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ECONOMIC MOBILIZATION PROBLEMS AND PLANS

13 May 1953

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Dr. Arthur S. Flemming, Director, Office of Defense Mobilization, was born in Kingston, New York, 12 June 1905. He received the following degrees: B.A., Ohio Wesleyan, 1927; M.A., American University, 1928; and LL.B. George Washington University, 1933. He received the honorary degree of LL.D. from several other universities. He has served as instructor in government at American University, director of its School of Public Affairs, and executive officer of the university. In 1939 he was appointed by President Roosevelt as the Republican member of the U. S. Civil Service Commission. He also served during the war as chief of labor supply, Labor Division, OPM, 1941-1942; member Manpower Survey Board, Navy Department, 1943-1944; member, War Manpower Commission, 1942-1945; member, advisory council, Retaining and Re-employment Administration, Department of Labor, 1944-1947; member of the Commission on Organization, executive branch of the Government. He has been Chairman, Advisory Committee on Personnel Management for the Atomic Energy Commission since 1948. In February 1951 Charles E. Wilson, Director of the Office of Defense Mobilization, appointed Mr. Flemming as assistant to the Director, in charge of manpower problems, and also chairman of the Office of Defense Mobilization Manpower Policy Committee, the Labor-Management Manpower Policy Committee, and the Committee on Specialized Personnel. In January 1953 President Truman appointed Dr. Flemming to be a member of the President's Advisory Committee on Government Organization; and in February 1953, a member of the Defense Department Organization Committee. President Eisenhower recently appointed Mr. Flemming to the position of Director of the Office of Defense Mobilization, at the same time asking Congress to make this organization a permanent part of the Executive Office of the President.

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ADMIRAL HAGUE: We are very fortunate in having as our speaker today an old and valued friend of the Industrial College of the Armed Forces, Dr. Arthur S. Flemming.

You will have noted from the brief printed biography of Dr. Flemming that for the past 14 or 15 years, although he has had bona fide jobs in civil life that he would have loved to have given some attention to, he has had precious little time to do that, because of the demands of the Federal Government for his services. He is known throughout the United States as an expert in government organization and in personnel management.

I first had intimate knowledge of his work when he was the Republican member of the Civil Service Commission. It seemed to me that his tremendous effectiveness in personnel work stemmed from a most unusual combination of a deep, instinctive understanding of human beings and what makes them tick, plus--and this is the unusual thing in the personnel management field--a lively appreciation of the necessity of managing.

I mentioned that he was a Republican; and, although those Republicans who have served with the Federal Government for the past 20 years have apparently picked up some disqualifications for high Federal positions, it was really no surprise when Dr. Flemming was named as Director of the Office of Defense Mobilization.

As a matter of fact, when his appointment was announced, I couldn't help thinking of a case in 1932, when during the summer months President Hoover issued a recess appointment of an admiral in the Navy to a high government position. When the election returns were coming in, I was on a trip off the west coast of Central America en route to Washington. When I became aware that Franklin Delano Roosevelt was going to be our new President, I couldn't help wondering whether or not the new Administration would take advantage of this officer's recognized talents in view of his having a recess appointment. So when I got to Washington and went down to the Navy Department, one of the first things I inquired about was what had happened to the admiral. I was told: "Well, all I can say is what they say around here--that that man's ability is so well recognized that, had Norman Thomas been elected, he would have been the one naval officer that he couldn't get along without." I think you see the exact parallel.

Dr. Flemming, it is a great pleasure to welcome you here again to the Industrial College of the Armed Forces.

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Gentlemen, Dr. Fleming.

DR. FLEMMING: Thank you very much, Admiral. I am very appreciative of that very generous introduction.

I can assure you that I am very happy to have the opportunity of coming back and participating in the program of the Industrial College of the Armed Forces. The last two times that I have been here I have had the opportunity of discussing with you problems in the manpower field. As you can appreciate, I felt just a little bit more at home with some of those problems than I do with these problems in the total field of mobilization to which I must now give my attention. But I can assure you that I do regard it as a very real privilege and a very real opportunity for service to have the opportunity of serving in this job under President Eisenhower.

I understand that the Executive Secretary of the National Security Council (NSC), talked to you yesterday and told you something about what is happening and the work that the NSC is doing. We had a meeting of the NSC this morning. All of us who have watched the NSC, and who have had the feeling that it presented a very unusual opportunity for topside planning as far as security matters are concerned, are very, very happy over the emphasis which the President is putting on the NSC and its work.

I am delighted to be able to discuss with you for a little while the role of the Office of Defense Mobilization (ODM), and also to take a look at some of the problems that confront us at the present time.

In connection with this discussion I do feel that it is necessary for us to keep in mind the fact that the defense mobilization program itself is going through a transition period. We are all aware of that simply by reading the newspapers from day to day. The bench marks against which we must work are beginning to emerge, but not all of them are as clear as they will be over the period of the next few weeks. Also I think it is important to keep in mind the fact that the ODM itself is going through a transition period from an organizational point of view.

