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INDUSTRIAL READINESS PLANNING

Mr. William C. Truppner

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INDUSTRIAL COLLEGE OF THE ARMED FORCES

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INDUSTRIAL READINESS PLANNING

13 January 1960

CONTENTS

	Page
INTRODUCTION--Captain F. D. Smith, USN, Member of the Faculty, ICAF.....	1
SPEAKER--------Mr. William C. Truppner, Director, Office of Industrial Mobilization, Business and Defense Services Administration, Department of Commerce.....	1
GENERAL DISCUSSION.....	23

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CAPTAIN SMITH: General Mundy, Gentlemen: This morning we turn our attention to the subject of Industrial Readiness Planning. That is planning of production for cold, limited, or general war. There are going to be shortages in any future mobilization and, if maximum utilization is to be made of our productive resources of all sorts, an effective regulatory agency in which both government and industry participate is going to be essential.

To discuss the defense mobilization responsibility of the Business and Defense Services Administration, BDSA of the Department of Commerce, we have with us this morning Mr. William C. Truppner of the Department of Commerce.

Mr. Truppner has been involved in this subject since early in World War II and he is very well qualified to speak to us on this subject. This will be his seventh lecture at the Industrial College.

It is my privilege now to introduce him to you. Mr. Truppner.

MR. TRUPPNER: Good morning. Gentlemen: If my voice gives out part way, I hope you will excuse me. Last week I couldn't make a sound at all and perhaps it is with some regret that the lecture was scheduled for this week instead of last week. But I'll do my best if you will bear with me.

Last week Mr. Hughes, Herbert Hughes, who is the Acting Administrator of the Business and Defense Services Administration, was here to discuss with you the nonmobilization portion of the Business and Defense Services Administration's responsibilities.

This agency is a new animal in government. It's seven years old and has no predecessor either in concept or design. The name itself, I think, well, certainly is clumsy and awkward and long, but it does represent some effort to convey the goal of the agency, the Business and Defense Services Administration.

The existence of the agency, itself, is a reflection of the experience that was had in mobilization planning between World War I and World War II and between World War II and the Korean War. In both cases mobilization planning, as we know it, was conducted on a staff basis, and, as perhaps many of you are aware, the conduct of any program on a strictly staff basis does have a tendency to draw the people into an ascent into a kind of ivory tower.

It also has another unhappy aspect, in the sense that the work that they do frequently conflicts with, collides with, and requires the same kind of people as that which is conducted and handled in regular operating agencies.

Thus, to take our most recent example, the basic mobilization planning work in the field of production of materials and economic resources, after World War II, was centered in the NSRB. The NSRB

was not a signally successful organization in its efforts, and this was partly the consequence of the fact that the Office of Domestic Commerce in the U. S. Department of Commerce was engaged in operating areas , in terms of fostering and promoting the economic growth of the Nation, in such a way that the two agencies frequently were looking for the same kind of people. They frequently were consulting with the same kind of people outside the Government, and, not to put too fine a point on it, there was considerable rivalry, considerable friction, and, all in all, I think it's fair to say that the failure of the NSRB to break out of the ivory tower area of planning into the operating field was the main cause for the Nation's having to enter the Korean War with plans that were largely developed during the summer of 1950 between June and September, and the production agency was created rather than operate on the basis of the five-year planning that took place between 1945 and 1950.

The Business and Defense Services Administration was designed to meet that need, namely, develop an organization which had operating responsibilities and planning responsibilities both together, both placed in the same organization, both calling upon the same kind of technical skill and industrial knowledge regarding the fabric of our economic structure.

Now, I thought with that brief introduction of what we are I might briefly run through the major programs that we carry on in the industrial

mobilization planning field. I believe I'll identify 11 of them. There are myriad other programs that could be mentioned, but these are the important ones. I have been told that so many of these programs have been covered by previous speakers that perhaps we ought to have a 40-minute coffee break now and come back for the questions. But I'll kind of tread lightly in those areas where I think you have had adequate coverage, and, if I miss the goal a little bit, perhaps you will get me back in balance during the question and answer period to pursue whatever ones you may have particularly strong interest in.

