WHEN GOVERNMENT EMPOWERS INDUSTRY -
THE PETROLEUM ADMINISTRATION FOR DEFENSE: 1950-1954

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ABSTRACT: This article examines the Petroleum Administration for Defense (PAD), an agency created by the Truman administration to coordinate the United States’ oil resources during the early Cold War. It argues that this agency successfully coordinated the resolution of dislocations in the world oil market by allowing industry executives to occupy the center of the agency. In the early 1950s, the formative years of the United States’ foreign oil policies, the government adopted the role of facilitator rather than planning and directing strategy. President Truman’s decision to staff the agency with men directly from the oil industry set the tenor of business-government relations in oil operations and enabled petroleum executives to set the government’s oil policies based on their own industry’s needs. It established a relationship between the oil industry and the government that worked smoothly to keep the United States and allied markets fueled during a major oil crisis.

INTRODUCTION

In 1948, the House of Representatives conducted an investigation into the importance of petroleum in relation to national defense. For several months the Special Subcommittee on Petroleum listened to testimony from oil company executives, former and current cabinet members, engineers and geologists to better understand the role that oil had played in World War II. In his report to the Chairman of the House Committee on Armed Services, Representative Dewey Short (R-MO) reflected not on the success of World War II, but on the future:

You realize, of course, ... that oil is a basic element in our foreign policy. In some very important respects, oil contains the seeds of war. It is the very lifeblood of our military strength. Nor need I more than remark that for a nation on wheels, as is ours, oil has become, to a greater extent than anywhere else in the world, an imperative to national health and vigor.\(^1\)

Though no laws were passed, salacious improprieties revealed, nor indictments rendered from this investigation, the testimony from businessmen and government employees alike revealed that cooperation between the private oil industry and the federal government had provided the key to fueling American military and civilian mobilization during the war. These efforts derived mainly from the exigencies of the overwhelming threats of German and Japanese aggression. The years preceding World War II had been fraught with conflict between the federal government and the oil industry, and the pressure to defeat fascism did not erase the tensions of the immediate past.\(^2\) Instead these tensions were temporarily antagonism subsumed, as oil industry leaders worked under government direction in the Petroleum Administration for War (PAW) to fuel the Allied armies and the American economy in pursuit of victory over the fascist cause.

After the war, American troops returned from Europe and Asia to find a growing economy in rapid transition to peacetime production. New housing developments in suburban areas meant increases in gasoline consumption as automobiles became the dominant mode of transportation. Civilians, weary of years of fuel rationing imposed by the war, consumed petroleum products with gusto. However, in Europe, rationing remained in effect as countries struggled to rebuild devastated economies. The United States and its western allies feared Communism and socialism would take root in currently democratic and capitalist nations if they did nothing to allay the poverty and suffering of European peoples.

In June of 1947, Secretary of State George C. Marshall announced that the United States would undertake a European

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\(^1\) House of Representatives Special Subcommittee on Petroleum of the Committee on Armed Services, Reports of Investigation of Petroleum in Relation to National Defense. 80th Cong., 2nd sess., November 1, 1948, p. 6053.

\(^2\) During the New Deal, oil companies and the federal government frequently clashed over proposed new federal regulations, including attempts to institute a moratoria on oil production, regulate interstate oil transportation and pass a Petroleum Conservation bill through Congress. Throughout the 1930s the petroleum industry had mounted serious opposition to these efforts, some of which were victorious. These fights resulted in a highly antagonistic relationship between the Roosevelt administration and the industry. During World War II, oil executives and Harold Ickes, FDR’s Petroleum Administrator, deliberately put aside their personal and political antipathy to coordinate efforts to defeat the armies of Nazi Germany and fascist Japan. Igor Kavass and Adolf Sprudzs, ed., A History of the Petroleum Administration for War 1941-1945 (Washington D.C.: United States Government Printing Office, 1946), p. 12.