FUNCTIONS OF THE COMMODITY DIVISION, O.A.S.W.

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November 26, 1928.

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We take up this morning the Commodity Division Committee, - the functions of the Division in the Office of the Assistant Secretary. Major Taylor is Chief of that Division and I have asked him to give us a set-up of its operations. The functions of this Division have all been more or less obscure. In former classes here, and as a matter of fact, last year, we had a class that reported early in the game in the course that they did not see any use of the work and recommended that it be abolished. Of course, that created quite a controversy among the students, but we finally convinced all the members of the class of the important part it has in our work.

The history of the commodity sections in the War Industries Board has been treated in a great deal of detail by the men in the Board, particularly, as you probably know, in Mr. Clarkson's book and Mr. Crowell's book, so that going into detail on it probably won't be necessary at this time. You can find it also much better told in your books, so that I do not think I will go into it very far more than to correlate the work that has been done and which we hope to do in the Planning work. I do want to point out certain features in Mr. Clarkson's book particularly and to mention certain conclusions which I have drawn from these in relation particularly to the commodity sections.

A great deal of importance was attached to the commodity sections. In all of the writing on the subject, you

will get, to some extent, the impression that they were the whole thing before the end of the war. It seems that it was the practice for each office to leave the impression that no other division was of any consequence. However, the importance that is attached to these commodity sections is brought out particularly in the heads of chapter 17 in Mr. Clarkson's book in which the heading is "The Backbone of The Board· The Commodity Sections." Mr. Baruch attached equal importance to the commodity sections. These sections attached solid frame-work at the latter part of the war. I want to quote something Mr. Clarkson said in his book in chapter 17

> "Mr. Baruch used to visualize them as sixty-odd neatly labeled taps, from which he and the various boards, committees and divisions that functioned between the sections on the one hand and the governmental departments, the Allies, the public and the industries on the other hand, could draw all the facts, figures, ideas, and contrivances for any situation. They tapped some three hundred and fifty industrial reservoirs, represented ultimately by the war service committees of the Chamber of Commerce of the United States.
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> "These taps were duplex and reversible. Turned one way, they poured into the Board the controlling information in regard to all American industry that was not controlled by those two independent commodity bodies, the Fuel Administration and the Food Administration. Turned the other way, they promptly transmitted to all industry the behests and requests of the Board."

This gives some idea of the position the commodity sections occupied during the War.

From elsewhere in the book:

> "Imagine a business enterprise composed of sixty partners, each of whom is experienced in a particular field, but not lacking in knowledge of some of the

other fields and of general industrial and commercial processes. Assume further, that they are mostly men under fifty, and that none of them is stale or cynical and that they are engaged in a novel, stimulating, and absorbing enterprise, which so dominates their lives that with respect to its realization they suppress all jealousy, eliminate internal politics, and are free from self-seeking. Now, put them under a loose central control whose purpose is not to dominate, but to coordinate them, and which gives to every partner the full control of his assignment accompanied by the fullest confidence, with virtually no limitations, and you have the commodity sections of the War Industries Board, and practically, the Board itself."

I think, in attempting to read between the lines in the books on the subject, that one is led to the conclusion (I am, at any rate) that most of the organization charts of the War Industries Board, the description of their organization, and so on, were written in an attempt to deal with the board work. They were, in other words, a statement of how the machine worked, rather than the design on which the machine was built. In the first place, in the War Industries Board and its predecessors, it was found difficult when they first started off, to know organizing along functional lines, as I understand it, and as they went along they found a great deal of difficulty.

When a problem of power came up it was not always recognized as a problem of power. It was first recognized as a problem in wheelbarrows, so that it was very difficult to classify it as a problem of power and not an actual problem of wheelbarrows. So they began gradually to classify that way, and the commodity committees were set up and began a sort of

industrial future for the Industries Board.

