

# 12 M-636

FORM  
R-15-1 (10-48)

MEMORANDUM

TO: H. Rowan Gaither, Jr.

FROM: C. J. Hitch

SUBJECT: VISIT TO FORD *je*

COPIES TO: F. R. Collbohm, L. J. Henderson, Jr.

DATE: 4/13/49  
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Chief, Records & Declass Div, WHS  
Date: AUG 20 2015

RAND has been requested by the Joint Staff Planners, via the Air Force, to attempt to develop a method for measuring, comparing, and predicting the economic war potentials of different countries.


Clearly a major component of economic war potential is industrial potential to produce munitions. Equally clearly, after a little preliminary analysis, a major determinant of munitions production potential is the "productivity" (output per man or per man-hour) of industrial labor.

The broad facts of comparative productivities are known for a few countries which collect and publish censuses of production. We know, for example, that differences between countries are almost unbelievably great, even if we restrict the comparison to advanced western countries familiar with the same industrial techniques. Productivity in British manufacturing averages about 1/3 or 1/4 of American productivity; in most European countries the fractions are even lower. We are trying to get comparable figures for Russian industry.

But for our purposes we need more than facts. The fact of low productivity in Russia is one of the explanations of her present relative weakness; it is also a potential source of tremendous future strength if she is able, by appropriate economic policies, to narrow the gap between her productivity and ours. What RAND requires is a theory - formulated in quantitative terms and verified - which will explain the level of productivity. More specifically, we need to isolate the influence of economic factors which are subject to control from sociological, biological, and environmental factors which change very slowly or not at all.

There has been no lack of speculation on this problem. Immediate or partial causes of low productivity undoubtedly include inadequate amounts of capital and energy per worker, small scale of production, lack of incentives, tradition-bound management, feather-bedding by labor, malnutrition, low educational standards, etc. I find that any technical expert will have a ready and simple answer to the question "Why is British productivity lower in your industry?" Unfortunately the answer never gets to the root of the problem: it applies only to a particular industry and therefore does not begin to explain why productivity is lower, usually much lower, in every single industry for which we have figures.

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I had assigned Mortimer Andron, who is a bright and imaginative young economist, the job of assembling the available data on comparative productivities and making a preliminary analysis of the various theories which have been advanced to explain differences. It occurred to both of us that a very promising source both of fresh facts and of insights into the problem might be found in American companies with foreign plants. For presumably in these foreign plants some of the numerous plausible causes of productivity differences would be eliminated: top management would be the same as in the U. S., so would technical know-how and, to the extent permitted by other indigenous factors, production methods and capital equipment. Moreover it seemed certain that the U. S. company would have made careful studies of the cost differences in their home and foreign operations.

The Ford Company seemed particularly promising for a number of reasons. The automotive industry, of course, is intrinsically interesting as a source of numerous potential. We had understood (and this was confirmed in general by Henry Ford in our interview) that the Company had originally planned to supply European export markets from the British plant at Dagenham, but had abandoned the project in view of their disappointing cost experience. Finally, Andron's father-in-law is head of the Perfect Circle Company, one of Ford's chief suppliers, and a personal friend. An introduction from him, we thought, on top of the RAND connection, would give us a good enough entrée to collect some useful information, even on as delicate a subject as costs.

There is always, in an investigation of this kind, a problem of communication. Andron is not an automotive engineer, and we probably haven't one in the RAND organization, for making automobiles isn't our business. Even if we had an automotive engineer, he probably wouldn't have the background or feel for the broader problem, and therefore wouldn't make a good interviewer. Andron seemed perfectly competent to pick the brains of some experienced engineers and to incorporate their evidence in the body of knowledge we are accumulating. Doubtless in attempting to do so, his questions revealed that he knew less about the details of the assembly line techniques than the people he was questioning.

The results of the visit to the Ford Company which Andron has written up in the attached LIMITED memorandum, were so disappointing that I have temporarily cancelled all plans for similar visits to other companies with plants abroad.

At Frank's suggestion I accompanied Andron on the first morning to introduce him and to give Henry Ford a brief statement of the background of the project and its relation to the general RAND program. Henry Ford himself was extremely pleasant and anxious to be helpful. He chatted with us for an hour, telling anecdotes and making some rather sweeping generalizations. He then introduced us to Clarence Howard, Vice-President in Charge of International Relations.

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Howard's attitude, while formally polite, seemed to me to be unfriendly and suspicious from the outset. I don't know why. I thought at first that he might suspect us of industrial espionage. Later on it occurred to me that he might be very sensitive about the high costs of foreign operations. Whatever the reason, it quickly became apparent that he wasn't going to come close to revealing any Company secrets. He flatly denied that the Ford Company had ever made any study of comparative costs at Dagenham and in the U. S. This, we were morally certain, was less than the truth.

Andron stayed on and pressed his interviews for two days. He was successful in getting Breech to talk at length and very interestingly on the general problem, but not on Ford's own cost experience at Dagenham. I am sure, knowing Andron, that he conducted his interviews with skill and tact, within the limitations of his training. He did not, however, get what he went for.

C. J. Hitch

CJH:mh  
attach: M-302

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