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PROGRAMS AND STATISTICS—FACTS FOR DECISION

2 February 1951

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Publication No. L51-95

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

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COLONEL BARNES: Whenever a speaker returns to this platform for the second time in the same academic year, it is for one of two reasons. Either he was so good the first time that we just could not let him get by with only one appearance, or else he volunteered for the second appearance. In this case, Mr. Stocking fulfilled both conditions. His lecture last October, on the subject of "Manpower in Wartime Communities," was a top-flight contribution to the Manpower Course, as you remember. Then, when I asked NSRB whom it might suggest as a speaker for today and who would be willing and able to discuss this subject, Mr. Stocking volunteered.

We are fortunate to have him back. He has done a great deal of thinking on this subject of gathering facts and lining them up to be used as a basis for mobilization policy decisions. Prior to his connection with NSRB, where he has been spending a great deal of time thinking and planning on this subject, he had many years of experience in the management of statistics as a tool for practical application. He is excessively qualified to discuss this subject of facts and decisions with you this morning.

Mr. Stocking, it is a pleasure to welcome you back to this platform for the second time this school year.

MR. STOCKING: General Vanaman, General Holman, Colonel Barnes, gentlemen: I wish to thank Colonel Barnes for that very gracious introduction. It is always a great pleasure to visit the Industrial College-- for a return engagement, especially so.

I am very much interested in the subject that you have for today. I must say, however, it is a very formidable one with respect to its scope and ramifications. And because of its scope and ramifications, I should like to ask you to join me in a little experiment this morning.

I have been over here a number of times; I have participated in both your seminars and your lecture sessions. It has always occurred to me that the seminars are especially lively because you have an opportunity to direct the discussion along the avenues of your special interests.

With respect to the scope of this subject, I should like to indicate how broad it is by mentioning some of its content. If you look in the dictionary, you will find many definitions of "program." It can mean a public pronouncement, a proclamation, a policy, or a plan for doing things,

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or it can mean a great many other things. Thus we have, as part of mobilization, a production program, a procurement program, a manpower program, a program for controlling inventories, a program of wages and prices, a program of taxation, and so on.

The scope of statistics is equally broad. As a matter of fact, it has to be coextensive. For a program that is not based on a sound statistical foundation is doomed to failure before it is begun.

Under normal conditions, these things are all done for us by the forces of the market. It is in the market where the millions and millions of choices that you and I make, along with the butcher, the baker, and the candlestick maker, react on one another to determine what is to be produced. Under mobilization conditions, however, things become much more complicated, and we cannot allow these forces that serve us so well in normal times to operate. If some of them are not curbed, they will do damage to our mobilization effort.

It may be very good business, from an individual point of view, for a person to scurry around and buy scarce materials to turn into less essential products for which people are willing to pay high prices, but it is not necessarily in the public interest when the Nation is mobilizing for defense or war. In times of mobilization, we must have a concentration of authority, its centralization in the Government, and the substitution of government decision making for individual decision making.

This is a very terrifying thing. It is easy enough for a Utopian dreamer to visualize a smooth-working world where everything fits without friction into a well-ordered pattern to turn out mountains of goods and services in just the right proportions. But the practical matter of determining in detail what heterogeneous aggregate of goods and services constitutes the best return for the expenditure of our resources and effort is almost beyond human genius.

My good friend Eddie George, of Dun & Bradstreet, who did yeoman service in the last war, said, in describing the controls that operated then, that the grand design was out of the head of Zeus—a supreme deity of the Greeks. We, not having the omniscience of Zeus, have to depend upon statistics for guidance.

I am going to select one area of programs and statistics, review it briefly, and then throw the discussion open to you. I will select, in that connection, the determining of defense production programs, their translation into material requirements, and the balancing of these requirements with the resources available for meeting them.

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I don't know how to start a defense production program without some knowledge of the size of the job to be done. I don't know how to get that measurement except by establishing programs for each segment of our economy. Until that is done, no one knows the size and relative importance of the different programs, and no one is able to measure them against the Nation's capabilities for meeting them.

