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THE DEFENSE MOBILIZATION PROGRAM

30 April 1951

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Mr. Oliver S. Anderson, Assistant Executive Secretary of the Office of Defense Mobilization, was born in Washington, D. C., 8 July 1906. He was graduated from Pennsylvania State College with an A.B. degree in 1928, and from the Industrial College of the Armed Forces in June 1950. Prior to entering government service, he was engaged in the excavating contracting business in the District of Columbia. He entered government service October 1941 as member of the staff of the technical consultant to Donald M. Nelson, then director of Priorities, Office of Production Management; subsequently became principal priorities specialist in charge of the formulation of priorities policy and clearance of priorities action in seven major industry divisions. In 1943 he became assistant director of the Urgency Rating Division, Office of Program Vice Chairman, War Production Board. In this capacity, he worked on a formulation of the Preference Rating System and handled the approval of priority ratings for major production programs and special construction projects in the rubber, petroleum, penicillin, and the housing fields. After a short period of service as special assistant to the Administrator of the Surplus Property Administration, Office of War Mobilization and Reconversion, he became deputy director of the Bureau of Industry Operations, Civilian Production Administration, responsible for the priorities actions of all industry divisions. Early in 1948 he served as consultant to the chairman of the National Security Resources Board and subsequently became Director of the Committee Operations Division. In this capacity, he was responsible for the formulation of the policy for the use and operation of a system of industry advisory and interagency committees. After graduation from the Industrial College, he returned to the National Security Resources Board and became a member of the staff of the secretariat. In January 1951 Mr. Anderson was loaned to the newly formed Office of Defense Mobilization and has subsequently been named Assistant Executive Secretary of that organization.

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COLONEL BARNES: The lecture this morning opens up a series of lectures designed to supplement your research on the final problem, which starts today. This series of lectures will bring to this platform, from each of the key mobilization agencies, representatives who will discuss with you the functions, the problems, and the plans of their respective offices.

For the opening lecture this morning we will deal with the Office of Defense Mobilization (OPM), the office where the top direction and coordinating authority is vested. Our speaker, Mr. Oliver S. Anderson, is particularly well-qualified to discuss this subject with you. He was graduated from this college in June 1950 and therefore understands your mission and problems. He participated in the bulk of the preparatory planning accomplished by the National Security Resources Board (NSRB), the planning which set the stage for the economic mobilization activities now going on. Last January, when Mr. Wilson's office was organized, Mr. Wilson drafted Mr. Anderson as a member of his small select staff at ODM. So that if anyone is in a position to understand the background and the present and future of our economic mobilization program, Mr. Anderson should be.

It is a great pleasure and privilege to introduce Mr. Anderson to this audience. Andy, welcome home!

MR. ANDERSON: General Holman and gentlemen: Thank you, Colonel Barnes, for that very nice introduction.

It is good to come home to the college. This room recalls a long series of lectures, seminars, committee reports, outside activities, and many other items of interest and pleasure.

However, to come back and talk to you on a subject as important as the one assigned to me today awes me a little bit, because I realize that you men have spent the better part of a year finding the answers that we ourselves would like to find. I am sure that you know more about the subject than I do.

I think it is significant that I am here this morning. Last year, as a student, I represented the National Security Resources Board here. This year I come here as a representative of the Office of Defense Mobilization, the Government's top mobilization office. I think this illustrates the willingness and the ability of the Government to bring flexibility into its operations; flexibility that will take care of the demands imposed by changing times. I want to talk to you this morning a little bit about the phase we are in now--the defense mobilization phase.

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The defense mobilization phase is a phase which has arisen not by our own choice but by the choice and the actions of others. I want to provide some background to this phase by mentioning some of NSRB's activities in the mobilization planning phase. I will start a little before the end of the war, when some small groups of people realized that America was maturing; that we were getting ourselves into a position where we could no longer just sit back and wait for action and wait for things to take place; but that we had to assume some responsibility. This responsibility called for some planning, and in July of 1947 the National Security Act was passed. That act, among other things, provided for the establishment of the NSRB. The Board was set up to do the planning called for by quite a long list of problems that might arise in the event of a period of full or partial mobilization.

Many hoped that NSRB would come up with a blueprint for mobilization, a chart or a set of books, which could be pulled down from the shelves on M-day; that you would open the book and start at page 1, with rule 1, and run right down the line putting into effect the "plan." Many were disappointed that this kind of thing didn't happen. Without going into the reasons why the blueprint method was not adopted at NSRB, let me say that it was decided that the Board would work on the "problem" method and function as an advisory, not an operating, unit in the Executive Office of the President.