The first and most important job that we do is to exercise the President's Section 101 (a) and 101 (b) authority under the Defense Production Act of 1950. These are the so-called priorities and allocations powers. It is rather noteworthy, I think, to realize and recognize that the Defense Production Act of 1950 represents a departure in democratic government. This is the first time in the history of the United States that the President has been given powers to compel the acceptance of contracts and performance under those contracts at a time when the Nation was not engaged in military conflict. In our democratic form of government it has always been recognized that the national interest makes it imperative that the President have the authority to require independent, profit-making business concerns to accept and perform contracts during a period of war. This is the first time, however, that we have had this kind of legislation on the books when we weren't at war,

and it's a reflection, of course, of two things: First, a very uneasy state of the world since 1953, when the Korean Armistice was signed, and, secondly, the size of the Defense Procurement Program itself.

I don't know what it's worth to the taxpayers of this country to have a priority power delegated from the President to our agency, to the Department of Defense, the Atomic Energy Commission, and thence to the contractors, but I would guess that, in a $15 or $16 billion procurement program, it wouldn't be amiss to say that under ordinary circumstances this results in a saving, certainly in 9 digits, and perhaps in 10. During a period such as 1959, when we had a 116-day steel strike, it's almost impossible to calculate the enormous cost that would result from the disarrangement and the failure to achieve a balanced fall of materials and components to the extent possible over a period of time in which you have enormous dislocations resulting from a 116-day steel strike.

Needless to say, this Nation was actually on the verge of collapse at the time the Supreme Court ruled in favor of the Government with respect to enjoining the workers to go back to work and the companies against lock-out. It certainly wouldn't have taken very much longer before the results of that strike would have spread far over into industries which neither made steel nor used steel, but which perhaps had much of their markets depending on people who had terminated operations for lack of steel.

Needless to say, under ordinary conditions the military order is frequently not the most desirable order from the point of view of the seller or supplier, and the whole balance is shifted when the military contractor is given the priority authority.

Our agency has formalized the rules to carry out the President's authority in the industrial system through a series of orders and regulations known as the Defense Materials System. This is a set of rules and regulations which govern the actions of defense contractors and their suppliers during this period.

So, therefore, our first job is to see to it that we maintain defense production and construction on schedule to the fullest extent possible within the priority authority granted the President under Title I of the Defense Production Act of 1950.

The existence of this system, the Defense Materials System, is another objective which leads us into the second major program, which might be called the Standby Production Control System for Mobilization. The existence of the Defense Materials System means that the country has in being a set of rules of such a nature that, in the event we move into a period of mobilization, whether it come about as the result of military conflict elsewhere in the world or a worsening of the cold-war situation leading to expansion in the Government's program for preparation, for whatever reason, we do have in existence a set of rules that would permit the Government, administratively, to direct the movement

and flow of our economic resources immediately. At the moment it is limited to defense programs, defined essentially as those stemming from the prime contracts of the Department of Defense, the Atomic Energy Commission, and the Space Agency. However, we do have, by this means, the ability to expand the area of government direction of the economic resources by the simple addition of programs which the Government feels should be handled in like manner.

This contrasts very substantially, of course, with the situation at the beginning of the Korean War, when there existed a good deal of know-how in Washington about how the Government interposes itself into the flow of materials, products, and the like in a free enterprise society. But, since there was a lack of the means, it turned out, as perhaps many of you know, that it took us almost as long at the beginning of the Korean War to put the Government in a position where it could effectively direct resources as it did during World War II, when similar know-how was not available and the means had to be created, starting from scratch.

Now, the third program is one that I think you've had more than adequate background on, and that's the development of supplies and requirements studies, component studies, and the basic facts for emergency decision. I will merely say that this, in a way, represents a building block for a number of mobilization planning programs which substantially are now behind us, in any case. However, there is one

aspect of the maintenance of the so-called supply requirements studies or feasibility tests which is by no means behind us. As you undoubtedly know and I gather you were told by Mr. Lawrence, the measurement of mobilization need, measured with calculated supply, with a given set of ground rules for all participating agencies, is the basic arithmetic quantitative explanation for the Congress of how the Executive Branch calculated a supply deficiency. It represents the basis for an expansion goal. It represents the basis for a purchase contract to induce a private company to build a facility and insure it against loss by indicating that the Government would buy any output it couldn't sell. It represents the basis for a stockpile goal if the decision is to stockpile it rather than create a new facility. It is also the basis for some of the rules that have to do with the previous program I mentioned, namely, the Standby Production Control System, inasmuch as there are times when it is essential that the civilian industry be cut down to save a particular material, and the program is thereby established on a lower basis. Or, on some occasions, if possible, a conservation rule is written to reduce the consumption of a particular material.