Among the most important programs of mobilization planning are the munitions programs. These are based upon the strategic plans of the Joint Chiefs. It is up to them to determine the likelihood of war, how it will come, when and where, and to determine the countermeasures that are necessary if the country is to be secure. It is up to the military to translate these plans, or the requirements of these plans, into terms of the amounts of aircraft, automotive equipment, ammunition, ships, and other things that will be needed to carry out the plan. Even though the estimators do have the benefit of the strategic and operational plans, it is an extremely difficult task, as anyone who has worked in this area will tell you.

When you turn to the nonmilitary requirements, which include essential consumer goods, war-supporting goods and services, and foreign trade, without such a base, the task becomes even more difficult. Shall we have more automobiles or fewer automobiles? Shall we have more or fewer refrigerators, washing machines, and ash trays? Shall these be cut back in a horizontal manner or shall they be cut back in a selective manner? Or to take another type of product, one that has to do with our ability to produce, shall we have more or fewer machine tools? Shall we have more locomotives, barges, and ships, or shall we have fewer of these? Shall we have more or less petroleum?

Not only do you have to determine what to produce, but these things are so interlaced that to determine one you almost have to determine all of them. For instance, if you want to know whether or not we are to have more or less petroleum, you have to know something about the number of automobiles and trucks, the number of Diesel locomotives, and the number of other large consumers of petroleum products that are going to be in operation. You are going to need to know how much rationing is deemed to be desirable or necessary.

So that when you start to try to determine the nonmilitary program, you have to start by organizing your facts in some sort of orderly manner and in some sort of interrelationship pattern.

You do this on the basis of past experience and on the basis of forecast of the future. In this manner, you determine what has happened to the population--its changes in age composition, its changes in income, its changes in consumer practices, and so forth. You start to build up

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some ratios of population levels to levels of consumption, and you come to some conclusion as to what is going to be necessary in the several fields of production.

Likewise, you have to look at what has happened in the field of production in the past. You have to determine what has been the use of machine tools, petroleum, and other things, with respect to the volume of production, and come to some conclusion as to what is going to be necessary to give you a balanced economy and the best return for your investment of resources and effort.

You don't have to start from scratch. Fortunately, a lot of these ratios are available to us in our peacetime statistics. But you have to arrange them and apply them, and after applying them, you begin to come up with something that makes sense; or by making necessary adjustments, you finally say; "This is an approximation of what we must do. This will give us a balanced economy. This will make us strong in the event of war."

Then you have to translate these into materials that they require. Steel is so widely used in our economy, directly or indirectly, that it provides the very sinew of our industry; it is one of the materials for which you have to test requirements against capacity. Can you turn out this pattern of programs that you have developed, so far as steel is concerned? Copper is another material that is basic and is also widely used; for some types of munitions it is used in enormous quantities. In the last war practically all our aluminum went into aircraft. So you take these two additional metals to start out with and make them a part of your test of whether or not you are going to have enough to carry out these programs that you have set up.

Here, again, you encounter the very difficult problem of making the translation. Presumably the military people can be more precise because they operate from very specific specifications and bills of material. But they omit any effort to estimate common components, the materials required for common components, or the materials required for civilian-type products which are purchased by the military. This leaves a tremendous gap, because these items can account for very substantial use of the metals to which I have just referred.

I might say, before leaving the military, that what the military people actually do is use, to a very great extent, past experience—material consumption ratios that they have and that they can draw from their past records—and except for certain items they don't use the bills of material translation to any great extent.

With civilian, nonmilitary, production the task is more difficult because we don't have these factors available. I must say that the

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Bureau of the Census, spurred on by wartime experience, has done a great deal since the war to modify its reporting procedures in order to get some information about the consumption of metals in certain types of production. But this information is still very sketchy and there is a great question of whether or not a requirement of it would justify the cost, not to mention the burden that it would place on industry. But you do have, in the Census records, in World War II experience, and from other sources, enough information to start making some rough approximations of what these different programs will require in terms of steel, copper, and aluminum; you build up your approximations and then put them together.

I think it is very important that the civilian agencies, from the very beginning, be assigned the job of determining programs and the material requirements for their areas of responsibility. This gives them much-needed experience in thinking in program terms; it also gives them an insight into the type of problems with which they are going to have to struggle as the defense program expands.

