

RELATIONS BETWEEN CIVILIAN AGENCIES, WAR, AND NAVY DEPARTMENTS

24 September 1946

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THE INDUSTRIAL COLLEGE OF THE ARMED FORCES

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CAPTAIN WORTHINGTON:

The speaker this afternoon is Mr. Elmer Staats. Since the beginning of the war he has been in charge of estimates work successively for the War Production Board, the Office of Price Administration, the Office of Economic Stabilization, the Office of War Mobilization and Reconversion and several other civilian agencies. He has been closely associated with the development of the wartime relationships between civilian agencies and the armed services and has been in an unusually fortunate position to become informed in the activities in the fields of production and procurement.

Mr. Staats is the group head of the Estimate Division of The Bureau of the Budget, Executive Office of the President. His subject is "Relations Between Civilian Agencies, War, and Navy Departments."

MR. STAATS:

Captain Worthington and gentlemen:

Introduction.

I have been asked to speak to you on the subject of the relationships between the various civilian agencies and the War and Navy Departments during the World War II. I understand that these discussions are quite informal in character and that the primary purpose of this particular discussion is to point up certain general problems of the relations between various agencies in mobilizing for and waging war. When I have finished my paper I shall be glad to try to answer any questions relating to the general subject. Before I start, however, I think it well to emphasize that the views which I will express are personal views and do not represent conclusions reached by the Bureau in connection with its responsibilities for agency organization. Since the scope of the subject is very broad, I have chosen to stress primarily the relations between the economic control agencies and the War and Navy Departments, and I hope you will understand the necessary very general treatment of the subject. I shall trace first, very briefly, the development of the war organization to emphasize its gradual evolution and consequently the difficulty presented in advance organization planning. Secondly, I will refer to some of the common problems of both the civilian and military agencies in wartime and, finally, raise several questions for planning future war mobilization.

PART I

Development of Organization for World War II did not reach its full development until the end of 1943. From the time of the Munich Crisis in 1938 until that date, the Government was in the process of developing first, machinery to study the problem of war mobilization, then machinery to advise

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the President on problems of national defense, which was followed by a period of intense preparation for full-scale war following Pearl Harbor, and finally, a fully-developed war organization following greater knowledge as to our resources and the scope of the war itself. In general, the development of war organization paralleled the pattern of development of World War I organization. The World War I development from a weak National Defense Advisory Commission to a stronger War Industries Board, and to an even stronger **Second War Industries Board**, was paralleled in World War by the development from a weak National Advisory Commission to the Office of Production Management to the Supply, Priorities and Allocation Board and, finally, the War Production Board. In both cases the development was from an agency of an advisory and planning character to one with great authority and responsibility.

There are probably many reasons, which have been fully discussed in previous sessions, as to why the lessons learned from World War I experience and the recommendations of the War Resources Board were not used to a greater extent in establishing the organization for World War II. However, I wish to stress that a full understanding of the development of World War II organization cannot be had except in terms of the manner in which this country was drawn into the war, our lack of appreciation of the full magnitude of the war and, finally, the climate of American public opinion which was highly optimistic as to our ability to avoid war and strongly opposed to any overt act on the part of the Government which might be construed as indicating a warlike intent. One must realize that responsible officials in the legislative and the executive branch were, in a very real sense, restricted by or motivated by the same factors which prevented the institution of a full-scale wartime organization as soon as it became clear to our leaders that war was probable.

We must look at the organization of World War II then as one which developed gradually from day to day events rather than one which represented the best thinking of those who were responsible for planning and advising on the most effective wartime organization. The period from 1938 to 1940 may be characterized as one of the most general kind of planning for national defense. It was a period of intense debate as to the position of this country with respect to the expansion of Germany. The first organizational move was the establishment on May 28, 1940, of the Advisory Commission to the Council of National Defense within the Office of Emergency Management which had been made a part of the Executive Office of the President under Reorganization Plan I in 1939. The Council of National Defense incidentally had been established by Act of Congress in 1916, virtually as a committee of the President's Cabinet. The principal purpose of the Council and of the Advisory Commission was to advise the President on various aspects of the economy concerned with mobilizing the country for defense--to assure priority for the delivery of materials for Army and Navy contracts, to study labor requirements, and to stabilize the cost of living. In a real sense the NDAC provided the nucleus for later wartime organization. Mr. Knudsen who had advised the President on industrial production became Director-General of the OPM in January 1941, Mr. Henderson who had advised on price stabilization became head of the OPACS established in April 1941; also in 1941 were established such agencies as the Office of Defense Transportation, the National Defense Mediation Board, the Economic Defense Board which later became the

Board of Economic Warfare, the Division of Defense Housing Coordination and the Petroleum Coordinator for National Defense. There was also established a special Information Division, a Research and Statistics Division, a Division of State and Local Cooperation, and a Tax Certification Section--all under the NDAC within OEM. A Selective Service System was established pursuant to Act of Congress; an Office of Export Control was created directly under the President to screen export licenses, the Treasury Department was asked to exercise control over foreign aircraft orders, and a special Office of Coordinator of Inter-American Affairs was established to promote hemispheric unity. The RFC was brought into the picture to help develop stockpiles and in the manpower field a program was established for training within industry. Also an important step was taken in establishing the Defense Research Council. The establishment of these agencies came rapidly; there was no effective point of coordination below the President; and there was considerable confusion as to lines of authority and jurisdiction.