So, from this basic building block of supply requirements analysis, many types of activities flow. I mentioned that one of them is not behind us, and that is the question of programing the economic resources for the Nation in terms of a mobilization model. This means that this can be done on a series of assumptions of limited war, an all-out war,

or any kind of war you please, but this activity in itself does maintain a state of know-how, a state of statistical flow, a state of knowledge, and does put us in a position where we are at least in a reasonably good shape for a jumping-off place in the event of a national emergency.

Now, I want to summarize these three things, because I think that all together they have a significance. I mentioned before that it took us, in 1950, just about as long to put the Government in a position to effectively direct our economic resources as it did in 1941 and 1942. It can be obviously concluded from that that know-how as such, or knowing how to do it, is not enough; because we knew how to do it in 1950; we had just done it five years before.

But there were three things lacking in 1950, and, as I described our activities up to now, they are in addition to what I have mentioned previously as being the immediate objective designed to fill these three needs. The first thing you have to have is an operating organized staff of trained people. The Business and Defense Services Administration, in addition to its usual routine duties, does represent such a nucleus staff, and we have plans for a very substantial expansion of that staff in the event of emergency, which I'll get to later. So we have one need filled. Secondly, the Government has to know what it wants to do. What programs does it want to build up? What programs does it have to reduce? To what extent? That need is met by the supply requirements analysis. That's what it is. The supply requirements analysis is carried

on on the assumption of an emergency. If we get into an emergency, presumably one of the models that have been built is usable as a jumping-off place in that emergency. And the existence of the data collecting and gathering operation means that the kind of information needed for this type of emergency and not normally needed for the peacetime functioning of the economy or the Government is in existence. So the second need is met.

Thirdly, the existence of the Defense Materials System puts in the hands of the Government the instrument to carry out its decisions. So it's got people, it's got facts, and it has means. So that triumvirate is designed to fill the three needs which greatly delayed the Government's intervention into our economic system in 1950.

Now I proceed to the fourth program, which I have marked as the National Stockpile of Strategic and Critical Materials. Once again, I understand you have had considerable exposure to this. About all I would mention about it at this point is that we probably spend 99.9 hours wondering how to dispose of strategic materials in the stockpile today for every .1 of an hour we spend wondering how much to add.

It is significant, by the way, that the stockpile in DPA inventory, plus undelivered commitments, today represents a sum of money roughly equivalent to the famous agricultural surplus. So we are in the big leagues when we talk about the stockpile problem, even though you perhaps don't read as much about it on Page 1 as you do about our

wheat and corn problem.

Incidentally, for the future, if I may make a prediction, I suggest you keep your eye on Pl. 480, the Barter Act, because I feel in my bones that in the next few years there will be a tremendous drive to convert the most expensive storage costs for agricultural products into the much lesser expensive storage costs for strategic materials. Inasmuch as we are spending pretty close to $1.5 million a day to keep the mice out of the wheat at the moment, you can see that there is a tremendous gain in converting from one to the other. If at the same time one could use the disposal of the food in a friendly nation to substitute for a different type of expenditure, to improve our international relations, the case gets overwhelming.

So I would personally forecast that you are going to see the stockpile go up a lot faster than it goes down.

I think I'll skip the next couple of programs, inasmuch as I think that some of the others that are coming might have a little more interest. I believe you already know that our expansion goals are closed and that phase of the program is pretty much behind us. Of course I think that everybody can kind of take credit. After all, this is what we were trying to do, and we did it, and I don't think we need to make any apologies for it. I think the Nation is in a devil of a lot better position as a result of this almost $40 billion worth of investment than it would have been otherwise.

Our Tax Am. Program closed out a few days ago. That's simply a reflection of what I mentioned before, that the expansion phase of the program is completed.

Now, we have one last program. Incidentally, you will notice that all of these programs that I have mentioned thus far reflect a strong predilection with World War II type of planning, Korean War planning, or, as we currently say, limited war planning, without an attack on the United States. I have done this by design.