After the defense programs have been compiled, they should be reviewed by a single civilian agency; they should be looked at for their internal and interprogram consistency. At this point you can see, to take a grotesque example, whether or not the rubber authority has estimated, let's say, 10 times as many tires as the automobile authority has estimated there will be automobiles to use them.

There is another test you can apply at this point; it is a very important one. You can reduce all the programs to their dollar values and then compare them with the estimates of our potential capacity to meet the programs. Let me make that a little clearer. Let us say our gross national income is 275 billion dollars--that is not quite the figure, but I am using it for illustration purposes--and the estimates total up to 400 billion dollars for the next year. Obviously, something is wrong. There has been a misunderstanding, or all the estimates have not operated on the same assumptions. So you have to get new estimates adjusted to bring the total within the limits of our capabilities. I don't mean you have to reduce it back to 275 billion, but you cannot have it at 400 billion. Programs like that will only cause confusion and a failure to achieve any of the goals that you are setting out to achieve.

After you have gotten your programs together in this way, you also have to measure them on the basis of the materials consumption. I selected steel, copper, and aluminum as examples because these are the materials that were the limiting factors and were under strict control in the last war. You have the same sort of problem with respect to petroleum, electric energy, manpower, and many other things, but the metals I mentioned provide a good starting point.

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You will find the first programs are very likely to exceed capacity in terms not only of dollar value but of material consumption; then you have to start making adjustments. You enlarge one here because you need more petroleum or machine tools if you are going to achieve balanced goals. You have to cut others back. Through a series of adjustments and readjustments, you finally come out with something and you are willing to say, "These are the best targets that we can shoot at. They meet the military requirements. They are the least disruptive to our industry. They provide for an adequate expansion of capacity. They all fit together. These are programs we want." They become the official objectives or goals of your defense effort.

Then all agencies having responsibility in this field--and right now that responsibility is very diffused--must develop the controls and the rules and regulations, and they must establish policies so that they intermesh and all contribute to the achievement of these goals. You cannot establish your goals and then have everybody ignore them in their individual actions.

The thing I want to emphasize especially is that you must bring these together into a collective picture just as soon as you can. If you don't do this fairly early, you start out by making spot decisions--you settle each thing that comes up on the basis of urgency--and the first thing you know, you get things so snarled that it takes you, with the best of effort, six months or a year to get them unsnarled. It was not until near the end of 1942 in the last war that these things were brought together in a systematic manner to provide the total picture, and it was not until then that the authorities began to unravel some of the big snarls that they themselves had created.

My time is running out. If you want to have further discussion of this one area of programs and statistics that I have just briefly sketched for you, or turn in some other direction, or take into account current mobilization program developments, it is up to you. You call the shots.

COLONEL BARNES: Mr. Stocking, before we start the individual questions, I wonder if you would take just a few minutes to explain to the class your views on the follow-up use of statistics after the programs are determined and are in actual operation and there is a need for constant policy formulation and shift of policy based on facts that have to be gathered from the field, correlated, and then gleaned for information that is pertinent. Do you see what I mean?

MR. STOCKING: Yes, I believe I do. That is a pretty broad field in itself, but I will say just a few words highlighting it.

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In times of mobilization the circumstances require, maybe not more statistics but at least a different type of statistics from what they require under normal conditions, and that tends to overstimulate us so that we begin to collect statistics wildly.

Although an effort was made in the WPB to curb the useless or reckless issuing of statistical requests--as a matter of fact, there was a law that prohibited any statistical requests being issued except after approval by the Division of Statistical Standards of the Bureau of the Budget--from March 1941 to September 1945 there were over 4,000 WPB statistical reports issued. That accounts for only those that were officially approved; it does not include the wildcat reports that got out without formal approval. Eddie George, to whom I referred a moment ago, described the responses to one single report as a blizzard that so engulfed the personnel on the receiving end that additional staff was like sand before a storm. We avoid those mistakes.

When you get people in from industry, they know about their own industry and it is pretty hard for an official in the Bureau of the Budget or anywhere else to argue with them as to whether or not they need a report, or whether or not the information is available from somewhere else.

I don't want to harp upon the mistakes, but there were responses to some report requests that came in by the millions, and the personnel finally reached the point where they never opened the cartons which contained them. This is very serious when you are trying to fight a war. It gets to the point where industry wonders whether we are going to try to win the war with statistics or with munitions.

