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DEPARTMENT OF COMMERCE AND ECONOMIC MOBILIZATION

22 May 1951

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Honorable Thomas W. S. Davis, Assistant Secretary of Commerce, was born on 22 March 1910 in Warrenton, Virginia. He received his early education at Warrenton schools and later attended the United States Naval Academy, the University of Virginia, and the Washington (D. C.) College of Law which awarded him an LL.B. degree. He is, however, not an attorney. After serving as an officer in the U. S. Navy as administrative assistant to the Director, Naval Vessels and Aircraft Division, he was given a medical discharge. He served for a year as secretary to Postmaster General James A. Farley and worked for the National Democratic Committee for periods totaling eight years. For six years he was associated with the United Air Lines where, for part of the time, he was special assistant to the President. He was sworn in as Assistant Secretary of Commerce on 14 October 1949.

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DEPARTMENT OF COMMERCE AND ECONOMIC MOBILIZATION

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GENERAL HOLMAN: We turn our attention today to another of the key agencies in the mobilization program--the Department of Commerce.

The mobilization responsibilities charged to the Department of Commerce are both extensive and exacting. As one of the permanent Departments, it has been able to take on many new responsibilities under the mobilization program. This has resulted in speeding up many phases of the program and has expedited the supply of raw materials and industrial equipment, as well as defense construction.

Our speaker is Honorable Thomas W. S. Davis, Assistant Secretary of Commerce for Aeronautics. Mr. Davis served as a naval officer in World War II, and since that time has held important posts in the Postmaster General's Office and with United Air Lines. He was appointed Assistant Secretary of Commerce in October 1949.

Mr. Secretary, it is an honor and a privilege to have you with us this morning and to welcome you to the Industrial College.

MR. DAVIS: Thank you, General Holman. General Vanaman, Colonel Barnes, gentlemen: I appreciate the introduction of General Holman.

Coming down to work in the car this morning--I say this in all reverence--I caught the five minutes of nine broadcast, and I listened, as I always try to do, to the early morning news. But what I heard this morning was the old hymn "Abide with Me." That is exactly what I am going to ask you to do today, as I try to be as comprehensive as possible with the varied activities of the Department of Commerce and what we are trying to do in the mobilization effort.

Some of the material, as presented in this talk, may not be in the detail that you would like. However, I have brought over with me kits covering the text of this talk, together with additional information regarding the Bureaus and offices in the Department of Commerce, with some charts, maps, and so forth, which I think will be helpful to you.

Your honored invitation, gentlemen, to make this talk has afforded me two exceptional opportunities which could readily be of special benefit to each of us here this morning as well as to the mobilization programs in which we as individuals are participating, at both the Industrial College of the Armed Forces and the Department of Commerce.

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First, this occasion makes it possible for me to become better acquainted with your faculty members and students; at the same time it demonstrates the importance, purposes, and extent of your courses of study and intensive research. The second opportunity for which I am genuinely grateful is to make you better acquainted with the industrial mobilization activities and responsibilities of the Department of Commerce; to discuss with you the latest available details of our present and future programs; to urge you to seek freely whatever additional information you may desire or require from us; to assure you that the information will be supplied as speedily and completely as possible; and also to point out to you that the over-all interests of the Industrial College and the Department of Commerce are so similar that we who are part of them deserve to become and to remain better acquainted.

Within the Department of Commerce there are 14 separate bureaus and offices definitely connected in some way with the Nation's economic mobilization efforts (chart, page 27). Among them we are constantly promoting close cooperation and full coordination of their related activities.

The statutory functions of the Department of Commerce are to foster, promote, and develop the foreign and domestic commerce, manufacturing, shipping, and the transportation facilities of the United States.

Secretary Sawyer's most recently expressed conception of our Department is that "It is a storehouse of facts--a treasury of technical and economic know-how--and a laboratory used by the world's most advanced scientists."

This is an apt and eloquent general description and I shan't attempt to improve it. Nor would it be appropriate for me to attempt to measure the comparative importance of the 14 agencies whose functions in mobilization I shall summarize. It might be appropriate, however, for me to suggest that in their operations these 14 units mutually surpass each other, to use my favorite group of diplomatic words.

Attempts to review the functions of all 14 units at one sitting, however, will amount to something akin to a Cook's tour--hitting only the high spots on our Department's economic mobilization front. So I hope I won't have to skip over too much, but if I do, as I said, it will be available to you. Most of the essential details I hope, however, will be included in my general discussion at this time.

A good starting point in developing the subject of this talk--the Department of Commerce and Industrial Mobilization--might very properly be the vital, indispensable part the Census Bureau now has and can be relied upon to provide in mobilization planning and progress.

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Present, past, and future reports and the statistical data from the Census Bureau, so absolutely essential in reckoning economic status and outlook, can either be readily obtained from existing records or be speedily collected and compiled whenever needed.

The Joint Committee on the Economic Report--with which I am sure you are familiar--in Senate Report No. 210, recognized the importance of the Census Bureau in the mobilization program in the following language:

"How the existing series and other resources of the Government are being utilized to meet the needs for data in the present emergency may best be shown by a few examples. The National Production Authority must have data on the production and consumption of critical materials to establish and administer priorities and allocations programs. These data are now being obtained promptly and economically, primarily through utilization, with adaptation where necessary, of the industrial statistics program of the Bureau of the Census.

"Special tabulations have been made for NPA of data received in the Census Bureau's 1947 Census of Manufacturers; more current needs are being met through the 1949 and 1950 annual surveys of manufacturers and the current industrial statistics reports.

"The new NPA quarterly report of plant operations is being collected with the greatest possible speed and economy by utilizing the Census Bureau's facilities for large-scale collection and processing of statistical data.

"By obtaining the statistical data necessary to its operations through maximum use of the Census Bureau, and of other agencies in specialized areas, the NPA finds itself with respect to essential statistical intelligence many months and millions of dollars ahead of the WPB at a comparable point in the World War II mobilization."

Here are some further examples of more than 50 other special projects recently undertaken or now underway:

Utilizing its commodity experts, the Census Bureau developed jointly with NPA the official CMP Class B Product List and the Alphabetic Index of Product Assignments. By working with the Census Bureau NPA assured that the commodity designations and coding system would be comparable with the basic data compiled by the Census Bureau on production.

The Business Division of the Census Bureau is preparing the regular tabulations and listing of the applications for certificates of necessity being processed by DPA.

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The Population Division is making a survey of "Occupational Mobility" for the Air Forces.

