

ORIENTATION--MOBILIZATION

22 May 1950

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COLONEL MCKENZIE: General Holman and Gentlemen: I didn't get to make the circuit last Saturday but now that everybody else has spoken on this subject, it's my turn today. I have the exclusive spotlight, at least at Ft. McNair, in this auditorium this morning. Even though it is Monday morning, I am glad to see everybody so eager to hear what I have to say.

This orientation may be somewhat different from those you have heard heretofore at the Industrial College. You will recall that I have already discussed the problem directive in general terms. As you know the next period is allotted for meetings with the instructors and they are going to discuss the curriculum book in such detail as seems necessary for you to get going on the problem.

If I were to take the problem itself and try to deliver a lecture around it, undoubtedly some of the things I might say might tend to influence you as being faculty solutions. Accordingly, I ruled that out. That leaves us with something else to talk about and I have elected to confine my remarks primarily to some of the outstanding bottlenecks, problems, and difficulties that arose in World War II.

In this problem itself we are most interested in your own thinking. I have referred to this problem heretofore as a sort of final examination, or a resume, or a bringing together of the information that you have acquired while here at the College. I am reminded of a final examination that I took once when the professor cautioned us to forget everything we had learned and to go into the examination prepared to think. I would hardly go that far this morning, but I do want to stress the point of your thinking being more important than what you may have heard from this platform or any approved solutions you may find in books that may be given to you to read. We are interested in your own thinking. If you come up with a solution to set up corporations patterned on the TVA to administer the economy during war, maybe you will have something there that someone else hadn't thought of. If you come up with a solution of the General Staff idea, or you like the Air Materiel Command's type of organization for everything pertaining to the economy, or you want to give us the Navy's solution of the Bureaus, think it through, come out with something logical, apply the tests, give it the best thinking you can, and perhaps you can come up with something that offers at least a more interesting idea than some of the solutions that we have considered in the past.

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Now in reviewing World War II, I do it with some trepidation because there is always a danger, it seems to me, that in thinking of the past we tend to influence our thinking of the future. On the other hand, if we can isolate some of these problems of World War II, follow them through and see if the same conditions, the same factors apply today as applied then, it may be that we have discovered something that would give us trouble again.

And while we are talking of the past, isn't it about time that we should recognize that we can't start over again where we left off in 1945? For the past several years we have been rather complacent that we could revitalize the agencies, bring their personnel down, reissue the directives, put the factories to producing what they were in 1945, bring our planes and ships out of mothballs, bring the trained veterans back, and get going. I believe the common planning figure is that 10 percent of our veterans each year fall off the list of available manpower for the armed forces. If that be true, then 50 percent of our veteran forces of the last war are already out of the picture. Let's forget such ideas of reconstituting the 1945 picture as of today, if we haven't already done it, and admit the fact that we are going to have to start over almost from scratch and with many changed situations.

I have just one example that I think will point this out, that is the production of our steel mills today. We are producing more steel per week in our steel plants today than we were at the height of the war with all the pressures, patriotism, wage stabilization orders, and everything else that was devised in order to try to get out heavy production at that time.

One of the first impressions I have in studying the war period is to thumb through some of the records that show pictures of the leaders of our war, both the military and on the civilian side, and I am particularly impressed with how youthful they looked back in those days as compared with today. I am also impressed with the great number of them that have passed on since the war has ended. Perhaps all of us have aged since 1940; at least it was 10 years ago.

The subject of our problem is "Emergency Management of the National Economy," and yet some of the basic political decisions had such impact that they deserve first attention. Hanson Baldwin has stated the problem as follows: "The United States has fought wars differently from other people. We have fought for the immediate victory, not for the ultimate peace." I think there is a lot in that sentence, gentlemen. My own analysis of the validity of that statement is borne out by our demands for unconditional surrender; our fears that Russia would arrange a separate peace with Germany; our concessions to the Russians in order to get them to enter the war against Japan; and our use of the atomic bomb. But let us get on with the story.

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Germany had been arming since 1933 and Japan since 1931. We might say we started on 26 May 1940 when President Roosevelt declared that he was calling upon American manufacturers to produce "war material of all kinds--airplanes, tanks, guns, ships." I would like to call your attention to the fact that the National Selective Training and Service Act was not signed until 16 September 1940, or three and one-half months later. Note particularly there the two elements of intelligence or the lack of it and the time that was consumed to get a National Selective Training and Service Act into being.

