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ORGANIZATION FOR ALLOCATIONS AND PRIORITIES

19 November 1947

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ORGANIZATION FOR ALLOCATIONS AND PRIORITIES

19 November 1947

GENERAL McKINLEY: Gentlemen, today we continue with the tenth in the series of lectures carried through the course under the cognizance of the Organization and Administration Division.

Our lecturer is a graduate of Massachusetts Institute of Technology and is recognized as an outstanding consulting engineer in the fields of public utility engineering and construction. He comes to us, however, on account of his experience as a colonel during the late war, at which time he was with the Army Service Forces, and later liaison officer with the War Production Board, where his assignment required a thorough knowledge of the theory and practice underlying priorities and allocations.

His subject today is, "Organization for the Administration of Priorities and Allocations." I take great pleasure in introducing to you Colonel Maurice R. Scharff.

COLONEL SCHARFF: Thank you, General.

Gentlemen, with the keen appreciation I have of my inadequacy as a speaker on organization for priorities and allocations, it was naturally a source of great gratification to me to receive an invitation to discuss the subject with you for the third successive time.

Of course, that gratification might have been accompanied by a sense of grievance because, as a result of the efficient management of your courses, I understand my remarks last year were taken down and mimeographed and have been required reading for the members of this class. So that I do not have the opportunity that I might otherwise have of continuing to repeat the same talk over and over, year after year.

But I assure you I have felt no such sense of grievance. On the contrary, this fortunate circumstance relieves me of the necessity of repeating any of the detailed references, which I made last year, to the historical development of our material controls during World War II; or to such details of the procedures and of our experience as it then seemed worth while to refer to.

Instead, I feel that, having presented that experience to you as fully as I did last year, and since you have had an opportunity to read my remarks at that time, I may pass over the field I covered in my

preceding talk with no more than a general summary, recalling to your attention the principal features of the control systems to which I then referred.

I have in mind, therefore, only to mention at this time the demonstration we had in that experience, that no single system of control and allocation can be adequate by itself to direct the complicated program that we have to carry out in time of emergency.

You will recall, too, that I referred to the limited but very essential role played by priorities in establishing the basis of distinguishing between the relative urgencies of different requirements at points of conflict, and in directing materials into channels required to meet the most urgent demands; and to the fact that, in the early periods when supply and demand are reasonably in balance, all that is necessary in order to accomplish essential ends is to recognize those relative differences in priorities.

I pointed out, however, that when demand exceeds the capacity of existing facilities, the use of priorities alone no longer suffices, and it becomes necessary to develop a control system which will be of such a nature as to exercise program control, and not merely to affect the distribution of materials and end products. Our experience with the different types of controls we tried in the late war demonstrates that the mere control of distribution alone is not enough and that a system must be found that will actually bring about program control.

In my previous talk, I also referred to the proof we had in our experience that a horizontal plan, like the Production Requirements Plan, cannot possibly yield that measure of program control which is essential, nor bring about anything like reasonable correspondence between the distribution of basic materials to the different classes of components and to the end products that enter into the requirements of both the military and civilian programs.

You will recall, too, that I suggested that over experience had demonstrated that the Controlled Materials Plan, through the wise selection of the types of materials to be controlled and through the development in a large area of a method of vertical allotment, provided the most hopeful contribution toward the solution of the problem of realizing program control such as is essential in such an emergency.

The fact is, however, that such a vertical allotment system as the Controlled Materials Plan can provide no more than what I called last year a "gross adjustment," leaving the finer adjustment of distribution to requirements to be accomplished by a variety of supplemental controls, including the direct allocation of certain selected materials outside

of the controlled materials, and available in limited quantities; the actual scheduling and distribution of certain types of components entering into a variety of end products; and a series of conservation, standardization, and limitation orders which will effect the maximum possible degree of conservation of those materials in limited supply, or which will limit the quantities of end products in the less-essential fields that may be manufactured--which may, in turn, have to be rationed in order to secure their equitable distribution--or prohibit the manufacture of those types of products which would otherwise interfere unduly with the accomplishment of the results desired.