At this point we are going to get into a transition phase. Our agency also has the responsibility for operating the so-called Industrial Evaluation Board, the IEB, as it is popularly known, which was a very ingenious device. It was designed to pick out the Achilles' heels of American industry and to figure out which particular facilities would be likely to discombobulate a wide area of industrial activity if they were destroyed. The original concept was by sabotage or by internal action, which possibility, by the way, obviously can't be moved out today, either.

The IEB has been maintained and still represents a very important source of information with respect to which parts of the industrial economy are particularly sensitive and available, and which do untoward damage to the rest of the economy if destroyed by some kind of internal damage.

Now we move over into a couple of programs which reflect more

attention to the possibility of an all-out war. By the way, when I use the term "limited war," I am not talking about nuclear war or non-nuclear war. That definition I am sure is very useful for some purposes, but for our purpose we are interested in production resources. By my definition a limited war means a war in which there is no attack on the United States, and therefore no destruction of our productive facilities. An all-out war means there is an attack on the United States. Now, I'll admit that there probably is about a 90 percent overlap in concept, but, none the less, I think this other definition does clarify our problems very considerably.

So we do run a program of endeavoring to induce industrial management to take certain actions which would protect them against the consequences of an attack on the United States. I might say that the program is something other than successful. It's a program of persuasion. The Government tries to induce industrial management to undertake certain types of actions. Well, as you might expect, it turns out that the types of actions that can be taken by industrial management fall into two classes--those that are cheap and those that are expensive. Those that are cheap we get done pretty well. Those that are expensive we don't.

So, therefore, we get management to make duplicate blueprints. We get them to change their bylaws to provide for succession of authority. We get them to undertake a number of actions of this kind. I'm speaking generally now. We get whole industries, sometimes through associations

and sometimes through particular groups, to develop booklets and plans and the like. We print them in 50,000 or 75,000 copies, and send them to the members of the industry. On the other hand, we have no carrot that's big enough at the present time, and possibly not in the future, to get very many companies to undertake to provide underground shelter or fallout shelter for their employees, or actions of this kind.

It is probably very likely that industrial management never will undertake this until such time as the Federal Government undertakes a very ambitious program of like nature for itself. It is pretty hard to convince somebody that he should be doing something that you are not doing yourself. Whether or not the Government ever will undertake such a program I'd say is most doubtful.

This moves into a program that is rather new in concept, the so-called Survival Item Supply Studies. Several years ago, as you perhaps know, the Federal Government finally issued a booklet listing what they called survival items. I think there were 225 listings. These were items, almost entirely end items, with personal application to human beings, such as hypodermic needles, portable blood-donor sets, antibiotics, and the like, which were defined in terms of one criterion, namely: What would the Nation need to preserve human life in case there was an attack on this country, a nuclear attack? These survival items represent the Government's conclusion, operating on the basis of that criterion.

Now, we in our agency have surveyed the manufacturers of these survival items. Incidentally, our agency has responsibility for about 185 out of the 225, so we do have a big chunk of responsibility in this field. We are the supply agency. It is our job to tell the Director of OCDM how much reliance he can place on our productive facilities in the event of an attack, so that he has an entry in his statistical balance sheet in calculating the size and nature of a stockpile program for survival items. As you know, the Government does have a few hundred million dollars tied up in this, and, when one goes to the Congress and asks for money, one must have some basis for the size of the program for which the funds are being requested.

One element in that balance sheet is: How much can American industry produce after an attack? How much dependence can be placed on industry? This program represents the statistical raw material. We also, of course, gather information on wholesale inventories, retail inventories, when they are significant, manufacturers' inventories. We get estimates of manufacturers' run-out production, so that we have a calculation for use in our estimating procedure which can give us an estimate of production with a given bomb attack to reflect what surviving plans might be able to produce given a cut-off in either transportation or components or material suppliers. How much can they do on their own? So we transmit this kind of information to the OCDM for incorporation in the Stockpile Budget Request Program.

The next to the last program is a genuine research program, and we call it the Assessment of Industrial Production Capability in the Event of Enemy Attack. I am sure you've been given information about the operations of the Damage Assessment Center, and perhaps have visited at High Point. That operation needs two kinds of raw materials to be programed into the machine to become fully effective.

