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on

CONFIDENTIAL COMMUNICATIOnS

delivered by

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A War Department Commodity Committee is a committee from the Supply Branches of the Army which have important interest in the commodities under consideration, the Chairman, in general, coming from that Branch having the major interest. A Commodity Committee of a Super-Agency or an Inter-departmental Commodity Committee, if and when formed, would be formed on the same principle. Any Commodity Committee is a forum where all interested parties get together, ascertain the pertinent facts, thresh out difficulties and make such recommendations to proper authority as the facts warrant. In short, it is a fact-finding, advisory body. The sections of this office or of a Super-agency which have to do with Progress and Requirements; Priority; Allocation; Price Control; Foreign Relations and Conservation could not function efficiently and intelligently without advice from the Commodity Committees. Also the Commodity Committees would frequently be of valuable assistance to the sections on Power, Labor, and Facilities. It was so in the world war. If we read Part II of Baruch's book, "American Industry in War" we find that the Commodity Committees were just what I have said and more. The very first paragraph reads as follows:

"The commodity sections of the War Industries Board were in an important sense the backbone of the whole structure. Through them the various so-called functional divisions - Conservation, Priorities, Price-Fixing, Requirements, Labor, and Allied Purchasing - obtained their expert information, made contact with the industries and with the purchasing agencies alike, received suggestions, requests, and complaints, and directed the enforcement of regulations and control."

While there were a total of 57 of these Commodity Sections, as they were then called, at the time of the Invasion, this number, so to speak, just grew. Gradually they began to take form as emergencies arose which made special action imperative. As the magnitude of mass production for our allies and ourselves so overloaded the divisions of the War Industries Board, which divisions had in turn grown out of the Council of National Defense, it was necessary to decentralize. Hence the Commodity sections. They not only assisted the functional divisions but to some extent took over their duties. They did important work in the matter of converting existing facilities and in creating new ones. They reached agreements on all methods of control and took the results to the proper functional division for approval and for having instructions issued that were necessary to make their agreements effective. To quote Durand again:

"Upon its formation a section would set to work to verify and complete the body of facts necessary in dealing with its problems. This was, of course, the most difficult, while it was at the same time the most vitally important part of the work. * * * In the first place then, it was the purpose of each commodity section to serve as a clearing house for information in its line."

How did a committee get these facts? In the first place the Chairman was a prominent Industrialist or Technical man and consequently brought with him to the Government service a lot of information. Then the Army, Navy and Shipping Board were represented on the Committee and brought in all information that was available in their respective bureaus, the biggest contribution of course being a knowledge

of requirements. Then the corresponding industry would set up a committee of its own to deal with the Government committee. This was called a War Service Committee. When these two committees got together it is readily seen that they could come pretty close to smoothing out whatever difficulties were encountered. If finally they couldn't agree the two Chairmen went before whatever functional division it was that handled the matter in dispute; the Chairman of the Commodity Committee representing the Government and the Chairman, War Service Committee, the Industry. The Division Chief, after hearing both sides, would make a decision and that usually settled the matter.

So much for the high points on Commodity Committees during the world war. You may pursue the subject in detail if you desire; the files are in the library. However, several times in his book Mr. Baruch refers to the urgent necessity for having the information that was assembled by the committees and on one such occasion continues as follows:

"There could perhaps be no more valuable measure of "preparedness" than the establishment in peace time of a bureau of planning and statistics (a fact-finding body), organized into about 60 commodity sections, whose function it would be to maintain current data on the productive capacity of the country."

"In some cases it was next to impossible to get vital facts accurately compiled and to get them in time for greatest usefulness in understanding and solving the problem. It is in this feature of the work that a peace-time bureau functioning continuously, watching with警惕ness over the development and

condition of each industry having a war value, could be of extraordinary significance if it should ever be necessary again to direct the industrial forces of the country to the support of a great war.

There is advised a peace time set-up studying for the future, which brings us down to this, this office and these commodity committees, as shown on current charts of the office.

As a matter of fact, we, not knowing any better when that list was prepared two or three years ago, made it up from the War Industries Board's list of 37 - there being very few differences between the two. We now believe that material changes are desirable - I will come to that later.

Of the 54 Committees, only 10 are now active; 15 of those take cognizance of the 29 strategic raw materials, the other 5 of Critical materials.

All except one - #28, Petroleum, has Chairman from the Supply Branch having the largest requirement. (This was an exception made necessary in connection with the President's Committee investigating our oil resources). Members, one each from the other interested branches.

