chemical Plants," Chemical and Engineering News, XXIV (January 10, 1946), 48-50.

[23] WAA, First, Second, Third, and Fourth Quarterly Reports, 1946.

1946, told the story in the aviation business: "Industry Proving Poor Market for War Surplus Aircraft Plants." According to the writer, sales had been slow and what sales had been made were largely to other than aircraft firms. That situation, however, was understandable since more than any other business, aircraft production had been expanded over its peacetime potential.[24]

A similar story was told concerning aviation gasoline refineries. Petroleum Processing, in September reported that, "only a handful of the processing units in the 24 government-financed wartime aviation gasoline plants are in operation." A number of reasons were given but it was primarily due to the fact that private wartime expansion expenditure was more then double government expenditure. Thus when there was a cut-back from wartime peak consumption, the oil companies used their "bought and paid for" facilities first. If demand continued to increase there could be a use for the government refineries, but not for a while.[25]

WAA announced the sale of Geneva Steel in the second quarter of 1946 and it was the largest sale in those three months. In fact it was the largest sale of the

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[24] "Industry Proving Poor Market For War Surplus Aircraft Plants," Aviation News, V (February 25, 1946), 16.

[25] "What's Happened to the 'AVGAS' Plants?" Petroleum Processing, I (September, 1946), 12-13.

year, and of WAA history. In the Quarterly Report, original cost was listed at $200,585,000.[26] Prospective bidders ran the estimated cost as high as $202,493,208 which was based on independent engineers' studies. Sale and transfer of equipment brought that figure down to $191,210,307.[27] But wartime construction costs were high because of inflated material costs and speed in building, so postwar replacement was figured at $134,000,000. When the latter amount was depreciated normally, $103,275,000 emerged as actual mid-1946 value.

That Geneva was important to the postwar economy was never doubted. Consisting of the 1600 acre plant and nearby mining properties, it was located at Geneva, Utah. It was the largest steel mill built during the war and by far the largest plant west of the Mississippi. The facility was of vital importance to West Coast steel users, since a western freight basing point would drastically lower steel prices. The plant was designed by United States Steel, built by United States Steel, and operated during the war by United States Steel, but, as was continually pointed out in Big Steel's propaganda, all at

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[26] WAA, Second Quarterly Report, 35.

[27] Bid on Geneva Steel Plant by Pacific-American Steel and Iron Corporation, May 1, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

the specific request of the government.[28]

Bids for the huge steel complex were to be submitted to WAA headquarters dated May 1, 1946.[29] Seven bids were made and one withdrawn. Of the six remaining, United States Steel's bid was by far the most attractive. WAA obviously favored it and it is easy to see why; it was a cash bid, there would be no change in management, it could be handled quickly, and there would be no additional government expense. For WAA it was the easy way out, but if the provisions of the Surplus Property Act were to be observed, it was not the proper way out.

U. S. Steel submitted the bid for its wholly owned subsidiary, the Columbia Steel Company of San Francisco, California. For the actual facilities the bid was $40,000,000; $5,000,000 would be paid when title was conveyed and $35,000,000 within two years. The company also agreed to buy the plant inventory at an assessed value of $7,500,000. The bid also obligated the company to spend $18,600,000 for additional facilities and U. S.

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[28]Memorandum to the Price Review Board from James T. Daley, Director of the Industrial Division in the Office of Real Property of the War Assets Administration, May 23, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376. Cited hereafter as "Daley Memorandum."

[29]B. F. Fairless, President, United States Steel to E. B. Gregory, May 1, 1946. Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

Steel proposed another $25,000,000 expansion although that was not obligatory.[30]

James T. Daley, Director of the Industrial Division of WAA's Office of Real Property Disposal strongly recommended that the Price Review Board, which consisted of Gregory and his top advisors, accept the bid. Through the active use of a fertile imagination he enumerated the ways that the bid fulfilled objectives of the Surplus Property Act: it would strengthen national defense; it would stimulate employment, especially of veterans, because U. S. Steel would hire 5,000 men; it would facilitate transition to peacetime economy; it would strengthen new businesses and small business by providing an assured supply of steel; it would stimulate family farming by furnishing steel for agricultural implements; and it would assure the government of the best price.

Then, according to Daley there were other advantages in accepting the offer because no additional government funds would be required; Big Steel's position in the industry would assure continuing operation; the additional facilities would strengthen the whole operation;

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[30]Bid on the Geneva Steel Plant by the United States Steel Company, May 1, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

and sufficient working capital would be a certainty.[31] With this strong recommendation in favor of United States Steel, the only possible obstruction could be adverse opinion by the Attorney General. All deals over $1,000,000 had to be submitted to him for clearance under the antitrust laws and the Surplus Property Act.

Another bid was from the Assets Reconstruction Corporation, Ltd. of Los Angeles. It was an "as is" bid of $38,750,000 for the plant and the company further agreed to spend $75,000,000 for additions and improvements.[32] Daley did not favor this bid because a statement of financial responsibility had not been furnished and details of how it was to be carried out were not given.[33]

It is hard to figure the bid of the Colorado Fuel and Iron Company. It was as if a responsible company was attempting a bad joke. Apparently Colorado Fuel and Iron did not take the original bid seriously, since only a little over a month before bids were due the president of C. F. & I. indicated disinterest in Geneva. He said: "We felt that although under the Act it might be done, it had to go

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[31] "Daley Memorandum," Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

[32] Bid on the Geneva Steel Plant by the Assets Reconstruction Corporation, Ltd., May 1, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

[33] "Daley Memorandum," Federal Records Center, Springfield, Virginia, Box 58-A-542, #376.

through six or seven departments before you could get it approved. It is impossible to deal with six or seven parties."[34] It is probable that C. F. & I. put in its original bid with the hope that U. S. Steel would be declared ineligible. In that case the Colorado company would be the only responsible party having submitted a bid and negotiations could go from there. In its May 1, 1946 bid the company did reserve the right to make changes. As originally submitted C. F. & I. would lease Geneva for either fifteen or twenty-five years. Before the lease was consumated, however, the government was to spend $47,935,000 for improvements to the plant. The government was also to pay all operating expenses until those improvements were completed. Then C. F. & I. would put up $25,000,000 in working capital and pay $1,500,000 rent per year, with an option to buy if the plant proved profitable.[35]

Daley was strong in his recommendation for refusal. He pointed out that $1,500,000 annual rent would not pay the interest on the $47,935,000 additional government expense. In his calculations, an annual rent of $6,100,000 would be necessary for the government to get a

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[34]Perry E. Holder quoted in Nation's Business, XXXIV (June, 1946), 99.

[35]Bid on the Geneva Steel Plant by Colorado Fuel and Iron, May 1, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

fair return on its investment.[36] It is hard to imagine why responsible executives would make a bid such as this. No doubt it created ill will in WAA.

Pacific-American Steel and Iron Corporation of Seattle submitted a bid and an alternate. In the bid it would pay 20 per cent of the $202,493,000 estimated cost of the plant which would amount to slightly more than U. S. Steel's bid. But instead of cash, payments would be spread out over twenty years. Also the company would require a $25,000,000 government loan for additional facilities. In the alternate bid the government would eventually recover all of its over $200,000,000 investment, but over a period of many years and as an operating partner of Pacific-American Steel and Iron.[37] As usual, Daley complained of the lack of a statement of financial responsibility. Daley stated that he understood that the deal was to be financed by public stock issue. As for the alternate, the Industrial Division head did not foresee government partnerships in a private business as a viable arrangement.[38]

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[36]"Daley Memorandum," Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

[37]Bid on the Geneva Steel Plant by the Pacific-American Steel and Iron Corporation, May 1, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

[38]"Daley Memorandum," Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

The Riley Steel Company of Los Angeles offered to pay $135,000,000 for Geneva in yearly payments of $12,367,102. The bidder, however, stated that he would have to borrow $28,844,000 for additions to the plant to make it a profitable venture.[39] Daley did not like this bid at all. It did not indicate the source of the $28,844,000 loan and did not state the amount of working capital that would be provided. His judgement was: "The bid lacks essential factors and is too intangible and does not present adequate evidence of financial responsibility or the background necessary for operation of the Geneva Steel Plant."[40]

The bid of Judson S. Warshaw of New York City was the only one from other than a corporation. Warshaw offered $132,000,000 for Geneva to be paid at 50 per cent down and the rest over a five year period. The only catch was that he did not have the money and would have to receive permission from the Securities and Exchange Commission to sell stock in order to finance the venture. Warshaw also had an alternate proposition in which he would pay a total of $190,000,000 for Geneva on a rent-

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[39]Bid on the Geneva Steel Plant by the Riley Steel Company, May 1, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

[40]"Daley Memorandum," Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

purchase agreement.[41] There was no statement of financial responsibility with this bid nor could Daley find evidence of any sort of an organization, selling or otherwise, which would indicate that Warshaw could handle the Geneva deal.

Since no others were acceptable, Daley advocated acceptance of the bid by United States Steel. He warned the Price Review Board that U. S. Steel had reserved the right to withdraw its offer if it was not accepted by June 15, 1946. He also pointed out that U. S. Steel was operating the plant on a stand-by basis and that this contract would terminate on July 12, 1946.[42] Steel plants must be operated continuously or great expense is involved; that put pressure on the Price Review Board.

Obviously, some of the Geneva bidders were promoters who were attempting to get control of a valuable property with no capital investment. Most, however, appeared to be honest, sincere entrepreneurs who were short of the necessary funds to swing a cash deal with the government. All of them, no doubt, were sure that the Attorney General would rule that U. S. Steel was ineligible to buy the plant. It certainly appeared that

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[41]Bid on the Geneva Steel Plant by Judson S. Warshaw, May 1, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

[42]"Daley Memorandum," Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

he would, for in July of 1945 his predecessor, Attorney General Francis Biddle, had issued just such an opinion. At that time there had also been considerable Congressional opposition to disposal to United States Steel.[43]

But, alas, Tom C. Clark was not Grancis Biddle. In a letter to War Assets Administrator Gregory in the last week in May of 1946, Clark approved the sale to the United States Steel Company:[44]

> Dear General Gregory:
>
> I refer to the letter from your Administration, dated May 23, 1946, which requests my opinion pursuant to Section 20 of the Surplus Property Act of 1944, as to whether the proposed sale of the Geneva Steel Plant at Geneva, Utah, to a wholly-owned subsidiary of the United States Steel Corporation will violate the antitrust laws.
>
> Subsequently I was advised that the Colorado Fuel and Iron Corporation had filed with you a modification of its original bid. Thereafter, I informed you that I did not contemplate issuing an opinion on the bid of the United States Steel Corporation until such a time as I had been informed by you as to the disposition which you had made of the above mentioned modified bid. Inasmuch as you have indicated that you do not intend to consider any further proposals regarding the disposition of the Geneva Steel Plant until after my opinion with respect to the bid of the United States Steel Corporation has been rendered, I submit herewith such opinion.
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> . . . .
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> In the light of the foregoing considerations

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[43]See chapter V.