A comprehensive record of all exports from the United States including the Military Assistance Program, Greek-Turkish Aid, etc., is being maintained by the Foreign Trade Division which is also working closely with the OIT in the preparation of information needed for the administration of export control.

A special study is being made under the sponsorship of the Air Forces and the Rand Corporation to analyze the location of new manufacturing facilities in the United States from the standpoint of vulnerability to attack and requirements for defense.

The Census Bureau also has been engaged in two major projects at the request of the Federal Civil Defense Administration:

1. The compilation of figures showing peak day and night populations for specified areas within a group of ten selected cities, together with the estimates of the number of square feet of basement area existing in steel-framed or reinforced concrete buildings. This compilation has been completed and transmitted.

2. The development of forms and instructions for surveying cities to determine the amount of usable shelter within existing buildings and the need for such shelter, based on determining the normal peak population within each block. This material is in draft form and is presently being subjected to field tests.

So much for the Census Bureau's special projects. And now a few facts about its regular undertakings, such as its Foreign Trade Statistics Program which provides monthly statistics on the kind and quantity and dollar value of goods entering and leaving the United States by country of origin or destination. Special tabulations are also prepared on the flow of cargo by port and individual vessel, which have become basic data for the conduct of the functions of the Maritime Administration and the Army Engineers.

The Industrial Statistics Program is the country's chief source of current information on the output of manufactured commodities. Reports are prepared monthly on all important manufactured commodities. Work in this subject field has more than doubled in recent months in order to provide NPA with the additional facts, information, and service it needs to carry out its functions.

Similarly, important statistical data are published on a current basis as to trends and in sales and inventories of retail and wholesale trades in the major kinds of business, as to employment, unemployment and the distribution of it by geographical location and type of

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skill, as to activities of state and local governmental units, and cotton ginning and production.

Among the multitude of mobilization problems now under study here at the Industrial College, I am advised that special attention is being given to that of full-scale coordination in the operation and use of all transportation facilities. A new step has recently been taken in that general direction through the establishment in the Department of Commerce of the Office of Transportation. Created under Reorganization Plan No. 21, this office is now being staffed under the supervision of a newly appointed Under Secretary for Transportation.

President Truman stated in his message to the Congress recommending the Reorganization Plans: "It is my purpose to look to the Secretary of Commerce for leadership with respect to transportation problems and for the development of over-all transportation policy within the Executive Branch." The Secretary of Commerce will utilize the Office of Transportation, therefore, to assist the President in measuring the value of the various promotional programs of the Government in support of the Nation's transportation systems.

As a result of adoption of Plan No. 21, civil aviation, maritime, and highway activities are grouped together for the first time--all of them within the Department of Commerce. Through our Transportation Office policy, coordination among these three important groups will be developed.

In addition to policy and program coordination on an across-the-board basis for all forms of transportation, the specific responsibilities of the Transportation Office include the establishment of a special staff to advise and assist in preparing all of civil aviation for a quick and effective conversion from peace to war.

This will be done in accordance with the conclusions contained in the recently completed studies sponsored by NSRB. This special staff will assist the air carrier industry and the fixed base industry in carrying out the many extensive and far-reaching measures agreed upon in the NSRB reports.

The Civil Aeronautics Administration--the next step on our transportation front--is engaged in a broad program of modernizing the Federal airways system so that the ever-increasing volume of air traffic can be handled with maximum efficiency. This program, now well on its way to completion, involves some 60,000 miles of controlled airways.

Modernization will completely replace the old familiar four-course radio ranges with very high frequency omnidirectional radio ranges which, as their name implies, provide course signals in all directions. These en route navigation aids will be matched in terminal areas by equally

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modern approach and landing aids to expedite the landing of aircraft in any kind of weather. Supplementing this system of aerial highways is a communications network over which data pertaining to air traffic control and weather is transmitted constantly by teletype.

Economic mobilization to CAA not only means modernizing airways and communications networks to meet the air transportation requirements of an expanded war economy, it means also change in emphasis in its aviation safety and airports programs.

Civil aviation experts from the Office of Aviation Safety are available for the conversion and modification of civil aircraft or equipment to meet military needs, to assist in a program of standardization of parts or equipment, and to continue the inspection of new aircraft from factory to user.

In the Office of Airports the funds provided each year by Congress to build and improve the Nation's airport system are being channeled to locations and areas that will best serve our mobilization efforts.

In various other ways CAA is moving ahead with programs fostering and developing civil aviation. For instance, Congress last year authorized a program of testing--in simulated scheduled service--new transport aircraft. CAA is now planning the accelerated flight testing of turbine--powered aircraft which will provide the basic information many of our manufacturers will use in designing transports of the future. In that connection, we are also, with the cooperation of the Air Force, planning on testing jet powered aircraft for commercial operation. The arrangements have not been completely worked out yet, but they are well on their way.

For some years CAA has been extending its activities overseas. Technical missions are sent on request to friendly countries all over the world to assist in airway and airport developments, as well as in establishing air traffic control and aviation safety practices. CAA installs and maintains navigation aids on many of our international routes. It also participates financially with other nations on a basis of joint support in establishing and maintaining airport and airway facilities and services.

CAA--as it is perhaps needless to remind you--should in no way be confused with CAB, the Civil Aeronautics Board. For, CAA is the administrative and operating agency of the Government in civil aviation, while CAB is the regulatory agency having jurisdiction over rates and routes as well as the issuance of safety regulations.

About one month after the Maritime Administration assumed the functions of the former Maritime Commission, it became directly concerned with economic mobilization in connection with the Korean military effort, which demanded a large number of fast vessels to carry supplies and troops to the war zone.

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At the request of the Department of Defense about 150 vessels were made available. Most of them were of the Victory type and were taken from the reserve fleet. A number of them were loaned directly to the Navy, especially those classed as troopships. But the cargo vessels, in line with the policy of the Department of encouraging private ownership and operation, were bareboat chartered to private American ship operators, who, in turn, time chartered the vessels to the Military Sea Transport Service.

Late in 1950 a sudden and unexpected demand for shipping provided the world merchant fleet with full employment. Many shippers were unable to obtain space and as a consequence tramp rates skyrocketed to very high levels. The Economic Cooperation Administration was compelled to follow the rate level in order to obtain shipping space. But it still could not obtain such space at the time shipments had to be made.

The General Services Administration, which has much responsibility for the Defense Stockpiling Program, also was faced with the same problem. The Federal Maritime Board therefore authorized release of 32 Victory-type vessels to help ECA carry out its program.

