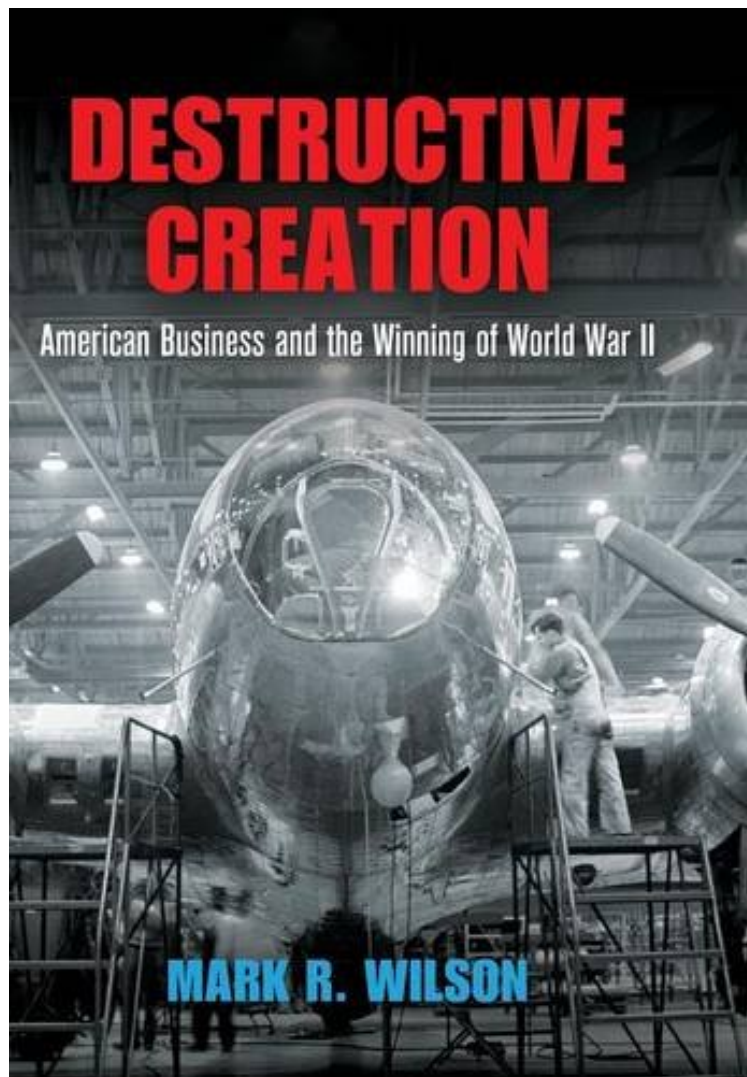


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## **Destructive Creation: American Business and the Winning of World War II (American Business, Politics, and Society)**

*Mark R. Wilson*

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**Mark R. Wilson : Destructive Creation: American Business and the Winning of World War II (American Business, Politics, and Society)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Destructive Creation: American Business and the Winning of World War II (American Business, Politics, and Society):

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During World War II, the United States helped vanquish the Axis powers by converting its enormous economic capacities into military might. Producing nearly two-thirds of all the munitions used by Allied forces, American industry became what President Franklin D. Roosevelt called "the arsenal of democracy." Crucial in this effort were business leaders. Some of these captains of industry went to Washington to coordinate the mobilization, while others led their companies to churn out weapons. In this way, the private sector won the war—or so the story goes. Based on new research in business and military archives, *Destructive Creation* shows that the enormous mobilization effort relied not only on the capacities of private companies but also on massive public investment and robust government regulation. This public-private partnership involved plenty of government-business cooperation, but it also generated antagonism in the American business community that had lasting repercussions for American politics. Many business leaders, still engaged in political battles against the New Deal, regarded the wartime government as an overreaching regulator and a threatening rival. In response, they mounted an aggressive campaign that touted the achievements of for-profit firms while dismissing the value of public-sector contributions. This probusiness story about mobilization was a political success, not just during the war, but afterward, as it shaped reconversion policy and the transformation of the American military-industrial complex. Offering a groundbreaking account of the inner workings of the "arsenal of democracy," *Destructive Creation* also suggests how the struggle to define its heroes and villains has continued to shape economic and political development to the present day.