It is my purpose in this lecture to discuss, first of all, very briefly the contemplated changes in the responsibilities and authority of the ODM, and then, second, the approach that we intend to take in dealing with certain basic problems in the mobilization area.

As most of you know, ODM was set up in the Executive Office of the President a little over two years ago now, so that the Director could assist the President in directing, controlling, and coordinating the various aspects of our defense mobilization program. Personally, I feel that emphasis should be placed on the Director assisting the President. It is true that we have certain line operating responsibilities in

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connection with certain authorities that have been vested in the office under the Defense Production Act. But I have the feeling that whenever we lose sight of the fact that our primary job is that of rendering staff help and assistance to the President, we are apt to get into difficulty; and, instead of helping him to create an orderly government, we are apt to contribute to a disorderly government.

A reorganization plan now pending in the Congress, if approved, would result in adding to the present duties of the ODM all of the statutory functions of the National Security Resources Board (NSRB), and also the stockpiling functions of the Munitions Board in the Department of Defense. That plan is known as Reorganization Plan No. 3 of 1953. It was submitted to the Congress about the first of April.

As you know, under the Reorganization Act, plans of this kind become effective within a period of 60 days unless during that period of time either house of Congress by a constitutional majority votes against the plan. Up to the present time, no one has introduced a resolution of disapproval so far as Reorganization Plan No. 3 is concerned. And, consequently, we feel that in all probability it will be permitted to become effective at the expiration of the 60-day period. In view of the fact that one house of Congress has recessed for 10 days in the meantime, that means that the 60 days will not be up until 12 June 1953.

Today, as you know, the NSRB itself is out of existence. Its funds ran out 30 April 1953. Early in his administration the President sent a letter to the Director of the ODM asking him to supervise the functions of the NSRB. That was as far as he could go under the law. Then at the same time he transferred to the ODM all the duties and responsibilities of the Administrator of the Defense Production Administration; and, in addition, all the duties and responsibilities of the Economic Stabilization Administrator.

We are now in the process in the ODM of developing a new organizational structure which we hope will enable us to discharge both our present duties and also the new duties that would be assigned to us under the reorganization plan.

I would like first just briefly to talk to you about that organizational structure that we have developed, because I think that it in turn will help you to understand the way in which we are approaching our job.

First of all, the Executive order sets up in the ODM the Defense Mobilization Board (DMB), to advise the Director. That board is made up of seven members of the Cabinet, and, in addition, the Chairman of the Board of Governors of the Federal Reserve System.

Personally, I am using that board very extensively in connection with handling the work of the office. It has met regularly once a week since the beginning of the new Administration. I have felt that

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I wanted to use it in that particular way because it seemed that it provided a very effective medium for hammering out mobilization policies which would be understood by the departments and agencies that are primarily concerned with them; and that at the same time it would be a very useful medium for bringing some of the new heads of agencies up to date on some of our mobilization problems.

In addition to that, the Executive order also provides for a National Advisory Board on Mobilization Policy. That board is made up of an equal number of representatives from the fields of labor, management, and agriculture; and then also the general public. The members of that board presented their resignations at the beginning of the new Administration. We have not as yet reactivated that board, but we do intend to do so.

The reorganization plan now pending before the Congress provides for a director. It also makes provision for a deputy director at the level of an under secretary. The deputy director will serve as the right arm of the director; and, in addition to that, he will have responsibility for a small program staff that we will set up in the ODM. There will be just two or three generalists there, and then we will have specialists in various areas in the other organizational units of the office.

Then we will have an assistant director for Production Requirements and Programs. This person will have responsibility for supervising the full mobilization requirements and capacity staff. He will also have responsibility for supervising the work of the Defense Support and Civilian Programs Division, the Defense Programs Division, and the Distribution Controls Division, the latter being the division which will have responsibility for administering the new Defense Materials System, which on 1 July 1953 will take the place of the Controlled Materials Plan (CMP).

Also we will have an assistant director for materials, because, as you can see, we are in the process of inheriting the responsibility for the total operation so far as stockpiling is concerned, and also so far as planning in the materials areas is concerned. Consequently I feel the need for a top-flight person in that particular area. He will have responsibility for the Stockpile Operations Staff, the Operations Control Staff; and then also will supervise the work of the four divisions which will deal with various basic materials.

Then we will also have an assistant director for Stabilization. Obviously, his job will be primarily a planning job in the price, rent and wage fields, in connection with rationing in the event of all-out mobilization and also in connection with monetary controls.

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Then we are also planning an assistant director for Financial Policy. He in effect will function as a comptroller for the Director of the ODM, because we do have responsibility for rather large sums of money. As you know, the Defense Production Act set up a revolving fund of 2.1 billion dollars, which is to be used for our expansion program. Under the law we can commit funds far beyond the 2.1 billion dollars. The only thing that we have to make sure of is that the net liability, so far as the Government is concerned, does not exceed that amount. That requires the exercise of a certain amount of both objective and subjective judgment to determine just what the net liability of the Government may develop into in connection with the various projects that we have under way.