[44]Tom C. Clark to E. B. Gregory, undated but refers to May 23 request for opinion and the decision was denounced on May 30, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

> and all the other pertinent circumstances of the case, I do not view the sale, as such, of this property by the War Assets Administration to the United States Steel Corporation as a violation of the antitrust laws.[45]

Tom Clark's decision was rather strange in that a great deal of the justification for acceptance of U. S. Steel's bid was from James T. Daley's recommendations to WAA's Price Review Board. Since the request for the opinion was from WAA, it was unusual that the contentions of the requesting agency was used in formulating the decision. That would seem to be poor precedent for a quasi-judicial opinion. In further defense of his conclusion, Attorney General Clark noted that acquisition of Geneva would not raise U. S. Steel's percentage of the total capacity above its prewar figure. He did not, however, acknowledge that at the same time another U. S. Steel subsidiary, Carnegie-Illinois Steel, was getting an additional $63,000,000 worth of ingot capacity. Clark did cite the fact that the 32.7 per cent of total production which U. S. Steel would have after Geneva, was less than the 50.1 per cent it had when it was formed in 1901. He argued that the 39 per cent of western capacity which the acquisition of Geneva would give U. S. Steel was itself below monopoly level. To support that position he quoted the Alcoa case in which

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[45] *Ibid.*

64 per cent was ruled doubtful of monopoly and 33 per cent declared to be definitely not monopoly. It would be difficult, however, to compare the two situations where the one was an established monopoly in the process of being broken and the other was a dominant power in the process of being strengthened. Clark even went back to the original United States Steel decision of 1920 in which the court rules that mere size". . . is not an offense against the Sherman Act."[46] It would, no doubt, be possible to find opinion which would cast doubt upon the applicability of the "rule of reason" in a case involving the Surplus Property Act of 1944.

It must be granted that Colorado Fuel and Iron weakened its position with an apparently facetious bid, but its plea for further consideration certainly deserved attention in view of the monopoly situation. Since Attorney General Clark was supposed to consider both antitrust laws and surplus property legislation, his acquiescence in ruling on U. S. Steel's bid without waiting for Colorado Fuel and Iron's supplemental bid is hard to comprehend. A reasonable offer from the latter company would surely fulfill the conditions of the Surplus Property Act better than disposition to "Big Steel." WAA's adamant attitude in favor of U. S. Steel

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[46]Ibid.

is also difficult to understand; mere preference for an uncomplicated contract does not emerge as sufficient motivation. In spite of such consideration, WAA announced on May 23, 1946 that the Geneva Steel Plant had been awarded to the United States Steel Company.[47]

Surprisingly there was little objection from the people as a whole. The New York Times carried no immediate word of protest. In President Truman's files for the period there was one telegram of objection which was coupled with a plea to take cognizance of Colorado Fuel and Iron's amended bid. That, however, was from the Colorado State Democratic Chairman so his demurral was to be expected.[48]

The Honorable John M. Coffee complained to the House of Representatives at some length, but he was from the West Coast which was to a large extent against United States Steel. Coffee charged that Attorney General Clark had ignored an adverse opinion by his own antitrust division. The Representative had heard that there was such a report and expressed the hope that it would be dug out and published. Coffee scathingly denounced U. S. Steel publicity which made it appear that the company had undertaken design and operation of wartime Geneva

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[47] New York Times, May 24, 1946, 26.

[48] Telegram from Eugene Cervi to President Truman, June 5, 1946, OF File 345, Truman Papers, Truman Library.

only at the insistence of the government. The government in that instance, he said, was the Steel Division of the War Production Board which was completely manned by United States Steel people on emergency leave. He concluded his tirade by suggesting that if the U. S. Steel award could not be retracted, then the Fontana Steel Works should be given free of charge to Henry J. Kaiser as a representative of West Coast steel operators. This, said Coffee, "is the least the Government can do to atone for this awful injury . . . ."[49]

Almost a year later the Antitrust Division report, which Coffee had heard about, came to light. The New York Times reported that the opinion had been delivered to Attorney General Clark on April 1, 1946. Clark had read it, suppressed it, and ignored it. That the opinion was adverse to United States Steel there could be no doubt: "The acquisition of the Geneva Steel plant by either of these two gigantic steel producers (United States Steel and Bethlehem) is inconsistent with the very clearly stated objectives of the Surplus Property Act of 1944."[50]

On June 12, 1946, E. P. Holder, President of Colorado Fuel and Iron submitted a modified bid to

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[49] U. S., Congressional Record, 79th Cong., 2d Sess., May 31, 1946, A 3076-77.

[50] Report of the Antitrust Division of the Department of Justice, quoted in the New York Times, March 28, 1947, 41.

General Gregory. In the bid which was in the form of a letter, he noted that while the United States Steel Company's offer had been publicly accepted, the deal had not yet been consummated. He therefore altered the C. F. & I. bid to include everything that U. S. Steel had offered with the exception that $38,000,000 would be covered by a thirty year mortgage instead of paid in cash.[51] Backed by Rockefeller money, Colorado Fuel and Iron had a fine Dun and Bradstreet rating but there is no record in WAA files that any consideration was given to the C. F. & I. amended bid. There is no answering letter, no acknowledgement.

The next evidence is from the New York Times of August 8, 1946 which recounts the payment, in cash, of $77,490,375.44 by U. S. Steel to WAA. That instrument paid for the three Pennsylvania plants sold to Carnegie-Illinois Steel and a $12,242,059.22 remittance on Geneva which covered a $7,242,059.22 inventory and a $5,000,000 down payment.[52]

U. S. Steel did not even take the two years grace offered on the payment of $35,000,000 by the original contract. On August 6, 1947, Associate General Counsel

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[51] E. P. Holder to E. B. Gregory, June 12, 1946, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

[52] New York Times, August 8, 1946, 28.

for Real Property Disposal of WAA informed the Regional Director in Salt Lake City that on August 4, 1947, U. S. Steel had given WAA a check for the $35,000,000 remaining on the Geneva contract.[53]

The year 1946, which started out so well in plant disposal, did not really finish that way. Declarations from owning agencies had been good and a number of the big ones had been sold, but these were not the corner stones of the industrial structure. Everyone had always known that the big, well designed plants in good location would be purchased quickly. It would take a couple more years to find out about disposal possibilities for the little plant in Podunk Corners. It was, however, obvious by the end of 1946 that if any significant change was going to be made in the percentage of production controlled by the top 250 corporations, there would have to be a dramatic change in the attitude of War Assets Administration because so far they had done well to hold the line at prewar figures.

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[53]John A. Loomis to Regional Director, Salt Lake City, August 6, 1947, Federal Records Center, Springfield, Virginia, Box 58-A-542 #376.

CHAPTER IX

THE MIDDLE YEARS, 1947-48

The War Assets Administration was in operation for most of four years, 1946-49. As could be expected, the first and last years were turbulent: the first part of the disposal period was disrupted by problems of organization and inexperienced Administrators; the last was disquieted by legislative changes and last minute problems. The middle years, 1947-48 were comparatively quiet and productive. In January of 1947 inventories were at an all time high. A contemporary observer estimated that 70 per cent of the task remained.[1] By early 1949, War Assets Administration was practically out of the consumer's goods business,[2] and just under

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[1]James Allen Cook, Marketing of Surplus War Property (Washington: Public Affairs Press, 1947), 12.

[2]U. S., Congress, House, Surplus Property Subcommittee of the Committee on Expenditures in the Executive Departments, Hearings, 80th Cong., 2d Sess., May 13, 1948, 2340. These Hearings were in both 1947 and 1948, 80th Cong., 1st and 2d Sess. Cited hereafter as Surplus Hearings.

$400,000,000 in industrial inventory remained.[3]

The anticipated amount of total disposal was, moreover, an encouraging statistic. The first estimates of this amount had run as high as $100,000,000,000, but by January of 1947 it had been revised to $29,200,000,000.[4] The industrial total had also been adjusted from $15,000,000,000 to around $10,000,000,000.[5]

To keep the proper perspective it must be kept in mind that the above figures were based on acquisition cost, just as were all WAA inventory. As an illustration, a truck which cost $3,000 was carried on War Asset's books at that price even though it was five years old, worn out, and worth $200 when declared surplus. In the same way the Geneva Steel Plant was carried at $202,000,000 in the War Assets Inventory, although the depreciated replacement cost brought its actual value down to $104,000,000.[6] That system of accounting made the disposal agency's rate of return consistently bad, but it was physically impossible to inspect and evaluate each item, so acquisition cost was the only practical

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[3] U. S., War Assets Administration, First Quarterly Report, 1949 (Washington: Government Printing Office, 1949), 4.

[4] Surplus Hearings, February 28, 1947, 8.

[5] Ibid., May 13, 1948, 2345.

[6] See chapter VI.

figure to use.