NSRB is divided into a group of offices that are named Production; Materials; Energy; Transportation; Manpower; Health Resources; Housing, Community Facilities and Services; Civil Defense; Foreign Affairs; Resources and Requirements; Economic Management; and the Office of Business Expansion. I read that list not with the thought of outlining the specific activities of each office, but to show you the scope of the thinking and the scope of the planning that is done under that agency.

Now, as we have moved into the defense mobilization phase, NSRB's activity, as outlined in the National Security Act of 1947, has diminished somewhat. We are no longer in the long-range planning business. We have an operating job to do. And while the defense production program does not call for total mobilization; the emphasis is now away from the planning phase and on the defense mobilization phase. So NSRB is confining itself to a consideration of those problems which will come in a reconversion and demobilization period. It is no longer planning for mobilization, because we are in a state of partial mobilization at the present.

Up to now, what I have said might be called a prologue to the remarks that I am going to make this morning. The main body of my remarks is directed at the defense mobilization program. I want to tell you a number of things. I want to explain what the program is; tell you how it affects the citizen; tell you how we are meeting the

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challenge that the program has thrown at us, the steps we are taking to meet the problems that are facing us; outline some of the basic principles which guide our operation; and, finally, tell you how we are set up to do the job.

The objective of the defense mobilization program is essentially twofold: The first is the production of military supplies and equipment for our armed forces in Korea and for our expanding armed services in the United States and Europe; assistance to the growing forces of other nations joined with us in resisting communism; and the production of reserve stocks intended in the case of key items to provide for the first year of an all-out war.

Second, it is building toward the productive power that would be needed, and could be put quickly into use, in case of an all-out war. This phase also has several aspects: (1) stockpiling of critical and scarce materials, (2) addition of production lines for military goods which are beyond those needed for currently scheduled output but would be needed in full-scale war, and (3) the addition of basic industrial capacity which will support high levels of both military and civilian production during the defense period, and which would be available to support the needs of all-out war.

In this area we are building some new plants. We are reactivating old plants. We are increasing the supply of raw materials for the steel industry through carrying out a program of building more ore boats to carry the ore from the mines to the producing centers.

We believe the defense mobilization program can be done by 1953. By that date our readiness to enter upon total mobilization should be sufficient; and production, in addition to meeting current military needs, should support a civilian economy at or above pre-Korean levels.

This is a large order; we realize that. Our present requirements, however, are quite different from those of the early days of World War II. I would like to note a few facts that exemplify those differences.

In the first place, we are building to an armed force of 3.5 million men and women, as against the 12 million in uniform at the peak of World War II. That means lower materiel requirements for the military; and, as a consequence, releasing larger numbers of persons for defense production.

We are producing primarily for readiness, not for an all-out war. The war in Korea is a very real war and gets top priority in our military production, but it is still not on the scale of the all-out war we fought in the early forties. Our requirements can thus be based mainly on reserve and defensive needs, plus an ability to move quickly into all-out production if the need arises.

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Again, we started from high levels of production. We had a capacity far higher than that which we had in 1941, at Pearl Harbor time. At that time we were short of every kind of weapon needed for modern warfare. We had to produce weapons and expand our capacity to produce them at the same time. By contrast, when the current program began, we had large stocks of many kinds of military items. We had a large number of war and cargo ships, which meant that this time we did not have to undertake a big shipbuilding program. We had stand-by plants for producing explosives, aircraft, and synthetic rubber. Our present defense mobilization program, therefore, is a selective program, which calls for different degrees of growth in different segments of the economy.

The difference in scope of effort required can be shown by some basic figures. At the peak of World War II, 45 percent of the gross national product went for national defense. The proportion now is 8 percent. At the height of the defense program it will be not more than 20 percent, with 15 percent being reached by the end of this year.

These differences between the present program and that of World War II do not mean that the present program is any less urgent than the job which we undertook 10 years ago. The job is different. In some ways it is easier, in some ways it is much harder; but it must be tackled with the same sense of determination which marked the full mobilization effort of the forties.

Now, how will this program affect the citizen? Virtually every qualified young man is apt to see military service. Our pocketbooks are going to be hit. All of us are going to have to pay more taxes. We will have to wait for some of the things we will want to buy--such as new housing and new automobiles. We don't believe that goods will disappear completely from the market, as they did in World War II; but there will be a time lag and we won't be able to get some of the things we want as soon as we want them.