All committees are a part of the Commodity Division of this office, the whole supervised by the Chief of that division who is designated as Coordinator. As indicated by the title he sees to it that the general policies and instructions of the office are carried out by all committees. The mere fact that officers on the Commodity Committees are generally on permanent routine duty in their branches makes a very unsatisfactory situation. "Ye cannot serve two masters" is as true now as it was when the Scriptures were written, although

the time of those officers is well taken up with their regular duties and their commodity committee work is extra duty, so to speak, I am glad to say that notwithstanding such adverse conditions they have done some exceedingly good work. The duties of a committee are, first, to master the facts. The Chairman is advisor to the War Department on all questions pertaining to his commodities. Whenever a specific procurement plan of any Supply Branch is received in this office, if it involves the use of a commodity now assigned to a committee for study, it is sent to that committee for review. All specifications are cleared through the Assistant Secretary's office and the same remark applies to them as to the plans. How do the committees get their facts? In the first place they bring with them from their Branches a pretty fair knowledge, especially of the uses in and requirements of their Branches. They establish personal contact with Trade Associations and technical experts and with suitable individuals in other Government Departments. I will give a few examples. Manila Fiber, as you know, is produced almost exclusively in the Philippine Islands. It was ascertained that the Department of Agriculture was anxious to demonstrate the practicability of growing some on this continent, in Central America, but found that the plants would die before they could make the trip from Davao, to Manila, to San Francisco and thence to Panama. So we went to the Navy, which is more interested in the fiber than the Army is. The Navy went to the Shipping Board. The result is that a Shipping Board vessel carried hundreds of the plants direct from Davao to Panama and in that vicinity they are growing prosperously under care of the Department of Agriculture. That Department had similar ideas in regard to rubber. So last winter when we caught the Governor of the Panama Canal Zone in town, a conference

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was arranged with him at which were present the Chairman of our Rubber Committee, also representing the Quartermaster Corps, three representatives of the Department of Agriculture and one of the Department of Commerce. Result: The Department of Agriculture has a plot of ground in the Canal Zone where it is endeavoring with good promise of success to show that rubber growing on the North American continent is actually feasible and commercially profitable. Take tungsten. Our technical contacts estimate that we have only 10,000 tons in the ground and that several years would be required to mine it. It is one of our most vital materials since it is indispensable in the manufacture of high-speed steel tools which in turn are indispensable to mass production. So this office held a conference with the Ordnance Department, the Commodity Committee and an official of the Climax Molybdenum Company. Result: The Ordnance Department and that company are together experimenting at Watertown Arsenal with a view to determining whether or not molybdenum is a practical substitute for tungsten. I shall go on at length with such references, but these are sufficient for purposes of illustration.

As I told you at first, certain improvements are now considered necessary in the set-up of the Commodity Division. Please see the chart showing three sections of eleven committees each. Sub-committees and individual items are not shown for lack of space. That set-up has been approved in principle but not in details. There is no hurry anyhow, since personnel is so limited that it is tactical in time of peace to set up many. If any, more than the 16 committees active. Besides, new inventions, changes in specifications, types, etc., will make corresponding changes in commodity committees. The thing to do and

What we are trying to do is to keep close watch on all these things and at least have a combined active and paper organization up to date and ready to be put into effect as conditions may make practicable and desirable. Several principles are involved in making up that chart. First, while 10 active peace-time committees are easily coordinated by one man, 35 war-time ones are not. Second, the sections are arranged so that as nearly as practicable the Industries concerned in any one section are allied to one another. This line of course is not clean drawn, but observe that Section "A" is based largely on Steel, the metals, minerals, etc., and the Ordnance has the most vital interest. Section "B" contains mostly commercial items with the Quartermaster Corps having the major concern. Section "C" is rather miscellaneous but with chemicals the dominant factor. At any rate, and very important, every committee naturally falls within or can well be placed within one of the "Classifications of Industries" as listed by the Bureau of Census. It is most desirable I think to have a permanent high-grade civilian employee now, in time of peace, on duty with each of those sections. Officers could and do and scatter on D-day, but these men would be here and all groomed by prospective officers of their sections in war.