The last time, there were two widely collected reports that had exactly the same information. They were so similar that they could have been combined into one report. If you want to check me on that, I refer you to the controlled material report known as CMP-4; also the War Production Board Report of Operations, No. 732.

I am afraid that we statisticians are partly to blame for it. As statisticians, we sometimes try to heighten the mysteries of our craft and make it obscure or very esoteric to the administrator. I remember one time hearing an administrator impatiently bawling out a statistician. Finally, with mounting exasperation, he said, "I don't give a tinker's damn about your statistics. All I want are the facts." And that is understandable. When a statistician gets to talking to the administrator about regression curves, coefficients of correlation, or shows a trend curve that is as straight as a poker, the administrator gets bewildered and begins to cry for the "facts."

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One of the types of information that is related to the program and statistical area I have just discussed--that is, formulating the programs and getting them established--is the determination of how much of our resources in manpower and materials is being used up in production; that becomes much simpler after the defense effort gets under way. That is why I am never much disturbed about the inexactness of our figures. I accept them as approximations before we start. After we start out, we can get the information, or much of it, very simply because the activity generates the information.

For instance, I was talking a few minutes ago about the determination of the amounts of steel, copper, and aluminum that are required, and I said that the statistics are very sketchy and that the military figures have to be calculated on the basis of past experience and forecasts of the future. But once you start, there is nothing to keep you from asking the producer to report at periodic intervals what he has produced and how much, and how much steel, copper, aluminum, or anything else that is scarce, he has used in production. You have the consumption by units. Then you ask him how many he has scheduled for production during the next production period and how much material he estimates he needs.

With that flow of information--and this is essentially what was on the CMP-4 report I referred to--you know what is happening and you can readjust the flow of materials and synchronize it with the production needs. If he used 100 pounds per unit of output of "X" commodity last time, and he intends to produce 50,000 units during the next period, to determine the materials requirement is just a case of arithmetic. If he asks for more materials, he has to explain why he wants more materials. That is the backbone of a reporting system.

The No. 732 report that I referred to overlapped the CMP-4 report tremendously. It started out as a report to locate unused plant capacity. It contained the amount and value of production turned out, the amount of manpower used, whether the producer had two or three shifts--and if he didn't, why didn't he? They were trying to ferret out, at that time, places where there were unused facilities. But I have a feeling that we can find unused facilities much more easily that that and we should be able to design a much simpler report. I am sorry I started out on another lecture. Just give me one minute more.

One other point I want to make is that after you get going you must have statistics on what you have accomplished; you must have statistics to show whether a policy worked. You issue an inventory control. You say that industry must cut down on the inventory. You must have some facts to see what happened. Did this stimulate an increase in the inventory because it scared everybody or did it result in the action that you were trying to achieve?

I think the first inventory control in this current mobilization effort was issued in October. I notice that since that time producers' inventories of materials have increased.

QUESTION: This question has to do with the production allocation program and the civilian requirements thereunder.

The Munitions Board will find a representative from the armed forces discussing with management the situation of war production, and in that discussion management is invited to state what it desires to retain for civilian production. If the producer has a background of World War II experience, the percentage will generally come to about the same thing. If he has no such background, he will be told they will come to an agreement but it is not to exceed 50 percent. I understand that such an interview with management is brought about through a request by NSRB for information.

My observation is that it would seem to be rather questionable in that it misleads the manufacturer into thinking that he ultimately will have something to say about what percentage of his plant will go into civilian production. The second point is, What does NSRB do with that information when it gets it?

MR. STOCKING: I don't wish to appear on the defensive, but I believe your facts are a bit wrong. Let me restate them and see if you can roughly agree with me.

That is to say, there was an effort, for procurement planning in the Munitions Board, to line up the plants for war production in case war struck suddenly; that is, to line up the plants so that the military representatives would know where they were going to put their contracts and they could get production. In that connection, reference was had to the last war experience.