Even if the disposal picture was better in 1947-48, the problem of loose, confusing, and inefficient administration continued. Moreover, many people complained that the surplus was just too large and the returns simply too small. It was difficult to understand, and lack of understanding bred criticism. Littlejohn blamed it on percentage of recovery rate when he said: "There has been a great deal to criticize in war surplus disposal. There was bound to be. A bank receiver finding reasonable assets of about 25 cents on the dollar is not the most popular man in town with the depositors."[7]

It was impossible to avoid all complaints. Efforts which made sense to WAA staffers often brought unexpected results. WAA had many unsold warplants in California so it seemed logical to send out a brochure headlined: "Go West for Profitable Expansion." But some of them came to the attention of Chambers of Commerce in Pennsylvania and New Jersey. Secretaries of the Chambers immediately wrote to their Congressmen who in turn complained bitterly to WAA that Pennsylvania and New Jersey tax money was being spent to promote the interests of California.[8] War Assets answered that if there were no

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[7]Surplus Hearings, February 28, 1947, 3.

[8]U. S., Congressional Record, 80th Cong., 1st Sess., December 16, 1947, 11435-36.

local users for existing plants, outside operators would have to be found, but promised in the future not to extoll the virtues of one section of the country in advertisements distributed in another.[9]

The usual cry for speed in surplus sales was quieted somewhat in the spring of 1948. Worsening international relations, including the Berlin Airlift and threat of war, prompted the House Armed Services Committee to plead for a slowing of surplus disposal.[10] William Manchester suggested in The Arms of Krupp that fast disposal of war supplies was one reason for soft Allied treatment of convicted war criminal, Alfried Krupp. With supplies gone the West needed Krupp's steel in case of war with Russia.[11]

Congressional complaints regarding WAA results were magnified by disclosures of mistakes in WAA statistics and questionable accounting procedures. The unreliability of some War Assets figures was documented by the House Subcommittee on Surplus Property. Nicholas H. Cobbs, Deputy Administrator for Fiscal Services, was questioned about the "sold" figure, cumulative through 1945 on each of the four quarterly reports for 1946.

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[9] New York Times, January 16, 1948, 30.

[10] Ibid., March 24, 1948, 22.

[11] William Manchester, The Arms of Krupp: 1587-1968 (Boston: Little, Brown and Company, 1968), 671.

Obviously, it should have been the same for each report but it varied from quarter to quarter as much as $40,000,000. When asked how that could be, Mr. Cobbs gave the unsatisfactory answer: "Only through previous errors of reporting that I can understand." As the committee counsel said: "How can Congress rely on any of these things when they come in?"[12]

Even more disturbing was the use of bad accounting procedures to make WAA look good. In the case investigated by the subcommittee, it was done on the regional level, with subsequent approval of Washington. The New York region had a December sales quota of $100,000,000. With the end of the month approaching they had only $44,000,000 in bona fide sales; but $57,000,000 in sales orders. These orders had not been checked. No one knew if the goods were available because the orders were not on the proper forms. But the $57,000,000 would put them over the top in sales so the regional director said to include them. As a result the New York region won the "D" award for the Administration's top selling job. But the sales would have ordinarily been credited to January so the same thing had to be done at the end of that month. Then the auditor came. He reported the subterfuge to Washington, but a correction would have made the central office sales

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[12] Surplus Hearings, March 28, 1947, 367-68.

look bad, so New York was instructed to continue its unusual procedure. Eventually, due to bad orders not converted to bona fide sales, total results would be way off. The committee was quite disturbed by these revelations.[13]

According to the personal recollection of one former WAA minor employee it was a wonder any money ever found its way from the field to the general treasury. Employed by the Ft. Worth regional office he was assigned to a crew going to an El Paso military base to work a "site sale." Near the end of the two week period work slacked off so our protagonist decided to ask for the day off. He went to his boss's hotel room to ask permission and discovered a party in progress. The boss, understandably jovial, granted the request, then, as an afterthought, threw him a bundle of money asking that he take care of it. It was $30,000 in cash from the "site sale."

Being of prudent nature, the employee took it to the hotel safe, got a receipt, and departed. On his return he found the Federal Bureau of Investigation questioning his colleagues about a missing $30,000. The boss had taken a nap and awakened with absolutely no recollection of the $30,000 transaction. Apologies were

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[13] _Ibid._, May 13, 1947, 1186-90.

made to the annoyed FBI men.[14]

Such antics certainly helped to bring on constant complaints concerning War Assets' cost of doing business. It sometimes seemed that Congressmen suspected that after it was all over returns would not cover expenses. Costs varied from region to region but the Subcommittee unearthed some examples that appeared inordinately high. As of the first of January, 1947 costs in Jacksonville had reached 58.9 per cent of sales; Minneapolis operated at 54.8; Tulsa was down to 47.5 per cent; and Helena came in with an astonishing 98 per cent. In the course of the interrogation it was brought out that the reasons for Helena's poor showing was lack of inventory, but political pressure kept WAA from closing the office.[15]

Actually, nationwide operating cost percentages decreased the longer WAA was in business. As of January 1, 1947 expenses of $469,000,000 came to 19 per cent of sales,[16] but with rapidly declining personnel and increased volume, the March 31, 1948 cost total of $800,000,000 was only 6.6 per cent.[17]

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[14]Interview with Joe T. Timmons, Assistant Professor of History at Texas A & I University and former employee of the War Assets Administration, April 20, 1969.

[15]Surplus Hearings, March 28, 1947, 369.

[16]Cook, Marketing of Surplus War Property, 177.

[17]Surplus Hearings, May 13, 1948, 2343.

To help decrease costs, War Assets cut its employee list drastically in 1947 and 1948. In January of 1947 there were 56,600 people on the payroll. The second quarter saw the number drop to 51,500 and by the end of the year the figure stood at 27,900. It was always safe to estimate that about 10 per cent of the total worked in Washington.[18] By March 31, 1948 personnel had dropped to 25,684 and Administrator Jess Larson projected a little less than 20,000 on June 30, 1948, and 12,250 by the end of the year.[19]

As War Assets Administrator, General Littlejohn placed strong emphasis on organization. His organization chart showed the Administrator at the top and an Associate Administrator working with him. There were two advisory groups attached to the Administrator's office. The first was the Advisory Council of industry spokesmen, six of whom worked for WAA full time, and fifteen who were called in on a per diem basis. This group advised on any problem that was presented to them, but they did not instigate investigations; they had no freedom of action. The other advisory group was the General Review Board which consisted of the Administrator and whoever he chose to serve; its function was to rule on

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[18] Ibid., Exhibit 13.

[19] Ibid., May 13, 1948, 2343.

offers submitted for real property.

In Washington, and directly under the Administrator were the offices of policy and planning. These were: Office of Liaison with owning Agencies, Office of General Counsel, Office of Plans and Policies, Office of Fiscal Services, Office of Administrative Services, and Special Assistants. Then on the operational level but still in Washington were: Office of Information and Advertising, Office of Acquisitions, Office of Real Property Disposal, Office of Field Operations, Office of General Disposal, Office of Aircraft and Electronics Disposal, and the Office of Disposal for United States Territories and Possessions. In the field and directly under the Office of Field Operations were the six Zone Offices and one Territorial Office. These, however, were also supervised by the other Washington Offices on the operational level. The Regional Offices, then, were directly supervised by the Zone Offices and the Office of Field Operations, but they too had to work directly with other Washington Offices such as Real Property Disposal, General Disposal, and others. Under Region were the District Offices, Customer Service Centers, and Mobile Customer Service Centers.[20]

Despite what appeared to be an efficient organization on paper, Littlejohn's administration never

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[20] _Ibid._, Exhibit 11.

worked effectively. Moreover, he ran into trouble because of his egocentrism and attacks from Congressional critics. Ross Rizley of Oklahoma, Chairman of the House Surplus Property Subcommittee, did not like General Littlejohn, his complicated organization, nor WAA's operations. In June, 1947 he charged War Assets with "confusion, carelessness, and chaos," and demanded that Littlejohn, and his military helpers, be dismissed immediately.[21]

Littlejohn was egocentric to a degree seldom seen in a public man. He appeared to resent committees and they disliked him. His constant use of the personal pronoun "I" became terribly tiresome. In one passage of nine lines he used "I" eleven times.[22] Also he was easily confused and often testy when questioned. Littlejohn's successor, Jess Larson, on the other hand, testified beautifully. He used just the right shade of deference, was firm, and had his facts admirably in hand. Even when Larson was general counsel under Littlejohn, he handled congressional committees much better than his superior.

If it was organization that bothered critics, Littlejohn was always willing to change that. In fact constant change was the foremost complaint of those

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[21]New York Times, June 29, 1947, 8.

[22]Surplus Hearings, February 28, 1947, 20.

working in War Assets. His innovations were many but few were successful.[23]

For the constant criticism of high personnel turnover Littlejohn had a new explanation, one which would hardly endear him to members of the Congressional investigating committee, before whom he was testifying. He said that men would not come to War Assets and left after they got there because: ". . . . the average civilian does not like to come up and be investigated by Congress. Everyone will run . . . ."[24]

Since most of the selling was done in the Regional Offices it was important to have stability at that level but this, too, was hard to achieve. Gordon T. Burke, Regional Director at Omaha was one of the most articulate witnesses to appear before the Subcommittee. He had submitted his letter of resignation and was not afraid. He told of the constant shifting of responsibility for real property from Region to Region, and from Region to Zone and back to Region. He was, he said, completely disgusted.[25]

He complained of the many progress charts which had to be prepared in the Regional Office and sent to

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[23]New York Times, September 19, 1947, 35.

[24]Surplus Hearings, February 28, 1947, 8.

[25]Ibid., April 8, 1947, 394.

Washington. He doubted that they were really used since upon one occasion his office sent in a totally wrong chart and no one in Washington even caught the error. Burke resented the time he, as Regional Director, had to spend with people coming to his office from the Zone and from Washington. He protested bitterly of, "the flood of daily visitors. We called them paratroopers. They came in by the score. I have known as many as 23 to be in our office from the Washington office and from the Zone in one day."[26]

Banalities were numerous in Littlejohn's correspondence with his Regional Directors. When Burke wrote in to object to the new Zone system which he considered unnecessary and confusing, he received instructions from the "coach" that his duty was to "play the game":

> The proper organization of War Assets Administration is no different from that which should be applied to a large industrial corporation. It is similar in every respect to a football team.
>
> As rapidly as it was possible for me to do so, I assumed the role of coach and created six football teams, with the quarterback stationed at each Zone Headquarters.
>
> I have played on a number of football teams. I have followed a substantial number throughout my life. It is the objective of every coach to minimize the stellar roles and to place the emphasis on teamwork. When the outstanding star is over-trained, or is not up to his usual form, the team itself fails to win a game. Just review

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[26] Ibid., 406-07.