Please turn to the other chart entitled "In the Absence of a Super-Agency". Consider the chart just discussed to be bodily inserted in the space marked "Commodity Division". You naturally want to know what that large question mark means over the Navy set-up. It simply means that I do not know exactly what the Navy organization will be. It is the Navy's business anyhow. I do know, however, that they will certainly have somebody, whether by the name of Commodity Committee or

what not, that will be able to get down to brass tacks on requirements and procurement of the same or similar items that the Army requires and procures. Just how would that organization work so far as the Commodity Committees are concerned? Or at least, how in my humble opinion should it work? To illustrate, take steel. Army requirements, computed by the branches, are analyzed by the War Department Steel Committee. Like action in the Navy. The two committees, War and Navy, get together and agree on same. The two chairmen go together, or perhaps decide which one is to go to the Committee of the Industry and present a united front on steel requirements for the National Defense. Industry can you do this? That is the question. Yes. Agreements having been reached, the matter is taken to Sub-committee A-2 (Allocations) of the Procurement Policy Committee of the Army and Navy Munitions Board for the purpose of determining whether or not such agreements are in accord with allocations of facilities made by that committee, which allocations however, in the first place, were made on advice from the Commodity Committees. Suppose they do not agree, what then? If it is Industry that is recalcitrant, it can doubtless be brought around by priorities in power and transportation which are regulated by the functional committees handling same. If it be the Army or Navy that refuses to agree either way of course appeal to higher authority. However, there is not apt to be any disagreement, and should not be if the Commodity Committees function as they ought to from the start. If a question of price-fixing comes up, the procedure is quite similar, except they go to the Price Control Functional Sub-committee for a decision. If a

question of conservation, to the conservation sub-committee and so on; in short, as I cannot stress too often, a Commodity Committee is a fact-finding and advisory body, a forum where all interested parties meet and get prompt, effective and concerted action.

One point I have not yet covered. In the transition from peace to a major emergency, what would be the policy in regard to personnel? I do not know, but I firmly believe that a prominent civilian, competent in his line and having the confidence of a particular industry would be brought in and made chairman of the proper commodity committee; that in case of an important committee with several sub-committees, others may be brought in as chairmen of same, all put on permanent duty in this office, but that the members will, as in peace time, be on permanent duty in their branches and logically such officers as are familiar with the subject, particularly with the requirements phases thereof. In this arrangement the requirements of the National Defense are computed and coordinated by men who know what they want and are interpreted to Industry in its own language through a man whom Industry trusts. No matter, then, how technical a proposition is in the beginning it ends, as it is bound to end, by being a business proposition for business men. We have now in the confidential files a tentative list of Chairmen and two alternates for every Commodity Committee we have on paper.

Let us now assume that a Super-agency will be set up. How would that affect the Commodity Committees? That body would without doubt immediately proceed to organize its own Commodity Committees. Logically it would follow the lines of those already operating and would call for and get such personnel and

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records from the old committees as it wanted. It would take over from those committees its biggest function viz: contact with the industries. The duties of the old committees, therefore, would be practically limited to assembling and coordinating the requirements of their respective departments. For example, the War Department Commodity Committee on Steel would stop dealing with the corresponding committee of the Industry; the Chairman thereof would probably be the War Department member of the Super-committee on Steel and would take with him, maintain and defend the steel requirements of the Army, previously coordinated by his own committee. So with the Navy and Shipping Board and any Government Department having important steel requirements.

In conclusion, gentlemen, I would like to explain what, according to my own conception, is the root of the whole matter, a principle which is practical and simple of operation in peace-time planning and in war-time action. The industries of the country are as they are. We could not change them if we would. Most of them, especially those from which the Army and Navy will have to procure their major items are already organized in Trade Associations. Everything we will need will come from the industries and we will have to approach them on their own ground. So it looks like common sense on our part to organize accordingly and in the simplest way possible. Look at the Chart again: industries to the left, thence a horizontal dotted line of contact to the Commodity Committees of the Government Departments. Here is where broad agreements are made and policies outlined. From the industries a vertical line of authority down to the production facilities; and through the Commodity Committees (not from them) another vertical line of authority from

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the legal governmental departments to their purchasing branches. Another horizontal line of contact connects the production facilities with the purchasing branches. Here surveys are made, and finally contracts - all in accord with the policies and agreements passed down the vertical lines. So we see there is a complete circuit. If unexpected trouble develops on the lower horizontal line and can't be settled there it will promptly flare back up both vertical lines and be settled somewhere on the upper horizontal. However, if the upper tier is functioning 100% most of the trouble in the lower tier will have been anticipated and prevented. Trouble should be settled somewhere on that circumference, but if it can't be, there is no necessity for its flying off on a tangent and making more trouble. There are always, remember the functional organizations - Power, Price-Control, Facilities, etc. - to which any question in dispute, according to its nature, may be taken and adjusted.