"Mark R. Wilson has made an outstanding contribution to the historical debate about U.S. industrial mobilization in World War II. *Destructive Creation* focuses on the substantial but largely ignored public sector contribution to the industrial war effort and argues that overemphasizing the role of the private sector and the relative neglect of the public sector in the historical literature has distorted our understanding of that wartime production miracle."—*Journal of American History*"*Destructive Creation* is essential reading for economic historians interested in WWII and for learning the lessons of history most relevant to ongoing debates over the military-industrial complex of the twenty-first century."—*Journal of Economic History*"[A] masterful history of the World War II mobilization effort. Deeply researched, this book synthesizes, military, business, and political history in a well-written account of a war that is often over-simplified. Wilson's account should inform future histories of World War II—and perhaps re-ignite debates over the relative merits of public versus private enterprise."—*The Journal of Military History*"*Destructive Creation* is a probing account of the World War II mobilization effort that sheds new light on the sources of big business hostility to government regulation. As Mark Wilson demonstrates in absorbing detail, it was the very success of the wartime state that generated such a furious business backlash. This is revisionist history in the most provocative and illuminating sense.—Nelson Lichtenstein, University of California, Santa Barbara"It is an extraordinarily valuable and careful monograph that explains what works, and why we believe untrue stories about effective mobilization for war, and other crises."—*Business History*"Mark Wilson offers the decisive account of how the United States became, in the words of Franklin Roosevelt, the greatest 'arsenal of democracy,' allowing for the Allied victory in World War II. Analytically rich and narratively compelling, *Destructive Creation* tells the story of how American businessmen fought highly contested political battles on the homefront to privatize production, or at least sell the virtue of private enterprise, even as they mobilized for a war paid with public funds. An outstanding reinterpretation of the role of business in the war effort, this volume is a must read for anyone who wants to understand World War II and the world of private contractors that has come to define our modern military."—Meg Jacobs, author of *Pocketbook Politics: Economic Citizenship in Twentieth-Century America*"Wilson's book is hard hitting, but balanced, detailed without being pedantic, and eminently stimulating."—*Defense Acquisition Research Journal*"*Destructive Creation* is a truly important, impressive, and extraordinary history of the mobilization of the United States' economy during the Second World War, with a number of fascinating implications for our understanding of the interactions between business, politics, and American society. Mark R. Wilson makes a compelling case for placing the relationship between the military and business at the center of how we think about modern American history."—Jason Scott Smith, University of New Mexico

About the Author Mark R. Wilson is Associate Professor of History at the University of North Carolina at Charlotte. He is author of *The Business of Civil War: Military Mobilization and the State, 1861-1865*. Excerpt. © Reprinted by permission. All rights reserved.

Introduction World War II was won not just by brave soldiers and sailors but also by mountains of matériel. This was true even in times and places where guts were at a premium, as during the Allied invasion of Normandy, in June 1944. On D-Day and in the days that followed, American GIs and their British and Canadian counterparts were sometimes disappointed (and killed) by their own machines, too many of which sank below the waves, missed their targets, or otherwise failed to work as advertised. Even so, the soldiers preparing to land on the Normandy beaches could not help but be overawed—and deafened—by the firepower assembled to support them. In the skies just ahead, they saw hundreds of military aircraft, which, on the morning of 6 June alone, dropped