Beginning in 1941 with the establishment of the Supply, Priorities and Allocations Board, there was a recognition of defense preparations and defense procurement was reaching proportions having a definite limiting effect upon goods and services available for the civilian economy. The establishment of SPAB, including representation of the Secretary of War and Secretary of the Navy along with other civilian agency heads, was designed to determine total requirements of materials and commodities needed for defense and to establish policies for the fulfillment of those requirements; and to determine policies and regulations governing allocations and priorities in the production of materials for all aspects of national defense including power, fuel, defense aid and civilian supply. It was a planning agency and dependent upon OPM to carry out its directives. The Chairman lacked the necessary authority to make the agency effective and it became necessary to supersede it on January 16, 1942, with the WPB. Except for petroleum, the responsibility for which had been placed in the Secretary of the Interior, and the prices, the responsibility for which had been placed in the OPA, the WPB was designed to establish a point of authority and coordination over war production. The Chairman was authorized to exercise general direction over war procurement and war production; to determine policies, procedures and methods of Federal agencies in obtaining supplies; and to report to the President on the progress of war production and war procurement. The Board's authority could have been interpreted broadly to have authorized the Chairman to transfer all army and navy procurement activities to the WPB. As such it went further than any steps contemplated by any peacetime industrial mobilization plan. It became necessary to reach an agreement with the Services as to their relative areas of responsibility, and such an agreement was reached in March 1942 with the War Department, soon to be followed by a similar agreement with the Navy Department, under which the War Department estimated military needs for supplies and equipment and translated these needs into requirements for resources, including raw materials, plants, tools, and labor. It was understood also that the War Department would expedite production for military items, components and sub-assemblies where there was no conflict with the procurement of other agencies. It was to conserve materials and manpower by substitution, simplification, and standardization. And most important of all, it undertook to purchase supplies including the negotiation, placement, and administration of contracts.

R E S T R I C T E D

Simultaneous with the development of the WPB in the critical year 1942, both the War and Navy Departments were extensively reorganized and the combined boards were established containing civilian and military representation to develop coordination with the United Kingdom and for the development of joint defense plans with Canada. The civilian agencies likewise shifted from a national defense to a wartime basis by the establishment of a War Manpower Commission and a War Shipping Administration. A Smaller War Plants Corporation was established by Act of Congress to assist small business in making an adjustment from peace to war. A Petroleum Administration for War and a Solid Fuels Administration for War were established. The rubber crisis led to the development of a semi-autonomous Office of the Rubber Director within the WPB. And a National Housing Agency was established to more effectively combat the housing shortage. The Lend-Lease and foreign procurement activities and the control of imports and exports passed from various agencies into a Foreign Economic Administration reporting direct to the President. The Office of War Information likewise reporting to the President had been established to coordinate information activities at home and to assist the military agencies and the Office of War Information in development of an information program directed at occupied and enemy countries. The President transferred the priorities powers relating to food and foodstuffs from the WPB to a War Food Administration established within the Department of Agriculture. By the end of 1943 the principal wartime agencies had been established; but it was also clear by the end of this period that the WPB lacked the authority and responsibility to exercise the necessary direction over those aspects of the economy which related to the conduct of economic controls necessary for war. The President, therefore, faced the serious problem of coordination at a level above the WPB. The head of the Office of Economic Stabilization, which agency had been made necessary as the result of need for coordinating wages and prices and the division of authority relative to the price of foods between the War Food Administration and the Price Administrator, was appointed in 1943 to head a newly established Office of War Mobilization. The various agencies concerned with war mobilization, including the Secretary of War and the Secretary of the Navy, were represented on a War Mobilization Committee; the Chairman of the Committee had broad authority to develop unified programs and establish policies for the maximum use of the nation's industrial resources for military and civilian needs; to develop plans for effective use of manpower; for economic stabilization; and generally to adjust the economy to war needs and conditions. While the priorities powers remained in the Chairman of the WPB, the Director of OMMR had authority to issue directives governing the use of such priorities

PART II

Specific Areas of Operating Relationships Between Military and Civilian Agencies During World War II.

This part of my paper is devoted to pointing out some of the principal areas of operating relationships between civilian control agencies and the military agencies during World War II, which would need to be taken into account in mobilization planning or in planning the organization for another war.