The operation as it exists today is essentially a facility inventory taker. In other words, you can place an assumed bomb attack on the economy, on the country. You can make assumptions. To the extent that the assumptions that underlie the operation of the computer are correct, the computer will tell you what facilities survive the attack. It is an inventory. It says this many plants survive and this many were destroyed. What it doesn't tell you is: What can you get out of these plants? This we don't know yet.

We have been working on this problem of: What can you get out of these plants? You see, we are a supply agency. We are not as much interested in the inventory of surviving facilities as we are interested in knowing how much we can get out of them. You will notice in my previous discussion on survival items we were interested in how much they could produce, not how many of them were not destroyed in the attack.

We have come to some tentative conclusions, and we've been running this study for several years on what could only be called a research basis.

We are conducting a case-by-case analysis of individual corporate structures. I might say in passing that the reason we are doing it on a case-by-case basis is that we weren't smart enough to do it on a broader basis, and we got lost in the wilderness of statistics every time we tried to introduce a great complex of parameters that are involved in a nuclear attack. The effect on one producer of cutting off his source of a particular supply when that producer survived the attack and his supply didn't was one problem. Then there is the problem that arises when both survive but you can't transport the stuff in between; or when both of them survive but the power supply for the supplier fails. And so on ad infinitum.

When these complexities are introduced into a large body of statistical knowledge we all get lost and fall down a manhole, to be perfectly truthful. So we thought maybe we were smart enough to grasp the problem if we reduced it to one company and worked with the management, and that's what we have done.

So as not to spend too much time on this, I will simply say that we have tentatively concluded that probably the biggest single impact on the ability of this Nation to be produced in the event of an attack would come, strangely enough, not from the impact of the damage but rather from the breaking of the production mesh. We have created the most complex interdependent industrial complex in the history of the world and we have achieved great efficiency in production substantially

by a concentration of our efforts and dependence on other people for their concentration on other efforts. As a result of that, when the mesh is broken at any place, the thing spreads out. We have, therefore, concluded that the likelihood of any substantial production for some substantial time after an attack is very small. That's putting it very conservatively.

Our final program I mentioned briefly before, in passing. This is the so-called Executive Reserve Program. We feel very proud of ourselves as far as this particular program is concerned, because our efforts have met with signal success.

The Federal Government has somewhere in the neighborhood of 2000 or 2200 reservists, and we have about 1400 in our little agency, or somewhat more than everybody else combined. We run a very ambitious training program, with booklets, bulletins, meetings in Washington, meetings in the field. I think we maintain a very high degree of interest in the program on the part of the reservists, inasmuch as they pay all their expenses for travel and everything else, and we don't put a nickel in it. This perhaps permits me to say that we maintain their interest with some justice.

However, the thing we are proud of is that we managed to achieve something that I don't believe anybody else has yet. Up until last May we were very perplexed. Our reservists, by the way, are very sophisticated people. They are mostly high-level business executives. They

are very intelligent, very well informed, and about half of them have had stints in the Federal Government of from six months to 4 or 5 years. So this is a smart bunch of fellows.

They kept asking us if, in the event we ever did get attacked, we had all our information on what they were supposed to do, and the like. They asked: "How does anybody else know it? What authority do we have? How do we use this knowledge you are trying to put in our heads?" So, to make a long story short, we have now, for our whole executive reserve, completed all the paper work necessary to make them government employees. They all have filed appointment affidavits. As a matter of fact, a man whose name is on it is Mr. Asher, who is sitting over here at my right. They have all been given everything that a government worker has to have--except that there are two conditions, underneath, on the appointment. Condition one is that there has to be an attack on this country. Condition two is that they have to report to the nearest emergency operating center of the OCDM.

So, if there is an attack, and if somebody is in Tuscaloosa, and if he goes to the emergency operating center because he survives, he at this point becomes a government employee. He is converted from a reservist to a member of our production agency by that act. Remember, Washington is a hole in the ground. This is the assumption. But you notice that the action takes place because Washington is a hole in the ground. And so we have managed to get through the administrative

red tape and have the action completed and have the reservists converted to full-time government employees, because the administrative machinery of the Government can function. This is one of the conditions.

When the reservist communicates, as he is instructed to do, with the regional office of the OCDM, we have also taken an action and we have given--this has been done and has been published in the Federal Register--the production man in the regional office a delegation of the President's Title I authority. This is not a planning act; we have done this. He's got it, and he's got the authority to redelegate, and he has the authority to redelegate over the phone. At this point, when the reservist, who now becomes a government employee because he does report, communicates with the regional office, he gets the President's Title I authority delegated to him. We have a field staff scattered throughout the country--however many survive--of some 1500 reservists, full-time government employees, with the President's authority in their back pockets.

