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## COORDINATING PRODUCTION IN AN EMERGENCY

24 February 1953

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Mr. Manly Fleischmann, Attorney, was born in Hamburg, New York, 15 July 1908. In 1929 he was graduated from Harvard University and in 1933 from the University of Buffalo Law School. He first entered Federal Service in April 1941, serving until August 1943 as assistant general counsel of the War Production Board and its predecessor agencies. In August 1943 he was commissioned a lieutenant in the Navy and assigned to the Office of Strategic Services. He served in India and Burma directing OSS operations while attached to the XV Indian Corps. Upon his return to this country, he was placed on inactive status in September 1945 in order to serve as general counsel for the Foreign Liquidation Commission in the State Department. In that capacity he was in charge of the legal work involved in the wind-up of the Lend-Lease accounts. He resigned that post in February 1946 to return to private law practice. During the summer of 1950 he was consultant to the ECA on Asian problems. Mr. Fleischmann was appointed administrator of the Defense Production Administration on 23 July 1951. Mr. Fleischmann, general counsel of the National Production Authority since it was established in September 1950, became administrator of NPA on 24 January 1951. During the period 23 July 1951 to 8 January 1952, he was chief of both DPA and NPA. On 8 January he resigned his position as administrator of NPA in order that he might devote himself exclusively to duties as administrator of DPA. In June 1952 Mr. Fleischmann retired from government service and established his own law offices in New York. He is coauthor with WPB General Counsel John Lord O'Brien of "War Production Board Administrative Policies and Procedures." He was awarded the Bronze Star and a Presidential Unit Citation and was also decorated by the Government of Siam for his work in that country.

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## COORDINATING PRODUCTION IN AN EMERGENCY

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COLONEL CAVE: No course in production here at the College would be complete unless we took a look at the problems in production from the national level. We are extremely fortunate this morning in having Mr. Manly Fleischmann here to help us take that look.

You have read his biography and you know that he was with the WPB during the early years of World War II; he then came back to Washington in the summer of 1950 as general counsel of NPA. Later he was the administrator of NPA. A year later, last year, he was administrator of DPA.

Mr. Fleischmann has talked to the college twice previously in this same subject area. This morning when he registered in our guest book, in the column headed "Title or grade," he put the word "citizen" and he is talking to us today in that capacity. I know from that and from some other things that he has said that he is open to your questions, and I am sure you will get very open responses. Mr. Fleischmann.

MR. FLEISCHMANN: Thank you, Colonel. Gentlemen, I debated whether I should also list in that description another status that I feel very acutely at the present time--that of "taxpayer."

It is quite a treat for me to be back here in Washington. There is nothing quite so dead as last year's bureaucrat, and it is a real pleasure to have somebody come and listen to you again while you are talking on one of your favorite subjects. Beyond that, I can certainly talk more freely than I did the last time I was here. I can now suggest remedies and nostrums for everything that is wrong with the mobilization effort without the slightest responsibility for carrying them out. That was a status I didn't have the last time I was here.

I think I should try to make my initial remarks comparatively brief--that is quite a chore for me, but I am going to try--and then invite as much discussion or questions as you would like to throw at me. I have in mind that you have varying interests in this subject matter, and that I should therefore like to address myself to the things that are of particular interest to you. What I will try to do at the outset is to give you a kind of bird's-eye view of the mobilization problem in general as I see it, and outline some of the experiences from which I hope we have benefited in World War II and in our most recent operation in that field.

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I would like to start with first principles, namely, a theoretical statement of the mobilization problem. I think only in that way can we understand the variations from the theoretical that we immediately encounter as soon as we work actively in this field.

I suppose if you were trying to describe to a person who knew nothing about the subject what industrial mobilization is, you would start out by saying: "Well, in order to get going at all, you must first have a statement of what is needed"; in other words, a complete catalog, originating at the outset with the Joint Chiefs of Staff, as to exactly what materiel they wanted, and, equally important, on what kind of time schedule they wanted it.

Then in a theoretical mobilization operation a battery of experts would take that end product requirement and they would analyze it in terms, first, of basic plant capacity; next in terms of production equipment, with particular emphasis, I should think, on machine tools, progressing from the basic machine tools, the so-called elephants, the big ones, on down to the production machinery itself.

There would then be a consideration, obviously, of the materials problem--how much of every kind of material was going to be required and whether or not it was available. That in turn would run into the first, second, and third stages of fabrication; and you would consider the availability of components and subassemblies of all kinds. And finally no such consideration would be complete without a review of the manpower problem.

Now, that in its essentials would seem to me to be a description of the mobilization problem either in war or on a more limited scale, such as we have recently had. So far as I know, however, there has never been a mobilization that really resembled such a description in its actual characteristics, because mobilizations, like other human affairs, are dictated by facts and circumstances and not by theories.

We are met at the outset with the fact that at no time that I know anything about, in any war that we have been in up to the present time, have we ever had, or are we likely to have, the first essential of that theoretical description of mobilization that I have given you. We will never have, in my judgment, a catalog of end items, from the Joint Chiefs of Staff that will last more than the period of a few weeks. Changes take place in the world with bewildering rapidity and the science of war cannot be stated either.