5. Allocation and Priorities Controls Over Materials.

WPB through allocation controls, preference ratings, and the controlled materials plan channelled materials to munitions and the other essential civilian production. The military services insisted upon issuing authorizations for materials to prime and subcontractors producing military end items. In general, the military services distributed materials under general allotments from the WPB to their own prime and subcontractors, whereas the WPB distributed materials to producers of common components and essential civilian items.

The principal departure of the CMP from previous materials controls plans was the allocation of materials through the procurement agency rather than direct to the contractors. From the WPB standpoint this feature was particularly helpful since it resulted in a major incentive for the procurement agencies to tailor production programs to fit available supplies.

6. Production Expediting and Scheduling.

In general, the military services assumed responsibility for expediting production of military end items, whereas WPB had responsibility for expediting production of raw materials, machine tools, general industrial supplies, and essential civilian items. WPB assisted the services in expediting military production through breaking supply bottlenecks through priorities assistance, engineering "know-how" and enforcement of priorities regulations. The War Manpower Commission, in cooperation with WPB, established a training within industry program. WPB stimulated the establishment of plant labor management committees to improve labor relations and increase production. In addition, WPB provided management consulting services to industry primarily to promote the adoption of wage incentive programs. WPB played an important role in refereeing competition between the procurement services for the capacity of individual plants through scheduling components and freezing schedules.

7. Conservation, Salvage, Simplification, Standardization and Research.

These functions were designed to increase production within available materials and capacity and to promote the utilization of existing materials and facilities, labor and plant capacity. Although primarily a responsibility of the WPB, the military agencies again assumed responsibility with respect to the production of military end items. WPB issued periodic lists of critical materials to be used by the services in their conservation programs. The OCD aided materially in the salvage program by enlisting the cooperation of state and local governments in connection with such critical items as paper, iron and steel scrap, cordage and rubber. Although the military services had extensive programs for simplifying and standardizing military items in order to conserve materials and achieve more efficient production, WPB rendered substantial assistance to them in achieving these ends.

8. Redistribution and Control of Inventories.

WPB attempted to move frozen inventories and excess quantities of materials, tools, and equipment to plants producing urgently needed war munitions. The services conducted internal and interagency redistribution programs. In general, WPB established maximum limitations on inventory levels of critical materials and regulations for the sale of such materials.

9. Requisitioning of Plants and Materials.

WPB certified the need for requisitioning of materials and plants for war production purposes on actions initiated by the military. Actual disposition of the requisitioned materials was handled at times by the military agencies, other times by RFC or WPB.

10. Relating War Production to Manpower Controls.

WPB was originally assigned responsibility for labor recruitment, but with the establishment of the War Manpower Commission in April 1942, this function was transferred to that agency. It was essential that the two agencies work closely together and to facilitate this the WPB continued the Office of Labor Production to help in working out bottlenecks in specific plants and an Office of Manpower Requirements to assist in translating WPB production goals to the number and types of workers required. In order to assist the War Manpower Commission in getting labor to points where it was needed most, the WPB periodically revised the Production Urgency List. It also advised with the Selective Service System in determining which workers were most essential in war industries. It further certified to the War Labor Board on occasion requests for wage increases which it considered necessary to assure adequate labor supply to essential plants.

11. Maintenance of Adequate Civilian Supplies.

The Office of Price Administration and Civilian Supply, and later the Office of Civilian Requirements within the WPB had responsibility for determining the quantities and types of civilian non-food items essential for maintaining the civilian economy. The War Food Administration was charged with the responsibility for determining civilian requirements with respect to food and food stuffs. Likewise, the ODT, the PAC, SFAW, and NHA were responsible in their respective fields for maintaining essential supplies for the civilian economy. The role of military services was to call attention to specific commodities which they believed non-essential.

12. Inter-Allied Controls and Allocation of Materials and Other Resources.

Combined committees and boards with both civilian and military representatives were established for the principal purpose of allocation of materials and other resources between this country and its allies. These combined committees and boards were tied very closely to the agencies charged with production in each country.

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13. Import and Export Controls.

The Board of Economic Warfare and later the Foreign Economic Administration in collaboration with the State Department and the RFC were responsible for increasing imports of critical materials in short supply in this country and for controlling exports of commodities necessary for the prosecution of the war. The specific commodities to be controlled were established by the WPB. The FEA also had important responsibilities for economic warfare through use of such devices as preclusive buying and the preparation of analyses for the military services with respect to such activities as strategic bombing.

