PLANNING PRODUCTION FOR DEFENSE

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Mr. Edwin T. Gibson, Deputy Administrator for Staff Services of the Defense Production Administration, was born in Brooklyn, New York, 10 August 1884. He has been granted a leave of absence from his position as Executive Vice-President of General Foods Corporation, New York City, where he is also a member of the Executive Committee and a member of the Board of Directors. He first joined General Foods in 1933, heading several subsidiaries, including Birds-eye Frozen Foods. Mr. Gibson received a law degree from Cornell University Law School in 1907 and practiced in New York for three years. He also served as trial counsel for the Legal Aid Society in New York for two years. He became associated with the National Biscuit Company in 1912. Three years later he joined the American Sugar Refining Company, serving as assistant to the president and later as company secretary. He accepted the presidency of the Brooklyn Cooperage Company in 1926, and from 1930 to 1932 was executive vice-president of the Empire Bond and Mortgage Corporation of New York City. Mr. Gibson served as an Ordnance major in Europe during World War I. He is a member of the Cornell University Club of New York; the Blind Brook Club, Inc.; North Fork Country Club, Cutchogue, Long Island; the Calvary Club, Brooklyn; Phi Kappa Psi; and Phi Delta Phi. From 1942 through 1944 he was president of the National Association of Frozen Food Packers.

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COLONEL BARNES: Gentlemen, the lecture this morning continues our talks by representatives of the key mobilization agencies. You will remember that our talk yesterday morning dealt with the functions and problems and plans of the Office of Defense Mobilization. It is logical to turn our attention today to the Defense Production Administration, and specifically to the topic of "Planning Production for Defense."

Our speaker, Mr. Edwin T. Gibson, is Acting Administrator of DPA. Like many of the key personnel who are staffing our emergency agencies, Mr. Gibson was drafted from a big job in industry. He is the Executive Vice-President of General Foods Corporation and a member of its board of directors. During World War I he wore the uniform as a major of Ordnance.

We asked Mr. Gibson today to pretty much cover the water front on production, production allocation, priorities, central programming, and organization in an all-out effort. That is a large order, Mr. Gibson, and I am not going to take up any more of your time. It is a pleasure and a privilege to introduce you to this audience. Mr. Gibson.

MR. GIBSON: I am not so frightened that I have to be chained to stay here. But I am a little frightened--not to the point that I am afraid of all of you; but the responsibility, when I look at the number of men here and realize their importance, and the fact that I am taking up a great deal of their time, means that I must say something worth while or I have done a great wrong.

My paper attempts to cover my conception of what I think the student of defense planning should hear. However, I recognize that my address may not meet the things that you really want to hear. So I myself look forward to the opportunity to answer questions at the end of this paper, at which time I shall know I am saying something that somebody wants to hear, or you wouldn't ask the question.

Your commanding officer has asked me to address you today on the subject of "Planning Production for Defense." That is a real toughie. It is hard to accomplish and just as hard to talk about. As a matter of fact, it is so broad, so tremendously involved, that to get to the heart of it in a brief lecture puts me almost in the position of the legendary blind man in a dark room trying to find a black cat that isn't really there.

I was asked to talk about priorities, allocations, central programming, provision of facilities, and organization. If I really tried to do justice to each of these very important topics, I can assure you I should run far

over any time allotted to me, maybe even until tomorrow. While I shall speak of most of those topics, I shall not really attempt to delineate any actual plan nor draw the lines within which to lay out any plan. Instead, I shall try to tell you those essentials which must be included in any plan drawn up. By concentrating on the broad outlines of our present plan--and by that I mean the plan that we have evolved and are operating under--and by drawing attention to the conditions under which it was drawn up, I hope to be able to give you a sense of what the defense planners must consider if they are going to be successful in their jobs.

Last summer, after the Korean explosion, the country was in very much the same position as I now find myself--with a job to do and a big wonder as to how to do it properly. In planning defense production, what to do first? What to build? What plans to make? How much to spend?

In simplest outline, the country was faced with certain basic necessities: It had to get what the military needed. It had to get those things fast and efficiently. Most important, it had to get those things without doing more damage to the civilian economy than the public would accept, for the economy had to continue strong in order that it might support the defense effort that was attempted.

In this connection, let me digress for a moment. Naturally, the United States based its campaign upon the assumption that it faced a very real enemy, namely, Soviet Russia and its satellites. That enemy, even as Germany in the last war, has no compunctions about protecting the civilian economy. Dictator nations, by their very nature, never care a hoot about the civilian economy, or the businesses, or the professions, or the hopes and fears of the people. They get the production no matter what happens, so long as it does not interfere with the dictator and his clique.