There will be dislocations in the economy. As materials become scarce and plants are converted to defense production, there will be some production cutbacks. There will be unemployment, with loss of money for workers and businessmen. Some workers may have to move to new locations in order to find jobs. Some workers will have to work longer hours and overtime.

Our technological progress will be slowed down. More and more of our scientific talent, for instance, will be diverted to devising new means of war rather than to the normal creative ends they seek. Colleges and universities will lose some of their prospective students to the military forces. We cannot devote as large a proportion of our national income as we might wish to the improvement of health and education, the clearance of slums, and the development of recreation. Already such programs as reclamation projects and rural electrification have been slowed down.

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Inflation is a subject we all hate to talk about. I am going to mention it just briefly.

Inflation is one effect that can be avoided. The effects I have mentioned so far cannot be avoided. As Mr. Wilson said, in giving an estimate of the effect of inflation on the defense mobilization effort: "Nothing could be more illogical than to go forward with a defense program to thwart an aggressor's might, while we let inflation undermine our national economy. Nothing would please Joe Stalin more."

What are some of the dangers we face? Aggression is the first one. It is the cause of all the trouble and needs no amplification. Inflation I have just mentioned. Relaxation of effort is another. We don't have a catalytic agent to work for us, such as we had in Pearl Harbor. I might by way of example cite the November-December reverses in Korea as such an agent. As a result of the action caused by these reverses, our procurement level in January jumped to highs which exceeded any single month in World War II. We are going to have our ups and downs in this defense production program. Right now people are feeling pretty easy. They are losing a lot of their sympathetic attitude toward the program. It looks like everything is going to be all right. Warehouses are bulging with consumer goods. There are wonderful sales--no trouble getting anything, except perhaps a few selective items. But come the third quarter of this year, when our procurement rate begins to run at about a billion dollars a week, something is going to have to give. We know the program is geared beyond our present ability to supply, and some place along the line there is going to be a pulling in of horns, and the going will be mighty tough.

How are we meeting the challenge? First, in January through March of this year the Department of Defense placed procurement orders that totaled over 12 billion dollars for procurement, construction, and facilities expansion. This figure includes an amount set aside for the Mutual Defense Aid Program. For the nine-month period since Korea, the Department has obligated over 23 billion out of a total of 32 billion dollars thus far made available in the fiscal year ending 30 June. Another billion in the first quarter went for stockpiling and for projects of the Atomic Energy Commission.

Secondly, we are building our productive power. Steel is the best example of this. Last June our steel ingot capacity was 100 million tons a year. Today it is 105 million tons. By the end of 1952 we hope that it will be up to 117 or 118 million tons. By the end of this year, if we get what we think we are going to get in the way of steel capacity expansion, we may be purchasing as much as 60 percent of military requirements out of the increase in production since Korea. So we are going ahead; we are doing something.

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In aluminum by the end of 1952 the expansion program will have added 60 percent to the primary capacity of aluminum in 1950. In copper we are doing everything we can to open new sources, both domestic and foreign. Other metals are being handled through increases of production, the curtailment of nonessential uses, and so on.

What are some of the problems we face? When we get into a job like this, it isn't just as easy as reeling off the program and saying: "Here it is. Let's go." Every day brings new problems. There are dislocations and unemployment as we convert to war production. Some people are thrown out of work. Material shortages develop. As materials head for the defense plants, things get somewhat tougher. Businessmen start writing letters about material shortages which threaten to put them out of business. What effect is the expansion of facilities in areas like Paducah, Kentucky, and the Savannah River project going to have? Are we creating a whole scale of community problems? We may have to build new schools, churches, hospitals, and service facilities to meet the demands of expanding defense and military areas.

There are problems in the manpower field, too. How do we arrive at the proper distribution between military and civilian manpower? How do we expand the supply of manpower and get more people to work? How do we use the working force at its highest skill and capacity? How do we quickly train an adequate number of defense workers?

Another problem is inflation. Although mentioned before, I will put it briefly again. It is Mr. Wilson's feeling that we have to put an end to the price-wage spiral.

We have price problems and wage problems. The price problems are both domestic and foreign. The domestic you know about. Chilean copper is up 40 percent. Foreign wood pulp has gone up nearly 100 percent since Korea. Many other items have shown significant increases in price. We feel that small business is a situation that can be corrected eventually. We are doing everything we can to see that the use of small business in the defense effort is maximized.

Then there is the public relations problem. We have to provide the public with adequate and specific information that will keep up its awareness of our situation. We cannot undertake a program of the magnitude of the defense effort without an awareness of the situation, its nature and extent, by all who are affected by it.