> the history of any college team along these lines. The facts become self-evident.[27]

After a letter like that, what could any self respecting Regional Director do? Burke quit.[28]

Another Littlejohn critic was former Tulsa Regional Director, R. D. Wilbor Jr. who objected to changes in regional office responsibility for real property and also to constant changes in planning and operations. He said it was impossible to keep abreast of real property responsibility shifts: "The real property deal has been as tangled as personal property. We were originally under Kansas City, then they moved it to Dallas, then to Tulsa, and now they are moving it to Grand Prairie, apparently."[29]

Wilbor also objected to the Zone set-up and constant changes by the plans and policy division:

> Plans and Policies lay down the regulations under which you are to operate. That is well and good. You have to interpret the Surplus Property Act of 1944. But the trouble about that is, after the Zones came in they disregarded the Manual of Operations and everything else and said, "This is the way we are going to do it." Frankly it was very confusing and I did not go along with them.
>
> I think Plans and Policies have a place in the scheme of things here in Washington in the over-all picture, and once those plans and policies are laid down, the regions should be in a position

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[27] _Ibid._, Exhibit 132.

[28] _Ibid._, April 8, 1947, 386.

[29] _Ibid._, June 3, 1947, 1278.

to follow them and function.

> This surplus-property-disposal program, in my opinion would have been much further along, and so far as Oklahoma is concerned would have been nearly completed, had they stuck to one plan and given it a chance to work, instead of changing their minds every 30 days. They go off on one tangent one month, and the next month it is a dead issue and here is something else.[30]

Ross Rizley voiced his committee's major indictment of Littlejohn when he said it had received complaints from all over the country about "the show being run almost entirely by Army personnel." Rizley was critical of the officers' lack of business experience and resented that every suggestion or idea presented by a businessman "was overruled by some general or ex-general or colonel, or someone who had occupied a military place." It was brought out in the testimony that ten of the twelve top posts in War Assets were held by military men.[31]

Gordon Burke objected to the military's influence on the Regional level. He said: "The injection of the military into its [Region's] set-up is, in my opinion, unfortunate, and is looked upon with disfavor, not only by its employees, but by the general public . . . . For the last 9 months I feel we have had a military dictatorship in War Assets Administration." He charged that due to Army dominance, "the organization is ruled

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[30] *Ibid.*, 1280.

[31] *Ibid.*, March 7, 1947, 36.

and governed by fear." One of the most common expressions he had heard among his superiors was: "That is the way we did it in the Army."[32]

Stanley Benning Adams, former Regional Director in Chicago, thought Army officers were unfitted for War Assets since, "the most sheltered man in this country is a Regular officer in the Army or Navy . . . . They never had to worry about a price in their lives." Quite often witnesses suggested that department store people were needed, instead of the Army, since they were such great merchandizers. Adams did not think much of that idea: "What does a man working for Marshall Field know about machine tools? He does not know anything about it. You cannot market machine tools like neckties."[33]

General R. E. Wood, President of Sears Roebuck, was uniquely qualified to judge the Army officer-administrator:

> I am a West Pointer myself and have served in the Army for 20 years. I have a very high regard for the integrity and general ability of Army and Naval officers. However, I think a job of this kind is decidedly outside their line and that the executive direction should be in the hands of some experienced businessman with a group of business assistants rather than Army and Navy Officers. In the first place Army and Navy men usually accumulate too great a staff which is expensive and which slows up operations. In the second place they usually have not the knowledge of the markets

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[32] _Ibid._, April 8, 1947, 409-10.

[33] _Ibid._, June 3, 1947, 1293.

and do not consider the ratio of expense to the disposal value.[34]

In spite of the opposition to Littlejohn and his military system, it is likely he could have stayed on as War Assets Administrator because he had the support of the President. But by late summer he was considering giving up the job, and in November he quit. His reason for leaving remains obscure. His letter was a simple resignation. He made no statements to the press and no mention of his reasons were stated in his "Memoirs." On November 21, 1947 President Truman announced that Littlejohn was quitting on November 28, and praised the "wonderful job" that Littlejohn "had been tough enough to do." He further announced that Associate Administrator Jess Larson would take his place.[35]

Jess Larson was a man of considerable talent. Schooled in rough and tumble Oklahoma politics, he thrived in the administrative maelstrom of Washington D. C. An interview in 1966 provided good evidence of his wariness and ability to be pleasant without undue revelation. During lunch at his "Club" he was most pleasant and discussed a mutual interest in Oklahoma politics at great length, but was singularly uncommunicative when War Assets was brought up. As he said, that was a staff operation

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[34] *Ibid.*, June 6, 1947, 1296.

[35] *New York Times*, November 22, 1947, 7.

and it was impossible for anyone to be accurate after twenty years.[36]

Mill Creek, where Larson was born in 1904, was in Indian Territory. After the Territory became the State of Oklahoma his family moved to Chickasha. He attended the University of Oklahoma for four years which included a year of law school, but he was unable to finish because his father became ill and he had to go home to manage the ranch and dairy business. After serving as Mayor of Chickasha for four years he was admitted to the Oklahoma bar in 1935. Larson then moved to Oklahoma City where he became Secretary of the Oklahoma Land Commission and served as an attorney in the liquidation of the E. W. Marland holdings.

Larson went into military service with the Oklahoma National Guard in 1940, was wounded in action in Italy, and reached the rank of colonel. He joined the War Assets Administration in July of 1946 as Assistant General Counsel, became General Counsel in December of 1946, Associate Administrator on November 13, 1947, and Acting Administrator on November 28, 1947. President Truman appointed him War Assets Administrator on December 20 1947.[37]

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[36]Interview with Jess Larson, Former War Assets Administrator, Washington, D. C., December 20, 1966.

[37]U. S. Congressional Record, 80th Cong., 2d Sess., May 13, 1948, 5904.

The Senate did not get around to considering his appointment until the middle of May in 1948. By that time he had made one die-hard enemy in the person of Senator Millard Tydings of Maryland. Tydings was incensed because Larson had not sold the Kalunite Plant near Salt Lake City to the highest bidder. In two days of debate it was brought out that Larson had taken the wisest course, but Tydings remained bitter to the end.[38] He did not have a chance to block the appointment, as Tydings himself admitted at the start of the debate. Vague charges of political skullduggery back in Oklahoma were mentioned and proved unfounded. Most Senators had nothing but praise for Larson. Senator George W. Malone of Nevada who had kept close watch on surplus property activities endorsed him unhesitatingly:

> I wish to say for Mr. Jess Larson that I have the highest regard for him; and in comparison with his immediate predecessor, I think there is such a contrast with respect to good administrative practices that there is no comparison whatsoever. I think Mr. Larson is head and shoulders above a great many Government officials who are engaged in Government operations at this time, so much so that I could not let this opportunity pass without saying that I have such a high regard for him, and that I have never known of any complaint regarding his administration, until now, also that I intend to vote for his confirmation.[39]

Tydings did not give up but on May 18, 1948, Jess Larson's

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[38] _Ibid._, 5780-87.

[39] _Ibid._, 5788.

appointment was confirmed without even a roll call vote.[40]

In the meantime industrial disposal was progressing at a good rate. Among the techniques that were successful in pushing industrial sales was the issuance of the brochure called The Plant Finder. Issued at irregular intervals it listed all of the industrial facilities available for sale or lease. A complete description of each plant was included but price was not suggested. Below is the information page of the Plant Finder for June of 1947:

> This completely revised inventory of surplus Government-owned plants gives basic information on their size, location, general features and wartime use. Detailed information, engineering data, surplus status and other facts are available through the Regional Office designated for each plant. Prospective buyers or lessees will be given full opportunity to inspect any property and look into all the facts.
>
> With few exceptions, the facilities listed in this PLANT-FINDER are available for industrial use. It should be noted, moreover, that many plants designated as "general purpose" have had the original operating machinery and equipment removed, and can be quickly adapted to the particular production processes of the buyer.
>
> The following guide to designations in this edition of the PLANT-FINDER may be helpful:
>
> a. Plants marked "Surplus" are immediately available for purchase or lease.
>
> b. Plants listed as "Leased" may be purchased, subject to lease provisions.
>
> c. Plants which appear in a separate listing

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[40] Ibid., May 18, 1948, 5946.

as "Sold" are carried as a matter of record and information.

d. The names of the wartime lessees are used solely for identification of properties and this use has no connection with the privately owned facilities of these lessees.

Types, Methods and Terms of Disposals

Surplus industrial properties are variously offered: (a) for sale or lease; (b) in whole or in part; and (c) with or without machinery and equipment.

These offerings are by public advertisements which state a definite day and hour for the final receipt of all proposals. You are urged to watch these advertisements for offerings of interest to you.

All proposals must be submitted on the Standard Bid Form provided for each offered property. These Bid Forms give the terms and conditions of the disposal and a firm description of the facility offered.

Terms for purchase are available. These usually are based on a minimum of 20 percent cash down for land and buildings, the remainder payable in quarterly installments over a maximum of 10 years, with 4 percent interest on unpaid balances. When machinery and equipment are included the minimum cash down is 15 percent, with the balance in quarterly installments within five years.

The continuing volume of plant disposals in past months is evidence that these surplus facilities are adaptable to present-day production needs. They represent established values free from the uncertainties of new construction, and offer you a practical way to increase and speed production.

Inquiries are invited.[41]

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[41]U. S., War Assets Administration, The Plant Finder: An Inventory of Government-Owned Industrial Plants (Printed but not published brochure, 1947), no page number.