These elements expanded and became of more and more importance so that they practically over-shadowed the other working divisions of the War Industries Board. As I make it out, they spoke of the difficulties that were in the functional branch of the War Industries Board. The committee gathered statistics and all the necessary facts. They listened to complaints from industries and complaints from government departments and even from the civilian population, and attempted to straighten out these disputes and complaints and naturally passed on many of their problems to the functional division, or to what I call the service sections, which I will explain a little later, and when a decision had been reached higher up, as you may say, it was passed back again to the industries through the War Service Committees.

In the formation of the War Industries Board originally, and its predecessors, they called at Washington here, men who were experienced in their subjects as specialists, but unfortunately to start with, they asked the men to advise and help the Government in its procurement problems and at the same time left them to represent their industries. Now this was very difficult because the men were trying to serve two masters. They were trying to do their best by their own businesses and they were trying to do their best by the Government and with the best will in the world, they naturally failed. So they set up a change and those men, most of them, have given good service to the War Department.

The Chamber of Commerce of the United States used its influence with industries to appoint war service committees to deal with the coordinated sections of the War Industries Board.

Now chiefly, from the past to what we are trying to do now, and what we hope we will be able to do in another emergency, the Commodity Division of this office is organized to plan in such a way that the branches will be able to procure those things which are necessary for a war and that they should be able to do it with the least possible disturbance to civilian industries. I think it would be unreasonable to expect at this time to find that we had organized or established methods which are the same as those of the War Industries Board.

It has been often said that we cannot expect to use the same methods now to keep out of trouble as was used by the War Industries Board to get out of trouble. The War Industries Board had questions to consider which were involved with ordinary peace-time activities of the country as well as those of the Government. The very large orders that had come from the Army, the Navy, the Shipping Board and the railroads threw industries in this country into somewhat of a condition of anarchy and the War Industries Board had one kind of people in mind when they undertook to comb this out.

Of course, we suppose that if intelligent planning had been used for some years before the last war that these problems, most of them, never would have arisen. At any rate, we hope so, and

we are trying to fix it now so that they will not, or comparatively few of them, arise in the future in the Office of the Assistant Secretary.

I got up a sort of trick organization chart which looks somewhat different from organization charts of the office which you have seen before, but it is meant to tell the same story in a little different way. I have done this, not that I want to exhibit the whole organization of the Assistant Secretary's Office, but it seems to me that this is the easiest way to indicate what the Commodity Division is and what it has to do. I am attempting to show some old facts in a new way and to give you an idea as to what and why the Commodity Division is.

The function of the Assistant Secretary of War in war time seems to me might be, to use the fewest number of words, - procurement progress, and the Planning Branch is here to plan for this. There may be many problems in the Supply Division with which the Assistant Secretary's Office need not concern itself greatly because they are simply a direct detail between the Chief of the Supply Branch and the firms with which the chiefs of branches are dealing.

In the case of the procurement of 75 m.m. guns and radio sets, motor vehicles and horses, we can imagine that one man will start out to procure 75 m.m. guns for one organization and will follow that problem through from beginning to end and in the course of his work he will meet with comparatively little interference between the problem of procuring 75 m.m. guns and the problem of

procuring radio sets. Such interference as arises can be taken care of in the coordinating agency in the Office of the Assistant Secretary of War. Procurement coordination, however, is not the same kind of thing, it is in no way similar to it. It is not a field which can be divided into sections which different organizations will go into from start to finish, but it is one big field which can only be subdivided by approaching it from three different angles. The main problem of procurement organization is approached from three angles and there is comparatively little of it represented by these areas here. The problem is over-lapping throughout and the job is to straighten it out. I take the three men operating the Division of the Office of the Assistant Secretary of War. I have excluded the division of the office which is not of internal administration,--one of importance, but still not essential to the explanation of my idea. Any one of these three divisions, theoretically and in principle, should be able to work the problem out single-handed, but the limitation of human knowledge is such that it cannot be done that way. So, we have, as I say, one single field, not subdivided, but to be covered from different angles. I brought it up here this way and this problem isn't solved, I thought if I solved it, they would think I was too perfect.