14. Economic Stabilization--Control of Prices, Wages, Credit and Purchasing Power.

The maintenance of stable prices and wages and controlled inflation had an important bearing upon placing contracts and the cost of military items as well as having important bearing upon worker efficiency and morale. OPA price controls applied to a large number of items of common use by military and civilian agencies. The bulk of military end items and components were exempted from specific controls and such controls as were maintained were through the devices of negotiated prices, renegotiated contracts, and through repricing of contracts. While the Services had responsibility for contract pricing, the Procurement Policy Board, chaired by the WPB and including representation from the OPA, was authorized to issue governing general policies. The WPB, the Federal Reserve Board, Treasury Department, and many other agencies had responsibilities for the stabilization program; all made essential because of the increased volume of wartime expenditures and reduced production of civilian goods.

15. Maintenance of Civilian Protection, Internal Security, and Civilian Morale.

While the protection against enemy invasion was the responsibility of the Armed Services, the OCD, the FBI, and OOC, and the OWI had important responsibilities for assisting the military in mobilizing civilian groups in connection with such matters as the civil air patrol, air raid precautions, the maintenance of essential community services, salvage, etc.

16. Reconversion Planning and Demobilization of War Controls.

Principal responsibility for reconversion planning was exercised by the WPB. Actions taken by WPB in advance of the end of the hostilities included: (1) resubstitution of prewar materials in products; (2) resumption of a small amount of programmed civilian production; (3) authorization for continuance of civilian production after military requirements had been met; (4) relaxation of restrictions on aluminum and magnesium; (5) relaxation of restrictions on production of machine tools, other capital equipment, and experimental models; (6) relaxation of restrictions on single plant production of civilian articles known as the spot authorization plan.

Reconversion planning required participation of the military services in giving civilian agencies advance notice of military cut-backs so that adjustments could be made in relaxation of orders and redistribution of labor forces and in the development of reconversion pricing policies.

The military services had a great stake in reconversion planning because of the psychological effect it would have as indicating the early end of the war and the fear that the needed munitions production would suffer through the efforts of manufacturers to resume civilian production at the earliest possible date. To avoid this, military agencies exercised great influence in the WPB against premature authorization of civilian production and relaxation of wartime controls.

Two very important aspects of planning for the termination of hostilities are the settlement of war contracts and the disposal of surplus property. After extensive hearings the Congress passed legislation on both subjects and established central policy agencies to carry out the provisions of the statutes, an Office of Contract Settlement and a Surplus Property Administration. In both cases careful advance planning was necessary if the jobs were to be done speedily. It was necessary to estimate reductions in requirements for war materials which would occur under varying assumptions as to the military situation and, finally, the preparation of tentative schedules of contract termination, plant by plant, to adjust war production accordingly. Since such planning had to be based upon strategic assumptions to a large extent, and because the contracting officers were most completely familiar with the contracts themselves, it was logical that a large part of the planning and operational aspects of the job should be done by the Services themselves.

It was originally contemplated that the role of the OCS and the SPA would be to assure uniform policies as between contracting agencies and to provide a point of consultation with the civilian war agencies--War Manpower Commission, SWPC, WPB, OPA, etc.

The rapid and effective work which has been done in the field of contract settlement offers rather sharp contrast to the more cumbersome arrangements and slower progress in the disposal of surplus property. Even after taking into account the difference in the nature of the two jobs, I am of the opinion that the surplus disposal program could have been handled more effectively by the procurement agencies themselves than through a series of separate specialized disposal agencies.

PART III

General Questions Relating to Future Wartime Organization.

1. Should there be established a central agency with responsibility for controls over all economic resources--transportation, labor, prices, production, distribution and communications?

A central economic control agency in wartime has many advantages. This plan is generally considered to be a conclusion of Bernard Baruch and is similar to the plan recommended by the War Resources Board in cooperation with the Army-Navy Munitions Board which made its report in 1939. It also

represents the conclusion of the Subcommittee of the Senate Committee on Military Affairs established to study war mobilization in 1943. Such an agency would clearly centralize responsibility; it would provide for more consistent policies and the earlier resolution of problems which during the past war became the subject of inter-agency differences in policy and procedure. It would also enable industrial groups to deal with a fewer number of agencies in the Government on such matters as manpower, prices, wages, and priorities controls.

Against these advantages must be weighed the difficulties of organizing a central agency which would embrace all types of economic controls. When an agency becomes too large in size, the result may be cumbersome machinery and consequent inability to act with dispatch. Further; separate agencies often provide a check and balance arrangement which is desirable provided that an effective point of decision is available to resolve differences speedily. Witness the great efforts on the part of the OPACS in the defense period in forcing the OPM to push for greater conversion to war production; witness also the influence of the military agencies in obtaining more drastic curtailment of civilian production after Pearl Harbor. One of the most interesting organizational developments growing out of the war was the tendency for the industry and the Congress to try to push for separate agencies to deal with particular problems or industries--a rubber czar, a petroleum czar, a solid fuels czar, a transportation czar, etc. We must recognize also that the element of personality enters heavily into organizational determinations of this character. It was natural that the individuals composing the original NDAC should play a major role in helping to organize such programs as transportation, prices, production, and food. But most important of all is the factor of gradual evolution of war organization from a defense to a period of full-scale war. In the event of a sudden devastating attack, however, such a gradual evolution would not take place and a central war agency might be more easily achieved.