Beyond that, we are faced today--I don't believe I am violating security, I think everybody knows this--with the fact that the present and current plans of the Joint Chiefs of Staff require a catalog of materiel that cannot under any circumstances be supplied; the requirements

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for certain alloying elements--cobalt, nickel, columbium, and the rest-- actually exceed the supply that is available to the free world. I am speaking now of knowledge that I had some months ago, but I would be inclined to guess that the same situation prevails today. That program in this sense is not feasible, because there isn't enough material in the world available to us to complete it.

And so on down the line. By the very nature and complexity of whatever catalog you get, it is almost impossible to be certain that there will be available the plant, machine tools, materials, components, even manpower, and the other things that are necessary to translate any such program into reality. We are continually dealing in the field of mobilization with uncertainties, with approximations. You might just as well accept that fact and figure out methods to treat with that situation. I don't believe that this situation will ever be any different.

During the course of the work that I most recently did as a member of the Vance Committee, the newcomers to this business who were a part of the committee were continually urging that we demand that the Joint Chiefs of Staff produce a catalog of end items, which could be written on the wall, so to speak, and stand for a reasonable period of time, while the civilian mobilizing authority went ahead and provided the plant, equipment, and all the rest that would be necessary to turn it out.

Those of us, however, who had worked for some time in this field realized the absolute futility of any such direction or suggestion. You will never get it in a thousand years; and it would be unwise if you tried to get it in that concrete form, because the fact of the matter is that military science is changing literally overnight, week by week. It would be a sterile and impossible thing to attempt to set up today a bill of goods which we would need in the event of all-out war and then forget about it. The fact of the matter is that those changes will take place, they must take place; and the mobilization authority must accommodate itself to the military in that respect.

It doesn't mean, in my judgment, that the present situation is satisfactory--far from it. I don't think it is a healthy situation; the ultimate war plan is a requirement for materiel that is so much greater than our present potentialities. That seems to me to be very unhealthy; I think one can say, and my information is, that it is now being changed.

We will never get to the point of certainty so far as war requirements are concerned. Too much depends on the nature of the military science at the time war breaks out. Too much depends upon the way in which war breaks out. Too much depends on the balance of power in the world at that time, who our allies are and who our enemies are, and what kind of war the ultimate decision may be to fight.

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That doesn't mean nothing can be done about mobilization, as has been demonstrated now by two wars. Let me start with the first factor that I have spoken of--plant. We do not have to know, in my judgment, down to the last plane and tank exactly what the requirement is going to be in war to make some pretty shrewd guesses as to our present deficiency in plant; and I will treat at the same time plant and equipment as being one and the same requirement.

Anybody who has gone through the experience of World War II and the present mobilization will know that there are certain broad categories of which we are always short in time of war. Heavy machine tools, heavy press equipment--that kind of thing--I am quite certain we will be short of in the next five wars, if we have the misfortune to have them, just as we always have been in times past. As long as there is naval warfare, as long as there is a requirement for hauling men and material across the ocean, we are going, in my judgment, to be short of heavy propulsion gear and equipment, just as we were in the last war. And the shortage of today, in the event we were forced into that kind of war again, would be even more acute in all probability than it was in World War II.

I could go on indefinitely, but there is one other item I want to mention, that is, we are always short of the basic capacity to produce machine tools. Machine tools are the key to any mobilization effort; and the largest and scarcest machine tools are the machine tools that make the other machine tools, the so-called "elephants." The lead time there is tremendous--18 months, sometimes two years. We are always short of that heavy capacity.

Now, the lesson of the Vance Report--if there is a lesson, and I think there is--is that--this isn't quite the one that has been emphasized, but it is the one that is important to me--in the next all-out war, if we have one, we are not going to be blessed with the period of many months, as we were in World War II, or the period of years that we have been accorded in the Korean matter, to make up our industrial deficiencies; that the Government, regardless of the expense, had better now supply the glaring deficiencies in the mobilization program.

As you all know, we don't have a Defense Plant Corporation this time out, although we had it in World War II. For those of you who are not acquainted with it I will say that the Defense Plant Corporation was itself an agency of the Federal Government; and when private industry for one reason or another would not build the kind of plant that the Government required, the Defense Plant Corporation would.

That can be done to a limited extent through funds under control of the military departments, but only to a limited extent. In the great field of common industrial equipment, equipment that is used interchangeably,

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contracted for interchangeably by the contractors of two or three of the services, it is not easy, or usually possible, for an individual service to contract for such facilities. Sometimes they can do it, as in the heavy press program; but that is when the facilities are largely devoted to one of the services.

Now, the Vance Report makes the point that those most important gaps in the mobilization base, in mobilization plant and equipment, ought to be plugged. They ought to be plugged in the first instance by private industry, using the incentives of tax amortization, loans where necessary, and even guaranteed markets to a limited extent. If they cannot be plugged in that way, then the Government should take the responsibility.