There is also the problem of planning stepped-up production. This is probably the most important problem of all. The program for the expansion of steel capacity is a good example of this problem. The very act of expansion adds to the shortages that the expansion is designed, in the long run, to alleviate. To increase steel capacity necessitates the building of new plants and the production of more freight cars, cargo vessels, and mining facilities. All of these require large quantities of steel. Thus the shortage is aggravated.

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We have the problem of stockpiling versus a strong economy. Are we going to continue to buy copper and put it in the stockpile while in so doing we put people out of business because they can no longer get copper.

Then there is the problem of critical defense areas. If we go into an area such as Paducah, Kentucky, can we provide all the things that Paducah needs in order to support this segment of the defense effort?

Another problem is that of labor shortages. As we gear up, as production moves faster, labor becomes shorter. Labor pirating will start unless we can find an effective way to stop it. Presently we have the reverse situation. We are taking materials out of normal channels and creating shortages, thus throwing people out of work.

To sum it up, we are always in the process of picking up problems. Each one leads to another and there is always something to worry about.

What are our basic principles of operation? I think that I have explained that the problem is as broad as the economy itself. It is bound to have an effect on all of us. We need therefore the help of everybody in overcoming the difficulties which we face.

In order to get everybody in on the job the National Advisory Board on Mobilization Policy has been set up at the Presidential level. The Board was created by Executive order of the President and is designed to pull in from the major segments of the economy--labor, agriculture, management and the public--their views, their ideas, and their recommendations on the defense program. That is at the policy level.

At the operating level our constituent agencies use industry advisory committees as a means of obtaining the advice and information they need for their part of the job. These committees serve as a channel for recommendations on proposed actions and a reflection of the effect of our actions on all phases of American industry and economy. In other words, we are going down to the grass roots to find out how the program is operating out where the work is done.

Second, we are utilizing the government agencies to the greatest extent possible. Many people think that, in order to do a good job, we have to create a number of new agencies. I want to remark something about that a little later on, but at the moment the idea is to save time and money by building on what we have, and using what we have, in the Government to accomplish the program.

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Another principle is equality of sacrifice. At the moment this is not going too well. You and I know there is a lot of complaint about the price program and about the wage program. It is hard to achieve balance in this area. Let me pass along by saying that we feel that we can and must achieve equality of sacrifice in the defense program.

And finally, as a basic principle of operation, we want to preserve the basic system of free private enterprise.

How are we providing for that? We are using tax amortization as an incentive to private industry to build the facilities necessary to meet the increased demands imposed by the defense program. We are providing direct and guaranteed loans. We are allowing private industry to use government tools and government plants.

What we need as much as anything else in this program is the initiative of private business and the initiative of the individual. That is what we are fighting and working for.

Finally, how are we set up to do the job? Since last June we have made substantial changes in the organizational structure of the Government, in order to carry out efficiently the defense mobilization job. To the fullest extent possible, we are building the emergency structure upon the established departments and agencies of the Government. We are endeavoring to profit by the experiences of World War II mobilization. We are using its successes and trying to correct its mistakes.

Many able and experienced men who planned and led the war mobilization are still in the Government. Others who went back to private industry have returned to their posts, which, in many cases, are virtually the ones they left in 1945 and 1946.

Now, this chart "Organization for Defense Mobilization," page 17 may confound you a little bit. It is a functional chart. It is not a line chart, such as many had hoped we would come up with. At the top of the chart we have the President. Then we have on the left four officers in the Executive Office of the President--the Bureau of the Budget, the Council of Economic Advisers, NSRB, and the National Security Council. Legislative authority flows from the Congress, also shown in the upper left-hand corner. Under the President and reporting directly to him is the ODM. This office, established by Executive order of the President in mid-December 1950, is empowered, through its Director on behalf of the President, to direct, control, and coordinate the defense mobilization effort.

We have moved ahead in this structure of the Government. To carry out the defense mobilization job we have isolated six major areas of mobilization activity. Their functions are listed on the chart. I

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want to mention them just briefly, to illustrate the kind of work that is being done in those segments of the operation.

Stabilization.--In the stabilization area the Economic Stabilization Agency (ESA) advises on the over-all stabilization policy and supervises the two constituent agencies shown there--the Office of Price Stabilization and the Wage Stabilization Board.