That completes my description of the 10 or 11 major programs. I might close this off by mentioning one or two things we are doing at the moment which I think might be of interest to you. I thought you might be interested to know that our agency was responsible for the formulation of at least 90 percent of the whole case of the Taft-Hartley injunction. I worked for Mr. Rankin for a period of about six weeks. This should be of interest to you people in your business, because,

if you read the case very carefully, which I hope you did, you noticed that the union had three contentions, one of which was constitutional and legalistic and had nothing to do with us, but the other two came pretty close to home. They said the President wasn't exercising his Defense Production Act authority very effectively, which certainly landed on our desk, and we had to prove that he was or at any rate that he was not required to resort to whatever remedial legislation the union decided but what he, as Chief Executive, decided. And the other one was the argument which you may recall in the lower District Court, the First Appellate, that you should reopen a little piece of the steel industry to take care of the defense orders, and that you didn't have to send the whole union back to work to make these tiny little defense requirements.

You've got to know what you are talking about when you argue about these things, believe me. This Mr. Goldberg is one smart apple. And this is the kind of information that just plain requires a knowledge of the fabric and the structure of an industry. It is a very nice example of what I am talking about in very general terms. You either know it or you don't know it, but you don't go out and make studies when the issue arises.

I think our efforts were crowned with success. I might say, by the way, that was a very interesting thing, because we wrote the Supreme Court brief, responding to Goldberg's brief, before we saw Goldberg's brief, and we guessed what he was going to do before he did

it. He changed his position between the Appellate Court and the Supreme Court. In the Appellate Court he said that we should open it up to take care of defense orders. When he went to the Supreme Court he said he never said that you just had to open it up for that little bit, but you only had to open it up for those facilities to build defense orders and then they could sell to anybody. Well, we guessed he was going to shift his ground before we got to the Supreme Court and we wrote the rejoinder on that assumption. There was a big sigh of relief when he did what we thought he might do.

The last thing I'll mention is philosophic. It's always a good way to end, I guess. Perhaps you think any way would be a good way to end. One thing I should mention is, the last few years that I have spent in BDSA have been a very intensely interesting experience, for one reason. That is the exercise of rather unusual authorities by the Executive Branch. I mentioned the Title I authority. There are plenty of others--granting tax amortization, developing expansion goals, purchase contracts, and the like--all of which have a very substantial impact on our free enterprise system. The delicate balance of knowing when the defense objective ends and when you are moving over into the field of profit-making and ordinary business has been a tremendous challenge.

I think the Executive Branch is really to be complimented. I don't think you could be aware of the tremendous concern that was expressed in the Congress and in the Executive Branch itself at the end of the

Korean War that these kinds of authorities would be carried over into a peacetime situation. Well, you can imagine, for example, in the steel strike, the tremendous difference it makes to an industrial concern as to whether or not it has the priority power to get some steel or not. The question of what's a defense program I think everybody here knows. It's a question of administrative judgment. It can't be defined; it's impossible.

This has been a very, very delicate business, and I think the Executive Branch does deserve a medal for their ability in these seven years to exercise this authority and at the same time not to abuse it but to simultaneously accomplish the purposes for which it was granted in the first place.

With that philosophic note, I thank you very kindly.

CAPTAIN SMITH: Questions?

QUESTION: Mr. Truppner, Mr. Hughes suggested that I save this question for you--I think you will be happy to know. We are spending billions of dollars each year on hardware for fighting a war but practically nothing on this Point A of your program of preparing for the survival of industry and the recovery of industry after an all-out attack. Does your agency or OCDM or the Secretary of Defense have any real dollars to put behind this program? The second part is: The Department of Defense also has an Industrial Readiness Program. How does that tie in with yours?

MR. TRUPPNER: The answer to the first question is no. The reason for no is that I think everybody has to write his own ticket. I personally feel there is a strong undercurrent. It has two parts. The first part is a suggestion that a program which has to begin anew at this point or at least be tremendously accelerated would carry with it certain implications with respect to the possible views that the Soviet Union might have on what we are thinking about. Certainly, whether that's true or not, this does color the thinking of people that there is a possibility that it might be true.