I feel that it may very well be a matter of life and death as to whether those particular recommendations are carried out. In my judgment, we don't have to wait at all to get an exact catalog of end items from the military. Anybody who has had experience in this field can identify a hundred different areas where we know we will have trouble and can set remedial action afoot.

Fortunately, that is now being done. It wasn't done as rapidly as we should have done it. This time I think one of the basic mistakes we have made is that we didn't get going faster on such action. But today, somewhat late, that work is now being pressed forward. But I return to the point that I made at the outset--there isn't any certainty in this field. You have to make some intelligent estimates and guesses and go ahead.

This point becomes even clearer in the discussion of the handling of materials in a time of mobilization. If you recall, at the outset of Korea we started with a pretty good understanding, I think, in both the Defense Department and the civilian mobilization agencies, that materials would be in short supply even in this so-called limited mobilization. And I think after the first two or three months of spinning around, there was a pretty good acceptance of what had to be done; namely, a reduction of the civilian use of materials to compensate for the increased use by the military, both direct and indirect, and the installation of something like the Controlled Materials Plan (CMP) to accomplish that shift-over in the changing use of materials.

Now, again, we did not have then, any more than we have today, in fact, less than today, any exact way of measuring what the direct military requirements, much less the indirect military requirements, would be for the key metals. It was understood that the critical situation would be in metals. We knew from past experience that it would be certainly in aluminum, copper, and nickel and certainly in some forms of steel, such as heavy plate and structural and bar; and we assumed that it would not be so acute in other forms of steel, such as sheet steel.

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There were things that could be done without waiting to get any accurate picture of the direct and indirect military requirements. Those things were done; but they weren't done as quickly as, in my judgment, they should have been. Nor were they done as quickly as they must be the next time. I would like to speak on that subject for a minute.

In the first place, since World War II we have gone through a series of industrial revolutions, not one, but three or four. Some of you have heard me discuss this subject before, on which I feel very deeply. We have gone through an atomic revolution; and now its corollary, whatever it may be called--the hydrogen bomb revolution. We have gone through the revolution that gave us radar. We have gone through the revolution of jet propulsion. We are entering a new kind of industrial revolution--the whole field of petro-chemicals, which may alter to some extent our dependence on metals as the primary basis of mobilization. We are either in the middle, or are far advanced in all, of those tremendous revolutions which really have changed the science of war and, it seems like, will alter the conditions of survival of the human race in the event of war.

Among the other things that those revolutions have done is that they have imposed on the science of warfare two tremendous changes. First, they have increased American reliance on the basic alloying metals, which, unfortunately, are not produced on this continent in any volume, such things as columbium, cobalt, tungsten, and nickel, the latter of which is produced on this continent but not in any great volume in the United States. Those are now key metals for war, taking their rank beside aluminum, copper, and steel.

The fact of the matter is that we are woefully short with respect to all those alloying metals. As to each one of those four that I have mentioned, there is not in the free world available to us enough of any one of them to support the requirement of all-out war, even using up the stockpile of today, which we have now accumulated.

If we have five years more to prepare for war, and if the political conditions are such that we can go along, as we ought to go along, with our stockpile accumulation, we might be able then to meet the requirement for those metals. But anything short of a five-year period would, in my judgment, make it very difficult for us to meet the requirement for those metals. So that we start with that disadvantage, which we have not previously had in such an acute form.

A second result of this tremendous change, or these tremendous changes, which have taken place in the last 5 to 10 years is that the advantage of the aggressor is greatly increased. A combination of jet-propelled weapons and atomic energy renders dubious, I think, the

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basic concept of American security on which we have relied in two major wars; namely, the tremendous industrial plant of the United States, with the ability to turn it on and have a tremendous volume of weapons start coming out.

I don't think I am an alarmist when I say that if Russia has, or gets in the near future, what we have gotten or are on the verge of getting today in the field of jet propulsion and atomic warfare, it could, if it so decided, by an unannounced blow on the Pearl Harbor style, go a long way toward minimizing the tremendous industrial advantage that we have.

That for me is the most persuasive reason for doing the things now that ordinarily, historically, the United States is inclined not to do until the war starts. It is a most impelling reason for plugging the holes today in our industrial economy so far as the mobilization base is concerned, duplicating some of the very scarce and the tightest facilities. Finally, it is the best reason that I know of for maintaining sufficient material controls during all this time, in order to insure that we have adequate stockpiles as rapidly as possible in case war starts.

What do you do about material controls in the early days of a mobilization when you don't have any accurate system of determining either military or industrial requirements for the materials? How would we handle it next time, given the wisdom that we ought to have gathered from our last two experiences?

Again this is theoretical, because no mobilizer, no top official in the mobilization effort, has an entirely free hand in this matter. There will always be political considerations. By "politics" I don't mean Democratic and Republican. I mean that account must be taken of the fact that there is always the matter of money and public opinion. But, assuming for the moment that the Nation should be brought into war, that we should be united overnight, and that a strong person could take the steps that were necessary, what would you do in the materials situation that has not been done before?