Now every commodity whether it be a finished product, an intermediate product, or component parts of raw material, (speaking of raw material, in fact, as far as the point where it is iron ore in the mine or rubber in the tree) may be subdivided into two elements which yield to its creation, that is, materials and services. On this chart here, the group of services is represented

by the Industrial Division as transportation, power, labor, etc. Down here, I have the Commodities Division which represents things regarding materials and ending up with finished products. Now the Planning Branch is concerned with the coordination of procurement of finished articles, and within the branch, the Industrial Division has to plan the services. Services will be available.

The preponderant importance of the Commodity Division in all this discussion is due to the fact that in all materials everything is a raw material, for what is a finished article in one thing is a raw material in another, so that you can always in separating those things, recognize that there is an element of material there.

Although the finished article is only resolved into raw materials from machinery, there is a need for organization and methods. For that purpose we have organized methods up here which are handled by the Procurement Control Division, Priorities, Allocation, etc. Then methods, machinery, etc., carry out the plans.

Now coming down more definitely to commodities, I may quote what the dictionary says the word "commodity" is. The exact equivalent of the word is "goods." That is rather a large order--a big field. The field is so large that it cannot be handled by either one man or one centralized organization, and it has to be centralized. At the present time, we centralize the subject into nineteen active commodity committees. We have a great many more commodity committees which are equivalent and are being made active

as the situation demands it. These are set up, as you will notice, mostly to cover raw materials. The reason for their going back again is that the Commodity Division only retains the responsibility when services have been eliminated, so that you get back to your basic raw materials.

We would like to have in every one of the commodity committees, the world's greatest experts on the group of commodities involved, but naturally we have not the money to pay such men and we do the best we can which I think is very good--very well. We have the Commodity Committee made up consisting of a member of each branch and the chairman is the representative of the principal using branch.

In the war time organization that we propose we will have, let us hope, the world's greatest expert over here as chairman of the Commodity Committee in the Office of the Assistant Secretary of War. He may be a Reserve Officer or a civilian, but probably we will get better results from a Reserve Officer for they will function better than civilians and we can hardly expect the army to contain the world's greatest expert, although it may be possible.

Since as you know we have non-ferrous metals one of the committee problems here, there will be a great many sub-headings under that,- platinum, tin, etc. We can hardly expect the Chairman to be the world's greatest expert on all of them, so he will have specialists under him who are from the staff of the Commodity Committee. The members of the Commodity Committee will be representatives of each branch and it is most important that we should have men who are

entirely familiar with the uses to which the commodities are put in the branch, as was done in the War Industries Board.

This we have tried to do in the present, that is, give them, or cause an autonomy, if possible, exercising such alternatives and coordination as may be necessary and that idea perhaps accounts for questions raised as to why they should go ahead of the Commodity Section coordinator. It is proposed in war times to sub-divide the commodities into three groups. We have here Section A, Section B, and Section C. The head of each of these will be a chief co-ordinator. Now in arranging these in groups, it has been hard to find some basis for grouping them. I think there is a certain amount of logic in it, but in Section A we have mineral products used in mechanical and construction work, particularly mechanical work, and in Section B we have the common things, the ordinary things of commerce which ordinarily would be the concern of the Quartermaster Corps, you may say, and in Section C we have mechanical and scientific articles.

I might say that there are three principal functions of the Commodity Committee. The first deals with the necessary expert knowledge, presumably all necessary knowledge of the War Department, to act as the expert in the Office of the Assistant Secretary of War.

The second function is that of determining the best distribution to make of a limited supply of raw materials. That would require a detailed technical knowledge of the uses to which the materials are put.

The third function, and perhaps the most important, is in acting after contact with the industries. Now it should be under-

stood that the contact with industries as referred to here is in no way the contact the Chiefs of Branches will have with industries, concerns, individual firms, factories, and so on. It should not frequently be necessary for them to try to cover the whole field. If the Chief of Ordnance is going to procure 75 m.m. shell and he is the one who is going to procure 75 m.m. shell, there is no interference there, but everybody that has a foundry and machine shop in the country is not going to concern him greatly after he has what he wants. The Commodity Division has the whole interest in it.

