

## GOVERNMENT EXPANSION FOR WORLD WAR II: DECATUR, ILLINOIS, AS A MODEL

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World War II surpasses other eras in our nation's collective memory because of the fighting and because it united the nation as well as revived the economy. Before the war, the nation struggled with the relationship between the government and the economy. With the advent of the war, however, the government took on the role as controller of all manufactured goods, rather than leave this area to the will of the nation's consumers.

Besides allowing the government a great deal of control over its citizens' buying decisions, the process of soliciting production of munitions and other war goods allowed the government to reach into every community. Additionally, through subcontracting, all types and sizes of companies became involved in the war effort, since a complete product comprised a number of smaller items able to be built in this way.

The government actively sought to keep and extend contact with communities through the outreach of the Office of Production Management (OPM) and its successor, the War Production Board (WPB). Outreach programs instituted by these agencies and the military included financial assistance to companies, issuance of war contracts, the building of war plants, and the distribution of citations and awards. The outreach utilized by the U.S. government not only ensured the survival of the U.S. on the battleground and its growth as a nation. It also guaranteed the survival of middle and small-sized communities.

One can understand how the federal government sought to push comprehensive programs by analyzing how mobilization reached the local community level. This paper examines Decatur, an average sized city located in Macon County, in central Illinois. I selected to study Decatur because it exemplified the war experience that other U.S. cities encountered. With its location in the middle of the country and its heavy industrial base, Decatur became a prime choice for certain military contracts. Also, because of its size of under 100,000 people, Decatur confronted different war problems than cities such as Chicago. Through its relationship with federal and state officials, its application for contracts, and its conflicts over mobilization, the city of Decatur represented a model of industrial mobilization for the United States during World War II.

In 1940, national unemployment had fallen to 15 percent; within Decatur over two thousand metalworkers were out of work in the fall of 1941.<sup>1</sup> This number's significance comes into focus with the fact that "metalworking of one sort or another accounted for 50 percent of the city's industry and payroll."<sup>2</sup> These figures illustrate that the economy did not utilize a key resource prior to the war: labor. In 1940 and 1941, even with the manufacture of goods for Great Britain and France, areas of the country remained idle.

One area of outreach occurred in the financing of mobilization for war. The Reconstruction Finance Corporation (RFC) aided businesses with the costs associated with the conversion of plants. Problems arose because some plants did not want to contract for work in certain areas, such as explosives or weapons. Although they were urgently needed by the government, these industries did not project much of a post-war future. The government utilized a number of incentives to lure companies into these areas. One such inducement consisted of the government buying these factories directly or paying for the full cost of conversion.<sup>3</sup>

Using this method, the Army and Navy contracted to build or open a number of defense plants and complexes. Arms plants within the area included the Illinois plant built in Sangamon County, the Caterpillar plant, and

1 Harold G. Venter, *The U.S. Economy in World War II* (New York: Columbia University Press, 1985), 3; Mary Waters, *Illinois in the Second World War*, vol. 2, *The Production Front* (Springfield: Illinois State Historical Library, 1951), 38.

2 John Zwicky, "A State at War: The Home Front in Illinois During the Second World War" (Ph.D. diss., Loyola University, Chicago, 1989), 95.

3 Gerald T. White, "Financing Industrial Expansion for War: The Origin of the Defense Plant Corporation Leases," *Journal of Economic History* 9 (November 1949): 156-7.

the Houdaille-Hershey plant. In the city of Illiopolis, the military built a large munitions complex consisting of two ordnance plants. Halfway between Springfield and Decatur, this development relied upon both cities for its 20,000 workers.<sup>4</sup>

Military engines comprised another component of the war effort built in Decatur. While headquarters for the company complexes were located in Peoria, Caterpillar opened a plant in Decatur "...for consultant services, procurement of equipment and inspection of installation of a manufacturing plant...."<sup>5</sup> Under orders from the War Department, Caterpillar converted an empty warehouse for its uses.<sup>6</sup> In order to utilize resources (labor and materials) and in order to extend its scope into the community, the government actively sought war work for Decatur. The placement of this Caterpillar plant illustrated this.

However, the government did not place these orders only to maintain community relations. It benefitted through the manufacture of needed goods. The Caterpillar plant "... built and shipped thousands of the tractor engines and power trains to the American Car and Foundry Co. in Berwick, PA, where the finished tractors were assembled."<sup>7</sup> This subcontract fulfilled the demand for goods that the military forces held.

