

# RESTRICTED

## PRIORITIES AND ALLOCATIONS

15 January 1951

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Mr. Frank E. Bennett, Director, Priorities and Allocations, Chemical Division, National Production Authority; joined the Bloomfield Chemical Company, Harrison, New Jersey--manufacturers of nitrocellulose and other finishing materials--as a laboratory assistant in 1918. He progressed through various positions and became president of this company. In February 1942 he resigned as president of this company to join the Chemical Division of the War Production Board, a position he held until June 1947. As the last director of the division, he assisted in winding up its affairs. In July 1947 he joined the Publicker Industries of Philadelphia--the country's largest producers of industrial alcohol and lacquer solvents--as eastern district sales manager with offices in New York. Since November 1950--he has been with the Chemical Division of the National Production Authority--on leave of absence from Publicker Industries.

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DR. KRESS: General Holman, gentlemen: Our speaker this morning is connected with the Chemical Division of the National Production Administration. He was the director of the Chemical Division in the last days of WPB. You will have noted from his biography that he has been in chemical work of some sort since the days of his youth. He is still young enough to come back for a second round of government service.

Because of a requirement of his office, Mr. Bennett is going to speak today from a prepared paper. I am sure he would much prefer to speak in a more informal fashion.

It gives me great pleasure to introduce to you, Mr. Frank E. Bennett.

MR. BENNETT: It is an honor to be selected to address the student body of the Industrial College of the Armed Forces. It was, frankly, with some temerity that I agreed to face you gentlemen. Jack Small told me, when he learned I was meeting with you, that you were a keen and exceedingly smart group of men; that you could be rugged on anyone who did not know his subject. I trust my guardian angel is treading this narrow path with me today.

You know, gentlemen, some of these mornings when I awaken I must almost pinch myself to make me realize that this is January 1951 and not January 1942. The props are the same and the scenery only slightly changed, but the principles are very tragically different.

For the second time within a decade we, as a nation, are fighting for our very existence. In 1942 the papers editorialized, "This is the year of crisis, the year that may decide the fate of each one of us and the fate of generations to come....Between us and a world of darkness are the hours and days, the weeks and months that remain of 1942....The time is short....The task that faces us is of unprecedented magnitude."

That, gentlemen, might be old copy, but it is good copy in a calamitous sense.

Now, in this year of our Lord, 1951, we are again faced with two gigantic tasks--one on the home front and one on the battleground. Each is vital; but you who wear the uniform have the more important and dangerous assignment. Our fighting men cannot do their job until we civilians--until all of us at home--first do our job. That job is production.

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To hold the enemy, to turn it back, and then in the flood tide of our strength to drive to victory will demand all we have, all we have produced and can produce. And the time to produce is now.

It appears logical to ask at this time: What is the reaction of the public to what is going on? It appears to me that Mr. average American is not quite certain as to how serious the situation is, though his basic instincts warn that a crisis is near, if not here.

And some of his criticisms and conclusions are based not on the situation as it actually exists, but are distorted in terms of what he remembers when we finally got rolling in World War II. In other words, he does not remember too clearly the pains which led to the birth of the War Production Board, but recalls vividly the disappearance from the market of many items of everyday use and need and the severe curtailment of the most necessary ones. This has not happened to him this time as yet and he is wondering just how serious it all is.

We should recall that WPB did not emerge as a perfect form overnight. WPB evolved from the trying experiences--some good, some bad--of the War Resources Board, August to November 1939; the National Defense Advisory Commission, May 1940 to January 1941; the Office of Production Management, January 1941 to January 1942; the Supply Priorities and Allocations Board, August 1941 to January 1942; and, finally, the War Production Board, which functioned from January 1942 to November 1945.

The lessons so recently learned are serving us well in the organizational period through which we are going now. It is my personal belief that we are reasonably well coordinated and that specific progress is being made. Few people realize, for example, that the Department of Defense obligated itself in the sum of 9.2 billion dollars during the period July to November 1950 for the purchase of major materials. In December contracts in the total sum of 260 million dollars for the purchase of planes and tanks were let.