On 15 March 1951 the Secretary of Commerce announced establishment of a National Shipping Authority which in many respects resembles the War Shipping Administration organized during World War II. It was established to enable the United States to profit from the experience of World War II through the immediate administration of shipping programs in the national interest.

To date the National Shipping Authority has broken out of the reserve fleet or allocated for breaking out 100 Liberty-type vessels. Liberty-type vessels are being used because all suitable Victory type already have been taken out of the reserve fleets maintained by the Department of Commerce. These vessels have been assigned to United States ship operators on a general agency basis, whereby operators are paid fixed fees for husbanding and operating the vessels with the Government receiving all profits or paying all losses.

As of 26 April 1951 the National Shipping Authority reported that 78 vessels had been assigned to general agents, repairs had been completed on 40 vessels, 39 vessels had been placed on berth and that outward sailings amounted to 33 vessels whose cargo totaled 316,390 tons of which 180,709 tons of grain had been shipped to Austria, Greece, India, and Yugoslavia, and 135,681 tons of coal had been shipped to France, Italy, and the Netherlands. In addition to the 33 sailings, cargoes had been allocated tentatively for 21 vessels.

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The National Shipping Authority's latest progress report shows that 110 vessels have been assigned to general agents with their total outward sailings now amounting to 50. Close to a half million tons of cargo were carried on these 50 sailings. The bulk of cargoes carried consisted of 290,505 tons of grain which went to Austria, Greece, India, Yugoslavia, and Germany. Other large cargo totals, as shown in the NSA report, included 184,665 tons of coal to France, Italy, and the Netherlands, and nearly 10,000 tons of phosphate to the Netherlands, exclusively. Predicted outward sailing for the four weeks from 13 May through June are placed by NSA at 37 of which 16 are expected to get under way during this current week.

Within the Department we also operate the Inland Waterways Corporation which owns a fleet of barges hauling several million tons of cargo each year on the Mississippi and its tributaries and which, therefore, has a great potential to contribute to the industrial mobilization of the area it serves.

Operating the largest common carrier service on the inland waterways, the Corporation covers over 3,000 route miles with 22 tugs and towboats and 264 barges handling virtually all types of cargo. It also operates the only rail-barge connection between Mobile, Port of Birmingham, and the city of Birmingham for transportation of ore for the expanding steel production in Alabama. This will be particularly important when the ore deposits in Venezuela really begin to produce.

The Bureau of Public Roads is the only agency to which those in charge of our national mobilization efforts may turn for factual data as to the extent of highway transport, and what is needed to keep it in operation. It has been designated as the claimant agency in our defense mobilization program to present to the Department of Commerce the requirements of materials for all highway construction and maintenance. Its established working relations with State highway departments will, as needed, furnish the means of assembling data on highway conditions and needs for use by those who make allocations, of channeling critical materials for use where highway conditions are critical.

The Defense Production Administration has recently made definite allocation of steel for highway use in the immediate future. With the assistance of the State highway departments the bureau is preparing to route this steel to the critical highway situations. Old and weak bridges on main highways will get high priority.

For some time the bureau has been serving defense agencies in the construction of access roads to a wide variety of activities. Its engineering force and those of the State highway departments provide the machinery for immediate action when work must be done without delay. Projects range from pioneer roads--to reach ore and timber--to 4-lane

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divided highways--to serve atomic energy plants in South Carolina. I might say right here, in talking about the State Highway Departments in the Bureau of Public Roads, they are probably the biggest construction team in the United States. There is complete coordination of activity within an area.

Requests have been received from officials of 76 defense installations for investigation of access-road needs. Early in April the sum of 7 million dollars appropriated for access-roads funds was obligated to 10 specific projects certified by the Department of Defense or the Department of the Interior. It is estimated that other highway projects urgently needed in support of the defense program, and requested by responsible defense officials, will cost approximately 40 million dollars. It is anticipated the total amount of access-road work that should be initiated prior to 30 June 1952 will cost not less than 150 million dollars.

There has been no conflict between military and civilian thought as to the kind of highways system the Nation needs. The workers, plants, and transport arteries that support our peacetime economy are the essential elements of war production. When war comes we must continue to feed, clothe, and house our population; feed materials and supplies into our plants; and deliver the products where they are needed. The total demand for transport rises sharply and highway transport, because of its flexibility and ease of expansion, gets far more than its proportional share of increased tonnage and business travel.

Another item that may be of interest to you at this point--I don't know whether I should do any talking about it--but efforts are being made to increase the amount of truck transportation on the highways. It is easy to see what the effect of that will be. Increasing the number of trucks traveling over the highways and increasing the loads will further break down the highways and we are right back where we started.

In times of danger from foreign enemies the Bureau of Public Roads has two responsibilities directly related to and supporting the efforts of the armed forces: (1) It must see that our highways system is kept in a condition such that needed transport can be supplied without undue delay, hazard, or cost; and (2) it is the agency to which the armed forces turn for such new road construction as is needed in the development of new plants, military installations, and new sources of raw materials.

International activities of the Bureau of Public Roads include those connected with construction work on a large defense highway in Alaska and on the inter-American highway extending from Texas to Panama.

In the postwar period the Bureau has administered the expenditure of funds to repair war damage to highways and bridges in the Philippines and has established an office in Turkey to assist the Turkish Government

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in modernizing its highway system and in launching its construction program according to modern methods.

A logical step here, it seems, is to proceed from transportation to a discussion of weather. The Weather Bureau's program is so closely related to defense requirements that its role in economic mobilization may be lost sight of. This important and highly specialized Bureau, however, has been and is still engaged in the collection and analysis of basic climatological data which underlies a great deal of the area development work so important to our industrial and agricultural expansion.

In addition, the Weather Bureau provides aviation weather data essential to the safe and efficient movement of air commerce and makes observations of surface and upper air conditions available to all users of the airways, civil and military alike.

Other special services of the Bureau, which will be given additional emphasis as our mobilization effort requires, are the crop forecasting services providing special information on precipitation, frost, etc., of interest to farmers; and the firewarning system which watches closely the condition of our timber resources as they are affected by seasonal weather conditions.

In normal times the Coast and Geodetic Survey is a scientific service bureau whose products and services touch upon the lives of nearly everyone in this country. All vessels navigating the coastal waters of the United States depend on its charts, coast pilots, tide tables, and current tables for safe navigation. Airplane pilots similarly depend on the series of aeronautical charts published by the Bureau. Engineers and surveyors use its many thousands of monumented stations throughout the country in their work on all kinds of projects, such as highway construction, drainage, irrigation, and power developments.