Now, there is a tribe of people who resist the feeling that non-military production should be regarded as residual. I don't know whether I make myself clear. They don't want the military people to get the idea that willy-nilly they can take over any facility they want in time of war and that it can be turned to war production without regard to essential civilian production. People who belong to that tribe sometimes tend to be overly protective, I think, so that they want the military, in lining up these plants for war production, not to ignore the civilian needs. In the absence of a determination of what the civilian needs are--and they are not determined with any certainty--certain people didn't want these plants being pledged for conversion entirely to war production if it was necessary to have some of the facilities for nonmilitary production.

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An agreement finally resulted. I don't think the NSRB was the advocate of this, but the Munitions Board was pounding away, saying, "Look, we've got a job to plan procurement, we want to move ahead, and you've got to give us some bench marks." So the bench mark that was finally established was this: "Don't count on any more than the ratio of civilian production to war production the last time, so that we can reserve some of this capacity nominally for civilian production."

What has happened is that we have moved into this partial mobilization. I am sure that if you compare the allocation of contracts under the partial mobilization with the scheduled method of allocating them in case of full mobilization, you will find them different in many respects. When you go to the plants that were selected for producing certain munitions products in case of full mobilization and say, "We want you to start producing this item," they say, "Look we agreed to produce the item in case of full mobilization. What you are talking about is tiddlywinks. We just cannot afford to produce it in such small quantities. Find some other producer who can afford to convert. This will be partial conversion for us." So you find another producer, and he takes on the contract, but he was the producer who was earmarked for something else in case of war; and so it goes. This is one of the frustrating experiences in trying to plan.

QUESTION: There has not been any disagreement at all so far. I think my real question boils down to this: Is the NSRB looking to the results of this program for its civilian requirements? We have heard so much about the difficulty in planning civilian requirements. If there is a plan for civilian requirements, in what way is that plan related to the production plan?

MR. STOCKING: You get that relationship in the balancing process to which I have already referred. You bring the military and the non-military programs together and evaluate them. What you try to do, in making the adjustments I referred to, is to make the adjustments so that the last increment of production for any program is just equal to the last increment of production in all other programs. Theoretically, what you are trying to do is this: You may at this point decide--if you could get to such precision--that it is more important to put another ton of copper into residential construction than to have a few more 16-inch shell casings. That is where you get the final picture of the nonmilitary requirement; it is not, you see, from this program of finding out how much capacity the military has to take.

QUESTION: My question relates to the cycle of requirements determination, wherein claimant agencies finally furnish their requirements to a central civilian agency--I presume NSRB in this case--that agency reviews them, by consulting with the claimant agencies concerned it

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finally arrives at adjustments that will balance requirements with availability, and a recommendation is made to the President as to the Nation's production policy for a mobilization plan. Has this cycle ever been completed?

MR. STOCKING: It is hard for me to answer "yes" or "no." I am going to have to take a moment to answer it.

It reminds me of this incident: I said to one of my associates just a day or two ago, "You know, I have inquired of scores of people who were in the War Production Board last time, and I cannot find anybody who used the data contained in the No. 732 report." He said, "I did." I said, "You are the first one I have found who did." He said, "I'm not sure it counts, because I used it for work that nobody paid any attention to anyhow."

I am reminded of that because there has been one cycle, but it was done in such gross terms that I was never very enthusiastic over it. We completed such a cycle in early 1949. The military gave estimates of its requirements and the NSRB got estimates of civilian requirements--they compiled much of the data themselves--and put them together to see how we would fare with these programs in terms of steel, copper, aluminum, and manpower. It was the judgment of the NSRB that they were out of balance, and the Joint Chiefs have taken this into account in revising their strategic and operational plans.

We have a call for data out to the military services now and they have just about completed the job. They are to supply us their requirements calculated in accordance with the provisions of the strategic plan in case of full mobilization. But this has all been thrown up in the air by the emergence of this partial mobilization.

In December the NSRB put out to the military services a call for data on the size of their programs under this partial mobilization plan. A call also went to the civilian agencies having claimant responsibility.

But the civilian agencies at that time were not experienced in thinking in program terms. We gave them all a set of assumptions as to what they might expect--forecasts of the pattern of our economy over the next five years. Again, I don't want to appear critical, but a lot of this stuff that we got back was just what we gave them; they used our figures. What we got back is not very reliable.