The United States, of course, is not a dictatorship. It is a very viable democracy. While all of us want to meet the military requirements fully and on schedule, we don't want the defense effort to get out of balance, with the consequence that businesses are forced to the wall, that civilian goods are found lacking, that prices skyrocket, and that inflation becomes even more menacing than an outside enemy. Because of these considerations we have to begin our efforts for defense by planning as carefully and as well as the responsibility placed upon the planners demands.

As a first step, it is necessary to pose certain basic questions: (1) What is the area we are to defend? (2) How strong is the enemy? (3) How large is our present military establishment? (4) How great is our productive capacity? (5) What is the attitude of the civilian population toward the defense we have to plan? (6) How strong is the economy of the country? (7) What materials do we have in sufficient

supply? (8) What materials are lacking? (9) What manpower is available, both for the armed services and for the labor force? (10) What are the military requirements? (11) What can be done to maintain the civilian economy at the necessary level? (12) What is the probable duration of the emergency?

Many of these questions may sound so familiar and may be so well understood by all of you that you may think it is a little foolish to mention them. But the failure to give proper attention to any of them can cause any defense production program to fail because it will be out of balance.

Let us take a look at the productive situation in the summer of 1950. Production for war had ceased. Civilian production had expanded greatly--to the point where it was using the total plant capacity in almost all fields. The economy was at a record level, both with respect to national income and national product. The civilian population was almost fully employed and was receiving high wages. While farm prices had dropped slightly, they were still very high. People had plenty of money and they were eager to spend it. The consequent demand for goods--both luxuries and necessities--was so great that an inflationary price rise resulted. On its heels came new wage demands that threatened more inflation.

While the domestic supply of materials was sufficient to support the civilian economy, it would have to be greatly increased in many respects to support a defense program. Strategic minerals and metals imported into the United States were already in such high demand that the impact of a defense program and the demands of such a program would cause even more inflationary price rises. To cap the climax, the manpower situation was tight as a drum.

Into such an economic climate the news from the Far East came like winds of confusion. Public sentiment was mixed. A number of people had been sobered by the Russian attitude to the degree that they were willing to make sacrifices in order to build a defense program. Fear of the atom bomb also persuaded a large part of the population that we must begin to prepare. But there was--and there still is--a divergence of opinion; and there are those who feel that the sacrifice and the cost of the defense program are unwarranted.

In recent months, however, what we have to do has become clear. In addition to supplying our forces fighting in Korea, we must produce military equipment and supplies for our expanding armed services at home; we must give assistance to other free nations that have joined in the struggle against Communist aggression; and we must provide reserve stocks--to be used, if necessary, for the duration of a full-scale war. At the same time we are beginning to do these things, we must build up the

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productive power that will be necessary to supply the requirements of full-scale war for an extended period. This involves the stockpiling of many scarce and critical materials, more than 60 of them; the addition of production facilities for military goods, which could be put quickly into service in the event of all-out war; and the increase of basic industrial capacity which will support high levels of both military and civilian production.

In this kind of thinking, it is apparent that there are significant differences between our planning now and our planning that was necessary and that was carried on in the last war. Then we had to build up immediately an armed force of 12 million men and women; now we are contemplating for the defense period a military establishment of 3.5 million. Then we had to begin producing immediately for all-out war; now we are producing for readiness. Then our supply of modern weapons was woefully short; now we have ships, stand-by plants, and many other things we need. Then we were just coming out of a long and severe depression; now we are building our defense program on top of a flourishing civilian economy.

So the job has been one of selective expansion--in some respects simpler than the job that was done in 1941 and 1942, but in other respects far harder. Perhaps the greatest difficulty is to superimpose the defense program on a civilian economy just about ready to burst its seams.

In the summer of 1950 we knew we should have to plan for the building of guns and munitions, tanks and aircraft, railroad cars, and hundreds of other necessities of a nation gearing for defense. We knew we should have to build some plants and reactivate others; expand existing mines and dig new ones, including marginal properties; provide for improved fuel and power sources. To accomplish this we should have to curtail the supply of many products to the civilian population. To build up the armed forces we should lose many men and women productively employed. And to build the military equipment many more would have to be transferred from non-essential production to defense production. All of this meant sacrifice on the part of the people, at a time when no enemy was actually at our gates.

So, in addition to having to plan for the orderly technological and industrial expansion, we had to plan a careful program of public education, in order to make clear to all the people that there is a distinct need for sacrifice now. This is, of course, a continuing job, because public opinion, and political opinion, tend to shift with the newspaper headlines. After all, the public must support any defense plan or it fails; and the lawmakers have to pass legislation and vote appropriations, or it is rendered impotent.