But in times of national emergency the Survey turns to the job of building up the defense of the country. In normal times approximately one-quarter to one-third of the Bureau's products and services are required by the military establishment. In the present emergency over 75 percent of its work is done in the interest of national defense. Its output has been greatly increased since June 1950 to meet these increased demands.

We've been moving along pretty fast for the past few minutes--from transportation details to weather and coastal surveys. But the activities of the various Department of Commerce units, as cited, certainly are not unrelated.

Coming up next are brief resumes of how the Bureau of Standards and the Patent Office fit into the general mobilization picture. And following them will be a more detailed report on the operations of the Office of Technical Services of which scientific findings and patents and inventions form integral parts.

Already you have learned from your studies the vast contributions of the Bureau of Standards to defense. Though most of its activities are now on the military side, the Bureau is not dodging its responsibilities in the national economy. One of these is, for example, to develop and have continuously available standards and techniques by which the products of all industry can be measured and evaluated. A general summary of present operations at the Bureau of Standards is contained in the following memorandum prepared by that Bureau:

"The status of our economic system, as well as the nature of our present-day military operations, is based to a very appreciable extent on the advanced state of American technology. The orderly operation and expansion of our technological industry and commerce depend on having continuously available reliable standards and techniques by which the products of industry can be measured and evaluated. Responsibility for developing and maintaining the standards and systems for physical measurement is assigned to the National Bureau of Standards. The mobilization program has increased the normal demands on this Bureau for calibration and testing services, and has also increased greatly the scope of such services because technological development initiates requirements in many new fields. For example, the growth of electronics and radar has made necessary accurate standards of measurements at higher and higher radio frequencies; the extensive use of electronics in ordnance requires equipment and techniques for evaluating ruggedness of component parts; jet engine and other aircraft engine development necessitates equipment for measuring and standardizing temperatures at much higher values and also demands equipment for evaluating new fuels. The atomic energy program has initiated urgent demands for improved instruments and systems for standardizing the intensity of nuclear radiations; and the extensive introduction of new materials and new uses for materials, such as ceramics, plastics, titanium, brings about many new measurement problems in physics, chemistry, and metallurgy. To keep abreast of the expansion of technology and even to anticipate its needs through scientific initiative and leadership is a major role which the National Bureau of Standards fulfills in our present mobilization program.

"Another important part played by this Bureau is in serving as a primary research and development facility for the Department of Defense and also for other Government agencies such as the Atomic

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Energy Commission and the National Advisory Committee for Aeronautics. During World War I the military agencies turned to the staff and facilities of the National Bureau of Standards for assistance on technical problems, and this experience led to an important continuing and expanding relationship. During World War II many important projects were assigned to and completed by the National Bureau of Standards. These included the initiation and direction of the atomic energy program up to the time of the formation of the Manhattan Project, and proximity fuze development, resulting in the successful development of the Bat missile. The relationships of this Bureau with the military agencies continued into the postwar period and during present emergency mobilization are expanding rapidly. Largely as a result of this direct military work, the Bureau staff is now 50 percent larger than it was during World War II.

"At the present time the Bureau serves as the primary facility for the Army Ordnance Corps in the development of proximity fuzes for the new weapons and guided missiles. It handles the development of an important series of guided missiles for the Navy Bureau of Ordnance. It gathers and disseminates vital information for long-distance radio communication; it serves as a central agency for mathematical computation service for the Department of Defense, and for the development of high-speed automatic electronic computing machinery for the Department of Defense and for other Government agencies; and it carries out extensive investigations on the development of new materials and in substitutes for critical materials."

Coming now to the Patent Office, its backlog of applications has been reduced by 14,000 during the past year and applications are now being passed on at a faster rate than they are coming in. This was accomplished through improved management procedures and, as a result, availability of the products of the Nation's inventive genius has been speeded up. I might say here, as probably many of you know, the information which the Patent Office has and the patents that it has on record there are of very considerable value to the military forces. The Patent Office has continuous coordination of information with the military forces as to just what they have in the shop.

When the Department expanded its services to business to include science and technology, we centralized several existing government operations in our Office of Technical Services. From the Smaller War Plants Corporation we acquired the Technical Advisory Service and from War Production Board the Office of Production Research and Development. To these we added our National Inventors Council staff operations and Publications Board responsibilities for the collection, compilation, and release of government reports assigned us by the President.

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Now as we find ourselves in another defense emergency, these component agencies are able to shift their objectives with relative ease since scientific and technical information is an important tool in both defense and peace production. The Technical Advisory Service was created to assist small firms facing production difficulties on new and unfamiliar defense work. It has been oriented again in this direction and works in close cooperation with our National Production Authority's Office of Small Business and our more than 100 field offices.

The National Inventors Council links civilian invention and military research. Its basic function since its creation prior to Pearl Harbor has been to stimulate our national inventive talents for defense purposes and we are stimulating efforts in that direction. The Council feels keenly the need for bending all efforts in integrating invention and military research and Secretary Sawyer is in full agreement.

Again, the National Security Council has asked the Secretary of Commerce to offer advice to the public concerning the wisdom of publishing or otherwise releasing information of a scientific and technical nature. As you know, we all realize the necessity for cross-fertilization of scientific effort through general dissemination of information. However, that does not mean that we should laxly permit up-to-date technical data to flow behind the Iron Curtain. The program we have created in the Office of Technical Services at the request of the National Security Council is designed to afford reasonable guidance in this area. It is entirely a voluntary one and not press censorship but we find that those who seek guidance are entirely willing to accept it.

Recently the Government's interdepartmental Conservation Committee passed a resolution that the Office of Production Research and Development, which functioned in World War II, should be reactivated. This Committee feels that the civilian economy must practice conservation measures if business is to keep going during the present material shortages and that research is needed on many substitutes and conservation techniques. Since there is no governmental agency with authority and experience in this area outside the Department of Commerce, we have been asked to consider reactivation.

If present plans mature, the Office of Production Research and Development will be empowered to place contracts with competent laboratories for the development of research information on new industrial processes, conservation practices, and substitute materials.

Last, our Office of Technical Services acts as "agent" for the Economic Cooperation Administration in a variety of fields. Visual aid materials such as technical and training films, the latest scientific literature, and an extension of our Technical Advisory Service to

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European productivity centers are among the operations which we provide for the Economic Cooperation Administration and the Mutual Defense Assistance Program which is now coming into existence. Under the latter, I should mention that the Office of Technical Services is in charge of the procurement and administration of government patents abroad. If we enter into international agreements with the countries of the North Atlantic Treaty Organization on reciprocal treatment of government patents, our operations in this area will have increased significance.