Production.--In the production area the Defense Production Administration, which is directly responsible to ODW, coordinates the industrial production effort. Under its direction are several agencies. There is the National Production Authority (NPA) in the Department of Commerce; five defense organizations in the Interior Department--Solid Fuels, Minerals, Fisheries, Power, and Petroleum--and the Department of Agriculture with respect to food in industrial uses.

Manpower.--In the manpower field, to direct the coordination of policy in the broad field of manpower, we have established in ODM a Committee on Manpower Policy, headed by a manpower specialist. A committee with representatives from labor and management will be established shortly to make recommendations on manpower policies and management.--The Secretary of Labor has established the Defense Manpower Administration, to coordinate the major operating responsibilities of the department regarding the treatment, training, and utilization of manpower in defense production.

Transportation.--In the transportation field we have set up a Committee on Transportation and Storage, which provides policy coordination in the transportation field. A Defense Transport Administration has been set up to take care of the many problems in that area.

Foreign supplies and requirements.--This area has been covered by a committee set up under ODM, chaired by the head of the Economic Cooperation Administration. This committee reviews and evaluates foreign requirements for supplies produced in the United States.

Science.--In the area of scientific research, the President has established an advisory committee, lodged in the ODM, with a full-time member of the office as chairman of that committee.

What are we doing outside Washington? You know that the bulk of the work is done outside Washington. Thirteen interagency regional committees have been set up, each cochaired by the regional directors of the Defense Production Administration and the Defense Manpower Administration, to coordinate the activities of the defense agencies in those regions. In this way we can be advised as to what is happening in specific areas. What are their problems? What contracts can best be placed in this area as opposed to another area? Where are shortages beginning to develop? What do we need to do to bring transportation in this area to a level where defense production can be

supported? These committees seek to answer these and related questions and have a special role in steering the placement of military contracts in relation to manpower and productive facilities within the area.

At the right of the chart and connected to ODM, you will see the Defense Mobilization Board (DMB). The DMB provides a means for coordinating the policies and activities of the principal departments and agencies participating in the defense program. It has on its membership all the Cabinet officers except the Postmaster General and the Attorney General. In addition, it has the Chairman of NSRB, the Chairman of the Board of Governors of the Federal Reserve System, and the Defense Production and Economic Stabilization Administrators. Mr. Wilson, as Director of ODM, is Chairman of that group. Here again you have provision for policy coordination at a high level, with the work flowing down from that level to the people in the operating agencies.

In addition to the Defense Mobilization Board we have what is known as the Mobilization Executives Staff, which meets biweekly. This staff is made up of the heads of the mobilization agencies and the interagency committees that operate under the jurisdiction of ODM. The difference here is between policy and operation. DMB is the big board, dealing with the policy aspects of the defense program. Its members are duplicated on the Mobilization Executives Staff, where operating problems are discussed. You have here the opportunity to coordinate action on problems common to more than one of the defense agencies and to coordinate over-all operations with top policy.

The Director of ODM, by invitation of the President, has the opportunity to meet with the Cabinet and the National Security Council. This participation assists in the coordination of the mobilization effort with the programs of the executive branch as a whole.

I have mentioned the National Advisory Board on Mobilization Policy, which stems from the Office of the President, at the top right-hand side of the chart.

So much for the defense mobilization program itself. I have tried to give you a broad picture of what it is and what some of the problems are, of how we are meeting the challenge, the basic principles that are being set up to guide the effort, and how we are set up to do the job.

I would like to remind you again that the important job at this point is the balancing up of the needs of the defense effort against the capabilities of the country and keeping the country's economy sound while we build to a broad productive base that will not only support the defense effort but place us in a position to shift quickly to all-out mobilization if war comes.

Now, I would like to go into the epilogue. This has, I believe, more sentimental than actual value. But it might give you an appreciation of how fortunate you are in being here as students at the Industrial College.

I have had almost a year now to do a little bit of evaluating of the place of the college and the good it has done and the good it is doing. Shortly after I went back to NSRB I received a frenzied phone call from the Department of Agriculture. The caller said that recent military orders for a certain chemical had so depleted the supply that agricultural users were being badly pinched. We made a quick phone call to Wright Field, found there a very sympathetic classmate who quickly adjusted the situation, cut back the military orders; and everything was just as easy as that phone call. I am not saying that it is always as easy as that or that this particular case is anything more than an example. I am saying that the contacts that are established here, and the understanding that you get of the mutual problems of the military and the civilian sides of the Government, will come in mighty handy in your next assignment; and if you are fortunate enough, shall we say, to remain in Washington, that understanding will be doubly valuable.

I would like to put the rest of these remarks in quotes.

