Planning in the Post-World War II United States

Il piano negli Stati Uniti del secondo dopoguerra

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ABSTRACT

Like in all industrial societies, in the United States economic planning was a prominent political-economic ideal in the wake of World War II. Paying attention to the postwar decades, this article focuses on how and why private American industrial corporations appropriated the practice and rhetoric of planning, in the context of the outbreak of the Cold War. This corporate appropriation displaced debates about planning into a social and cultural register in the United States. Paradoxically, the outward-looking U.S. state accepted robust state planning regimes abroad even as the Cold War hampered the legitimacy of state-centered economic planning at home. The paradox helped set the stage for the global crisis of industrial societies after 1968 that brought the postwar era to a close and would ultimately undermine economic planning everywhere.

KEYWORDS: US; Corporate Planning; Walter Heller; Cold War.

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Come in tutte le società industriali, anche negli Stati Uniti la pianificazione economica è stata un ideale politico-economico di primo piano sulla scia della Seconda guerra mondiale. Concentrandosi sui decenni del dopoguerra, questo articolo si sofferma sul come e sul perché le società industriali private americane si sono appropriate della pratica e della retorica della pianificazione, nel contesto dello scoppio della Guerra Fredda. Questa appropiazione corporativa ha spostato il dibattito sulla pianificazione negli Stati Uniti su un registro sociale e culturale. Paradossalmente, lo Stato americano ha accettato regimi di pianificazione statale all'estero, mentre la Guerra Fredda ha ostacolato la legittimità di una pianificazione economica centrata sullo Stato in patria. Il paradosso ha contribuito a gettare le basi per la crisi globale delle società industriali dopo il 1968, che ha portato a termine l'era del dopoguerra e che alla fine avrebbe minato la pianificazione economica ovunque.

PAROLE CHIAVE: US; Pianificazione aziendale; Walter Heller; Guerra fredda.
Walter Heller was a midcentury Keynesian American economist, who became one of John F. Kennedy’s top economic policy advisor when Kennedy became president in 1961. Heller is most known as a leading advocate of JFK’s central economic policy – a large income tax cut, which, first proposed by Kennedy 1961, finally became law under Lyndon B. Johnson in 1964\(^1\). But early in JFK’s presidency, the US macroeconomy having only recently emerged from recession, Heller and another of Kennedy’s economic advisors, James Tobin, traveled to Europe. Their mandate was to study French economic planning methods\(^2\).

As is well known, recovering from the War, many European economies, including France, enjoyed much higher rates of growth, and lower unemployment, especially in the industrial sector, than the US during the 1950s\(^3\). Also hovering in the background, at this moment, was the reputed success of Soviet economic planning, in achieving high rates of economic growth during the 1950s\(^4\). In France, Heller and JFK’s team came up with a plausible reason, as for why Western Europe, by some measures, was enjoying greater macroeconomic success. Western Europe had enjoyed much higher rates of fixed investment since the War, which, in good Keynesian fashion, had translated into higher aggregate levels of output and employment. For instance, in 1959, the share of gross fixed investment to GDP in the US was 17.1 percent. In France, it was 26 percent\(^5\). Why? Because, as Heller discovered, the Commissariat général du Plan in France assured a macroeconomic balance more in favor of investment, including public investment, than private consumption.

Why, in 1959, did Heller have to travel to France to study state directed economic planning? After all, there was a twentieth-century tradition of state-directed economic planning in the US. It began in World War I, when the US federal government nationalized a number of critical wartime industries, including railroads and shipping\(^6\). It passed through the New Deal – especially, agencies dealing with “natural resources,” such as the Tennessee Valley

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SCIENZA & POLITICA
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96
Authority (TVA), but also the industry-based, short-lived National Recovery Administration (1933-1935), heavily influenced, infamously, by Italian fascist political-economic thinkers. Later in the New Deal, planning ideas flourished in the federal National Resource Planning Board, which published an enormous three-part report in 1942.

But at the level of the state, the “planning ideal”, in US political economy, as one historian has put it, arguably peaked during World War II. In large part, state-financed enterprise, through the device of “government owned, private contractor operated” arrangements, won the wartime battle of production. Under these arrangements, the US government provided the capital to build new factories for war production, while private corporations, General Motors (GM), for instance, operated the factories, meeting planned out production targets, and earning guaranteed rates of profit. During the War, there were other, even more state-directed forms of economic planning. For instance, the atomic bomb program involved extraordinary state capital investments, totaling more than $1 billion, and the US Atomic Energy Commission, created in 1946, was a massive state planning agency.