The most publicized function of the Office of International Trade is the granting--or denying--of licenses to export United States goods to foreign countries. This task involves these two critical questions:

First, decision as to what extent materials should be withheld from American consumers and sent abroad.

Second, licensing of shipments of strategic materials and goods to other parts of the world.

In a time of mobilization, this direct control over exports constitutes a very real tool for economic defense. But the granting of licenses is only a fraction of the entire job this office performs.

In the field of export control, full statistical information and accurate analysis of trade and related data are important at all times--and now more than ever. Such data are essential in these ways: (1) in calculating the import requirements of friendly countries and neutrals--and hence in determining United States export allocations; (2) in revealing the resources available to unfriendly countries; (3) in demonstrating the strengths and weaknesses of friends and enemies alike; (4) in establishing sources for strategic materials; and (5) in providing guidance for the conduct of potential preclusive buying.

Upon OIT's analyses of trade between the various western European countries and the Soviet bloc have depended not only our own security controls, but also the deliberations of the Coordinating Committee--a little known international group representing Canada, the United Kingdom, the Benelux countries, France, Denmark, Italy, Norway, Western Germany, and the United States.

As a result of our work with this group, some 229 commodities of top strategic values are embargoed to the Soviet bloc by all members and their possessions; 102 other items are subject to quantitative control. Although our friends have not controlled their entire trade with the Soviets, they have stopped the most significant items--far more than is generally known. Their vulnerability to Soviet reprisals makes them hesitant about publicizing their controls.

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For our own part, we require a license for everything that goes to the bloc; we embargo everything of any strategic importance, and license the other items in very small volume. Nothing moves to China or North Korea.

East-West trade studies are particularly important to the National Security Council in determining whether such trade by any nation receiving United States financial assistance constitutes a threat to our national security. If the nature of a nation's trade with the Soviet bloc were determined to offer such a threat, and if the nation persisted in such trade, United States financial aid to the offending country would be terminated under the terms of the Cannon Amendment to the ECA legislation.

OIT's controls are backstopped by a top-level Advisory Committee on Export Programs, representing the military establishment, State, Interior, Agriculture, ECA, Atomic Energy Commission, NSRB, NPA, and OIT. This group recommends to the Secretary of Commerce export measures required in the interest of national security and the conservation of scarce materials, items to be controlled for export, licensing policies, and, where important policy considerations are present, action to be taken on particular licenses. Other interagency groups of technical commodity specialists recommend strategic ratings for controlled commodities. The Department of Defense in that organization occupies a very important role because it is the agency that tells us whether or not items are of military value, and this group and the Secretary of Commerce are guided accordingly.

Effective control over exports of short-supply items depends not merely upon realistic evaluation of foreign needs but upon the steps taken to meet such needs. Thus, the establishment of a quota involves the gathering of full data on the needs of friendly foreign countries; screening and justifying such requirements; supporting them before the allocating authorities; and dividing the total allocation among importing nations on the basis of relative need and ability to contribute to the common defense. The objective is to make possible a full utilization of the productive capacities of the friendly nations--and, therefore, to enable them to make their proper contribution to the joint defense effort.

Not until this work has been performed can OIT begin to license individual export shipments. But the issuance of an export license is not always enough to assure that shipment will take place. In our domestic mobilization we have found it necessary to assign priorities to orders which will directly influence the defense effort.

In many instances it is equally important to provide priority assistance for export. Failure to provide certain materials to friendly countries may endanger not only their ability to resist the enemy but

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also their ability to produce the raw materials which we ourselves need--copper, tin, chrome, and manganese, to cite a few. For these reasons, OIT endeavors to assure actual shipment of export quotas by priority ratings or other types of supply assistance.

Remember, the quotas were established on the basis of demonstrated need. The objective is not equal sharing of our available supplies, but equitable division to further the common objective.

The Department of Commerce, in common with many other government agencies, has for many years depended on the information-gathering facilities of the American Foreign Service for data relating to the economic life of foreign countries. Accordingly, much of the basic background and information needed to estimate the essential requirements of friendly countries is derived through the American Foreign Service.

For example, statistics on production, consumption, imports, and exports of those items for which these countries are now claimants, together with data on the usual sources of supply, are obtained from this source. Similarly, information concerning the activities of individual foreign importers and consignees is required by the export licensing officers in order to make intelligent licensing decisions. Commercial intelligence of this type is obtained largely through Foreign Service sources, but is evaluated and coordinated within OIT.

The long-term role of OIT in collecting information about individual firms doing business abroad has paid off handsomely in both World Wars and during the cold war. Through such information we are aided in determining the reliability of the consignee and the likelihood that scarce or strategic goods will not be transshipped or put to frivolous uses.

In addition, OIT's detailed records on overseas plant capacity, product specialization, ability to meet production specifications and schedules, and extremely important, the political reliability of the producing firm, have proved invaluable to the armed services--notably the Air Force--in procuring certain types of imported finished goods. Effectively, such information extends the total plant capacity available for defense production.

Least recognized among OIT's mobilization functions is that of technical assistance, with the object of foreign economic development. Although foreign economic development has a less obvious bearing on the defense effort than export control, private industry and the government alike have recognized the vital relation between efforts to strengthen the economies of underdeveloped countries and their ability to play a part in defense mobilization.

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In cooperation with State Department's Technical Cooperation Administration, OIT is carrying out a four-point program to assist in developing the industry and trade of such countries. The elements in the program are (1) providing technical assistance in manufacturing, processing, and distribution; (2) recruiting and training industrial personnel to work abroad; (3) providing opportunities for technical industrial training in the United States and bringing promising candidates to this country for technical training in industrial management, production methods, etc.; (4) providing information to prospective investors concerning opportunities and problems to be faced in making private investments in underdeveloped countries.

In somewhat similar fashion, OIT makes arrangements for teams from Europe to receive technical guidance in American plants, provided that the further training of these teams has a direct bearing on the defense effort. Moreover, OIT specialists are sent to Europe to advise producers--how to improve their production and how to channel their capacities and production into the United States mobilization effort.

The results of the technical assistance program are twofold; we assist foreign producers to increase or reshape and plan their production, and we channel their production to the United States or other areas, to meet the mobilization need.

To sum up, international trade--the direct concern of OIT--is a vital element in the mobilization effort. Through our export trade, friendly countries are enabled to carry out their essential roles in the common defense; through our import trade we obtain our continuing needs for raw materials--particularly the key strategic items which are not produced in this country--at least in sufficient volume to meet the needs of the defense effort.