"Here is an organization chart that goes back to fundamentals. It is built up on the premise that we have decided what we want, that we know in what amounts we want it, and that we have provided the means for obtaining it. But a detailed chart of the phases and the subphases would be a theoretician's delusion.

"The flesh and blood of a war organization are made up of the struggle between the weaker and the stronger men for authority-- the influential personal contacts, the 'inner circles,' that cut across all lines, full or dotted, on any chart.

"A war organization runs like a Cherokee Indian game of ball. The scoring tally goes to the man who picks up the loose ball of power and doesn't mind how many other players pile on his neck. Mr. Baruch says: 'War management takes a man of forty with twenty years of fight still in him.'

"Where are these men? Where are the Nelsons and the Baruchs? They are among the younger set of top executives in business and industry, those who have earned nationwide respect, and often envy, of their ability. We haven't lacked for such men before. Our error has been that we didn't bring them in soon enough. We've worked on the 'emergency rescue plan' and let the fire get out of hand before we called for the hook and ladder.

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"This chart proposes that we start at the top and the beginning of the crisis, and work from the top down. When we have men of the caliber we are talking about to staff the war agency, men whose business and whose life is management and the solving of problems, it is a theoretician's dream to force on them some detailed chart that the military or NSRB has devised. We propose to tell him what he has to do--'You are to divide the manpower between the military, industry, and agriculture. You are to provide the munitions and the food. You are to control prices, profits, and wages. In your hands are the reins of transportation, communication, power. In your hands is the custody of civilian needs.'

"We can give such a man a chart of his authority in the Executive order. We can give him a check on the Treasury for the funds he needs. He will bring in the man to handle the materials, the man to build the facilities, the purchasing director, the research experts. You can help him get those men if need be, but he will do the selecting of them."

I have read to you a portion of a report delivered before the college last year by the committee that I had the pleasure of serving with last May. I read it to you not because I expect the steps in it to be followed by you or the members of your faculty, but to show you that if you work out a chart like that, you can come mighty close to the things that need to be done and the way those things need to be done. I would like to end on this note: This business of planning goes on and on and on.

In the corner of one of the conference rooms in the old building of the State Department, there is a little figure holding a shield in one hand. There is an olive wreath above the shield. In the other hand is a sword. Engraved across the shield in Latin are the words of George Washington: "In time of peace prepare for war." Washington recognized the necessity of planning. We recognize it now. The difference between this period and Washington's is that we now say that the country has "matured." It has not only become of age, but we find that we still have a whale of a big job to do.

QUESTION: Mr. Anderson, I realize very well what you say--that planning is continuous. You mentioned a rate of expenditure that I think was a billion dollars a week in the third quarter of this year. You mentioned 23 billion dollars in the nine months since Korea. Can you give us an estimate or a guess as to what our rate of expenditure will be, either annually or per week or otherwise, for any foreseeable period in the future? You mentioned 1953. I don't know if that was some phase date or not.

MR. ANDERSON: The defense mobilization program is built at the moment on a three-year base. You realize that the Defense Production Act expires in June of this year. Last week the President asked for

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an extension of that act for another two years. We expect an expenditure rate to hopefully hit about a billion dollars a week in the fourth quarter of this year. We expect that rate to continue through 1952 and most of 1953. Beyond that I wouldn't like to hazard a guess.

QUESTION: We have heard from this platform several times about how to establish a stabilization program, including credit controls, a tax program, and so on. I noticed on your organization chart you are dealing with price control and wage stabilization only. Where in the organizational structure of the mobilization effort would credit controls, and tax devices, and so forth, fit in?

MR. ANDERSON: There is on the chart in small letters--in the stabilization column--the following: "Consumer and Real Estate Credit Controls (Federal Reserve Board and Housing and Home Finance Agency); Rent Controls (Office of Housing Expediter); and Taxation and Savings (Treasury Department); and part of the Stabilization Program." It is the general theory that we will use as much of the established structure of the Government as we can. These agencies participating in that area funnel up to the Economic Stabilization Agency, which has the responsibility for carrying out the job.

COLONEL BARNES: I might add that this chart and the explanation to go along with it are in one of your references, in the first quarterly report of Mr. Wilson to the President. It is in your room set--the green pamphlet called "Building America's Might." The chart is on page 6.