With the situation developing to the point where it necessitated a defense program, legislation had to be prepared and enacted immediately to provide the authority for action and funds. Congress, recognizing the urgency, passed the Defense Production Act, basic document of our economic

mobilization, in September. The President delegated the functions he received under the terms of that act to various regular government departments; and, in due course, set up new agencies to meet the special needs of the program. As the pattern evolved, the Office of Defense Mobilization was created in December to provide over-all policy guidance and control. Working under the ODM is the Defense Production Administration, which coordinates the industrial production effort and directs the production activities of several agencies, principally the National Production Authority in the Department of Commerce; the defense groups for power, solid fuels, petroleum, minerals, and fisheries in the Department of the Interior; the Department of Agriculture with regard to agricultural production for industrial use; and the Defense Transport Administration. The ODM also supervises the work of all other agencies, including economic stabilization and manpower, concerned with the total defense effort.

I would like to call your attention to the fact that these first organizational steps placed many of the new agencies within the framework of regular government departments. This, I believe, has proved to be an extremely wise decision. As the new agencies went through the usual difficulties of getting their organizations set up, they were able to draw upon the regular departments for office space, equipment, supplies, manpower, all the hundreds of things needed to start operating, and the advice and guidance of many veteran government men--in short, for a kind of logistical support which has proved more than useful.

But even before the first organization steps were completed or definite plans could be formulated, the defense production agencies had to start operating. For example, we knew that we would require more steel, more copper, more aluminum, and more strategic metals and minerals at an early stage in the program. We could not wait for plans. So, before the detailed specifications of requirements and supplies could be spelled out, it became necessary to enter at once into limited programs for the conservation of these materials and for the ultimate increase of their supply. That is a point that a great many people missed. In our talks about planning for either war or defense, we have to remember that one has to start operating at once; and that, if you wait for plans and for definite figures, the emergency may be over before you really have gotten anything done.

These controls were only the first that had to be imposed upon our economy. During the coming months, while shortages are converted into adequate supplies by conservation of materials and increased productive capacity, more controls will have to be imposed. At the basis of the control system is the priority plan, which makes use of preferential ratings on contracts issued by authorized agencies. Beginning 1 July 1951, a Controlled Materials Plan will be applied to the three major critical materials--steel, copper, and aluminum. While CMP will not be fully effective until the last quarter of this year, much confusion will be avoided, we hope, and much information will be made available by putting it into

gradual operation. Other forms of control of materials will be limitation orders, to cut down nonessential uses of critical materials; simplification and standardization orders, to eliminate or cut down the use of certain materials for frills or trim; prohibition orders; inventory controls; and distribution orders.

The whole reason for control--and control is always repugnant to the American people--is that unless we control in the first stages of our plan, while increased capacity is getting under way, we stand a grave chance of endangering military production and of upsetting drastically the civilian economy. As an example of how we operated, these controls were imposed only after we followed to the fullest the directive of the Defense Production Act by consulting with industry representatives, through the industry advisory committees of the National Production Authority. Many businessmen throughout the country have given freely and generously of their time to help the defense planners frame control programs which would meet the military needs and at the same time inflict the least damage to the industries affected. As a consequence, the controls imposed have been accepted by industry generally, and they have shown that an orderly expansion of military goods with the least impairment of civilian production is possible. And while no one likes controls, to have them imposed at this stage will certainly make the total economy healthier in the future if our emergency develops into a real crisis.

There is another important early phase of the program, which involves more legislation. Industry has to be persuaded to increase its facilities and to build new plants in necessary fields. New laws must be passed to permit accelerated depreciation for facilities to be constructed for the defense effort, and in certain instances loan funds must be made available to individuals for the construction of defense plants where they are unable to obtain the necessary funds from regular credit sources or from government agencies. These laws permit an individual or a corporation to invest capital in the defense program without carrying the full burden of the risk. In other words, if they have to build a plant, and at the end of the emergency there is no commercial use for that plant, the Government should assist them in the risk they have taken.

I want to emphasize this planned expansion of our productive resources. It is very close to the heart of the current defense program. If we can, in the months to come, increase our productive capacity by the selective building of new plants, opening of new mines, and stockpiling scarce and critical materials, it may be possible for our whole system of controls to be relaxed in the near future, possibly in 1953. In other words, if we tighten our belts a few notches now and willingly make some minor sacrifices, we may be able to avoid a serious dislocation of our national economy even should an all-out war descend upon us.