In addition to that, of course, we will have over-all responsibility for some of the stockpiling funds likewise. Consequently, I feel the need for someone who can more or less specialize on watching just how we handle those funds.

In addition we will have an assistant director for Nonmilitary Defense. This division is a division that takes over quite a number of the responsibilities of the NSRB in this area. The director of it will have responsibility for the continuity of government operations, for the continuity of industrial operations, and he will also have the Physical Security Unit under him.

Then, finally, I am in process of recruiting an assistant director for Manpower, who will take over the responsibilities that I have been discharging over the period of the last two years.

I would like to say this: that this organizational structure is being developed with the thought in mind that the primary job of the ODM is to establish the over-all mobilization policies; that, having established those over-all mobilization policies, it is up to us to delegate authority to act in conformity with these policies to other departments and agencies of the Government; then, having delegated authority to act, that it is up to us to develop a control system designed to make sure of the fact that the agencies to which authority has been delegated are acting in conformity with over-all policies. In other words we are determined to the extent that it is possible to do so to keep out of operations. We are also determined to stay away from the development of a large staff.

My own observation has been that offices in the Executive Office of the President lose out as far as their influence and their leadership are concerned in direct proportion to the tendency that they have to increase the size of their staffs. What we are interested in doing is getting a fairly small group of really top-notch, high-powered persons in the office, who are in a position to work with us in the development of policies. And then, when a policy has been developed, after

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consultation with the DMB, for example, we intend to find out what agencies are in a position to take on certain duties and responsibilities designed to result in the effective carrying out of those policies.

But we don't feel that we can simply work out policies and then delegate authority to act to other agencies. We feel that, although we have the right under the law and under the Executive order to delegate authority to act, we can never delegate our over-all responsibility; and, consequently, it will be necessary for us to develop a control system which will help us make sure of the fact that the agencies to which we have delegated authority are discharging their responsibilities in conformity with our over-all policies. So much on the organizational side of the picture.

Next I would like to discuss with you certain over-all objectives of the ODM.

I am sure that it is clear to most of us, as a result of the statements that have already been made by the President of the United States, and also by certain of his Cabinet officers, that it is the objective of our Government to reach a plateau of strength, and then to see to it that our defense program is kept on that plateau. This means, it seems to me, that the ODM must keep in mind the following three broad assignments:

First, we must help the President carry out his program for bringing this Nation to a plateau of strength, because certainly all of us are in agreement on the fact that we have not yet reached that plateau.

Second, we must help the President carry out his program for maintaining our strength once we have reached the plateau. In many respects, it seems to me, that is going to be a more difficult assignment than the first one. There isn't any question in my mind, and I am sure there isn't any question in your minds, but that we can reach an agreed-upon plateau of strength. But this Nation has never yet succeeded in maintaining itself on a plateau of strength once it has reached it. This assignment presents us with all kinds of psychological and political--using that in the broad sense--as well as technical problems.

In the third place, it seems to me that we must help the President in the development of all-out mobilization plans which could be put into effect immediately if the occasion for using them should arise. I am sure that many of you are even more aware of this fact than I am, but I am becoming increasingly aware of the fact that we have a President of the United States who attaches great importance to the development of all-out mobilization plans and to keeping those plans current.

I would like to make this observation, going back to an area where I have had some experience: We do feel that in order to discharge

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effectively these three assignments, we must put into effect personnel policies which will result in our having available on a rotating basis some of the outstanding leaders of our Nation. I am thinking of this, of course, particularly in connection with the problems that we confront in the ODM. But what I have to say, it seems to me, applies to every department and agency of the government that has a major part to play in the mobilization program.

In the past there has been a great deal of discussion about the desirability of developing what some people have referred to as a civilian reserve, which would be trained and ready to go to work immediately in the event of all-out mobilization. Some efforts and some steps have been taken in the direction of developing a setup of that kind. That is not true, however, so far as any of the offices in the Executive Office of the President are concerned. No really effective steps in that particular direction have been taken.

I think that we have an opportunity for taking some really constructive steps in the direction of developing such a reserve. I have referred to six assistant directors of the ODM. Let me use those six positions for illustrative purposes.

I am going to recruit persons from outside the Government for each one of those spots. I am going to try to get the most competent and best-qualified persons that I can possibly find. I am not going to ask them to come in and serve for a period of two, three, or four years--because I couldn't go beyond that period of time anyhow--but simply to come in and serve in some instances, in some of these areas, possibly for a period of 6 months, and in other instances for a period of a year or 18 months.

My hope is that when those assistant directors have finished their tours of duty, it will be possible for the United States Government to develop an understanding with those six individuals, and also with their employers, relative to their willingness to render service to the Nation in the future if needed. Included in this understanding, I hope, will be an agreement on the part of the individual to keep the ODM up to date on his training and experience. Included in the agreement also, I hope, will be an understanding on the part of the individual that he will be willing to participate in comparatively short briefing periods from time to time in order to be brought up to date on the development of mobilization plans.

