

“Taking a Nickel Out of the Cash Register”: Statutory Renegotiation of Military Contracts and the Politics of Profit Control in the USA during World War II

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Abstract

Starting in 1942 (and ending in the mid-1970s), American military contractors were subject to a surprisingly invasive and apparently illiberal regulation of their prices and profits: statutory renegotiation. Under the novel renegotiation law that Congress enacted in 1942, military procurement authorities were given the power to demand ex post price reductions from contractors. Applied to thousands of major military suppliers, renegotiation became an important and highly controversial mechanism for price and profit control in the World War II economy. An essential but poorly-remembered piece of the story of the economics and politics of the giant U.S. industrial mobilization, the record of statutory renegotiation also compels us to revise traditional accounts of government-business relations and state formation in the modern United States. While these traditional accounts have described World War II as a time of integration and alliance between corporations and the national state, the history of renegotiation shows a different wartime dynamic, in which state regulation of business became increasingly intrusive and far-reaching. Although much of the business community accepted this state of affairs in the short run, the struggle over renegotiation fueled a growing anti-statist politics, which after the end of the war emergency would become even more powerful.