Another plant that fulfilled the military's needs built a subpart for the atomic bomb. With respect to the Garfield division of Houdaille-Hershey, "Construction of the plant was begun under the utmost secrecy in September of 1943; the start of production, in August of 1944, went unannounced."<sup>8</sup> Ed Coleman, a supervisor at the plant, described the product as consisting of black aluminum tubes.<sup>9</sup> His wife, Katherine, worked as an inspector. Laboring in a darkened room for her shift, she examined black sheets placed on light tables for holes.<sup>10</sup> The components were then shipped to the Quarter Master in Tennessee.<sup>11</sup>

Besides direct ownership of facilities, the government, under the Emergency Plant Facilities Contract, created a unique payment plan for the conver-

4 O.T. Banton, ed., *History of Macon County* (Decatur, Illinois: Macon County Historical Society, 1976), 398-9.  
 5 "Caterpillar to Run New Defense Plant," *Decatur Herald*, 3 March 1942, p. 1.  
 6 "Victory Plant Will Produce Tractor Engines," *Decatur Herald*, 16 November 1943, p. 3.  
 7 "Caterpillar..." *Herald and Review*, 28 February 1986, p. 10.  
 8 "Houdaille-Hershey Corp.," *Decatur Herald and Review*, 7 October 1945, p. 16.  
 9 Ed Coleman, interview with author, 28 March 1995, Decatur, Illinois.  
 10 Katherine Coleman, interview with author, 28 March 1995, Decatur, Illinois.  
 11 Interview with Ed Coleman.

sion costs of companies. This contract allowed for government ownership of a plant during the war, with the government reimbursing the previous owners. After the end of the war, the company had the option to purchase the facilities and its conversions.<sup>12</sup> Further, the businesses were able to write off the purchase of the converted facilities 20 percent per year on their taxes.<sup>13</sup> In addition to these ownership incentives, the government utilized loans to defense businesses. Authorizing and financing of V-loans occurred under the Maritime Commission, the Federal Reserve, and the RFC.<sup>14</sup>

Within Illinois, prior to U.S. involvement in the war, the state created its own offices and programs to protect its economy and internal defense. The Illinois War Council (IWC), which focused primarily on civil defense, consisted of a division on the Adjustment of Business to War Conditions.<sup>15</sup> This division attempted to obtain war work for manufacturers and help industries that could not convert.<sup>16</sup> The IWC managed to continue to look after the state's interests, although curtailment of its duties occurred with the creation of the WPB.<sup>17</sup>

In addition to the activities of the IWC, state officials actively sought procurement and aid for Illinois industry. Mary Watters, in her book, *Illinois in the Second World War*, states that Governor Green went to Washington in the fall of 1941 to secure defense contracts and to increase the industrial rating for the state.<sup>18</sup> Deneen A. Watson, a Chicago attorney, remained in Washington to aid in contract procurement for Illinois industry.<sup>19</sup> State officials continued to lobby federal organizations while the federal government lobbied state industries. This service that the state provided exemplified the role that other states undertook to aid their industries.

The federal government responded to this state pressure by implementing a number of outreach programs and incentives. One such outreach method that the OPM and the WPB used developed in the area of industrial surveys. Within the twelve different war districts maintained in the country, these agencies

12 Gerald T. White, 172  
 13 Janeway, 163.  
 14 Watters, 35.  
 15 Governor Dwight H. Green, Chairman, Illinois War Council. (Springfield: State of Illinois, 1944), 49.  
 16 *Ibid.*  
 17 Watters, 8.  
 18 *Ibid.*  
 19 *Ibid.*

required plants to fill out extensive surveys of plant equipment and categorize their work.<sup>20</sup> Agencies then attempted to match needed government items with the plants, while ensuring that the procurement occurred at an equal pace across the country.<sup>21</sup> By spreading the contract load equally, the government managed to reach every community. Nevertheless, a number of factors directed the issuance of these contracts.

The degree that local officials solicited war work became one determining factor. In Decatur, the Association of Commerce played an active role in securing defense work for plants. It mailed "blank forms, listing 110 items expected to be of use in proving Decatur's adaptability to producing defense orders," to manufacturers in order to fulfill a request made by the OPM.<sup>22</sup> Additionally, the Association of Commerce took part in rallying state officials for aid and involving the myriad of manufacturing plants in defense work.

The issuance of contracts helped both government and business. A number of Decatur companies joined together to increase their chances of receiving defense work. In the summer of 1941, Decatur's Association of Commerce assisted in the formation of a contract and subcontracting application pool; it consisted of 14 metalworking plants. In October, the pool submitted a booklet to the Chicago Division of the OPM. This booklet contained information on the number of employees, the principal parts manufactured, defense work wanted, amount of space for retooling, any defense contracts already held, and a list of the company's plant equipment.<sup>23</sup> Most importantly, the application for government contracts helped to alleviate the problem of high unemployment of metalworkers within the city.<sup>24</sup>

In addition to relieving local difficulties, the pool addressed state and federal pressures. It alleviated pressure applied by the Governor illustrative of his trip to Washington. Also, according to John Zwicky, this pool arose in response to a conference between Governor Green and a local businessman.<sup>25</sup> Through this submission, Decatur fulfilled the OPM's Group Resources Unit's

<sup>20</sup> *Ibid.*, 55.