QUESTION: You have given us a rather complicated chart to represent our present situation. I didn't hear you make any comment as to the applicability of it to an all-out mobilization. A lot of us have wondered about organizational problems. We have had old-line departments which are very strong and enthusiastic in carrying out their mobilization functions, but they are not being very well coordinated under ODM. For instance, on the field trip we ran into an occasion in a so-called coke and chemical company that wanted to build a blast furnace and an integrated coke oven. It is an integrated job. You can't use one without the other. They have obtained permission to build the blast furnace, but there is another agency handling the coke ovens, and they have been holding them up for four months. There must be other problems of that sort.

MR. ANDERSON: There certainly are. In presenting this chart the way I did, my idea was to get across the thought that this time, as contrasted with World War II, we have started at the top and we are working down.

I think that in a month or so that chart will be expanded quite a bit. I think there will be a lot of changes. There are some changes in process now. I wanted to get across the idea that this chart is pretty fluid; that to get out a chart that is anything but functional is, as last year's committee said, a theoretician's delusion. Every day things change. What are lines today are apt to be dotted lines tomorrow, as we get different responses to responsibilities.

That is why this chart is in its present form. It shows the functions of the various agencies now in relation to the fixed problem areas about which we have taken definite steps. It is fluid to the extent that you have to guess that there are other activities going on which were not listed, and that there will be other columns added as problems arise.

QUESTION: Mr. Wilson made the statement publicly that by 1953 we were going to be able, as he put it, to "roll with the punch" and that we also will have a standard of living which equals what we had before Korea or even higher. At the same time what we have heard here has highlighted the fact that the world doesn't seem to have enough of these raw material supplies that every nation is going to want. I suspect that ever since Mr. Wilson made the statement that the goal would be both guns and even more butter, it has become pretty much a matter of faith in what the nations of the world can produce. I have as much faith as anybody else. I agree that faith can move mountains. But I wonder if faith can find the copper and iron mines and everything else needed to reach the goal of 1953.

MR. ANDERSON: Of course the obvious answer to the "faith" part of the question is, "No". I will stand, however, on the statement that Mr. Wilson made. I don't believe he would have made it unless he had been supplied with figures which are realistic to the point that some balancing can be achieved which will make the statement true.

We are not kidding ourselves about the interim period. We are not kidding ourselves when we say we need the help of the free world and some of the materials that are going to the Communist world in making this adjustment and balancing mobilization.

The production records that are in the wind, that seem to be in the making in the major metals fields--steel, copper, aluminum; the progress that is being made in technological fields which will help us to eliminate the needs for some of the scarce metals; the progress that is being made in, shall we say, persuading the military that it isn't very realistic to come up with a set of requirements which calls for three times the world's supply of some scarce metal--all these things indicate to me that we are taking the necessary steps to make the statement realistic and factual.

QUESTION: I noticed in the chart that there doesn't seem to be any proper policy tie-in of the public information or public relations program. Do you know the reason why that has not been done?

MR. ANDERSON: Actually there is a tie-in. We have an Assistant to the Director for Public Information. It is his job to tie in vertically and laterally with all the defense agencies. Obviously, the bulk of the operating type information flows out of the operating agencies, principally NPA and ESA. A great deal of the policy information is released by the President. However, ODM through the medium of quarterly reports is endeavoring to disseminate as much information as it can on the scope and progress of the defense program.

Mr. Wilson knows that the people have to be informed in order to cooperate with his program. He has a program of public speeches which is pretty taxing on him as the Director, but he feels that it will accomplish a lot of good in letting the people know what the score is. But again the emphasis is on the use of established channels of information within the Government.

QUESTION: You mentioned the principle of equality of sacrifice. Would you mind expanding a little bit further on that subject?

MR. ANDERSON: I glossed over that, (1) because it is a touchy subject and (2) because I assumed that since our program has been pretty well publicized, you would understand some of the problems which have been pretty significantly played up in the public press.