The biggest benefit of that experience is, I think, that we did at least call attention to the fact that they are confronted with the necessity of planning in program terms.

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Since then, in the week before last, the National Production Administration has made another call for data, following roughly the same pattern that we established.

So my answer is "yes" and "no." It has been done, or tried, but the results yet are not in very usable form. And this is very serious, because until the job is done satisfactorily, we are going to have a multiplication of these spot emergency decisions that will create trouble for us in the future--and the not-too-distant future.

QUESTION: You have mentioned the statistics collected by the War Production Board. Would you discuss the usefulness of those statistics at the present time--that is, how much analysis is being made of them and what difficulties you run into in using those data in determining civilian requirements or possible production capability of the economy?

MR. STOCKING: They are being used, but only fragmentarily because our economy has changed very rapidly since the war. We have had more than a billion dollars of additional plant capacity and equipment, so that we have had an expansion of our ability to produce. We have had an increase in steel production and an expansion of aluminum production.

The figures that we tried to use were the results of the No. 732 report. It gave us a report on the volume of production in dollar value by products, and the amounts of steel, copper, aluminum, and manpower used. But they have not proved too useful because there are not enough of them on single-item plants. Take a plant like the National Cash Register Company. During World War II, at one time or another, and sometimes overlapping, it produced such things as cash registers, gun mounts, shell casings, and finally aircraft. That company produced seven different things.

What we need now especially is data on how much of the critical materials--steel, copper, aluminum, cobalt, zinc, tin, and others--is going to be required to carry out this mobilization; we don't have such data from that experience, except in a gross form.

QUESTION: Mr. Stocking, I wonder if you would discuss, from the NSRB point of view, its policy on new government-owned, as contrasted to government-furnished, facilities to increase production.

MR. STOCKING: I cannot describe the NSRB policy, but I can tell you how the general attitude appears to me. There is a big move on foot now, of course, to reopen the old war reserve plants to production; many of those plants are in process of being reopened. But there is a general feeling that plant expansion should come through private resources or private-owned plants. They have therefore in the administration of

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the program of tax amortization for expansion, certified for the expansion of steel production by some 15 million tons already; many other applications are being processed. They have been, I think, extremely generous--newspaper accounts to the contrary--in certifying any application that comes in asking for tax amortization for expansion of facilities.

It is going to be tougher, I think, in the future, because a number of them come in that want not only tax amortization but government loans, and thus far the Congress has provided for only a limited amount of funds to be expended in the form of loans.

QUESTION: Do you think that method will make enough capacity to fulfill requirements and that there will be no need for any new government-owned plants?

MR. STOCKING: You must have some government-owned plants for specialized items. Plants for such items should be government owned. You would not want private ownership of an ammunition plant. That just is not in the picture. It is good only if you have a stepped-up mobilization or a war situation.

QUESTION. Is NSRB doing any planning along that line?

MR. STOCKING: No; not that I know of.

QUESTION: Could we revert, Mr. Stocking, to the question of the time required from the point in time when the Joint Chiefs of Staff formulate or determine upon a plan to the completion of the planning cycle? From your experience so far with that problem, what, in terms of months, has the length of that cycle been, and how important is it from your viewpoint to shorten it?

MR. STOCKING: The planning cycle has been about two years, which is discouragingly long. Before you complete your cycle, the plans are obsolete. There has been some rationalization of going through this cycle as an exercise in that it forces you to develop certain factoring methods, and so on, that would be very useful in speeding up the adjustments in your plans if war should come. But the time element is an inherent weakness in the situation. We should be able to find some way not only to speed it up but to organize the planning in a more flexible manner, so that a change in the strategic plan would permit you, within a couple of months, to make an adjustment in the determination of requirements and your capacities for meeting them.

Everything is confused by this emerging situation, too, so that nobody is interested now in compiling the requirements for full

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mobilization, because no one can get on top of the job even for partial mobilization. They cannot keep up with the appropriation of funds to date even to program what they are going to spend the funds for. This is an urgent matter because they must go up to Congress and ask for more money. The first thing Congress is going to be asking them is, "How did you spend what we already gave you?"

