

RESTRICTED

ECONOMIC MOBILIZATION SINCE KOREA

113

3 September 1952

CONTENTS

	<u>Page</u>
INTRODUCTION--Colonel E. E. Barnes, USA, Chief of the Mobilization Branch, ICAF.....	1
SPEAKER--Mr. Oliver S. Anderson, Consultant, the Johns Hopkins University.....	2
GENERAL DISCUSSION.....	12

Publication No. 153-9

INDUSTRIAL COLLEGE OF THE ARMED FORCES

Washington, D. C.

RESTRICTED

RESTRICTED

Mr. Oliver S. Anderson, Consultant, the Johns Hopkins University, was born in Washington, D. C., 8 July 1906. He was graduated from Pennsylvania State College with an A.B. degree in 1928 and from the Industrial College of the Armed Forces in June 1950. Prior to entering government service, he was engaged in the excavating contracting business in the District of Columbia. He entered government service in October 1941 as member of the staff of the technical consultant to Donald M. Nelson, then director of Priorities, Office of Production Management; later became principal priorities specialist for seven major industry divisions of the War Production Board. In 1943 he became assistant director of the Urgency Rating Division, Office of Program Vice-Chairman, WPB. After a short period of service as special assistant to the administrator of the Surplus Property Administration, Office of War Mobilization and Reconversion, he became deputy director of the Bureau of Industry Operations, Civilian Production Administration. Early in 1948 he served as consultant to the chairman of the National Security Resources Board and subsequently was named director of the Committee Operations Division. After graduation from the Industrial College, he returned to the National Security Resources Board and became a member of the staff of the Board Secretariat. In January 1951 Mr. Anderson was loaned to the newly formed Office of Defense Mobilization and subsequently became assistant executive secretary of that organization. He is now a Consultant to the Johns Hopkins University, doing operations research work in the field of mobilization planning.

RESTRICTED

RESTRICTED

115

ECONOMIC MOBILIZATION SINCE KOREA

3 September 1952

COLONEL BARNES: Admiral Hague and gentlemen: I think that the lectures you have had so far and the reading that you have been doing have given you a pretty general understanding of what our past actions have been in both World Wars by way of controlling and coordinating our national economic mobilization in an emergency. In addition, particularly after our lecture of yesterday morning, I think you have a clear understanding of what we set up after World War II as a statutory organization for planning for economic mobilization in an emergency, and have gotten a grasp or comprehension of what the weaknesses and strengths of that system are today.

That brings us up to the point where Korea was invaded and we had to move into implementing these plans. Our lecture this morning carries on this theme from that point and brings to you a general discussion of the steps actually taken to mobilize our economy after Korea.

Our speaker is really qualified to talk to you on this subject. He was with the War Production Board (WPB) during World War II. He was with the National Security Resources Board (NSRB), of which you have heard a great deal, throughout its early activities. He lectured to us and then came over here as a student in the class of 1950. He returned to us and lectured again, and then joined Mr. Wilson at the initial organization of Office of Defense Mobilization (ODM) in January 1951, as assistant executive to Mr. Wilson. So he has seen all angles in the recent experience that the country has had in this emergency. At the present time he is enjoying a position as consultant to Johns Hopkins University, doing operations research in the field of economic mobilization planning.

It is a great pleasure for me personally to welcome Mr. Oliver Anderson back to this platform. Since he is a graduate he has sat out there where you are; he knows your viewpoints and your needs; and he understands your problems. He will talk to you from that approach. I think after he left us as a graduate, he has already favored us three times in our calls for him as guest speaker.

Ollie, I think one of the questions that you will be asked during the discussion period will be what NSRB did do constructively, which I know you feel strongly on, and I do too. I think one of our recent speakers has left the impression that there was not much done. This is no time for you to reshape your lecture but maybe in the question period you can shape your remarks that way.

1

RESTRICTED

RESTRICTED

116

Ollie, the platform is yours.

MR. ANDERSON: Thank you, Elmer, for your kind introduction and particularly for the warning about NSRB questions.

Admiral Hague and gentlemen: It is always a great pleasure to come back to the Industrial College. I regard the mission of the Industrial College as one of the most important missions in the military service. It is here that a great deal of our future national security will take its root in the cadre of informed military and civilian graduates of ICAF.

I want to review a number of things in a short time today. I do want to focus your attention on over-all mobilization planning in the Government in June 1950. I want to bring out some of the problems and conditions that were faced at that time. I want to set forth some views on the value of pre-emergency planning at the NSRB level. Finally, if time permits, I want to hit on the current situation and some of the problems that we face in the future.

