

THE ARMY INDUSTRIAL COLLEGE
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OFFICE OF THE ASSISTANT
SECRETARY OF WAR
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PLANNING BRANCH
PROCUREMENT DIVISION

Address by

The Assistant Secretary of War

Honorable Harry H. Woodring

October 11, 1933

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Colonel McCain; Students of the Army Industrial College; Gentlemen:

I am sorry that the press of other duties prevented my participation in your opening exercises. It gives me great pleasure at this time to welcome you and to congratulate you upon the high standards of performance which you have each set during your military careers, and upon which your suitability for this detail is based. I extend particular welcome to you officers from the Navy and the Marine Corps. Your presence here is convincing evidence of the close cooperation that exists between the Army and the Navy in the solution of problems common to both services. Cooperative action is essential in the development of plans that will insure the most effective use of the nation's resources in the event of an emergency. Let me remind you that unless you think in terms of the national defense and not in terms of the Army or the Navy separately, you will make very little headway in the solution of problems relating to war procurement and industrial mobilization. This fact will become more and more evident to you as your studies progress into specific problems concerning the various elements which must be considered by my office in carrying out the responsibilities imposed upon The Assistant Secretary of War by Section 5a of the National Defense Act.

I am not going into detail concerning these problems. Your Director and his Staff have already indicated to you the scope and nature of your studies here and the details will unfold themselves as you progress into the course. What I would like to emphasize this morning is the fact that your opportunities for new and constructive thought with the probabilities of attaining outstanding results are greater than have ever before been afforded a class in this college. No other class has had the opportunity to study our conception of a planned war economy and at the same time to observe the inauguration of a system of planned economy on a national scale, some parts of which are certain to become a permanent government institution. That is why I expect and I think that I have every right to expect from this class results which will be of more than ordinary value to the further development of our own plans.

To assist you in the accomplishment of this high objective you may be assured of the earnest and patient cooperation of all officers on duty in the Current Procurement and the Planning Branches of my office. You need feel no hesitancy in bringing to them pertinent questions concerning any phase of their work to which your studies and research may lead.

The Current Procurement Branch, in addition to the ordinary duties assigned to it, has, for the past six months, been busily engaged in work pertaining to the President's recovery program. That is, supervising the procurement by the Army of supplies for the Civilian Conservation Corps. This is not only an intensely interesting task, but it is also furnishing an opportunity, never before presented in peace time, to test the efficiency of the administrative and supply systems of the Army as developed under the National Defense Act of 1920.

Conditions in many respects have been analogous to those which might reasonably be expected during a minor war emergency or even during the early stages of a major emergency. The total enrollment and the requirements in many items of equipment exceed considerably the total enlistment and supply requirements for our effort in the Spanish-American War. I have been greatly impressed by the efficiency and energetic manner in which the Army has been carrying out its mission in this undertaking.

However, we will be failing in our duties if we do not capitalize the very valuable experience that is being gained in procuring supplies and equipment for the Civilian Conservation Corps. Many lines of research suggest themselves. For instance:

What modifications in peace-time procedure were necessary and why were they necessary?

Were sufficient goods of a commercial type meeting Army specifications immediately available, or was it necessary to accept substitute articles?

Were substitute articles entirely satisfactory, and if so, why not change our specifications?

Where purchases were decentralized, did congestion and overloading of facilities occur?

Were manufacturers able to get into production promptly, and if not, was the delay due to the non-availability of contributory materials and labor, or to other causes?

Were manufacturers willing to accept orders? If not, were they reluctant to increase production above normal for the sake of what in all probability was just one order - or was it because of unwise procedure by the government in its methods of soliciting bids - or perhaps conditions imposed upon contractors were unduly stringent?

The answers to these and many, many other questions will immediately indicate wherein our procurement plans may need revision or complete change. I am confident that when we have made a complete study of the subject, and have applied the lessons derived therefrom to our existing plans, we may feel reasonably certain that these plans are sound and workable.

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The Civilian Conservation Corps is, however, only one phase of the recovery program in which we have a special interest from the viewpoint of industrial war planning. The various federal agencies that have been established under the Agricultural Adjustment Act, the National Industrial Recovery Act, the Banking and Currency Acts, and the Transportation Acts, all find their counterpart in some form or another in our contemplated set-up for industrial mobilization. Their purpose, their activities, their method of procedure, and finally, the results that are obtained must therefore be studied and evaluated so that we may apply their desirable features where applicable to our own plans.