Now, the Chief of Ordnance does not care as long as he has contact with the people from whom he can get materials and with people who take the same kind of interest in it that he does, the men who can give him 75 m.m. shell,- the individuals. The Commodity Committee, however, since it is concerned with everybody's requirements in the War Department, is concerned with the whole industry, and that is what they have to form their contact with.

The method of contact that is proposed between the Commodity Committee and the industries, between the Assistant Secretary's Office, will be with War Service Committees through the Commodity Committee. We hope that now very soon we shall have such a committee to deal with. Such a committee as that should be made up of the members immediately detailed, or the middle men, if you will, and the users, and when we have determined, if the time ever comes when we can determine with absolute certainty, what our requirements are going to be, we can discuss with such a war service committee as I have indicated, and show them that as a matter of fact

there is enough to meet the Army's needs and the Navy's needs. It seems as though all of them, represented as they are, should be able to tell us as to how the balance is to be taken care of. That is what we are hoping for, but we haven't anything to show for it at the moment. I very much hope that in a year or two we shall have something to show,--the plan made by the Chief of Branch to show all requirements and the balance of the plan made up by the people who really know what they are talking about, just as we know what we are talking about in army requirements.

The methods that perhaps illustrate the necessity for contact between the Commodity Committees and the industries and to show the working or relations between the Commodity Committees and the Branches and so on, I will give you an example of a 75 m.m. complete round.

It seems that as long as no difficulty arises, the Office of the Assistant Secretary of War is not going to interfere in procuring 75 m.m. rounds. That is the Chief of Ordnance's job. He goes to the factory that produces them. Everything runs along all right. It should be borne in mind, however, that 75 m.m. is a war time commodity, but suppose a situation comes along where the allocations have not worked out quite right and there is some difficulty in obtaining the rotating bands, due to the fact that the Engineers or Signal Corps has put in an order for transmission wire. Doubtless, the difficulty lies with Allocation, but how can you expect anybody on the outside to come down here and go right into the Allocation Section?

The question of copper should go to the Copper Commodity Committee to see what the trouble is. The Copper Commodity Committee would have information regarding the available supply of copper.

Suppose it is the copper ruling industry, (Colonel Carr What industry? Answer The copper ruling industry.) Now, the Commodity Division is by no means a buck-passing organization, not in the least, because you always come back to this raw material proposition. Most of its connection is with raw materials. It is a particular question and they cannot pass the buck any longer and when it gets to raw materials, they cannot pass the buck to Services. That explains the reason why raw materials are our chief concern at the present time.

With regard to procurement plans for raw materials, there has been quite a lot of discussion as to just how they are made out the way they are. They are made out by the Chief of the principal using branch. You might say, "Why shouldn't the Commodity Committee do it, they know all about it " Now the Office of the Assistant Secretary of War has no operating function. The actual job of procurement has been the function of the Chiefs of Supply Branches always. It is still, by law. The Assistant Secretary of War has no machinery for spending money. Its job is coordination and as soon as he dabbles into this business of buying and selling and transporting, etc., he is going to fail to attend to the job that he has.

Now, in the case of handling 600 tons of manganese, the Chief of Ordnance is responsible for the procurement of it, but

suppose that a situation did arise such as the Quartermaster Corps commandeering wool. They should procure it and store it somewhere. Has the Assistant Secretary of War the machinery to do it? He certainly has not, but the Chief of Ordnance has, in so far as anybody has. Of course, nobody is very well fixed to do it, but since the immediate action must be taken by the Chief of Ordnance, it is right that he should work it out. He has the organization and everything else to do it. It is passed on to the Commodity Committee as experts, not as buyers or sellers, but it looks to them as if it could be done. Of course, when the time comes the real action contemplated is that he will find some way by which he can assure the other interested services that they will get the manganese that they want.

I just brought that in at the end because there has been so much discussion on the subject.

That is all. Any questions?

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