In the Plant Finder one could take his pick of several hundred facilities. There was an acetylene plant for sale, one for making alcohol, or one for producing carbon black. There was a feed recovery plant listed, many general manufacturing facilities, and one to make guayale rubber. If one did not want to manufacture penicillin, perhaps a tidal power project would be more useful. The largest offering was an aircraft plant in Chicago with 6,430,000 square feet of floor space. The smallest was a 1,400 square foot steel plate facility in Coraopolis, Pennsylvania. If boyhood ambitions remained, one could buy a twenty-nine mile railroad at Tahawas, New York, and drive his own train.[42]

By the first part of 1947 States and educational institutions were beginning to acquire some of the hard to sell facilities, such as ordnance depots. The land, particularly for agricultural colleges, was the enticement, since buildings on that kind of installation were usually cheap and poorly constructed. Business Week in February of 1947 ran a list of sold plants which had cost over $5,000,000. From the list it appeared that the politicians of Iowa had better connections than those of Texas. Iowa State received a $31,000,000 shell loading plant, free of charge, while Texas A & M paid $2,000,000

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[42] Ibid., 183-90.

for one valued at only $20,000,000.[43]

In the same month the magazine Steel reported that on the basis of cost, the disposal of steel plants was 62 per cent complete. In actual numbers, sixty-two of 146 were gone. The highest percentage price was the $47,923 that Plymouth Steel paid for a $49,141 plant.[44] The Iron Age reported that the largest steel plant that had been leased was a $25,000,000 facility to the United Engineering and Foundry Company. The largest plant that remained to be disposed of was a $28,053,292 location which had been operated by Republic Steel.[45]

In its First Quarterly Report for 1947 WAA was discouraged by the unwillingness of industry to invest in used facilities. The ratio of expenditure, new to used in 1946, was about ten to one, but the forecast for 1947 was even worse. To make a decent record in 1946, War Assets had sold about half of the used manufacturing machinery in the United States, but with reduced spending in 1947, it would have to sell almost 100 per cent of all equipment purchased to maintain the same

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[43]"Many Surplus War Plants Already Sold or Leased," Business Week, February 1, 1947, 22.

[44]"Surplus Steel Plant Disposal Progressing," Steel, CXX (February 10, 1947), 70.

[45]"WAA Reports Steel Projects Disposal 63 Pct. Completed," The Iron Age, CLIX (February 13, 1947), 112-13.

figures.[46] Industrial acquisitions to the end of the first quarter, 1947, amounted to $5,200,000,000, of which $3,200,000,000 had been sold.[47] The largest sale in the quarter was of a $4,026,000 plant in Milwaukee to Continental Can for $2,627,000.[48]

Again, the unreliability of statistics was illustrated by an article in Manufacturer's Record which reported that $4,500,000,000 had been invested by the government in industrial facilities south of the Mason-Dixon line and that only $1,000,000,000 worth in that area remained.[49] If those figures were correct, all disposals made by War Assets and predecessor agencies had been made in the South, which hardly seemed likely.

Since no material in World War II had been more critical than synthetic rubber, Congress reserved the right to review the disposition of those plants. In March of 1947 Congress halted all sales until legislative

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[46] U. S., War Assets Administration, First Quarterly Report, 1947: Customer Service (Washington: Government Printing Office, 1947), 15.

[47] Ibid., 16.

[48] Ibid., 17.

[49] "Surplus Plants Costing $1,000,000,000 Undisposed Of In Southern States," Manufacturer's Record, CXVI (July, 1947), 37.

action could be taken.[50] The rubber industry, which was naturally interested in the plants, presented a plan for private ownership early in 1948, but Congress found it unsuitable.[51] Thus on April 1, 1948, the Congress decreed that title to all synthetic rubber plants would be returned to the Reconstruction Finance Corporation and thereafter all plants would be operated through contracts with the Federal government.[52]

At the end of the first quarter of 1948 real property, most of which was industrial facilities, had assumed a greater importance in the overall disposal job. It represented over half of the total surplus inventory. Properties ranged in size from a $1,000 lighthouse in Vermont to the $140,000,000 Basic Magnesium Plant in Henderson, Nevada. Plants remained to be sold in all forty-eight states and they were getting harder to sell because of size, type, and out-of-the-way location.[53]

Plants in which government-owned units were mixed with privately-owned units, known as "scrambled facilities"

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[50]U. S., War Assets Administration, _First Quarterly Report, 1948_ (Washington: Government Printing Office, 1948), 5.

[51]_New York Times_, November 15, 1947, 21.

[52]_WAA, First Quarterly Report, 1948_, 5.

[53]_Ibid._, 2.

were becoming a problem. There was nothing to worry about if the company was willing to offer a reasonably fair price. There was also no problem if the facility was of no value to the company; WAA could write it off and forget it. But, if the company was trying to obtain the facility for little or nothing, it ran against the Surplus Property Act which required the disposal agency to "prevent, insofar as possible, unusual and excessive profits." If this was the case, quite often War Assets went to considerable expense to remove the machinery from the operator's property.[54]

Problems arose with leased property, since leases did not always cover every contingency. Such was the case with a Republic Steel blast furnace which sprung a leak. The furnace was shut down and repairs cost about $600,000. After extensive haggling it was decided that War Assets would pay for repairs and Republic would repay half of the expense in increased rental payments.[55]

Increased industrial acquisitions and decreased consumer goods inventory, from the first quarter of 1948 to the second, brought industrial facilities share of the total inventory up to 75 per cent. At the end of the second quarter War Assets had $3,100,000,000 worth of

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[54] _Ibid._, 5-6.

[55] _Ibid._, 6.

warplants to dispose of.[56]

Some plants were obviously not fitted for peacetime manufacture. If not, at least one of them might be used to manufacture peace. On May 20, 1948 another lease on the old Sperry Gyroscope plant at Lake Success, New York was given to the United Nations.[57]

In February of 1947 The Iron Age listed eighty-four steel plants still for sale.[58] By September of 1948 that number was down to twenty-nine and nineteen of those were under sales negotiation. The journal reported that War Assets had been ordered to dispose of its holdings and get out of business by February 28, 1949.[59] In desperation WAA turned to auctioneers to sell plants hardest to dispose of. This method was tried on a plant in Garland, Texas which had been advertised time and time again. The plant cost $2,000,000 and the auctioneer got $611,000 for it, which under the circumstances, was an excellent price. Administrator Larson, therefore, picked out twelve more to test the method

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[56] Ibid.

[57] New York Times, May 20, 1948, 4.

[58] "WAA Reports Steel Projects Disposal 63 Pct. Completed," 112.

[59] "WAA Ordered to Dispose of All Remaining Surplus Holdings," The Iron Age, CLXII (September 2, 1948), 123.

further.[60]

At the end of 1948, eleven WAA Regional Offices were still handling real property. Of those eleven, two, Alaska and Denver, were just about sold out. Atlanta and Kansas City both had less than $100,000,000 in inventory; Philadelphia, San Francisco, Cincinnati, and Seattle had a little over $100,000,000. New York had approximately $175,000,000; Chicago had $200,000,000 remaining. Grand Prairie [Dallas] brought up the rear with $300,000,000 still to go.[61] It would take a miracle to finish the job by February 28, 1949.

The disposal of the Big Inch and the Little Big Inch pipelines was the single most important industrial transaction in 1947-48. The Big Inch ran 1,254 miles from Longview, Texas to a terminal near Philadelphia and was designed to carry crude oil to eastern refineries. Little Big Inch carried refined products 1,475 miles from Texas and Louisiana to New York City.[62] Under wartime pressures Big Inch was built in 377 days and was finished on August 14, 1943. Little Big Inch was started later and finished on

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[60] New York Times, October 4, 1948, 30.

[61] U. S., War Assets Administration, Fourth Quarterly Report, 1948 (Washington: Government Printing Office, 1949), 7.

[62] "Two Pipelines For Sale?" Fortune, XXXI (January, 1945), 125.

March 2, 1944.[63] Together they cost over $143,000,000.[64]

German U-Boats and the demands of global war diminished the supply of tankers which usually supplied the petroleum markets of eastern United States. Railroad tank cars performed stopgap service but the Inches ended the crisis. Big Inch could deliver 300,000 barrels of crude daily and Little Big Inch 225,000 barrels.[65]

When the crisis passed, studies were begun which would eventually lead to a sale.[66] The studies hinged around best postwar use. Profit would most easily come from the transmission of natural gas but national defense considerations indicated continued consignment of petroleum.[67]

When General Gregory was War Assets Administrator he submitted a plan to Congress which would restrict the lines to petroleum use. In June of 1946, WAA advertised for bids with that restriction.[68] While these bids were

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[63] Ibid., 126.

[64] Cook, Marketing of Surplus War Property, 40.

[65] "Two Pipelines for Sale?" 126.

[66] Cook, Marketing of Surplus War Property, 40.

[67] U. S., Congress, House, Surplus Property Subcommittee of the Committee on Expenditures in the Executive Departments, Report 2738, 79th Cong., 2d Sess., December 16, 1946, 3. Cited hereafter as House Report 2738.

[68] WAA, First Quarterly Report, 17.

being studied General Littlejohn became Administrator. Even with the petroleum restriction WAA received sixteen bids.[69]

While the bids were being studied many views were expressed about the proper use of the lines. Congressman John H. Folger, in a letter to President Truman, argued against sale to an oil company because of possible dominance of the eastern market. He felt that the Inches should be a public utility--a common carrier.[70] Truman misunderstood Folger's position; he thought Folger was asking for government ownership. The President wrote back that he too considered the lines important but: "I think it would be better for them to be in private hands than be operated by the government . . . ."[71] Some tanker operators objected to the competition if the pipelines were used for oil. But coal and manufactured gas operators objected to their use for natural gas.[72]

The Slaughter Committee, investigating surplus property in the House of Representatives, advocated that

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[69]Robert M. Littlejohn, "Passing In Review," (Unpublished Memoirs, Office of the Chief of Military History, Ft. McNair, Washington D. C., 1965), 60. Cited hereafter as "Littlejohn Memoirs."

[70]John H. Folger to Harry S. Truman, August 2, 1946, OF File 345, Truman Papers, Truman Library.

[71]Harry S. Truman to John H. Folger, August 10, 1946, OF File 345, Truman Papers, Truman Library.