Another important function of the Department of Commerce which might well be the subject of an entire lecture before this group is the Office of Business Economics.

The functions of this office are primarily (1) the provision of basic measures on the national economy and its performance, and (2) the analysis of the economic position of the country and the underlying trend. This involves not only current appraisals, but an evaluation of the outlook.

Fundamental to these ultimate economic appraisals is the preparation of the national accounts--national product, national income, consumption, investment, business financing, the international balance of payments, government expenditures abroad, etc.

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Through OBE, the Department of Commerce is equipped to assist in the determination of the over-all magnitude of the Nation's war potential; and, likewise, in the subsequent determination of the allowances to be made for maximum war and war-supporting activities, on the one hand, and for the requirements of a stable civilian economy on the other. That is an awfully important item.

As in the last war, new urgency has been attached to the normal demands for greater frequency, detail, and comprehensiveness in the production by OBE of its regular series and analyses. This is a natural result in view of the fundamental importance of national accounts (that is, national income, gross national product, and balance of international payments) in the work of mobilization planning. It follows, also, from the heightened interest which stepped-up economic activity brings about in such supporting OBE series as those on plant and equipment, business births and deaths, sales, inventories, and new orders.

And now, finally, we get around to another highly vital cog in the Department's mobilization machinery--the National Production Authority.

I would like to say at the outset here that immediately after the Communists moved into North Korea, we began planning in the Department of Commerce. Controls were inevitable. We were very fortunate in having many of the elements of control used during the last war. We had adopted as peacetime operation the policy of industry advisory committees. We enlarged those committees. We established more. We threw the whole team into the organization of a defense effort. Because of this organization and the know-how we made available, both to the other agencies and to the Congress, we were able to get that productive action under way in much better shape and much faster than would have been the case if we had started from scratch.

You already have heard a great deal about NPA's functions from several of its officials who have addressed you. I shall avoid going into details covered in previous discussions. The defense production picture, however, has been and is changing rapidly.

The functions and responsibilities of the War Production Board in World War II are today borne jointly by the Defense Production Administration and the National Production Authority. DPA is a relatively small planning and coordinating agency. NPA is the larger administrative agency for production controls.

The main purposes of the NPA are conservation of critical materials and expansion of production. Practically everything that NPA does is designed to serve one or the other of these two purposes, or both. In

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its controls over production, and its activities in expansion of productive facilities, NPA is responsible not only for seeing that defense and defense-supporting production is carried forward on schedule, but also for maintaining the highest possible levels of production for the civilian economy.

NPA has announced that the Controlled Materials Plan will go into effect on 1 July 1951.

The Controlled Materials Plan in itself, of course, will not enlarge total supplies of critical materials. But, it will, as our experience with the wartime CMP demonstrated, provide a method of using available materials to the greatest possible advantage. CMP is not a program in itself, but a method or technique. It is rather a sort of bookkeeping system by means of which the Government totals up the materials available and accounts for their distribution to the right places. This is done to maintain a balanced ledger of industrial production for defense and also for civilian needs.

Besides controlling use of the basic materials--steel, copper, and aluminum--and using these yardstick materials as common denominators for the distribution of other critical supplies, CMP also schedules production, by quarterly periods, so that demand is kept in proper relationship to supply.

While CMP cannot create more materials, its administrators believe it can and will have the effect of making more materials available in many quarters where scarcities are now being acutely felt. This will not be because there actually will be more materials, except as expanded production takes place, but because CMP will serve to channel supplies in a more orderly manner and to schedule production in terms of actual requirements.

After the priority system was instituted by NPA, scarce materials soon appeared to be more readily available. That situation is no longer true. However, because of rising demands of defense and defense-supporting programs, I believe we shall see a similar effect after CMP gets into full operation. For CMP, as designed, is an affirmative method of assuring availability of materials for the purposes for which they are needed.

Scheduling of requirements on a quarterly basis will promote, in particular, a more orderly distribution and, thus, a probable easing of the entire metals situation. When the defense requirements have to be scheduled quarter by quarter, a great deal of water will be wrung out of them immediately. Under CMP, defense programs, which heretofore have been ordering materials as soon as possible, will be unable to order except for one future quarter at a time.

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Administratively, much of the work of CMP is going to be done by industry itself, which throughout the operation of the plan has the task of keeping the Government informed as to the extent of requirements.

Early this month forms and operating instruction were sent out, so that NPA could begin to accumulate the data it needs to put the CMP in operation by 1 July and so that industry could familiarize itself with what is required. At the same time four-man teams of CMP experts set out on a tour of 20 principal cities to explain the facts of CMP and to answer questions.

On the staff level, CMP is the responsibility of NPA's Assistant Administrator for Production Controls. At present and during the third quarter of this year, the work of authorization and allocation will largely be done by the industry divisions of NPA, in conjunction with the Industry Advisory Committees.

Ultimately CMP will be run largely in the field. The bulk of the applications, in the fourth quarter, will be handled through field offices and their staffs. Already the Field Service of the Department of Commerce is bringing clerical and stenographic personnel in, at the rate of several dozen a month, to give them practical training in filling out CMP forms. Later, supervisory personnel will come to Washington for short but intensive training sessions.

Through NPA's Office of Small Business and other government agencies, some real strides have been made toward fuller utilization of small business concerns in defense production. On 23 April 1951 a four-point procurement policy to increase participation of small business in defense production was adopted. This policy was accepted by all government agencies concerned with defense procurement and production. I shall list these four points.

1. To bring into the defense effort on a prime contract or subcontract basis every qualified producer who can be used so that orders can be spread across as wide a base as possible.
2. To find and put to use the productive facilities of small firms.
3. To give small manufacturers all necessary information concerning government needs and the steps they should follow in obtaining subcontracts as well as prime contracts.
4. To develop and install procurement procedures which will encourage prime contractors to subcontract to small firms the maximum amount of business possible.

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Details of the variety of ways these purposes are being carried out are readily obtainable. Many of them were listed in the first issue of "The Defense Production Record," official weekly bulletin of the defense production program, which appeared on 3 May 1951.

The problems of small business in the defense economy have not been overlooked. Indeed, the Defense Production Act of 1950 itself specifically provides that small business enterprises shall be furnished with the necessary information to permit their participation in the defense program; that small business shall be fairly and equitably represented on industry advisory committees; that small business shall be entitled to certain exemptions as they may be feasible without impeding the accomplishments of national defense; that small business shall be entitled to the expeditious handling of requests, applications, or appeals from regulatory measures. Also, and most significantly, the act provides that in any allocation of materials, which causes serious dislocations of normal distribution in the civilian market, shall be made, so far as is practicable, in such a way as to make available to all business and segments thereof a fair share of civilian supplies.