But 1946, in the US, the immediate postwar years featured a dramatic conflict, in politics, between the “planning ideal” of the New Deal warfare state and a highly organized industrial business lobby over control of the US investment function – over to what degree it would remain in private or public hands. In the midst of this conflict, there was a massive strike by labor unions, led by the United Autoworkers (UAW). Across 1945-1946, 180,000 members of the UAW went on strike at General Motors (GM), by any measure the largest, and most politically influential US business corporation.

In the end, by the close of 1948, in the midst of the onset of the Cold War, the outcome was this: US capitalists had seized back private control of the investment function, and therefore the capacity, should it exist, to economically plan. The US federal government, for instance, sold off the factories it owned during WWII to private corporations, and largely got out of the business of

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planning and directing economic production. If the outcome was foreordained politically by 1948, the process was complete by, say, 1954, when the Atomic Energy Commission was largely privatized. The Korean War effort had not led to a revival of state economic planning. Meanwhile, GM, and other private corporations, compromised with labor. In return for paying higher wages, and welfare benefits, US labor unions acknowledged management’s “right to manage” – the right to direct investment and economic production, the right to plan.\footnote{H.J. Harris, The Right to Manage: Industrial Relations Policies of American Business in the 1940s, Madison, University of Wisconsin, 1982.}

Thus, by 1948 the US version of postwar social democracy had taken shape.\footnote{I call this crucial moment, when New Deal liberalism finally took shape, the result of a «postwar hinge» in J. Levy, Ages of American Capitalism, New York, Random House, 2021.} Postwar US Keynesianism worked on the consumption, not investment side – the political economy existed to promote high wages for men, supporting high consumption for families. State economic planning, whether French dirigisme, Italian state-owned enterprise, or even the corporatist kind, in which large interest groups, such as labor, played a prominent role – like in Western Germany – was simply off the table politically in the US.\footnote{E. Monnet, Controlling Credit: Central Banking and the Planned Economy in Postwar France, 1948-1973, New York, Cambridge University Press, 2018, S.W. Tolliday, Introduction: Enterprise and State in the Italian “Economic Miracle”, «Enterprise & Society», 1, 2/2000, pp. 241-8; G. Herrigel, Industrial Constructions: The Sources of German Industrial Power, New York, Cambridge University Press, 1995.} This was a contingent postwar political outcome, shaped to a large degree by Cold War ideology.

However, from a global perspective, by 1948, if not at home, abroad the new US hegemon admitted and actively funded various economic planning agencies. The reason, mostly, again had to do with Cold War, although in this instance it was geopolitical considerations, which paradoxically enough made the outward look US state more favorable to state-directed industrial planning ideals.\footnote{M.J. Hogan, A Cross of Iron: Harry S. Truman and the Origins of the National Security State, 1945-1954, New York, Cambridge University Press, 1998.} The issue was largely overdetermined. If there were left New Dealers friendly to left variants of social democracy in the State Department, then more right-leaning US foreign policy officials decided for their part that to “contain” communism there was no other choice but to countenance political-economic arrangements abroad that would have been considered unacceptable at home. That is assuming the US state, for all of its immediate postwar dominance, had the power to overtly shape domestic political outcomes abroad, which is a doubtful assumption.\footnote{O.A. Westad, The Cold War: A World History, New York, Basic Books, 2017.} Thus, beginning in 1948, with the Marshall Plan, the US state officials rejected the “Morgenthau Plan” in Europe, which would have
prevented the reindustrialization of Germany. Fearful of communism, US state officials considered the triumph of left and right variants of social democracy over communism across Western Europe at the polls in the late 1940s a great ideological victory. Meanwhile, the supposed communist threat in Japan also led US occupiers in 1948 to “reverse course”, and support the state-directed re-industrialization of Japan. By the end of the decade, the US state was committed to supporting “mixed economies” among its Cold War allies that looked very different from the US economy at home. One major difference was that they actively promoted state planning in the economic investment function.

In sum, at home US capitalists had politically defeated state planning, even if, abroad, for Cold War geopolitical reasons, the US state nonetheless supported, and through the Marshall Plan, actively funded state planning, for purposes of postwar European economic reconstruction.