<sup>21</sup> Smith, 55.

<sup>22</sup> "OPM Contract Office Seeks Shop Inventories," *Decatur Herald*, 22 December 1941, 3.

<sup>23</sup> Decatur Association of Commerce, 5-43.

<sup>24</sup> Waiters, 38.

<sup>25</sup> Zwicky, 95.

requirement of surveys.<sup>26</sup> Eventually, all of the companies included in the pool received war work.

Two companies that obtained war work through the pool application were Wagner and Mueller. While both metalworkers manufactured goods prior to the war, they had to apply for additional work in order to continue their production. Mueller, consisting of a number of plants within Decatur, produced "plumbing and gas fixtures" before it switched to "steel shells and projectiles."<sup>27</sup> Right after the start of the war, the president of Mueller alleviated some worker and local fears about his company's survival. "The manufacture ... of things for army bases, camps, and depots will keep us going for some time to come."<sup>28</sup> In fact, over 60 percent of this company's production came from defense work at the beginning of the war.<sup>29</sup> This number increased later.

The fears that the president of Mueller helped to settle arose from the proximity of the war to the Great Depression. Local industry still faced unemployment and reduced earnings. War work provided a safety net for these businesses through profits provided at 10 percent by the government.<sup>30</sup> Ed Coleman stated that both companies he worked for were not hurting for money; they were becoming rich because of war work.<sup>31</sup>

The Great Depression also lost its grip on Wagner during the war period. Not only did the government ensure the survival of Wagner. It made this company a vital component of the war effort through the issuance of contracts. This company turned out "...about 1,600,000 pounds of castings a month..." including "...a navy shell adapter for five-inch anti-aircraft guns, parachute bomb couplings, bodies for land mine projectiles, parts for army trucks and field kitchen hardware."<sup>32</sup> Through the manufacture of war goods, Mueller and Wagner helped to increase Decatur's role as an essential part of the U.S. industrial defense operation.

<sup>26</sup> Charles F. Frye to Office of Production Management, Defense Contract Service, Seventh Federal Reserve District, 14 October 1941, in *Decatur Defense Industries* (Decatur: Decatur Association of Commerce, 1941), 4.

<sup>27</sup> Waiters, 30.

<sup>28</sup> "Factories Expect Increase in Jobs," *Decatur Herald*, 9 January 1942, 3.

<sup>29</sup> "General Gives Mueller Staff Military Award," *Decatur Herald*, 16 July 1942, 3.

<sup>30</sup> Interview with Ed Coleman.

<sup>31</sup> *Ibid.*

<sup>32</sup> Decatur Association of Commerce, 39; "Wagner Castings Used Widely in all Branches of Service," *Decatur Herald*, 19 April 1943, 3; and Banton, 400.

To achieve its goals, the federal government attempted to reach companies through other methods besides pooling. The OPM sent engineers to examine plants in Decatur to join manufacturers with needed items.<sup>33</sup> Also, the OPM and the WPB used defense caravans and trains which showcased needed defense items. These trucks and trains moved from city to city, allowing invited company officials to examine their interiors.<sup>34</sup>

The government also issued distressed area citations which aided local communities that had excess unemployment or other hardships. At the start of the war, Decatur was declared an emergency defense area and also a distressed area. The emergency defense area citation allowed it to have both a priority rating in housing materials and loan financing under Title 6 of the Federal Housing Administration (FHA) Act.<sup>35</sup> The distressed area citation, following a visit by government engineers, gave Decatur a 15 percent advantage in the bidding for government contracts as compared to non-cited areas.<sup>36</sup>

To further aid Decatur and to fulfill some of its defense needs, the WPB opened an office in the city in February of 1942.<sup>37</sup> Subsequently, this office facilitated a long-term relationship between government and industry, while it provided aid to small businesses. G.E. Hale actively sought plant involvement in the war as temporary acting manager of the Decatur WPB office. Hale stated, "It is our duty here to connect any manufacturer, no matter how small nor how large, with the needs of the war production board."<sup>38</sup> In fulfilling the needs of both government and business, the WPB office additionally acted as a facilitator for the relationship between national and local levels.