2. Is a central civilian procurement agency for military items needed?

The Executive Order establishing the WPB was generally interpreted to give the Chairman authority to place contracts directly if he had chosen to do so. By the time WPB was established, however, several billions in war contracts had already been placed by the Services, and it was generally considered unwise to change the procedure, for this reason if for no other. It has been argued that the placement of the procurement activities in a supply agency would free the military for singleminded attention to war strategy. It is also argued that in another war when materials may be far more short than they were in this war, it will be necessary to place the procurement responsibility in a single agency to provide a more precise relationship between changes in design, procurement, and production scheduling if we are to obtain the maximum use of manpower, materials and facilities. It is further argued that only in this way can the proper balance between the needs of the various services be achieved. In the opinion of Baruch and Nelson these arguments are far outweighed by the need for a day-to-day relating by the Services of changes in design, specifications, and requirements to meet technical improvements and battlefield strategy. The sense of

urgency which is placed upon an agency for fighting a war could probably never be fully transferred to a civilian procurement agency. While a procurement agency undoubtedly must adjust its program to meet over-all production deficiencies, changes in production schedules, etc., these factors can best be translated into specific terms by the Services rather than by a central supply agency. At the same time, however, if materials are extremely short, there must be some more effective method for the central supply agency to review contracts on a current basis and to be in a position to require cutbacks in specific contracts if necessary. Without this, over-extension of available materials could very well result in partial completion of a number of programs and the consequent delay in the completion in programs of equal or greater importance.

- 3. How much control should be exercised by a civilian agency over such matters as military requirements, design, specifications, scheduling of common components, and scheduling of military end items?

The principal argument in favor of maximum control in these areas by the civilian agency is the need to balance competing military demands with each other and particularly to balance the military against competing civilian requirements. The civilian agency should be in a position to question the desirability of frequent changes in design and specifications which may not add materially to the value of the product. It is extremely difficult, moreover, for a civilian requirements agency to determine the needs of the Army in relation to the Navy and Maritime Commission for steel except in terms of the scheduling of common components and military end items. The civilian claimant agencies, moreover, in presenting requirements for such matters as housing, transportation, farm machinery, etc., would never feel that one claimant such as the Maritime Commission, the Army or the Navy, is completely aware of the importance of their respective areas to the war effort. The question of the extent of civilian versus military control of requirements, specifications, scheduling, and contract placement is one of the most difficult in the entire field of organization of the war program. Even if the military had competence to do so, it could not persuade the public or industry that its judgment on the need for civilian goods is equal to that of an ODT, a WFA, a PAF, or an NHA. Again it is important to emphasize the necessity for coordinating machinery built around a central civilian agency and the necessity for full exchange of views as among all claimant agencies.

- 4. How much should the head of a civilian production agency know of over-all military strategy?

It has been argued that the head of a civilian production agency cannot effectively determine among competing claimants for materials or upon production schedules unless he has fairly close knowledge of the plans of the military with respect to over-all strategy. Into this strategy must be geared supply programs for food, transportation, shipping, and all other factors involved in the conduct of war. Mr. Nelson testifies in his recent book that at no time was he informed of the over-all military strategy. The President in wartime is the common head of civilian and military agencies

and, of course, must know the military strategy; I simply raise the question whether it is sufficient that he alone attempt to relate the civilian and military aspects of the war program. Many arguments between WPB and the Services might have been terminated earlier and a greater sense of urgency achieved in the civilian agencies if secret information available to the military had been also available to the head of the WPB.

- 5. To what extent should use be made of permanent departments and agencies in wartime?

Another major problem in organizing the war effort was the extent to which new defense and war activities should be placed in existing governmental agencies. It can be argued that for most activities in wartime there is a logical peacetime agency to administer them. However, more detailed study may emphasize important differences; in the first place, most peacetime activities must continue to be carried on in wartime and wartime activities must be made the additional responsibility of the agency. But is the particular agency head best suited for a wartime program? New devices must be developed, different personnel with different background must be employed, organizational lines must be flexible and a sense of urgency which may be difficult to acquire overnight must be had. In the case of food, petroleum, and fuel controls placed in the regular departments, actually separate agencies were created to handle them.

- 6. What are the limitations upon the development and maintenance of a detailed mobilization plan?