Having taken these first steps to get the agencies started, and the laws passed so that plans, when made, could be rapidly implemented, we were ready to sit down and actually develop a plan which would accomplish

the defense goals decided upon. The size of these goals had to be arrived at by a study in which the executive and military authorities necessarily participated. The power of the possible enemy, the extent of present military establishments, the duration of the period for which a defense program would be required, the possible character of any attack, and the extent and geographical nature of the area to be defended, of course, determined the necessary defense goals.

As these goals were determined, the possibility of attaining them, together with the length of time required to attain them, was the next question that had to be answered. In solving that problem it was necessary to know thoroughly all phases of the present commercial and industrial potential of the country. That meant the number and types of plants; the size and extent of the transportation system; the proper materials and quantities required, and the source from which they could be obtained, whether domestic or foreign; the military resources which could be developed; and the manpower available for production after the military requirements have been satisfied. Actually, in this study the most important items are the available supplies and the possibility of obtaining them, and the plant and manpower capacity for production, both in existence and which can be created. In the end, goals and requirements to meet them must be measured against available supply.

In these first studies it was also necessary to consider the mental attitude of the civilian population so that some early estimates might be made of the extent of the sacrifices we would have to ask them to make. It is really never possible to superimpose a military program upon a civilian economy without some dislocations and interferences with normal life on the part of a great number of individuals. In this connection, I would like to repeat, we have to rely upon a broad plan for public information, acting through all available means--speeches, press releases, radio programs, magazine articles, books and pamphlets--to convince the public that, if they will support a defense plan now at minimum discomfort, they will be able to enjoy the fruits of an expanded economy later and also the security of a well-organized military machine.

Having made the studies and arrived at estimates or tentative conclusions with regard to the points I have discussed, it was then necessary to plan and develop the organization required to take the steps that would meet the goals, within the limitations or possibilities as shown by these studies. There are, of course, various forms of organizational setups which could do the job of developing a defense program, and it is not my province nor my purpose here to attempt to discuss the advantages or handicaps which each different type of organization might have. It is sufficient to state that such an organization must accomplish and carry out the following objectives:

1. To create a military force, which includes Army, Air Force, Navy, and Marines, sufficient to meet the demands of defense, whatever the nature of the anticipated attack may be.

2. To supply that military force with weapons, munitions, transport, clothing, housing, and food, and everything else it may need.

3. To maintain a civilian economy which will supply the production, the labor, and the necessary funds for the carrying out of the program and at the same time provide sufficient comforts and recreation to maintain the necessary support which all the people must give to any defense effort if it is to be successful.

Without violating my intention not to delineate any particular type of organization necessary for defense planning, I would like to describe certain areas of functional responsibility which any organization must be prepared to cover. One main area is that of supply and requirements. It is necessary to have accurate reporting of the materials available and potentially available for building up the military machine; and it is equally important to schedule this military production so that the least violence is done to the civilian economy. Therefore a second important area of operation is the fact-gathering machinery necessary to supply the defense planners with all the facts they need to discharge their function.

These facts are many and involved. For example, defense planners need to know not only the kind and number of end products required, but also the kind and volume of raw materials. They must be able to plan accurately how to bring about an increase in plant capacity, an increase in mining operations. They must have accurate facts and figures about the supply of agricultural materials and must forecast what needs to be increased in the United States and how much needs to be imported. Production of special products, such as electronic machinery and special instruments, must be brought up to strength. The entire transportation network of the country--rail, air, highway, and ship--must be put on a defense footing to make materials available to plants and to move out finished products with a minimum time lag. Communications, fuel supply, housing, manpower, civil defense--all these and other activities must be coordinated.

It is at this stage that one must consider the question of controls, priorities, and allocations specifically. I have mentioned the fact that, in order to get started, it was necessary to move immediately toward increasing production facilities and particularly adding to the supply of basic materials. As the goals of any program develop more clearly, and the figures with regard to requirements and supplies begin to emerge to a degree that permits more accurate determination of what must be done to attain them, steps may have to be--and in our present plan have had to be--taken toward controlling the supply and the use of those things which may be found to be in short supply.

These controls may take several forms. Initially a system of priorities and limitations of end use may be the step which is necessary. Under such a system, special priority ratings on orders for defense purposes are

used. Under such a scheme the supplier and the processor of strategic materials are required to give priority to defense orders, and the civilian economy is left to obtain for itself what it needs or can get out of the remainder to take care of its requirements. In order to avoid too much confusion and too drastic curtailment of what might be termed essential civilian requirements, it is almost necessary to have certain regulations or controls with regard to end products under the scheme outlined. In other words, nonessential uses of a strategic material may have to be very drastically curtailed or even eliminated in order that the necessary defense orders can be filled.