Secondly, I think there is the possible effect on our allies, and the suggestion it might carry that our policies in the international field are not being as successful as they might be. There is a suggestion here that possibly the State Department doesn't like it. These are speculations on my part, but I do believe that these are two important elements that account for the position in which we currently are.

As to the second question, it ties in in the sense that the Defense Department confines its activities to a very limited number of industrial plants, and our primary interest is in areas in which the Defense Department does not become involved. It is regarded as our responsibility that the steel industry, the chemical industry, and the basic raw-materials levels, and the manufacturers of survival items--when one gets to the end-product level--are our primary interest. They are not the interest of the Department of Defense.

QUESTION: We have had in the recent wars a lot of clamor for a czar all the time in this area. Would you feel that the present setup which OCDM has, of delegating to BDSA this production control authority, would stay there, or would the public clamor perhaps come up again and demand that you be separated back out into an all-powerful, czarist type of operation?

MR. TRUPPNER: Captain, I feel very humble about answering this question. But, if you will accept my expression, I will simply say that I believe that what would happen is that the OCDM would be split into two pieces--that there would be a small, policy-making group similar to the Burns-Vinson operation in World War II, in the Executive Office of the President, and that BDSA would be taken out of Commerce and made into a war production agency similar to the WPB, and that the programing and some of the other portions of OCDM that were left over from that split would be put into this production agency. I don't know whether you would call that a czar or not, but that is what I believe would happen.

By the way, this is not entirely consistent with the plans. This is my guess.

QUESTION: Referring back to your comment that we have the power to make an industrial concern in peacetime take a government contract, I was wondering: Have you ever had to do this? Second: Has anybody ever challenged this on constitutional grounds, yet? Has it been tested?

MR. TRUPPNER: Referring to the first question, all I can say is, I don't know how to answer it, for this reason: The prime contracts of Defense, AEC, and the Space Agency carry with them two things: One, an identification and certification in accordance with the DMS regulations, and then it just works automatically and is transmitted down the stream of subcontractors. Two, the Defense Department has a boiler-plate paragraph in the prime contracts which makes it a breach of contract for the supplier to fail to follow our rules. So it is both contractual and legalistic. I guess the best answer is that, in the years we have been administering the authority, first, we have had almost no case of a refusal brought to our attention, and we have a procedure for accomplishing this; and, secondly, when problems—and that's a much better word than "refusals"—are brought to our attention, we have always been able to deal with them. We issue a directive, in other words. We have directive authority.

So I guess the best answer is no, we don't have that problem. And nobody has challenged it on constitutional grounds at all, nor, I believe, would they be likely to.

QUESTION: Sir, in peacetime do you find that there is a gray area existing between your terms of reference and those of OCDM?

MR. TRUPPNER: Reference to what, sir?

STUDENT: For example, in determining certain requirements. You indicate that you get into that—materiel requirements.

MR. TRUPPNER: No, I don't believe so; not in that particular area. The way the thing operates is that OCDM is the central point for the preparation of the basic assumptions--whether it is a 3-year war or a 5-year war. They are responsible for passing a set of common ground rules to all the agencies that work on pieces of the job, and they are responsible for giving the basic assumptions as to the size of the labor force, the size of the gross national product, the size of the Armed Forces, the number of hours a week to be worked, what happens to the female component of the labor force, et cetera.

The areas of responsibility are then divided up. Interior has responsibility for oil, gas, power construction, mineral industries, and the like. We are responsible for the great bulk of our manufacturing industry. This is defined in a very big, fat book called the Class B Product List. It is actually defined in hundreds of pages of individual products and product codes. So it doesn't lend itself to too much confusion as to who does what. The rules are very carefully defined and are in very detailed form.

So we contribute, you see, the programs and the requirements for our area of responsibility, Defense for theirs, AEC for theirs, the Space Agency for theirs, Interior for theirs, Agriculture for theirs, and so on.

I guess my answer is, no, we don't have a problem.

QUESTION: In connection with Chairman Khrushchev's statement

that he will bury us economically. I wonder if this is perhaps an indication of the war that is not declared upon us, and, if so, if you have any indication as to the extent of the economic progress that the good Chairman will make against us in the immediate future.