Perhaps the most important limitation upon the development and maintenance of a detailed mobilization plan is the one already mentioned, namely, the gradual evolution from peace to war which may occur and the difficulty of organizing during a peacetime period a definite organization plan which would be most effective in time of war. Perhaps this difficulty could be overcome if legislation existed which would give the President authority to establish certain basic agencies which in a period of full mobilization could be expanded and fully developed. Uncertainties as to legislation which Congress will initiate, political difficulties involved in proceeding rapidly to establish agencies or to institute controls and, finally, the tendency to organize activities around given personalities will always be limiting factors in the development of detailed mobilization plans. It occurs to me that the principal contribution of an economic mobilization agency would be not so much to define in detail an organization plan, a logistics plan, etc., as to define the kinds of problems that must be solved, factors to be taken into account; in other words, a check list together with guides representing an appraisal of the experience of World War II adjusted to current knowledge of warfare methods. In my opinion, we cannot assume a full-blown wartime organization immediately upon the outbreak of war even in an age of atomic weapons and guided missiles. It takes time to employ people, to obtain appropriations, to find space, to obtain supplies and equipment, to draft regulations, to form industry advisory committees, and so on. I would suggest, therefore, that instead of attempting to formulate a detailed organization plan, that mobilization planning emphasize primarily such problems or techniques as the estimation of

military requirements, scheduling of production and mobilization of manpower, which will be present regardless of the type of organization formulated to administer it. This in no way would prevent the careful analysis of weaknesses of the organization of the civilian agencies and their relation to the military agencies for use as guides in the event of future war. For example, failure to integrate civilian agencies into a single agency embracing prices, production, manpower, wages, and transportation should be studied carefully. The tendency to establish czars over rubber, petroleum, transportation, fuel, and food despite their advantages probably could have been achieved more effectively within the framework of a central mobilization agency. Only after time-consuming delays and disputes was there a recognition of the problem which forced the establishment of the Office of War Mobilization.

I suggest also as an area for study the failure to take sufficiently into account human factors in mobilizing full production. The overcrowding of industrial facilities into areas lacking housing and community facilities invited congestion, hardship, and lowered production. A further area of particular importance to civilian agencies was the lack of a plan for demobilizing economic controls. Both VE and VJ Day found us relatively unprepared with respect to the policy for cutbacks in war production, the disposal of surplus property, and the use of manpower controls to channel employment back into civilian production. OPA and WMC were both far behind the WPB in realizing the full effect of the end of hostilities. I suggest for particular study the civilian defense function and the use of civilian agencies, federal, state and local, in the event of another war. If the warning of many military leaders is correct, and I am inclined to feel they have underestimated rather than overestimated the full importance of this subject, we face a serious problem of civilian defense in the event of another war. Should the military have full and complete control of communities subject to bombing attacks and to what extent can we rely upon these communities to plan their development and activities to prepare for bombing attacks in a minimum of time?

With respect to the war mobilization agency itself, what should be its role in helping to establish a war agency organization. Is it possible to provide in such an agency a nucleus of experts in these various fields which could be expanded into a fully-developed war organization? Is it possible to use industry advisory committees in planning for war mobilization which could likewise be utilized in time of war? Finally, study should be given as to what contingency or stand-by legislation should be requested as a part of a mobilization plan. Should blanket authority be given the President to establish agencies without specific legislative authorization? Most of the agencies established during this war were created by executive order and placed under the fairly nebulous Office for Emergency Management. Study should be given to whether present legislation dealing with such matters as requisitioning, stockpiling, manpower mobilization, economic stabilization is deficient and how far we should go in legislating on these matters in advance of a period of war mobilization itself.

MR. STAATS:

This concludes the written part of my paper. I appreciate very much having the opportunity to appear before you. If there are any general questions, I will be very happy to try to answer them; two of my colleagues are here with me. If I can't answer them perhaps they can.

A STUDENT:

I haven't so much question as comment. This is on the subject of procuring agencies--regarding the disposal agencies, the press and the politicians have taken quite a lot of time in criticizing those disposal agencies, and I don't think it is well for national security that either the Army or Navy procuring agencies should be the disposal agencies due to the lack of confidence that may be raised just because of the trial that they bring out in the papers.

MR. STAATS:

I didn't intend to convey the impression that I thought that these policies should be laid down by the procurement agencies. I think Congress in establishing the Surplus Property Administration did a very desirable thing. That agency, as you may recall, is located within the Office of War Mobilization and Reconversion. The principal difficulty that I see of having a separate agency dispose of the property is the length of time it takes to establish the organization and get personnel who are familiar with the location of the property itself, its value and probable market sources as quickly as it could be done in the agencies that purchased the property originally.

I realize that demobilization came rapidly and a lot of these people were lost within a few weeks or months but the job is largely an administrative job in a period such as we have now. We don't need high pressure salesmen to get rid of property. All that is needed is to get it out and let people buy it. I am aware of the factor that you mentioned--the political criticism--but I think that if left within the Army and Navy particularly we would have been saved that kind of criticism, provided we had a central policy agency in the picture such as the Surplus Property Administration or Office of War Mobilization. I know there is a sharp difference of opinion on that subject.