With over nine million of our people still on the unemployed list, the measures that are being inaugurated under the Emergency Relief Act, under Mr. Hopkins, will be of particular importance in relieving suffering during the coming winter months. This is in itself a gigantic task. I believe, however, that the steps so far taken and those that are now definitely planned for are premised upon sound principles and will accomplish their purpose. For example; six million tons of coal are to be purchased and distributed within the next few weeks. Only coal not yet mined will be purchased and this gives assurance that not only the direct recipients will be benefited, but that many miners will be put to work, our transportation systems will be given needed business, and related industries will also benefit. I would suggest that you observe carefully the regional system of distribution that is being set up by Mr. Hopkins for the accomplishment of this particular task.

While the farm relief measures and the measures to control currency are of prime importance, our main interest centers upon the National Recovery Administration because our problems in war are primarily of an industrial nature. We feel entirely able to feed ourselves and our armed forces if our domestic resources in food products are properly distributed - and we have a reasonable certainty that under proper control our transportation facilities are adequate. But we know that under the most favorable conditions industry cannot meet our requirements in certain items and that in order most effectively to utilize our productive resources there must be some sort of government control and coordination of these resources.

Upon passage of the Industrial Recovery Act it was apparent that many of its purposes and much of the machinery necessary for its administration were strikingly similar to the purposes and machinery of our proposed war-time control of industry. That is why I immediately offered to General Johnson the facilities of my office with the hope that these might be of assistance to him and also knowing that first-hand observation of the act's operation would be of great benefit to

us in further developing our plans. As a result, two officers from the Planning Branch are now on full time duty with the National Recovery Administration and others may later be detailed to observe and to assist in this important work.

My own observations on the National Recovery Administration at this time are that as a long range scheme for national economic planning it will succeed and will be of great benefit to American industry, the American wage earner, and to the American people on masse. Some form of permanent government control of private industry had to come sooner or later, and since industrial leadership has proved itself unwilling to or incapable of initiating such a scheme on a national scale, it is only right and proper for government to assert itself in the interest of the public welfare. I do not mean to imply that industry and capital have a monopoly on group self interest as opposed to a spirit of cooperation for the common good. Labor and agriculture have also exhibited tendencies that are extremely selfish. And from the events of the past few months I am very fearful that more difficulties in the actual administration of the Recovery Act may be presented by labor than will be presented by industry and capital. It seems to me that such has been the case during the initial stages, and I feel that labor leaders should be made to realize that unreasonable demands by labor will jeopardize seriously the success of the entire program. After all, the whole scheme is based upon the principle of cooperative action between industry, capital, and labor, with the government in the role of referee. If this principle is not adhered to by each element concerned I can see nothing but failure and chaos for the project.

The emergency phase of the Recovery Administration has about passed, and is gradually being replaced by a better ordered and a longer ranged scheme for social control and a planned economy. The results to date may not at once be apparent, and to many of us may be extremely disappointing. Still, too much was claimed, and entirely too much was expected in such a brief period of time, and I believe that in retrospect many results of an outstanding nature will become apparent.

I think great progress has been made by our industries toward integration and toward thinking of an entire industry as a unit which must adjust itself to other industries and to the public service. In other words, the idea of a public interest as contrasted to an individual profit interest has rapidly gained ground during this emergency phase of the recovery program. Another result has been the mobilization of public opinion which after all is probably the most powerful force in our democracy. The publicity programs of the various emergency administrations might, however, be used to better

advantage if some centralized agency, such as is proposed in our present mobilization plans, were set up for the purpose of coordination and solidifying public opinion in a balanced support of all emergency agencies.

Then, too, the Recovery Administration has been handicapped initially by the lack of complete statistical data concerning many individual industries. The administration of the act and the formation of codes containing equitable provisions require the practical formation of definite plans for each industry. This involves many decisions which can be made only if statistical data are complete and thoroughly correlated with data concerning related industries.

A result of the emergency phase has been to expedite the submission of data upon which to base these decisions and to hasten industry into the development of specific codes. And from now on we may look with interest to the more or less permanent policies and organizations that are to be developed during the coming months. It is, of course, too early to predict what these policies are to be or what form the final organization will take. Still, from our studies of World War attempts at industrial control, and from our knowledge of the character and temper of the American people, it may reasonably be assumed that it will not be necessary for the government to apply the powers of compulsion directly upon individual business units in the enforcement of its codes. It should apply these powers in a general way upon major groups of related units, leaving the details of enforcement to industry itself. In the final analysis all that is desired is a sufficient integration and a sufficient regimentation of industry that will allow the government to direct industry into whatever direction may be required by the public interest. Of course, the government power is there and must be used when necessary to break deadlocks and to force coordination between the various elements involved.