You will recall that I suggested that all of these different varieties of controls were developed during our experience in World War II; that all of them, in some degree or other--even the Production Requirements Plan, in its relation to the B product part of the Controlled Materials Plan--were in operation to some extent at the end of the war; and that it could not be hoped that any single system of control could be developed that would take the place of these various supplemental programs.

You will recall, too, that I pointed out that while the most important result of this combined system was the degree of program control that was accomplished through the operation of the Controlled Materials Plan, the final combination of controls represented a tremendous advance over the methods with which we entered the war, and provided in many respects a reasonably satisfactory solution of the problem of meeting our requirements through the use of priorities and allocations.

Nevertheless, as I pointed out, there were some outstanding respects in which even this combined system of controls fell short. Our experience demonstrated that there were large opportunities for further development and improvement. Among those deficiencies and opportunities for improvement, I called attention to the fact that we never succeeded, in the operation of the Controlled Materials Plan, in getting away from the inflation of requirements by agencies that anticipated that their requests would be reduced and, therefore, included in their estimates quantities to offset those expected reductions.

The feature of the Controlled Materials Plan that was originally designed to serve as a check on this natural human tendency--the development, adoption, and approval of standard bills of materials for all types of products and components--was developed to only a limited extent in the use of the Controlled Materials Plan. I have felt that there were definite opportunities for improvement in this respect by further development along that line.

We never succeeded, in the operation of the Controlled Materials Plan, in making the inventory restrictions fully effective. As I pointed out last year, and as I learned from my own experiences in Germany, we definitely were more successful in that respect, in dealing with American industry, than the Germans, with all of their centralized control, were in their relations with German industrial organizations. The inventories we found in Germany at the end of the war were far more out of balance with the German inventory restrictions than our own industrial inventories ever came to be with respect to our inventory restrictions. There is, without a doubt, however, a field for improvement in our allocation and control systems so as to bring about better compliance with reasonable standards of inventory control.

Perhaps most important of the lessons which I felt we learned from our experience with the Controlled Materials Plan, and which I mentioned last year, was the fact that we never succeeded in developing programs for B product production, through that portion of the Controlled Materials Plan that corresponded with the horizontal Production Requirements Plan, that adequately kept then in balance with the production of products for which allotments were made through the A product procedure.

I came to feel--as I suggested it to the class last year--that one of the most important opportunities for the improvement of the Controlled Materials Plan lay in the direction of extending the A product procedure, through simplifying and facilitating the procedure for extension of allotments, and in that manner applying to a substantially larger proportion of the entire production system the vertical procedure which ties up the production of end products and components and subcomponents and sub-subcomponents, all the way down the line, from top to bottom, to the distribution of the basic materials.

During World War II, as I pointed out last year, suggestive proposals were made with respect to applying in this field various types of allotment currency and allotment banking, with the hope of accomplishing the result to which I have just referred, namely, simplifying and facilitating the extension of allotments. Some of these proposals would have established control through accounting methods, or through something like a banking system and central allotment bank. I always felt that these suggestions had great promise and that they were not adequately explored during World War II. So here, again, is a field for development and improvement to which I hope a great deal of attention will be paid before the time comes when we actually have to undertake the development of priority and allocation controls.

With this general review--almost entirely a repetition of what I placed before the class last year--I feel I have devoted as much time

as will be worth your while to these detailed considerations of the experience we had in World War II, of the procedures which we then developed, and of the lessons which we learned from that experience.

I would like, therefore, to devote the balance of my time before the question period begins to the discussion of one or two more general aspects of this control problem, to which I only alluded in passing in my remarks last year. I have in mind some consideration, first, of the philosophy that underlies material controls in time of national emergencies in a democratic, capitalist society; and, second, the relation of these controls to the broader program of national mobilization.