Mobilization planning, as I see it now, has become a continuous function of government; and I mean continuous in the true sense of the adjective. Yes, the amount we do will go up and down. We are actually in a "down" phase now, because we have taken on the defense mobilization program. But the planning function is continuous, for it keeps going on. It doesn't stop and then start up again. It keeps going on. All agencies and departments of the Government must participate in the program. It is not a function confined to NSRB, or to ODM, or to the Department of Justice. All departments are concerned. Furthermore all segments of the national economy are affected by mobilization planning and should be informed as to what is going on. In other words, this is not solely a government function. It is a function that takes in activities at the industrial level, at the financial level, at the educational and scientific level; at all levels of public interest. Not only that, but, so far as security will permit, these outside-the-government interests must participate in mobilization planning.

The continuous aspect of the mobilization planning function comes about as the result of the emergence of the United States as a world power. For the first time our political life is dominated by concern for our national security. We thought of mobilization planning infrequently during the 1800's. In the early 1900's we did some thinking about it. But we really didn't get down to brass tacks until we came out with the National Security Act of 1947. I am skipping almost all the background on the assumption that you know it well.

RESTRICTED

RESTRICTED

117

Now we come to our phase of interest--June 1950. At that time we knew we were in a cold war and we knew that we could never again afford the luxury of taking years to rearm for an all-out war. We realized that any strike would be sudden; that there wouldn't be a period of time in which to prepare.

There are some differences, that I would like to compare, between 1940 and 1950. In the fall of 1950 the country was producing at a peak never before set, at a record-setting peak. The use of scarce materials was at an all-time high. Unemployment was almost nonexistent. Contrast that with conditions in the fall of 1940. The country was just coming out of the depression, there was some unemployment, and ample productive capacity on which to base a war production effort. Not only that, but the manpower requirements of the armed forces were lower in 1950 than they were in 1941; a little less than one-third of the World War II top figure. Therefore, when we embarked on the defense mobilization program, more people were available for defense production.

In 1950 we had plants, capable of producing war goods, in mothballs. We had a good stock of military weapons in mothballs. The defense program of 1950, therefore, could be a selective program, calling for different degrees of growth in different segments of the economy.

This difference in the scope of the effort required can be judged by the fact that at the peak of World War II, 45 percent of the gross national product was going into the defense effort. We judged that the defense mobilization effort of 1950 would never take more than 20 percent of the gross national product.

By citing these differences I don't want to minimize the importance of the defense mobilization effort as we stepped into it in June of 1950. The job was different, yes. In some ways it was more difficult than the job of the early forties.

The National Security Act of 1947 established the NSRB. Colonel Barnes has kindly reminded me that there may have been an impression created here that NSRB did nothing. Well, it just depends on what you wanted NSRB to do as to how you judge what it did do. I have never been one of those who felt that the NSRB mission was to create a series of numbered plans 1, 2, 3, and 4; that a key to the plans would tell what situation each plan was to be used in; that when danger struck, or was imminent, the plan indicated could be pulled off the shelf and put into operation.

Never have I felt that we could draw up plans in advance so perfect and so full of knowledge of every possible type of situation, that we would have nothing to do beyond operating the plan. It seems to me,

RESTRICTED

RESTRICTED

rather, that NSRB was created to do planning; to see that other government agencies accepted their responsibilities in the field of mobilization planning, to the extent that they knew the full measure of their responsibility for mobilization activity when and if an emergency came.

In a final report to the President, Stuart Symington, leaving NSRB to go to the Reconstruction Finance Corporation, pointed out four major and immediate objectives of NSRB. It is to be assumed that these objectives were being pressed forward at the time and had been in being during a large part of his chairmanship. They were: (1) drafting legislation needed for a mobilization period, (2) feasibility tests to determine if there was balance between the requirements and the resources of the Nation for mobilization, (3) analyzing the status of the stockpile of critical materials, and (4) the planning required for mobilization organization.

I submit that, despite the criticism leveled at NSRB, it is possible to point out some very real work that the organization has done. I will run through some of it just briefly.

Industrial surveys.--A large Office of Production had been established. This office set up some 200 task groups in selected industries. They tested the industrial potential for meeting military and civilian needs. They hunted out the mistakes of World War II, as shown in the orders and regulations affecting these industries. They drew up skeleton plans or orders and regulations that would cover these industries in the event of a future mobilization. I cite as final proof that this was a worthwhile effort the fact that a good many of these orders and regulations were used, and are in use today, by defense agencies. Perhaps not word for word, maybe not precisely and to the exact point as conceived in NSRB; but full coverage in many cases was set up in advance by NSRB for certain selective key industries.

The survey of the stockpiling program.--I mentioned this a moment ago as one of the major objectives of the Board. In Public Law 520 and in NSRB Document No. 99, you will find the basis for all present stockpiling activities.

The Board was also conducting feasibility tests in many fields, working with groups in other Federal agencies to find out where soft spots existed in the national economy, where we would fall short of meeting the demands of a mobilization period.