MR. TRUPPNER: It most certainly is a manifestation of the economic war, and that is one reason that the first memorandum that I mentioned was written; namely, while the Russians would have good reason to think, perhaps, that this might create a disturbance in the United States, the first analysis said they are wrong about this. By the way, they would have good reason for thinking so.

You had another question, as I recall.

STUDENT: If there are other evidences of inroads into our economic situation.

MR. TRUPPNER: Well, of course, I think the tin disposal was an example of some recency. I also think that, even if the Russians did not use an enormous amount of nickel, if they could accumulate perhaps 150,000 or a quarter of a million pounds in the course of the next 2-1/2 or 3 years, they would be in a splendid position to create a tremendous disturbance in the world nickel market price situation. So perhaps they might utilize nickel not to improve the high-temperature quality of their planes or for other high-temperature applications but they could use it strictly in the economic area if they so chose. So they possibly would have everything to gain and almost nothing to lose.

QUESTION: I am concerned with the mobilization in the aircraft industry. First, you don't recognize this industry in your organization chart. Second, the people in the Pentagon who are concerned with this sort of thing leave me with the impression that plans just sweep things out the door that are ready to go, and that's it. Will you address yourself to that, please?

MR. TRUPPNER: On the first one, our failure to recognize the aircraft industry is a matter of concern to us, too. The situation isn't quite as bad as it looks, however. We recognize them in two ways. This is not satisfactory to us--don't misunderstand me. To keep this record straight, we do have a transportation equipment division which has in it an aircraft section. Secondly, we have a Special Assistant to the Administrator who concerns himself 100 percent with the aircraft industry and airline problem of disposing of the aircraft inventory on hand as conversion takes place to jet, without wrecking the market. You've got a couple problems here. You have some of the smaller air carriers and commercial lines, and the like, who have a very substantial investment in piston-engine aircraft, and, if any substantial dumping takes place, the value of their assets will go through the floor. We are endeavoring to develop a program for the disposal of the obsoleted aircraft elsewhere in the world where we think they might do some good to the country, do some good in terms of our international relations, and at the same time avoid disturbance of our domestic situation.

With respect to the Air Force's view of the aircraft industry, I have to pass.

STUDENT: Are there any mobilization plans to do something in case of an emergency, to produce more?

MR. TRUPPNER: I can only say, at the present writing, the answer is no. There is a long, long history as to why that should be no, but I will simply mention in passing that one's budget position and current request is greatly strengthened by having a "you have to fight with what you've got" philosophy.

QUESTION: Mr. Truppner, my interpretation of DMS Regulation I, which came out last month, is that a Defense Department program must be approved by OCDM before the Defense Department can allot any control materials to produce that program. I wonder if this interpretation is correct. If it is, do you happen to know what the procedure is in OCDM for approving or disapproving, in fact, a Defense Department program?

MR. TRUPPNER: If I may break my reply down into two pieces: First, the thing that has to be approved is a defense program--not a Department of Defense program--a defense program. This is the language of the legislation. The authority for approval resides in OCDM. The procedure is simply for our agency to consult with OCDM on cases that come up that ordinarily hit us first.

The only problem of defining is in the gray area that I mentioned

before. In other words, when a private shipyard builds a passenger ship, under normal Maritime Administration rules and grants, and the like, for private profit, it obviously is an economic activity that's the same as the Ford Motor Company's building a car. However, when the Navy comes over and says, "We'll write you a check for $2.2 million providing you change this space and you power it up so that it can go this many knots instead of that many knots, and the like," you have a very obvious defense element in that same ship. The question is: Is that particular problem now a defense program or isn't it? It's conducted on private funds for private profit, but it has a defense element.

So you have problems of that kind which have to be judged on the basis of the individual question. So far as the Department of Defense is concerned, their program is a defense program and they don't have to come and ask anybody anything. It is approved in toto, once and for all. So, if the Defense Department buys 150 typewriters, this is part of the Defense program, and the authority may be passed on, and is passed on, to the typewriter manufacturer. So there is no question about Department of Defense procurement. It's approved in toto.

CAPTAIN SMITH: Mr. Truppner, on behalf of the Commandant, faculty, and students, thank you very much for coming down here this morning and giving us this very excellent summary of the major facets of this subject.

MR. TRUPPNER: May I say it was a pleasure to be here, as always.