As I suggested to the class last year, in what we like to think of as "normal times," our competitive economy is a very delicately balanced system. Facility capacity, the distribution of materials and labor, and production are quite precisely adjusted to the requirements of demand. Within certain definite limits, variations of demand and supply result in the maintenance of that adjustment by additional investment or by capital withdrawal; by facility construction or shutdown; by increases or decreases in prices and wages; by redistribution of materials and labor; by financial reorganization; and by the other factors that work under the influence of competition. The accomplishments of this system, which we have come to call "free enterprise," have been one of the marvels of our age.

But we tend to forget that these more or less automatic control mechanisms, like the servo-mechanisms that engineers use to control mechanical, electrical, chemical, and physical processes and systems, can operate successfully only between the limits of variation for which they are designed. Beyond these limits the system simply cannot satisfy the requirements of a modern democratic society sufficiently, and in time, to maintain that general support which is the indispensable basis of social stability in such a society.

At such times some other action--at least for limited periods of time--is necessary to meet the situation. Since we have never developed any social mechanism, other than government, that can act effectively in such situations, this means governmental action. For, as Abraham Lincoln said in one of his hand-written memoranda, among the Lincoln papers made public last summer, "The legitimate object of government is to do for a community of people whatever they need to have done but cannot do at all or cannot do so well for themselves."

During World War II the necessity for such action was universally recognized. It always seemed to me to be a striking phenomenon that in a society so generally dedicated as ours to the support of our free

enterprise system, and so inclined to look upon governmental economic controls as destructive of that system, practically no voice was raised anywhere during the war to suggest that the requirements of our Armed Forces and our essential civilian requirements could be met by the uncontrolled operation of the competitive price and profit system.

In my own experience, I can recall only one such proposal. At one time, when we were desperately struggling in ASF with the problem of increasing the production of automotive engine castings within the framework of our material, manpower, and price controls, a representative of the foundry industry did come to me and say, "If you can arrange to free the foundry industry completely of all wage, price, and profit limitations, we will give you all the engine castings you want." But even he did not want his suggestion adopted, for he added, somewhat ruefully, "But if you do it, I wouldn't claim we wouldn't wreck the landing-craft program, and some other programs!"

So I think it may be said that even the most extreme advocates of the free enterprise, competitive price and profit system agree that such controls as we are discussing are inevitable and essential in time of war.

Parenthetically, it seems to me unfortunate that this recognition does not comprise an understanding in all cases that such necessity arises from an unbalance between supply and demand beyond the limits within which the automatic controls of our competitive system can operate successfully; and that it is entirely possible to have such unbalances at times other than periods of actual hostilities, during which similar governmental measures may be temporarily required.

I mention this at this time because in the current debate on the Marshall Plan for aid to Europe, and for the maintenance of an area in the world in which our American way of life can continue to operate, so many of those who speak and write on the subject make the mistake of referring to economic controls as "police-state methods," and of discussing the possible application of even limited controls of this character during the period of emergency as if it involved a question of religious faith rather than one of practical statecraft.

As a matter of fact, it is my own view that no higher expression of democracy can be found than its ability in time of war, and when necessary in other periods of national emergency, to develop and adopt, after free debate in legislatures, in the press, and on the radio, through vote of representatives of the people chosen in free elections, the temporary measures necessary to mobilize and apply to national aims the full power of the people and their resources--then, at the end of the emergency, to put an end to those measures and to restore the free

economy. With adequate leadership there is no reason why such necessary temporary measures cannot attract as universal support in other national emergencies where they are required as the control measures which we did adopt during World War II.

This brings me to my second general topic, which I wish to discuss briefly with you: The relation of material controls, of which we have been speaking, to the broader program of national mobilization.

As I mentioned in my talk last year, during 1943, in the middle of World War II, it was found necessary to begin the development of certain limited controls of the distribution of manpower. In 1944 and 1945 there was wide discussion of so-called national service legislation, although the bills actually introduced in the Congress were practically limited to providing for the elimination of strikes and for the recruitment or drafting of needed industrial workers in war plants, and did not attempt to provide a comprehensive system of universal service.

Even these limited bills were never enacted into law. I do not think it can be disputed that we never succeeded in World War II in securing an acceptance by the entire civilian population of the same obligation of service to the Nation as that to which the military personnel and other personnel in the service of the Government were subjected.