I submit that the origin of the Federal Civil Defense Administration in the planning stage at NSRB, later on breaking out of NSRB as an independent organization, is proof positive that NSRB did accomplish some constructive things.

RESTRICTED

RESTRICTED

119

In the field of foreign economic measures, I submit that the cooperation with the Canadian Government, initiated by NSRB, led to the establishment of United States-Canadian relationships in the defense period without which we could not have accomplished much that we have accomplished jointly.

Emergency legislation.--Nineteen different provisions covered in the drafts of emergency legislation were needed to round out the legislative background for the mobilization program. Much of the Defense Production Act of 1950 was based on that draft legislation. Not all of it, because it turned out that we didn't need all that had been worked out by NSRB. But we did need some of it; and when it was needed, and needed rapidly, the basis for legislative action was available. It could be drawn off the shelf on the advice of NSRB and presented by the President to the Congress.

Now, there were some things that were not so good in this period in 1950. We didn't know the size of the effort or the duration of the effort. We didn't know just exactly what posture of mobilization we had to take; we didn't know whether it was to be full mobilization or partial mobilization. So that when we came right down to the facts of the case, we found ourselves going into the kind of a situation for which we had done only a small amount of planning; certainly not the amount that had been done for a full mobilization situation.

What were some of the major problems that we faced? I have indicated that finding out the objective of this mobilization period, whatever it would be, limited or full, really became the major problem. It soon became apparent that the objective was twofold: First, the production of military supplies and equipment for our armed forces in Korea and for our forces in the United States and in Europe; assistance to the growing forces of nations joined with us in resisting communism; and the production of reserve stocks intended in the case of key items to provide for the first years of an all-out war.

Second, building toward the productive power that would be needed and could be put quickly into use in case of an all-out war. This part of the objective had several aspects. I mention them so as to tie in with some of the things that I mentioned about NSRB. First, the stockpiling of critical and scarce materials. Second, the addition of productive capacity for military goods beyond that actually needed to meet combat demands at the present time, but which would be needed in the event of a full-scale war. Third, the addition of basic industrial capacity to support a high level of both military and civilian production during the defense period, and which would be available to support the needs of all-out war. That, when you analyze it, is a pretty broad bill of goods. I will not break it down further because I am perfectly sure that in subsequent lectures on specific aspects of the defense program they will be amplified to the degree necessary for your program.

RESTRICTED

RESTRICTED

But as I mentioned a moment ago, the determination of the objectives brought out new problems in determining the size of the mobilization base. The mobilization base, as it developed out of the two objectives outlined above, is the over-all capacity to convert to all-out war; the expansion of plant facilities and equipment for the production of military equipment per se; the backup for this additional capacity, that is, the power, fuel, transportation, and so forth, for the expanded plant facilities; the expansion of raw material capacity; more steel, more aluminum, and more copper; and, finally, the plants and tools which would be a part of the expanded mobilization base but devoted to military production only in the event of full mobilization.

Now, the attainment of the knowledge of what these objectives were did not come overnight. Only in June of this year did ODM set up an over-all committee which had as its first assignment the assignment of mobilization base responsibilities to the various government agencies. Two years after Korea we got around to the drafting job that had to be done in connection with focusing attention on the responsibilities growing out of a partial mobilization effort.

It is evident, I think, from the objectives mentioned that specific problems would come in four major areas: first, in resource requirements planning; second, in production--and I am using "production" there in the full connotation of the word--materials, equipment, plant facilities, and so on; third, manpower; and, fourth, economic stabilization.

A lecture covering a full period could be given on any one of the four. For the moment I am going to skip the resource requirements planning operation, because I want to end up with a few thoughts on that. I want to spend some time on production, because that covers a wide field of activity, and just mention briefly manpower and economic stabilization.

In the production field I am going to use the Controlled Materials Plan (CMP) as an example of the kind of solution used for some of the problems encountered in the production area.

Our World War II experience is a good example of what happens with a preference rating priority system. Many of you probably remember the days when we jumped from one set of preference ratings to another. When we knew that we had overdrawn the bank, but never knew at any time what was in the bank.

The inflation of ratings in that kind of system, the lack of balance that was exemplified by tanks being produced without engines and of planes coming off the line without the electronic equipment is proof, I think, of the failure of a preference rating priority system as a device to guide a production effort in a mobilization period.

RESTRICTED

RESTRICTED

121

The question in this period of peace, June 1950, concerned the timing of the CMP. When will it have to be put into effect? To what extent will it apply? What materials will have to be covered?

All of us hate controls. Mr. Wilson certainly hated the controls that were necessary in the early days of the defense mobilization effort. The antipathy toward controls was shared by many in the business fraternity. They argued that, since we stated that not more than 20 percent of the gross national product would be used in this defense mobilization period for military purposes, it would not be necessary to institute a full controlled materials plan type of control.