Also I hope that included in the agreement will be an understanding that we will keep his security clearance up to date. Some of you have had responsibility for recruiting civilians for jobs that you wanted to fill yesterday; and you know what it is to put those individuals through the clearance procedure. If you get a clearance

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completed in 90 days, you will have done well. In the meantime here is a job to be done and we do not have a person in the job to do it.

Our thought is that in each instance we will have deputies serving under these assistant directors, whom we hope will be career civil servants and whom we hope will provide continuity of service in each one of these units.

But then, serving under the direction of the deputies, we also hope that there will be a fair number of persons recruited from outside the Government who will come in for a period of service of the kind indicated, and who will be willing, when they leave, to enter into the kind of agreement that I have just mentioned.

All right. In the light of these over-all objectives which we feel that the ODM should keep in mind, let's take a look at the problems with which we are confronted right now, for instance, in the area of production requirements and programs.

First of all, we feel that it is necessary for the departments and agencies of the executive branch that are engaged in the mobilization program to reach agreement on the mobilization readiness policies that should govern the operations of the executive branch. With this in mind, we have been working with our DMB on a basic policy statement. This statement has been approved by all the members of the board. The statement has also been discussed with the President; and, in addition to that, has been discussed in a Cabinet meeting.

The President himself feels that it is a very important basic policy statement. He has indicated that the heads of departments may have a few more days to let their staffs take a look at it; and, if they have any suggestions, to pass them back to us. That means that very shortly we will have this issued in one way or another as a public statement, and it will be used as a guide by the various agencies that are participating in the defense mobilization program. It is not a long statement, and I would like to make it a part of this lecture.

It is headed: "ODM MOBILIZATION READINESS POLICIES."

"Over the past two-and-a-half years this Nation has been engaged in a very substantial program for the expansion of productive capacity to a point adequate for long-term readiness against attack upon us and our allies. The statutory basis for the program has been the Defense Production Act, the extension of which is presently before the Congress. The purpose of that Act, as stated in the opening declaration of policy is 'to develop and maintain' military and economic strength.

"In this connection, the over-all objective of the military and civilian organizations is to develop a mobilization plan that lies

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within our material and fiscal resources and yet generates the maximum military power that those resources can support with due consideration of the needs and contributions of the rest of the free world.

"Toward this end (1) we are measuring the production potential of our industry for hypothetical war years as well as the support we will receive from the materials and facilities of the free world; (2) estimating rock-bottom civilian requirements; (3) estimating the share of the production potential that by preliminary tests it seems possible to allot to war goods and the impact of that allotment on the economy; (4) testing the ability of specific industries to supply the principal tools, equipment, components, sub-assemblies, materials and skills needed to produce the pattern of weapons desired by the military within its allotment; (5) identifying deficiencies; and (6) estimating exports from the United States essential for the security of the free world.

"Thus the ground will be laid for decisions as to whether to fill in gaps in the national plant, or modify the military plan, or both. In either event, some of the costly diversions of resources from weapons production to plant expansion, and most of the two years' loss of time before a high level of weapons production was attained in World War II, can be telescoped or avoided.

"In those cases where the analyses that are now being made indicate that we should expand capacity, that expansion will presumably be concentrated on providing long lead-time, difficult-to-produce, and critical types of tools, equipment, instruments, materials, energy and technically trained personnel.

"The result will not be an economy geared meticulously to the requirements of war production, which would be far too expensive, but the development of a program which will provide us with an industrial position, or plans for it, from which we could move rapidly to maximum rates of balanced output of war and war-supporting goods.

"It is clear that no matter how powerful our industry may become, its organization for a peacetime economy can never be the same as that for the needs of war. This means that gaps in the way of specialized resources will have to be filled in before we can swing large parts of our great peacetime capacity into the actual production of war goods.

"By supplying or planning for the filling in of these gaps on a highly selective basis, we should be able to (1) plan the largest balanced military program falling within the limits of fiscal and

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industrial resources; (2) develop an industrial organization capable of supporting a military program adequate to our security; and (3) achieve economy both in the use of our resources and in the immediate burdens placed on industry.

"In addition, the closest possible correlation between United States and foreign mobilization readiness measures is required in order to place NATO and the rest of the free world in an economic position to support the maximum war effort.

"Through attainment of these objectives, we can lessen dependence on large reserve stocks of end-items. The choice in each case will be made on the basis of what will provide the nation with a defense program of maximum effectiveness over the long pull--with a program that will make it possible for us to shift from a civilian economy to a war economy in the shortest possible period of time."

I might give you the history of that sentence. It read at one time: "The choice in each case will be one between economy and security." As a result of informal discussion with the President, that was dropped, and the language which I have just read was inserted.

"Many departments of the Government are participating in the mobilization readiness program. The final checks on the extent of critical deficiencies are to be made by industry committees.