[72]"Two Pipelines for Sale?" 125.

the lines simply be sold to the highest bidder, regardless of use. That committee criticized Littlejohn for delays in the sale.[73] Littlejohn, typically, snapped back. In a confidential report for Congressmen he argued that the delay was caused by restrictions for the use of petroleum established by his predecessor, and by Congress, since it had not objected to Gregory's plan.[74]

Littlejohn decided to ignore Gregory's restrictions. With his usual flamboyant eloquence he declared: "Recommendations made to Congress by a predecessor theoretically became binding. Had I followed the recommendations so made, I doubt whether I would be an American citizen today."[75] He also ignored his advisers: "all of my lawyers and legal consultants told me that I had to go along with the previous reports submitted to Congress. I threw the whole thing in the ashcan and became my own lawyer."[76] After it was all over Littlejohn felt that the selling of Big Inch and Little

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[73] House Report 2738, 15.

[74] Robert M. Littlejohn, "Statement to the Congress on the Findings of Congressional Committees Dealing With Surplus Property Activities," March 17, 1947 (Unpublished Typescript, Federal Records Center, Springfield, Virginia), Box 62-A-282 #9. Cited hereafter as "Littlejohn Statement to Congress."

[75] "Littlejohn Memoirs," 17.

[76] Ibid.

Big Inch was, "the greatest accomplishment of the WAA."[77]

When bids had been analyzed and those without adequate financial backing were thrown out, the highest was $66,000,000 for both Big Inch and Little Big Inch. On November 19, 1946 Littlejohn announced that he rejected all sixteen of the bids.[78] He threw a bombshell when he announced the rejection: "When I announced . . . that all bids had been rejected, the room exploded. Each newspaperman rushed to get to the telephone to call his paper."[79]

Littlejohn then resubmitted proposals to Congress when it reconvened on January 3, 1947. These proposals, following recommendations of the Army-Navy Petroleum Board, allowed the Inches to be used for oil, gas, or any combination of the two. The lines were to go to the highest responsible bidder. The only restriction was that in case of emergency the lines could be reclaimed by the government to be reconverted to petroleum within ninety days.[80]

When Congress had not changed the proposal within its allowed thirty days it was announced that bids would

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[77] Ibid., 60.

[78] WAA, First Quarterly Report, 1947, 17.

[79] "Littlejohn Memoirs," 17.

[80] "Littlejohn Statement to Congress."

be opened on February 10, 1947. The Real Property Review Board considered the bids and February 11, 1947 it was announced that the bid of $143,127,000 by the Texas Eastern Transmission Corporation had been accepted. It was $77,000,000 more then the highest bid with petroleum restrictions and was within $2,000,000 of the original cost of both pipelines.[81] One of the rejected bids was that of J. W. Crotty of Dallas who had been rather bitter that his bid of $127,000,000 on the original call had not been considered because of lack of financing. This time he bid 60 cents for Big Inch, and 40 cents for Little Big Inch, cash with bid.[82]

Everything considered, Big Inch and Little Big Inch were perhaps the most profitable government projects of World War II. The sale price had almost covered construction cost but that was only part of the story. To get oil east after the reduction of the tanker fleet, the United States had agreed to pay the increased cost on the use of railroad tank cars which was four times as expensive as ships. The completion of the Inches had cut those payments by millions. In wartime operation the government also cleared 22 cents a barrel on all petroleum transmission, thus bringing in more millions.

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[81] Ibid.

[82] "WAA Opens Pipeline Bids," The Iron Age, CLIX (February 13, 1947), 113.

It was estimated that at least a 50 per cent dividend was received on the investment.[83]

In 1947-48 a worsening international situation characterized by the Cold War, the Truman Doctrine, and the Marshall Plan, produced a whole new atmosphere under which War Assets had to operate. With this growing confrontation with the Communists, it seemed wise to retain more government-owned industrial facilities. Therefore, in August of 1947 Congress passed Public Law 364 which determined that 178 industrial plants, designated by the Munitions Board, could only be disposed of with agreements for government recall in case of national emergency. This, naturally, would make already hard to sell plants even more difficult to dispose of. Therefore, if after a reasonable length of time the plant had not been sold or leased, War Assets could ask for relaxation of restrictions. If the Services were not willing to relax the restrictions, they were required to take the plant back and relieve WAA of any responsibility for its disposition.[84]

Following the passage of this legislation, the Armed Services, in November of 1947, announced that they would retain $5,000,000,000,in goods which they had formerly planned to declare surplus. With that withdrawal Littlejohn

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[83]"Two Pipelines For Sale?" 128.

[84]WAA, Fourth Quarterly Report, 1947, 18.

calculated that he would have only $8,900,000,000 worth of property to dispose of and that the job could be finished by June 30,1948.[85] What Littlejohn meant was that someone else could do the job by June 30, 1948, for he had submitted his resignation and retired at the end of the month.

On March 5, 1948, President Truman sent a message to Congress in which he asked that the Surplus Property Act of 1944 be replaced with permanent peacetime legislation. The proposed law would not only deal with surplus property but with property management as well. He said that the disposal agencies had performed admirably and by June 30, 1948 surplus totals would be down to $6,000,000,000, consequently, he asked that the War Assets Administration be terminated by that date. He admitted there would be considerable real property left at that time since $2,600,000,000 worth remained to be sold and another $1,100,000,000 was on lease. But, he said, real property would be a long range problem and should be dealt with by permanent legislation. It was the President's recommendation that procurement, surplus, and property management functions of the government be centralized in the Federal Works Agency. He also asked that the

[85] New York Times, November 1, 1947, 22.

priorities of the Surplus Property Act be ended soon.[86] It remained to be seen what action Congress would take.

A rather heated exchange between the President of the United States and Democratic Representative Lyndon B. Johnson of Texas was revealed on April 6, 1948. Johnson had written to the President on March 20, 1948 asking that War Assets hold up on the disposal of surplus warplants until the world situation could be properly appraised. Truman replied sharply on March 22, 1948, stating that the War Assets matter had been taken care of by the National Security clause of Public Law 364 and the whole question of international problems could be handled nicely if the Eightieth Congress would quit dragging its feet and pass the legislation he had asked for. He urged Johnson to put his "shoulder to the wheel" to see that it was done.

Johnson was not cowed. He answered, on April 22, 1948, that "his shoulder had always been at the wheel" in the interests of preparedness. He flatly said that the President was wrong when he said that the country was amply protected by the National Security clause. He accused the President of not adequately preparing for defense. Johnson admonished: "World conditions require that we mobilize men, and we must also mobilize plants

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[86] U. S., Congressional Record, 80th Cong., 2d Sess., March 5, 1948, 2265-66.

and industrial facilities to provide for them."[87]

On April 6, 1948, Lyndon Johnson was called to the White House for a conference. Evidently he convinced the President of his position for on April 8, 1948, Truman "froze" all industrial disposals for thirty days. This allowed the 230 industrial facilities remaining on War Assets' inventory to be examined for possible use in national defense. Even though he had prevailed Johnson was not contrite. The New York Times reported: "Mr. Johnson hailed the action, though saying it was overdue."[88]

The "freeze" had the effect of lessening War Assets inventory. In May, just before the freeze order expired the Munitions Board removed $7,000,000,000 in general surplus from possible disposal. This included 114 additional industrial facilities which were placed under the National Security clause.[89]

In the middle of May, 1948, with Jess Larson testifying, the House Surplus Property Subcommittee discussed the legislation which the President had requested to replace the Surplus Property Act of 1944. Since the 1944 legislation would not expire until December 31, 1949,

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[87] New York Times, April 6, 1948, 4.

[88] Ibid., April 9, 1948, 1.

[89] Ibid., May 8, 1948, 21.

three years after the end of hostilities, there was no real hurry.[90]

The President's requested legislation took the form of H. R. 6276. Larson heartily endorsed the bill. His legal staff had worked with the Federal Works Agency in drafting the measure.[91] It seemed the only Congressional objection, which was mild, was that WAA was operating smoothly, so why rock the boat before all the surplus was disposed of. It was felt it would be less expensive to continue with the present organization rather than replace it in the last days of disposal. But it was pointed out that War Assets employees would simply transfer to the Federal Works Agency and complete the job. This appeared to quiet opposition.[92]

Then the legislative process came apart. H. R. 6276 was in committee in both Houses when the Appropriations Committee of the House sent a bill to the floor as a rider on the Supplemental Offices Appropriations Act of 1949.[93] The Appropriations Committee bill would simply terminate War Assets on February 28, 1949 and turn its inventory over to the Reconstruction Finance

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[90] Hearings, 2339.

[91] Ibid., 2344.

[92] Ibid., 2348.

[93] U. S. Congressional Record, 80th Cong., 2d Sess., June 9, 1948, 7623.

Corporation. House members who were really interested in surplus property were truly incensed. Many Congressmen were quite concerned with the Appropriations Committee's theft of legislative perogative but the legislation passed and became law on July 1, 1948.[94] This Act not only set the date for War Assets' demise but decreed that thereafter no more surplus would be declared to WAA. In order that it might establish a firm inventory, all future surplus would be declared to other agencies.

In 1947-48 the War Assets Administration had been plagued by administrative problems, but it had disposed of over $3,500,000,000 worth of surpluses. The coming of the Cold War caused officials to rethink the current policies and by late 1947 legislation was passed to guarantee retention of the facilities which might be needed for defense. As the biennium drew to a close the President and the Congress were contemplating permanent legislation to remove surplus property from emergency status.

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[94] U. S. War Assets Administration, Second Quarterly Report, 1948 (Washington: Government Printing Office, 1948), 2.

CHAPTER X

CONCLUSION

The War Assets Administration lasted through exactly one-half of 1949. Those months were unusually quiet for the organization and its Administrator Jess Larson. Everyone knew that the agency was soon to go out of business, the only question was when. Since, as the saying goes, it does no good to beat a dead horse, critics were generally kind to War Assets. There were no Congressional investigations, and the day had passed when a news story of a bemedalled veteran waiting in line in a futile effort to get a surplus jeep could arouse a storm of public indignation.