The fact of the matter is that the demands of the direct military programs are not of any particular significance in reaching a conclusion as to the necessity of CMP. The supporting programs which back up the production of tanks, planes, and guns; the production of machine tools to make your military equipment; the production of freight cars to carry the military equipment; the continued and expanded production of petroleum and other fuels to produce and to power this military equipment, all must enter into the total; and they are not included in that 20 percent.

In the second place, the demands of the military and the supporting programs are highly selective. The demand, as an example, for structural steel in the fourth quarter of 1951 was approximately 220 percent of the total structural steel supply. The direct military program took all of columbium steel.

In spite of the knowledge of what the situation required, it was suggested that we use the World War II type of priority system and not get into the CMP. It was suggested by some that if a simple, direct priorities system were established for the military program, the Nation's metal suppliers could be directed to allocate steel, copper, and aluminum to the needs of the military program and their normal customers could be supplied on a historical pattern basis.

Another suggestion was that the entire job of materials distribution be accomplished by a series of limitation orders which fixed the rate of operation for each particular industry. It was argued that if this method was put into effect skilfully, it would maintain a balance between supply and demand. Any rough points could be smoothed off by directive action.

The first quarter of CMP, which was instituted in July of 1951, thirteen months after the opening of hostilities, were a so-called "free" period, during which there were no allocations made to civilian producers. There were, however, limitation orders controlling the amounts of certain scarce materials which could go into nonessential production. This

RESTRICTED

RESTRICTED

operation of CMP produced some difficulties; and, while many did not want to get into a full CMP, it seems to me that one consideration alone was a compelling reason for instituting CMP at the earliest possible date, namely, the simple consideration of preparedness. We didn't know how far we had to go on a partial basis or how soon we had to go into all-out mobilization. To be in the position of having no implementation for the production program, which in turn backed up the defense mobilization effort, seemed paradoxical, if not foolish, in view of the uncertainties created by the now year-old Korean episode.

Just a word on the way CMP operates. First, the statement of military requirements. Then the ascertainment of the backup necessary from the civilian side to meet the military requirements. All of this, in total, must be translated into raw materials--steel, copper, aluminum--and at that point, when added to the essential requirements of the civilian economy, the pie is cut accordingly and allocated to the materials users.

That, of course, is a gross oversimplification of a very complex plan. But it does give you a picture in broad sweep, of the job to be done.

So much for CMP.

In the manpower field, as I related a moment ago, we never felt that we would build up to an armed force of the size used in World War II. ODM headed up the manpower aspects of the defense mobilization effort by establishing an office of assistant to the director, for manpower. It was the duty of this assistant to coordinate the activities of the various departments and agencies with responsibilities in the manpower field.

As a specific example of how this was done: In the spring of this year it became evident that we would have to do something in distressed areas like Detroit, where either, the lack of defense production contracts, or because defense production contract activity was not yet under way, men were being put out of work. In some cases the companies that would get defense contracts eventually were punished by the operation of CMP and the scarcity of materials for civilian items. A former official of NSRB, now the vice-president of one of our larger industrial concerns here in the East, headed up a task group established to handle the distressed area problem. The task group visited these areas and talked to union officials, to management officials, and to government officials in the area, seeking to identify specifically the root causes of the distress and to outline the steps that had to be taken to rectify the situation.

RESTRICTED

Another example is the work done on critical defense housing. The rapid influx of workers or of military personnel into areas not equipped to house or provide the essential services required by family groups, led to high rents and overcrowded conditions which acted to slow down defense production or military activities in the area. Some of you may have seen firsthand the effects of the sudden expansion of a military installation on the near-by small town which almost overnight became a boom city. Congress, becoming worried about the overcrowding, the poor housing conditions, the rent gouging and so forth, passed two laws: Public Law 139 and Public Law 96, of the 82nd Congress, designed to encourage the erection of housing and the control of rents in areas which were declared critical defense housing areas under the terms of these laws. An interagency committee was set up under the auspices of DPA. This committee considered individual areas brought to its attention by the regional defense mobilization committees, by the Departments of Defense or Labor, the Housing Agency, the Economic Stabilization Agency or by officials of the community itself. If after consideration of all the facts, it appeared that the area met the criteria set up in the statutes, the committee recommended to the director of ODM that the area be declared a critical defense housing area.

The result expected of declaring an area critical from a housing standpoint was an increase in the production of low-cost housing in the area concerned. Statistics on the validity of this effort, the extent to which it has really produced housing, can be found in housing reports.