thousands of high-explosive bombs. Behind them in the English Channel floated more than a hundred hulking warships, their big guns close to overheating from their constant shelling of German positions on the shore. Along with the naval vessels, the soldiers could also see a fleet of hundreds of cargo ships and landing craft, stretching to the horizon. These vessels, by the end of the two weeks starting with D-Day, would deliver to the Normandy beaches nearly 94,000 vehicles and over 245,000 tons of equipment and supplies, along with nearly 620,000 men. Here was the beginning of the end for the German armies, which, in the weeks to come, would be overwhelmed by the speed and power of Allied forces. D-Day was truly an Allied operation, in which Britain (and Canada) provided much of the equipment and manpower. Yet even in a battle that took place just a hundred miles from England, one of the world's great industrial nations, it was obvious how much the Allied war effort depended on the economic output of the United States. The skies above Normandy buzzed with the bombers of the Eighth Air Force and Ninth Air Force: B-17 Flying Fortresses, B-24 Liberators, and B-26 Marauders (among other aircraft), made in Seattle, San Diego, and Baltimore. Many of the GIs who struggled ashore at Omaha Beach owed their lives to the sailors manning the five-inch guns of a whole group of the U.S. Navy's Gleaves-class destroyers, sitting in shallow waters just behind them. Those destroyers had been built during the early months of the war, in places such as Norfolk, Newark, and Seattle. At Omaha Beach and elsewhere, soldiers went ashore in small landing craft, built largely in New Orleans. Once they landed, the Allied armies relied on thousands of Sherman tanks, two-and-a-half-ton trucks, and jeeps, most of which were made in Toledo and Detroit. These tanks and trucks were disgorged by the score at Normandy by a fleet of some 230 tank landing ships (LSTs), the biggest of the Allied landing vessels, most of which were constructed in Pittsburgh, Chicago, and southern Indiana. And most of the fuel for the Army vehicles, along with most of the high-octane gasoline guzzled by Allied aircraft, came from the United States, as did most of the aluminum and steel used to make the planes, ships, tanks, and trucks. Normandy was an exceptional military operation, but its reliance on American-made machines and matériel was part of a broader pattern of Allied war-fighting. During World War II, the United States helped vanquish the Axis powers by converting its enormous economic capacities into military power. By producing nearly two-thirds of all the munitions used by Allied forces—including huge numbers of aircraft, ships, tanks, trucks, rifles, artillery shells, and bombs—American industry became what President Franklin D. Roosevelt once called "the arsenal of democracy," providing the foundations for a decisive victory. So the U.S. military-industrial mobilization for World War II worked well, or at least well enough. But how exactly did it work? How were all those bombers, ships, and planes produced, in such short order, under the pressures of a war emergency? And how was the mobilization related to broader, longer-run political and economic developments? What lessons should we take from its history? Seven decades after the end of World War II, we still lack good answers to these questions. Since the 1940s, most accounts of the U.S. industrial mobilization for World War II have emphasized one of two stories. The first is a tale of the patriotic contributions of American business leaders and their companies. This account of the war contains a large element of truth. Private companies—including those led by remarkable wartime entrepreneurs such as the shipbuilder Henry Kaiser, as well as large manufacturing corporations like General Motors—did indeed shoulder the burden of munitions production. Many business leaders threw themselves into the work, with impressive results. The second account tells a far more critical story about American business leaders. Indeed, it claims that big industrial corporations exploited the war emergency, to regain political power and reap economic gains. This story emphasizes the activities of corporate executives who went to Washington to run the war economy, in special civilian mobilization agencies such as the Office of Production Management and its successor, the War Production Board. Using their new foothold, so the story goes, the big corporations allied themselves with a conservative military establishment to thwart smaller firms, New Dealers, consumers, workers, and other citizens. According to this account, big business enjoyed huge wartime profits, thanks to an abundance of no-risk, cost-plus military contracts, which evidently prefigured the Cold War-era "military-industrial complex." Despite their differences, these two accounts share a tendency to ignore, or disdain, the role of the public sector, including the work of the men and women who staffed powerful military and civilian governmental agencies. In the stories that celebrate the wartime achievements of American capitalism, the main characters are for-profit firms and their executives, some of whom took temporary jobs in government to help win the war. These same executives also figure prominently, albeit as villains, in the anticorporate version of events. That story is ultimately no less disparaging of civilian governmental and military authorities, because most of those public officials are presented as the handmaidens of big business. This book shows that the military-industrial juggernaut of the early 1940s relied heavily on public investment, public management of industrial supply chains, and robust regulation. These powerful state actions shaped the dynamics of political struggle on the World War II home front. Wartime government-business relations were often antagonistic. Many business leaders regarded the wartime state as an annoyance: an imposing, overreaching regulator, as well as a threatening rival. They said so, openly, throughout the war. Their protests included aggressive, coordinated public-relations efforts, which played up the achievements of the private sector while dismissing the value of public contributions to the war economy. This pro-business framing effort was never uncontested, but it proved remarkably successful during World War II—and long after. This book builds on a third, loosely woven and overlooked set of studies, which have called attention to the importance of public finance, military administration, and government enterprise on the American home front. Drawing on new research in a great deal of