Well, number one, you would be absolutely certain that you were going to run out of basic metals very quickly unless you took drastic action; the only way to take drastic action would be overnight to eliminate the civilian use of those scarce materials. Now, that sounds easy to do. Actually it is one of the most difficult jobs from a political and governmental standpoint that can be imagined, because overnight the results would be that millions of men would be thrown out of work.

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I remember, and some of you who have been in this picture will remember, a significant incident that occurred in November 1950, shortly after I came down here. The press people were talking to me and they asked me what my judgment of the material situation was; I said that in my judgment the manufacture of automobiles would have to be substantially cut back. I had forgotten what Washington was like or I never would have said that.

The next day literally every paper in the country, in particular those papers that were anti-Administration or antimobilization, really brought down the wrath of heaven around my ears for saying that you couldn't support this mobilization effort and still have all the automobiles, radios, televisions, and refrigerators that were wanted. It was said that the sole result of my remarks would be to cause the price of those items to go up, and that this was all scare psychology.

Well, as many of you know, proceeding on a rather conservative program, we did have to reduce the manufacture of automobiles by something like 50 percent of their pre-Korea rate. Some of us felt from time to time that it should have been further reduced. You just cannot put the same copper into radiators that you put into bullets. It is absolutely impossible.

If we know one thing now, we know that in the next war we will be woefully short of metals. So that the number one job would be to stop the civilian use of metals. We can't afford again to waste the metals that we wasted during the past two years, or that we wasted in the preliminaries to World War II, on civilian manufacture. This time I think it will literally be a question of national survival.

Let me clarify another point that has caused a good deal of confusion, namely, the relationship between a priority system and the Controlled Materials Plan. We now have been through two mobilization periods using the CMP. In the early days of World War II, I was not in favor of putting in the CMP. I am certain now, however, that it is the best plan we have. There hasn't been suggested anything better, with the exception of the possible modifications that I am going to discuss in a minute.

The basis of the CMP, as I think most of you know, is a very simple one. It is nothing but the application to the field of materials of a law of mathematics, namely, that two and two make four and not five; the application of the fact that when there is only so much material, you must divide it up mathematically; the control of materials in war-time must be first quantitative and second qualitative.

It doesn't do any good to say, for example, that all military items are more important than any civilian items. It is not true and it is

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very misleading. I ask the pardon of those who may have heard me discuss this before, but it is the key to an understanding of this subject. When you ask, "Which is more important in wartime--a tank or plumbing supplies?" most people, when they first hear that question, would say immediately, "Why, a tank, of course."

That was the principle on which the first system of priorities was built in World War II, namely, that every item the military needed was more important than any item of civilian equipment. That is what got us in all of the trouble. The fact of the matter is that this question is a foolish one and cannot be answered.

The first tank, generally speaking, is, of course, more important than an unlimited supply of plumbing goods. On the other hand the last tank, the fifty-thousandth tank, is certainly less important than an item of plumbing supplies which will keep the New York City water and sewer systems going; if you can't get that last item, it is impossible to support a war. You have to keep the civilian population going, at least on a minimum basis.

So that the question is meaningless. In addition to the materials which are useful in wartime, we must go on the assumption that the preservation of the civilian economy on an absolutely minimum survival basis is a military objective at least as important as the provision of any part of the weapons, because without it you can do nothing.

So that the first problem in war is a mathematical division, a quantitative analysis, of the requirements of a minimum civilian economy and all the rest, devoted to the job of winning an all-out war. That is the reason why a simple priority system, which simply says that military items in effect are more important and must be delivered ahead of civilian items, ultimately fails and breaks down. You cannot have a simple qualitative analysis of that kind. The end result is that you always issue more tickets than there are places in the theater and you have the priority inflation that many of you will remember in the summer of 1942, which really brought the old system right to the breakdown point. It is only when you get a quantitative analysis that you begin to make sense in that field.

The difficulty with the mobilization effort this time was that we had dismantled the system of quantitative analysis that was incorporated in the CMP, and we hadn't in November of 1950 any mechanics for determining what these quantitative allotments of basic materials should be.

One of the criticisms that was made of the mobilization authority was that the CMP was not put into effect soon enough; that was one criticism. The other one was that it shouldn't have been put into effect

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at all. I don't take that last criticism very seriously. But let me answer the criticism that was made that it was not put in quickly enough.

Many of you have worked in this field of material requirements in the military services. The fact of the matter is, as you know, that it requires the setting up of an extensive organization, with very elaborate procedures, running right down in some cases through the whole chain of contractors and subcontractors right down to the ultimate fabricating levels. That cannot be set up overnight.

In the fall of 1950, we got together a group of people who had served in this field in World War II and we tried to find out what they thought was the earliest date that a controlled materials plan, with its organization and procedures, might be achieved. The consensus was that the quarter beginning with 1 October 1951 was about the earliest that it could be put into effect. There were a few people who felt that, if everything possible was done, we might get it into effect on July the first.