Let me recall to you the joint statement of the Secretary of War, the Secretary of the Navy, and the Chairman of the U. S. Maritime Commission, dated 20, April 1944, almost on the eve of D-day at Normandy, in which the three men most directly responsible for our war production said, in support of legislation then under consideration in Congress, "We are poised for our greatest undertaking as a nation since we achieved our national independence and unity. We dare not falter at the front or at home. Present methods have not solved, and are not solving, our critical manpower problems. There is little evidence to believe that they will provide for the greater problems of the future. From the experience of our allies it can be predicted that once the obligation to serve is made a duty by law, the volunteers will come forward. Be that as it may, the need for a law to mobilize and maneuver the industrial manpower of the Nation cannot, in our judgment, be denied or evaded."

These words, written under the stress of the greatest demands of the war upon our Nation, express a feeling which I believe is deep-seated in the hearts of our people. When we come to consider the type of conflict World War III is likely to be, if it ever occurs, and the

threat which it will bring to our very existence as an independent nation, I do not see how we can help recognizing, as I suggested at the close of my talk last year, that even the application of the best results of our experience in World War II, with material, component, and manpower distribution controls, will not be sufficient to produce the total all-out effort that any such future emergency will require. Such a result can be accomplished only if these controls are integrated into a more successful over-all system of social and economic controls than we had during the late war, including a system of universal service which will make available our entire adult man and woman power for the purpose of the emergency, and which will permit the universal, free expression of the urge to serve which will be in the heart of every good American.

I hope, therefore, that your class, as well as the Munitions Board, the National Security Resources Board, and all of the other agencies that are studying the problem of national mobilization, will consider these problems of material control--priorities, PRP, CMP, component scheduling, allocation, conservation, standardization, limitation of production, and prohibition of production--not as separate, isolated problems but, rather, as parts of the general problem which has become of such overwhelming importance to us all, that of national mobilization in emergencies, in such a way as to maintain our national unity and to develop, when necessary, our maximum national military potential.

GENERAL McKINLEY: Do we have some questions?

COLONEL NEIS: I am going to ask Colonel Scharff the same question I asked Jack Small when he was down here last week, if he would expand on the theory of the warrants plan. You touched on it as you discussed a banking system of material distribution.

COLONEL SCHARFF: Well, as I have said, the warrant plan, or the allotment currency plan or the allotment banking plan always intrigued me a great deal. I always believed it was worthy of much more consideration and study than it received, so far as I knew, during World War II; and that it might offer a mechanism for the wider application of the A-product procedure, which always seemed to me to be extremely desirable.

Of course, it is conceivable that that result might be accomplished in a number of different ways. For example, the simplification of the standard A-product allotment-extention procedure, through the use of standard forms more readily adaptable to the subdivision of allotments received and capable of being combined in the records of recipients in combined quantities, to be recorded in the allotment accounting procedure, without the use of warrants and without the development of a

banking system, could, I believe, greatly facilitate the extension of the A-product procedure. But even that relatively simple proposal, while it was discussed to some extent, never, in my opinion, received adequate consideration.

In making this comment, I have in mind merely the normal allotment procedure in which the standard forms issued to a specific allotment holder for a specific purpose and for a specific program and product might be simplified and combined in such a way as to extend greatly the application of the A-product procedure. Whether that extension could be carried far enough to accomplish the optimum application of the A-product procedure, I do not know.

It has always seemed to me that it may be worth while to go beyond that and to give consideration to the use of warrants, allotment currency, or material checks the details of which could be accounted for adequately in the records of the issuer and the recipient, in such a way that they could then be transferred, collected, and turned in, to allotment depositaries, corresponding with the banks which, in turn, would clear their deposits through a central allotment banking agency. Such a procedure might permit the record of the complete details of initial allotments to be confined to the record of the original issue, and thereafter make possible the accumulation and accounting for allotments through the banking system in broader and broader categories, leading up to the supply programs of the various agencies at the top of the system.