We should study carefully the development of policies concerning government price fixing. This problem was one of the most perplexing issues during the World War and one that is now causing considerable controversy. Of course the difficulty in war time is to minimize the influences causing inordinate rises in prices and disastrous price inflation, whereas the purpose at present is exactly the opposite and seeks to raise prices of practically all commodities in terms of our dollar. Still, the forces underlying the price structure do not change and we may gain some valuable lessons from the present efforts which should be applicable to war time conditions.

The trend toward price control at this time seems to be in the direction of providing ways and means for accurate cost determination and for agreements in each line of business not to sell below costs, thus guiding prices into a fair competitive level as distinguished from actual price fixing.

Supplementing this is a certain control of, or rather allocation of production in some of the natural resource industries, but I do not believe such a measure is necessary in other lines because as each industry gets its trade association organized and its research and statistical unit in operation, facts and figures themselves will guide the production of each unit.

Another policy in which we should take interest is that of prescribing minimum wage scales, maximum hours of labor, and the ostracism of child labor. These provisions are in the present codes and have come to stay. They are social, economic, and in a sense political necessities. If nothing else of a permanent nature comes out of the Recovery Act, this achievement alone will justify it, provided, of course, that labor itself can be held to conservative demands and to a spirit of compromise in its dealings.

In this connection I am certain that the present system of applying the same minimum wage for a particular line of endeavor uniformly throughout the country must give away to a system that will take into account the difference in the cost of living in various localities. For instance, it seems perfectly obvious that the minimum wage for carpenters in our industrial centers must be considerably higher than the minimum for carpenters employed in building a house or a barn on a mid-western farm. Thus the decisions on minimum wages are not only difficult from the standpoint of social justice, but constitute a battle between immediate self interest and the public welfare. This will remain as one of the most delicate and complicated problems in the administration of the Recovery Act.

So far, the efforts of the various recovery agencies have been directed toward boosting the purchasing power for consumption goods. That is, raising wages and prices of farm products. This has not been enough. It is absolutely necessary that the purchase of capital goods also be accelerated. The public works program is one step in this direction, and the intention of the government to finance the purchase of new railway equipment is another. A project that deserves a great deal of consideration and for which there is a crying need is that of residential housing for our masses. In the slum areas of our larger cities whole blocks of obsolete housing could be torn down and in their places should be erected modern, low rent apartments. This would not only be a humanitarian program, but would stimulate the great building industry, put people to work, and provide a necessary market for capital goods.

Of course we must realize that the expenditure of the entire three billion dollars appropriated in the public works fund can not of itself bring a continuing prosperity. Its purpose is to prime the pump that maintains the flow of trade. When this is done private capital must take up the burden and keep the wheels of industry turning in the right direction and with the desired momentum. But the biggest drawback now is that private capital is not making itself available for the purchase of goods from manufacturers in our heavy industries.

Our railroads need new cars, new locomotives and new rails. Other industries need machinery and new equipment of all kinds for the purpose of rehabilitation. If they could buy now the builders of industrial equipment could put millions of men to work and spend millions of dollars for raw materials. I can see no other way by which the market, not only for consumers goods but for capital goods, can be restored permanently.

At the present time the greatest impediment to making private capital available for such purposes is uncertainty concerning the President's plans for or against currency inflation. It is true that the Administration has been trying energetically to bring about easier and more credit and thereby place in the hands of industry the means for expanding the number of jobs and increasing the pay of workers. I am thoroughly convinced that these efforts will prove futile and that banks will continue to be extremely conservative in their credit policies until there is an authoritative announcement of a definite monetary policy. There can be no confidence until this uncertainty is removed and there can be no decided recovery without confidence.

Time does not permit a further discussion of the emergency program with its many ramifications and its great interest to us from both a social and a professional standpoint. I wish that I too might have the opportunity for its observation and study that is being afforded you during your course here. However, by frequent attendance at your conferences I expect to hear many of your discussions. In closing let me again extend to you a most cordial welcome and my best wishes for a pleasant and a very successful tour of duty.