The latter course was chosen. July the first was fixed as the goal and we had a kind of controlled materials plan in operation on that date. I say "a kind of controlled materials plan," because it was hardly that in the first quarter of operation.

On the other hand we gained invaluable time by setting an advance goal, as it was described, and pretty nearly meeting it. We did meet it, at least in the military field, to a considerable extent in the third quarter of 1951. That was not only par for the course, it was a few under par for the course. So the criticism that it should have been done earlier is simply meaningless. There is no conceivable way that it could have been done earlier.

Now, however, despite my earlier remarks about the priority system, we did put in a priority system as a temporary measure. And that again will have to be done unless you have a full-fledged CMP ready to go. You have a period in there of 8, 9, 10 months during which under no circumstances can you get a system like CMP operating. What do you do? Do you let during that period the entire economy, including the military, scramble for materials? Obviously you don't. You give the military a priority, beginning right then and there, knowing that it will not work over a period of years; but having set up an organization and a procedure that will take it over at the point of breakdown.

If you have experience in this field, that is done deliberately and as a calculated procedure. It worked right, I think, this time; and it will work again. Initially a priority system works pretty well. It works for half a year or a year, because you limit it as strictly

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as you can, until the pressure to include, for example, freight cars or farm machinery gets so bad that you finally expand the system to a point where it collapses.

Meanwhile your military program, which is included across the board in the priority system, has a very good start and is at least kept on schedule so far as material procurement is concerned without any quantitative limitation. The result is that the military is not only likely to get all the material it needs during that period; but relying, as we can, on the fact that some ambitious procurement officers along the line violate what they are told about not getting too much material--they have accumulated very often nice little stockpiles of metals during that period. These metals prove to be very helpful at a later date when material control really becomes effective. Looking back, that is a good thing, not a bad thing, I think.

So, I think in any war that we are likely to have, this basic fact will remain. Materials will be the shortage; and certainly, unless war is postponed for a good, long time, it will be metals. It won't be steel as such; but, again, it will be special forms and shapes of steel. Again it will probably be aluminum, despite our tremendous expansion. It will certainly be nickel, copper, cobalt, columbium, tungsten, and a few others.

It seems to me that there are three very clearly indicated steps in any control of material and in any control of production. First, the elimination of civilian use; second, an immediate imposition of priority, benefiting the military and those programs most nearly related to the military. The civilians can get along on the accumulated fat in the civilian system for a good many months; you don't have to worry very much about that in the early stages of any war. And, third, the immediate reactivation, if we have allowed it to lapse, of the CMP.

Mr. Truppner has a variation of the CMP which I am just going to mention very briefly. It has a considerable appeal to me.

I think the main trouble with operating a controlled materials plan--the division mathematically of materials among competing claimants: military, civilians, industry--has been the whole problem of components and subassemblies. There just hasn't been any accurate historical or other data on which to base the allotment of key materials to components. Mr. Truppner believes that a tremendous improvement of the CMP would be brought about by allowing the manufacturers of key components to place CMP orders for material on a virtually unlimited basis, on the theory that, except for occasional violations of the spirit of the regulation, the control of end products, both military and civilian, would inevitably control the level of components manufacture, just as it does in ordinary times.

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The theory is that if you control, for example, the number of automobiles, or eliminate them entirely, let us say, in time of war, no manufacturer of automobile bearings is going to continue for very long to manufacture bearings and carry that tremendously expensive inventory; that if you control mathematically the number of outlets for components in the shape of end products, that in and of itself is the best way to control the material procurement of the manufacturers of components. And Mr. Truppner, who was, I believe, one of the fathers of the CMP, whether he admits the parentage or not--and who is also one of the ablest critics of it--feels that in the long run, control of end-product manufacturers will better solve the problem of components manufacture than any other system we have today. And that is a subject that I commend to those of you who will be working in this field in the next few years.

But, in any event, point 3 will be the immediate institution of a controlled materials plan without any delay, to be activated at the earliest possible moment.

As a final step I am going to comment very briefly on materials and production controls in the next few months, as I see the problem. As all of you know, that is up for decision today.

What I am going to say will be my own ideas entirely. They are based on the assumption that the military program is not going to be substantially increased; that it is going along at about the level that will meet planned and current production schedules without large increase and without substantial decrease.

I might say, in a burst of frankness, as I said to some of the officers with whom I was discussing this a little earlier, that I enjoy the freedom that I have now in making predictions. I don't really feel that it is going along at the same level and I don't think it is going to be reduced. I think in the long run it is going to be increased. I hope so and I believe that is what is going to happen. But at the present time, having in mind the political promises that were made, we can't expect that overnight. The military program is not being currently increased; but, if we are going to assume our tremendous responsibility in Asia and Europe and run the risk of war, then we are going to have to keep the controls on, not take them off. But let us assume for the moment that we are going to go along with the program as it has been conceived in the past few months.