The possibility of the development of such a scheme, as I said, seems to me to be very great. It might require additional paper work and complicate procedure to an extent which would render it undesirable if it were possible to accomplish substantially the same results by the simplification of the procedure for extending allotments.

But, so far as I know, no one ever made a sufficient analysis of either of those suggestions to justify any final conclusion. To me, it would seem to suggest a type of research program for some of the agencies now engaged on a study of this problem through which very important and helpful contributions could be made.

DR. YOSHPE: I wonder if we could have your views as to where the basic priority and allocation powers should be vested in the emergency organization; also, the extent to which we must delegate portions of this basic priority and allocation responsibility in a war emergency.

COLONEL SCHARFF: I came to feel that in our experience in World War II in that respect we developed a reasonably satisfactory conclusion.

We started out with a distribution of the priority and allocation powers between various agencies. At first, the military priorities, which were the first to be applied, were handled in the Army and Navy Munitions Board. Subsequently, when it became necessary to apply priorities to other programs, a civilian agency was set up which applied those priorities.

In time, this dispersion of authority proved to be thoroughly unsatisfactory. The placing of the priority and allocation authority in the hands of the chairman of the War Production Board, by Executive Order of the President; the integration of the Army and Navy Munitions Board with the War Production Board by the location of Army and Navy officers in all of its various divisions; the adoption by the Requirements Committee, in which all of the agencies were represented, of priority schedules for the different programs and subdivisions of programs; and the administration of those priorities, after they had been authorized, through the various procurement agencies and the divisions of the War Production Board, seemed to me to provide, in the end, a very satisfactory solution to the problem.

In other words, it is my thought that the authority for priorities and allocations must be placed in one place; namely, the head of the top organization generally responsible for priorities and allocations. The administration, however, can be decentralized by having that head organization lay down the ground rules, assign the priorities to be applied to the different classes of programs, after full discussion in which the agencies participate; the central agency reviewing and checking the administration but decentralizing the actual administration and application in the procurement agencies and in the industry divisions of the central, over-all organization.

QUESTION: I notice that under the Marshall Plan, Congress has asked Secretary Andersen to make a study of the food situation here at home.

During World War II, can you tell me how lend-lease was coordinated with priorities and allocations; and if it was decided to give something on lend-lease what country they decided to give it to?

COLONEL SCHARFF: Lend-Lease was one of the agencies represented on the Requirements Committee of the War Production Board, along with the Army and Navy, the Air Force, the Civilian Requirements organization, the Transportation organization, the Maritime Commission, the vice-chairman of the War Production Board, representing the various industry division, and various others, totaling up, as I recall it, to a number that varied at different times between about 12 and 15.

The Lend-Lease Administration submitted its programs for requirements and entered into the discussion of its relative priorities, in the Program Adjustment Committee and in the Requirements Committee of the War Production Board, on the same basis as all the other agencies. So that when the priority schedules were finally recommended by the Requirements Committee and approved by the chairman of the War Production Board, and when the allocations of materials or other allocated components and end products were recommended by the Requirements Committee and approved by the chairman of the War Production Board, they then became applicable to the Lend-Lease Administration as well as to the other claimant agencies.

As to the program of the Lend-Lease Administration and the division of its requirements between the different countries to which shipments were to be made, that was, so far as I know, a matter primarily within the control of that Administration itself. It developed its program and submitted it to the Requirements Committee where it was subject to criticism and debate just the same as the programs of the War and Navy Departments were subject to criticism and debate.

But each agency developed its own program and final approval by the War Production Board set the pattern of priorities as well as the allocation of materials and other allocated components and end products.

QUESTION: How long did it take for the Controlled Materials Plan to become fully effective after it was first introduced? And how can the original time be cut down in the event of any future war?

COLONEL SCHARFF: I think the time can unquestionably be cut down by planning in advance. As I recall it, the Production Requirements Plan was adopted, if I remember right, in the summer of 1942. Is that correct, Colonel Neis?

COLONEL NEIS: Yes, sir.

COLONEL SCHARFF: And in November 1942, it had already been proved that it was not the solution.