You are familiar with what was accomplished in the next five years, but I want to give you a few figures to add to their impressiveness of the achievement. As of 30 June 1940 we had a total Army and Air Force strength of 267,000 men; five years later there were over eight million men and women. Our Navy had expanded from 161,000 to 3,380,817. Thus it is seen that the expansion of the forces was about 27 times. In terms of money the expansion was 51 times, and that is not counting defense aid, defense housing, UNRRA, and like expenditures.

Mr. Vinson reports that government expenditures for the six years ending 30 June 1946 amounted to 390 billion dollars, of which the sum of 340 billion was for war and war related activities, and that of the total amount, 44 percent was covered by taxes and other nonborrowing receipts. I think this is enough about money. However, I would like to mention that our relief, rehabilitation, and aid programs since 1946 were all in addition to these other sums that I have mentioned. And, of course, you are not going to forget our national debt and our present taxing policies and their impact upon the industrial machine.

Probably all of you noticed that on Wednesday of this week we are having our only seminar and for that seminar we are having Mr. Keyserling and Dr. Schmidt of the Chamber of Commerce. I hope throughout that seminar each of you will pose those questions that have been plaguing you and that have been the subject of so much argument relative to our economy. As a recent speaker said the question of the figures is not too important here because they will be using the same sets of figures, but I assure you, gentlemen, that their interpretation of these figures and their implications will be quite different.

What was done industrially to prepare for this gigantic effort? We soon realized that we didn't have the factories nor machine tools to produce, so the Federal Government financed the construction of some 1600 manufacturing plants at an estimated cost of 12.7 billion dollars. You will recall that a previous speaker told you where this money had come from. I would add hurriedly here that this total figure was about half of the total money that was spent for facilities of war. In other words, we had 12.7 billion dollars that the Government spent directly on war plants; we had our cantonment and military

program needs, and then industry spent a great deal in their own expansion, sometimes much more than is fully appreciated. We had to increase our machine tools 125 percent from 1939 to 1940, 72 percent more from 1940 to 1941, and again double the number in 1942. The increase there is important, but it is also important to fully appreciate the fact that it was the third year before they could double the production; in other words, your time lag all over again even though they had gotten started in 1939. Is it any wonder then that terms like machine tool reserves, industrial plant reserve, and maintenance of a healthy economic climate are foremost in the thinking and speech of present-day planners? We are inclined to read so many lectures and addresses dealing with generalities, how we must be strong, we must have a strong domestic economy, we must have a potent and alert State Department, I think we forget some of the things that could be done that, I believe, would have a tremendous impact upon our ability to get going in a hurry.

We are always looking for new ideas. I think I found one a couple of days ago that you might have noticed in the paper, where Mr. Collyer of the Goodrich Company has taken exception to the estimate of time that it would take to bring the rubber plants back into operation. Mr. Collyer's suggestion was very simple, would take very little money, and I think it would prove a lot to all of us. His suggestion merely is, "Let us put one of them back into operating condition, see how long from a given date it takes to produce some rubber." Very practical, but it might be very revealing, too.

When I mention rubber, then let us get into some of these material shortages. Denied rubber and tin from the Far East and suffering from petroleum shortages as a result of submarine sinkings and increased demand, we finally went to work on this thing.

Do you recall the rubber story? It is a very interesting one. We didn't know how to make it—whether to use an alcohol or petroleum. Do you recall the guayule plantings in the West on land that was taken from food production even though it was to be years before it could be used? Actually, it was never used, but there had to be experiments carried on. And then the limitations and controls put on the use of tin and the erection of our only tin smelter for the conversion of Bolivian ores. And all the arguments that raged over the big and little inch pipelines. Remember the problem in all these situations involved the use of critically short steel and what was the most effective use to be made of it.

Let's look at the rubber picture a little closer. The Rubber Reserve Company was created in 1940 to build an emergency stockpile. Well, at least we made some progress. We do have a stockpile. But in 1940 we had to go out and set up one of these companies to build a

stockpile and then only for the one item of rubber. Imports were lifted by 100 percent but consumption was not curtailed, and in April 1942 we were in a precarious predicament with only 600,000 tons in the entire United States. After much argument we finally got gasoline rationing, as much to save tires as anything. Speed limits were reduced to 35 miles per hour, any extra tires (above five per car) were to be turned in. And then began the scrap drive--and who doesn't remember those mountains of old tires along the railroad tracks that never seemed to be moved.