"The success of this program requires (1) all practicable action by Government and industry to reduce the vulnerability of industry to atomic attack; (2) imaginative planning by business and Government to insure quick rehabilitation of strategic plants damaged by atomic attack; and (3) systematic maintenance of all productive facilities essential to the mobilization base to prevent dismantling or loss of effectiveness through disuse and lack of care."

It seems to me that it is clear, and I am sure it is clear to you, that the implementation of this policy statement depends on this Government doing a far better job than has ever been done in the past of developing meaningful requirements data or information. Such information is absolutely essential if we are to develop sound programs for all-out mobilization. In addition, however, such information is absolutely essential if we are to do the things that must be done now, if we are to be prepared for all-out mobilization. Throughout this basic policy statement you will note a constant reference to the filling of gaps. If we are going to fill those gaps in an intelligent way, obviously we have to be able to identify those gaps in an intelligent and realistic manner.

Now, it is clear that the shifts in policy which are taking place will result in some revisions of production schedules by the Defense Department and possibly by the Atomic Energy Commission (AEC). These

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schedules will have to be analyzed to determine whether or not the essential materials will be available at the right time for meeting these new schedules.

That is why we are now in the process of developing a Defense Materials System (DMS) to take the place of the former CMP. This new DMS is intended to govern materials distribution for defense after 30 June 1953, provided that the Congress agrees with the President that authority for this type of plan is essential.

The National Production Authority (NPA) in the Department of Commerce, acting under a directive from the ODM, has already issued the first instructions under this new system. In brief, the new system will start out as a CMP limited to defense and AEC requirements. As time goes on we hope that the system which has now been announced can be simplified to some extent.

Under this system the quantities of steel, copper, and aluminum needed each quarter by the Department of Defense and the AEC to meet their construction and production programs for defense will be determined. Each producing unit in the three controlled materials industries will be told on a quarterly basis that its share of this defense requirement is to be. The mills then will reserve the necessary portion of their total production for defense orders in accordance with NPA directives.

Defense contractors and subcontractors will be authorized to use program symbols to identify their orders for acceptance within the military space reservations at the mills. Similar authority in the form of preference ratings will be granted defense contractors for purchase of products and materials, other than controlled materials, needed to complete their defense production or construction schedules.

During the last quarter we have been continuing to operate under the CMP in order to provide an orderly transition to the new plan.

Also it is going to be necessary, in the light of the basic policy decisions that have been made or are in the process of being made, to take another look at the assumptions underlying the stockpile objectives toward which we have been working. The year 1954 has been the target date in connection with some of those stockpile objectives. Should there be a shift?

We feel that taking a look at these assumptions in the light of new policy decisions may result in changing some of those basic assumptions; and if that happens, it will result in changing some of the objectives. In some instances they may be raised. In other instances they may be lowered.

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In addition we feel that it is necessary to initiate an immediate review of our expansion goals. As you probably know we have in existence at the present time about 250 expansion goals. How realistic are those goals? Well, that depends on how realistic the requirements information that the agencies such as the ODM have been receiving actually is.

These goals, as you probably know, are used as a basis for the administration of the 2.1-billion-dollar revolving fund, to which I have just referred. They are used also as a basis for the administration of our tax amortization program.

The work which must be done in this area does provide us with another illustration of the necessity of our having adequate requirements information if we are to do an intelligent job. These expansion goals are designed to fill in gaps. Have we set up all the goals that we should set up? Have we set up some that just don't make any sense in the light of changing requirements?

All of this activity should put us in a position where we can prepare and keep up to date detailed programs for handling our production problems in the event of all-out mobilization.

It seems to me that we are in a very, very interesting period. Normally, when we think of planning, we think in terms of planning which will become operative at some announced date in the future. Today, it seems to me, we have to think in terms of planning some portions of which will become operative at some later date, with other portions being put into effect immediately if we are really going to have a defense mobilization program worthy of the name.

I am sure that most of you appreciate the fact that, in the light of decisions that have been made by both the executive branch and the legislative branch, our problems in the stabilization area are largely planning problems. The one exception to that is rent control. But the bulk of our rent control operations will disappear on 31 July 1953.

We are trying to bring together a group of persons who have had some experience in the administration of controls, also a group of persons who have had some experience in living with those controls, who have been on the consuming end, with the idea of developing very rapidly plans which we could submit to the Congress on a few hours notice if a situation should develop which would require such action.

Right now there is being debated on the floor of the Senate the question of whether or not the President should be given authority to impose a 90-day freeze in the wage, price, and credit fields in the event that an emergency should develop. The Senate committee has recommended that he be given that authority. There is some question as to whether or not the Senate as a whole will agree.

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Whether or not that authority is granted, the President feels-- and we certainly agree with him--that we have a definite obligation to bring together detailed plans for the imposition of controls in the manner in which I have indicated; and then, to keep those plans current by having them reviewed constantly. We cannot afford in the future the delays that have occurred in the past in dealing with this aspect of our total mobilization problem.