As 1949 opened, WAA was slated to end on February 28. Since the disposal agency had not had any additional surplus declared to it since July 1, 1948, its inventory had been cut drastically, but there was still much to do--more then could be done in two months time. On January 3, a New York Times reporter used War Assets year-end figures to summarize disposal results. Nearly $27,000,000,000 in surplus property had been declared to War Assets or predecessor agencies since the beginning of operations. Of that, there was about one-tenth still in inventory, most of it hard-to-sell land and industrial facilities. The WAA had collected a little over $4,000,000,000 which amounted to a little less than 15 per cent of total acquisition cost. Since a big portion of the total had been given away or scrapped, practically all returns had come from facilities which had originally cost some $14,300,000,000. That made the dollar return on saleable items 28 per cent.[1]

The New York Times story further related how foreign affairs in 1948 had affected the War Assets Administration. The Draft Law alone had caused the Armed Services to call back millions of dollars worth of uniforms and training equipment, which had helped WAA inventory. But, on the other hand, national security clause restrictions had made industrial facilities more difficult to sell. With a lessening inventory War Assets employment was down to 10,000.[2]

Later in January of 1949 a committee of eight industrial experts was chosen to review those plants which had been placed under national security restrictions

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[1] New York Times, January 3, 1949, 59.

[2] Ibid.

by the Munitions Board. It was thought that the 241 plants and 5,693 machine tools, then in the industrial reserves, could be somewhat reduced.[3]

Any change in the number of available industrial plants would affect War Assets only if that plant had been declared surplus before July 1, 1948. Since that time all facilities had been declared to the Federal Works Agency or the Bureau of Federal Supply. This had been done so that it would be possible for WAA to establish a firm closing inventory.[4]

As February 28, 1949 came nearer it became obvious that something had to be done about War Assets since it still had $2,300,000,000 in inventory and a shorter and shorter time to get rid of it. The bill which would put War Assets out of business at the end of February assigned the remaining surplus to the Reconstruction Finance Corporation and two other agencies. RFC's structure had been changed by the Reorganization Act and it was not equipped to accept surplus; the move would create chaos. A section of the supplemental appropriations bill would extend the WAA, but other sections

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[3]*Ibid.*, January 28, 1949, 31.

[4]U. S., Congress, House, Subcommittee of the Committee on Expenditures in the Executive Departments, *Hearings on Federal Property Act of 1949*, 81st Cong., 1st Sess., March 24, 1949, 22-23. Cited hereafter as Subcommittee *Hearings*.

were controversial, and the bill was not expected to be passed in time. Therefore, Congressman Chet Holifield of California brought a bill to the House Committee on Expenditures in the Executive Departments to carry War Assets to June 30, 1949.[5]

There was little discussion on the bill since it was obvious that it would be foolish not to report it favorably. Jess Larson, who was there to testify, said: "As a matter of fact, I am reluctant to take the time of the committee." But, since he was there, the committee decided to talk surplus property with him.

Larson gave the committee the disposal figures for the eight months--February projected--since Public Law 862 had ended the declaration of surplus to War Assets. In that time property totalling $2,256,000,000 had been disposed of--about one-half by sale and one-half by donation. That which was sold brought in $200,000,000 of which $65,000,000 was spent in operation costs and $135,000,000 deposited in the Treasury.

Larson then projected the probable results of a four months extension, to June 30,1949, based on the figures he had given for the past eight months. He

[5]U. S., Congress, House, Committee on Expenditures in the Executive Departments, Hearings on Extension of Office of War Assets Administrator and War Assets Administration, 81st Cong., 1st Sess., February 8, 1949, 2.

estimated that War Assets would dispose of property worth $689,000,000 in acquisition cost. Of this $376,000,000 would be donated and $313,000,000 sold. Based on previous results, War Assets would receive $71,000,000 for the property. It would cost WAA $15,000,000 to operate, so the government would net $56,000,000 from the four months extension. Larson then pointed out that if the same task was done by another agency, which was not familiar with the job, and which did not have adequate personnel, the cost would be much higher and the net much lower.[6]

Larson also projected what would be left to do at the end of a four month extension. He said that there would be about $1,609,000,000 worth of property remaining, of which about $800,000,000 would be on long term lease. Another $294,000,000 would be in aircraft component parts which had already been turned over to another government agency for disposal. Since War Assets was already out of the consumers goods business the remainder would be entirely in real property.[7]

The Administrator gave the committee a graphic illustration of the size of the job War Assets had performed: "If you put Sears, Roebuck and Montgomery Ward

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[6] Ibid., 5-6.

[7] Ibid., 7.

together and put all of the A & P stores and put the chain stores together and put all of the railroads together you still would not have the problem that War Assets had at its height."[8]

War Assets had been very successful in reducing its personnel with its lessening responsibility. Larson said that on July 1, 1948 there had been 17,000 employees. Projected to the end of February the number would be 5,000 and to June 30, 1949 it would be 2,100.[9] And of all the people who had worked for War Assets at one time or another, only 2,000 had been indicted for petty theft and fraud, and only 200 convicted. There had been no major scandals.[10]

The Larson charisma was still evident in this hearing. Holifield had served on the Rizley committee and had known Larson for some time, but he went out of his way to compliment the administrator when he said: "I can say that he has stood up pretty well under our committee fire . . . . I believe that he has done the most efficient job on War Assets of any of the administrators."[11] But Anthony F. Tauriello of New

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[8] Ibid., 13.

[9] Ibid., 11.

[10] Ibid., 13.

[11] Ibid., 15.

York was new, and to make matters worse, he was a former employee of War Assets. He started the hearing with a very belligerent attitude toward WAA and Larson. The Administrator, however, answered his questions courteously and well. Tauriello succumbed to the Larson charm and ended by saying, "Mr. Larson, when you consider the size of the organization that you were trying to administer you have done a good job, you have done a very good job."[12]

In conclusion Larson told the committee of his future plans and his evaluation of his position in War Assets: "I hope to get these 4 months to clear up this job because I do not plan to spend my life in the Government. I want to go back to Oklahoma and practice law. It has been a stimulating business but it has its headaches."[13]

When WAA's First Quarterly Report for 1949 came out, it gave a detailed account of the progress made in industrial disposal. Industrial facilities with a reported cost of $373,700,000 remained in available inventory with another $664,100,000 on lease. During the quarter there had been sixteen disposals of facilities with a reported cost of over $1,000,000 each. The

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[12] Ibid., 14.

[13] Ibid.

largest of these was the Sheffield Steel Plant in Jacksonville, Texas which was sold to its wartime operator. Prices were evidently low by this time, since War Assets did not give them, as it had in earlier reports.[14]

The National Industrial Reserve Act of 1948, which created the national security clause, was still a hindrance to War Assets, although some sales and leases were consumated at reduced prices. These restrictions were that any plant under the clause had to be kept ready to convert back to war production within thirty days and that the government could take over operation. As of March 31, 1949, 100 of the restricted facilities had been sold, thirty-eight had been leased and forty-one, with a total reported cost of $286,200,000 remained in inventory. One advantage of the provisions of the National Industrial Reserve Act was that industrial plants did not have to remain in War Assets inventory. If the agency certified any facility to be unsalable it could be transferred to the Federal Works Agency. Thirty such transfers had been made.[15]

In the first quarter of 1949 two sales were

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[14]U. S., War Assets Administration, First Quarterly Report, 1949 (Washington: Government Printing Office, 1949), 4-5.

[15]*Ibid.*, 5.

disapproved by the Attorney General and the plants were returned to War Assets inventory. These were plants for the manufacture of oxygen. Since the industry was controlled by two companies, a difficult situation had developed. The Attorney General would not approve sales to the two major producers, and since they were the only prospects, the plants remained under WAA control.[16]

With the reduction in work force, the table of organization was much simpler than it had been two years earlier, when War Assets had been at near peak employment. Still at the top was the Administrator, with an Associate Administrator in his office. Working directly with the Administration were the Office of the Compliance Division, the General Counsel, the General Board, and the Management Division. On the policy level in Washington were the Divisions of: Aircraft and Electronics Disposal, General Real Estate Disposal, Industrial Real Estate Disposal, Property Management, Appraisal, and Fiscal Services. There were regional offices remaining in New York, Philadelphia, Cincinnati, Chicago, Atlanta, Grand Prairie (Dallas), Kansas City, Denver, San Francisco, and Seattle.[17]

With the life of War Assets extended only to

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[16] _Ibid._, 7-8.

[17] _Ibid._, back leaf.

June 30, 1949, Congress found that it must turn its attention to permanent legislation. The details of the drive for the Federal Property and Administrative Services Act of 1949 is beyond the scope of this study. Since wartime surplus property was down to the neighborhood of $500,000,000 this was really only a small part of the problem facing Congress in 1949. The Hoover Commission had recommended the consolidation of many governmental services and agencies and the Property Act of 1949 fulfilled many of its suggestions. The Act dealt with purchasing, property management, archives, and countless other areas which would place it beyond the scope of a surplus property study.

It will suffice to say, at this point, that all of the bills which were discussed in forming the 1949 legislation, contemplated transferring War Assets to the new agency, whatever it might be. In most of the Committee discussions it was at first proposed that the responsible agency be the Federal Works Agency which had been long established. In fact it was the attorneys for FWA and War Assets who drew up the first Senate and House bills which served as the basis for the Federal Property and Administrative Services Act of 1949.[18] The

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[18] U. S., Congress, Senate, Committee on Expenditures in the Executive Departments, Hearings on the Federal Property Act of 1949, 81st Cong., 1st Sess., April 14, 1949, 45.

idea of the General Services Administration was not brought up until April 12, 1949 in House subcommittee hearings.[19] The legislation, as it was finally enacted, was Public Law 182, Eighty-first Congress, First Session, passed on June 30, 1949 and which took effect on July 1, 1949. It was this Act which ended the War Assets Administration.[20]

The complete statistical history of War Assets and predecessor agencies was given in the last report to Congress which was the Second Quarterly Report, 1949. The final results seem surprisingly small when the grandiose estimates at the beginning of the operation are recalled. The final total acquisitions figure was $27,198,000,000 in reported cost. Of this, the government sold $15,052,000,000 worth and donated, scrapped, or otherwise disposed of $10,319,000,000. From the portion that was sold, the government grossed $4,145,000,000. Expense of operation was $1,097,000,000 so the government's net on sales was $3,048,000,000. To this add return from leases and other receipts and the final net came to $3,700,000,000. The final percentages were 27.5 return on sales or a little over

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[19] Subcommittee Hearings, April 12, 1949, 150.