It is incumbent upon all of us to be tolerant of criticism and to adopt the larger view of end result. It takes time to build an army even as it takes time to convert our domestic economy into war production. We must keep constantly before us, when thinking in terms of NPA, the key letter, "P"--the big "P"--standing for production, wherein lies the solution of our problem. And perhaps we should even extend NPA to NIPA, the "I" standing for "increased." Increased production and increased productivity are NPA's basic aims.

An increase in production rather than a transformation of our civilian economy to a war machine is required for several reasons.

The internal economic picture today is far different from what it was in the early forties. In 1940 and 1941 there was still high employment, and though our economy was not at a very low ebb, there was spare production capacity which could be immediately put to work.

Today our productive capacity and production rates are at their highest levels. Employment is high and consumer demand great. Therefore, we must increase our productive facilities as rapidly as possible to handle the even greater and unprecedented demand for both civilian goods and the tremendously increased demands of the military.

This challenge. I believe, we are meeting and in a manner which causes a minimum of dislocation, if you will, to our internal economy, which is based upon and inspired by the profit system.

In this swift transformation from a peacetime to a wartime economy we must also bear in mind that some adjustments will have to be made. How are these adjustments accomplished?

At the heart of this gigantic task is the priority system. I shall attempt to steer clear of the ultimate need for allocations and talk mostly about priorities which, together with allocations, are the instruments used to direct the flow of materials into weapons, ships, and planes and all the other things which go to make up the overwhelming force we now require.

It has too often been said and proved that history repeats itself. None of us can afford to ignore the warnings of the past and I think it would be well to examine a bit of World War II history and the role of the War Production Board in that last great struggle.

The original purpose of priorities, quite simply, was to give preference to orders placed by the Army, Navy, and other defense agencies. Now, it is apparent that we must put military orders ahead of civilian requirements and reserve the scarce materials for essential uses and curtail or shut off the production of unnecessary goods.

Enough for the generalities. I do not presume to qualify as an expert, but I am happy to be able to give you the benefit of my experiences with the War Production Board, where I was the last director of the Chemical Division, and my brief exposure to National Production Authority. Please do not ask me to forecast. With reluctance, in resorting to a cliché, I must insist that, "I know only what I read in the newspapers."

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My particular field in the Chemical Bureau and the Alcohol and Solvents Branch of War Production Board gave me a wide experience with priority orders. In the Second World War, Priorities Regulation No. 1, while it attempted to decide a degree of essentiality, only proved to be a hunting license with very little game to be bagged.

From Priorities Regulation No. 1 we graduated to limitation orders, conservation orders, then finally to outright allocation orders by end use. This seemed to be the most equitable system and was in force until the necessity for allocations ceased.

My first job was to administer industrial alcohol under Conservation Order M-30. Under its provision users of alcohol were held to a percentage of alcohol used in a base period, which they obtained upon certification of the supplier. The fiscal year ending 30 June 1941 was selected because it was the latest year in which alcohol consumption figures were available.

The end use pattern was fairly easy to develop, and the exact amount of alcohol used was a matter of record, because of the regulations of the Alcohol Tax Unit of the Treasury Department.

Anyone wishing to purchase alcohol for manufacturing purposes had to obtain a permit from the Alcohol Tax Unit, stating on his permit his sources of supply. The permittee could not buy unlimited quantities but had to justify the quantity he wanted by his orders on hand. Permits were granted only after a thorough investigation as to character and financial ability. This is necessitated by the fact that many specially denatured alcohols could be diverted to beverage purposes and the Government would thereby lose the tax.

The inception of M-30 created a host of appeals, some because of a lack of a base period and others because the base period did not reflect a true pattern for a particular firm. Any curtailment of a basic raw material creates a shortage of the end products, resulting in appeals from all and sundry to obtain the basic chemicals. This is especially true in businesses that do not require much equipment, such as cosmetics, detergents, and a host of other things.