Time does not permit me to go into other areas for which we have responsibility, such as the area of nonmilitary defense and manpower.

As we work for the President in this defense mobilization area, I can assure you that we do so with a real sense of urgency, with the determination to bring into our operations some of the very best people that this country has produced, with the determination to make full utilization of all the resources of existing departments and agencies, and with the determination not to be stopped by problems that in the past have proved very difficult to solve in this area.

As I work in the area, I become conscious of the fact that there is a fair number of persons who have been working in it over a period of time who have developed a certain sense of frustration when it comes to dealing with some aspects of the defense mobilization program. Well, of course, we can accept that as a fact and not proceed from that particular point. On the other hand we can say that so far as the future of our Nation is concerned, it is absolutely necessary for us to rise above those feelings of frustration and tackle the problems that have proved to be impossible to solve in the past with a determination that they can be solved. And I am sure that these determinations grow out of a conviction that, as our Nation proceeds from a position of strength, and only as it proceeds from a position of strength, will we be able to prevent tragedies and disasters that otherwise will engulf us.

COLONEL BARNES: Dr. Flemming is ready for your questions.

QUESTION: Dr. Flemming, we certainly enjoyed that very fine presentation on mobilization planning. Are you going to ask also for legal authority to carry it out if and when it is needed?

DR. FLEMMING: You are thinking now of a period of all-out mobilization and particularly about the price and wage controls and credit controls?

QUESTION: Yes.

DR. FLEMMING: The policy of the Administration is this, as presented to the Senate Banking and Currency Committee: We do not want a detailed law. At the moment we don't feel that this is a practical

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approach to it. We think that such a law would be outmoded in 30 days or at least six months from now.

On the question of authority to impose a freeze for a period of 90 days while Congress considers a detailed law, we took this position: that if the Congress felt that it could get us freeze authority within a period of 10 days after we requested it, O.K.; we don't care whether it is on the books now or not. If they feel to the contrary, then the President would be willing to accept such authority. The majority of the Senate Banking and Currency Committee took the position that they could not do it within that period of time. Therefore they put it in the bill that is now on the floor of the Senate.

I notice that an amendment is going to be presented to the effect that the President can exercise that authority only in the event of the declaration of war, or after a concurrent resolution of Congress. Of course that would really put us right back where we are now.

I rather feel that the sentiment of the House Banking and Currency Committee is in the direction of saying, "We can put through a freeze law within a very short period of time."

But in the meantime we are going to draft detailed legislation. We are not just going to keep it hidden in a desk drawer. We are going to work with the staffs of the congressional committees. And to the extent that the members of these committees want to work with us, we will be glad to have them do so.

If we get understanding and agreement today, six months from now we will take another look at it, to see what changes should be made in the light of the experiences we have had, and in the light of changing conditions.

We are going to try to get ourselves in a position where we don't just suddenly pull something out of a desk drawer and take it around to the legislative branch and say, "Here it is. We must have this in 48 hours" or something of that kind, because that isn't the practical way to proceed with the legislative branch. In the area of stabilization we feel that following the course of action I have outlined would produce reasonably good results.

QUESTION: I was very much interested in your rotating staff of experts. But isn't it possible that these people that you get from industry, or wherever they might come from, for short periods might have a divided loyalty if they are going to return to their organizations? That is point one. Point two, might they not have a little difficulty with the Senate in getting their appointments confirmed if they are going to be in positions where they can control contracts?

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DR. FLEMMING: As I see it we have to look at it this way: As a practical proposition, whenever we do move into an emergency period, we do reach out and bring people in from various industries, colleges, universities, and so on. So far as I can see, it will probably always be necessary for us to do that in order to carry forward a program effectively. Therefore on this matter of divided loyalty we have to take a certain number of calculated risks. We have to establish policies which are designed to minimize those risks.

But I don't quite see how we can develop any real honest-to-goodness substitute for the know-how that this type of person can bring into the picture now, and certainly can bring into the picture in the event of an all-out mobilization. Actually we have authority under the Defense Production Act to bring in consultants or experts on that particular basis; and as Director of the ODM I have authority to waive the conflict of interests statutes when that is done. In other words Congress recognizes the need for bringing this type of person into the type of mobilization setup that we now have.

None of these jobs will require senatorial confirmation; so we don't have that particular problem from the technical and legal point of view. But we still have it from the public relations point of view. We have to deal with it in a manner which would be satisfactory, it seems to me, to the legislative branch. It does present a real problem.

In the ODM our personnel does not actually negotiate contracts. Most of that is delegated out, to the extent that I have indicated, to other departments and agencies. But you could well have a conflict of loyalties. There isn't any question about that at all. Those of us who have over-all administrative responsibility must develop policies and controls designed to reduce that risk to a minimum. It is a difficult problem, but because it is a little difficult I don't feel we should stay away from it.