[20] U. S., War Assets Administration, Second Quarterly Report, 1949 (Washington: Government Printing Office, 1949), 2.

15 per cent return on acquisitions.

Evidently there had been considerable additional return to War Assets inventory from the Munition Board's review committee because total War Assets inventory on June 30, 1949 was $1,828,000,000 instead of the estimated $500,000,000. Of this $672,000,000 was on lease and $1,156,000,000 was on hand and available for sale.[21]

Of the remaining War Assets inventory $1,385,000,000 was in real property, $394,000,000 was in aircraft component parts, $23,000,000 in leased aircraft, and $26,000,000 in property assigned to other agencies for sale.

In real property, of which industrial facilities were by far the largest share, total acquisitions had been $7,786,000,000, of which $6,401,000,000 worth had been disposed of, which left $1,385,000,000 to be transferred to the General Services Administration.[22]

The big increase in industrial facilities from the first quarter to the second quarter was in large industrial plants which had been released from the strategic reserve. The *First Quarterly Report* had listed forty-one plants costing over $1,000,000. The *Second Quarterly Report* listed seventy plants which cost over

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[21] *Ibid.*, 2-3.

[22] *Ibid.*, 3.

$5,000,000 each. The total cost of the seventy was $1,065,000,000 or about 70 per cent of the total real property left in inventory. Seven of these large plants were shipyards, the largest of which was the Sun Shipbuilding and Drydock facility in Chester, Pennsylvania; its total reported cost was $21,100,000. This was a bad situation since it had been built on privately owned land. The company would not sell the land nor offer a decent price for the plant.[23]

Only sixteen aluminum, magnesium, and non-ferrous metal plants were still in inventory, and twelve of these were leased. One plant which the government could not sell or lease illustrated the hazards of wartime construction. This was an aluminum ingot plant in Burlington, New Jersey. It had been built because of a regional need for aluminum during the war. High electric rates, however, made it impractical for peacetime production and the government could not give it away. The remaining three plants were under the national security clause.[24]

There were twelve steel plants still available for permanent disposal but eight of these were on lease. The largest, not sold or leased, was a steel casting

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[23] Ibid., 4.

[24] Ibid., 5-6.

plant in East Chicago, Indiana. It had been under the national security clause but this was being lifted and negotiations were under way to sell it to a manufacturer of earth-moving equipment.[25]

There were three refineries, valued at approximately $7,000,000 each, still for sale. War Assets had despaired of ever selling them for operation at the sites, so they were being offered for sale to dismantle and move.[26]

Most of the ordnance plants had been taken back into strategic reserve but there were three for sale. Two were in the process of being sold to multiple purchasers, but an offer had not been received for one. It, however, had been used for WAA storage and had not been on the market long.[27]

On paper, the situation in general manufacturing facilities looked quite good, since the largest, by far, was listed as being under lease. But this was the $120,000,000 Chrysler plant in Chicago which was technically leased to the Tucker Corporation. It had gone bankrupt and the disposal agency was waiting for the federal court to return the premises to its control.

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[25] Ibid., 7.

[26] Ibid., 8.

[27] Ibid.

Another general purpose plant at Tonawanda, New York had been returned to War Assets because of bankruptcy. It would seem that War Assets could have expected this from Playboy Motors. There were fourteen general manufacturing plants and ten, including the Tucker plant, were leased.[28]

When War Assets left the scene, it was probably the final appearance for that kind of temporary surplus disposal organization, despite the size of any future national emergency. With the establishment of the General Services Administration there would always be a permanent organization which would be expanded to handle any amount of surplus property.

To evaluate the operations of the War Assets Administration and predecessor agencies, it is necessary to review the authority under which each operated. Executive Order 9425, which created the Surplus War Property Administration in February of 1944, was a simple, straightforward document. It set up an agency "to have general supervision and direction of the handling and disposition of surplus war property." It was admittedly a stop-gap measure and it established some bad precedents. When it placed SWPA in the Office of War Mobilization, it blurred the lines of authority

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[28] _Ibid._, 9.

which later proved troublesome, especially since that organization was carried over in the Surplus Property Act of 1944. More serious was the precedent which relegated the surplus property agency to only a policy function. This emasculation was only rectified by the War Assets Administration which was empowered to handle both policy and disposal.

The Surplus Property Act of 1944 was a complex, confused, well meaning compromise, passed hurriedly so that Congress could go home. The three-man Board did not work out. Divided judgment was ineffective in a situation which called for quick and forceful decisions. The Act's underlying assumption that surplus property should be used for the greatest common good was in the finest tradition of democratic legislation. Its specific objectives, however, were self contradictory and difficult to administer. To foster small, independent business and impair the growth of big business was a laudable aim, but the law was not strong enough and allowed a series of administrators to largely ignore that whole section of the Act.

When the Surplus Property Act was amended in 1945 to allow for a single administrator, the law was made more effective. The reform, however, should have gone further in order to end OWM direction and to establish a dual function.

The only real reform in the Surplus Property Act was first accomplished by Executive Order. In the early part of 1946, the War Assets Corporation was formed to combine policy and disposal; the powers of WAC were then transferred to the War Assets Administration. It was only then that a real disposal organization could begin to function.

Without exception, the Chief executives of the disposal agencies were interesting men, but they were not uniformly efficient. The first of these, Will Clayton, was a capable man. There can be no doubt that his contribution to solving the surplus policy problem was substantial. Since he was the first, he had no precedents to follow. But he created a surplus property policy organization. Critics are apt to be blinded by Clayton's lack of a social conscience, his emphasis on business methods, and ignore the fact that his influence was felt in surplus property administration long after he had left the scene.

The Surplus Property Board was doubly foredoomed, first by the fact that it was a board, and second by the quality of men who served on it. Heller, the most capable of three, had not had the national experience necessary for the job, and Gillette and Hurley were political hacks. As often happens with people who are given power beyond their capabilities, they simply abandoned it.

The Board became an ineffective body, even losing its own self-confidence.

As head of the surplus property organization, Stuart Symington did not live up to his potential. Perhaps this was because it was his first experience in the seat of national power. He did not provide the dynamic leadership of which he was capable. Dramatic changes were in the offing when he was Administrator but instead of springing to the lead, he was inclined to hang back.

As Administrators, neither of the generals, Gregory or Littlejohn, were effective. Gregory had been too long in the Regular Army; he did not understand a civilian organization. He did not trust civilians and had difficulty in getting them to work for him. Gregory was too thin-skinned to last long in office, but as first War Assets Administrator he established the complex organization with which each subsequent chief had to live. Littlejohn was, perhaps, the worst of the lot. He had difficulty getting along with his employees and with Congress. He was an egocentric who constantly changed his mind about policy and organization. By the time the "coach" left he had the "players" completely confused.

It is hard to say why Larson was such a good

Administrator; there are a lot of possible answers. He was a lawyer; he was the only experienced man to be named to the job; or it might be that after being raised in the intricacies of Oklahoma politics any situation would seem simple. In any case he was a fine organization man and his public relations were excellent. He was the best of the Administrators.

In the eyes of the Administrators, industrial plant disposal was always of secondary importance. Consumers goods always took precedence because it involved more people, there was more Congressional pressure because of it, and it was more complicated. For industrial disposals the Surplus Property Act was very specific; small business was to be helped and nothing was to be done to contribute to the growth of giant enterprise. The disposal agencies, however, all seemed to take the attitude that Congress did not mean it, that the legislators really wanted the plants distributed as quickly and easily as possible. To have achieved the objectives of the Property Act would have taken time and constructive effort.

The end result of the surplus plant disposal program was to leave industrial concentration just about where it was before the beginning of hostilities. The 250 largest corporations controlled 65 to 70 per cent of the nation's productive capacity before the War; they received 65 to 70 per cent of the War contracts; and they were allotted 65 to 70 per cent of the surplus industrial facilities.

Of even more serious import was the disposal programs effect on the growth of the military-industrial complex. This did not result from any conscious effort on the part of the military or industry. It simply happened that way. From the beginning of the War Assets Administration, military men were dominant. It is only natural that they should look out for the welfare of their Service. These industries which in the past had cooperated with the military would naturally be given preference when there were multiple applicants for any given plant. With the worsening of the international situation this attitude was given official sanction. From late in 1947 to the middle of 1949, the job a company could do for the military was an important criterion in industrial disposal. From Lyndon Johnson's concern for adequate plants in the strategic reserve, it was only a short step to nearly blind approval of all military requests.

Industrial alliance with the military came naturally. It had received consideration from military men in the assignment of facilities and there was profit in the military "cost plus" contracts. This is not to say that there was anything comparable to Hitler, Goering, and Krupp planning the rearmament of Germany, but the result could be equated; both led to a top-heavy military budget.

Actually, the planning for industrial plant disposal should begin with plant construction at the beginning of a national emergency. Any suggestions to improve the record of disposal of industrial facilities after World War II would have to start there. It would have taken little more effort to design, locate, and build the plants with an eye to eventual peacetime use.

The legislation for end of war surplus should be drafted with care. One legislative act would suffice, but plant disposal should be divided from other types of disposal, since there is little relationship in the handling of personal use items and industrial facilities.

The Act should empower a single administrator to handle all aspects of plant disposal. He should be instructed to sell, if possible, those plants with a reported cost of $1,000,000 or less. Those costing above that figure should be retained by the government to be leased to those concerns whose operations best tie in with the general welfare. Particular effort should be made to design plants with ultimate multiple occupancy in mind, so that, as far as possible, government-owned facilities could go to those firms with the most pressing capital problems. Efforts should be made, however, to help the larger adequately financed corporations find materials to build industrial facilities quickly so production would not be curtailed. In this way all segments of the national economy would benefit from government surplus.

Other then a plan of this type, perhaps the only answer to the surplus problem is that given by a witness in a legislative committee hearing who advocated withholding the surplus from sale. When asked what he would do with it, if it was not sold, he answered: "Why not keep it for the next war?"[29]

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[29]U. S., Congress, Senate, Subcommittee of the Committee on Military Affairs, Hearings on Mobilization and Demobilization Problems, 78th Cong., 2d Sess., August 14, 1944, 963.

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