Meanwhile the arguments raged over synthetic production. Finally, President Roosevelt appointed--you could easily guess--Mr. Baruch to head a committee to recommend such action as "would best produce the synthetic rubber necessary for our total war effort, including essential civilian use, with the minimum interference with production of other weapons of war." Among other recommendations, this committee decided that new plants should be built to operate from grain alcohol. Synthetic rubber was then removed from the Rubber Reserve Corporation and placed in the Office of the Rubber Director, WPB. Isn't that a familiar story of those years--where a function is taken from one agency and placed in a newly created one?

The impact of the decision to use alcohol fell on molasses, which further aggravated a short sugar situation, and on corn, which caused curtailment of cereal production and livestock feeding--to say nothing of curtailment of whiskey production. Note the chain reaction that occurs when you are stopping one hole in the wall and you set up a reaction that has an impact on something else that perhaps no one has even thought of at all.

By the first quarter of 1943, the total production objectives were reduced by 15 percent. Here again we are interested in time and in changes in requirements. So far as I know, this is the first item of which we developed an excess--and look how early it was done, in 1943--from a situation of just a short time before when we had no rubber at all. But here we go again.

Now that synthetic rubber is coming along, shortages develop in tire cord, carbon black, and production capacity for larger-sized tires now required. So you only shore up the dam in one spot to have it break out somewhere else.

Obviously, in the short period we have for our unit of work, primary attention has to be given to major problems and the policy making and top operating agencies. Chances are, however, that the impediments to speedy mobilization will come in some of the intermediate semi-processed materials or with subcontractors. Wherever you may be, I should like to point out now, be on the lookout constantly for the

items just mentioned as well as others that may trap you--alloy steel, sulphuric acid, tin plate, abrasives, dye stuffs, and the like. In planning for the broad aspects of mobilization, the National Security Resources Board and the Munitions Board are looking at end items--as are the technical services, bureaus and AMC, generally. Call this detail, if you will; I prefer to think of it as a balanced program; but somebody must watch out for the items and the subcontractors that may throw this major program out of balance.

I will only mention some of the other material shortages inasmuch as a typical pattern is usually found as to why they exist: Submarine sinkings of an already inadequate merchant marine fleet; shortages in domestic transportation; greatly increased consumption; arguments over prices and wages; draft deferments and jurisdictional controversies.

In foodstuffs, our shortages were largely in sugar, fats, and oils. Remedial action here followed a general pattern, incentives to increase production, conservation, and allocation. Remember in any discussion of war potential that the smaller the proportion of population required to feed the country, the easier it is to build the military forces and supply industrial needs. Similarly, labor forces may be augmented by importation of foreigners and prisoners of war--when you get them--particularly in the agricultural area.

We soon had other shortages--cordage fibers, lumber, tin, mica, chromium, manganese, antimony, and aluminum.

I hardly think it necessary to devote much attention to manpower, not that it is not important but because of your very thorough studies in this area. I do want to stress the problems, however, of excessive turnover as illustrated by the experience in one company where it hired 90,000 people and yet had a force of only 30,000 in being at any one time. I am not singling out this company as an example of mismanagement or misuse of personnel and I think in all fairness it should be stated that seasonal employees were frequently used and therefore they may have appeared on the rolls more than once. But the picture is largely duplicated in aircraft plants throughout the country. And it is not just an accident that it should have happened, although this is all the more interesting to me because of the favorable working conditions and high pay that prevailed in this industry. You may recall that in February 1943 the President of Boeing advised President Roosevelt that the plant in Seattle would be unable to meet its schedules in June and July without additional manpower.

In thinking of manpower in 1950, it seems proper to ask what will be the new problems posed for drafted men by industry's acceptance of pension plans and other benefits? How about the necessity which arises for moving men from a company with a pension plan to a

war industry which is only temporary employment? I think we have a whole new set of problems that have arisen as a result of these pension plans and rights of labor in a particular company. I also, think it is necessary that we recall some of a previous speakers figures on the large proportion of our people who are incapacitated as well as his suggested remedies. And what is the significance of twice as many women working today as there were 10 years ago? What would be our chances of using imported labor? Certainly our field trip and production lectures point to the inevitable fight between industry and the armed forces for the technically trained men. These illustrations point to many unsolved problems of the last war which may even be more acute now than they were then.