We are expanding our productive resources through the amortization program and through government loans for the construction of defense plants where the necessary funds were not readily obtainable from regular sources of credit.

Tax amortization certificates are processed by NPA and other defense agencies and issued by DPA. To date the total amount of rapid tax amortization authorized is approximately 5.4 billion dollars on 1,209 new or expanded facilities. Thirty-three loans approved for defense plants now amount to more than 60 million dollars.

Another provision of the Defense Production Act of 1950, which deserves emphasis, requires use of industry advisory committees in the determination of defense production programs. NPA has more than 300 industry advisory committees which meet with government officials to discuss their separate problems and to make recommendations concerning adoption of orders and regulations and other matters.

From 15 to 20 industry advisory committee meetings are held each week, and the number of such meetings, as well as the number of committees, will continue to increase.

Committee members under the law must be representative of large, medium-sized, and small business in a given industry and a committee must have broad geographical representation. The members serve without compensation and at their own expense. NPA has found their services most helpful in reaching the necessary determinations on policies and actions.

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Gentlemen, I have given you a general roundup of the more important authorized functions of the Department of Commerce in the economic mobilization field. I do not claim or even pretend that it is complete. For indeed, no review of our undertakings can be complete without a look into our hopes and plans for future developments and expansions in industry and commerce.

A primary example of prospective developments advocated by the Department is the Great Lakes--St. Lawrence Seaway and Power Project.

President Truman early this year designated Secretary Sawyer as coordinator in the presentation of the Administration's testimony before Congress in support of the authorization of this long-delayed project, which is so urgently required now as a vital and integral part of our national defense and economic security. This morning, though, I regret that I am unable to predict with any degree of certainty the fate of this legislation on Capitol Hill at this session of Congress.

A summary of the Administration's arguments in support of the St. Lawrence Project is contained in the supplementary materials which will be distributed among you.

And now, I would like to leave with you just one or two thoughts. One of the most important--if not the most important--elements of control is the attempt to keep in balance the military machine and the civilian machine. I am certain you realize the importance of this but it cannot be emphasized too often. Without one the other would fail. Never before in history has there been such a complete understanding of each other's problems as between the military and the civilian side of the economy as exists today. This is evidenced every day in our activities. It is evidenced by the degree of coordination and cooperation we have down the line and across the board at the staff level between these constituent groups, the Departments of Commerce, Defense, Interior, Agriculture, and every agency of the Government that has to do with our economy in the defense mobilization effort. That is most important.

Another important item and one that is easily overlooked is the effort to lick inflation. From an economic standpoint inflation is an enemy equally as dangerous as the Communists. Progress has been made but I know we haven't done everything we can do to forestall the forces of inflation. It is very difficult to bring to bear all the things that we know can check inflation. We have groups of one kind and another who represent their own particular interests; it is natural that they should. They can't be blamed for that. But if we are going to be able to place on our economy the controls necessary, voluntarily or otherwise--and many of them are voluntary--any particular group which for one reason or another is bucking controls must give up its individual fight and become a part of the joint effort.

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For instance, I don't know whether you know it or not--it is out of my field; probably I shouldn't say anything about it--but the pressure from both industry and labor, both individually and jointly, to break through price ceilings is very great. You know full well what increased cost has done to you in the military forces in the purchase of tanks and guns. Blankets, even, I understand have gone up some 300 or 400 percent.

We are trying in the Department of Commerce to meet and discharge our responsibilities to the best of our ability. We know we don't have all the answers. We know we can get the answers by joint, coordinated effort, and that is what we are trying to do. The Department of Commerce is in effect a holding corporation. There is, however, a mutuality of interest among many of the Bureaus of the Department. We are all interested in two things--the economics of the country and certain technical aspects of our productive effort. There are other areas of joint interest as well.

Last night I went to see "Mr. Roberts" for the third time. I enjoyed it, particularly since during the last war for a very short time I was a lieutenant (j.g.) myself. One of the things that impressed me, aside from its humor, was that it had the effect of pointing up this fact: It is sometimes very difficult--I am speaking of the Government generally--for a seemingly separate unit or separate department of the Government to determine or realize just what its contribution is to the total effort. That is true down in Commerce; true down the line; true of government employees; certainly it is true with many of you here today. But it has to be a joint effort; it has to be a joint recognition of a mutual problem by both the military and the civilian, and I am certain that when the chips are down, that is exactly the way it will be.

I appreciate very much having this privilege--it is a privilege--to come here and talk with you. I will always be available in the Department if, in your deliberations and studies, there is any additional information that we can give you. I mean that. Thank you very much.

QUESTION: Mr. Secretary, one of the guiding principles of organization seems to be that there be a direct line of authority from the top down through the bottom. In this defense mobilization organization, would you explain what the flow of authority is and how and when you have defense mobilization authority, and then using the various departments, such as Commerce, NPA, explain what their relationship is to the DPA and the top mobilization authority?

MR. DAVIS: Well, I don't want to get into a technical discussion of the principles of organization. Actually it is a combination of functions. The defense mobilizer is the big boss. He is the coordinator of policy. He tells the others what to do and they do it. Therefore, all have to work as a team. I don't care how you set up an organization

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on the chart, the chart doesn't solve the problems. The definite relationship between the functions of each unit having to do with mobilization is or may be something of a hit-or-miss proposition. But it is a combination of both direct line and horizontal organization, and we meet the problem when we really get to it as to just how it will operate. You will be furnished with a chart which shows the direct line and the horizontal organization of the Department of Commerce and its relationship to the defense setup, which I hope may prove to be informative and useful.

QUESTION: Mr. Secretary, earlier in the year when we were going through our course in Requirements we dwelt very much on the military presenting their requirements to NSRB, NSRB more or less determining or getting from other agencies civilian requirements to keep the civilian-military machine going and to determine how much would be available for the military. NSRB has more or less faded out of the operating picture now. Just what is NPA or the Department as a whole doing in determining requirements for keeping the civilian machine going so as to determine how much is available to the military machine?

MR. DAVIS: That is what the NPA is trying to do now. It is one of the elements of the Controlled Materials Plan. I might say at the outset that it is common practice to think of results in terms of dollars. But we are not dealing in dollars, we are dealing in materials--and the shortages in materials are very selective. Right today--I believe this figure is correct--to give a little background here--the military effort is taking, roughly across the board, between 10 and 15 percent of the total productive capacity of the United States in dollar volume. The impact of military production will probably be fully felt in the last quarter of this year.