This is why, dissatisfied with US macroeconomic performance, especially private rates of investment, JFK economic advisor Walter Heller traveled to France to study its planning commission. By that time, state economic planning in liberal capitalist democracies was associated with continental Europe – and not at all the US, despite the American experience with state economic planning in the not so recent US past.

However, during the postwar years, a different US economic planning tradition had emerged. It appeared within large, industrial corporations, such as GM. In the next section, I shift focus, discussing private, postwar US corporate planning. Keeping this analysis in mind, I will then return in the final section to Heller, and the general macroeconomic and political situation in 1960, when JFK came to office, before concluding with some general thoughts about economic planning in the US, and in its Cold War allies, in the postwar period.

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In 1947, after the end of the UAW strike and in the midst of the outbreak of the Cold War abroad, GM announced a new corporate “plan” – specifically, a 10-year $600 million capital spending program. This was, by just about any measure, the largest private capital expenditure on record in history. If for political reasons the postwar US would have no large-scale public investment programs, judging by GM at least, it appeared that private US business corporations would have no problem carrying out that macroeconomic burden.

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themselves. US economic policymakers directed Keynesian policies toward sustaining consumption, rather than investment (after all, the most dynamic variable to Keynes himself). Private corporations would take care of the investment function.

During the 1950s and 1960s, among large, multidivisional US industrial corporations there was a new planning discourse. It what was called “profit planning”. The invocation of “profit” in planning marked the private character of the project, to distinguish it from state planning. Salaried managers, not the owners or stockholders in corporations, developed multi-year “capital budgets”. Using new kinds of statistical analysis, they decided how much fixed capital – with resources normally drawn from past profits, not bank credit – to deploy in production, in light of projections of cost, depreciation, and consumer demand. The postwar period was not an era of great entrepreneurial risk-taking, or technical innovation in business enterprise. The emphasis was on rationalism, efficiency, and bureaucracy.19

Some of the fresh capital expenditure was on renovating old factories, or on building new factories to create fresh productive capacity. But GM’s 1947 corporate plan earmarked $125 million for a “Technical Center” in Warren, Michigan. Indeed, much of the new capital spending flowed to facilities concerned not with production, but rather scientific research, operations, and management. Tellingly, in factory architecture there were few major postwar innovations. Henry Ford and his followers in American “mass production” by the 1930s had already perfected the style – of low-flung reinforced concrete buildings, containing electric-powered assembly lines. If the goal, in Western Europe, was simply to rebuild the war-torn capital stock, in the US it was to rationally squeeze all possible efficiencies from the existing capital stock. Efficiency in the use of capital, not investment in productive capital, was the point of postwar US corporate economic planning.20

The principle of rational efficiency appeared in many places, including a new corporate office design aesthetic – an aesthetic of rational purism, which celebrated the straight line and right angle, a veritable “neurosis of forms”, as the great historian of modern architecture Manfredo Tafuri once put it.21 Wartime technical and engineering advances in steel, concrete, glass, and plastic made a truly machine-style corporate office architecture possible. The so-called International Style became the “architecture of bureaucracy”. Its master,

German émigré Ludwig Mies van der Rohe, who worked out of Chicago, proposed the single module as the ideal "unit of control". Mies designed buildings with glass curtains draped over exposed metal structures. But in the new corporate architecture, like in profit planning, GM truly took the lead. The man who designed the Warren Technical Center was the Finnish architect Eero Saarinen. Saarinen would say that he drew from GM’s manufacturing principle of “standardization with precision” and mechanical repetition. Saarinen designed the entire corporate campus out of interchangeable standardized prefabricated 5-foot-2-inch modules, applying it “not only to steel construction but also to [...] furniture, storage units, wall partitions and so on”. In these years, corporate headquarters moved outside of cities, to the government-subsidized suburbs, which granted corporate architects opportunities to “integrate” design with the landscape. In this genre, Saarinen’s 1964 Moline, Illinois corporate campus for John Deere would be the great masterpiece, the culmination of postwar corporate architecture.

Inside the buildings, how far could the logic of standardization go? Might “and so on”, as Saarinen put it, include “interchangeable” white-collar human beings – planned, homogenous, one-dimensional men? In postwar US corporate planning, the great postwar managerial keyword was “integration”. The task was to “integrate” divisions and product lines; “integrate” flows of material; and “integrate” individual psyches into larger corporate social wholes.