The Controlled Materials Plan was brought out in November 1942, to be effective in the second quarter of 1943. There was a provision that companies which operated in the first quarter under the Production Requirements Plan could, at their option, continue to operate under the Production Requirements Plan or go over to the Controlled Materials Plan in the second quarter. So that the Controlled Materials Plan was not, I believe, fully in operation until the third quarter of 1943, or very close to two years after our entry into the war.

There is no question in my mind that those two years were largely lost in obtaining experience and developing those systems. If adequate planning and adequate educational programs in the Armed Services, in the other branches of the Government service, and in industry can be carried out in advance, there is no reason why at least a large part of those two years could not be saved in some future emergency.

QUESTION: Would you like to enlarge somewhat on your statement about the standardization of bills of material?

COLONEL SCHARFF: If you have studied the Controlled Materials Plan, you will recall that that was an important part of the original plan. It was intended that for every end product to be included in the procurement program of one of the several agencies to which allotments were to be made, and for which they were to be authorized to issue allotments to their prime contractors there should be developed standard bills of material, which would be passed upon by the War Production Board, and which would then become the basis of estimating the requirements.

In theory, it was believed that these bills of material might be collected by the procuring agencies, down through the chain of production, first showing the controlled materials and the components going into the end product for which requirements were to be estimated; and then each of these components to be supported by a bill of controlled materials and subcomponents at the next level, and then each of the subcomponents and sub-subcomponents, in turn, supported by a similar bill of materials all the way down the chain of production which, as I recall, frequently went through many steps. My recollection is we had some cases brought to our attention in which there were as many as 17 or 18 successive levels at which components were assembled and passed on up until they finally found their resting place in the end product.

It was thought that the development of those standard bills of material and their review and approval by a Bill of Materials Section in the War Production Board might provide a standard basis of estimation of requirements and thus exercise some control over the tendency to inflation in order to anticipate cuts to be made. In theory it should have that result; practically, it added an element of complication of such enormous magnitude that it never received any very extensive application and, to a considerable extent, got lost in the shuffle.

I think that the program was too ambitious to be carried out to the extent that its original advocates thought possible. But, on the other hand, I think it might have had a wider application than it did

have and that there is an opportunity to develop better control of this inflation tendency, through growth in the use of standard bills of materials, than was done during the late war.

COLONEL McKENZIE: Colonel, will you give us your ideas on the timing of these controls which you advocate; that is, the time at which they should be instituted.

I am thinking now of two arguments: One that says if you put them in at the outset of the emergency, you are going to keep things in balance and you are going to save time in the long run. The other argument, of course, being if you have unemployment at the institution of an emergency, there is no percentage in putting in universal service at that time. If you have surpluses or a sufficiency, shall I say, of materials, foodstuffs, that the institution of rationing is only a waste of time and slows up procedures; that you should let the normal trade channels operate as long as they possibly can.

Will you elaborate on these two viewpoints?

COLONEL SCHARFF: My own view has been, ever since our last previous experience, that when controls are necessary, the earlier they can be instituted, the better. Even though, in spite of the best planning and education in advance, there may be some confusion and some waste motion and loss of production in the early days of making the controls operate, it is my view that the losses from that cause will be less than the losses that would result from continuing to allow industry to operate without controls, and to continue for perhaps months or, as we did in the last war, for longer periods, to select the products to be manufactured and to apply labor for normal peacetime purposes in producing those products out of which the largest immediate profit can be made.

So that, in either case, I think a certain amount of loss in contributing to the major end of promoting the war program would be involved. But I cannot help feeling the losses due to continued absence of controls would be greater than the losses that would accompany the institution of controls at the earliest possible date.

GENERAL McKINLEY: I may have mentioned it when you were down here last year, but in these industry advisory committees we had met with the College about a year ago, covering a great many industries, that was one of the questions we had on the agenda. It was very interesting to me--it didn't make any difference whether it was power, machine tools, or what kind of an industry--that the consensus was that CMP was very satisfactory; that it was the least with which they could hope to start the next emergency. They only hoped they could get it before the blitz.

COLONEL SCHARFF: That is very interesting to me. That is really the reaction I would expect to get from industry.