Allocation of strategic materials is also necessary to provide for essential civilian production, so that some very important sections of industry are not entirely left out in the cold.

The objection, of course, to this type of plan is the more or less arbitrary control of selected segments of the civilian economy. Some businesses may be completely wiped out by drastic curtailment of materials for nondefense products. This is particularly true of small businesses. We hear a great deal from the Hill about small business, I assure you. There is also a temptation to prohibit some end products completely in an effort to conserve or limit the use of materials in short supply. For instance, aluminum venetian blinds, among other things, were prohibited in the end product controls originally proposed and issued for aluminum. It was found that there were an important number of small companies engaged almost exclusively in the manufacture of this and other products included in these prohibitions, and the order as originally issued would have completely eliminated a great number of those businesses. They were small. The only way we could avoid such a result was to use an allocation method based on percentage of quantities used during a base period. Any such scheme as this doesn't put an end to all business tragedies, but it does give many enterprises an opportunity at least to keep alive during the period of such curtailment or severe control. You may think that in this I am paying too much attention to civilian problems, but, in the light of the importance of giving proper attention to the temper of the people, they must be considered. In attempting to plan for defense, particularly such a period as we now are in, with no enemy at our gates, we cannot forget in any degree the importance of civilian support. Failure to take that into consideration can be very serious in regard to our plans.

This single-band priorities plan may continue to be used where the material shortage is not too great and where it allows the defense program to be completed, while still leaving, if not a normal, yet a sufficient civilian economy which can be curtailed percentagewise, as I have said, on a use basis. However, as the defense uses of a material become larger, this type of priorities and allocations may result in great harm to the essential civilian economy, because there is no effective quantitative control to make sure that suppliers are buying no more than is really

needed to support defense production. A controlled materials plan should be introduced at such a point. I have not the time here to go into all the details of how a controlled materials plan applies to a defense economy, as opposed to an all-out war economy, how it actually works. Broadly, through controlling and allotting specific quantities of materials to particular uses, such a plan permits more accurate and equitable direction than can be accomplished by the more primitive priority system. The use of this type of materials control can assure the satisfaction of requirements for defense production and still so limit its use and divide what is left among the various parts of the civilian economy to allow for most, if not all, essential needs.

The great drawback to a controlled materials plan is that it is almost a complete control of production in the economy and it introduces the element of rigidity. It also imposes a great burden of paper work, not only upon the government agencies executing the plan, but also upon industry generally. In an all-out war effort, it is unquestionably the method to use; but it should be sparingly employed in a partial mobilization, such as we face in our present defense program.

Of course, one of the most important considerations in a defense program is that of stockpiling strategic and critical materials. As I said before, more than 60 items, including such well-known products as aluminum, cobalt, coconut oil, and even feathers and down, and such lesser-known items as graphite, sisal, corundum, kyanite, and instrument jewels, are in short supply. The experience of World War II taught us that our national security in the future depended upon advance provisions to meet raw material requirements. Accordingly, the Strategic and Critical Materials Stockpiling Act was passed by Congress in 1946. The act established as national policy the acquisition and retention of stocks of raw materials and the encouragement of conservation and development of sources of these materials within the United States in order to decrease a dangerous and costly wartime dependence upon imports from foreign nations.

Since stockpiling started in earnest, considerable progress has been made; but we are still far behind our desired goals. As of the end of last year the value of material on hand was 2.7 billion dollars, while another 3.6 billion dollars worth of critical materials were financed and on order. Unfinanced at the present time is another 2.6 billion dollars worth of material. Thus the estimated value of the total stockpile objective is 8.9 billion dollars. As this material is acquired, it is stored at more than 100 depots, scattered throughout the country; and the dispositions of the stocks are so made as to be near to the plants where they will ultimately be used.

Now, it stands to reason from what I have said that there is bound to be tremendous leverage on the entire economy from all the many different aspects of defense planning. A careful watch has to be maintained on

the monetary and fiscal aspects of the program. I saw in this morning's paper that the military budget for 1952 will be 61 billion dollars. It takes a lot of management to prevent that from having an impact on our civilian economy which will just be something that could hardly be handled. This means that taxes, bond issues, and other means of financing the program have to be planned and approved. This means that fiscal agencies, auditors, accountants, inspectors, and many other specialists will have to devote their skills to the program. With a budget such as the Congress has approved at present--52 billion dollars for a single year--I have just mentioned the one for 1952--the importance of this financial phase of defense programming cannot be overemphasized.