From this moment, there was born a social and cultural critique of “big chains of authority”, breeding a bland social conformity, as the Columbia sociologist C. Wright Mills complained in White Collar (1951) – an early premonition of New Left critiques of corporate bureaucracy. As Mills put it, individuals occupied titles, offices, and statuses stripped of contingent individual characteristics. There was the specter of white-collar individual over-identification with corporations. The so-called “organization man”, as the American writer William Whyte explained in 1956, in the book with that title, The Organization Man, passed through a series of “integrating” corporate environments. There was the nuclear family, a nonprofit university education, and then, finally, corporate “human resource” managers who conducted “personality tests” to determine appropriate job roles and career paths in for profit corporations.

The question of what was left of individuality, given so much integration into larger corporate bureaucratic structure, was continuously posed by postwar American culture. Arthur Miller’s play *Death of a Salesman* (1949) was one of many works with a little guy antihero. The greatest postwar novel was arguably Ralph Ellison’s *Invisible Man* (1952), in which the protagonist spoke of the struggle against the “passion toward conformity”, pressing upon “the mind, the mind”²⁶.

I invoke cultural sources here, to indicate just how much critiques of corporate conformity in the postwar US – critiques of the consequences of corporate planning – were social and cultural critiques: of a particular corporate aesthetic, rational and regimented, with insidious effects on psyches. They were not, in the first instance, political critiques, about the fundamental organizing principles of American capitalism. To repeat: one such principle, established during the postwar hinge of 1945 to 1948, was that in the US the investment function, and thus any planning capacity, resided in the hands of private corporations, not the state.

By the mid 1950s, to most prominent observers of the American economy, the critique of US corporations was not that they were investing insufficiently. Rather, it was a critique of the outcome of their investments – that corporate planning was leading to mindless, bureaucratic tedium in the workplace, an economy of “abundance”, but also of soulless “alienation”. Of course, this critique echoed across many postwar industrial societies, beyond the US.

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Alongside critique, however, ran a more celebratory American discourse. Here, the idea was that US corporate managers, as effective planners of the economy, proved that economic growth was possible without centralist state planning, as practiced in the Soviet Union, clearly, but also in the many mixed economies of Europe. This discourse, if not popular among many young critics of corporate conformity, who would soon comprise the New Left, was prominent among economists and economic policymakers across the 1950s.

In 1957, the Harvard economist Carl Kaysen summed up this new view:

> No longer the agent of proprietorship seeking to maximize return on investment, management sees itself as responsible to stockholders, employees, customers, the general public, and, perhaps most important the firm itself as an institution [...] responsibilities to the general public are widespread: leadership in local charitable enterprises, concern with factory architecture and landscaping, provision of support for higher education, and even research in pure science, to name a few.

Kaysen concluded, “the modern corporation is a soulful corporation.” But, again, note that the title of the essay was the “social significance” of the corporation. Postwar US corporate planning was evaluated, almost exclusively, in social and cultural terms, not political.

Kaysen wrote this essay during the mid-1950s. In August 1957, there broke out a worldwide recession, the sharpest in the postwar period, which lasted through April 1958. In the US, many causes were noted at the time: a fall in housing construction, as the postwar suburban housing boom had come to a close; a tightening of money by the US central bank; declining automobile sales. But observers also noted a surprising, to them, fall in the volume of private investment, which was not mirrored in Western Europe, where the recession had reverberated, but was not so deep. What was the difference? State planning and public investment in Europe, which had kept long-term rates of investment up, relative to the US, where investment, left in private hands, proved much more volatile.

It is probably wise to mark the end of any postwar “golden age” here – with the twin recessions of 1957-8 and 1960-1. Thus, especially among the group of economic advisors that formed around JFK, there was a new willingness to question the postwar bargain, which had left the US investment function in private corporate hands. For instance, the Harvard economist, John Kenneth Galbraith, published The Affluent Society in 1958. He argued that despite high rates of private corporate investment across the postwar years, that production was far too directed towards needless consumer goods. And that, further, private investment – focusing on the building out of the suburbs, including so many new corporate head offices – had bypassed US cities, which suffered not from the cultural dissatisfactions of abundance, but rather high levels of unemployment and poverty. Further, Galbraith argued that dearth of public investment meant a general lack of public services, in the form of education, housing, or welfare.