As a conservation measure and to increase copper production, the gold and silver mines were closed, but, without compulsion, the displaced miners went into other work. Why wouldn't they? State laws had been designed--and I am told even in the copper industry people agreed with these laws that it was unsafe to work men for more than eight hours a day in the mines. Yet war industries were cropping up all around that were encouraging people to work overtime. Even though the basic rates may have been favorable to the copper industry, the take-home pay of the individual was much better from the war plant. Therefore, people didn't go into the copper mines. The displaced miners and many of the copper miners left for other work. You will recall a recent speaker mentioned the necessity of furloughing soldiers to replace the miners in the copper mines.

It has been alleged that in a very short time many of these men were not in the mines. I don't understand this because I was working on a similar deal to get men furloughed to the packing industry to bone beef. I do recall that we had a very strict plan set up whereby anyone who was furloughed and either did not work in the packing plant or who did not turn out to be a satisfactory worker was immediately to take his place back with the armed forces. While I am mentioning this deal of getting people furloughed from the military to work in the plants, however, I am reminded of some of the experiences we had with the labor unions. I shall never forget that one of the major unions readily agreed, but the other didn't. The stipulations they imposed as to union membership, refusing to permit seniority rights to these soldiers, the pay scale, and other similar annoyances that were thrown in our way was really an education to me at a time when it appeared that we were going to be unable to meet our requirements for overseas.

I think by now that we are convinced of the measures that will have to be taken--and early--in any future emergency in the manpower field.

When measured in quantities and quality our armament record was good. General Marshall has stated that the Germans had an advantage

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during most of the war with their triple threat 88 mm. rifle and in ammunition which was charged with smokeless and flashless powder. We know of the superiority of the snorkel type submarine and can be thankful that more of them were not built. The recent story in the "Saturday Evening Post" by Messerschmidt indicates the close squeeze that narrowly averted serious consequences by their superior jet planes and rockets, and should make us happy that the situation could not be improved and that it was as bad as it was in Germany at that time.

Until now I have been talking of material and manpower shortages and problems.

How about the organizational and administrative problems?

We know that some 150 temporary executive agencies were created to report directly to the President as a result of the war.

I think the evolution of the agencies to control production serves to illustrate the point I want to make. We had plans in the 1939 revision of the Mobilization Plan for a War Resources Board. However, in succession we had:

1. National Defense Advisory Commission
2. Office of Production Management
3. Supply, Priorities and Allocations Board
4. War Production Board

and finally

5. Civilian Production Administration.

But perhaps some of this was necessary. In times of emergency, the general who loses a campaign is usually relieved in order to restore confidence and so it is with governmental agencies. When the fire of the Congress and press becomes too hot, the Chief Executive finds it easier to replace the top man or change the organization--perhaps not too much, but enough to take the heat off for a few weeks or, if lucky, months. We find this organizational pattern changing, too, when agencies have done their jobs. Many of these agencies are going to be needed early so they will have a chance to complete their jobs and should be wiped off the books and their personnel reassigned.

I think it is of more than passing interest that our Government in 20 years has increased from 450 bureaus, divisions, or sections to

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1800. It is no wonder, then, that great applause greeted the announcement that the Hoover Commission was to study the Executive Branch and suggest reforms. The reports are out but Congress is debating them even today, but all of you are aware of how little is being done in this area. In a recent book on the subject "A Hook in Leviathan," added to your bibliography by the errata sheet, there are two paragraphs which I would like to read with the idea that it may help in understanding the usage which you may make of existing government agencies in an emergency.

"It is perhaps an amusing and even significant coincidence that the collapse of the White House itself is threatened just at the time serious efforts are being made to determine whether the Executive Branch of the Government can survive without a major overhauling. The construction of the White House was commenced only a few years after the adoption of the Constitution and, after its occupation by John and Abigail Adams in 1800, the accepted procedure for any improvement or alteration deemed essential--simply to add a wing or a partition and to prop it all up with a couple of flying buttresses--has found its counterpart in layer after layer of commissions, bureaus, and offices in the Executive Branch of the Government.

"Even the partial destruction of the White House by fire in 1814 and the expedient nature of its rebuilding might be said to have an ideological counterpart in the emergency alterations in the Government during recent wars and depressions, in the form of added administrative agencies. Surely, in both cases, shorings up, additions, and extensions have been the order of the day rather than the needed strengthening of the foundations themselves."