GENERAL McKINLEY: They wanted it when the war-clouds were gathering. They did not want to wait for the hostilities to start. They would expect nothing less than that; and the sooner they got it, the better.

COLONEL SCHARFF: As I pointed out, such losses as would result in the initial stages would be less than those that would result from delay in establishing controls.

GENERAL McKINLEY: You let too much get out of balance that you can't get back.

QUESTION: That leads exactly to my question: What agency should do the detailed peacetime planning for these improved procedures?

COLONEL SCHARFF: Well, that is something I have wondered about myself and I am not sufficiently familiar, unfortunately, with the distribution of functions between the agencies that have recently been set up under the Merger Plan to know what the proper answer to that is.

It is my understanding the planning functions in this field of national mobilization are largely concentrated in the Munitions Board and in the National Security Resources Board. But just what the distribution is between them, and what their respective functions are with respect to the planning of this type of control, I do not know. I wish I did.

QUESTION: May I ask, if you have an opinion would you give it to us as to what sort of agency it should be?

COLONEL SCHARFF: While I have always been interested, naturally, in the Merger Plan, I have not kept as closely in touch as perhaps I should and, therefore, do not understand it as clearly as I wish I did. But it is my impression that the general philosophy of the plan has been to make the over-all planning in the field of national mobilization the function of the National Security Resources Board and to make of the Munitions Board a cooperating agency for the military services. Now if that is wrong, I wish someone would set me right on it. But if that impression is correct, then the initial and over-all planning would normally be the function of the National Security Resources Board.

General McKinley, could you enlighten me on that?

GENERAL McKINLEY: No, sir. That is exactly the way I read the bill. I do not know what interpretation has been made anywhere of it.

COMMENT FROM THE FLOOR: I gathered from your remarks you favor a national service law in time of war for all personnel of the United States.

COLONEL SCHARFF: I do.

COMMENT FROM THE FLOOR: With that, I would disagree with you. Would you care to try to convince me, sir?

COLONEL SCHARFF: I think that would probably take too much time; although I think perhaps I could convince you.

Although I favor such a step, I would be the first to admit I am not prepared to offer you a detailed program for carrying it out or for implementing it by all of the other types of adjustment and control that would be necessary to make it work.

But I can state briefly the three principal reasons that have led me to feel such a step is not only desirable but would be essential in a future war.

First, I am of the opinion that the double standard of morality which, in time of war, requires or permits the Military Services to offer their services and their lives to the Nation, and leaves industrial workers and other civilians free to pursue their own selfish interests in carrying out the necessary production to support the Military Services, is indefensible.

Second, I am persuaded, as Mr. Baruch has been for so many years, that the absence of universal service and of some form of universal price and income control has unnecessarily inflated the costs of our wars. I think Mr. Baruch is right in saying that with such a system we might have reduced the cost of World War II by at least fifty percent, or possibly by some 150 billion dollars. The withholding of such an amount from the channels of trade and the pockets of consumers would have greatly lessened the strains which have been put upon our economic and social system in the postwar period, which have made our reconversion so difficult, and which have subjected us, as I feel, to grave dangers--which are still before us--of political and social changes as a result. I am not at all certain that we could successfully maintain our present social and political system through another such experience.

And my third reason is that I do not believe the people who make up the fighting forces of the Nation will go on forever and carry the

burdens which they have to carry, while so large a part of the civilian population continues to pursue at home its own selfish aims in time of war. In a long drawn out war, the resultant destruction of morale among the fighting forces might readily cause us to lose a war. For belief in what we are fighting for is an essential part of the will to win and a prerequisite for victory.

Those are the reasons why I think that in a future war we would have to expect to have, and ought now to be planning for, a system of universal service.

GENERAL McKINLEY: And I might add that their attitude toward that will be decidedly changed if the bomb hits here first.

Colonel, I think we had better break it off right here. We certainly are indebted to you, sir, for coming down and giving us this stimulating talk. Thank you very much.

COLONEL SCHARFF: Thank you, General.

(4 December 1947--450)S.