And so, Heller and JFK’s policy advisors travelled to France, to study state planning. But when they came back, they did not propose an Americanized version of the Commissariat général du Plan – not hardly. Instead, they proposed a personal and corporate income tax cut.

Partly, the reasons were nakedly political. Flush with profits from the War, the US business lobby in 1948-9 had successfully reclaimed control over the US investment function. For it, capitalists had paid a price: a willingness to bargain, in an adversarial manner to be sure, with labor unions over pay and

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welfare benefits, although not the “right to manage”; and a grudging acceptance, although always contested, of high rates of progressive taxation on corporate and personal incomes. For instance, in Western European states, where capital was destroyed by the War, tax rates on incomes were much less than in the US, in order to incentivize private investment in economic reconstruction — one half of the mixed economy, in conjunction with state-directed planning. In the US, pushing back against state-directed planning and government ownership of productive capital, American capitalists accepted, in exchange, organized labor, but also relatively high rates of income taxation to fund the US welfare and warfare state.

Put bluntly, this political-economic bargain held firm, even after the sharp recession that brought JFK to office. It was not sufficiently vulnerable, politically, for the incoming JFK Administration to do much of anything about it.

Instead, to provide macroeconomic stimulus, Heller and Kennedy’s economic team advocated a tax cut, in order to stoke both private consumption and private investment. The US state, by cutting income taxes, could induce a greater volume of private investment, the thought went, even if it did not have the political capacity to determine the specific pattern and content of corporate investment. Thus, in economic policy making, a cultural assumption held strong: the white-collar managerial class would put more fixed capital on the ground, and rationally squeeze out all possible gains in efficiency, leading to greater economic growth and employment.

Why did that assumption hold? The assumption that managers would invest, always, served the interests of the US corporate business lobby, which did not want to see state interference in private investment. Another reason, I am arguing, was that preoccupation with the aesthetic of corporate bureaucracy stimulated a social and cultural critique of the corporation — its rational obsessions, its neurosis of forms. It did not, however, stimulate a reassessment of the political economic bargain struck between state, labor, and capital in the immediate postwar years in the United States. This was an instance of cultural and social psychological displacement.

After JFK’s assassination, LBJ passed the massive income tax cut in 1964. There was, indeed, a sudden macroeconomic boom – the postwar period enjoyed its last gap. The pattern of this boom, however, was most revealing. The era of long-term corporate planning in US enterprise, and large amounts of long-term fixed-capital investment, was in fact coming to a close. That mindset only lasted, really, for one generation after the War. By the late 1950s, capital was already beginning to become more mobile, and more global. Corporate

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time horizons began to shorten. During the 1960s, in search of lower labor costs, US corporations, led, still, by GM, began to move production to the US South. They also began to move investments overseas. One reason was that European economies, and incomes, had recovered from the War, but because European states had focused upon the reconstruction of the heavy, capital goods industries, there were opportunities for US corporations to sell consumer goods in Europe.

As the US macroeconomy boomed across the 1960s in the aggregate, there were nonetheless diverse, local implications on the ground. The shift in corporate investment to the US South further undermined economic life in northern cities – leading, eventually to the political protests of the American “urban crisis.” Second, in tandem with the Vietnam War, the increase in US multinational investment in Europe pushed more dollars overseas. That, among other factors, threatened the stability of the Bretton Woods system, and the fixed peg between the US dollar and gold at $35 to the ounce. One of those other factors was that the mixed economies of Europe and Asia, especially West Germany and Japan, benefiting from state planning agencies, and cheap currencies, had begun to successfully export into a number of US consumer markets by the late 1950s, earning dollars, further threatening the fixed convertibility of the Bretton Woods exchange rates. Thus, in the international arena, the economies of the US and its Cold War allies began to suffer from unbalance and misalignment.

Thus, a cultural discourse of corporate rationality and efficiency had validated an income tax cut that had triggered a US macroeconomic boom, in the aggregate, that nonetheless had led to heightened US domestic and also international macroeconomic instability and volatility. In the end, the rational straight line of the American corporate aesthetic could not compensate for the lack of planning at the US national and indeed global scales. The end of the postwar era – in the long hot summer of urban riots around the world, including US cities, during 1968, and in the unravelling of the Bretton Woods configuration of US global economic hegemony during the economic crisis decade of the 1970s – all loomed.

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