Now, I am perfectly clear, first, that CMP should not be scrapped entirely. I think nothing would be more foolish now than to throw CMP in the ash can overnight, as we did at the end of World War II. We have to remember always this factor of lead time. We have to remember that you can't set up CMP and have it effective at all in less than a year. In my judgment we are not going to have the time to do that if we get in trouble again.

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On the other hand if we don't increase the military program, I don't think it is essential to have the CMP across the board for all industries. We are coming to a period where, if we don't increase the military take very much, we will have a rough balance in steel, copper, and aluminum. If we take the steel situation, we will have a general steel supply--by which I mean primarily sheet--that will actually be in excess in all probability of the total demand. With respect to particular forms and shapes, even the tight ones like structural, we will have a rough balance by the middle of the year, according to my information.

By "rough balance" I mean that the standard facilities will not in themselves be quite enough to take care of the combined military and civilian demands; but there will be high-priced facilities which, through the use of so-called conversion steel--in other words taking ingots to different mills and having them rolled--would pretty nearly, if not entirely, meet the combined demand for almost any product, with the possible exception of the broadest plate, which could be kept under separate control.

In aluminum you will certainly have that situation during the latter part of this year. Aluminum production, as you know, is being doubled. Most of that production will be in this year. In my judgment we will have almost enough aluminum to take care of the combined demand.

In copper it is a little more dubious. It depends a great deal on the effect of removing price control, which has been the bugaboo during the past two years in getting an adequate supply of copper. But with the removal of price control, the difficulty in importation of copper will be largely removed; and I expect that copper, and particularly with the increased substitution of aluminum, will come into comparatively easy supply.

I do not believe that it is essential to keep the CMP for the benefit, or to the detriment, depending on how you look at it, of the manufacturer of automobiles or even in such fields as electric power production generally. On the other hand I believe that the CMP should be kept for the indefinite future for the military, for the Defense Department, to give them both the advantages of CMP, and to subject them to the discipline of CMP, which involves preparation for another war, if we have one.

I believe that the military should analyze and present its requirements on a quarterly basis for those materials. And note this, because it is very important. I believe that included in the military requirements should be an adequate stockpile accumulation of copper, aluminum, and, of course, of the even scarcer metals, month by month and quarter by quarter, until we get out of the present trouble in the stockpile field. Needless to say military requirements will also include the atomic energy program.

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Presentation having been made, and some kind of mathematical review having been made, that is now given by the Munitions Board and the Defense Production Administration, CMP tickets should be issued to the military for those items. They would have an absolute preference, far more of a preference than they have today, because the preference would be absolute. That would be the only preferred program operating at that time--after the middle of the year.

I think that would insure the military program being kept on schedule so far as military accumulation is concerned. It would also keep in existence a cadre of trained military officers and civilian associates, who could quickly activate the whole system if it had to be done. CMP could be put into full effect much faster as a result of having that trained group operating. And I may say, I think it would also in the long run reduce the strain on the civilian economy because of the discipline that results from operating on a quantitative basis.

I would not, as a general thing, however, include programs like petroleum or the power program in this CMP operation. I think most of them will be taken care of automatically in the civilian supply end of the picture. I would keep a small group of combined military and civilian personnel whose job would be to see to it that those power projects, for example, most intimately related to military production problems get their materials. Directives would issue where necessary for that kind of program. I think the demand for such action would be comparatively small after the middle of the year.

I would also keep a very tight control on special items such as nickel, probably broad plate, certainly cobalt and tungsten. The reason you need such control over the period of the next two or three years is very simple. The reason is that stockpiling plus present military use of either nickel or cobalt or other alloys, one example is columbium, causes a present shortage for civilian use. This is mainly because we are embarking on a long-delayed program of building up our stockpile. If we didn't build up the stockpile at all, if we released from the stockpile, there would be no problem.

As senior officers you must constantly bear in mind the political difficulties and implications of the stockpile program, difficulties so real that they wrecked the stockpiling program after World War II. What happens is very simple. In a period of high business activity, and particularly when you have an ammunition program going--let us take copper as an example--many manufacturers, and, unfortunately, particularly small businesses, find it impossible to get an adequate supply of copper for their needs in a free market. Somebody then points out that the Government meanwhile is stockpiling, or as the politicians then call it, "burying the stuff in the ground, while men go out of work in Hartford, Connecticut."

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Immediately the pressure starts. "Let us reduce the stockpile accumulation a little bit." And before long you are likely to have the whole stockpile plan abandoned entirely, as long as the economy can absorb the entire going supply of that material. That is a very real danger. It is not fantastic at all. It is exactly what did happen in the years before Korea.

We need the CMP to cover the stockpiling. We need to get that done, in my judgment, just as fast as we can. We can do that, as has been demonstrated in the past few months, and maintain at the same time a reasonable level of civilian production. Indeed, with the new supplies of aluminum and copper, it is probable that civilian production can be substantially increased if the military take is not greatly increased. But we must, as a matter of national policy and national survival, include the stockpile requirements as a part of the military priority demand in the CMP.