I am going to mention economic stabilization only in the context of interagency cooperation. One of the things I want to stress this morning is the fact that we have learned a good bit about working together as a government in this trial period. I will just state that in the organizational family of ODM an economic stabilization agency was created. When they had special problems, they would call together the agencies concerned, sometimes through formal committees, at other times informally, and discuss the problems, making sure that the responsibilities of each were first known and defined, and, second, carried out to the best of their ability.

I want to touch briefly on a fourth point: How do we stand in the current situation, and where do we go from here?

Obviously, one doesn't have to more than mention the fact that we are operating in a political environment. This being a political year, we have seen original objectives sacrificed as a result of the desire to be rid of controls. These controls in many cases have become burdensome and in other cases, have proven rather useless. I might revert to the economic stabilization field just briefly. Because of the political

connotation of the present situation, the Defense Production Act, as it was being reviewed, came out with several weakening amendments. In the fields of price stabilization, credit control, rent stabilization, and wage and salary stabilization the real strength of the original act was missing in the amended version.

Also we are still working under the impact of the steel strike. By the end of June we had lost 11 million ingot tons of steel. I do not believe this lost production can be made up. Yes, you can allocate more closely and maintain production of military type items; but no amount of juggling can make up for the loss of tin plate and the consequent loss of the agricultural products which would have normally been canned in the summer season just past. Other losses, as a result of the steel strike, could be stated in terms of electric power transmission lines, fertilizer, and explosive products.

To tie in the resource requirements problem as we look to the future is, I think, one of the more important facets of this lecture. And in this connection, I want to tie it back again to the mission of the college.

It seems to me that you have to look at mobilization planning as a continuous operation. Not only is it continuous but it draws into its cycle of operation broad segments of the national economy and many parts of the government structure.

We are suffering now from the lack of a hard core of people who truly know the score in the resource-requirements planning operations. We have gotten to the point, or are rapidly approaching the point, where our economic ability falls short of the needs of the military and the civilian segments of the economy. That would put us into a deficit position, out of which defeat can be the only product. We cannot hope to go along if we are unable to measure, with some degree of validity, the size of our bank account. At the same time we must know the character and size of our "appetite" in order to estimate the size of the bank account that will satisfy the appetite.

Now, to you military gentlemen, who are in the business for keeps, I would like to throw out this thought: From the moment that our intelligence, or battlefield experience, or research and development activity demonstrates the need for, or the possibility of our armed forces having, a new and better weapon or weapons system until that new weapon or weapons system is in use by our troops, there are several points at which the military could take valid readings of the probable requirements, in terms of men, money, and materials, of the weapon or weapons system. And further, that the earlier in the planning cycle we can feed in reliable data on possible military requirements or demands against

RESTRICTED

125

national resources, the more chance we have of succeeding in a defense mobilization effort and of surviving in a world which now seems to have as an alternative to war, not peace, but partial mobilization and constant preparedness. The answer lies partly in having more civilians and more military personnel who know the facts of life and some of the answers.

In the Industrial College I see the one place which can supply the kind of people who know the facts and who know the answers, and who can help develop the techniques necessary to deal with the requirements-resources balance problem.

In closing, I want to give you some ideas of what we have to do in the present situation. These ideas are based on the assumption that some degree of control is going to be required until Soviet-American tension eases substantially. As long as tension does not ease, we just have to learn to live with economic mobilization of one kind or another. We have to take our ups and downs, our scarcities of materials, our trial and error methods of computing and adjusting requirements, trying constantly to achieve the results just mentioned as being very necessary. It seems to me that the civilians in Congress and the civilians in the executive branch of the Government should keep pressing on the military echelons to draw from them a greater justification of their needs and demands for scarce and strategic materials. I think the same groups of people must draw from the executive branch of the Government greater justification for, and the establishment of, a true civilian base for the national economy, phased to meet the varying degrees of stringency all-out mobilization and enemy attack could bring. I think that we must watch very carefully the tendency of the normal economic base to lean heavily on the mobilization base and its defense production activity as a continuing support for the normal economy of the country. In exercising economic controls over production, and where necessary over prices and wages, I think we have to take every advantage possible of our strengths, and of our knowledge and our experiences in these fields.

I say that if we play our trump cards now, when war comes, we will have nothing left to play. I think we have to learn to live with partial mobilization techniques as we have not yet learned to live with them. And, finally, we must remember that defense mobilization is a job in which all segments of the national economy must participate. It is not for business alone, or for labor, or for the Government: for public policy must come into being as a result of a critical analysis of all of the ingredients, not as a price paid for the cooperation of any one group.

Once again let me thank you for your invitation to return to the college.

RESTRICTED

RESTRICTED

QUESTION: It has been stated here that the mission of the NSRB should be that of an administrator rather than an operator. What is your opinion?