Counteracting the inflationary aspects of a defense production program of the size that I have mentioned is the work of the Economic Stabilization Agency and its two operating arms, the Office of Price Stabilization and the Wage Stabilization Board. As the program develops and its various productive phases are implemented, military goods will increase in supply, and some civilian goods will become scarcer. But at the same time unemployment, already low in 1950, will virtually disappear, and the amount of money in circulation will greatly increase--what they call expanded income in the hands of the public. With more money pressing to buy fewer goods, price rises are inevitable; and, if wage increases are demanded to keep pace with the price rises, an inflationary spiral is absolutely certain to result. Thus the work of ESA is going to be most important to the orderly expansion of the defense effort. Unfortunately, it is a most difficult job and one certain to produce all types of complaining and great grumbling from the public. Without it, however--and this is important to the defense planner--it must be remembered that the cost of any defense program could and would rise ruinously, probably to the point that no conceivable tax program could finance it.

In this talk I have not gone into the necessary specific and technical planning within the military establishment, the increase in military purchasing, the training requirements, housing, recreation, and other necessary programs to take care of personnel. All of these require materials, money, and planning, which must be fitted into the total planned program. When you need lumber for barracks, electric light bulbs, motion picture projectors, food, and all of the supplies which normally might not be considered as military requirements, you must remember that they are part of the total requirements and must be planned for, because some of them may even be on the short supply or critical list. But these problems are ones you are familiar with, and I do not think it is necessary for me to do any more than point them out.

In this address I can appreciate, as I said in my opening, that I have not laid down any outline of any definite plan for defense. I have not sketched for you any organization layouts which might be used either for developing or carrying out defense plans. I have not given you any paper which you could lay before you and build a plan or organization upon. Actually there is no over-all plan possible. Each situation as it arises

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must give rise to a plan designed specifically to meet it if that plan is going to be successful--if it is going to take care of the situation or of the emergency for which the planner is attempting to prepare. I have merely called to your attention some, and I hope most, of the problems and the phases of a defense program which must become a part of whatever plan is ultimately made if it is to meet successfully the situation which requires its development.

I hope that I have pointed out that defense planning requires more than just considerations of military science and all its modern technological and industrial items needed to support modern warfare. In our present emergency we must also consider the whole gamut of variables that enter into our complex economy. For, in the ultimate sense, without a strong economy we could never hope to fight a strong war.

You are conscious, being here in Washington, of the size and number of the various agencies now engaged in mobilizing for defense, which means implementing a defense plan which has been arrived at and decided upon by our Government. Cumbersome as the organization may look, it is not too large to meet and solve the problems which are before it and which must be met and solved. It is possible that this could be done with other types of organizational setups. I do not believe, however, the size of the organization or the volume of work to be done can be greatly reduced by any other organization. I have not in my talk with you touched upon the necessary legal, scientific, engineering, organizational, personnel, information, clerical, and stenographic services that are required and must also be planned; nor have I mentioned the office space which must be found and furnished. These more or less routine things are still tremendous when compared with anything else that has been done before in our country along business or government lines. But they are merely details and are not worthy of discussion in any consideration of the broad requirements of our plan. Their scope, however, has been such that it has been necessary to call in a great many men from private and business life to supplement the government organization and forces in order to carry out the necessary work.

It is my hope that, although one talk of the duration of this one could not add too much directly to your knowledge on the subject of defense planning, I have been able to cause you to realize both the magnitude and the scope that any defense plan must reach and to bring to your attention that, to be successful, such a plan must be a combination of the best military, government, business, and public thinking, and have the fullest measure of effort and cooperation of all.

In conclusion, I would like to remind you once more that our current defense effort is not an open-ended plan. We firmly believe that if we do the proper job now, we are going to be in a better position to realize our enormously wealthy resources and feel secure in our possession of them later. A brief quotation from the recent report to the President by Charles E. Wilson, Director of the Office of Defense Mobilization, bears pertinently on this point:

"A time will come," Mr. Wilson wrote, "when some or all of these controls will no longer be needed, if we act prudently and swiftly now. At that point, we will have more materials and plant capacity available for the production of goods and services for civilian consumption; we will have given our armed forces the production machine they must have; we can begin to release resources controlled for defense purposes to the greater satisfaction of our personal and civilian needs.

"Perhaps that time will come in early 1953. If we fail to act wisely now, we may be faced with a controlled economy for a much longer time."

Thank you very much, gentlemen. Now I am ready for that part of this talk which, as I said earlier, I know you will be interested in, even if I have been a little dry with so many figures and so much detail of what I think is necessary to include in the defense program.