Frankly, we have a history in this Government in the Executive Office of the President of failing to come to grips with this problem in a satisfactory manner. As a result when planning agencies have appealed to the Congress for appropriations, Congress has told them that they didn't have people on their staffs with practical experience; and so they have cut down on their appropriations, and ultimately have driven them out of existence.

There have been two planning boards in our recent history that followed just that particular course. The first one was called the Resources Planning Board, and then there was the NSB. The first one was set up in the early days of President Roosevelt's administration. The NSRB was established in 1948.

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QUESTION: My question is complementary to the last one. It is my understanding that the present Administration, as well as its predecessor, is having some difficulty in getting highly qualified people from outside the Government to come in and accept some of these vital positions. If my understanding is correct, Dr. Fleming, how do you propose to overcome this difficulty and fill these positions of assistant directors?

DR. FLEMING: Well, first of all, I have read stories about the difficulty that is being encountered. Personally, I can't produce any evidence which would help substantiate those stories. I think very often that the stories arise out of the fact that the persons concerned do not pay attention to elementary principles of personnel management when it comes to recruiting people for a job.

An administrator may think of John Jones. He happens to know John Jones. He thinks that John Jones could do the job. So he calls him up. John Jones has half a dozen reasons why he doesn't want to come down. After this administrator has done that two or three times, he begins to get a little frustrated about the whole matter.

Whereas, if he had had some staff work done for him in advance; if he really had the opportunity to analyze the qualifications of a number of persons who might fit into the job; and then, having determined that there are two or three that could do the job, if he had planned his attack in such a manner that the prospects would be surrounded with sufficient pressures, he would get better results than by following a haphazard course of action.

After all, it is possible, before you go after a prospect, to call his boss. It is even possible, if it is a really top-notch job, to get the President to talk with his boss and bring his boss around to the point where he will say, "You can have him for a while." Then you begin to negotiate with the prospect. Your chances are a little better that way.

I know it is a problem, because, sure, there isn't the same pressure on prospects that did exist after the outbreak of hostilities in Korea, and that would exist if our mobilization program should be stepped up. But I think we have a real sales story, the kind of sales story that it is pretty difficult for the head of an industry or the persons immediately associated with him to resist in terms of the kind of service that can and should be rendered the Government at this particular time.

I think our difficulty is that we really don't go to work on developing that sales story. We just assume a lot of things. We assume that everybody else has the same background that we have. We just don't prepare the way for our recruiting program.

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If we would prepare the way for it, I believe that people in industry would respond to a call for service. That is my own feeling about it. Maybe I am just a confirmed optimist. Maybe if I came back here 90 days from now, I wouldn't be quite so optimistic as I am at the present moment. At the moment I have reasons for being optimistic, and I hope I continue to have reasons for being optimistic on this point.

COLONEL KLEFF: I would like to remind our guests that they are also invited to participate.

QUESTION: You mentioned carrying out this policy of decentralizing to the departments and agencies. Are you contemplating calling on mostly the regular, established, old-line departments and agencies, rather than setting up new ones?

DR. FLEMMING: Yes, so far as the current defense mobilization program is concerned.

Of course, there you have a real, basic issue, as to whether, when we move into all-out mobilization, we can continue to use the old-line agencies. Personally, I have always had the feeling that if we could give the old-line agencies experience and get them working at these problems during the kind of period that we are going through at the present time, we could reach the point where we could continue to work with them if we were to become involved in an all-out mobilization. Having watched the creation of emergency agencies a couple of times, I realize that we lose a lot of time and energy and resources in the process.

I know there are those who feel that you can never accomplish the kind of objective I have just stated. I personally have an open mind on it. I don't have a closed mind by any means. I think it is a basic problem that we have to spend time on in connection with our planning for all-out mobilization.

But I do think we have an opportunity that we have never had before. After all, after World War II everything stopped except some planning work. There weren't any operations going on. We didn't have any mobilization program at all. Now I think people are pretty generally willing to accept the fact that we are going to have to live with a mobilization program for the rest of our lives, in all probability. So that means that we have a chance to carry on some operations all the time, which in turn, it seems to me, gives us a chance to bring the so-called old-line agencies of the Government to the point where you can go over their organizational structure and try to get them into a position where they could convert overnight to an all-out mobilization program if they were called upon to do so. I hope they can do so. There may be insurmountable obstacles that stand in the way. I don't know; personally, I don't believe there are.

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QUESTION: Some of us have been trying to understand what might be involved in this changing emphasis that you mentioned on the target date, particularly what may be the new policy with respect to any build-up from the present position to the controls that you speak of, and particularly, how you can easily disembody the time element in the post-M-day build-up type of thing and in the development of strategic plans. Would you clarify that?

DR. FLEMMING: I am really not in a position to give you any specific information as to what the results of this new approach will be in terms of schedules, for example.

The thing that is clear to me is that we have moved over from the concept of bringing ourselves, not to a plateau necessarily, but way beyond a plateau, at a particular date, assuming that date to be a date when we might be involved in all-out war.