MR. ANDERSON: I would say that the chairman of NSRB should be an administrator, not an operator. I can't see NSRB taking on operating jobs, although it had some operating functions before the defense mobilization period; and there is no way to stop Congress from legislating into any organization, whether it be a planning group or an operating group, operating functions.

The Rubber Act of 1947, as I recall it, required an O.K. by NSRB before action by the RFC could be taken. And Public Law 520, which I mentioned earlier, also gave some operating type responsibility to NSRB. But at the echelon in which NSRB has been placed, operation, in terms of a command position, is out. An operating agency does not fit in the Executive Office of the President and the purposes of the act which established the agency could not be fulfilled by such a group.

QUESTION: I understand that one of the principal functions of NSRB is that of coordinating the mobilization planning of the various executive agencies. Could you tell us what degree of success was achieved in this prior to 1950 or prior to Korea?

MR. ANDERSON: That is a very good question. I have felt that one of the prime assets that can be shown in black in the NSRB ledger is the success it achieved in coordinating mobilization planning functions. I feel perfectly certain that the Department of Commerce would not have jumped into the defense mobilization program as the parent agency of the National Production Authority (NPA) if it had not been for the informal and the formal contracts between the NSRB and the Department of Commerce prior to the defense mobilization period. I feel perfectly certain that the Department of the Interior would not have stepped into the five mobilization areas for which it was given responsibility had it not been for the work it did with NSRB pre-1950. I feel certain also that the contacts between members of our NSRB staff and members of the staff of the Department of Agriculture and other old-line agencies were beneficial in shaping up a knowledge of the responsibilities that a period of mobilization activity would bring to these old-line government agencies. NSRB took the lead in coordinating this type of activity and I feel it paid rather high dividends.

QUESTION: In line with the last question, Mr. Anderson, did NSRB anywhere along the line spell out the responsibilities of the other agencies, or did it have authority to do so?

RESTRICTED

MR. ANDERSON: It was never NSRB's job to spell out the responsibilities of the other agencies in command terms. It was NSRB's job to advise the President concerning the coordination of mobilization planning in several fields and to outline the responsibilities which should be accepted by the several departments and agencies. The actual assignment of responsibilities is generally accomplished by Presidential Executive order. NSRB could and did discuss agency responsibilities through both formal and informal channels with the agencies involved. I would guess that the military field is one of the best for the operation of informal contacts prior to the official papers coming down. In this sense, yes, NSRB could tell other departments and agencies what their responsibilities were, but to tell them "This is it," that is the job of the President.

QUESTION: My question runs along the same line. Assuming that you make these informal contacts with the old-line departments, which is obviously a major part of your problem, under our present plan of operation how do they react to it? Are they eager for the job? Do they put top-notch people, adequate people, on it? Or do they say, "Oh, well"? How did you find Agriculture, Interior, and so forth reacting when you approached them?

MR. ANDERSON: Like any other situation where personalities are the main ingredient of the problem, you find a variance in the results. There were agencies that put their very highest-talented people at work on them. In some cases this did not extend deeply enough to the working level to produce effective results. In other cases the job was taken so seriously that the contact man saw to it that the best people were kept on the jobs, and in those cases we got the best results.

I will give you one specific example. In the Department of the Interior the contact man who worked most often on mobilization planning problems was Dr. James Boyd, directive of the Bureau of Mines. He had been a colonel in the Army in World War II, and one of the most effective men in the War Production Board requirements committee system.

Putting him into this kind of situation in 1948 and 1949 was a natural for him. He had the experience to do an outstanding job and with his complete understanding of the situation could take positive steps at his high level in the Department of the Interior to get things done.

Not too facetiously I would like to point out that when June of 1950 came along this official needed help in discharging his duties in the accelerated mobilization picture, he chose one of the first civilian graduates of the ICAF as his assistant.

RESTRICTED

QUESTION: I have two questions, based on the fact that you feel that planning should be continuous for mobilization, and the fact also that you didn't think NSRB should be an operational agency. My first question is this: You said you didn't think the plans should be stereotyped, based on the current situation. How far ahead should the plans be projected? Second, if NSRB is not to be an operational agency--and I have heard it expressed that we should not divorce planning from operation; in other words, the guy who is going to operate should have some responsibility for planning--what is your comment on that situation?

MR. ANDERSON: That is a pretty hard question to answer, because actually what is involved is, I think, more a question of semantics than an actual situation. When you speak of planning, you are apt to be speaking of an operational function. When I speak of planning, I am very apt not to be speaking of an operational function.

I do not think that NSRB should be operational in the sense that plans outline a specific method of dealing, and the only specific method of dealing, with a situation. I think NSRB must employ the problem approach, whereby it looks at all the possible situations and all the possible answers, not with a view toward selecting any one plan, but of having on paper as many of the answers that may be needed to handle a given problem at a given time.