QUESTION: Mr. Gibson, when you started this last defense production effort last summer, wasn't there actually more resiliency in industry than was generally indicated? By that I mean, hadn't we come close to reaching the saturation point in consumer durable goods--refrigerators, ranges, automobiles, and so on--and wouldn't we without this defense effort have maybe moved to a saturation point where there would have been a decline in production? Would you comment on that?

MR. GIBSON: Starting in 1947, every year in our company we prepared for a recession which never seemed to come. Now, whether it would have come or not I can't answer. But there were a great many people who thought it would. However, that doesn't alter the fact that at that time, and now, the civilian economy was still taking all of the production that was available.

It is possible or probable that what you suggest might have occurred, but actually it had not occurred; so it doesn't lessen the impact of the defense program on what was then the level of the economy. Take automobiles--they thought 5 million a year was a pretty good number, but the sales got up to 8 million.

QUESTION: Don't you think that after the war broke out in Korea a lot of people who had refrigerators three or four years old turned them in and bought new ones, and the same thing with automobiles and other items, so that an artificial demand was really created?

MR. GIBSON: No doubt there was some of that. But, on the other hand, there was still an awful lot of money. There was an expanded income in the hands of the public, more than they had ever had before. People were buying things that they had never been able to buy before. That has

been a continuing upward motion. I happened to be one of those who didn't feel that we were headed for much of a recession. I think the fellow who bought a new automobile did so because he had the money, not just to get one to take the place of his old one.

QUESTION: We have heard a great deal in the last nine months about the inability of the armed forces to adequately state their requirements. On a recent trip we visited several industries and we heard that complaint several times. Would you tell us your viewpoint--what you think the present status of the statement of requirements is in the armed forces?

MR. GIBSON: Well, at the expense of hurting someone's feelings, I don't think they are very accurate. I talked with General Vanaman at the start here and told him that I could appreciate why they weren't. But it still is a difficult problem.

I sit on the Stockpiling Committee. Our job is to put a certain amount of this, that, and the other material into the stockpiles. There was a question, for instance, yesterday on aluminum. Some people there thought we weren't putting enough in, weren't putting it in fast enough. Well, the answer is that when you go out and take aluminum today and put it in the stockpile, you have to cut back the civilian economy. Now, if we attempt to say, "We have got to put 100,000 tons in the stockpile in the next six months," the question is, How deep will you have to cut into the civilian economy, and can we afford to do it? You come right back to this: How much are our military requirements?

One of the problems, of course, is that consideration must be given not only to the military requirements, but also to all these other things that you call B products that go to support the military. It is difficult to determine them also. So when you put the whole program together, it is awfully hard to get accurate figures upon which you can say, "Well, so-and-so is going to get so much, so-and-so is going to get so much, and so-and-so is going to get so much aluminum; and they are going to do this with it." I don't think we are ever going to get it that accurate.

QUESTION: In connection with that last discussion, I may be misinformed, but I understand that Canada has a lot of aluminum capacity. Is that right?

MR. GIBSON: Yes. Very much.

QUESTION: I understand that it was offered to us at a very nice price, but for one reason or another we turned it down and continued to build plants in this country, from which we propose to get the aluminum at a much higher price. Now, in connection with our stockpiling program, for instance, does the Government take advantage of Canadian aluminum to meet the requirements that you have just outlined?

MR. GIBSON: We are getting less than we did, but we are still getting considerable aluminum from Canada. The situation wasn't quite so simple as it sounded in your question. We would have had to agree to take aluminum over a certain period of years, to continue getting the Canadian production to the extent that we were getting it.

We felt that it was better--I don't think you are quite right about the price--to develop the aluminum program in this country, so that we would not be dependent entirely or to such a great degree on the Canadian aluminum. It was also felt that when we got ours developed, we wouldn't have the need for as much Canadian aluminum. The Canadians were going to have to expand their industry to give us all we wanted, and it was a question of making a deal with them over a long period. We thought it would be better to develop it where we would have it a little more under control.

If we had made the deal with the Canadians, we couldn't have developed our own. In other words, if we developed our own supply, it would come in before we could get this from Canada. We thought we would rather have the new capacity next year or 18 months from now. So we had to think of the length of time that the deal involved. We thought it was better to curtail the civilian supplies severely than to make such a deal. After all, we have to look at the total economy and the future a little bit.

QUESTION: To follow up a previous question: During these same months we have also heard of certain difficulties in the determination of civilian requirements in terms of raw materials and the essentiality of productive capacity in some definite terms. Would you comment on the success that you have had in evaluating the other side of the total requirements picture?

MR. GIBSON: Of course, that is very difficult. It is more difficult, almost, than the other, except for this reason: We can take a use figure and work it out on that basis, which you can't do with the military. We haven't had the experience.