We need, therefore, these things: First, CMP at least for the military, with the right to expand it in particular cases to related military programs. We need tight control of the specialty materials like nickel, columbium, and cobalt for a good, long time. And, finally, we need a general legal power to expedite. By that I mean the legal power to tell a particular manufacturer to give preference, through a priority or otherwise, to a military item, to prefer it in the use of his fabricating facilities to a civilian or less important item. Those things, to me, represent the absolute minimum with which a period of semimobilization, semiwar, or whatever you call this tragic period through which we are passing, can be kept going on a reasonably efficient and effective basis.

Let me call attention to one final fact that every citizen should know. None of these things can be done, none of these things can be made effective, unless the powers granted in the Defense Production Act, which expires 30 June 1953, are extended. All of the powers in all parts of the system of which I have spoken depend on two or three simple sentences in that act. If that act is not extended, then we are back in the place we were in before Korea, where the military must compete with automobile manufacturers for the inadequate supply of these materials. That way we seem to be headed toward national tragedy and I hope that we have learned enough not to follow that course for a second time in 10 years.

I will be very happy to take any questions or discussion of any question from anybody who doesn't agree with the things that I have said. Thank you very much.

COLONEL CAVE: I know Mr. Fleischmann is looking forward to this period; and I am quite sure, from the scope of some of your problems, that you will have some questions to ask him.

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QUESTION: Mr. Fleischmann, you have pointed out that we are not able to have every end item listed on the materiel requirements computed specifically. On the other hand you say we are short of some things and have certain stockpile objectives for the future. In order to evaluate that we are short, you have to take some figure of what is available and match it against some other figure. Would you kindly explain that to us?

MR. FLEISCHMANN: There is a reasonably complete catalog that has been produced under the direction of the Joint Chiefs of Staff in general terms. It was made available last spring. The difficulty is that the most casual analysis of that catalog reveals, as I have said, that it is not feasible, because we don't have available the alloying elements to do it; and that it would have to be very greatly reduced.

That catalog is not very useful, except for general categories. But the Joint Chiefs of Staff right now are engaged in reviewing it from the standpoint of metals, and to some extent machines, that are available, in order to bring it down to size.

I want to emphasize again that we never have at the start of a mobilization period anything like an accurate catalog of what we need. The first one that I knew about did not appear until almost two years after Korea started. Meanwhile, of course, there was a whole materiel production system existing and operating with reasonable efficiency. But it was only recently that there was any bill of particulars, any catalog.

This catalog that finally came out, upon analysis proved quite infeasible, quite beyond the capacity of the Nation if we were forced into war. So immediately that catalog loses its relevancy and has to be reviewed again and brought somehow down to size; and this is a major undertaking.

My prediction is that while it is happening--and it takes a period of many months--developments in the fast-changing technology of war will outlaw many considerations upon which even that was based. In other words, as I think Governor Stevenson said during the campaign, it is like standing in a bucket of eels. You never in this business get anything finally pinned down. You are compelled to work with assumptions and estimates which have only a reasonable resemblance to the true facts. You never get a catalog which at once is up to date and tested by the kind of analysis that you can give it as to its feasibility. At least, I have never seen one. I hope to see one sometime, but I don't expect to do so.

QUESTION: We recently learned about a new method of testing requirements by dividing the gross national product into the various claimant agencies. I wonder if you would discuss that for us.

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MR. FLEISCHMANN: Yes, but I am no expert on it. Let me describe it in just very general terms. I am sure that some of the people who are here are better qualified than I am to discuss it.

We have been trying for a long time to find some reasonably simple and practicable method to get a quick look at the feasibility of a military program. Everybody knows that with the millions and millions of items that are involved in the military program, it is quite impossible to get a complete mathematical analysis of the contents of that program in terms of materials and components. Nevertheless, we have to make some guesstimates for doability on those operations.

From what I know of it, it seems to me that one of the most sensible approaches I have heard of to the subject, starting off with the experience of World War II, is to take the gross national product, the total of items produced, and limit that to the tight area, which is basically the hardware field. We haven't had to worry very much in any of the wars about the soft goods.

We have to find out how much of the national production of hard goods, of hardware, has to be devoted to maintaining a minimum civilian level, using the lowest period of civilian production in World War II as the standard and increasing that in accordance with the increase in population. When the amount of hard goods that has to be devoted first to keeping the civilian population alive is subtracted from the probable production of hard goods that we could attain in a war period, the result is what can be devoted to essential military and related industrial projects.

Further computations then are made, if I understand that procedure right, to indicate how much of that remainder could be available for the production of military end items--guns, tanks, planes, and all the rest. You would then get an approximate dollar figure for the hardware available to the military as being the top that could be expected, with all the acceleration that we know we can get in time of war. You recall how rapidly the production of military hard goods went up during the war. We can expect comparable rises over this whole period of mobilization, accelerated if there is all-out war.

Now, you take the resulting figure, which, let us say, would be 150 billion dollars--I am just plucking a figure out of the air--for hard goods of all kinds that you can expect the military to get in the first year of all-out war. We look, on the other hand, at the catalog of the Defense Department calling perhaps for the delivery of 300 billion dollars of hard goods in the first year. You know you are not going to get it. You know from experience that you are not going to get but a half, 60 percent, or whatever the relationship is.