And similarly with reconversion, a number of agencies began to think of the problem of reconversion in 1943. The National Resources Planning Board released its plans, especially in the field of GI education and housing, and the Baruch-Hancock Report to deal with contract termination and reconversion was submitted. Nelson released his policy statement on reconversion in March 1943, and in June certain reconversion activities were permitted in the face of opposition by the military leaders. Controversies between the Army and the War Production Board and within American industry are stated to have been the causes for the resignations of Nelson and Wilson. At least we do know that the Office of Mobilization and Reconversion was established as of 3 October 1944, under Mr. Byrnes. This office, as the title implies, was given the task of formulating plans to meet the problems arising out of the transition from war to peace. Since the war, it is estimated that our expenditures for relief feeding, activities of UNRRA, loans, ECA,

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military aid, and so forth, have approached the figure of 70 billion dollars. Yet in so far as I can ascertain, no planning was done in this field at all. Certainly the problem of reconstruction is one that has a tremendous impact in the field of reconversion.

During World War II, in addition to the big problems, we had many little problems that constantly were plaguing the administration. We argued as to whether it was proper to use dollar-a-year men and, if you did use them, could they bring their own secretaries with them; could they spend a little money on their own offices if they didn't like the way they were built—things that seemed rather inconsequential but are very important in the hasty organization of a major group of agencies.

Perhaps one of the most controversial subjects had to do with the selection of people for OPA. You may recall that there was a prohibition against using a man to make policy for the industry from whence he came. Think that one over for a little while. Here you are in a major war and you are not going to let a man from the copper industry make prices for copper. It is all right for him to handle textiles or something of that kind, but you are not going to let him work with the one he has spent his life with.

Then there was that question about military procurement. Was it subject to OPA pricing? We argued about advertising and entertainment, as to whether they were legitimate expenses. When it is found that a contractor for a large cantonment down in a southern state has bought a yacht and has charged it to the Government as an expense item, you are made to wonder.

We had to have priorities for airline traffic, but we left the railroad travel open on a first come, first served basis. I recall that the Braniff Airlines had been reduced to four DC-3's to serve their territory. It was quite a stunt to make a trip from one end of the country on an airline even though you did have a priority.

There were arguments going on about whether night clubs, bars, and manicuring shops should continue in operation. In our efforts to sell war bonds there was so much heat put on employees that they bought them under the pay-roll-savings plan and were found going to the bank to cash them at the earliest practicable date.

You remember the controversies revolving around the fact that a man could go into a restaurant and buy expensive meals without rationing tickets, and so on it went ad infinitum.

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One of our lecturers, earlier in the year, said that perhaps too much emphasis had been placed in our earlier thinking on factories and statistics. In working on your Mobilization Problem Directive, I am confident that you are not going to make that mistake. For nine months you have been told that the problem is bigger; that it is the marshalling and effective utilization of all our resources; and that it must be considered from the viewpoint of the political, military, psychological, and economic aspects—and remember above all keep the program balanced and watch for the timing. Any time you find yourselves becoming discouraged at the magnitude of the job, remember the enemy logisticians have not had the benefit of a course at the Industrial College of the Armed Forces.

Good luck.

May I have your questions.

QUESTION: Colonel, one of the first considerations in any kind of plan, you say, is requirements. Assuming we have no plan of what the requirements are to start with, then we have to accept the basis, I assume, that we must use our imagination. We are going to need everything we have to whip a potential enemy.

COLONEL MCKENZIE: I think the key to that is contained in the first requirement where you discuss the major problems confronting the United States today, in 1950, and the foreseeable future. Now that gives rise to your setting up one assumption in view of the problems as you understand them, and I think the logical conclusion from that is that we are going to need everything that we have. I know that question bothered some of you when the problem was first put out, as to how can this be done without a strategic concept or knowing who our potential enemy is or whether we are going to be fighting on one front or many fronts. From the viewpoint of emergency management of our economy, let us assume that it is an all-out effort and proceed on that assumption.

QUESTION: I infer that we are not to take any stand on any of these matters as a committee, only to insure that emergency management is in being to consider and to recognize some of the pros and cons of each particular problem. We are not going, as a committee, to decide that manpower should be controlled and regimented where it works, for instance.

COLONEL MCKENZIE: Well, the last requirement of your problem is a summary, and I should be disappointed if these six committees did not have some pretty profound conclusions and some recommendations in that summary as a result of the work that you have done in the preceding requirements of the problem. So the answer will be that we do expect conclusions and recommendations.

We are hopeful that if you state those that you will recall my plea to you back in January, that we do not want evasiveness; we want something concrete; something definite; and your position as stated in that premise of the policy that you are going to follow would necessarily indicate that you were taking a stand one way vis-a-vis the other.

That is all, gentlemen.

(31 May 1950--300)S