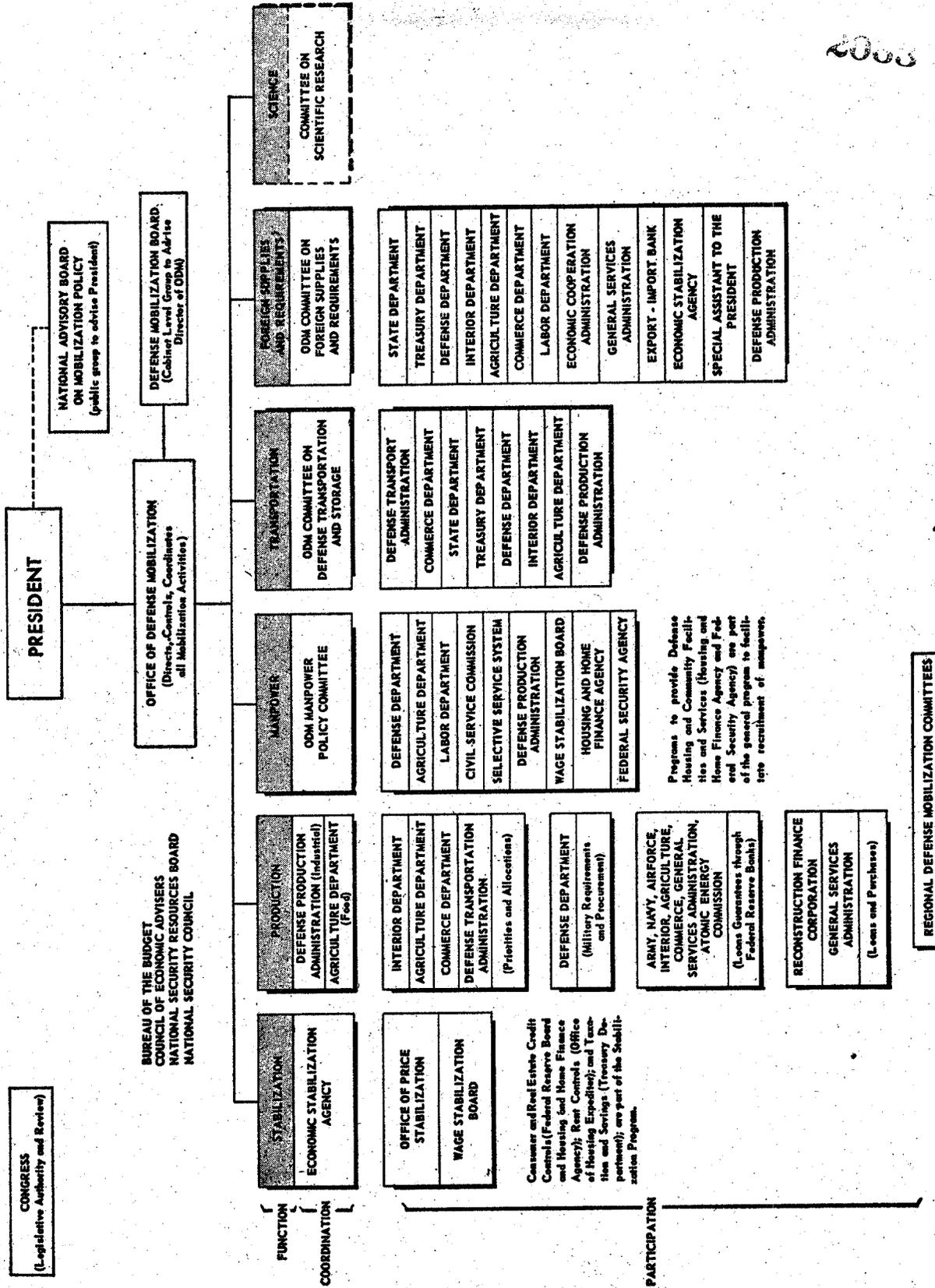
I hope I made it clear that we felt that we had to achieve equality of sacrifice. The point that I wanted to get across was, frankly, that at the moment it isn't doing so well. It is very hard to convince one group that it should not have at least a cost of living increase in wages when the opposite group is operating at all-time profit figures. It is very difficult to explain to a firm that makes only aluminum storm sash that it will have to go completely out of business when some people because they are a little bit smarter and more aggressive, have been able to stay in business one way or another on an item that would appear of no more relative urgency than storm sash. There are a lot of things that we have to iron out.

COMMENT: I feel disturbed at the statement you made that you expected this mobilization chart to be expanded in the near future. It seems to me that one of the more serious weaknesses in the present mobilization setup is the problem of dividing responsibility. I notice, for example, that in the field of foreign aid there are 13 independent agencies all working in that field. It reminds me somewhat of the remark that a colleague of mine made in a similar situation. He said it reminded him of a log floating down the rapids with several thousand ants on it, each one of which knows that he is guiding the log.

MR. ANDERSON: I can appreciate your apprehension about that kind of situation. When I said that the chart would be expanded, I meant in the recognition of major problem areas, not in the creation of new organizations.

COLONEL BARNES: Ollie, you have given us an excellent presentation of the philosophy underlying the mobilization program and what is being done and planned. It is a splendid send-off for our course. Thank you very much.

(27 Nov 1951-650)S/en



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