To get to your specific question, we know pretty well at this point how much material--I say "pretty well" because we couldn't possibly get down to the last pound--there is available. The problem is that NPA has to allocate that material, the scarce materials and others as well, among the defense producing units, military-producing procurement units and defense supporting units, the balance going to the civilian economy. There is a very hazy line of demarkation between the production line of a gun and new steel production for the production of that gun.

The program under way at the present time is to build up the productive facilities of the United States. We don't know what the productive facilities of the United States are at this point, except in broad general terms as to the capacity. We know what the dollar volume is in certain items, but we cannot sufficiently pin point the actual shop, the tools, and the men. That is in process right now. We got at this effort fast, and we are much further ahead than last time.

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by comparison with a similar period. In this effort no one gets enough except the military. There is just not enough of everything to go around.

The Director of Defense Mobilization estimates that our productive capacity will reach the point where it can meet both military and civilian requirements in 1953. In the meantime, while we are arriving at that point, I don't know of any human way possible to do a 100-per-cent job of balancing effort, the civilian versus the military, and by civilian I mean all civilian economy along with the defense supporting activities.

I think we have made--when I say "we", I am talking about the Government as a whole--remarkable progress in keeping the civilian machine going during this gray period we are in today.

QUESTION: Mr. Secretary, you just said with a certain note of annoyance or dismay that we don't know what our capacity is. What in your opinion is the reason for our being so slow about it?

MR. DAVIS: First things come first. The military requirements are such that we have to get those out--the materials allocated for them. When I say we don't know what our productive capacity is, I mean that no complete survey of the United States shop by shop, manufacturer by manufacturer, now exists. A start was made on one by the Munitions Board. But we got into the Korean situation and there again first things came first. There is a natural tendency for procurement agencies to give contracts to the larger manufacturers; ones with whom they have dealt before; ones whose credit rating is beyond question; ones whose ability to perform on schedule is without question. In the first efforts at building up military strength that is important because they can do it faster, but we can't overlook the other elements of our economy.

QUESTION: What I had in mind was not this immediate point but the fact that information of that kind would be important at any time and that really such a job of inventorying should have been started many years ago. I appreciate Congress appropriates certain budgets and every department has to expand itself in terms of that budget, but it alarms me somewhat that we have been slow in recognizing the need of information of that sort, but we pick up other information by means of Census activities.

MR. DAVIS: I say in broad terms we do know. Maybe I can explain it a little better this way. In X geographical area, how many machine shops are there? How many men are there with specialized knowledge and training in tool making, for instance? We know that in broad general terms, but it is very difficult to say that this company, or this small

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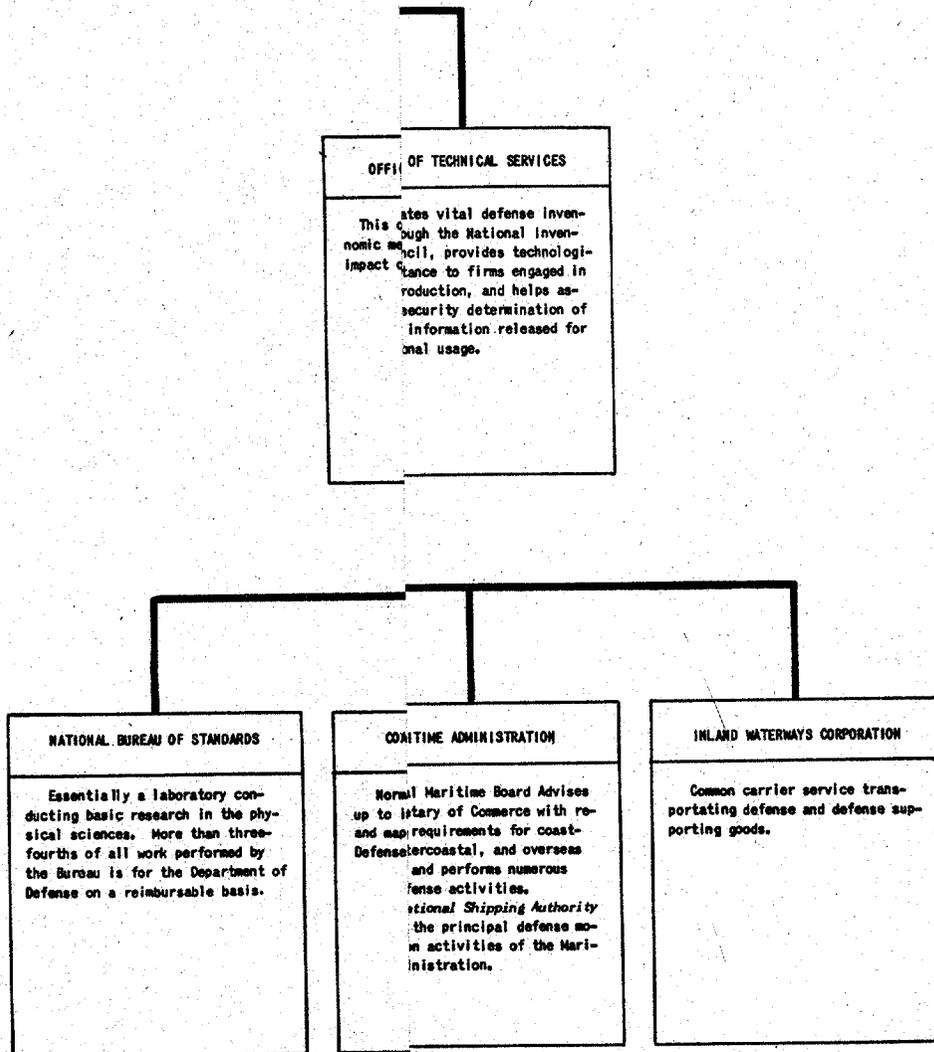
business, can do this kind of job in this defense production effort. We still operate in a free-enterprise system in this country and in normal times your normal laws of supply and demand operate. It has not been necessary up to this point to have that detailed information. That process is under way at the present time. I don't mean to say that we don't know what our over-all production capacity is in certain lines of endeavor, but it hasn't been completely pin pointed with respect to various units within a given field of activity.

CAPTAIN DAVISSON: Mr. Secretary, I am very sorry that time ran out on us. The College appreciates your coming down here and I am sure the kits you have prepared will be very helpful to us. Thank you very much.

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