There is one thing you must bear in mind in this business of mobilization planning. The thing that really counts is the personality of the top men involved, the personality that is reflected all the way down the line. If you have men like Bernard Baruch, a Ferdinand Eberstadt, or Leon Henderson, who are willing to take the ball and run like the merry Old Nick with it when they get it, that is one thing. We have had others who were not willing to run with the ball when they had it--and that was quite another thing. The difference is in the personality of the man, the kind of man you have in the top jobs.

I submit that when the President picked Charles E. Wilson to be director of Defense Mobilization, right then and there you could have plotted the emphases that would be placed on defense mobilization. Mr. Wilson had been an extremely successful man and he had certain aptitudes in specialized fields. It was only natural that he put his particular aptitudes to work.

This business of talking plans is fine up to a certain point, but beyond that point you must appreciate that the human equation plays a major part.

QUESTION: I think that question could be asked in a different way. There is a big requirement in the United States for a nucleus of people

RESTRICTED

RESTRICTED

129

who know how to do things. It is very important in Washington to know how to get around. If I understand it, NSRB didn't in any way provide this nucleus. In fact, the author of the book that I read belabored the point that it is a planning agency. So, if you take a look at the present situation, where we have no emergency, if we ever find ourselves in a normal peacetime situation, how do you recommend that we get a nucleus of trained people who will know how to function at the time that things start?

MR. ANDERSON: The answer is, I never did recommend, and never had any sympathy with the recommendation, that said NSRB was a nucleus agency; that we should have a hard core of people all ready to go. Now that answer can be taken just so far. The plain fact of the matter is, that although NSRB denied that it was a nucleus agency and that the denial was based on a letter from the President to the first chairman of NSRB stating that the nucleus idea should not be adopted by NSRB, that nevertheless you can pick up any directory today of NPA or DPA and spot the NSRB people in many key positions. I think that almost without exception NSRB personnel have occupied fairly substantial and important places in the defense production effort. To that extent it was a nucleus agency.

COLONEL BARNES: On the point that you just made, I would like to interject a belated question. I understand you to say that the question of not being an operational nucleus stemmed from a letter from the President to the chairman of NSRB. Was it then a surprise to Mr. Symington when he saw the Executive order that came out and gave the chairman operational responsibility in accordance with the Defense Production Act of 1950?

MR. ANDERSON: I will have to orient my answer. The letter from the President was written to Arthur Hill, first chairman of the board. The President wrote that the NSRB was not going to be an operating agency. NSRB is not to tell the Department of Commerce what it is to do. You can tell me what you think should be done. You recommend plans to me; and, if I like them, I will tell them. But you are not going to operate. That was the sense of what was written to the first chairman of the Board.

Now, when Mr. Symington came in it certainly came as no surprise when he was assigned certain duties under the Defense Production Act, but these duties in the main were not operating, but coordinating duties in connection with the act.

It seems to me that you have to take account of the change in situation. You have gone from your purely planning situation into an

RESTRICTED

RESTRICTED

emergency situation which required more operating activity. After all, within a matter of a few months, 16 December 1950, I believe it was, the President declared that we were in a state of national emergency.

QUESTION: I believe you said that at the beginning of the Korean War it was necessary to start mobilization planning and activities, and that from that time on this "limited" thing was played down. Assuming that the American people in legitimate industry do not like total mobilization, what were the reasons or factors in playing down limited mobilization?

MR. ANDERSON: I don't know where we would have gotten the intelligence which would have told us exactly the extent to which the Korean episode would go. All I can say is that as of June 1950 when we went into this Korean episode, we went into it as a limited police action, or as a police action. We were not declaring war on anybody. We didn't think that it would require an all-out mobilization.

At that same time mobilization planning was going along for an all-out mobilization and the possibility of a limited mobilization had not been considered so much. Maybe that was the mistake. I am not sure that it was, because the conclusions reached after pondering over what the objectives should be after the Korean episode started are very good, I feel, for both limited and partial mobilization periods. This business of building up a mobilization base which would support the needs of the military in the current situation and at the same time give us the ability to go into an all-out war, plus maintenance to the extent possible of the normal civilian economy, seems to be a pretty feasible answer. I feel we played down the limited mobilization aspect only to the extent necessary to achieve the broader mobilization base results.

QUESTION: You mentioned the confusion that existed after Korea concerning our requirements and just what we did need. Now, assuming the possibility of two or three more actions similar to Korea coming up, isn't there a danger of our economic mobilization effort being kept off balance indefinitely by similar confusion in not knowing what each one of these actions is going to amount to?

MR. ANDERSON: I don't think there is any question but what we could have similar periods of confusion; but as we build up strength I think more and more of the confusion will be in the enemy's camp. If you will recall, one of my last remarks was that we had to learn to live with mobilization and mobilization planning as a normal activity.