Therefore, we adopted the policy on appeals that we could hardly reduce an existing firm's consumption on the one hand and with the other establish a quota for a new business; however, we could not keep them from trying.

Many changes in the orders were necessary as time passed. For instance, cosmeticians were allowed 75 percent of their base period experience in the beginning. This was later reduced to 50 percent. This percentage was felt to be the break-even point for the industry. Also, to deny them alcohol would not save very much since the total peacetime amount was about 5 million gallons. The quantity allowed for rubbing alcohol compounds was reduced to 15 percent of base and then allowed only on a doctor's prescription. It was felt that isopropyl alcohol could be substituted during the war period.

Later, alcohol was placed on allocation under Schedule 71 of M-300. This was a Herculean task when it is realized that there are over 4,000 S.D.A. permittees, and about 7,500 tax-free ones. Each person using more than 54 gallons per month of S.D. alcohol was compelled to file forms to receive an allocation. So much for alcohol.

The requirement for methanol in the military and essential civilian use necessitated denying this use for antifreeze. Ethyl alcohol was permitted, but the quantity was limited and strictly allocated to producers of antifreeze. The resulting antifreeze was distributed by directive from WPB when we found antifreeze was sold f.o.b. destination.

The producers of antifreeze immediately sold their entire production to states close to their productive point. This resulted in an inequitable distribution, and it appeared many states would be without antifreeze or would have it in insufficient quantities.

If people think antifreeze is a nonessential commodity, they want to try to administer a limitation order controlling it. Our first problem was to get equitable distribution. To this end, we directed producers to put definite quantities of their allowed quota in each state. To accomplish this quickly, we divided the country into three groups--A, B, and C: "A" representing the coldest section; "B," the next coldest; and "C," the warmest. At this point we received a long-remembered lesson in geography. Arizona and New Mexico were designated as "C" states. Immediately we heard in no uncertain terms from the governors of those states, Chambers of Commerce--and every town in those states seemed to have one. Many business concerns wrote that while it might be hot in Arizona and New Mexico in the summer, they received a lot of cold weather in the wintertime. Investigation disclosed that we were entirely wrong since it does get very cold there--and early, which was the important fact that we had overlooked entirely.

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Further to complicate the antifreeze picture, the bulk of permanent-type antifreeze went to the military. The supply available for civilian use was very small. Because of this, permanent antifreeze became gold in the hands of a distributor who could demand orders for a long list of supplies from anyone to whom he would deliver permanent. It also went into the black market and individual users reported paying fantastic prices to obtain it.

The chemical industry varies from other industries to quite a degree. No industry is so interrelated. I believe we have more captive production than almost any other industry. We have basic chemicals, intermediate chemicals, semiprocessed products. If steel becomes short, other industries are affected. If basic chemicals are short, intermediate chemicals are short, then finished chemicals are short. In other words, from the basic chemical to the finished product, you are still a part of the chemical industry in most instances.

There were a great many orders in force controlling various chemicals and components in the Chemical Bureau. Written at different times and by many people there was confusion in industry because of the numerous orders and forms. To simplify matters one Order, M-300, was written to control all chemicals, each chemical under a schedule number. For instance, alcohol was schedule No. 71 of M-300. There were over 100 schedules to this order. This gives some idea of the magnitude of the work load in the Chemical Bureau. The schedules varied slightly according to the necessities of each chemical, but the same forms were used throughout in applying for a specific chemical. The schedule number and the chemical desired were typed at the head of the form.

These two commodities serve to indicate the difficulties of priorities and allocations. If the going really gets rough, we will have to resort to extreme measures, of course; but that will be a process of evolution and need. When the time comes, the necessary steps will be taken.

Thank you, gentlemen.

(Discussion was not recorded.)

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