A STUDENT:

Who do these special czars report to, like the rubber czar and so on?

MR. STAATS:

Before the Office of War Mobilization was set up in 1943, they all reported directly to the President and the President was the only agent of the government who was a common superior to them.

I might talk a little more on that point since it does get right at the nub of this whole issue. Instead of establishing an Office of War Mobilization to begin with, which could act for the President in reconciling different views among the agencies, we had to wait until we had established a large number of agencies with almost co-equal authority before the situation was recognized, and we did establish an Office of War Mobilization.

I might add too this thought, that the Office of War Mobilization was conceived by the first two heads of that agency as largely a judicial function. It had a very small staff of less than fifty people. They couldn't do a great deal by way of formulating plans and programs with that size of agency. About all they could do was hear disputes between agencies and attempt to settle them. Occasionally they did get into specific problems. I believe at one time there was a cutback in ships. I believe it was a paper cutback, if I recall the details correctly, but the cutback in ships was ordered by OWM in late 1943. There were a few cases of that type but it operated largely on the basis of settling disputes between the various agencies.

A STUDENT:

Would you comment on the control over procurement exercised by Smaller War Plants?

MR. STAATS:

Yes, I would gladly comment on that. These other gentlemen here might like to comment on it too (referring to Mr. Zehring and Mr. Bast).

As you may recall, the pressure to distribute contracts to small firms started early in the war as small businesses were denied materials. They found that they were unable to get materials--and at that time WPB set up a contract distribution service which was designed, as I recall it, to aid the procurement agencies in placing contracts and pointing out to them that certain small firms were in a position to supply needed war production items. That proved to be unsatisfactory from, you might say, a political standpoint and there was set up a Smaller War Plants Division in WPB.

Now, perhaps you gentlemen (referring to Mr. Zehring and Mr. Bast) could help me in explaining the original authority of that Smaller War Plants Division, but it proved to be unsatisfactory to the Congress and they established in 1943, I believe--

MR. ZEHRING:

(Interposing) 1942

MR. STAATS:

(Continuing)--a Smaller War Plants Corporation, which had specific authority with respect to placement of war contracts.

I know there is a real difference of opinion on the subject. I have heard the opinion expressed many times that contracts would have been distributed by the procurement agencies themselves to small businesses without the necessity for an outside governmental agency, and that it came about as the necessary result of stepped up war production.

(To Mr. Zehring and Mr. Bast) Do you want to comment on that?

MR. BAST:

I just wanted to add there that the original Smaller War Plants legislation authorized the corporation to take prime contracts if necessary and pass them out to small manufacturers. Those contracts, however, had to be certified by the head of WPB.

MR. STAATS:

The prime contracts that they entered into were very few in number. I believe there was one for furniture. There was one, I believe for--

MR. BAST:

(Interposing) --cement bombs

MR. STAATS:

(Continuing) --for bombing practice. There were a few others. Outside of that, my impression--perhaps you have some particular experience from visiting Smaller War Plants Offices in the field is that they were largely needlers in dealing with procurement agencies. They would bring them a list of firms that could produce a given item and try to get them to place contracts with those firms.

A STUDENT:

I am glad you used the word "needler."

MR. STAATS:

I think that the Smaller War Plants organization was not the only needler organization in the government during the war.

A STUDENT:

I would like to know if you would comment on how Metals Reserve with the Bureau of Mines operated in conjunction with mines that they explored.

MR. STAATS:

I don't have too much of the details on how Metals Reserve Corporation operated. My impression was that Metals Reserve was engaged in a program largely of overseas procurement.

(To Messrs. Zehring and Bast) Do you gentlemen have anything on that?

MR. BAST:

I don't think so.

MR. STAATS:

I am afraid we can't comment too much on that.

A STUDENT:

What is your comment on the knowledge that the head of the War Production Board must have over-all strategy? Wouldn't it also be necessary for the War Production Board to have full knowledge of expenditure rates, inventory, stock levels, to make a decision as to the controversies?

MR. STAATS:

I believe he did have pretty good information on those subjects. The Program Bureau of the War Production Board and the Division of Research and Statistics, I believe, had a pretty comprehensive picture of the expenditure side particularly. I believe that knowledge of inventories was never quite as complete.

MR. BAST:

That is right. It was continually a question of stock levels in the pipeline and so on. I know that the stocks overseas, of course, were something that WPB just didn't have adequate information on.

MR. ZEHRLING:

I think you might add, Mr. Staats, that the Army and Navy always seemed to be a little reluctant to give up such information.

A STUDENT:

They didn't have it.

A STUDENT:

As I understood the picture, they used as an expenditure rate to the War Production Board both their stockpiling reserves overseas and that which was actually spent in operation, so it wasn't quite a true picture that was placed upon the Production Board as to the expenditure rate.