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What you have, therefore, is a first rough-and-ready test of the feasibility of the program. If you have equality between the two, if your catalog calls for 150 billion and your estimates are that you can devote, with top acceleration and minimum civilian use, 150 billion to the military, even then you can't be sure you can get all you need, because this analysis, for example, has nothing to do with nickel, cobalt, or columbium. But you can be sure that if the estimate is far more than the availability, you can't do it. In other words, it is a negative test. It is designed to squeeze the program down to something like doability in the over-all sense.

QUESTION: Would you care to discuss the problem of what we can do to preserve the defense production capacity upon the termination of contracts?

MR. FLEISCHMANN: I would personally like to see the Government accept the financial responsibility across the board for doing that. I would like to have, in the first place, authority in the Government. I don't think it would cost nearly as much money as some people suppose it would. If an arrangement could not be made with the private contractor--adequate from the standpoint of our national security--at the conclusion of the contract wherein he would be willing to keep the production facilities at his plant in a stand-by condition--oiled up, so they could be activated quickly in the event of war--then the Government would have the ability to make such contracts across the board; the Government could even go to the extent of purchasing the plant if it was an integral part of the mobilization machinery. I am convinced, as I have said, that we are not going to have as much time, if we get into war again, to start all over again.

I think that for a comparatively small cost--and by that I mean compared with the tremendous size of the defense budget anyhow--we could have an across-the-board program of that kind, which would either pay the private contractor for doing it or, where necessary, purchase the facility where the contractor was unwilling to assume any responsibility for it. I don't think that can be done without legislation on a satisfactory basis.

QUESTION: Would you keep the title for 20 or 30 years or would you have the title revert to the Government after the termination of the lease or the completion of the contract?

MR. FLEISCHMANN: I just can't say, because I haven't thought enough about the techniques of how it should be done. I am quite clear in my own mind that you can't afford a slow start if there is another war. I am quite clear, therefore, that the Government on all, or most, of the key facilities should maintain a control, should have contractual arrangements, leases, and so forth. In very many cases that could be

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made with some compensation for perhaps loss of 100 percent usefulness to the contractor during that period, but designed to bring back the plant into full operation at the earliest possible moment. I don't know exactly what the legal arrangements should be.

QUESTION: You said that in the event of war we should get CMP activated in favor of the military. Do you anticipate that influence of the CMP type should go right down through industry to all the tiers of subcontractors? If so, do you think we would get any objection from industry to keeping the records that will probably be necessary to go along with the military records?

MR. FLEISCHMANN: Having been through this in two wars, I can say that no matter what you do, you will certainly get objection from industry. On the other hand, particularly in the case of military contracts, I think on the whole, defense contracts are looked upon as desirable things to get--not entirely, but generally speaking. I think from the standpoint of industry it will be regarded as just another d--- fool government regulation that they have got to live up to if they want to do any defense contracting or subcontracting.

I personally favor keeping a stand-by CMP for the military. I don't want to have to start from scratch again if we get into another war--I think we could change the timing on some of those things. Instead of having a quarterly review, we could have a semi-annual determination of requirements.

All of this would cut down the paper work. It would cut down the personnel involved. It wouldn't be so important in the A product field, but in the B product field it would be quite important. Also at the Munitions Board level it would be very important.

I am in favor of anything that will cut down the complexity without disturbing this cadre of trained people that I feel are absolutely essential in understanding the procedures on a broad scale which are absolutely essential if we get into difficulties again. Beyond that I think market conditions are very likely to vary over the next year or two; and I think an assured priority position for the military program is a desirable guarantee in itself. It is a very useful and, I think, necessary thing.

QUESTION: You developed as your first point that the reduction of civilian manufacture would throw thousands out of work. Do you think that the gyrations which we went through are the only way that we can do that? Would Mr. Truppner's plan be better or is there some other way?

MR. FLEISCHMANN: I don't know. I am kind of a cynic on the subject of elaborate peacetime plans ever being very useful in time of war.

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I think, judging from the two emergencies with which I am familiar, that conditions are never the same as you anticipate them, what you thought you were going to do just doesn't amount to much, and you do something else.

Starting from the other end, I will simply say that metals are too precious; that if we have another all-out war, we literally can't afford to waste an ounce of aluminum, copper, or cobalt after we know for sure that we are going to need it. Some other way has to be found for taking care of those political and social and other real problems that are created--unemployment, for example. It just has to be borne as a part of the cost of the war. That, I admit, does not propose a satisfactory solution of those other problems. But in the approved Washington style, I simply will say that is somebody else's problem, not mine.

COLONEL CAVE: Mr. Fleischmann, we certainly appreciate your willingness to come down here and speak to us today. Above all, we appreciate your frankness and the informality of your remarks. On behalf of all of us, thank you very much.

(7 Apr 1953--750)S/sgb