With the help of the WPB and the IWC, the government actively tried to resolve inequalities over the issuance of contracts to small business. Before and at the beginning of the war, the military favored large firms for its contracts. Problems arose because while "the military attitude was to get the job done, and this meant, in its view, reliance upon big business," small businesses were left scrambling for work and for survival.<sup>39</sup>

33 "OPM Sending Two Engineers Here Today," *Decatur Herald*, 12 December 1941, 3.

34 "60 From Here See OPM Train," *Decatur Herald*, 12 December 1941, 3; and "WPB Caravan Exhibits War Products Here," *Decatur Herald*, 3 June 1942, 3.

35 "Defense Area Rating Sought," *Decatur Herald*, 12 March 1942, 3; and "Decatur Made Defense Area by President," *Decatur Herald*, 11 April, 1942, 3.

36 "OPM Sending Two Engineers Here Today," 3; and "Priority Rating Due Next Week," *Decatur Herald* 27 December 1941, 3.

37 "WPB Office Here Offers Aid to Smaller Manufacturers," *Decatur Herald*, 21 February 1942, 3.

38 "Mueller Brass Honored with Navy 'E,'" *Decatur Review*, 19 February 1942, 20.

39 Vauter, 59.

However, the military did not see the benefits that the use of small business provided. According to Zwicky, these small businesses converted to war work faster, provided better community involvement because housing and transportation were already in place, and managed to keep congestion under control.<sup>40</sup> Larger plants utilized economies of scale and thus produced goods more efficiently than smaller plants. Nevertheless, as discussed before, the military did not look at the overall picture of the economy; it concentrated on the benefits to its sphere, which created problems.

Pressure to include small business in war work came from Senator Truman, who headed Congressional hearings into this matter.<sup>41</sup> As chairman of the Senate Special Committee to Investigate the National Defense Program, Truman examined the inequalities of procurement created by military control.<sup>42</sup> Under his control, the Smaller War Plants Commission became a subdivision of the WPB.<sup>43</sup> Defense work spread to smaller firms as the WPB organized a Smaller War Plants division in order to provide counseling and financial assistance to these companies.<sup>44</sup> While they could not supply heavy or highly industrialized goods for defense purposes, small plants worked as subcontractors or supplied smaller parts to the military.<sup>45</sup>

However, even though the government actively sought to protect small businesses, these companies needed to initiate their own search for government contracts. While the government instituted a number of outreach programs, it was up to businesses to participate in these programs. As G.E. Hale told 22 plants in Decatur, they should not "...look to the government to 'drop orders in your laps.'"<sup>46</sup> Throughout the war, government agencies attempted to provide opportunities for certain small businesses to survive.

As an incentive and in order to reward war plants for their work, the government issued the Army-Navy 'E' Award. This flag was given only to those defense plants that held a distinguished labor relationship, produced faster and better quality goods, and maintained an excellent safety record.<sup>47</sup> Mueller,

40 Zwicky, 90.

41 John Morton Blum, *Was For Victory: Politics and American Culture During World War II* (New York: Harcourt Brace Jovanovich, 1976), 124.

42 *Ibid.*

43 *Ibid.*

44 "WPB to Aid Small Plants," *Decatur Herald*, 18 November 1942, 3.

45 Smith, 60.

46 "Small Plants Told They Must Go After Orders," *Decatur Herald*, 11 December 1943, 3.

47 "Mueller Workers Win Army Banner," *Decatur Herald*, 12 July 1942, 3.

Houdaille-Hershey, and the Sangamon plant received this award. The award was "...given for unusual service above and beyond the requirements of the production contracts agreed to between the companies and the Ordinance department."<sup>48</sup>

The government sought to create and to maintain a relationship with local communities through outreach programs. Examples of government outreach programs in Decatur include RFC financing of plant conversions, direct purchase and direct building of arms plants (the Iliopolis plant in Sangamon County), formation of contract and subcontract pools, use of defense caravans and trains, and distressed area citations. These programs fulfilled the self-interests of both local leaders and the military. The government received its needed products and industry earned its profits. Additionally, the unemployment of the prior era shuttled into conversion of facilities and war work, allowing for the survival of these towns.

Although these outreach programs allowed for the survival and sometimes the growth of middle and small-sized communities, not all government programs accomplished positive results. Segments of small business, nonprioritized business, and labor conflicted with the comprehensive and cohesive goals that the government tried to set forth. Priorities dictated the closing of a number of long-run businesses. Also, some communities were unable to fulfill the demands of the government because of inherent problems attributed to their size. Decatur would eventually lose its preferential priority contract rating because of a critical labor shortage, allowing the government to shift defense contracts to other cities. Even with this setback, however, the government permitted Decatur to survive through continuing war work and aid, which sowed the seeds of Decatur's growth in the post-war world.