As I see it under this new approach, we are being told that we must reach a plateau which is based on the best judgment as to what that plateau needs to be in order to deter aggression on the part of any potential enemy. I imagine that this is going to call for some basic thinking on the part of those who are responsible for taking a look at our present schedules.

The new approach certainly seems to me to be the most difficult way to proceed, but the sound way in which to proceed. The easiest way is to just reach out and pick out a date and then work toward that. The new approach will be very difficult to translate into schedules. But I assume that work is going on at the present time.

I think the latter part of your question relates really to this discussion that is taking place in the press to some extent about a broad mobilization base and about how we maintain ourselves at the plateau. On the basis of my own contacts and my own discussions, I don't believe that there is any conflict within the Administration on this point. As I indicated in my talk itself, I think everybody concerned realizes that our toughest problem, once we have reached that plateau, is to maintain our strength.

Some of you know that Mr. Vance, President of Studebaker, has been associated with me and has given a great deal of time and thought to this problem. Some people have alleged that he has a point of view which is in conflict with the point of view of the Administration. Let us examine that for a minute. If you read the speech by the Deputy Secretary of Defense, Mr. Kyes, before the U. S. Chamber of Commerce, you will note that he spends some time on the problem of maintaining the mobilization base. Mr. Vance and I went over that speech very carefully in advance and we saw no conflict in what he had to say about maintaining the

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mobilization base and the concept that Mr. Vance himself has expressed in very vigorous terms over the period of the past two months.

Just to take one illustration: It may be that where we have three plants producing a certain item we may have to close down one of them and concentrate production in the other two. If the one that we close down is permitted to stand idle, and no one pays any attention to it, no one takes any interest in maintaining the machine tools that may be in it, no one takes any interest in seeing what can be done to retain a nucleus of skilled personnel that would be necessary to operate it, then we would be narrowing the mobilization base in a very serious way.

But, so far as I can discover, no one has any intention of doing that. Rather, I think the intention of the Department of Defense is to keep those plants that we may close down at a particular time in such shape that they can be brought back into production very quickly.

QUESTION: In your new organization that you described, what agency would be responsible for computing the requirements of the civilian economy on a mobilization basis?

DR. FLEMING: Obviously, the central responsibility would have to be vested in the ODM. Then we would have to reach out and utilize the resources, it seems to me, of quite a number of departments and agencies.

For instance, if we were thinking in terms of manpower resources, we would normally and naturally turn to the Department of Labor, as we have already. They will work under over-all policies set by the ODM, and under a specific delegation from the ODM, that will require them to report back to the ODM at certain periods. Then, their reports will be tied together with the reports from other agencies that have been dealing with other problems.

By the same token, on the industry side, we would turn to the Department of Commerce and work through the present NPA and its industry division. When we get over into the power field, we would naturally turn to the Department of the Interior and give that agency an assignment. We would try to pick out that department or agency that is best equipped to deal with a particular segment of the civilian economy and get it to go to work and report back to us.

Now, actually, most of those agencies already have assignments, and they have been doing some work in connection with them. But I don't think that it rests back on too solid a basis, because I don't think the requirements figures of the military rest back on too solid a basis either. Obviously, the two have to be tied together.

QUESTION: Is it your intention to take the material requirements submitted by the Department of Defense at face value or does your agency

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intend to evaluate them? Do you intend, for instance, to distinguish between a requirement for a thousand aircraft and a requirement for a million pounds of aluminum to make a thousand aircraft?

DR. FLEMMING: I suppose that the basic responsibility for the evaluation of the requirements is an operating responsibility that has to rest with the Department of Defense. I think that you must also have an ODM which is taking a look from the over-all point of view, to say, for example, if you expect to get 180 billion dollars worth of hard goods in the first year of the war, there isn't any chance in the world of doing it; our economy isn't capable of doing it.

Actually that was said and so now the Department of Defense is in the process of determining what a 70-billion-dollar figure during the first year of an all-out war would mean in the way of hard goods and in the way of equipment and materials.

Also I assume that those who are working on that 70-billion-dollar figure will finally come up and say to the National Security Council (NSC), "This is the kind of war that we could fight with this amount." Then they might say, "In our judgment that isn't the kind of war that would result in victory. If we are going to be able to fight a war that would result in victory, we will have to move up to 90 billion dollars."

That is the kind of issue that I believe will be thrashed out in the NSC, with the presentations being made, as to what the civilian economy can or cannot do, to the President of the United States. He is going to have to consider the representations from the Department of Defense and the ODM, and he is going to have to finally say, "This it is. This is the direction in which we are going to move."

To my way of thinking that is one of the great values of the NSC--- it provides a real, honest-to-goodness forum for coming to grips with some of these basic issues.

COLONEL KLEFF: Dr. Flemming, you certainly have given us a very fine explanation of some of the difficult economic mobilization problems faced by your office in ODM. On behalf of all of us, I certainly thank you for giving so freely of your time this afternoon.

DR. FLEMMING: Thank you for giving me the opportunity of participating in the program.

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