You are going to use materials in the military this year or this time, or we are using them now, rather, in a way different from what we used them before. We can't say that we are going to have so many airplanes and they will take so much aluminum, or that it took so much aluminum to make an airplane in the last war, and the same thing is true now. It isn't true now. Electronics, too, are a totally different picture now from what they were before. So we don't have that sort of ruler to fall back on with the military requirements. We can use it, however, with the civilian requirements. If we give the civilians a million tons of aluminum, we can tell about what they can turn out with it.

QUESTION: I meant that in addition to this, one detail was, we know what our production of aluminum was last year; but couldn't differentiate as to whether some of it was used to make nonessential items. In other words, what would be the success if we were to cut the figure by 30 or 40 percent or some such figure?

MR. GIBSON: We tried to do it by saying that the civilians couldn't have all they wanted. We told the producers that they could produce only so much. We didn't go all the way down; if we had done that, we would have wiped out a number of small businesses, where aluminum was their sole or major product. That means that you will throw 3 or 4 or 10 people out of work in a small plant. It also means that you dislocate that much labor in that area, even to a small degree, if there are a number of them. You wipe out something which we count on in this country--the independent, particularly the fellow who gets out and starts up his own business or what-have-you. That goes back to the effect on the civilian economy. We don't always know what they will be called on to do, and they may have to shift over quickly. We must not do that, frankly, even though, if we were a dictatorship, that is what we would do. We would have that fellow put in the Army or Navy or what-have-you. But we don't do that here. I don't think we should do it. I think we have to watch out for that. Even if our program develops a little more slowly, I think we are on sounder ground.

You see, if war should start tomorrow, so that we might have to go into an all-out war economy, we are not quite ready. I don't mean that it would be like it was in 1942 or like it was back in 1917. We are away further along. We could build on top of that and move along very quickly, even though it might mean some drastic cuts in the civilian economy.

QUESTION: There seem to be sound reasons for decentralization in our economic administration for war. Decentralization seems to be a thing that everybody talks about, but that very seldom comes into effect. As I understand it, what we have now is regional committees with co-chairmen. I would like to get your idea as to what extent you think the administration of controls and allocations can be decentralized.

MR. GIBSON: I think the plan must be made here. I think the implementation of the plan, after the plan has been completed, can be done in the field through these regional offices.

The object of those regional offices is twofold: Number one, to put purchasing officers or procurement officers from the military forces nearer to where the production is done; and, second, to enable us to pass on our information about controls and about the whole program without making people run here to Washington all the time.

I don't think those regional offices are going to take over. I don't think it is a decentralization effort so much as it is what you might call a dispersal of our information bureaus and our actual carrying out of the programs that are worked out.

COLONEL BARNES: Mr. Gibson, in the last war Britain adopted a technique for getting greater efficiency in its production--this applied mostly to civilian items--by pulling into a fewer number of plants the authorized amount of production on particular items, thereby turning over these vacant

plants to defense production. Then they shared whatever profits they made; got as much profit as they could and passed it around. The plants that went into defense production shared the profits amongst all the plants normally in the particular field of industry. Has any consideration ever been given to that method of adding to production efficiency, as to whether that would be a more efficient method of production?

MR. GIBSON: I don't know whether any consideration has been given to that. Of course, I will say that in England they don't have any Sherman Act and they don't have any Department of Justice that states that no two people in business can talk together without being guilty of violating that act.

I was a bit horrified some years ago, when I was participating in a meeting where a group of British businessmen were sitting together and deciding about how much each one would do--and this wasn't anything that had to do with any war effort--what percentage of the business each one would take and about what their prices would be. They stand for cartels and those business arrangements over there, which we do not do here.

There is no question but what it would be more efficient. There is grave question as to whether it would be a wise thing to do. I think it is contrary to what we feel about the way this country should develop. It seems that no matter what we do--we pass regulations and laws that increase big business, because that is the efficient way to operate. But, as I said in answer to a previous question, I think it is important to keep small businesses, to keep independents and individual people alive here, to keep individualism in this country.

Now, if we get into an emergency, we might have to do something like the British did. If the emergency is keen enough, we certainly will. But I certainly wouldn't recommend or want to see that done now.

I saw in the paper that a group of small businessmen in Colorado had gotten together to handle war orders. That theoretically is what Congress wants to do--to disperse the business down to these fellows. But our general counsel picked that up right away, and we are getting ready to ask the Attorney General about it, because we want to be sure that it is all right.

COLONEL BARNES: Mr. Gibson, we are very grateful to you for coming over here, busy as you are today. We appreciate very much your splendid lecture. Thank you very much.

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