MR. STAATS:

In other words, it did not segregate materials being procured for stockpiles and materials going direct into war production. I had the impression that at least they had an estimate on that even though the information may not have been as complete. I don't know that I have too much specifically to add to that point; do you, Bob?

MR. ZEHRING:

I think what you said generally is true. My impression, as Mr. Staats stated, is that WPB's inventory information on stock levels was very incomplete and perhaps it goes back to the fact that the Army and Navy didn't have that information, although I recall at times when the Army and Navy did have it and were most reluctant to give it up to a civilian agency, perhaps also for good reason, but it had the effect frequently of handicapping WPB's role in distributing materials, in my opinion.

MR. STAATS:

I would like to add one further point on that, if I might. That point goes to this general question as to whether the War Production Board or civilian supply agency should have the authority to exercise review in the placement of contracts and question the rate at which contracts were being placed in order to avoid overextension of contracts as against available supplies. Currently the only parallel we have on that is the situation now existing in case of housing where we have overextended the authorizations to produce beyond available supplies; and the result is we have partial completions on thousands and thousands of houses, and we cannot go ahead and complete those that are most urgently needed.

Now we didn't actually face, I don't believe, that same kind of situation during the war, but information that I have is that at no time, even with material cuts by WPB, did the Army and Navy actually cut back any contracts that had been let or hold up the letting of contracts which had been pretty well along. In other words, there was the possibility that if the production of materials and components had not been speeded up in a few instances we would have been caught with partial completions on a lot of our contracts and would have had to wait on perhaps some very urgent items to be completed.

COLONEL GALLAGHER:

This, perhaps, Mr. Staats, is an involved question, but you mentioned in the event of a future war it would be held probable that the scarcities we witnessed in the present war would be much greater. That is a fact on which I don't think anyone could argue. During peacetime there is a little research in the field of development of new processes for utilizing substitutes, all of the various things that WPB advocated, simplification, conservation, substitution through the limitation orders, and so forth. Is there any way you know of in which a better working relation can be made between the military forces and what we think of as the peacetime government agencies in the field of research to develop more adequate supplies or substitutes for those things which we classify as critical?

MR. STAATS:

That is a tough one and a little bit out of my field. I think the experience we had during the war with Mr. Bush's organization, the Office of Scientific Research and Development, and agencies of that kind carried on into peacetime could do a great deal. I think that is primarily a job

in peacetime at least of military agencies lending such support as they can through civilian agencies such as the Bureau of Standards and Bureau of Mines and possibly other agencies that have responsibilities in that general sphere, but in wartime I think you have to do something else. I think you have to set up special, I would say, civilian machinery to do the job so that it can be tied in both with your civilian production agency and your military agency stretching these supplies as far as they will go and exerting every ounce of effort. It is very difficult to do that kind of job, it seems to me, in peacetime except by the services themselves.

A STUDENT:

May I have your comment, sir, on the possibility of the necessity for a geographical organization or regional organization that will have control over all government agencies in a particular region?

MR. STAATS:

Yes, I would be glad to comment on that. If you will recall, the Senate Military Affairs Committee dealing with the subject of war organization, included in their Draft Bill 607, a provision which would have required that all the civilian activities under control of the central agency be grouped together in common regional offices. I don't think though that they had gone into that problem quite as carefully as they might or they might have reached a little different conclusion. It is a highly desirable objective, however.

An effort was made under the Office for Emergency Management to have central regional headquarters offices for all the civilian war agencies, to house them in the same building and to provide the common administrative services for them. Now that worked only reasonably well partly because there wasn't any common head for all these agencies. You had War Production Board, Office of Price Administration and a number of other agencies. There was really no common head at all in the field. The result was that they pulled in different directions. The fact that they were in the same building helped some, but it wasn't enough. You would find also that there would be an agency that preferred to move to another city; space was better; stenographic help was easier to get, or for some reason that wasn't fundamental, it picked up and moved. There was no control, central control, to keep them in that regional headquarters office.

I personally think that a lot could be done but I think you would, in certain cases, find it necessary to have the main office of a given agency located in a city other than where the main office of the other agencies were located.

For example, the WPB and the Smaller War Plants Corporation naturally established Detroit as a principal office. It is natural to expect that they would and other agencies found that Detroit was not a main headquarters office, so I think that you could have different regional city headquarters, but common regional boundaries. This would contribute greatly in avoiding friction and bringing about better coordination in the field. I think you

could do a lot between civilian and military agencies on that score too. The only practical difficulty is that you don't have any common authority at the head of both to force them into that kind of pattern.

You have certain other factors, too, which are restrictive. You have agencies in some cities with adequate space in the Federal post office; in other cities we have several different buildings owned by the government. So it is really a pretty tough thing to work it out except over a long period of time.

CAPTAIN WORTHINGTON:

Thank you, Mr. Staats, for a very interesting lecture.

(15 Oct. 1946--200)L