QUESTION: Mr. Stocking, I am interested in the determination of civilian requirements. The determination of military requirements is supposedly based on fairly accurate figures derived from the programs, inventories, stocks on hand, and so on, and yet those requirements are found and estimated to be off in large percentages, based on the fallacy of the assumptions, and so on. The determination, and even the reporting of the basic figures, of civilian requirements, from what we have been able to find in our reading, is very nebulous.

MR. STOCKING: That is right.

QUESTION: I have heard a member of the firm of Ernst & Ernst say that accounting is a fairly exact science in making an audit, provided the original entries are correct. Since we know how far off the "original entries" are in civilian requirements, is it worth while to go ahead and try to determine civilian requirements for production and base a program on them, any more than it is worth while to cut back the necessities for military requirements until we see where it hurts?

MR. STOCKING: That is a very interesting question. I am inclined to fear that there is a tendency to overrefine our estimates. I remember that a year ago one of my associates in the NSRB wanted to determine different levels of civilian requirements--for a soft war, for a medium-tough war, and for a disastrous war. I cannot put much stock in that.

Civilian production should not be cut one unit more than it has to, but you should not hesitate to cut it when the time comes. Under the current situation, it is really a solemn decision now to determine how much of any of these civilian goods we really need.

I was just saying to General Holman before we came in here that I read in the "New York Times" last Sunday that the automobile industry had gotten 2 billion dollars' worth of contracts up to date. Where are the contracts going to be produced? Light tanks in Newark, Delaware. Where in Newark, Delaware? In a plant they were going to construct there. Ford has leased a plant in Chicago; Cadillac, one in Cleveland--a government-reserved plant. Here they are trying to do just what they did last time--put all defense production on top of a high level of civilian production.

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Until you determine what producers can do and what they cannot do, they don't want to convert. In the last war you did not have the conversion of industry until 1942. Just before the last car rolled off the assembly line, McNutt and Hillman were up on the "Hill" pleading for unemployment benefits for displaced workers because of the war effort. I exaggerate it by saying that they had not gotten back to their office before the problem had vanished because automobile production had stopped and the plants converted in jig-time.

The other day I talked to a friend of mine who is very close to the automobile industry; he believes the situation is worse than we are wont to realize. He thinks we should speed up our production for the military. He says, "If you would leave it to me, I would cut down automobile production. I would tell producers right now we are gradually going to cut it down so that in 1952 they won't produce any automobiles--and they would convert." Sure they would.

This is an awfully difficult situation to have to administer, because the judgment element enters into so many decisions. You have all sorts of pressure groups that have good bases for argument; they say, "Why pick on us?"

QUESTION: The latest issue of "Business Week" forecasts the return of industry's operation under the Controlled Materials Plan by the first of July. Could you tell us your opinion as to the wisdom of that decision?

MR. STOCKING: It floors me. I read the article myself. Understanding what sort of information you must have in order to administer a CMP plan and knowing that it just does not exist, and even the procedures for obtaining it are not in existence, I shudder to think what difficulties they are going to have. After all, the CMP came into use in 1943, nine months after the idea had first been crystallized--all that time they had been preparing for it and they had industry in the habit of making necessary reports. But to get it organized in four or five months is going to be some job.

QUESTION: I would like to follow up a little more on the production allocations program of the Munitions Board. You indicated that because of the present emergency the whole thing has been thrown out of gear. Is it your opinion that the whole program of production allocations should be scrapped, that we are trying to go too far down in planning that type of thing? If not, then what is your proposal for balancing this program because of the present emergency's effect on it?

MR. STOCKING: No. I think what the Munitions Board did was very important and should have been done. My impish remark was that it had

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been caught by a change in situation. If we had a full-blown mobilization overnight, I think what they have done, and what they are doing right now, would be very important. I should not give it quite the emphasis I gave it, because I think what they are doing now is extremely sound.

However, while I think it is a good idea, I think it is distressingly slow. On the fifth of January, I believe, they sent out a directive, and they wanted 50 percent of the dollar value of procurement scheduled by 20 January 1951. I don't know how many schedules they have now, but the last report I got is that it was less than a score. They are doing it and it is a splendid sort of thing, but it is taking a lot of time to do it.

COLONEL BARNES: Mr. Stocking, we thank you for a very frank and interesting discussion. Thank you very much.

MR. STOCKING: Thank you.

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