previously underused evidence, including the archival records of leading military contractors and U.S. military bureaus, this book calls our attention to important but poorly remembered actors. Like many previous studies, this one includes characters such as William Knudsen, Donald Nelson, Henry Kaiser, and the War Production Board. But it also describes the work of less familiar individuals and agencies, such as the Army Air Forces' Materiel Command (based at Wright Field, in Ohio); military "price adjustment" boards; and plant seizure teams, led by career military officers such as Admiral Harold G. Bowen. It also considers a variety of important war contractors, including midsize and larger companies in several industries, along with some of the era's most politically active business executives. Many of the latter, including Frederick C. Crawford and J. Howard Pew, joined the ranks of top military contractors in the early 1940s, despite their deep distrust of the federal government. Following the activities of this diverse cast of characters, this book weaves together two stories about "destructive creation." During the early part of World War II, the economist Joseph Schumpeter coined the phrase "creative destruction" to refer to the dynamism of capitalist economies, in which entrepreneurs created economic growth, even as they caused painful disruptions. Schumpeter did not use the phrase to refer specifically to the U.S. war mobilization, about which he knew little. But he presented it at a moment in which the U.S. economy was being transformed into a generator of devastating military power. Here was what might be called a "destructive creation," in which a giant capitalist economy was harnessed for the purpose of annihilating its enemies. Successful conversion of the U.S. economy into an agent of "destructive creation" owed as much to socialism as it did to capitalism. To be sure, the American war economy relied on private-sector capacities, allowed for profits, and involved some competition among private firms. But it was also a war economy full of state enterprise and ramped-up regulation. The government paid for, and owned, acres of new industrial plant; it managed complex supply chains. It collected huge amounts of information about its contractors' costs and business operations, which helped it to strictly control prices and profits. It even seized the facilities of several dozen companies, including those led by executives who flouted federal labor law. Remembering this public management and regulation of the industrial mobilization for World War II illuminates the history of modern conservative politics. Contrary to common belief, the war did not suspend politics as usual. In fact, the business community continued the energetic public-relations effort begun in the 1930s to counter the New Deal. During World War II, business leaders expanded that antistatist political effort, adjusting it to take account of new circumstances. As more and more firms and executives experienced the heavy hand of wartime state regulation, the business community and its political allies gained solidarity and strength. Executives from "big business" and the leaders of midsize and smaller firms, across many industries, joined together to resist government encroachment during wartime and—perhaps more important—to create a postwar future in which state enterprise and regulation would play a smaller part. Business leaders' political energy and unity, far from weakened by the stresses of war or patriotic duty, seem to have been bolstered by their common encounter with a formidable wartime state. This hardly made them all-powerful in the political arena but did leave them well positioned, after 1945, to continue to reverse the setbacks that they had experienced in the 1930s. During and after the war, the business community was remarkably successful in framing the lessons of the military-industrial mobilization. According to business leaders, only for-profit enterprises made positive contributions to the production "miracle" of the early 1940s. This story, which was substantially destructive of the truth, contributed to a longer-running strain of American political discourse, which has disparaged governmental actors, condemned labor unions, and celebrated private enterprise. The history of the political struggles of the World War II era suggests the inadequacy of depictions of a static mid-twentieth-century liberal "consensus" or New Deal "order." Conservative business leaders in the 1940s saw themselves as engaged in a long war against excessive government regulation. From their point of view, the battle to frame the political lessons of the nation's economic mobilization for the biggest war in history seemed like a significant one, even if it might not offer any sort of immediate, wholesale triumph in the larger war. Transformations in the military-industrial sector shaped American political and economic development. Starting in the 1940s, the American military economy swung toward privatization. By the mid-1960s, much of the government-controlled weapons production and design capacity, which had existed in the United States since the early nineteenth century, had been shed. This was no small achievement for the champions of free enterprise—especially during the early Cold War, when the military accounted for the majority of all national governmental expenditures. The oft-discussed rise of deregulation and privatization that occurred in the 1970s and 1980s was preceded, and then accompanied, by an equally significant shift in the military-industrial field. By the end of the twentieth century, many American leaders had accepted conservative myths about wartime industrial mobilization. Their own defense policies relied heavily on free markets and private contractors, while neglecting targeted public investment, state enterprise, and regulation of prices and profits. This policy orientation, which extended well beyond the defense sector, evidently allowed for plenty of technological innovation and economic growth. However, it is far from clear whether it has provided the United States, or the world, with optimal or even adequate solutions to many of the more pressing problems of the day. In the future, as some of those problems develop into more acute crises, there may be more interest in reviewing what we have learned from the history of the American response to the challenge of World War II. Such an exercise in lessons-learned history, should it be undertaken, may be unsettling, for it will be hard not to

conclude that today's domestic and global political economy has been shaped by a misreading of the past.