I further think that part of the design of the whole business is that our potential enemy will devise ways and means of trying to keep

RESTRICTED

us off balance and in confusion. And I am not sure that I know of any answer other than to say: We have got to let each lesson give us a guide that we can apply in the next go-around, whatever it may be. The purpose of expanding the mobilization base is so that we will be able to move from one crisis to another, if and when they come, with sufficient resources both natural and productive to meet the situations and to assume whatever posture is required by these situations or by an all-out war should one come.

COLONEL BARNES: I would like to add one thought to that. I am sure, after the experience of Korea and the surprise that it gave us, the National Security Council right now is watching very carefully all the intelligence that they receive from their agents overseas, trying to predict the likelihood of another such incident. Whatever information they get that way, of course, is passed right along to the planning people. So, as much as we can foresee it, our eyes are open to it. We cannot foresee the exact decision that the enemy is going to make, of course, but we can prepare our defense in advance to meet likely situations.

QUESTION: Would you care to comment on the problem we faced in World War II and probably will face in the Korean situation, which is specifically this: Recognizing that in modern warfare the distinction between the so-called military economy and the civilian must be an artificial one, with the exception of primary munitions items such as planes, guns, tanks, and so on, during World War II one of the greatest lacks of all was the absence of coordinating authority on the administrative side of the picture below the rank of the President in bringing the military and the civilian together as far as needs were concerned; and apparently we are going through that same thing now. Would you give us your comments on that?

MR. ANDERSON: The main emphasis of an answer should apply to the field of requirements estimation. Not too much has been done concerning the measurement of a bedrock civilian economy because the extent of the present effort has not required such action.

I would like to state right here that if the military people don't get on their toes and learn to know what their requirements are, and how to keep them within the economic capabilities of the country, I think there is a good chance that a major part of the estimation of military requirements will have to be done by civilians. We have gone so far in research and development that our weapons and weapons systems are running ahead of our economic capabilities to the extent that we are not able to estimate requirements accurately enough to make valid judgments on resource-requirements balances. While I think that it would be quite a blow to the military to lose the requirements estimation

RESTRICTED

132

function, I feel the big job is to be able to cut down the time it takes to estimate requirements and to increase the precision of the job done.

If there is anything that I could urge on the students of the Industrial College, it would be that they familiarize themselves with the possibilities of developing more accurate estimates of military requirements. That to me is one of the big problems that exist today. And I think that failure to solve that problem could have disastrous results to the whole mobilization system.

QUESTION: Is your last idea compatible with the idea of having a Munitions Board?

MR. ANDERSON: Let me just say that I feel that the Munitions Board should probably head up the effort, or certainly guide the effort for the military. Let me also say, by way of propaganda, that you have in your class an officer who can tell you far more about the Munitions Board's place in this than I can tell you.

A STUDENT: I would like to reinforce Mr. Anderson's statement that if the military doesn't get on the ball, the civilian people will take it away from them. The Production Policy Committee, headed by Mr. Fowler, is already investigating that area. I predict that within 60 days, if the military haven't taken care of the problem, Mr. Fowler will do so.

QUESTION: You commented that NSRB spent a considerable portion of its time discussing the objectives--where we are going and where we should be ready to go. Would you care to comment on why it was necessary for NSRB to have to conduct such discussions? Shouldn't they be receiving the general, over-all objectives, general guidance, from some other source? I realize that they are a policy group, advisers to the President; but shouldn't they be receiving some sort of over-all guidance, instead of spending their valuable time in discussing first the objectives and then what ought to be done?

MR. ANDERSON: The objectives discussed at the NSRB level were the objectives of the organization itself, not national objectives, which are, of course, formulated at the National Security Council level. Any new organization in the Government has to go through a growing pain or orientation period. It has to assess its place in an established scheme of things. Very often the duties which seem to be given to the new agency impinge on the duties of another agency. Once these matters are in hand, the major objectives of the organization can be tackled. It was in this context that I said that NSRB promptly went to work pursuing the four objectives that I mentioned in my talk this morning.

RESTRICTED

RESTRICTED

133

Beyond that I wouldn't like to attribute either delay or lack of proper planning to any group at all; but just to say that in matters of this kind, where there are doubts as to the scope of the objectives, doubt as to the extent of the program, it will take time to work things out. You can assume any particular degree of urgency in the Korean situation as it existed on 25 June 1950 that you care to, it still took until the first or second week in September until the President had a Defense Production Act to which he could affix his signature. So it does take time.

COLONEL BARNES: Ollie, once again you have showed us your thorough knowledge of this subject. Once more you have helped us with your deep understanding and logical viewpoints in the field of economic mobilization. On behalf of all of us I thank you for your assistance and frankness and your fine discussion.

(27 Jan 1953--250)S/rfb.

RESTRICTED